

City of Piedmont
COUNCIL AGENDA REPORT

DATE: March 16, 2020

TO: Mayor and Council

FROM: Sara Lillevand, City Administrator

SUBJECT: Consideration of the Acceptance of the 2018-2019 Audited Financial Statements

RECOMMENDATION

1. Review and accept the City's independent auditor's reports for 2018-19:
 - a) Annual Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2019
 - b) Measure B Program Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2019
 - c) Measure BB Program Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2019
 - d) Measure F Program Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2019

BACKGROUND

The City's independent auditor, Mann-Urrutia-Nelson CPAs & Associates, LLP (MUN), has completed the audit of the City's financial statements and provided auditor's reports for the fiscal year ended June 30, 2019. The Finance Department is responsible for the preparation and fair presentation of the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The Audit Committee, consisting of Mayor Robert McBain and Councilmember Jennifer Cavanaugh, met via conference call with the audit partner and City staff on March 4, 2020 to discuss the auditor's financial report and recommendation regarding internal control.

The Annual Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2019 contains a number of sections. These include the Independent Auditor's Report, Management's Discussion and Analysis, individual financial statements, Notes to the Basic Financial Statements, and the Required Supplemental Information. The audit partner from MUN will be present at the March 16, 2020 City Council meeting to present the audit and answer any

questions.

DISCUSSION

The audit addresses the City's general financial statements, the Measure B and Measure BB funds, and Measure F sales tax special revenues. The audits found no exception to conformance with generally accepted accounting principles and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General.

MUN found the general purpose financial statements present fairly, in all material ways, the City's financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2019. The audited financial statements include the statement of net position, statement of activities and changes in net position, balance sheets, statements of revenues, expenditures, and changes in fund balances, and statements of cash flows.

In summary, the City received a clean audit opinion, with no material weaknesses, no significant deficiencies, nor any compliance exceptions. For an overview of the Annual Financial Statements and Independent Auditor's Report, see the Management's Discussion and Analysis beginning on page 3 of the report

By: Michael Szczech, Finance Director

Attachments:

- A. Annual Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2019
- B. Auditor's Letter on Compliance and Internal Control
- C. Measure B Program Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2019
- D. Measure BB Program Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2019
- E. Measure F Program Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2019
- F. Appropriations Limit Calculation as of June 30, 2020.
- G. Management Letter
- H. Letter Communicating with Those Charged with Governance

City of Piedmont

Financial Statements
and
Independent Auditor's Report
For the Year Ended
June 30, 2019



CITY OF PIEDMONT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

To the City Council of
the City of Piedmont
Piedmont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piedmont as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piedmont, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Piedmont's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2020, on our consideration of the City of Piedmont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Piedmont's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Piedmont's internal control over financial reporting and compliance.

Mann, Kristina Nelson CPA's

Sacramento, California
February 26, 2020

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

The Management's Discussion and Analysis (MD&A) provides an overview of the City of Piedmont's activities and financial performance for the fiscal year ended June 30, 2019. To obtain a complete picture of the City's financial condition, this narrative overview and analysis should be read in conjunction with the accompanying Basic Financial Statements.

FINANCIAL HIGHLIGHTS

Government-wide

- Net position is defined as the excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources. As of June 30, 2019, the City's government-wide net position amounted to a positive balance of \$37,222,011. This represents an increase of \$4,291,912 from the June 30, 2018 balance of \$32,930,099.
 - Governmental activities of \$27,202,902 and accounts for 73% of total net position.
 - Business-type activities of \$10,019,109 and accounts for 27% of total net position.
- Deferred Outflows of Resources represent consumption of net position or fund balance that applies to a future period. Of the \$7,715,900 in Deferred Outflows of Resources, \$2,920,619 includes contribution payments made to CalPERS during fiscal year 2018-19, as well as changes in the net pension liability totaling \$4,503,281. As allowed by GASB No. 68, the CalPERS measurement date is June 30, 2018 and contributions subsequent to the measurement date are reflected as a deferred outflow. The remaining \$292,000 in Deferred Outflows of Resources relates to changes in the Net OPEB liability.
- Deferred Inflows of Resources represent an acquisition of net position or fund balance that applies to a future period and amounts to \$5,870,763. The deferred Inflows include deferrals due to changes in the net pension liability, net pension asset - police & fire, and net OPEB liability. Notes 7, 8, and 9 discuss the impacts of these changes to net position.
- Net position increased by \$4,291,912 due to the following factors:
 - Net investment in capital assets increased \$287,759 to \$39,722,960 due to the following:
 - Governmental activities increased by \$708,978 due primarily to the purchase of a Pierce Enforcer PUC - Triple Combination Pumper Fire Apparatus, computer system enhancements, and vehicles for the Police and Public Works departments, offset by annual depreciation.
 - Business-type activities decreased \$421,219 due primarily to the increase in the loan amount from the State of California Water Resources Board for the completion of Phase V of the City's Sewer Rehabilitation program and loans and additions to the sewer infrastructure for \$458,636 and \$189,476, respectively and offset by depreciation.
 - Unrestricted net position increased by \$3,301,092 to \$(8,654,052) due to the following:
 - Strong revenue trends combined with controlled expenses resulted in an increase in net position.
 - Property tax-related revenues, which represent 62% of governmental activity revenue increased \$742,123 to \$20,159,897.
 - ◆ Property tax revenues amounted to \$14,078,550 an increase of \$703,545 (5%) as compared to FY 2018.
 - ◆ Real property transfer tax revenues amounted to \$3,819,816, a decrease of \$25,382 (less than 1%), as compared to FY 2018.
 - As of June 30, 2019, capital assets, net of depreciation, amount to \$47,296,078 and are reported in the Statement of Net Position.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Fund level

- Governmental fund balances increased \$1,552,164 to \$22,189,203. Of this amount, the unassigned fund balance was \$5,277,757, a decrease of \$227,697 from the prior year.
- Enterprise fund net position increased \$907,236 to \$10,019,109. Of this amount, net investment in capital assets totaled \$10,124,846, a decrease of \$421,219 from the prior year.

Fiduciary funds

- The trust funds net position increased \$1,293,897 to \$21,807,526. The trust funds represent the police and fire pension plan and OPEB for \$12,950,030 and \$8,857,496, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include administration, public works, public safety, and recreation. The business-type activities of the City include sewer and aquatics. The government-wide financial statements can be found on pages 14 - 15 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Piedmont can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Governmental funds

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

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

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered a major fund. The City also reports Equipment Replacement and Facilities Maintenance funds as major funds. Data for these funds are also presented separately. Data from the other fourteen governmental funds are combined and aggregated on the above mentioned statements. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16 - 19 of the report.

Proprietary funds

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Piedmont uses an enterprise fund to account for its sewer and aquatic activity. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Piedmont's various functions. The City uses internal service funds to account for its insurance activity. The Sewer and Aquatic Funds are included within the *business-type activities* and Internal Service Funds have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information on the City's business-type activities, the Sewer and Aquatic Enterprise Funds. The City's two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 20 - 23 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Piedmont's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 24 - 25 of this report.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 63 of this report.

Required Supplementary Information

This report presents supplementary information concerning the City of Piedmont's progress in its obligation to provide pension and other postemployment benefits to its employees, and budgetary comparison information for the City's general fund and major special revenue funds.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* consisting of budgetary comparison schedules for the General Fund, pension required schedules, and OPEB required schedules. Required supplementary information can be found on pages 64 - 71 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 71 - 99 of this report.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the government's financial position. In the case of the City of Piedmont, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$37,222,011 at the close of the most recent year.

GASB No. 68 has a material impact on the City's financial statements, since it sets new standards for measuring and recognizing assets, liabilities, and impact to net position, as well as, expands the note disclosures regarding the City's pension systems. GASB No. 68 requires the City to include pension assets of the Police & Fire Pension Trust and the liabilities of the City's CalPERS pension in the financial statements. The impact is shown in the negative unrestricted net position in the table below.

GASB No. 75 has a material impact on the City's financial statements, since it sets new standards for measuring and recognizing assets, liabilities, and impact to net position, as well as, expands the note disclosures regarding the City's OPEB plan. GASB No. 75 requires the City to include the liabilities of the City's OPEB plan in the financial statements. The impact is shown in the negative unrestricted net position in the table below.

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City of Piedmont uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position
As of June 30, 2019 and 2018
(in thousands)

	Governmental Activities			Business-Type Activities			Total Government		
	2019	2018	Net Change	2019	2018	Net Change	2019	2018	Net Change
ASSETS									
Current and other assets	\$ 26,945	\$ 25,690	\$ 1,255	\$ 2,692	\$ 1,572	\$ 1,120	\$ 29,637	\$ 27,262	\$ 2,375
Noncurrent assets	40,816	39,389	1,427	17,698	17,512	186	58,514	56,901	1,613
Total Assets	<u>67,761</u>	<u>65,079</u>	<u>2,682</u>	<u>20,390</u>	<u>19,084</u>	<u>1,306</u>	<u>88,151</u>	<u>84,163</u>	<u>3,988</u>
Deferred Outflows of Resources	<u>7,290</u>	<u>8,080</u>	<u>(790)</u>	<u>426</u>	<u>447</u>	<u>(21)</u>	<u>7,716</u>	<u>8,527</u>	<u>(811)</u>
LIABILITIES									
Long-term liabilities	37,943	38,012	(69)	9,319	8,887	432	47,262	46,899	363
Other liabilities	4,437	5,085	(648)	1,075	1,083	(8)	5,512	6,168	(656)
Total Liabilities	<u>42,380</u>	<u>43,097</u>	<u>(717)</u>	<u>10,394</u>	<u>9,970</u>	<u>424</u>	<u>52,774</u>	<u>53,067</u>	<u>(293)</u>
Deferred Inflows of Resources	<u>5,468</u>	<u>6,244</u>	<u>(776)</u>	<u>403</u>	<u>450</u>	<u>(47)</u>	<u>5,871</u>	<u>6,694</u>	<u>(823)</u>
NET POSITION									
Net investment in capital assets	29,598	28,889	709	10,125	10,546	(421)	39,724	39,435	289
Restricted	6,153	5,450	703	-	-	-	6,153	5,450	703
Unrestricted	(8,548)	(10,521)	1,973	(106)	(1,434)	1,328	(8,654)	(11,955)	3,301
Total Net Position	<u>\$ 27,203</u>	<u>\$ 23,818</u>	<u>\$ 3,385</u>	<u>\$ 10,019</u>	<u>\$ 9,112</u>	<u>\$ 907</u>	<u>\$ 37,223</u>	<u>\$ 32,930</u>	<u>\$ 4,293</u>

At the end of the fiscal year, the City is able to report a positive net position for Governmental and Business-type Activities and as a whole. The change in net position is mentioned in the financial highlight section above.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Changes in Net Position
For the Years Ended June 30, 2019 and 2018
(in thousands)

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>2019</u>	<u>2018</u>	<u>Net Change</u>	<u>2019</u>	<u>2018</u>	<u>Net Change</u>
REVENUES:						
Program revenues						
Charges for services	\$ 5,564	\$ 5,042	\$ 522	\$ 3,061	\$ 3,042	\$ 19
Operating grants and contributions	2,305	2,404	(99)	-	-	-
Capital grants and contributions	-	107	(107)	-	315	(315)
General revenues						
Taxes and fees	24,010	23,127	883	-	-	-
Investment earnings	638	231	407	76	7	69
Other revenue	499	2,864	(2,365)	-	-	-
Transfers	(289)	(199)	(90)	289	199	90
Total Revenues	<u>32,727</u>	<u>33,576</u>	<u>(849)</u>	<u>3,426</u>	<u>3,563</u>	<u>(137)</u>
EXPENSES:						
Administration	3,324	4,243	(919)	-	-	-
Public works	4,472	4,631	(159)	-	-	-
Street improvement	707	478	229	-	-	-
Safety: police	6,775	6,580	195	-	-	-
Safety: fire	6,475	6,268	207	-	-	-
Recreation	5,082	4,469	613	-	-	-
NonDepartmental	2,454	2,364	90	-	-	-
Interest	55	92	(37)	-	-	-
Sewer	-	-	-	1,809	1,531	278
Aquatics	-	-	-	711	640	71
Total Expenses	<u>29,344</u>	<u>29,125</u>	<u>219</u>	<u>2,520</u>	<u>2,171</u>	<u>349</u>
Change in net position	<u>3,383</u>	<u>4,451</u>	<u>(1,068)</u>	<u>906</u>	<u>1,392</u>	<u>(486)</u>
Net position - beginning	23,818	28,052	(4,234)	9,112	10,489	(1,377)
Restatement	-	(8,683)	8,683	-	(2,770)	2,770
Net position - beginning restated	<u>23,818</u>	<u>19,369</u>	<u>4,449</u>	<u>9,112</u>	<u>7,719</u>	<u>1,393</u>
Net position - ending	<u>\$ 27,201</u>	<u>\$ 23,820</u>	<u>\$ 3,381</u>	<u>\$ 10,018</u>	<u>\$ 9,111</u>	<u>\$ 907</u>

Governmental Activities. On a full accrual basis, governmental activities increased the City of Piedmont's net position by \$3,384,676 primarily due to higher than expected property related tax collections and revenue received from mutual aid agreements for support in battling the State's wildfires, coupled with lower than budgeted overall departmental expenses.

Business-type Activities. Business-type activities increased the City of Piedmont's net position due to lower expenditures than expected for sewer rehabilitation as the City completed Phase V of its Sewer Rehabilitation Program.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds.

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Piedmont's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Piedmont's governmental funds reported combined ending fund balances of \$22,189,203, an increase of \$1,552,164 compared with the prior year. A total of \$5,277,757, approximately 24%, constitutes unassigned General Fund balance.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, fund balance and unassigned fund balance of the General Fund were \$9,142,255 and \$5,277,757, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both total fund balance and unassigned fund balance to total fund expenditures. Total fund balance and unassigned fund balance are 37% and 21% of total General Fund expenditures, respectively. During the current fiscal year, the fund balance of the City's general fund increased by \$840,458.

General Fund revenues totaled \$29,762,060, a decrease of \$14,823 from the prior year. The primary reasons for this change are:

- Property tax revenues increased \$703,545 to \$14,078,550 due to the standard maximum 2% annual assessment increase and higher assessed valuations for homes sold as the real estate market continued to be strong.
- Parcel tax revenue increased \$63,960 as the tax is increased annually by the change in the CPI index.
- Franchise fee revenue increased \$135,516 primarily due to a new 10 year waste services contract which went into effect in July 2018.
- Real Property Transfer Tax revenue decreased by \$25,382 due to a decrease in the number of homes sold, which was offset by an increase in the average sales price per home.
- Service charge revenue decreased \$293,352 from the prior year primarily due to a decline in recreational program activity.
- Pension stabilization fund revenue declined \$582,230 as a decline in current year contributions was offset by investment gains.

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

Fiscal Year	# Sold	Average Sales Price	Real Property Transfer Tax
2009-10	100	\$1,421,017	\$1,843,651
2010-11	151	\$1,312,972	\$2,628,921
2011-12	148	\$1,341,700	\$2,700,925
2012-13	155	\$1,582,243	\$3,186,001
2013-14	168	\$1,839,248	\$4,001,012
2014-15	154	\$1,971,270	\$3,901,252
2015-16	120	\$1,836,197	\$3,117,999
2016-17	127	\$2,138,872	\$3,522,078
2017-18	132	\$2,278,523	\$3,845,198
2018-19	122	\$2,424,600	\$3,819,816

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

General fund expenditures totaled \$24,557,403, an increase of \$765,753 from the prior year. The increase is due primarily to the following:

- Administration expenses increased \$106,000:
 - \$75,000 increase in personnel related expenses primarily salary increases and pension expenses.
 - Election expenses of \$38,000 were incurred compared to \$1,000 in the prior year.
- Public Works expenses increased \$293,000 primarily due to:
 - Third party City Engineer costs increased \$219,000 due to increased infrastructure projects.
 - Street tree pruning expense increased \$74,000 due to the heightened awareness of wildfire safety.
 - \$82,000 increase in personnel related expenses primarily salary increases and pension expenses.
 - Hazard Mitigation planning was initiated with expenses totaling \$45,000.
 - Offset by lower park maintenance expenses totaling \$125,000.
- Recreation expenses increased \$87,000 primarily due to:
 - \$121,000 increase in personnel related expenses primarily salary increases, pension expenses, and health benefits.
 - Offset by lower costs associated with third party contract based recreation programs which declined in line with a shortfall in revenue.
- Police expenses increased \$397,000 primarily due to:
 - \$301,000 increase in salary costs due to higher salaries and personnel turnover causing increased overtime and to a lesser extent, higher pension expenses.
 - \$73,000 increase in technology related costs, including upgraded communication systems and a new body camera contract.
 - Officer training increased \$19,000 due to the hiring of new officers.
- Fire expenses increased \$244,000 primarily due to higher pension related costs and to a lesser extent medical contract services and supplies.
- Non-Departmental and Transfers decreased \$357,000 primarily due to a decline in the contributions to the Pension Stabilization Fund of \$750,000 which was offset by increases in Workers' Compensation and Liability insurance expense of \$312,000 and higher retiree medical premium costs of approximately \$74,000.

Equipment Replacement Fund

The Equipment Replacement Fund is used to replace the capital assets of the City. The fund balance of the Equipment Replacement Fund decreased \$702,652 to \$3,100,789. The City Council authorized transfers from the General Fund to the Equipment Replacement Fund for \$400,000 to fund necessary future capital.

Purchases during the fiscal year totaled approximately \$1,200,000. Major items included the purchase of a Pierce Enforcer PUC - Triple Combination Pumper Fire Apparatus, computer system enhancements, and vehicles for the Police and Public Works departments.

Facilities Maintenance Fund

The Facilities Maintenance Fund is used to maintain the City's facilities, primarily its buildings and parks. The fund balance of the Facilities Maintenance Fund increased \$756,152 to \$6,410,608. The City Council authorized transfers from the General Fund to Facilities Maintenance Fund for \$1,950,000 to fund necessary future capital.

The Facilities Maintenance Fund expenditures totaled approximately \$1,586,000 million and included approximately \$207,000 for the resurfacing of the City's tennis courts, \$182,000 for improvements to City Hall, and the remainder for various repairs, maintenance and improvements to the City's municipal buildings and parks.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Three funds comprise the City's proprietary funds: the Sewer Enterprise Fund, Aquatics Enterprise Fund, and the Internal Service Fund.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Sewer Fund

The Sewer Fund is used to account for the sanitary sewer and storm water systems of the City. The net position of the Sewer Fund increased \$824,579 to \$9,541,870. This total increase offsets the net capital improvements of the sewer system which increased \$167,927 to \$17,289,207. The unrestricted net position of the Sewer Fund increased \$1,256,594 to \$(174,219). This increase is primarily due to the receipt of loan proceeds from the State Water Resources Control Board and a decline in capital spending due to the completion of Phase V of the City's Sewer Rehabilitation Program.

The City Council approved loans to the Sewer Fund for \$800,000 from the Equipment Replacement Fund and the Facilities Maintenance Fund. The funds are to assist in the completion of rehabilitating the sewer system to cover costs related to design documents so that they can be submitted to apply for a State Water Resources Control Board loan to reimburse for design and construction costs.

Aquatics Fund

The Aquatics Fund is used to account for the operations of the Piedmont Community Pool. The net position of the Aquatics Fund increased \$82,657 to \$477,239. The City Council authorized transfers from the General Fund of \$250,000 to continue to subsidize the operation of the pool.

Internal Services Fund

The Internal Services Funds' net position amounted to \$1,006,694, a decrease of \$91,409 from the prior fiscal year. This decrease is due to insurance premiums and claims paid exceeding transfers in from the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's original budget of \$26,058,829 increased \$230,000 to the final amended budget of \$26,288,829. The additional appropriations consisted primarily of City Engineer expenses in the Public Works department and recruiting costs in Administration.

The General Fund's actual expenditures of \$24,557,403 was less than the final amended budget of \$26,288,829.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Piedmont's total capital assets for its governmental and business-type activities as of June 30, 2019 amount to \$47,296,078 (net of accumulated depreciation). Capital assets include land, construction-in-progress, buildings, equipment, and infrastructure. The major portion of infrastructure includes the pavement, sidewalk, curb, and gutter, parks and underground utility systems of the City, as well as the sewer system. The City's capital assets increased \$894,702 from \$46,401,376 to \$47,296,078.

CAPITAL ASSETS (NET OF DEPRECIATION) (in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 5,683	\$ 5,683	\$ -	\$ -	\$ 5,683	\$ 5,683
Construction in progress	1,346	804	-	3,954	1,346	4,758
Buildings & improvements	2,394	2,441	409	391	2,803	2,832
Vehicles	1,750	1,804	371	372	2,121	2,176
Property and equipment	1,804	1,503	-	-	1,804	1,503
Infrastructure	<u>16,621</u>	<u>16,654</u>	<u>16,918</u>	<u>12,795</u>	<u>33,539</u>	<u>29,449</u>
Total	<u>\$ 29,598</u>	<u>\$ 28,889</u>	<u>\$ 17,698</u>	<u>\$ 17,512</u>	<u>\$ 47,296</u>	<u>\$ 46,401</u>

Additional information on the City of Piedmont's capital assets can be found in Note 4 on pages 45 of this report.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Governmental Activities Long-term Debt

At the end of the current fiscal year, the City had total long-term outstanding debt of \$8,683,118, a decrease of \$767,058 from the prior fiscal year. The City issued Taxable Pension Obligation Bonds (2014 Tax Allocation Bonds) for \$7,305,000 to refinance the City's outstanding side fund liability to the California Public Employees' Retirement System for its Safety and Miscellaneous plans and will save \$1,188,099 in interest expense. The debt matures in March of 2020. The City also has sewer loans outstanding for Phase I, Phase II, Phase III, Phase IV, and Phase V of the sewer rehabilitation project with the State of California Water Resources Control Board.

At June 30, 2019, the City's governmental and business-type activities had total long-term debts and obligations as scheduled below.

<u>Type of Indebtedness</u>	<u>Outstanding June 30, 2019</u>	<u>Outstanding June 30, 2018</u>
<u>Governmental Activities</u>		
2014 Tax Allocation Bonds	\$ <u>1,110,000</u>	\$ <u>2,484,000</u>
<u>Business-type Activities</u>		
Sewer Loan - Phase I	544,323	672,525
Sewer Loan - Phase II	658,684	780,940
Sewer Loan - Phase III	889,635	1,025,510
Sewer Loan - Phase IV	1,290,160	1,382,661
Sewer Loan - Phase V	<u>4,190,316</u>	<u>3,104,540</u>
Total Business-type Activities	<u>7,573,118</u>	<u>6,966,176</u>
Total Outstanding Debt	\$ <u>8,683,118</u>	\$ <u>9,450,176</u>

Additional information about the City's long-term debt can be found in Note 5 on pages 45 - 48 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General Fund

Approximately 67 percent of the City's general revenue sources are property related. One of the critical sources of General Fund revenue is the voter approved parcel tax which represents approximately 8% of the General Fund revenues and provides discretionary funding to maintain essential services. In November 2016, Piedmont voters approved a four year extension and increase of the parcel tax, which will run from July 1, 2017 through June 30, 2021. The additional funds will assist with facilities maintenance and the modernization of information technology systems. In March of 2020, Piedmont residents will vote on Measure T. If passed, the measure would extend the parcel tax at its current rate, plus a maximum annual increase of the lower of the increase in the Consumer Price Index or 4%, through June 30, 2025.

Another critical source of General Fund revenue is the real property transfer tax, which is realized when homes are sold. During this fiscal year, real property transfer tax represents approximately 13% of General Fund revenues, the same as last fiscal year. Real property transfer tax is an area the City monitors closely as tax receipts will fluctuate since they are dependent on the strength of the real estate market in Piedmont. In FY 2018-19, revenues in excess of the budgeted amount was transferred to the Facilities Maintenance Fund.

The City's salary and benefit costs represent approximately 69% of the General Fund and the employee agreements from 2017 provided for salary increases, but required employees to continue contribution to pension and medical costs.

CITY OF PIEDMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Sewer Fund

On August 4, 2014, the United States Environmental Protection Agency (EPA) issued a negotiated Consent Decree (CD). The CD is intended to provide an expanded period of time (21 years) to allow the City to rehabilitate the sewer systems in order to substantially reduce the amount of infiltration and inflow (I&I) in the EBMUD system. The City has divided the project into seven phases. The City has completed Phases I through V. The State Water Resources Control Board (SWRCB) has reimbursed the City for the majority of the costs incurred for all phases by providing funding through low interest rate loans. The City expects to begin preliminary work on Phase VI during FY 19-20.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Piedmont's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 120 Vista Avenue, City of Piedmont, California, 94611.

CITY OF PIEDMONT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and investments (Note 2)	\$ 20,096,094	\$ 2,236,752	\$ 22,332,846
Restricted cash and investments (Note 2)	3,424,549	-	3,424,549
Accounts receivable	2,582,921	1,255,380	3,838,301
Prepaid expenses	42,016	-	42,016
Internal balances	800,000	(800,000)	-
Capital assets (Note 4):			
Land and construction in progress	7,029,478	-	7,029,478
Depreciable, net of accumulated depreciation	<u>22,568,636</u>	<u>17,697,964</u>	<u>40,266,600</u>
Total capital assets	<u>29,598,114</u>	<u>17,697,964</u>	<u>47,296,078</u>
Net pension asset (Note 8)	<u>11,217,595</u>	<u>-</u>	<u>11,217,595</u>
Total Assets	<u>67,761,289</u>	<u>20,390,096</u>	<u>88,151,385</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
2019 pension contributions (Note 7)	2,769,364	151,255	2,920,619
Changes in the net pension liability (Note 7)	4,243,438	259,843	4,503,281
Changes in the net OPEB liability (Note 9)	<u>277,569</u>	<u>14,431</u>	<u>292,000</u>
Total Deferred Outflows of Resources	<u>7,290,371</u>	<u>425,529</u>	<u>7,715,900</u>
<u>LIABILITIES</u>			
Accounts payable	1,928,610	116,603	2,045,213
Accrued wages and benefits	311,981	50,645	362,626
Accrued interest payable	-	33,110	33,110
Deposit payable	221,492	-	221,492
Unearned revenue	-	149,867	149,867
Compensated absences (Note 5):			
Due within one year	525,678	29,756	555,434
Due in more than one year	390,015	22,076	412,091
Claims payable (Note 11):			
Due within one year	339,330	-	339,330
Due in more than one year	730,762	-	730,762
Net OPEB liability (Note 9):			
Due in more than one year	12,186,212	1,019,788	13,206,000
Long-term liabilities (Note 5):			
Due within one year	1,110,000	694,936	1,804,936
Due in more than one year	-	6,878,182	6,878,182
Net pension liability (Note 7):			
Due in more than one year	<u>24,636,448</u>	<u>1,399,020</u>	<u>26,035,468</u>
Total Liabilities	<u>42,380,528</u>	<u>10,393,983</u>	<u>52,774,511</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Changes in the net pension liability (Note 7)	1,513,785	82,455	1,596,240
Changes in the net pension asset - police & fire (Note 8)	68,523	-	68,523
Changes in the net OPEB liability (Note 9)	<u>3,885,922</u>	<u>320,078</u>	<u>4,206,000</u>
Total Deferred Inflows of Resources	<u>5,468,230</u>	<u>402,533</u>	<u>5,870,763</u>
<u>NET POSITION</u>			
Net investment in capital assets	29,598,114	10,124,846	39,722,960
Restricted for:			
Community development	1,475,726	-	1,475,726
Public safety	554,948	-	554,948
Recreation	370,084	-	370,084
Street improvement	835,241	-	835,241
Section 115 pension trust	2,917,104	-	2,917,104
Unrestricted	<u>(8,548,315)</u>	<u>(105,737)</u>	<u>(8,654,052)</u>
Total Net Position	<u>\$ 27,202,902</u>	<u>\$ 10,019,109</u>	<u>\$ 37,222,011</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total Primary Government
PRIMARY GOVERNMENT							
Governmental activities:							
Administration	\$ 3,323,810	\$ 963,598	\$ 34,914	\$ -	\$ (2,325,298)	\$ -	\$ (2,325,298)
Public works	4,472,396	988,670	1,541,117	-	(1,942,609)	-	(1,942,609)
Street improvement	706,581	-	-	-	(706,581)	-	(706,581)
Public safety: police services	6,774,893	214,377	158,118	-	(6,402,398)	-	(6,402,398)
Public safety: fire services	6,475,023	311,356	383,294	-	(5,780,373)	-	(5,780,373)
Recreation	5,081,855	3,085,859	187,980	-	(1,808,016)	-	(1,808,016)
Nondepartmental	2,453,552	-	-	-	(2,453,552)	-	(2,453,552)
Debt interest	54,791	-	-	-	(54,791)	-	(54,791)
Total governmental activities	<u>29,342,901</u>	<u>5,563,860</u>	<u>2,305,423</u>	<u>-</u>	<u>(21,473,618)</u>	<u>-</u>	<u>(21,473,618)</u>
Business-type activities:							
Sewer	1,808,862	2,565,383	-	-	-	756,521	756,521
Aquatic	710,901	495,807	-	-	-	(215,094)	(215,094)
Total business-type activities	<u>2,519,763</u>	<u>3,061,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>541,427</u>	<u>541,427</u>
Total primary government	<u>\$ 31,862,664</u>	<u>\$ 8,625,050</u>	<u>\$ 2,305,423</u>	<u>\$ -</u>	<u>(21,473,618)</u>	<u>541,427</u>	<u>(20,932,191)</u>
General revenues:							
Taxes:							
Property tax					14,078,550	-	14,078,550
Sales tax					200,158	-	200,158
Franchise tax					543,336	-	543,336
Utility users tax					1,177,396	-	1,177,396
Real property transfer tax					3,819,816	-	3,819,816
Business license and rental tax					560,515	-	560,515
Parcel tax					2,261,531	-	2,261,531
Paramedic tax					69,453	-	69,453
Motor vehicle license fee					1,299,718	-	1,299,718
Investment earnings					638,302	76,393	714,695
Other revenues					498,935	-	498,935
Transfers					(289,416)	289,416	-
Total general revenues and transfers					<u>24,858,294</u>	<u>365,809</u>	<u>25,224,103</u>
Change in net position					3,384,676	907,236	4,291,912
Net position - July 1, 2018					<u>23,818,226</u>	<u>9,111,873</u>	<u>32,930,099</u>
Net position - June 30, 2019					<u>\$ 27,202,902</u>	<u>\$ 10,019,109</u>	<u>\$ 37,222,011</u>

**CITY OF PIEDMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Equipment Replacement	Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and investments	\$ 5,633,976	\$ 2,527,290	\$ 6,457,290	\$ 3,366,021	\$ 17,984,577
Restricted cash and investments	3,190,531	-	-	234,018	3,424,549
Receivables:					
Accounts	2,175,207	14,487	35,062	358,165	2,582,921
Prepaid expenses	42,016	-	-	-	42,016
Due from other funds	99,000	-	-	-	99,000
Advances to other funds	-	600,000	200,000	-	800,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 11,140,730</u>	<u>\$ 3,141,777</u>	<u>\$ 6,692,352</u>	<u>\$ 3,958,204</u>	<u>\$ 24,933,063</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ 1,254,325	\$ 40,988	\$ 281,744	\$ 316,822	\$ 1,893,879
Accrued wages and benefits	305,150	-	-	6,831	311,981
Deposits payable	221,492	-	-	-	221,492
Due to other funds	-	-	-	99,000	99,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,780,967</u>	<u>40,988</u>	<u>281,744</u>	<u>422,653</u>	<u>2,526,352</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	<u>217,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,508</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>217,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,508</u>
FUND BALANCES					
Nonspendable	42,016	600,000	200,000	-	842,016
Restricted	2,917,104	-	-	3,486,965	6,404,069
Assigned	905,378	2,500,789	6,210,608	48,586	9,665,361
Unassigned	<u>5,277,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,277,757</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>9,142,255</u>	<u>3,100,789</u>	<u>6,410,608</u>	<u>3,535,551</u>	<u>22,189,203</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,140,730</u>	<u>\$ 3,141,777</u>	<u>\$ 6,692,352</u>	<u>\$ 3,958,204</u>	<u>\$ 24,933,063</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances of governmental funds	\$ 22,189,203
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds, net of accumulated depreciation of \$34,222,379.	29,598,114
Net pension asset related to the police and fire pension plan is not a current financial resource and therefore not reported in the funds.	11,217,595
Other long-term assets are not available to pay for current period expenditures and therefore, are reported as unavailable revenues in the governmental funds.	217,508
Deferred outflows related to the 2019 pension contributions were made subsequent to the measurement date.	2,769,364
Deferred outflows related to changes in the net pension liability and net pension asset are not reported in the governmental funds.	4,243,438
Deferred outflows related to changes in the net OPEB liability are not reported in the governmental funds.	277,569
Long-term liabilities are not due in the current period and, therefore are not reported in the governmental funds.	
Compensated absences	(915,693)
Long-term liabilities net of premiums and discounts	(1,110,000)
Net pension liability	(24,636,448)
Net OPEB liability	(12,186,212)
Deferred inflows related to changes in the net pension liability	(1,582,308)
Deferred inflows related to changes in the net OPEB liability	(3,885,922)
Internal service funds are used by management to charge costs of certain activities such as insurance and employee benefits to individual government funds. The assets and liabilities of the internal service funds are included in the governmental activities of the Statement of Net Position.	
Cash and investments	2,111,517
Accounts payable	(34,731)
Claims payable	<u>(1,070,092)</u>
Net position of governmental activities	<u>\$ 27,202,902</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Equipment Replacement</u>	<u>Facilities Maintenance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>					
Property tax	\$ 14,078,550	\$ -	\$ -	\$ -	\$ 14,078,550
Sales tax	200,158	-	-	-	200,158
Franchise tax	543,336	-	-	-	543,336
Utility users tax	1,177,396	-	-	-	1,177,396
Real property transfer tax	3,819,816	-	-	-	3,819,816
Business license and rental tax	560,515	-	-	-	560,515
Gas tax	-	-	-	439,658	439,658
Licenses and permits	512,131	-	-	-	512,131
Intergovernmental	1,961,993	-	-	678,004	2,639,997
Use of money and property	1,017,878	87,148	119,135	50,403	1,274,564
Current service charges	3,251,527	-	-	792,178	4,043,705
Measure B tax	-	-	-	503,762	503,762
Parcel tax	2,261,531	-	-	-	2,261,531
Contributions and donations	33,931	-	375	211,125	245,431
Other revenues	<u>343,298</u>	<u>-</u>	<u>101,465</u>	<u>54,172</u>	<u>498,935</u>
Total Revenues	<u>29,762,060</u>	<u>87,148</u>	<u>220,975</u>	<u>2,729,302</u>	<u>32,799,485</u>
<u>EXPENDITURES</u>					
Current:					
Administration	2,924,804	-	51,264	8,774	2,984,842
Public works	3,790,687	-	5,743	461,516	4,257,946
Street improvement	-	-	-	188,074	188,074
Public safety:					
Police services	6,333,033	-	16,927	80,875	6,430,835
Fire services	6,142,768	-	30,481	-	6,173,249
Recreation	2,912,559	-	496,295	700,688	4,109,542
Nondepartmental	2,453,552	-	-	-	2,453,552
Capital outlay	-	1,222,800	985,481	762,209	2,970,490
Debt service - principal	-	-	-	1,374,000	1,374,000
Debt service - interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,791</u>	<u>54,791</u>
Total Expenditures	<u>24,557,403</u>	<u>1,222,800</u>	<u>1,586,191</u>	<u>3,630,927</u>	<u>30,997,321</u>
Excess (Deficiency) of Revenues over Expenditures	<u>5,204,657</u>	<u>(1,135,652)</u>	<u>(1,365,216)</u>	<u>(901,625)</u>	<u>1,802,164</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	23,366	433,000	2,121,368	1,839,415	4,417,149
Transfers out	<u>(4,387,565)</u>	<u>-</u>	<u>-</u>	<u>(279,584)</u>	<u>(4,667,149)</u>
Total Other Financing Sources (Uses)	<u>(4,364,199)</u>	<u>433,000</u>	<u>2,121,368</u>	<u>1,559,831</u>	<u>(250,000)</u>
Net Change in Fund Balances	840,458	(702,652)	756,152	658,206	1,552,164
Fund Balances - July 1, 2018	<u>8,301,797</u>	<u>3,803,441</u>	<u>5,654,456</u>	<u>2,877,345</u>	<u>20,637,039</u>
Fund Balances - June 30, 2019	<u>\$ 9,142,255</u>	<u>\$ 3,100,789</u>	<u>\$ 6,410,608</u>	<u>\$ 3,535,551</u>	<u>\$ 22,189,203</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities:

Net change in fund balances - total governmental funds	\$ 1,552,164
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital asset purchases	2,482,126
Depreciation expense	(1,733,732)
Government funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.	
	(39,416)
Some revenues reported in the Statement of Activities will not be collected for several months after the City's year-end and do not provide current financial resources and therefore are not reported as revenue in the governmental funds.	
	217,508
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Debt principal payments	1,374,000
Compensated absences expenditures reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period.	
	(26,109)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Pension expense related to deferred outflows and inflows of resources	(648,928)
Other postemployment benefits	298,472
Internal service funds are used by management to charge the costs of certain activities, such as equipment replacement, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental funds.	
	<u>(91,409)</u>
Change in net position of governmental activities	<u>\$ 3,384,676</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Business-Type Activities			Governmental Activities
	Sewer Fund	Aquatic Fund	Total	Internal Service Funds
ASSETS				
Current Assets				
Cash and investments	\$ 1,770,499	\$ 466,253	\$ 2,236,752	\$ 2,111,517
Receivables:				
Accounts, net	<u>1,236,648</u>	<u>18,732</u>	<u>1,255,380</u>	<u>-</u>
Total Current Assets	<u>3,007,147</u>	<u>484,985</u>	<u>3,492,132</u>	<u>2,111,517</u>
Non Current Assets				
Capital assets, net	<u>17,289,207</u>	<u>408,757</u>	<u>17,697,964</u>	<u>-</u>
Total Non-Current Assets	<u>17,289,207</u>	<u>408,757</u>	<u>17,697,964</u>	<u>-</u>
Total Assets	<u>20,296,354</u>	<u>893,742</u>	<u>21,190,096</u>	<u>2,111,517</u>
DEFERRED OUTFLOWS OF RESOURCES				
Changes in the net pension liability	390,707	20,391	411,098	-
Changes in the net OPEB liability	<u>11,954</u>	<u>2,477</u>	<u>14,431</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>402,661</u>	<u>22,868</u>	<u>425,529</u>	<u>-</u>
LIABILITIES				
Current Liabilities				
Accounts payable	91,776	24,827	116,603	34,731
Interest payable	33,110	-	33,110	-
Accrued wages and benefits	-	50,645	50,645	-
Unearned revenue	-	149,867	149,867	-
Long-term liabilities - current	694,936	-	694,936	-
Compensated absences - current	28,278	1,478	29,756	-
Claims payable - current	<u>-</u>	<u>-</u>	<u>-</u>	<u>339,330</u>
Total Current Liabilities	<u>848,100</u>	<u>226,817</u>	<u>1,074,917</u>	<u>374,061</u>
Non-Current Liabilities				
Advances from other funds	800,000	-	800,000	-
Long-term liabilities - noncurrent	6,878,182	-	6,878,182	-
Compensated absences - noncurrent	20,980	1,096	22,076	-
Claims payable - noncurrent	-	-	-	730,762
Net pension liability	1,328,106	70,914	1,399,020	-
Net OPEB liability	<u>915,108</u>	<u>104,680</u>	<u>1,019,788</u>	<u>-</u>
Total Non-Current Liabilities	<u>9,942,376</u>	<u>176,690</u>	<u>10,119,066</u>	<u>730,762</u>
Total Liabilities	<u>10,790,476</u>	<u>403,507</u>	<u>11,193,983</u>	<u>1,104,823</u>
DEFERRED INFLOWS OF RESOURCES				
Changes in the net pension liability	78,153	4,302	82,455	-
Changes in the net OPEB liability	<u>288,516</u>	<u>31,562</u>	<u>320,078</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>366,669</u>	<u>35,864</u>	<u>402,533</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	9,716,089	408,757	10,124,846	-
Unrestricted	<u>(174,219)</u>	<u>68,482</u>	<u>(105,737)</u>	<u>1,006,694</u>
Total Net Position	<u>\$ 9,541,870</u>	<u>\$ 477,239</u>	<u>\$ 10,019,109</u>	<u>\$ 1,006,694</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Business-Type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer Fund</u>	<u>Aquatic Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
<u>OPERATING REVENUES</u>				
Charges for services	\$ 2,565,383	\$ 495,807	\$ 3,061,190	\$ -
Total Operating Revenue	<u>2,565,383</u>	<u>495,807</u>	<u>3,061,190</u>	<u>-</u>
<u>OPERATING EXPENSES</u>				
Contract and professional services	592,889	152,116	745,005	-
Services and supplies	83,848	128,705	212,553	-
Salaries and benefits	728,138	408,460	1,136,598	-
Insurance and claims expense	-	-	-	1,570,738
Depreciation	<u>351,219</u>	<u>21,620</u>	<u>372,839</u>	<u>-</u>
Total Operating Expenses	<u>1,756,094</u>	<u>710,901</u>	<u>2,466,995</u>	<u>1,570,738</u>
Operating Income (Loss)	<u>809,289</u>	<u>(215,094)</u>	<u>594,195</u>	<u>(1,570,738)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest income	68,058	8,335	76,393	-
Interest expense	(52,768)	-	(52,768)	-
Other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,479,329</u>
Total Non-Operating Revenues (Expenses)	<u>15,290</u>	<u>8,335</u>	<u>23,625</u>	<u>1,479,329</u>
Income (Loss) Before Contributions and Transfers	<u>824,579</u>	<u>(206,759)</u>	<u>617,820</u>	<u>(91,409)</u>
<u>CAPITAL CONTRIBUTIONS AND TRANSFERS</u>				
Capital contributions	-	39,416	39,416	-
Transfers in	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total Capital Contributions and Transfers	<u>-</u>	<u>289,416</u>	<u>289,416</u>	<u>-</u>
Change in net position	824,579	82,657	907,236	(91,409)
Net Position - July 1, 2018	<u>8,717,291</u>	<u>394,582</u>	<u>9,111,873</u>	<u>1,098,103</u>
Net Position - June 30, 2019	<u>\$ 9,541,870</u>	<u>\$ 477,239</u>	<u>\$ 10,019,109</u>	<u>\$ 1,006,694</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Business-Type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer Fund</u>	<u>Aquatic Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash received from customers	\$ 4,142,901	\$ 505,134	\$ 4,648,035	\$ -
Claims and premium paid	-	-	-	(1,465,441)
Cash paid to suppliers	(894,467)	(399,016)	(1,293,483)	-
Cash paid to employees	(689,138)	(277,068)	(966,206)	-
Net Cash Provided by (Used for) Operating Activities	<u>2,559,296</u>	<u>(170,950)</u>	<u>2,388,346</u>	<u>(1,465,441)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Other income	-	-	-	1,479,329
Interfund payments	(864,289)	-	(864,289)	-
Transfers from other funds	-	250,000	250,000	-
Net Cash Provided by (Used For) Non-Capital Financing Activities	<u>(864,289)</u>	<u>250,000</u>	<u>(614,289)</u>	<u>1,479,329</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Loan proceeds	1,085,776	-	1,085,776	-
Acquisition of capital assets	(519,147)	-	(519,147)	-
Principal paid on long-term debt	(478,834)	-	(478,834)	-
Interest paid on long-term debt	(52,768)	-	(52,768)	-
Net Cash Provided by Capital and Related Financing Activities	<u>35,027</u>	<u>-</u>	<u>35,027</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest and dividends	40,465	8,335	48,800	-
Net Cash Provided by Investing Activities	<u>40,465</u>	<u>8,335</u>	<u>48,800</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	1,770,499	87,385	1,857,884	13,888
Cash and Cash Equivalents - July 1, 2018	-	378,868	378,868	2,097,629
Cash and Cash Equivalents - June 30, 2019	<u>\$ 1,770,499</u>	<u>\$ 466,253</u>	<u>\$ 2,236,752</u>	<u>\$ 2,111,517</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Business-Type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer Fund</u>	<u>Aquatic Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	809,289	(215,094)	594,195	(1,570,738)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	351,219	21,620	372,839	-
Pension and OPEB expense	27,993	138	28,131	-
Changes in assets and liabilities:				
Decrease in accounts receivable	1,577,518	24,608	1,602,126	2,846
Increase (decrease) in accounts payable	(217,730)	3,753	(213,977)	11,182
Decrease in unearned revenue	-	(15,281)	(15,281)	-
Increase in claims payable	-	-	-	91,269
Increase in accrued wages	-	14,106	14,106	-
Increase (decrease) in compensated absences	<u>11,007</u>	<u>(4,800)</u>	<u>6,207</u>	<u>-</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 2,559,296</u>	<u>\$ (170,950)</u>	<u>\$ 2,388,346</u>	<u>\$ (1,465,441)</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

<u>ASSETS</u>	<u>Agency Funds</u>	<u>Police and Fire Pension Plan Trust</u>	<u>OPEB Trust</u>
Restricted cash (Note 2)	\$ 354,978	\$ -	\$ -
Restricted investments (Note 2)	-	13,017,574	8,833,996
Accounts receivable	<u>3,459</u>	<u>-</u>	<u>23,500</u>
Total Assets	<u>358,437</u>	<u>13,017,574</u>	<u>8,857,496</u>
 <u>LIABILITIES</u>			
Accounts payable and other liabilities	-	67,544	-
Deposits held in trust	<u>358,437</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>358,437</u>	<u>67,544</u>	<u>-</u>
 <u>NET POSITION</u>			
Restricted for police and fire pension	-	12,950,030	-
Restricted for OPEB trust	<u>-</u>	<u>-</u>	<u>8,857,496</u>
Total Net Position	<u>\$ -</u>	<u>\$ 12,950,030</u>	<u>\$ 8,857,496</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

<u>ADDITIONS</u>	<u>Police and Fire Pension Plan</u>	<u>OPEB Trust</u>
Investment income:		
Net increase in fair value of investments	\$ 503,467	\$ 596,676
Interest and dividends	330,178	-
Other revenues	<u>-</u>	<u>99,250</u>
Total Additions	<u>833,645</u>	<u>695,926</u>
<u>DEDUCTIONS</u>		
Pension benefits paid	223,674	-
Administrative expenses	<u>12,000</u>	<u>-</u>
Total Deductions	<u>235,674</u>	<u>-</u>
Change in Fiduciary Net Position	597,971	695,926
Fiduciary Net Position - July 1, 2018	<u>12,352,059</u>	<u>8,161,570</u>
Fiduciary Net Position - June 30, 2019	<u>\$ 12,950,030</u>	<u>\$ 8,857,496</u>

See accompanying notes to the basic financial statements.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Piedmont is a residential community located in the East Bay Hills, approximately ten miles east of San Francisco, California. The City was incorporated as a municipal corporation in 1907; population at June 30, 2019 was approximately 11,238.

The City operates under the Council-Administrator form of government, with five elected Council members served by a full-time City Administrator and staff. At June 30, 2019, the City's staff was comprised of 92 full-time employees who were responsible for the following City-provided services:

Public Safety - The City employs 19 sworn and 9 non-sworn police personnel to provide round-the-clock police services from a central station, and 25 fire personnel to provide round-the-clock fire services from a central station.

Streets and Roads - The City contracts the construction and maintenance of its streets, curbs, gutters, and related public property.

Recreation, Public Works, Administration and other services are provided by a total of 40 full-time and 5 part-time employees.

In addition, the City employs approximately 316 seasonal recreational personnel.

The accounting policies of the City of Piedmont conform to accounting principles generally accepted in the United States of America as applicable to governments. Following is a summary of the more significant policies.

A. The Reporting Entity

The accompanying basic financial statements present the financial activities of the City, which has no component units.

B. Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America. These standards require that the financial statements described below be presented.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include the activities of the overall City government except for fiduciary activities. Eliminations have been made to minimize the double counting of internal service activities. The City's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

The fund financial statements provide information about the City's funds, including fiduciary funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories with each major fund displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

All remaining governmental funds are aggregated and reported as nonmajor funds in a single column, regardless of their fund type.

The funds of the financial reporting entity are described below:

Governmental Funds

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Capital Project Funds - Capital Project Funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Internal Service Funds - Internal service funds are used to account for, and finance, services and commodities furnished by a designated department of a governmental unit to other departments of the same governmental unit. The City uses internal service funds to account for insurance activities.

Fiduciary Funds (not included in government-wide statements)

Agency Funds - Agency Funds are clearing type funds for the collection of taxes or deposits held in trust, on behalf of individuals, private organizations and other governments. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-Purpose Trust Funds - Private-Purpose Trust Funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

The City reported the following major governmental funds in the accompanying financial statements:

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

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

Facilities Maintenance Fund - This fund is used to account for the accumulation of resources used to maintain capital assets used by governmental funds.

The City reports the following major proprietary funds in the accompanying financial statements:

Sewer Fund - This fund is used to account for the operations of the sewer and storm drain systems.

Aquatic Fund - This fund is used to account for the operations of the Piedmont Community Pool.

The City also reports the following fund types:

Agency Funds - These funds are custodial in nature and do not involve measurement of the results of operations. These funds account for amounts held for one underground utility assessment district.

Police and Fire Pension Trust Fund - This fund accounts for the pension investment activity including retirement payments to 12 retired City employees and/or surviving spouses.

OPEB Trust Fund - This fund accounts for OPEB trust investment activity for the post-employment retiree healthcare benefits.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

Measurement Focus

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

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

- a. All governmental funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources, generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and deferred outflows of resources, and all liabilities and deferred inflows of resources (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. As agency funds report only assets and liabilities, they do not have a measurement focus. However, they use the accrual basis of accounting to recognize receivables and payables. The "economic resources" measurement focus and the accrual basis of accounting is used for trust funds.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and proprietary activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City defines available to be within 60 days of year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from governmental long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services. Certain indirect costs are included in program expenses reported for individual functions and activities.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position are available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. The principal operating revenues of the enterprise and internal service funds are charges for services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Property Taxes

The County of Alameda levies, bills, and collects property taxes and special assessments for the City as follows:

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

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The term "unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed. Property tax revenue is recognized in accordance with applicable GASB pronouncements; that is, in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities in the current period. The County remits the entire amount of the tax levy to the City (net of County administrative fees), and handles all delinquencies, retaining any interest and penalties. The County remits a property tax clean-up payment for the current period each September following the close of the fiscal year. The City makes an exception to the 60-day recognition period to recognize this revenue in the current period.

E. Cash and Investments

The City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures and monies held in the police and fire pension trust, and OPEB trust. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

For purposes of the statement of cash flows, the City considers cash and cash equivalents as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Because the only investments held by the proprietary funds are the Local Agency Investment Fund (LAIF), which meets the definition of a cash equivalent, and investments in Multi-Bank Securities, the entire pooled balance is reported as cash and investments.

F. Accounts and Interest Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, fines, interest, and other fees. Federal and state grants are considered receivable and accrued as revenue when reimbursable costs are incurred.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are recorded as deferred inflows of resources in the fund financial statements in accordance with modified accrual, but are not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Long-term loans in governmental funds are treated as expenditures in the year advanced and as revenues in the year repayment is measurable and available. Loans receivable are recorded in the fund financial statements, but are recorded as deferred inflows of resources to indicate they do not represent current financial resources. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Service charges and interest earnings compose the majority of proprietary fund receivables.

G. Capital Assets

The accounting treatment of property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements

In the government-wide financial statements, capital assets with a cost of \$5,000 or more are capitalized. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building and improvements	60 years
Vehicles	4 - 20 years
Furniture, fixtures, and equipment	7 - 25 years
Pavement system	28 years
Sidewalk, curb, and gutters	40 years
Traffic signals	25 years
Street lights	25 years
Bridges	75 years
Park facilities system	25 - 40 years
Sewer and storm drains	50 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of debt financed capital assets of business-type activities is included as part of the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

H. Compensated Absences

A liability is calculated for all the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary and related payroll costs are those in effect at June 30, 2019. Compensated absences include vacation pay and compensated time off. The City's liability for compensated absences is recorded at the City-wide level in the Statement of Net Position for governmental activities or in the proprietary funds as appropriate.

I. Long-Term Liabilities

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term liabilities, and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Initial issue bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs, except for insurance, are expensed in the period incurred. Amortization of bond premiums or discounts, insurance costs, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Section 115 Trust

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

L. Other Postemployment Benefits (OPEB)

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

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 - June 30, 2019

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources recorded for the City relate to the City's defined benefit pension plan, the police and fire pension plan, and the OPEB plan. See Notes 7, 8, and 9.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources recorded for the City relate to the City's defined benefit pension plan and OPEB plan. See Notes 7 and 9.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

O. Equity Classifications

Government-wide Financial Statements

Net position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net position is divided into three categories. These categories apply only to net position, which is determined at the government-wide level, and are described below:

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

Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- a. Nonspendable - Amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- b. Restricted - Amounts that are restricted for specific purposes when constraints placed on the use of resources are either (1) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- c. Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- d. Assigned - Amounts that are constrained by the City Council's intent to be used for specific purposes through a resolution, but are neither restricted or committed. The City Council assigns fund balances for specific purposes by resolution adopting the annual budget for the upcoming fiscal year, or by an amending budget resolution during the fiscal year.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- e. Unassigned - Amounts representing the residual classification for the general fund or any other fund with a negative fund balance.

Further detail about the City's fund balance classification is described in Note 10.

P. General Budget Policies

The City operates under the general laws of the State of California and annually adopts a budget for its governmental and proprietary funds to be effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Encumbrances are considered to be expenditures in the year the commitment is entered into. Budget appropriations lapse at the end of the fiscal year unless encumbered by specific Council approval.

Q. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

R. Reclassifications

Certain accounts in prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

S. Implementation of Governmental Accounting Standards Board Statements

Effective July 1, 2018, the City implemented the following accounting and financial reporting standards:

Governmental Accounting Standards Board Statement No. 83

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. As the City does not have any AROs, there was no impact to the financial statements as a result of adopting this statement.

Governmental Accounting Standards Board Statement No. 88

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

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Future Governmental Accounting Standards Board Statements

These statements are not effective until July 1, 2019 or later. The City has not determined the effects on the financial statements.

Governmental Accounting Standards Board Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangement that are fiduciary activities. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this Statement is effective for the City's fiscal year ending June 30, 2020.

Governmental Accounting Standards Board Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

Governmental Accounting Standards Board Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This statement requires interest costs incurred before the end of a construction period be recognized as an expense in the period in which the costs is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

Governmental Accounting Standards Board Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Governmental Accounting Standards Board Statement No. 91

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2022.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2019 were classified in the accompanying financial statements as follows:

	Cash and Investments	Restricted Cash and Investments	Total
Governmental activities	\$ 20,096,094	\$ 3,424,549	\$ 23,520,643
Business-type activities	<u>2,236,752</u>	<u>-</u>	<u>2,236,752</u>
Total government-wide cash and investments	<u>22,332,846</u>	<u>3,424,549</u>	<u>25,757,395</u>
Fiduciary activities	<u>-</u>	<u>22,206,548</u>	<u>22,206,548</u>
Total cash and investments	<u>\$ 22,332,846</u>	<u>\$ 25,631,097</u>	<u>\$ 47,963,943</u>

Cash and investments were carried at fair value as of June 30, 2019 and consisted of the following:

Cash on hand	\$ 900
Cash in banks	<u>320,582</u>
Total cash	<u>321,482</u>
Certificates of deposit	8,732,669
Local Agency Investment Fund (LAIF)	14,120,142
Money market funds	20,976
Held in Trust:	
Mutual funds	8,833,996
Fixed income securities	8,208,702
Equity securities	7,135,729
Money market funds	<u>590,247</u>
Total investments	<u>47,642,461</u>
Total cash and investments	<u>\$ 47,963,943</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2: CASH AND INVESTMENTS (CONTINUED)Authorized Investments of the City

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

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

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The City complies with the provisions of the California Government Code (or the City's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy. The only investments held by the bond trustee are U.S. Treasury money market funds.

Investments Authorized by the Police and Fire Pension Board

Investment of funds in the Police and Fire pension are managed by an investment advisor. The Piedmont Police and Fire Pension Fund investment policy allows the investment advisor to manage the Pension Fund in a manner consistent with the investment objectives as outlined in the April 2006 investment policy, the Prudent Expert Rule, and the provisions of the Employee Retirement Income Security Act of 1974.

The investment policy grants the advisor full power and authority to make purchases, sales, exchanges, conversion and trades in connection therewith as the advisor deems appropriate to the provisions of Sections 2.144 and 2.145 of the Piedmont City Code. The assets in the plan are invested in a manner that is consistent with generally accepted standards of fiduciary responsibility, to insure the security of principal, and maximum yield on all pension fund investments through a mix of well diversified, high quality, fixed income and equity securities.

Authorized investments include the following:

Authorized Investment Type	Maximum Percentage of Portfolio	Minimum Credit Rating
Domestic Equities	5% per issuer	N/A
Foreign Equity Investments Traded on U.S. Based Exchanges	20%	N/A
Cash	10%	N/A
S&P Stock Index Futures	None	N/A
Fixed Income Securities	None	B/B overall portfolio
Commercial Paper	None	A-2/P-2
Certificates of Deposit	None	None
Bankers Acceptances	None	None
U.S. Treasury Bonds, Notes, and Bills	None	None
Debt Instruments of U.S. Government Agencies	None	None
Repurchase Agreements with U.S. Treasury Securities as Collateral	None	None
Repurchase Agreements with U.S. Treasury Agencies as Collateral	None	None
Corporate Notes	None	B/B
Asset-Backed Securities	None	None
Municipal Debt	None	Baa/BBB
Mortgage-Backed Pass-Through Securities by GSE's and CMBS	None	None
Collateralized Mortgage Obligations	None	None

Other investments are also permissible upon Board approval.

Investments Authorized by the OPEB Trust Fund

Investment of funds in the OPEB (Other Post-employment Benefits) Trust are managed by the same investment advisor as the Police and Fire Pension Trust. The OPEB investment policy allows the investment advisor to manage the OPEB Trust Fund in a manner consistent with the investment objectives as outlined in the May 2013 investment policy.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The investment policy grants the advisor full power and authority to make purchases, sales, exchanges, conversions and trades in connection therewith as the advisor deems appropriate. The advisor is expected to operate within the Prudent Expert Rule, the provision of the Employee Retirement Income Security Act of 1974 (ERISA) and other pertinent state and federal laws, regulations, and rulings that relate to the investment process. The assets of the Trust shall be invested in a manner that is consistent with generally accepted standards of fiduciary responsibility to insure the security of principal and maximum yield on all investments through a mix of well-diversified fixed income and equity securities. The following are the OPEB Trust Fund investment policies and guidelines:

The investment policy specified the long-term asset allocation targets:

Asset Class	Minimum	Target	Maximum
Equity	25%	60%	75%
Fixed Income	25%	40%	75%

The cash holdings should not exceed 10% of the market value in the portfolio. The asset allocation targets are to be pursued on a long-term strategic basis and may be revised when significant changes occur within the economic and/or capital market environment or in the stream of future benefits expected to be paid. Capital market assumptions and projections shall be reviewed annually. Benefit payments shall be reviewed quarterly. Benefit liabilities and assumptions shall be reviewed no less frequently than every three years.

The equity portion of the Trust shall be invested in marketable equity securities with certain restrictions placed:

Equity Types	Restrictions
Equity mutual funds	None
Individual U.S. Stocks	a. 5% maximum exposure at cost b. 10% maximum exposure at market value c. 5% maximum of company's outstanding shares
Individual non-U.S. Stocks (including American Depository receipts, foreign-listed securities)	25% maximum at cost

The fixed income portion of the Trust shall be invested in marketable, fixed-income securities with certain restrictions specified below. All fixed income securities held directly must be rated B/B or better by Moody's Investors Services and Standard & Poor's Corporation.

Fixed-Income Types	Restrictions
U.S. Treasury bonds, notes, and bills	None
Debt instruments issued by U.S. Government or Agencies	None
Repurchase agreements with U.S. Treasury Securities and Agencies of U.S. Government as collateral	None
Certificates of deposit and banker's acceptances	None
Diversified fixed-income mutual funds	None
Asset-backed securities	None
Mortgage-backed pass through securities issued by Government Sponsored Enterprises (GSEs) and Commercials (CMBS)	None
Collateralized Mortgage Obligations (CMOs)	Has certain restrictions
Commercial paper or variable rate notes	a. A-2/P-2 or higher by S&P or Moody's b. 10% maximum exposure at market value
Private placements	5% maximum exposure at cost
Eurodollar securities and non-dollar denominated instruments	15% maximum exposure at cost
Preferred stock	10% maximum exposure at cost
Debt for equity exchanges	5% maximum exposure at cost
Mortgage-backed derivative instruments	10% maximum exposure at cost

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The following investments are explicitly prohibited by the OPEB Trust Investment Policy:

<u>Asset Class</u>	<u>Prohibited Investment</u>
Equity	a. Future b. Derivatives c. Short sale d. Private placements e. Commodities
Fixed-Income	a. Interest-only strips b. Inverse floating rate notes

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2019:

<u>Investments</u>	<u>Fair Value Measurements Using</u>			<u>Total Fair Value</u>
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	
Certificates of deposit	\$ -	\$ 8,732,669	\$ -	\$ 8,732,669
Money market funds	20,976	-	-	20,976
Held in Trust:				
Mutual funds	8,833,996	-	-	8,833,996
Fixed income securities	-	8,208,702	-	8,208,702
Equity securities	7,135,729	-	-	7,135,729
Money market funds	<u>590,247</u>	<u>-</u>	<u>-</u>	<u>590,247</u>
Total	<u>\$ 16,580,948</u>	<u>\$ 16,941,371</u>	<u>\$ -</u>	<u>\$ 33,522,319</u>

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis. The investment balance of \$14,120,142 is not subject to valuation on a recurring basis.

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Information about the sensitivity of the fair values of the City's investments (including investments held in trust) to market rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity as of June 30, 2019:

Investments	Remaining Maturity			Fair Value
	12 months or less	1-5 years	More than 5 years	
Police and Fire Pension Trust Fund:				
Fixed income securities	\$ 5,291,598	\$ -	\$ -	\$ 5,291,598
Domestic equities	7,135,729	-	-	7,135,729
Money market funds	<u>590,247</u>	<u>-</u>	<u>-</u>	<u>590,247</u>
Total Police and Fire Pension Trust Fund	<u>13,017,574</u>	<u>-</u>	<u>-</u>	<u>13,017,574</u>
OPEB Trust Fund:				
Equity mutual funds	<u>8,833,996</u>	<u>-</u>	<u>-</u>	<u>8,833,996</u>
Total OPEB Trust Fund	<u>8,833,996</u>	<u>-</u>	<u>-</u>	<u>8,833,996</u>
City and Agency Funds:				
Fixed income securities	2,917,104	-	-	2,917,104
Certificates of deposit	3,229,554	5,503,115	-	8,732,669
Money market funds	20,976	-	-	20,976
Local Agency Investment Fund	<u>14,120,142</u>	<u>-</u>	<u>-</u>	<u>14,120,142</u>
Total City and Agency Funds	<u>20,287,776</u>	<u>5,503,115</u>	<u>-</u>	<u>25,790,891</u>
Total Investments	<u>\$ 42,139,346</u>	<u>\$ 5,503,115</u>	<u>\$ -</u>	<u>\$ 47,642,461</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City had no investments (including investments held in trust) that were highly sensitive to interest rate fluctuations as of June 30, 2019.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2: CASH AND INVESTMENTS (CONTINUED)Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total</u>	<u>Rating as of Fiscal Year End S&P</u>	<u>Moody's</u>
Police and Fire Pension Trust Fund:			
Fixed income securities	\$ 5,291,598	Not rated	Not rated
Domestic equities	7,135,729	Not rated	Not rated
Money market funds	590,247	Not rated	Not rated
OPEB Trust Fund			
Equity mutual funds	8,833,996	Not rated	Not rated
City and Agency Funds			
Fixed income securities	2,917,104	Not rated	Not rated
Certificates of deposit	8,732,669	Not rated	Not rated
Money market funds	20,976	Not rated	Not rated
Local Agency Investment Fund	<u>14,120,142</u>	Not rated	Not rated
	<u>\$ 47,642,461</u>		

Custodial Credit Risk

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

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated monthly based on the ending cash balances of the previous month in each fund receiving interest.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3: INTERFUND TRANSACTIONS**Interfund Receivables/Payables**

The composition of interfund balances as of June 30, 2019 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
<u>Governmental Funds</u>			
General Fund	Misc. Grant Funds	Grant advance	\$ <u>99,000</u>
		Total Due to / From Other Funds	\$ <u><u>99,000</u></u>
<u>Proprietary Funds</u>			
Equipment Replacement	Sewer	Sewer replacement project	\$ 600,000
Facilities Maintenance	Sewer	Sewer replacement project	<u>200,000</u>
		Total Proprietary Funds	<u>800,000</u>
		Total Advances to/From Other Funds	\$ <u><u>800,000</u></u>

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

Interfund Transfers to/from Other Funds

Transfers between funds during the fiscal year ended June 30, 2019 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
<u>Major Governmental Funds</u>			
General Fund	Equipment Replacement	Funding for capital outlay	\$ 400,000
	Aquatics	General Fund subsidy	250,000
	Facilities Maintenance	Funding for capital outlay	1,950,000
	2014 Taxable Pension	Pension side-fund liability	
	Obligation Bonds	payment	1,437,565
	Capital Improvement	Funding for capital outlay	50,000
	Sidewalk Repair	Funding for capital outlay	<u>300,000</u>
		Total Major Governmental Interfund Transfers	\$ <u><u>4,387,565</u></u>
<u>Non-Major Governmental Funds</u>			
Projects and Services	General Fund	City-wide beautification	\$ 1,280
Projects and Services	Equipment Replacement	Capital projects	33,000
Projects and Services	Capital Improvement	Capital projects	1,850
Projects and Services	Facilities Maintenance	Capital projects	171,368
Streets Projects	Sidewalk Repair	Capital projects	50,000
Measure D Fund	General Fund	Administrative cost recovery	<u>22,086</u>
		Total Non- Major Governmental Interfund Transfer	\$ <u><u>279,584</u></u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3: INTERFUND AND INTRA-FUND TRANSACTIONS (CONTINUED)**Intra-fund Transfers between Funds**

Intra-fund transfers are not presented on the Statement of Revenues, Expenditures, and Changes in Fund Balances for the governmental funds as they are presented on a net basis. Intrafund transfers during the year ended June 30, 2019 consisted of a transfer between the General Fund and the Traffic Safety fund for \$20,000.

NOTE 4: CAPITAL ASSETS**Governmental Activities:**

	<u>Balance at July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2019</u>
Capital assets not being depreciated					
Land	\$ 5,683,095	\$ -	\$ -	\$ -	\$ 5,683,095
Construction-in-progress	<u>804,132</u>	<u>1,421,586</u>	<u>-</u>	<u>(879,335)</u>	<u>1,346,383</u>
Total capital assets not being depreciated	<u>6,487,227</u>	<u>1,421,586</u>	<u>-</u>	<u>(879,335)</u>	<u>7,029,478</u>
Capital assets being depreciated					
Buildings and improvements	3,953,118	-	-	119,315	4,072,433
Vehicles	3,582,184	188,111	(256,223)	(85,949)	3,428,123
Property and equipment	4,081,203	177,957	-	516,810	4,775,970
Infrastructure	<u>43,628,343</u>	<u>694,472</u>	<u>(98,069)</u>	<u>289,743</u>	<u>44,514,489</u>
Total capital assets being depreciated	<u>55,244,848</u>	<u>1,060,540</u>	<u>(354,292)</u>	<u>839,919</u>	<u>56,791,015</u>
Less accumulated depreciation					
Buildings and improvements	(1,512,276)	(166,224)	-	-	(1,678,500)
Vehicles	(1,778,256)	(156,309)	256,223	-	(1,678,342)
Property and equipment	(2,578,046)	(393,686)	-	-	(2,971,732)
Infrastructure	<u>(26,974,361)</u>	<u>(1,017,513)</u>	<u>98,069</u>	<u>-</u>	<u>(27,893,805)</u>
Total accumulated depreciation	<u>(32,842,939)</u>	<u>(1,733,732)</u>	<u>354,292</u>	<u>-</u>	<u>(34,222,379)</u>
Total capital assets being depreciated, net	<u>22,401,909</u>	<u>(673,192)</u>	<u>-</u>	<u>839,919</u>	<u>22,568,636</u>
Total Capital Assets, net	<u>\$ 28,889,136</u>	<u>\$ 748,394</u>	<u>\$ -</u>	<u>\$ (39,416)</u>	<u>\$ 29,598,114</u>

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

Governmental Activities:

Administration	\$ 80,955
Public works	891,602
Public safety - police	205,359
Public safety - fire	190,910
Recreation	<u>364,906</u>
Total governmental activities depreciation expense	<u>\$ 1,733,732</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4: CAPITAL ASSETS (CONTINUED)**Business-type Activities:**

	<u>Balance at July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2019</u>
Capital assets not being depreciated					
Construction-in-progress	\$ 3,953,591	\$ 382,481	\$ -	\$ (4,336,072)	\$ -
Total capital assets not being depreciated	<u>3,953,591</u>	<u>382,481</u>	<u>-</u>	<u>(4,336,072)</u>	<u>-</u>
Capital assets being depreciated					
Building and improvements	540,500	-	-	39,416	579,916
Vehicles	1,009,681	-	-	-	1,009,681
Infrastructure	<u>17,521,668</u>	<u>136,666</u>	<u>-</u>	<u>4,336,072</u>	<u>21,994,406</u>
Total capital assets being depreciated	<u>19,071,849</u>	<u>136,666</u>	<u>-</u>	<u>4,375,488</u>	<u>23,584,003</u>
Less accumulated depreciation					
Building and improvements	(149,539)	(21,620)	-	-	(171,159)
Vehicles	(637,430)	(788)	-	-	(638,218)
Infrastructure	<u>(4,726,231)</u>	<u>(350,431)</u>	<u>-</u>	<u>-</u>	<u>(5,076,662)</u>
Total accumulated depreciation	<u>(5,513,200)</u>	<u>(372,839)</u>	<u>-</u>	<u>-</u>	<u>(5,886,039)</u>
Total capital assets being depreciated, net	<u>13,558,649</u>	<u>(236,173)</u>	<u>-</u>	<u>4,375,488</u>	<u>17,697,964</u>
Total Capital Assets, net	<u>\$ 17,512,240</u>	<u>\$ 146,308</u>	<u>\$ -</u>	<u>\$ 39,416</u>	<u>\$ 17,697,964</u>

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

Business-type Activities:

Sewer	\$ 351,219
Aquatics	<u>21,620</u>
Total business-type activities depreciation expense	<u>\$ 372,839</u>

NOTE 5: LONG-TERM LIABILITIES

Governmental activities long-term liabilities issued and outstanding at June 30, 2019 were comprised of the following:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2019</u>
2014 Tax allocation bonds	2020	2.79%	\$ 7,305,000	\$ 1,110,000
Compensated absences				<u>915,693</u>
Total governmental activities				<u>\$ 2,025,693</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Business-type activities long-term liabilities issued and outstanding at June 30, 2019 were comprised of the following:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2019</u>
Sewer Rehab Loan - Phase I	2022	2.40%	\$ 2,266,920	\$ 544,323
Sewer Rehab Loan - Phase II	2023	2.50%	2,211,812	658,684
Sewer Rehab Loan - Phase III	2025	2.50%	2,512,708	889,635
Sewer Rehab Loan - Phase IV	2031	1.00%	1,900,188	1,290,160
Sewer Rehab Loan - Phase V	2037	1.70%	4,397,000	4,190,316
Compensated absences				<u>51,832</u>
Total business-type activities				<u>\$ 7,624,950</u>

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2019:

	<u>Balance at July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>	<u>Current Portion</u>
Governmental Activities:					
Tax allocation bonds	\$ 2,484,000	\$ -	\$ (1,374,000)	\$ 1,110,000	\$ 1,110,000
Total bonds and notes payable	<u>2,484,000</u>	<u>-</u>	<u>(1,374,000)</u>	<u>1,110,000</u>	<u>1,110,000</u>
Other liabilities:					
Compensated absences	<u>889,584</u>	<u>694,312</u>	<u>(668,203)</u>	<u>915,693</u>	<u>525,678</u>
Total Governmental Activities	<u>\$ 3,373,584</u>	<u>\$ 694,312</u>	<u>\$ (2,042,203)</u>	<u>\$ 2,025,693</u>	<u>\$ 1,635,678</u>
	<u>Balance at July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>	<u>Current Portion</u>
Business-type Activities					
Sewer Rehab Loan - Phase I	\$ 672,525	\$ -	\$ (128,202)	\$ 544,323	\$ 131,279
Sewer Rehab Loan - Phase II	780,940	-	(122,256)	658,684	125,312
Sewer Rehab Loan - Phase III	1,025,510	-	(135,875)	889,635	139,272
Sewer Rehab Loan - Phase IV	1,382,661	-	(92,501)	1,290,160	93,427
Sewer Rehab Loan - Phase V	<u>3,104,540</u>	<u>1,085,776</u>	<u>-</u>	<u>4,190,316</u>	<u>205,646</u>
Total loans payable	<u>6,966,176</u>	<u>1,085,776</u>	<u>(478,834)</u>	<u>7,573,118</u>	<u>694,936</u>
Other liabilities:					
Compensated absences	<u>67,639</u>	<u>24,970</u>	<u>(40,777)</u>	<u>51,832</u>	<u>29,756</u>
Total Business-type Activities	<u>\$ 7,033,815</u>	<u>\$ 1,110,746</u>	<u>\$ (519,611)</u>	<u>\$ 7,624,950</u>	<u>\$ 724,692</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5: LONG-TERM LIABILITES (CONTINUED)

A description of the long-term liabilities related to governmental activities at June 30, 2019 follows:

A. Governmental Activities2014 Taxable Pension Obligation Bonds

In May 2014, the City authorized and issued \$7,305,000 of taxable pension obligation bonds to pay off the City's outstanding side fund liability to the California Public Employee's Retirement System (CalPERS) for its safety and miscellaneous plans. The bonds are subject to mandatory principal redemption amounts on March 30, June 30, September 30, and December 30. The bonds accrue interest at a rate of 2.79 percent annually, and mature on March 30, 2020.

Compensated Absences

At June 30, 2019, compensated absences totaled \$915,693, of which \$525,678 was recorded as a current liability and the non-current portion totaled \$390,015. For governmental activities, compensated absences are liquidated by the general fund.

Governmental Activities Long-Term Liabilities Future Debt ServicePension Obligation Bonds

For the Year Ending June 30	Principal	Interest	Total
2020	\$ <u>1,110,000</u>	\$ <u>15,763</u>	\$ <u>1,125,763</u>
Total	\$ <u>1,110,000</u>	\$ <u>15,763</u>	\$ <u>1,125,763</u>

B. Business-type ActivitiesSewer Rehabilitation Loan - Phase I

In August 2001, the City entered into a loan agreement with the State of California Water Resources Control Board to provide funding for a sewer rehabilitation project (Phase I). Funds are drawn on the agreement as work is completed up to a maximum amount of \$2,226,920 plus any construction period interest. The loan accrues interest at a rate of 2.4 percent annually. Principal and interest payments are due in 20 annual installments with the first payment due one year after completion of the project. The project was completed in July 2002 and the first principal installment was paid in July 2003. Final payment is due July 2022.

Sewer Rehabilitation Loan - Phase II

In October 2003, the City entered into a loan agreement with the State of California Water Resources Control Board to provide funding for a sewer rehabilitation project (Phase II). Funds are drawn on the agreement as work is completed up to a maximum amount of \$2,211,812 plus any construction period interest. The loan accrues interest at a rate of 2.5 percent annually. Principal and interest payments are due in 20 annual installments with the first payment due one year after completion of the project. The project was completed in December 2003 and the first principal installment was paid in December 2004. Final payment is due December 2023. Net revenues, defined as all sewer enterprise fund revenues less operations and maintenance costs (excluding depreciation and amortization expenses), are pledged for future debt service.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5: LONG-TERM LIABILITES (CONTINUED)Sewer Rehabilitation Loan - Phase III

In September 2004, the City entered into a loan agreement with the State of California Water Resources Control Board to provide funding for a sewer rehabilitation project (Phase III). Funds are drawn on the agreement as work is completed up to a maximum amount of \$2,512,708 plus any construction period interest. The loan accrues interest at a rate of 2.5 percent annually. Principal and interest payments are due in 20 annual installments with the first payment due one year after completion of the project. The project was completed in May 2005 and the first principal installment was paid in May 2006. Final payment is due May 2025. Net revenues, defined as all sewer enterprise fund revenues less operations and maintenance costs (excluding depreciation and amortization expenses), are pledged for future debt service.

Sewer Rehabilitation Loan - Phase IV

In October 2009, the City entered into a loan agreement with the State of California Water Resources Control Board to provide funding for a sewer rehabilitation project (Phase IV). Funds are drawn on the agreement as work is completed up to a maximum amount of \$1,900,188 plus any construction period interest. The loan accrues interest at a rate of 1.0 percent annually. Annual principal payments are due each September 1, commencing September 1, 2012. Final payment is due September 2031. Net revenues, defined as all sewer enterprise fund revenues less operations and maintenance costs (excluding depreciation and amortization expenses), are pledged for future debt service.

Sewer Rehabilitation Loan - Phase V

In October 2016, the City entered into a loan agreement with the State of California Water Resources Control Board to provide funding for a sewer rehabilitation project (Phase V). Funds are drawn on the agreement as work is completed up to a maximum amount of \$4,397,000 plus any construction period interest. The loan accrues interest at a rate of 1.7 percent annually. Annual principal payments are due each July 31, commencing July 31, 2019. Final payment is due July 2038. Net revenues, defined as all sewer enterprise fund revenues less operations and maintenance costs (excluding depreciation and amortization expenses), are pledged for future debt service. For the year ended June 30, 2019 the City had drawn down \$4,190,316 of the Phase V sewer rehab loan.

Business-type Activities Long-Term Liabilities Future Debt Service

For the Year Ending June 30	Principal	Interest	Total
2020	\$ 694,936	\$ 106,404	\$ 801,340
2021	679,571	121,769	801,340
2022	693,574	107,765	801,339
2023	707,885	93,455	801,340
2024	578,169	78,829	656,998
2025 - 2029	1,652,211	277,827	1,930,038
2030 - 2034	1,393,858	162,011	1,555,869
2035 - 2039	<u>1,172,914</u>	<u>60,661</u>	<u>1,233,575</u>
Total	<u>\$ 7,573,118</u>	<u>\$ 1,008,721</u>	<u>\$ 8,581,839</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6: ASSESSMENT DEBT WITHOUT CITY COMMITMENT

In December 2017, the City administered the issuance of the City of Piedmont Reassessment District No. 2017-1 Limited Obligation Refunding Bonds in the principal amount of \$3,917,261. The proceeds from the issuance of the bonds were used to refund the Dudley/Blair Underground Utility Assessment District bonds, the Wildwood/Crocker Underground Utility Assessment District bonds and the Piedmont Hills Underground Assessment District bonds and to pay the costs of issuance of the bonds. At June 30, 2019, the outstanding principal of the bond issue was \$3,740,607. The City is not liable for the repayment of this debt and is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to the bondholders, and initiating foreclosure proceedings. For this reason, this debt is not reported as long-term liabilities of the City.

NOTE 7: DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (age 62 for Miscellaneous Plan members if membership date is on or after January 1, 2013) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Special Death Benefit (Safety only), the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2019 are summarized as follows:

Hire Date	Miscellaneous		
	Tier I Prior to January 1, 2013	Tier II Prior to January 1, 2013	Tier III (PEPRA) On or After January 1, 2013
Benefit Formula	3.0% @ 60	2.0% @ 60	2.0% @ 62
Benefit Vesting Schedule	5 years service	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life	monthly for life
Retirement Age	50 and up	60 and up	62 and up
Monthly Benefits, as a % of Eligible Compensation	2.0% to 3.0%	2.0%	2.0%
Required Employee Contribution Rates	8.000%	7.000%	6.250%
Required Employer Contribution Rates *	27.161%	7.810%	7.013%

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Hire Date	Safety		
	Tier I Prior to January 1, 2013	Tier II Prior to January 1, 2013	Tier III (PEPRA) On or After January 1, 2013
Benefit Formula	3.0% @ 50	2.0% @ 50	2.7% @ 57
Benefit Vesting Schedule	5 years service	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life	monthly for life
Retirement Age	50 and up	50 and up	57 and up
Monthly Benefits, as a % of Eligible Compensation	3.0%	2.0%	2.70%
Required Employee Contribution Rates	9.000%	9.000%	12.750%
Required Employer Contribution Rates *	45.866%	17.556% (police) 17.776% (fire)	13.217%

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The City's contributions to the Plan for the year ending June 30, 2019 were \$2,920,619.

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

As of June 30, 2019, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$26,035,468.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 was as follows:

Proportion - June 30, 2017	0.26200%
Proportion - June 30, 2018	0.27018%
Change - Increase (Decrease)	<u>0.00818%</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2019, the City recognized pension expense of \$4,031,861. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Made Subsequent to Measurement Date	\$ 2,920,619	\$ -
Differences between Employer's Contributions and Proportionate Share of Contributions	-	1,126,271
Differences between Expected and Actual Experience	590,424	2,969
Changes of Assumptions	2,677,190	458,171
Change in Employer's Proportion	1,073,498	8,829
Differences between Projected and Actual Investment Earnings	<u>162,169</u>	<u>-</u>
Total	<u>\$ 7,423,900</u>	<u>\$ 1,596,240</u>

\$2,920,619 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2020	\$ 2,320,109
2021	1,406,025
2022	(622,791)
2023	(196,302)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% net of pension plan investment expenses; includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent Scale MP 2016. For more details on this table, please refer to the April 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) available on CalPERS website.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of the actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality and retirement rates.

Changes in Assumptions

In December 2017, the CalPERS Board adopted new mortality assumptions for plan participants participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent Scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75 percent to 2.50 percent. The assumptions for individual salary increases and overall payroll growth are reduced from 3.00 percent to 2.75 percent. Deferred outflows/inflows of resources for changes of assumptions presented in the deferred inflows/outflows table above represents the unamortized portion of the changes of assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including Public Employees Retirement Fund (PERF) C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the PERF. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)

(a) An expected inflation of 2.0% used for this period

(b) An expected inflation of 2.92% used for this period

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Net Pension Liability (Asset)	\$ 41,379,428	\$ 26,035,468	\$ 13,432,894

Pension Plan Fiduciary Net Position

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

NOTE 8: PIEDMONT POLICE AND FIRE PENSION PLAN (CLOSED PLAN)**A. General Information about the Pension Plan**Plan Description

The Piedmont Police and Fire Pension Plan (the Plan) is a single-employer defined benefit pension plan for the City's police and fire employees hired before July 1, 1971. The Plan is closed to new participants. Section 26.1 of the City Ordinance grants authority to establish and manage benefit terms to the Police and Fire Pension Board (the Board). The Board is comprised of the mayor, one member of the City Council, one member of the police department, one member of the fire department, and one community representative.

As of June 30, 2019, the Plan covers 12 retired City employees or surviving spouses, who receive monthly benefits, which will continue for life.

Funding Policy

Contributions are determined by an actuarial valuation. Currently, assets exceed the total pension liability, so the contribution rate is 0%.

Benefit Terms

Benefits for service retirement - Benefit is 50% of final average salary (FAS) (average over the 12 months before retirement, 36 months if advanced in rank during the last 3 years before retirement) plus 3 1/3% x FAS for each year of service greater than 25 but less than 30 years. The maximum benefit is 66 2/3% of pay. Benefits are payable for participant's lifetime with 50% of the benefit payable to eligible spouse upon the death of the participant.

Benefits for duty related disability - Benefit is 50% of FAS plus 3 1/3% x FAS for each year of service greater than 25 but less than 30 years. The maximum benefit is 66 2/3% of pay. Benefits are payable for participant's lifetime with 50% of the benefit payable to eligible spouse or minor children upon the death of the participant.

A 2% cost-of-living adjustment is payable to certain retirees.

B. Net Pension Liability (Asset)

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

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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

Actuarial Assumptions

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

Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.75%
Salary Increases	2.00%
Investment Rate of Return	6.00% net of pension plan investment expenses
Mortality	
Service retirements and beneficiaries	California PERS mortality table for healthy recipients (based on CalPERS 1997-2015 experience study), with generational mortality projection (to recognize future mortality improvement) utilizing Society of Actuaries Scale MP-2017
Disability retirements	California PERS mortality table for work-related disabled retirees (based on CalPERS 1997-2015 experience study), with generational mortality projection (to recognize future mortality improvement) utilizing Society of Actuaries Scale MP-2017

Changes of Assumptions

In Fiscal Year 2018/19, there were no assumption changes.

Discount Rate

The discount rate was set equal to the long-term expected rate of return. The long-term expected rate of return was used as current assets are expected to be sufficient to cover all future benefit payments and expenses due to the magnitude of the Plan's 667% funded ratio and the average age of the group (83).

The 6% long-term expected rate of return was based on an assumed long-term asset allocation of 57% equities, 38% fixed, and 5% cash with geometric rates of return of 4.53%, 1.47%, and 0.06% respectively, a 0.10% reduction for investment expenses, and a 0.25% margin for adverse deviation. The sensitivity of the Net Pension Liability/(Asset) to a 1% change in the Discount Rate is shown below.

	1% Decrease 5.0%	Current Discount Rate 6.0%	1% Increase 7.0%
Net pension liability (asset)	(\$11,101,785)	(\$11,217,595)	(\$11,320,180)

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8: PIEDMONT POLICE AND FIRE PENSION PLAN (CLOSED PLAN) (CONTINUED)**C. Changes in the Net Pension Liability (Asset)**

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2018	\$ 1,851,716	\$ 12,352,060	\$ (10,500,344)
Changes in the year:			
Interest	104,393	-	104,393
Net investment income	-	833,644	(833,644)
Administrative expenses	-	(12,000)	12,000
Benefit payments	<u>(223,674)</u>	<u>(223,674)</u>	<u>-</u>
Net changes	<u>(119,281)</u>	<u>597,970</u>	<u>(717,251)</u>
Balance at June 30, 2019	<u>\$ 1,732,435</u>	<u>\$ 12,950,030</u>	<u>\$ (11,217,595)</u>

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

For the year ended June 30, 2019, the City recognized pension expense/(credit) of \$(418,656). At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on plan investments	\$ -	\$ 68,523
Total	<u>\$ -</u>	<u>\$ 68,523</u>

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

Year Ended June 30,	
2020	\$ 102,700
2021	(143,360)
2022	(7,946)
2023	(19,917)

NOTE 9: OTHER POST EMPLOYMENT BENEFITSPlan Description

The City of Piedmont Retiree Healthcare Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City. Effective January 1, 1997, all City employees were enrolled in the PERS Health Care Plan. The City provides postretirement healthcare benefits to eligible employees who retire directly from the City. The City pays healthcare coverage up to a cap for eligible retirees and their dependents.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The City reports the financial activity of the other post-employment benefits (OPEB) in the fiduciary OPEB Trust Fund, and no separate financial report is prepared.

In fiscal 2010, the City established an OPEB irrevocable trust with the City Administrator and Finance Director acting as trustees for the OPEB Trust Fund.

Benefits Provided

PEMHCA Benefit	<ul style="list-style-type: none"> • Eligibility: retire directly from the City under CalPERS Age 50 (52 for Miscellaneous PEPRA members) and 5 years of service or Disability retirement • City contributes monthly the PEMHCA minimum benefit (\$136/month in 2019, \$139/month in 2020)
HRA Benefit (in addition to PEMHCA benefit)	<ul style="list-style-type: none"> • Eligibility: Hired before May 1, 2018 or January 1, 2018 depending on the MOU group Eligible for retirement under CalPERS • City pays premium up to cap • Benefit Cap (including PEMHCA benefit): Non-Medicare: Single - Active Cap (\$753.49 in 2019) 2-party Active Cap (\$1,506.98 in 2019) Family - applies PEMHCA Unequal Method to former active cap (\$1,547.26 in 2019) Medicare: Kaiser Senior Advantage premiums • Active Cap: 2013 Kaiser Bay Area premiums plus 50% of subsequent annual premium changes • PEMHCA Unequal Method: increase City contributions for retirees annually until they reach active cap, subject to maximum yearly increase \$100/mo
Other	<ul style="list-style-type: none"> • No dental, vision, or life benefits

Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	94
Inactive employees currently receiving benefits	55
Inactive employees entitled to, but not yet receiving benefits	13
Total	162

Contributions

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

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

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)Net OPEB Liability

The City's net OPEB liability ("NOL") was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Cost, level percentage of payroll
Expected Long Term Rate of Return on Investments	<ul style="list-style-type: none"> • 6.25% at June 30, 2019 • 6.25% at June 30, 2018
20-Year Municipal Bond	<ul style="list-style-type: none"> • 3.50% at June 30, 2019 • 3.87% at June 30, 2018 • Bond Buyer 20-Bond GO Index
Discount Rate	<ul style="list-style-type: none"> • 5.42% at June 30, 2019 • 5.54% at June 30, 2018
General Inflation	2.75%
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-17 for post-retirement mortality
Salary increases	<ul style="list-style-type: none"> • Aggregate - 3% • Merit - CalPERS 1997-2015 Experience Study
Medical Trend	<ul style="list-style-type: none"> • Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years. • Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years.
PEMHCA Minimum Increases	4.25%
Participation at Retirement	<ul style="list-style-type: none"> • Currently covered (Tier 1): 100% • Currently covered (Tier 2): 70% • Currently not covered: 0%
Coverage at Retirement	<ul style="list-style-type: none"> • 80% elect 2-party or family coverage at retirement • Miscellaneous - 15% have family coverage until age 65 • Safety - 30% have family coverage until age 65

Changes of Assumptions

In Fiscal Year 2018/19, the discount rate was updated based on the municipal bond rate as of the measurement date.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.42 percent. The table below reflects long-term expected real rates of return presented as geometric means.

<u>Asset Class Component</u>	<u>Target Allocation Osterweis Fund</u>	<u>Investment Policy Allocation</u>
Equity	60%	4.53%
Fixed Income	40%	1.47%
Assumed Long-term Rate of Inflation		2.75%
Expected Long-term Net Rate of Return, Rounded		(0.92%)

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2018	\$ 20,227,000	\$ 8,076,000	\$ 12,151,000
Service cost	944,000	-	944,000
Interest cost	1,155,000	-	1,155,000
Assumption changes	355,000	-	355,000
Contributions - employer	-	642,000	(642,000)
Contributions - employee	-	161,000	(161,000)
Net investment income	-	597,000	(597,000)
Benefit payments	(641,000)	(641,000)	-
Administrative expenses	-	(1,000)	1,000
Net change during 2018/19	<u>1,813,000</u>	<u>758,000</u>	<u>1,055,000</u>
Balance at June 30, 2019	<u>\$ 22,040,000</u>	<u>\$ 8,834,000</u>	<u>\$ 13,206,000</u>

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

The following presents the Net OPEB Liability of the City if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease (4.42%)	Current Discount Rate (5.42%)	1% Increase (6.42%)
Net OPEB Liability	\$ <u>16,548,000</u>	\$ <u>13,206,000</u>	\$ <u>10,505,000</u>

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

The following represents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage-point lower or one percentage-point higher than the current rate (Non-medicare 7.5% decreasing to 4.0%, Medicare 6.5% decreasing to 4.0%), for measurement period ended June 30, 2019:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ <u>10,270,000</u>	\$ <u>13,206,000</u>	\$ <u>16,961,000</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$328,000. As of fiscal year ended June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,875,000
Changes in assumptions	292,000	1,296,000
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>35,000</u>
Total	<u>\$ 292,000</u>	<u>\$ 4,206,000</u>

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

<u>For the Fiscal Year Ending June 30,</u>	<u>Recognized Net Deferred Outflows (Inflows) of Resources</u>
2020	\$ (1,101,000)
2021	(1,101,000)
2022	(1,102,000)
2023	(650,000)
2024	40,000

NOTE 10: FUND BALANCE

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non Spendable: Amounts that cannot be spent because they are either (a) not in spendable form (not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted: Amounts subject to externally enforceable legal restrictions or constrained for a specific purpose by external parties, constitutional provision, or enabling legislation. This fund balance type is essentially the same definition as restricted net position under GASB Statement No. 34.

Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of City Council. Committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (legislation, resolution, ordinance) it employed to previously commit those amounts. Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10: FUND BALANCE (CONTINUED)

Assigned: Amounts that are not restricted by the funding agency but are for specific purposes and assigned by City Council for that purpose. City Council's action in creating the fund is to ensure that the funds are used for their intended purpose. That purpose is not always planned for the current fiscal year as it may take several years to build up a sufficient fund balance to be able to implement the stated purpose. This classification also represents all remaining amounts (except negative balances) reported in governmental funds, other than the general fund, that are not classified as non spendable, restricted, or committed.

Unassigned: Residual amounts in the general fund, not classified as non spendable, restricted, committed, or assigned. For other governmental fund types, unassigned is only used when a deficit or negative fund balance occurs.

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

The accounting policies of the City consider restricted fund balance to have been spent first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

As of June 30, 2019, fund balances were comprised of the following:

	<u>General Fund</u>	<u>Equipment Replacement</u>	<u>Facilities Maintenance</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Prepaid expenses	\$ 42,016	\$ -	\$ -	\$ -	\$ 42,016
Advances	-	600,000	200,000	-	800,000
Total Nonspendable	<u>42,016</u>	<u>600,000</u>	<u>200,000</u>	<u>-</u>	<u>842,016</u>
Restricted					
Projects and services	-	-	-	1,262,382	1,262,382
Street projects	-	-	-	659,228	659,228
Schoolmates program	-	-	-	370,084	370,084
Measure D	-	-	-	43,961	43,961
Measure B sales tax	-	-	-	136,758	136,758
Measure BB sales tax	-	-	-	250,966	250,966
COPS	-	-	-	526,290	526,290
Measure F	-	-	-	39,255	39,255
Athletic facility preservation	-	-	-	169,383	169,383
Abandoned vehicle	-	-	-	28,658	28,658
Section 115 Trust	2,917,104	-	-	-	2,917,104
Total Restricted	<u>2,917,104</u>	<u>-</u>	<u>-</u>	<u>3,486,965</u>	<u>6,404,069</u>
Assigned					
Capital improvement	905,378	-	-	32,213	937,591
Equipment replacement	-	2,500,789	-	-	2,500,789
Facilities maintenance	-	-	6,210,608	-	6,210,608
Sidewalk repair	-	-	-	16,373	16,373
Total Assigned	<u>905,378</u>	<u>2,500,789</u>	<u>6,210,608</u>	<u>48,586</u>	<u>9,665,361</u>
Unassigned	<u>5,277,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,277,757</u>
Total Fund Balance	<u>\$ 9,142,255</u>	<u>\$ 3,100,789</u>	<u>\$ 6,410,608</u>	<u>\$ 3,535,551</u>	<u>\$ 22,189,203</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. The City manages risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these risk pools exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board. Obligations and liabilities of these risk pools are the City's responsibility.

A. Risk Pools

General Liability - Bay Cities Joint Powers Insurance Authority (BCJPIA) covers general liability claims, including excess liability, in an amount up to \$29,000,000. The City has a deductible or uninsured liability of up to \$10,000 per claim. Once the City's deductible is met, BCJPIA becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2019, the City contributed \$595,440 for current year coverage.

Workers' Compensation - BCJPIA also covers workers' compensation liability in an amount up to \$1,000,000 per claim. The City has a deductible or uninsured liability of up to \$150,000 per claim. The Local Agency Workers' Compensation Excess Insurance Joint Powers Authority (LAWCX) covers workers' compensation claims in excess of \$1,000,000 per claim up to \$300,000,000. During the fiscal year ended June 30, 2019, the City contributed \$512,007 for current year coverage.

Financial statements for BCJPIA and LAWCX may be obtained from Bickmore & Associates, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

The City's contribution with each risk pool equals the ratio of the City's payroll to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

B. Liability for Uninsured Claims

The City has retained the risk for the uninsured portion of the above claims as discussed above. Activity for the City's liability for uninsured claims was as follows for the year ended June 30, 2019:

	General Liability		Workers' Compensation		Total	
	2019	2018	2019	2018	2019	2018
Beginning balance	\$ 140,823	\$ 77,250	\$ 838,000	\$ 967,000	\$ 978,823	\$ 1,044,250
Incurred claims	52,571	164,989	413,092	(8,664)	465,663	156,325
Claims paid	<u>(90,302)</u>	<u>(101,416)</u>	<u>(284,092)</u>	<u>(120,336)</u>	<u>(374,394)</u>	<u>(221,752)</u>
Ending Balance	\$ <u>103,092</u>	\$ <u>140,823</u>	\$ <u>967,000</u>	\$ <u>838,000</u>	\$ <u>1,070,092</u>	\$ <u>978,823</u>
Current portion	\$ <u>32,222</u>	\$ <u>36,991</u>	\$ <u>307,108</u>	\$ <u>265,258</u>	\$ <u>339,330</u>	\$ <u>302,249</u>

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12: PARCEL TAX

The City of Piedmont is required by the Municipal Code to refund or reduce subsequent taxes regarding any excess of the ending General Fund unencumbered fund balance over 25 percent of that year's General Fund expenditures. This calculation applies only to the City's General Fund and excludes the Deposits and Bonds, Traffic Safety, and Pension Rate Stabilization Trust Funds which are combined into the General Fund for financial reporting purposes. The unencumbered General Fund balance at June 30, 2019 did not exceed the 25 percent of expenditures limitation.

	Amount
General fund expenditures	\$ 24,557,403
Fund balance limitation, 25% of expenditures	6,139,351
Unencumbered General fund balance at year end*	5,288,214
Amount below fund balance limitation	\$ (851,137)

*Amount excludes encumbered funds totaling \$905,378 which has been assigned for capital improvement projects.

NOTE 13: EXCESS EXPENDITURES AND TRANSFERS OUT OVER APPROPRIATIONS

The following funds incurred expenditures and transfers out in excess of appropriations in the following amounts for the year ended June 30, 2019:

Fund	Excess Expenditures and Transfers Out
Schoolmates Program	\$ 1,173
Projects and Services	202,498
Measure D	13,986
Sidewalk Repair	209,616
2014 Pension Obligation Bonds	7,515

The excess expenditures were covered by available fund balance in the funds.

NOTE 14: CONTINGENCIES AND COMMITMENTSGrant Awards

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Litigation

The City is involved in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that potential claims against the City, not covered by insurance, will not have a material adverse effect on the financial statements of the City.

Contracts

At June 30, 2019, the City had construction contracts outstanding of approximately \$2,072,831 related to various construction projects.

CITY OF PIEDMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15: SUBSEQUENT EVENT

In December 2019, the City entered into an agreement with SPCP Group, LLC, for the sale of the City's receivable with PG&E in the amount of \$217,508. The receivable was purchased at a 90% value for \$195,757.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PIEDMONT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Property taxes	\$ 13,873,000	\$ 13,873,000	\$ 14,078,550	\$ 205,550
Sales tax	180,000	180,000	200,158	20,158
Franchise tax	510,000	510,000	543,336	33,336
Utility users tax	1,202,000	1,202,000	1,177,396	(24,604)
Real property transfer tax	2,800,000	2,800,000	3,819,816	1,019,816
Business licenses and rental tax	491,000	491,000	560,515	69,515
Licenses and permits	550,000	550,000	512,131	(37,869)
Intergovernmental	1,518,000	1,518,000	1,961,993	443,993
Use of money and property	710,000	710,000	1,017,878	307,878
Parcel tax	2,262,000	2,262,000	2,261,531	(469)
Charges for services	3,582,000	3,582,000	3,251,527	(330,473)
Contribution and donations	20,000	20,000	33,931	13,931
Other revenues	<u>245,000</u>	<u>245,000</u>	<u>343,298</u>	<u>98,298</u>
Total Revenues	<u>27,943,000</u>	<u>27,943,000</u>	<u>29,762,060</u>	<u>1,819,060</u>
<u>EXPENDITURES</u>				
Current:				
Administration	3,017,960	3,047,960	2,924,804	123,156
Public works	4,602,973	4,802,973	3,790,687	1,012,286
Public safety:				
Police services	6,629,725	6,629,725	6,333,033	296,692
Fire services	6,232,850	6,232,850	6,142,768	90,082
Recreation	3,310,850	3,310,850	2,912,559	398,291
Nondepartmental	<u>2,264,471</u>	<u>2,264,471</u>	<u>2,453,552</u>	<u>(189,081)</u>
Total Expenditures	<u>26,058,829</u>	<u>26,288,829</u>	<u>24,557,403</u>	<u>1,731,426</u>
Excess (deficiency) of revenues over expenditures	<u>1,884,171</u>	<u>1,654,171</u>	<u>5,204,657</u>	<u>87,634</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	1,166,000	1,166,000	23,366	(1,142,634)
Transfers out	<u>(3,050,050)</u>	<u>(3,050,050)</u>	<u>(4,387,565)</u>	<u>(1,337,515)</u>
Total Other Financing Sources (Uses)	<u>(1,884,050)</u>	<u>(1,884,050)</u>	<u>(4,364,199)</u>	<u>(2,480,149)</u>
Net change in fund balance	\$ <u>121</u>	\$ <u>(229,879)</u>	840,458	\$ <u>(2,392,515)</u>
Fund balance - July 1, 2018			<u>8,301,797</u>	
Fund balance - June 30, 2019			<u>\$ 9,142,255</u>	

CITY OF PIEDMONT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY ACCOUNTING AND CONTROL
FOR THE YEAR ENDED JUNE 30, 2019

Budgetary Information

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

Budgetary Controls

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The City Council approves total appropriations on a departmental basis. Budgetary comparison schedules are presented for all funds. The budgetary comparison schedules present both the original adopted budget and the final budget with all amendments.

CITY OF PIEDMONT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Prepared for the City's Miscellaneous and Safety Plan, Cost Sharing Defined Benefit Pension Plan
As of June 30, 2019
Last 10 Years *

	Measurement Period				
	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.27018 %	0.26200 %	0.25701 %	0.24111 %	0.24773 %
Proportionate share of the net pension liability	\$ 26,035,468	\$ 25,982,764	\$ 22,238,992	\$ 16,549,792	\$ 15,419,642
Covered payroll	\$ 10,265,025	\$ 9,471,727	\$ 9,305,356	\$ 9,157,966	\$ 8,752,938
Proportionate share of the net pension liability as a percentage of covered payroll	253.63 %	274.32 %	238.99 %	180.71 %	176.17 %
Plan fiduciary net position as a percentage of the total pension liability	75.26 %	73.31 %	74.06 %	78.40 %	79.82 %

Notes to Schedule:

Changes in assumptions. In 2018, there were no changes. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

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

CITY OF PIEDMONT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS
Prepared for the City's Miscellaneous and Safety Plan, Cost Sharing Defined Benefit Pension Plan
As of June 30, 2019
Last 10 Years *

	Fiscal Year-End				
	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 2,920,619	\$ 2,521,862	\$ 2,295,957	\$ 2,072,601	\$ 1,934,849
Contributions in relation to the actuarially determined contributions	<u>2,920,619</u>	<u>2,521,862</u>	<u>2,295,957</u>	<u>2,072,601</u>	<u>1,934,849</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,517,384	\$ 10,265,025	\$ 9,471,727	\$ 9,305,356	\$ 9,157,966
Contributions as a percentage of covered payroll	27.77 %	24.57 %	24.24 %	22.27 %	21.13 %

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

CITY OF PIEDMONT
REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year-End					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Interest	\$ 104,393	\$ 112,356	\$ 119,038	\$ 141,412	\$ 148,653	\$ 156,380
Differences between expected and actual experience	-	74,556	-	(270,454)	-	-
Change of assumptions	-	(93,912)	-	-	-	-
Benefit payments, including refunds of employee contributions	<u>(223,674)</u>	<u>(227,770)</u>	<u>(233,036)</u>	<u>(251,005)</u>	<u>(287,175)</u>	<u>(283,192)</u>
Net change in total pension liability	(119,281)	(134,770)	(113,998)	(380,047)	(138,522)	(126,812)
Total pension liability - beginning	<u>1,851,716</u>	<u>1,986,486</u>	<u>2,100,484</u>	<u>2,480,531</u>	<u>2,619,053</u>	<u>2,745,865</u>
Total pension liability - ending (a)	<u>\$ 1,732,435</u>	<u>\$ 1,851,716</u>	<u>\$ 1,986,486</u>	<u>\$ 2,100,484</u>	<u>\$ 2,480,531</u>	<u>\$ 2,619,053</u>
Plan Fiduciary Net Position						
Net investment income	\$ 833,644	\$ 649,249	\$ 1,321,041	\$ (539,063)	\$ 213,159	\$ 1,837,733
Benefit payments, including refunds of employee contributions	(223,674)	(227,770)	(233,036)	(251,005)	(287,175)	(283,192)
Administrative expenses	<u>(12,000)</u>	<u>(3,405)</u>	<u>(7,183)</u>	<u>(2,025)</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	597,970	418,074	1,080,822	(792,093)	(74,016)	1,554,541
Plan fiduciary net position - beginning	<u>12,352,060</u>	<u>11,933,986</u>	<u>10,853,164</u>	<u>11,645,257</u>	<u>11,719,273</u>	<u>10,164,732</u>
Plan fiduciary net position - ending (b)	<u>\$ 12,950,030</u>	<u>\$ 12,352,060</u>	<u>\$ 11,933,986</u>	<u>\$ 10,853,164</u>	<u>\$ 11,645,257</u>	<u>\$ 11,719,273</u>
Plan's net pension liability (asset) - ending (a)-(b)	<u>\$ (11,217,595)</u>	<u>\$ (10,500,344)</u>	<u>\$ (9,947,500)</u>	<u>\$ (8,752,680)</u>	<u>\$ (9,164,726)</u>	<u>\$ (9,100,220)</u>
Fiduciary net position as a percentage of total pension liability	748 %	667 %	601 %	517 %	469 %	447 %
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

CITY OF PIEDMONT
REQUIRED SUPPLEMENTARY INFORMATION

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

Employer Actuarial Determined Contribution for fiscal year June 30, 2019:

Actuarial Valuation Date	Actuarially Determined Contribution (ADC)	Employer Contributions	Contribution Deficiency (Excess)	Covered Payroll	ADA as a % of Covered Payroll
2014	\$ -	\$ -	\$ -	\$ -	NA
2015	-	-	-	-	NA
2016	-	-	-	-	NA
2017	-	-	-	-	NA
2018	-	-	-	-	NA
2019	-	-	-	-	NA

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

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

CITY OF PIEDMONT
REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 944	\$ 1,179
Interest	1,155	1,361
Changes of benefit terms	-	(1,104)
Actual vs. expected experience	-	(4,473)
Changes in assumptions	355	(2,016)
Benefit payments	<u>(641)</u>	<u>(562)</u>
Net change in total OPEB liability	1,813	(5,615)
Total OPEB liability, beginning	<u>20,227</u>	<u>25,842</u>
Total OPEB liability, ending (a)	<u>\$ 22,040</u>	<u>\$ 20,227</u>
Plan fiduciary net position		
Contributions - employer	\$ 642	\$ 1,028
Contributions - employee	161	-
Net investment income	597	441
Benefit payments	(641)	(562)
Administrative expenses	<u>(1)</u>	<u>(2)</u>
Net change in plan fiduciary net position	758	905
Plan fiduciary net position, beginning	<u>8,076</u>	<u>7,171</u>
Plan fiduciary net position, ending (b)	<u>\$ 8,834</u>	<u>\$ 8,076</u>
Net OPEB liability, ending (a) - (b)	<u>\$ 13,206</u>	<u>\$ 12,151</u>
Plan fiduciary net position as a percentage of the total OPEB liability	40.08 %	39.93 %
Covered-employee payroll	\$ 11,344	\$ 11,022
Net OPEB liability as a percentage of covered-employee payroll	116.41 %	110.24 %

Notes to Schedule:

Changes of assumptions: The discount rate was changed from 5.54 percent (net of administrative expense) to 5.42 percent for the measurement period ended June 30, 2019.

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

CITY OF PIEDMONT
REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018
Actuarially Determined Contribution (ADC)	\$ 642	\$ 1,028
Contributions in relation to the ADC	(642)	(1,028)
Contribution deficiency (excess)**	\$ -	\$ -
Covered-employee payroll	11,344	11,022
Contributions as a percentage of covered-employee payroll	5.66 %	9.33 %

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

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

COMBINING FINANCIAL STATEMENTS, SCHEDULES AND OTHER SUPPLEMENTARY INFORMATION

CITY OF PIEDMONT
EQUIPMENT REPLACEMENT - MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019		Actual Amounts	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final		
<u>REVENUES</u>				
Use of money and property	\$ <u>54,000</u>	\$ <u>54,000</u>	\$ <u>87,148</u>	\$ <u>33,148</u>
Total Revenues	<u>54,000</u>	<u>54,000</u>	<u>87,148</u>	<u>33,148</u>
<u>EXPENDITURES</u>				
Current:				
Capital outlay	<u>2,199,600</u>	<u>2,199,600</u>	<u>1,222,800</u>	<u>976,800</u>
Total Expenditures	<u>2,199,600</u>	<u>2,199,600</u>	<u>1,222,800</u>	<u>976,800</u>
Excess (deficiency) of revenues over expenditures	<u>(2,145,600)</u>	<u>(2,145,600)</u>	<u>(1,135,652)</u>	<u>1,009,948</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>400,000</u>	<u>400,000</u>	<u>433,000</u>	<u>33,000</u>
Total Other Financing Sources (Uses)	<u>400,000</u>	<u>400,000</u>	<u>433,000</u>	<u>33,000</u>
Net change in fund balance	\$ <u>(1,745,600)</u>	\$ <u>(1,745,600)</u>	(702,652)	\$ <u>1,042,948</u>
Fund balance - July 1, 2018			<u>3,803,441</u>	
Fund balance - June 30, 2019			<u>\$ 3,100,789</u>	

CITY OF PIEDMONT
FACILITIES MAINTENANCE - MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019		Actual Amounts	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final		
<u>REVENUES</u>				
Use of money and property	\$ 15,000	\$ 15,000	\$ 119,135	\$ 104,135
Contributions and donations	-	-	375	375
Other revenues	-	-	<u>101,465</u>	<u>101,465</u>
Total Revenues	<u>15,000</u>	<u>15,000</u>	<u>220,975</u>	<u>205,975</u>
<u>EXPENDITURES</u>				
Current:				
Administration	55,000	55,000	51,264	3,736
Public works	5,000	5,000	5,743	(743)
Public safety - police	87,751	87,751	16,927	70,824
Public safety - fire	15,000	15,000	30,481	(15,481)
Recreation	350,000	350,000	496,295	(146,295)
Capital outlay	<u>1,917,763</u>	<u>2,114,023</u>	<u>985,481</u>	<u>1,128,542</u>
Total Expenditures	<u>2,430,514</u>	<u>2,626,774</u>	<u>1,586,191</u>	<u>1,040,583</u>
Excess (deficiency) of revenues over expenditures	<u>(2,415,514)</u>	<u>(2,611,774)</u>	<u>(1,365,216)</u>	<u>1,246,558</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>850,000</u>	<u>850,000</u>	<u>2,121,368</u>	<u>1,271,368</u>
Total Other Financing Sources (Uses)	<u>850,000</u>	<u>850,000</u>	<u>2,121,368</u>	<u>1,271,368</u>
Net change in fund balance	<u>\$ (1,565,514)</u>	<u>\$ (1,761,774)</u>	756,152	<u>\$ 2,517,926</u>
Fund balance - July 1, 2018			<u>5,654,456</u>	
Fund balance - June 30, 2019			<u>\$ 6,410,608</u>	

NON-MAJOR GOVERNMENTAL FUNDS

The following funds are reported in total on the Governmental Fund Financial Statements under the column Other Governmental Funds.

SPECIAL REVENUE FUNDS

Streets Projects - accounts for revenues and expenditures associated with the maintenance and improvements of the City's roads and street landscaping that is funded through the receipt of the City's share of the gas tax.

Schoolmates Program - accounts for the operation of the before- and after-school child care program for elementary school age children operated by the Piedmont Recreation Department.

Projects and Services - accounts for the Private Contribution Fund. The Private Contribution Fund is used to account for all citizen and other private contributions and donations to the City.

Measure D - accounts for surcharges collected for the continuation and expansion of municipal recycling programs.

Abandoned Vehicle - accounts for abandoned vehicle abatement funding as the City is a participant in the Alameda County Abandoned Vehicle Program for receiving reimbursement of expenses arising from the investigation of reported abandoned vehicles.

Measure B Sales Tax - accounts for a tax approved by Alameda County voters in November 2000 to provide programmatic pass-through funds for bicycle and pedestrian paths & safety improvements, mass transit, paratransit, and local streets and roads projects.

Measure BB Sales Tax - accounts for a tax approved by Alameda County voters in November 2014 to provide for the direct funding for local street projects and bicycle and pedestrian projects based on population and road mileage.

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

Measure F - accounts for the additional \$10 fee associated with registering a vehicle in the County. Fees are restricted to reduce traffic congestion and vehicle related pollution.

Athletic Facility Preservation - accounts for funds to be used for repairing, refurbishing, and replacing City athletic facilities.

CAPITAL PROJECT FUNDS

Capital Improvement - accounts for the City's major capital projects.

Sidewalk Repair - accounts for sidewalk reimbursement revenue associated with the repair/replacement of City sidewalks under article V, section 18.26 of the City code.

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

DEBT SERVICE FUNDS

2014 Taxable Pension Obligation Bonds - accounts for principal and interest associated with the payoff of the CalPERS side funds.

CITY OF PIEDMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2019

	Special Revenue Funds				
	<u>Streets Projects</u>	<u>Schoolmates Program</u>	<u>Projects and Services</u>	<u>Measure D</u>	<u>Abandoned Vehicle</u>
ASSETS					
Cash and investments	\$ 631,759	\$ 373,521	\$ 1,262,382	\$ 48,922	\$ 26,057
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	<u>27,469</u>	<u>7,223</u>	<u>-</u>	<u>9,806</u>	<u>2,601</u>
Total Assets	<u>\$ 659,228</u>	<u>\$ 380,744</u>	<u>\$ 1,262,382</u>	<u>\$ 58,728</u>	<u>\$ 28,658</u>
LIABILITIES					
Accounts payable	\$ -	\$ 3,829	\$ -	\$ 14,767	\$ -
Accrued wages and benefits	-	6,831	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>10,660</u>	<u>-</u>	<u>14,767</u>	<u>-</u>
FUND BALANCES					
Restricted	659,228	370,084	1,262,382	43,961	28,658
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>659,228</u>	<u>370,084</u>	<u>1,262,382</u>	<u>43,961</u>	<u>28,658</u>
Total Liabilities and Fund Balances	<u>\$ 659,228</u>	<u>\$ 380,744</u>	<u>\$ 1,262,382</u>	<u>\$ 58,728</u>	<u>\$ 28,658</u>

CITY OF PIEDMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS (CONTINUED)
JUNE 30, 2019

	Special Revenue Funds				
	Measure B Sales Tax	Measure BB Sales Tax	COPS	Measure F	Athletic Facility Preservation
ASSETS					
Cash and investments	\$ 81,676	\$ 341,754	\$ 255,240	\$ 32,681	\$ 192,850
Restricted cash and investments	-	-	234,018	-	-
Receivables:					
Accounts	<u>82,823</u>	<u>79,207</u>	<u>40,009</u>	<u>8,031</u>	<u>1,843</u>
Total Assets	<u>\$ 164,499</u>	<u>\$ 420,961</u>	<u>\$ 529,267</u>	<u>\$ 40,712</u>	<u>\$ 194,693</u>
LIABILITIES					
Accounts payable	\$ 27,741	\$ 169,995	\$ 2,977	\$ 1,457	\$ 25,310
Accrued wages and benefits	-	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>27,741</u>	<u>169,995</u>	<u>2,977</u>	<u>1,457</u>	<u>25,310</u>
FUND BALANCES					
Restricted	136,758	250,966	526,290	39,255	169,383
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>136,758</u>	<u>250,966</u>	<u>526,290</u>	<u>39,255</u>	<u>169,383</u>
Total Liabilities and Fund Balances	<u>\$ 164,499</u>	<u>\$ 420,961</u>	<u>\$ 529,267</u>	<u>\$ 40,712</u>	<u>\$ 194,693</u>

CITY OF PIEDMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS (CONTINUED)
JUNE 30, 2019

	Capital Projects			Debt Service	Total Non-major Governmental Funds
	Capital Improvement	Sidewalk Repair	Misc. Grant Funds	2014 Taxable Pension Obligation Bonds	
ASSETS					
Cash and investments	\$ 95,921	\$ 23,258	\$ -	\$ -	\$ 3,366,021
Restricted cash and investments	-	-	-	-	234,018
Receivables:					
Accounts	153	-	99,000	-	358,165
Total Assets	\$ 96,074	\$ 23,258	\$ 99,000	\$ -	\$ 3,958,204
LIABILITIES					
Accounts payable	\$ 63,861	\$ 6,885	\$ -	\$ -	\$ 316,822
Accrued wages and benefits	-	-	-	-	6,831
Due to other funds	-	-	99,000	-	99,000
Total Liabilities	63,861	6,885	99,000	-	422,653
FUND BALANCES					
Restricted	-	-	-	-	3,486,965
Assigned	32,213	16,373	-	-	48,586
Total Fund Balances	32,213	16,373	-	-	3,535,551
Total Liabilities and Fund Balances	\$ 96,074	\$ 23,258	\$ 99,000	\$ -	\$ 3,958,204

CITY OF PIEDMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds				
	<u>Streets Projects</u>	<u>Schoolmates Program</u>	<u>Projects and Services</u>	<u>Measure D</u>	<u>Abandoned Vehicle</u>
<u>REVENUES</u>					
Gas tax	\$ 439,658	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	5,861
Use of money and property	14,276	9,077	-	834	468
Current service charges	-	762,930	-	-	-
Measure B tax	-	-	-	-	-
Contributions and donations	-	-	211,125	-	-
Other revenues	-	-	-	44,479	-
Total Revenues	<u>453,934</u>	<u>772,007</u>	<u>211,125</u>	<u>45,313</u>	<u>6,329</u>
<u>EXPENDITURES</u>					
Current:					
Administration	-	-	-	-	-
Public works	-	-	-	48,900	-
Street improvements	-	-	-	-	-
Public safety:					
Police services	-	-	-	-	-
Recreation	-	700,688	-	-	-
Capital outlay	196,185	2,285	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>196,185</u>	<u>702,973</u>	<u>-</u>	<u>48,900</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>257,749</u>	<u>69,034</u>	<u>211,125</u>	<u>(3,587)</u>	<u>6,329</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	-
Transfers out	(50,000)	-	(207,498)	(22,086)	-
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>-</u>	<u>(207,498)</u>	<u>(22,086)</u>	<u>-</u>
Net change in fund balances	207,749	69,034	3,627	(25,673)	6,329
Fund balances - July 1, 2018	<u>451,479</u>	<u>301,050</u>	<u>1,258,755</u>	<u>69,634</u>	<u>22,329</u>
Fund balances - June 30, 2019	<u>\$ 659,228</u>	<u>\$ 370,084</u>	<u>\$ 1,262,382</u>	<u>\$ 43,961</u>	<u>\$ 28,658</u>

CITY OF PIEDMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds				
	Measure B Sales Tax	Measure BB Sales Tax	COPS	Measure F	Athletic Facility Preservation
<u>REVENUES</u>					
Gas tax	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	467,944	158,118	46,081	-
Use of money and property	128	9,018	12,913	155	3,041
Current service charges	-	-	-	-	29,248
Measure B tax	503,762	-	-	-	-
Contributions and donations	-	-	-	-	-
Other revenues	-	-	-	-	-
Total Revenues	<u>503,890</u>	<u>476,962</u>	<u>171,031</u>	<u>46,236</u>	<u>32,289</u>
<u>EXPENDITURES</u>					
Current:					
Administration	-	-	-	-	-
Public works	-	-	-	-	-
Street improvements	188,074	-	-	-	-
Public safety:					
Police services	-	-	80,875	-	-
Recreation	-	-	-	-	-
Capital outlay	186,537	228,376	-	7,085	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>374,611</u>	<u>228,376</u>	<u>80,875</u>	<u>7,085</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>129,279</u>	<u>248,586</u>	<u>90,156</u>	<u>39,151</u>	<u>32,289</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	129,279	248,586	90,156	39,151	32,289
Fund balances - July 1, 2018	<u>7,479</u>	<u>2,380</u>	<u>436,134</u>	<u>104</u>	<u>137,094</u>
Fund balances - June 30, 2019	<u>\$ 136,758</u>	<u>\$ 250,966</u>	<u>\$ 526,290</u>	<u>\$ 39,255</u>	<u>\$ 169,383</u>

CITY OF PIEDMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

	Capital Projects			Debt Service	Total Non-major Governmental Funds
	Capital Improvement	Sidewalk Repair	Misc. Grant Funds	2014 Taxable Pension Obligation Bonds	
REVENUES					
Gas tax	\$ -	\$ -	\$ -	\$ -	\$ 439,658
Intergovernmental	-	-	-	-	678,004
Use of money and property	493	-	-	-	50,403
Current service charges	-	-	-	-	792,178
Measure B tax	-	-	-	-	503,762
Contributions and donations	-	-	-	-	211,125
Other revenues	-	9,693	-	-	54,172
Total Revenues	<u>493</u>	<u>9,693</u>	<u>-</u>	<u>-</u>	<u>2,729,302</u>
EXPENDITURES					
Current:					
Administration	-	-	-	8,774	8,774
Public works	-	412,616	-	-	461,516
Street improvements	-	-	-	-	188,074
Public safety:					
Police services	-	-	-	-	80,875
Recreation	-	-	-	-	700,688
Capital outlay	141,741	-	-	-	762,209
Debt service:					
Principal	-	-	-	1,374,000	1,374,000
Interest and fiscal charges	-	-	-	54,791	54,791
Total Expenditures	<u>141,741</u>	<u>412,616</u>	<u>-</u>	<u>1,437,565</u>	<u>3,630,927</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(141,248)</u>	<u>(402,923)</u>	<u>-</u>	<u>(1,437,565)</u>	<u>(901,625)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	51,850	350,000	-	1,437,565	1,839,415
Transfers out	-	-	-	-	(279,584)
Total Other Financing Sources (Uses)	<u>51,850</u>	<u>350,000</u>	<u>-</u>	<u>1,437,565</u>	<u>1,559,831</u>
Net change in fund balances	(89,398)	(52,923)	-	-	658,206
Fund balances - July 1, 2018	<u>121,611</u>	<u>69,296</u>	<u>-</u>	<u>-</u>	<u>2,877,345</u>
Fund balances - June 30, 2019	<u>\$ 32,213</u>	<u>\$ 16,373</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,535,551</u>

CITY OF PIEDMONT
STREETS PROJECTS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Gas tax	\$ 475,000	\$ 475,000	\$ 439,658	\$ (35,342)
Use of money and property	-	-	14,276	14,276
Total Revenues	<u>475,000</u>	<u>475,000</u>	<u>453,934</u>	<u>(21,066)</u>
<u>EXPENDITURES</u>				
Capital outlay	<u>215,000</u>	<u>215,000</u>	<u>196,185</u>	<u>18,815</u>
Total Expenditures	<u>215,000</u>	<u>215,000</u>	<u>196,185</u>	<u>18,815</u>
Excess (deficiency) of revenues over expenditures	<u>260,000</u>	<u>260,000</u>	<u>257,749</u>	<u>(2,251)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(350,000)</u>	<u>(350,000)</u>	<u>(50,000)</u>	<u>300,000</u>
Total Other Financing Sources (Uses)	<u>(350,000)</u>	<u>(350,000)</u>	<u>(50,000)</u>	<u>300,000</u>
Net change in fund balance	<u>\$ (90,000)</u>	<u>\$ (90,000)</u>	207,749	<u>\$ 297,749</u>
Fund balance - July 1, 2018			<u>451,479</u>	
Fund balance - June 30, 2019			<u>\$ 659,228</u>	

CITY OF PIEDMONT
SCHOOLMATES PROGRAM - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019		Actual	Variance
	Budgeted Amounts			
	Original	Final	Actual	Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ 4,000	\$ 4,000	\$ 9,077	\$ 5,077
Charges for services	<u>686,000</u>	<u>686,000</u>	<u>762,930</u>	<u>76,930</u>
Total Revenues	<u>690,000</u>	<u>690,000</u>	<u>772,007</u>	<u>82,007</u>
<u>EXPENDITURES</u>				
Current:				
Recreation	696,800	696,800	700,688	(3,888)
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>2,285</u>	<u>2,715</u>
Total Expenditures	<u>701,800</u>	<u>701,800</u>	<u>702,973</u>	<u>(1,173)</u>
Net change in fund balance	<u>\$ (11,800)</u>	<u>\$ (11,800)</u>	69,034	<u>\$ 80,834</u>
Fund balance - July 1, 2018			<u>301,050</u>	
Fund balance - June 30, 2019			<u>\$ 370,084</u>	

CITY OF PIEDMONT
PROJECTS AND SERVICES - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Contributions and donations	\$ 25,000	\$ 25,000	\$ 211,125	\$ 186,125
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>211,125</u>	<u>186,125</u>
Excess (deficiency) of revenues over expenditures	<u>25,000</u>	<u>25,000</u>	<u>211,125</u>	<u>186,125</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(207,498)</u>	<u>(202,498)</u>
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(207,498)</u>	<u>(202,498)</u>
Net change in fund balance	\$ <u>20,000</u>	\$ <u>20,000</u>	3,627	\$ <u>(16,373)</u>
Fund balance - July 1, 2018			<u>1,258,755</u>	
Fund balance - June 30, 2019			<u>\$ 1,262,382</u>	

CITY OF PIEDMONT
MEASURE D - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ -	\$ -	\$ 834	\$ 834
Other revenues	<u>37,000</u>	<u>37,000</u>	<u>44,479</u>	<u>7,479</u>
Total Revenues	<u>37,000</u>	<u>37,000</u>	<u>45,313</u>	<u>8,313</u>
<u>EXPENDITURES</u>				
Current:				
Public works	<u>40,000</u>	<u>40,000</u>	<u>48,900</u>	<u>(8,900)</u>
Total Expenditures	<u>40,000</u>	<u>40,000</u>	<u>48,900</u>	<u>(8,900)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,587)</u>	<u>(587)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(17,000)</u>	<u>(17,000)</u>	<u>(22,086)</u>	<u>(5,086)</u>
Total Other Financing Sources (Uses)	<u>(17,000)</u>	<u>(17,000)</u>	<u>(22,086)</u>	<u>(5,086)</u>
Net change in fund balance	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	(25,673)	<u>\$ (5,673)</u>
Fund balance - July 1, 2018			<u>69,634</u>	
Fund balance - June 30, 2019			<u>\$ 43,961</u>	

CITY OF PIEDMONT
ABANDONED VEHICLE - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019		Actual Amounts	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final		
<u>REVENUES</u>				
Intergovernmental	\$ 4,500	\$ 4,500	\$ 5,861	\$ 1,361
Use of money and property	-	-	468	468
Total Revenues	<u>4,500</u>	<u>4,500</u>	<u>6,329</u>	<u>1,829</u>
Net change in fund balance	<u>\$ 4,500</u>	<u>\$ 4,500</u>	6,329	<u>\$ 1,829</u>
Fund balance - July 1, 2018			<u>22,329</u>	
Fund balance - June 30, 2019			<u>\$ 28,658</u>	

CITY OF PIEDMONT
MEASURE B SALES TAX - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ -	\$ -	\$ 130	\$ 130
Measure B tax	<u>450,000</u>	<u>450,000</u>	<u>503,762</u>	<u>53,762</u>
Total Revenues	<u>450,000</u>	<u>450,000</u>	<u>503,892</u>	<u>53,892</u>
<u>EXPENDITURES</u>				
Current:				
Street improvements	177,000	177,000	188,074	(11,074)
Capital outlay	<u>293,000</u>	<u>293,000</u>	<u>186,537</u>	<u>106,463</u>
Total Expenditures	<u>470,000</u>	<u>470,000</u>	<u>374,611</u>	<u>95,389</u>
Net change in fund balance	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	129,281	<u>\$ 149,281</u>
Fund balance - July 1, 2018			<u>7,477</u>	
Fund balance - June 30, 2019			<u>\$ 136,758</u>	

CITY OF PIEDMONT
MEASURE BB SALES TAX - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<u>REVENUES</u>				
Intergovernmental	\$ 415,000	\$ 415,000	\$ 467,944	\$ 52,944
Use of money and property	<u>-</u>	<u>-</u>	<u>9,018</u>	<u>9,018</u>
Total Revenues	<u>415,000</u>	<u>415,000</u>	<u>476,962</u>	<u>61,962</u>
<u>EXPENDITURES</u>				
Current:				
Capital outlay	<u>475,000</u>	<u>475,000</u>	<u>228,376</u>	<u>246,624</u>
Total Expenditures	<u>475,000</u>	<u>475,000</u>	<u>228,376</u>	<u>246,624</u>
Net change in fund balance	<u>\$ (60,000)</u>	<u>\$ (60,000)</u>	248,586	<u>\$ 308,586</u>
Fund balance - July 1, 2018			<u>2,380</u>	
Fund balance - June 30, 2019			<u>\$ 250,966</u>	

CITY OF PIEDMONT
COPS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019		Actual Amounts	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final		
<u>REVENUES</u>				
Intergovernmental	\$ 138,000	\$ 138,000	\$ 158,118	\$ 20,118
Use of money and property	<u>2,000</u>	<u>2,000</u>	<u>12,913</u>	<u>10,913</u>
Total Revenues	<u>140,000</u>	<u>140,000</u>	<u>171,031</u>	<u>31,031</u>
<u>EXPENDITURES</u>				
Current:				
Public Safety: Police	<u>380,600</u>	<u>548,333</u>	<u>80,875</u>	<u>467,458</u>
Total Expenditures	<u>380,600</u>	<u>548,333</u>	<u>80,875</u>	<u>467,458</u>
Net change in fund balance	<u>\$ (240,600)</u>	<u>\$ (408,333)</u>	90,156	<u>\$ 498,489</u>
Fund balance - July 1, 2018			<u>436,134</u>	
Fund balance - June 30, 2019			<u>\$ 526,290</u>	

CITY OF PIEDMONT
MEASURE F - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Intergovernmental	\$ 47,500	\$ 47,500	\$ 46,081	\$ (1,419)
Use of money and property	<u>-</u>	<u>-</u>	<u>155</u>	<u>155</u>
Total Revenues	<u>47,500</u>	<u>47,500</u>	<u>46,236</u>	<u>(1,264)</u>
<u>EXPENDITURES</u>				
Current:				
Capital outlay	<u>47,500</u>	<u>47,500</u>	<u>7,085</u>	<u>40,415</u>
Total Expenditures	<u>47,500</u>	<u>47,500</u>	<u>7,085</u>	<u>40,415</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	39,151	<u>\$ 39,151</u>
Fund balance - July 1, 2018			<u>105</u>	
Fund balance - June 30, 2019			<u>\$ 39,256</u>	

CITY OF PIEDMONT
ATHLETIC FACILITY PRESERVATION - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Use of money and property	\$ -	\$ -	\$ 3,041	\$ 3,041
Charges for services	<u>63,000</u>	<u>63,000</u>	<u>29,248</u>	<u>(33,752)</u>
Total Revenues	<u>63,000</u>	<u>63,000</u>	<u>32,289</u>	<u>(30,711)</u>
<u>EXPENDITURES</u>				
Current:				
Recreation	<u>40,000</u>	<u>40,000</u>	-	<u>40,000</u>
Total Expenditures	<u>40,000</u>	<u>40,000</u>	-	<u>40,000</u>
Net change in fund balance	<u>\$ 23,000</u>	<u>\$ 23,000</u>	32,289	<u>\$ 9,289</u>
Fund balance - July 1, 2018			<u>137,094</u>	
Fund balance - June 30, 2019			<u>\$ 169,383</u>	

CITY OF PIEDMONT
CAPITAL IMPROVEMENT - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019		Actual Amounts	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final		
<u>REVENUES</u>				
Intergovernmental	\$ 34,000	\$ 34,000	\$ -	\$ (34,000)
Use of money and property	<u>-</u>	<u>-</u>	<u>493</u>	<u>493</u>
Total Revenues	<u>34,000</u>	<u>34,000</u>	<u>493</u>	<u>(33,507)</u>
<u>EXPENDITURES</u>				
Current:				
Public works	34,000	34,000	-	34,000
Capital outlay	<u>264,487</u>	<u>324,487</u>	<u>141,741</u>	<u>182,746</u>
Total Expenditures	<u>298,487</u>	<u>358,487</u>	<u>141,741</u>	<u>216,746</u>
Excess (deficiency) of revenues over expenditures	<u>(264,487)</u>	<u>(324,487)</u>	<u>(141,248)</u>	<u>183,239</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>-</u>	<u>-</u>	<u>51,850</u>	<u>51,850</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>51,850</u>	<u>51,850</u>
Net change in fund balance	<u>\$ (264,487)</u>	<u>\$ (324,487)</u>	(89,398)	<u>\$ 235,089</u>
Fund balance - July 1, 2018			<u>121,611</u>	
Fund balance - June 30, 2019			<u>\$ 32,213</u>	

CITY OF PIEDMONT
SIDEWALK REPAIR - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>REVENUES</u>				
Other revenues	\$ 3,000	\$ 3,000	\$ 9,693	\$ 6,693
Total Revenues	<u>3,000</u>	<u>3,000</u>	<u>9,693</u>	<u>6,693</u>
<u>EXPENDITURES</u>				
Current:				
Public works	<u>203,000</u>	<u>203,000</u>	<u>412,616</u>	<u>(209,616)</u>
Total Expenditures	<u>203,000</u>	<u>203,000</u>	<u>412,616</u>	<u>(209,616)</u>
Excess (deficiency) of revenues over expenditures	<u>(200,000)</u>	<u>(200,000)</u>	<u>(402,923)</u>	<u>(202,923)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>150,000</u>	<u>150,000</u>	<u>350,000</u>	<u>200,000</u>
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>350,000</u>	<u>200,000</u>
Net change in fund balance	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	(52,923)	<u>\$ (2,923)</u>
Fund balance - July 1, 2018			<u>69,296</u>	
Fund balance - June 30, 2019			<u>\$ 16,373</u>	

CITY OF PIEDMONT
2014 PENSION OBLIGATION BONDS - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2018 - 2019		Actual	Variance
	Budgeted Amounts			
	Original	Final	Amounts	with Final
				Positive
				(Negative)
<u>EXPENDITURES</u>				
Current:				
Administration	\$ 1,100	\$ 1,100	\$ 8,774	\$ (7,674)
Debt service - principal	1,374,000	1,374,000	1,374,000	-
Debt service - interest	<u>54,950</u>	<u>54,950</u>	<u>54,791</u>	<u>159</u>
Total Expenditures	<u>1,430,050</u>	<u>1,430,050</u>	<u>1,437,565</u>	<u>(7,515)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,430,050)</u>	<u>(1,430,050)</u>	<u>(1,437,565)</u>	<u>(7,515)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>1,430,050</u>	<u>1,430,050</u>	<u>1,437,565</u>	<u>7,515</u>
Total Other Financing Sources (Uses)	<u>1,430,050</u>	<u>1,430,050</u>	<u>1,437,565</u>	<u>7,515</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance - July 1, 2018			-	
Fund balance - June 30, 2019			<u>\$ -</u>	

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues and expenses of each internal service fund are eliminated by netting them against the operations of the City departments that generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position. However, internal service funds are still presented separately in the fund financial statements.

CITY OF PIEDMONT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2019

	Governmental Activities - Internal Service Funds		
	Workers' Compensation	Insurance Liabilities	Total Internal Service Funds
<u>ASSETS</u>			
Current Assets			
Cash and investments	\$ <u>1,727,819</u>	\$ <u>383,698</u>	\$ <u>2,111,517</u>
Total Current Assets	<u>1,727,819</u>	<u>383,698</u>	<u>2,111,517</u>
Total Assets	<u>1,727,819</u>	<u>383,698</u>	<u>2,111,517</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	15,250	19,481	34,731
Claims payable - current	<u>307,108</u>	<u>32,222</u>	<u>339,330</u>
Total Current Liabilities	<u>322,358</u>	<u>51,703</u>	<u>374,061</u>
Non-Current Liabilities			
Claims payable	<u>659,892</u>	<u>70,870</u>	<u>730,762</u>
Total Non-Current Liabilities	<u>659,892</u>	<u>70,870</u>	<u>730,762</u>
Total Liabilities	<u>982,250</u>	<u>122,573</u>	<u>1,104,823</u>
<u>NET POSITION</u>			
Unrestricted	<u>745,569</u>	<u>261,125</u>	<u>1,006,694</u>
Total Net Position	<u>\$ 745,569</u>	<u>\$ 261,125</u>	<u>\$ 1,006,694</u>

CITY OF PIEDMONT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Funds		
	Workers' Compensation	Insurance Liabilities	Total Internal Service Funds
<u>OPERATING EXPENSES</u>			
Insurance and claims expenses	\$ <u>922,586</u>	\$ <u>648,152</u>	\$ <u>1,570,738</u>
Total Operating Expenses	<u>922,586</u>	<u>648,152</u>	<u>1,570,738</u>
Operating Loss	<u>(922,586)</u>	<u>(648,152)</u>	<u>(1,570,738)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Other income	<u>793,587</u>	<u>685,742</u>	<u>1,479,329</u>
Total Non-Operating Revenues	<u>793,587</u>	<u>685,742</u>	<u>1,479,329</u>
Change in net position	(128,999)	37,590	(91,409)
Net Position - July 1, 2018	<u>874,568</u>	<u>223,535</u>	<u>1,098,103</u>
Net Position - June 30, 2019	<u>\$ <u>745,569</u></u>	<u>\$ <u>261,125</u></u>	<u>\$ <u>1,006,694</u></u>

CITY OF PIEDMONT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Governmental Activities - Internal Service Funds</u>		
	<u>Workers Compensation</u>	<u>Insurance Liabilities</u>	<u>Total Internal Service Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Claims and premiums paid	\$ <u>(785,513)</u>	\$ <u>(679,928)</u>	\$ <u>(1,465,441)</u>
Net Cash Used for Operating Activities	<u>(785,513)</u>	<u>(679,928)</u>	<u>(1,465,441)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>			
Other income	<u>793,587</u>	<u>685,742</u>	<u>1,479,329</u>
Net Cash Provided by Non-Capital Financing Activities	<u>793,587</u>	<u>685,742</u>	<u>1,479,329</u>
Net Increase in Cash and Cash Equivalents	8,074	5,814	13,888
Cash and Cash Equivalents - July 1, 2018	<u>1,719,745</u>	<u>377,884</u>	<u>2,097,629</u>
Cash and Cash Equivalents - June 30, 2019	<u>\$ 1,727,819</u>	<u>\$ 383,698</u>	<u>\$ 2,111,517</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:</u>			
Operating Loss	\$ (922,586)	\$ (648,152)	\$ (1,570,738)
Changes in assets and liabilities:			
Decrease in accounts receivable	2,846	-	2,846
Increase in accounts payable	5,227	5,955	11,182
Increase (decrease) in claims payable	<u>129,000</u>	<u>(37,731)</u>	<u>91,269</u>
Net Cash Used for Operating Activities	<u>\$ (785,513)</u>	<u>\$ (679,928)</u>	<u>\$ (1,465,441)</u>

AGENCY FUNDS

All agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity since any assets are due to individuals or other entities at some future time.

These funds are presented separately from the Government-wide and Fund Financial Statements.

CITY OF PIEDMONT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 JUNE 30, 2019

<u>ASSETS</u>	<u>2017 Undergrounding Refunding Bond Fund</u>	<u>Total</u>
Restricted cash and investments	\$ 354,978	\$ 354,978
Accounts receivable	<u>3,459</u>	<u>3,459</u>
Total Assets	\$ <u>358,437</u>	\$ <u>358,437</u>
 <u>LIABILITIES</u>		
Deposits held in trust	<u>\$ 358,437</u>	<u>\$ 358,437</u>
Total Liabilities	\$ <u>358,437</u>	\$ <u>358,437</u>

CITY OF PIEDMONT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>2017 Undergrounding Refunding Bond</u>				
ASSETS				
Restricted cash and investments	\$ 297,704	\$ 370,721	\$ 313,447	\$ 354,978
Accounts receivable	<u>3,389</u>	<u>3,459</u>	<u>3,389</u>	<u>3,459</u>
Total Assets	<u>\$ 301,093</u>	<u>\$ 374,180</u>	<u>\$ 316,836</u>	<u>\$ 358,437</u>
LIABILITIES				
Deposits in trust	<u>\$ 301,093</u>	<u>\$ 374,180</u>	<u>\$ 316,836</u>	<u>\$ 358,437</u>
Total Liabilities	<u>\$ 301,093</u>	<u>\$ 374,180</u>	<u>\$ 316,836</u>	<u>\$ 358,437</u>
<u>Total Agency Funds</u>				
ASSETS				
Restricted cash and investments	\$ 297,704	\$ 370,721	\$ 313,447	\$ 354,978
Accounts receivable	<u>3,389</u>	<u>3,459</u>	<u>3,389</u>	<u>3,459</u>
Total Assets	<u>\$ 301,093</u>	<u>\$ 374,180</u>	<u>\$ 316,836</u>	<u>\$ 358,437</u>
LIABILITIES				
Deposits in trust	<u>\$ 301,093</u>	<u>\$ 374,180</u>	<u>\$ 316,836</u>	<u>\$ 358,437</u>
Total Liabilities	<u>\$ 301,093</u>	<u>\$ 374,180</u>	<u>\$ 316,836</u>	<u>\$ 358,437</u>

GENERAL FUND

The following funds are reported in total on the Governmental Fund Financial Statements under the column General Fund.

GENERAL FUND

General Fund - the general operating fund of the City and is used to account for all financial resources..

Deposits and Bonds - accounts for the receipt and use of deposits held by the City.

Traffic Safety - accounts for City revenue from vehicle code fines and parking ticket citation fees. The revenue comes from Alameda County and the Superior Court of California as a result of vehicle code violations and parking enforcement efforts by the Police Department. At the end of each fiscal year, revenue in the fund is transferred to the General fund.

Pension Rate Stabilization - accounts for funds held in a Section 115 Trust with the Public Agency Retirement Services (PARS) to aid in funding future pension expense and allow the City to smooth the effect of rising pension costs.

**CITY OF PIEDMONT
GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2019**

	<u>General</u>	<u>Deposits and Bonds</u>	<u>Traffic Safety</u>	<u>Pension Rate Stabilization</u>	<u>Total General Fund</u>
<u>ASSETS</u>					
Cash and investments	\$ 5,608,779	\$ -	\$ 25,197	\$ -	\$ 5,633,976
Restricted cash and investments	-	273,427	-	2,917,104	3,190,531
Receivables:					
Accounts	1,956,451	218,084	672	-	2,175,207
Prepaid expenses	42,016	-	-	-	42,016
Due from other funds	<u>99,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,000</u>
Total Assets	<u>\$ 7,706,246</u>	<u>\$ 491,511</u>	<u>\$ 25,869</u>	<u>\$ 2,917,104</u>	<u>\$ 11,140,730</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ 1,207,504	\$ 45,961	\$ 860	\$ -	\$ 1,254,325
Accrued wages and benefits	305,150	-	-	-	305,150
Deposits payable	<u>-</u>	<u>221,492</u>	<u>-</u>	<u>-</u>	<u>221,492</u>
Total Liabilities	<u>1,512,654</u>	<u>267,453</u>	<u>860</u>	<u>-</u>	<u>1,780,967</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	<u>-</u>	<u>217,508</u>	<u>-</u>	<u>-</u>	<u>217,508</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>217,508</u>	<u>-</u>	<u>-</u>	<u>217,508</u>
FUND BALANCES					
Nonspendable	42,016	-	-	-	42,016
Restricted	-	-	-	2,917,104	2,917,104
Assigned	905,378	-	-	-	905,378
Unassigned	<u>5,246,198</u>	<u>6,550</u>	<u>25,009</u>	<u>-</u>	<u>5,277,757</u>
Total Fund Balances	<u>6,193,592</u>	<u>6,550</u>	<u>25,009</u>	<u>2,917,104</u>	<u>9,142,255</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,706,246</u>	<u>\$ 491,511</u>	<u>\$ 25,869</u>	<u>\$ 2,917,104</u>	<u>\$ 11,140,730</u>

CITY OF PIEDMONT
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Deposits and Bonds</u>	<u>Traffic Safety</u>	<u>Pension Rate Stabilization</u>	<u>Total General Fund</u>
<u>REVENUES</u>					
Property tax	\$ 14,078,550	\$ -	\$ -	\$ -	\$ 14,078,550
Sales tax	200,158	-	-	-	200,158
Franchise tax	543,336	-	-	-	543,336
Utility users tax	1,177,396	-	-	-	1,177,396
Real property transfer tax	3,819,816	-	-	-	3,819,816
Business license and rental tax	560,515	-	-	-	560,515
Licenses and permits	512,131	-	-	-	512,131
Intergovernmental	1,961,993	-	-	-	1,961,993
Use of money and property	853,300	-	1	164,577	1,017,878
Current service charges	3,251,527	-	-	-	3,251,527
Parcel tax	2,261,531	-	-	-	2,261,531
Contributions and donations	-	-	33,931	-	33,931
Other revenues	<u>343,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>343,298</u>
Total Revenues	<u>29,563,551</u>	<u>-</u>	<u>33,932</u>	<u>164,577</u>	<u>29,762,060</u>
<u>EXPENDITURES</u>					
Current:					
Administration	2,924,804	-	-	-	2,924,804
Public works	3,790,687	-	-	-	3,790,687
Public safety:					
Police services	6,333,033	-	-	-	6,333,033
Fire services	6,142,768	-	-	-	6,142,768
Recreation	2,912,559	-	-	-	2,912,559
Nondepartmental	<u>2,453,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,453,552</u>
Total Expenditures	<u>24,557,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,557,403</u>
Excess (Deficiency) of Revenues over Expenditures	<u>5,006,148</u>	<u>-</u>	<u>33,932</u>	<u>164,577</u>	<u>5,204,657</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	43,366	-	-	-	43,366
Transfers out	<u>(4,387,565)</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>(4,407,565)</u>
Total Other Financing Sources (Uses)	<u>(4,344,199)</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>(4,364,199)</u>
Net Change in Fund Balances	661,949	-	13,932	164,577	840,458
Fund Balances - July 1, 2018	<u>5,531,643</u>	<u>6,550</u>	<u>11,077</u>	<u>2,752,527</u>	<u>8,301,797</u>
Fund Balances - June 30, 2019	<u>\$ 6,193,592</u>	<u>\$ 6,550</u>	<u>\$ 25,009</u>	<u>\$ 2,917,104</u>	<u>\$ 9,142,255</u>

OTHER REPORTS



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council of
 the City of Piedmont
 Piedmont, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piedmont (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Piedmont's basic financial statements, and have issued our report thereon dated February 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Piedmont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Piedmont's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Piedmont's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Piedmont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mann, Wrutia, Nelson CPA's

Sacramento, California
February 26, 2020

CITY OF PIEDMONT
MEASURE B FUND
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2019

MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
1760 CREEKSIDE OAKS DRIVE, SUITE 160
SACRAMENTO, CA 95833

**CITY OF PIEDMONT
MEASURE B FUND
FOR THE YEAR ENDED JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Piedmont
Piedmont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure B Fund of the City of Piedmont (the City) as of and for the year ended June 30, 2019 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure B Fund of the City as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Measure B Fund and do not purport to, and do not present fairly the financial position of the City of Piedmont as of June 30, 2019, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mann, Wintia, Nelson CPAs

Sacramento, California
December 18, 2019

**CITY OF PIEDMONT
MEASURE B FUND
BALANCE SHEET
JUNE 30, 2019**

	<u>ACTA Measure B</u>	<u>Streets and Roads</u>	<u>Bike and Pedestrian</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and investments (Note 3)	\$ -	\$ 66,327	\$ 15,349	\$ 81,676
Other receivables	<u>-</u>	<u>76,279</u>	<u>6,544</u>	<u>82,823</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 142,606</u>	<u>\$ 21,893</u>	<u>\$ 164,499</u>
<u>LIABILITIES</u>				
Accounts payable	<u>\$ -</u>	<u>\$ 20,875</u>	<u>\$ 6,866</u>	<u>\$ 27,741</u>
TOTAL LIABILITIES	<u>-</u>	<u>20,875</u>	<u>6,866</u>	<u>27,741</u>
<u>FUND BALANCE</u>				
Restricted for Measure B programs & projects	<u>-</u>	<u>121,731</u>	<u>15,027</u>	<u>136,758</u>
TOTAL FUND BALANCE	<u>-</u>	<u>121,731</u>	<u>15,027</u>	<u>136,758</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ 142,606</u>	<u>\$ 21,893</u>	<u>\$ 164,499</u>

See accompanying notes to the basic financial statements.

**CITY OF PIEDMONT
MEASURE B FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>ACTA Measure B</u>	<u>Streets and Roads</u>	<u>Bike and Pedestrian</u>	<u>Total</u>
<u>REVENUES</u>				
Measure B pass-through revenue				
Pass-through allocation	\$ -	\$ 463,956	\$ 39,806	\$ 503,762
Interest	<u>-</u>	<u>120</u>	<u>10</u>	<u>130</u>
Total Revenues	<u>-</u>	<u>464,076</u>	<u>39,816</u>	<u>503,892</u>
<u>EXPENDITURES</u>				
Public works	<u>2,374</u>	<u>347,291</u>	<u>24,946</u>	<u>374,611</u>
Total Expenditures	<u>2,374</u>	<u>347,291</u>	<u>24,946</u>	<u>374,611</u>
NET CHANGE IN FUND BALANCE	(2,374)	116,785	14,870	129,281
FUND BALANCE - BEGINNING OF YEAR	<u>2,374</u>	<u>4,946</u>	<u>157</u>	<u>7,477</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 121,731</u>	<u>\$ 15,027</u>	<u>\$ 136,758</u>

See accompanying notes to the basic financial statements.

**CITY OF PIEDMONT
MEASURE B FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1: BACKGROUND - MEASURE B

Under Measure B, approved by the voters of Alameda County in 1986 and 2000, the City receives a portion of the proceeds of an additional one-half cent sales tax to be used for transportation-related expenditures. These measures were adopted with the intention that the funds generated by the additional sales tax will not fund expenditures previously paid by property taxes, but rather, would be used for additional projects and programs.

Projects funded by Measure B during the year were as follows:

Street Resurfacing - To improve, repair, and overlay cities streets.

Bike and Pedestrian - To provide sidewalk and ADA improvements and to implement the bikeway network.

The pool of funds held by the County is allocated among the cities in the County, based on the cities' populations and the number of roads within their city limits for other transportation-related projects. Funds allocated for streets and roads; bike lanes and pedestrian lanes are recorded as a special revenue fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Measure B Fund of the City of Piedmont, California are included as separate special revenue and capital project funds in the basic financial statements of the City.

The financial statements are intended to present the financial position and results of operations of only transactions recorded under the Measure B Fund. The fund itself is included in the financial statements of the City.

B. Basis of Presentation

The Measure B Fund's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

C. Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

All governmental funds are reported using the *current financial resources* measurement focus and the modified *accrual* basis of accounting. Revenues are recorded when measurable and available and expenditures are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

D. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF PIEDMONT
MEASURE B FUND**
NOTES TO THE FINANCIAL STATEMENTS (continued)
JUNE 30, 2019

NOTE 3: CASH AND INVESTMENTS

See the City's Basic Financial Statements for disclosures related to cash and investments and the related custodial risk categorization.

NOTE 4: COMMITMENTS AND CONTINGENCIES

The City participates in several grant programs. These programs did not require a Single Audit during the year ended June 30, 2019. However, these programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.



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INDEPENDENT AUDITOR'S REPORT ON MEASURE B COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

To the City Council
 City of Piedmont
 City of Piedmont, California

Report on Compliance for Measure B Fund

We have audited the accompanying financial statements of the Measure B Fund of the City of Piedmont's (the City) compliance with the requirements described in the *Master Program Funding Agreement* between the City and the Alameda County Transportation Commission (ACTC) that could have a direct and material effect to the Measure B Funds for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants specified in the *Master Programs Funding Agreement* between the City and the ACTC.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and requirements specified in the *Master Programs Funding Agreement* between the City and ACTC. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Measure B Funds occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Compliance

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on Measure B Funds for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on Measure B Funds to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the requirements noted above, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of the *Master Programs Funding Agreement*. Accordingly, this report is not suitable for any other purpose.

Moamir M. Mutia, Nelson CPA 1/8

Sacramento, California
December 18, 2019



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council of
 the City of Piedmont
 City of Piedmont, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure B Fund of the City of Piedmont (the "Fund"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Fund's basic financial statements and have issued our report thereon dated December 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Piedmont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Piedmont's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Piedmont's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mann, Murtia, Nelson CPA's

Sacramento, California
December 18, 2019

CITY OF PIEDMONT
MEASURE BB FUND
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2019

MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
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**CITY OF PIEDMONT
MEASURE BB FUND
FOR THE YEAR ENDED JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Piedmont
Piedmont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure BB Fund of the City of Piedmont (the City) as of and for the year ended June 30, 2019 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure BB Fund of the City as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Measure BB Fund and do not purport to, and do not present fairly the financial position of the City of Piedmont as of June 30, 2019, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mann, Munia, Nelson CPA 18

Sacramento, California
December 18, 2019

**CITY OF PIEDMONT
MEASURE BB FUND
BALANCE SHEET
JUNE 30, 2019**

	<u>Streets and Roads</u>	<u>Bike and Pedestrian</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments (Note 3)	\$ 313,876	\$ 27,878	\$ 341,754
Accounts receivable	<u>73,751</u>	<u>5,456</u>	<u>79,207</u>
TOTAL ASSETS	<u>\$ 387,627</u>	<u>\$ 33,334</u>	<u>\$ 420,961</u>
<u>LIABILITIES</u>			
Accounts payable	\$ <u>169,995</u>	\$ -	\$ <u>169,995</u>
TOTAL LIABILITIES	<u>169,995</u>	<u>-</u>	<u>169,995</u>
<u>FUND BALANCE</u>			
Restricted for Measure BB capital projects	\$ <u>217,632</u>	\$ <u>33,334</u>	\$ <u>250,966</u>
TOTAL FUND BALANCE	<u>217,632</u>	<u>33,334</u>	<u>250,966</u>
TOTAL LIABILITIES FUND BALANCE	<u>\$ 387,627</u>	<u>\$ 33,334</u>	<u>\$ 420,961</u>

See accompanying notes to the basic financial statements.

**CITY OF PIEDMONT
MEASURE BB FUND**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Streets and Roads</u>	<u>Bike and Pedestrian</u>	<u>Total</u>
<u>REVENUES</u>			
Measure BB pass-through revenue			
Pass-through allocation	\$ 435,524	\$ 32,420	\$ 467,944
Interest	<u>8,306</u>	<u>722</u>	<u>9,028</u>
Total Revenues	<u>443,830</u>	<u>33,142</u>	<u>476,972</u>
<u>EXPENDITURES</u>			
Public works	<u>226,884</u>	<u>1,492</u>	<u>228,376</u>
Total Expenditures	<u>226,884</u>	<u>1,492</u>	<u>228,376</u>
NET CHANGE IN FUND BALANCE	216,946	31,650	248,596
FUND BALANCE - BEGINNING OF YEAR	<u>686</u>	<u>1,684</u>	<u>2,370</u>
FUND BALANCE - END OF YEAR	<u>\$ 217,632</u>	<u>\$ 33,334</u>	<u>\$ 250,966</u>

See accompanying notes to the basic financial statements.

**CITY OF PIEDMONT
MEASURE BB FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1: BACKGROUND - MEASURE BB

Measure BB is a tax that was approved by the voters of Alameda County in November 2014, which implemented a 30 year Transportation Expenditure Plan. The measure extended Measure B which was the original 0.5 percent transportation sales tax approved in 2000 from ending April 1, 2022 to April 1, 2045 and increased the tax by 0.5 percent. This resulted in a 1 percent total sales tax in the County dedicated to transportation expenses. The City receives a portion of the proceeds to be used for transportation-related expenditures. The Measure BB Fund accounts for the direct funding from the measure for local street projects and bicycle and pedestrian projects based on population and road mileage provided by the additional 0.5 percent.

Projects funded by Measure BB during the year were as follows:

Street Resurfacing - To improve, repair, and overlay cities streets.

Bike and Pedestrian - To provide sidewalk and ADA improvements and to implement the bikeway network.

The pool of funds held by the County is allocated among the cities in the County, based on the cities' populations and the number of roads within their city limits for other transportation-related projects. Funds allocated for streets and roads, bike lanes and pedestrian lanes are recorded as a special revenue fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Measure BB Fund of the City of Piedmont, California are included as separate special revenue and capital project funds in the basic financial statements of the City.

The financial statements are intended to present the financial position, results of operations and cash flows of only transactions recorded under the Measure BB Fund. The fund itself is included in the financial statements of the City.

B. Basis of Presentation

The Measure BB Fund's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

C. Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

All governmental funds are reported using the *current financial resources* measurement focus and the modified *accrual* basis of accounting. Revenues are recorded when measurable and available and expenditures are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

D. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF PIEDMONT
MEASURE BB FUND**
NOTES TO THE FINANCIAL STATEMENTS (continued)
JUNE 30, 2019

NOTE 3: CASH AND INVESTMENTS

See the City's Basic Financial Statements for disclosures related to cash and investments and the related custodial risk categorization.

NOTE 4: COMMITMENTS AND CONTINGENCIES

The City participates in several grant programs. These programs did not require a Single Audit during the year ended June 30, 2019. However, these programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.



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INDEPENDENT AUDITOR'S REPORT ON MEASURE BB COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

To the City Council
 City of Piedmont
 Piedmont, California

Report on Compliance for Measure BB Fund

We have audited the accompanying financial statements of the Measure BB Fund of the City of Piedmont's (the City) compliance with the requirements described in the *Master Program Funding Agreement* between the City and the Alameda County Transportation Commission (ACTC) that could have a direct and material effect to the Measure BB Funds for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants specified in the *Master Programs Funding Agreement* between the City and the ACTC.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and requirements specified in the *Master Programs Funding Agreement* between the City and ACTC. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Measure BB Funds occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Compliance

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on Measure BB Funds for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on Measure BB Funds to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the requirements noted above, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of the *Master Programs Funding Agreement*. Accordingly, this report is not suitable for any other purpose.

Mann, Munta, Nelson CPA LP

Sacramento, California
December 18, 2019



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council of
 the City of Piedmont
 Piedmont, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure BB Fund of the City of Piedmont (the "Fund"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Fund's basic financial statements and have issued our report thereon dated December 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Piedmont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Piedmont's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Piedmont's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mann, Unruh, Nelson CPA's

Sacramento, California
December 18, 2019

CITY OF PIEDMONT
MEASURE F FUND
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2019

MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
1760 CREEKSIDE OAKS DRIVE, SUITE 160
SACRAMENTO, CA 95833

**CITY OF PIEDMONT
MEASURE F FUND
FOR THE YEAR ENDED JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
 City of Piedmont
 Piedmont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure F Fund of the City of Piedmont (the City) as of and for the year ended June 30, 2019 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure F Fund of the City as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Measure F Fund and do not purport to, and do not present fairly the financial position of the City of Piedmont as of June 30, 2019, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mann, Munira, Nelson CPA's

Sacramento, California
December 18, 2019

**CITY OF PIEDMONT
MEASURE F FUND
BALANCE SHEET
JUNE 30, 2019**

	<u>Local Road Improvement and Repair Program</u>
<u>ASSETS</u>	
Cash and investments (Note 3)	\$ 32,681
Accounts receivable	<u>8,031</u>
TOTAL ASSETS	\$ <u>40,712</u>
<u>LIABILITIES</u>	
Accounts payable	\$ <u>1,457</u>
TOTAL LIABILITIES	<u>1,457</u>
<u>FUND BALANCE</u>	
Restricted for Measure F capital projects	<u>39,255</u>
TOTAL FUND BALANCE	<u>39,255</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>40,712</u>

See accompanying notes to the basic financial statements.

**CITY OF PIEDMONT
MEASURE F FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Local Road Improvement and Repair Program</u>
<u>REVENUES</u>	
Measure F pass-through revenue	
Pass-through allocation	\$ 46,081
Interest	<u>154</u>
Total Revenues	<u>46,235</u>
<u>EXPENDITURES</u>	
Public works	<u>7,085</u>
Total Expenditures	<u>7,085</u>
CHANGE IN FUND BALANCE	39,150
FUND BALANCE - BEGINNING OF YEAR	<u>105</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 39,255</u></u>

See accompanying notes to the basic financial statements.

**CITY OF PIEDMONT
MEASURE F FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1: BACKGROUND - MEASURE F

The Measure F Alameda County Vehicle Registration Fee (Measure F) was approved by the voters in November 2010, with 63 percent of the vote. The fee will generate about \$10.7 million per year by a \$10 per year vehicle registration fee. The collection of the \$10 per year vehicle registration fee started in the first week of May 2011. The goal of Measure F is to sustain the County's transportation network and reduce traffic congestion and vehicle related pollution. The program includes the following four categories of projects:

- Local Road Improvement and Repair Program (60 percent)
- Transit for Congestion Relief (25 percent)
- Local Transportation Technology (10 percent)
- Pedestrian and Bicyclist Access and Safety Program (5 percent)

The Alameda County Transportation Commission administers the program and distributes an equitable share of funds among the four planning areas of the county over successive five year cycles. Geographic equity will be measured by a formula, weighted 50 percent by population of the planning area and 50 percent of registered vehicles of the planning area.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Measure F Fund of the City of Piedmont, California (City) are included as a separate capital project fund in the basic financial statements of the City.

The accompanying financial statements are intended to present the financial position and results of operations of only transactions recorded under the Measure F Fund. The fund itself is included in the financial statements of the City.

B. Basis of Presentation

The Measure F Fund's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

C. Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

All governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Revenues are recorded when measurable and available and expenditures are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

D. Description of Fund

The accounts are maintained on the basis of fund accounting. A fund is a separate accounting entity with a self-balancing set of accounts. The City uses special revenue funds to account for the proceeds of specific revenues (other than for capital projects) that are legally restricted to be expended for specified purposes.

**CITY OF PIEDMONT
MEASURE F FUND**
NOTES TO THE FINANCIAL STATEMENTS (continued)
JUNE 30, 2019

E. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: CASH AND INVESTMENTS

See the City's Basic Financial Statements for disclosures related to cash and investments and the related custodial risk categorization.

NOTE 4: COMMITMENTS AND CONTINGENCIES

The City participates in several grant programs. These programs did not require a Single Audit during the year ended June 30, 2019. However, these programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.



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INDEPENDENT AUDITOR'S REPORT ON MEASURE F COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

To the City Council
 City of Piedmont
 Piedmont, California

Report on Compliance for Measure F Fund

We have audited the accompanying financial statements of the Measure F Fund of the City of Piedmont's (the City) compliance with the requirements described in the *Master Program Funding Agreement* between the City and the Alameda County Transportation Commission (ACTC) that could have a direct and material effect to the Measure F Funds for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants specified in the *Master Programs Funding Agreement* between the City and the ACTC.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and requirements specified in the *Master Programs Funding Agreement* between the City and ACTC. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Measure F Funds occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Compliance

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on Measure F Funds for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on Measure F Funds to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the requirements noted above, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of the *Master Programs Funding Agreement*. Accordingly, this report is not suitable for any other purpose.

Manny Urutia, Nelson CPA 1/2

Sacramento, California
December 18, 2019



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council of
 the City of Piedmont
 Piedmont, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure F Fund of the City of Piedmont (the "Fund"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Fund's basic financial statements and have issued our report thereon dated December 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Piedmont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Piedmont's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Piedmont's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mann, Wuntia, Nelson CPA's

Sacramento, California
December 18, 2019

**CITY OF PIEDMONT
APPROPRIATIONS LIMIT CALCULATION
AS OF JUNE 30, 2020**



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To The Honorable Mayor and
 Members of the City Council
 City of Piedmont
 Piedmont, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Calculation of the City of Piedmont, CA, (the City) for the year ended June 30, 2020. These procedures, which were agreed to by the City and the League of California Cities (as presented in the publication entitled Agreed-upon Procedures Applied to Appropriations Limitation Prescribed by Article XIII-B of the California Constitution), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. City of Piedmont's management is responsible for the Appropriations Limit Calculation.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We obtained the completed internal calculations and compared the limit and annual adjustment factors included in those calculations to the limit and annual adjustment factors that were adopted by a resolution of the City Council. We compared the population and inflation options included in the aforementioned calculations to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the Appropriations Limit Calculation, we added the appropriations limit at June 30, 2019 to the annual permitted adjustments and agreed the resulting amount to the June 30, 2020 appropriations limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared current year information presented in the appropriations limit calculation to supporting worksheets.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the June 30, 2019 appropriations limit presented in the appropriations limit calculation to the prior year appropriations limit adopted by the City Council during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriations limit for the base year, as defined by Article XIII B of the California Constitution.

This report is intended solely for the information and use of the specified users listed above and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Mann, Winitia, Nelson CPA/CPA

Sacramento, California
February 26, 2020

CITY OF PIEDMONT
APPROPRIATIONS LIMIT CALCULATION
JUNE 30, 2020

	<u>Amount</u>	<u>Source</u>
Total revised prior year's appropriation limit (at June 30, 2019)	\$ 24,811,726	
Revised prior year's Measure Y voter approved increase	<u>(2,262,000)</u>	
A. Revised prior year's appropriations limit (at June 30, 2019)	<u>22,549,726</u>	
B. Adjustment factors for the current fiscal year:		
1. Population change	1.0075	* State Finance
2. Inflation (per capita personal income change)	<u>1.0385</u>	* State Finance
Total adjustment	<u>1.0463</u>	* (B1 x B2)
C. Annual adjustment	1,043,799	A x (B - 1)
D. Other Adjustments		
Lost responsibility (-)	-	
Transfer to fees (-)	-	
Voter Approved Increase (+)	2,354,000	
Assumed Responsibility (+)	<u>-</u>	
	<u>2,354,000</u>	
E. Total adjustments	<u>3,397,799</u>	C+D
F. Current year's appropriations limit (at June 30, 2020)	\$ <u>25,947,778</u>	A+E

* Rounded to the nearest ten thousandth

Management Letter

To the City Council and Management
City of Piedmont

In planning and performing our audit of the financial statements of the City of Piedmont as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Piedmont's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated February 26, 2020, on the financial statements of the City of Piedmont.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The City of Piedmont's responses to the findings identified in our audit are described in the accompanying attachment. The City of Piedmont's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, City Council, and others within the City, and is not intended to be, and should not be, used by anyone other than those specified parties.

Mann, Urrutia, Nelson CPAs

Mann, Urrutia, Nelson, CPAs & Associates, LLP
Sacramento, California
February 26, 2020

City of Piedmont
Summary of Control Deficiencies
June 30, 2019

Year-End Financial Close (Repeat Finding)

The City has enhanced their year-end close process by establishing a list of journal entries to record at year-end; however this list is still in process and overall closing procedures still need to be improved. Approximately 14 journal entries were posted to the trial balance provided for audit. These journal entries related to reclassification entries and year-end true up adjustments to balance sheet accounts. We recommend the City enhance their procedures to ensure that all accounts are reconciled and properly supported, and all year-end entries have been posted prior to providing the auditors the trial balance.

Management's Response: Management agrees. We will continue to improve our close process by expanding our close checklist to include reconciliation of all major accounts. Management believes our recently purchased financial system, Caselle, will aid greatly in the reconciliation of accounts and control over journal entries once implemented (July 2020).

Preparation and Review of Time Cards (Repeat Finding)

During our review of the payroll process, we noted that 7 out of 45 time cards tested were not signed by the employee. We recommend that management remind staff of the established process, which states that time cards must be completed and signed by every employee.

Management's Response: Management has focused on ensuring all time cards are properly signed by employees, however the lack of an automated system coupled with the effect of shift schedules has allowed exceptions to continue. Once implemented (October 2020), the new finance system should address this issue as it includes automated online timesheet workflow.

Accounts Payable

The initial accounts payable reconciliation provided to the auditors did not reconcile to the general ledger. Both the general ledger and the accounts payable schedule required adjustment. We recommend the City enhance their reconciliation procedures to ensure that supporting schedules agree to the balance.

Management's Response: Management agrees. Our current financial system is not conducive to efficiently preparing balance sheet reconciliations. As previously mentioned, the new financial system will aid greatly in the reconciliation of accounts.

Fund Balance Reconciliation

Upon starting the audit, we identified that beginning fund balances for several funds did not agree to the prior year audit report. Beginning with incorrect fund balances could mislead any financial statement analysis that is performed during the year. We recommend that management perform a reconciliation of fund balance accounts once the audit is complete and trial balance is finalized to ensure that fund balances are recorded correctly.

Management's Response: Management agrees. We will balance our internal books to the audited trial balance immediately after the audit is closed.

Due to/from Accounts

The initial balances recorded in the due to/from accounts included deficit cash balances from the prior year as well as incorrect transactions related to compensated absences. The purpose of due to/from accounts is to account for short-term, interfund receivable/payables between funds. Prior year deficit cash balances should be cleared out, and new ones recorded as necessary. In relation to compensated absences, the City recorded compensated absences to the general fund in error. As part of the City's year-end close process, we recommend that due to/from accounts are reconciled to ensure that the City has an understanding of the balances that comprise such accounts.

Management's Response: Management agrees. We will add review of Due to/from accounts to our close checklist.

City of Piedmont
Summary of Control Deficiencies (Continued)
June 30, 2019

Capital Assets

Business-Type Capital Assets. We noted that additions to capital assets were not being recorded correctly. As the City records capital asset additions as capital outlay expense items for budget tracking purposes, the City should offset these expenses with a contra-expense account to capitalize them. Instead, the City offset these additions to net position. Consequently, beginning net position did not agree to the prior year audit report. We recommend the City revisit the journal entries they record to capture the capitalization of capital assets and ensure they are being recorded in accordance with accounting standards.

Management's Response: Management will comply.

Government-Activities Capital Assets. The City currently tracks their capital assets by a combination of a capital asset module and in excel. The final balances are all modified in excel. During our review of the excel schedule, we noted several mathematical and formula errors, which included incorrect cell links and numbers being pulled from external sources that are subject to change. The preparation and use of this excel schedule that tracks significant balances is prone to manual errors. If the City continues to use excel as their main tracking mechanism for capital assets, we recommend they enhance their controls surrounding the use of the spreadsheet and incorporate features such as reference locks and sheet protections. Formulas and cells that are being carried over or copied from year-to-year should be reviewed to ensure calculations are performed correctly. The overall schedule should be re-examined on a quarterly basis in order to prevent errors from going undetected and accumulating till year-end.

Management's Response: We will abandon using excel spreadsheets to track capital assets upon implementation of our new financial system. The system includes an Asset Management module which we will utilize.

Capital Asset Additions. Through our testing of capital asset additions, we observed that our initial selection of a Community Hall Sound System Replacement item resulted in additions support related to a landscaping project. The incorrect classification of the capital asset addition could result in improper depreciation and categorization of the asset. We recommend the City perform a thorough review of capital asset additions to ensure they are being categorized and classified properly. The City should compare their listing of capital asset additions to capital outlay expenditures and the City's capital budget, paying close attention to project type and department.

Management's Response: Management will comply.

City of Piedmont
Status of Prior Year Findings
June 30, 2019

Allocation of Long-Term Payroll Related Liabilities

During our review of long-term liabilities, we noted the City does not allocate accrued vacation, pension, and OPEB liabilities across funds. Audit adjustments were made to allocate these balances among governmental-activities and business-type activities. We recommend that the City establish an allocation plan to ensure these long-term liabilities are allocated among the funds that incur related costs.

Status: Implemented.

Allocation of LAIF Balances and Interest Income

During our review of the LAIF interest income allocation, we noted the City allocated LAIF interest based on each funds' fund balance (equity) and not based on the funds' prior month LAIF balance as specified in the City's policies and procedures. We recommend the City review its fiscal policy to ensure the City is following its policy in relation to investment income allocation. Additionally, we noted that transfers between general cash accounts and LAIF were not allocated amongst funds. This may cause a misstatement in each funds' cash balances. We recommend the City allocate cash transfers between cash and investment accounts to funds as deemed appropriate based on the purpose of the transfer.

Status: Implemented.

Year-End Financial Close

The City provided nine journal entries after providing the initial trial balance to the auditors. These journal entries related to reclassification entries and year-end true up adjustments to balance sheet accounts. We recommend the City establish procedures to ensure that all accounts are reconciled and all year-end entries have been posted prior to providing the auditors the trial balance.

Status: Partially Implemented.

Deposits Payable

During our review of deposits payable, we noted that the City does not have a formal process for tracking and reconciling the transactions of these balances. This lack of reconciliation may cause project deposit balances to become significantly aged. During audit fieldwork, we recommended the City perform a review and reconciliation of each account to assess whether balances required adjustment. As of the issuance on our report, the City was working towards completing its review and will post any necessary adjustments in fiscal year 2019.

Status: Implemented.

Bank Reconciliations

Our review of the June 30, 2018 bank reconciliation noted 26 checks totaling \$11,164 with check dates over one year old. Of this old outstanding amount, one check for \$5,111 had a check date of December 22, 2011. To aid in the preparation of bank reconciliations and to reflect an accurate cash balance in the financial statements, all checks outstanding more than one year should be investigated and written off. We recommend that the City review aged outstanding checks at month end to assess whether follow-up or write-off is necessary.

Status: Implemented.

City of Piedmont
Status of Prior Year Findings (continued)
June 30, 2019

Preparation and Review of Time Cards

During our review of the payroll process, we noted that four out of 45 time cards tested were not signed by the employee. We recommend that management remind staff of the established process, which states that time cards must be completed and signed by every employee. Additionally, we noted five out of 45 time cards tested were not signed by the employee's supervisor. We recommend management follow the process that is established, which states that all time cards are reviewed and signed by the employee's supervisor.

Status: Not Implemented.

City of Oakland Library Contract

During our review of accounts payable, we noted a total of \$701,442 payable to the City of Oakland for library access for City of Piedmont residents. Half of the balance, or \$350,721, outstanding relates to library access for the fiscal year ended June 30, 2017. Upon inquiry and request for supporting documentation, we were informed the City of Piedmont has not had a formal contract with the City of Oakland since the fiscal year ended June 30, 2008. The City of Oakland has been invoicing the City of Piedmont the same amount that was paid in the final year of the contract that expired in 2008. Not having a current contract is not in accordance with the City's Purchasing Policy and increases the risk of misstated expenses. As such, we recommend that, should the City desire to continue this arrangement, it enter into a formal agreement with the City of Oakland for library services.

Status: Implemented.

Financial Reporting

During our review of the financial reporting process, we noted City Council does not receive periodic financial statements other than the mid-year financial review and presentation of the annual audit. In order to provide more effective financial oversight to the City, we recommend financial reports be presented on a consistent basis, at a minimum at the end of each quarter.

Status: Not implemented. However, upon completion of the 2018 audit in April 2019, we spoke with the finance committee and they indicated they receive adequate information. No additional reports deemed necessary.

February 26, 2020

To the City Council
City of Piedmont
120 Vista Avenue
Piedmont, California 94611

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piedmont (the City) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 14, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were depreciation, the accruals for workers' compensation and general liability, and the estimates for the net pension liability, net pension asset, and other post-employment benefits (OPEB). Management's estimates of depreciation is based on the City's capitalization policy. Management's estimate for the accruals for workers' compensation and general liability were based on known claim information and loss history. Management's estimates for the net pension liability, net pension asset, and other post-employment benefits were based on actuarial valuations. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following misstatements in Attachment A (audit adjustments) and Attachment B (reclassifying adjustments) were detected as a result of audit procedures and were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 26, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis; the budgetary comparison schedules for the General Fund and major special revenue funds; and the required GASB pension and OPEB schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the non-major funds combining financial statements and budgetary comparison schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of City Council and management of the City of Piedmont and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Mann, Urrutia, Nelson CPAs & Associates LLP

Attachment A

**CITY OF PIEDMONT
SUMMARY OF AUDIT ADJUSTMENTS
June 30, 2019**

Description	Effect - Increase (Decrease)				
	Assets & Deferred Outflows	Liabilities & Deferred Inflows	Equity/Amt to be Provided	Revenue	Expenses
<u>Current Year Differences</u>					
True up long-term debt balances		\$ (1,374,000)			\$ (1,374,000)
Record OPEB liability in accordance with GASB 75 and allocate across funds	\$ 245,000	\$ (69,197)			\$ (314,197)
To correct capital assets and net position			\$ (382,482)		\$ (382,482)
To correct depreciation expense and net position			\$ (39,536)		\$ (39,536)
To reconcile fund balance to audit			\$ 6,246		\$ 6,246
To remove compensated absences expense from the funds	\$ 47,779				\$ (47,779)
To clear out unreconciled cash balance	\$ (7,714)				\$ 7,714
To remove double booking of pension expense			\$ (1,502,818)		\$ (1,502,818)
To reconcile accounts payable		\$ 68,310			\$ 68,310
Total Income Statement Effect				<u>\$ -</u>	<u>\$ (3,578,542)</u>
Balance Sheet Effect	<u>\$ 285,065</u>	<u>\$ (1,374,887)</u>	<u>\$ (1,918,590)</u>		

Attachment B

CITY OF PIEDMONT
SUMMARY OF RECLASSIFYING AUDIT ADJUSTMENTS
June 30, 2019

Description	Fund(s)	Effect - Increase (Decrease)				
		Assets & Deferred Outflows	Liabilities & Deferred Inflows	Equity	Revenue	Expenses
Reconciliation of fund balance and pension accounts between funds	107	\$ 443,549	\$ 1,470,265	\$ (1,026,716)		
	118	\$ (22,474)	\$ (74,496)	\$ 52,022		
	155	\$ (421,075)	\$ (1,395,769)	\$ 974,694		
To adjust due to/from accounts	Various	\$3,053,960	\$ (1,074,080)	\$ 1,974,007	\$ (5,873)	
To record capital asset transfer	118	\$ 39,416			\$ 39,416	
	GW	\$ (39,416)				\$ 39,416