

City of Del Rey Oaks

Annual Financial Report

June 30, 2020



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Certified Public Accountants
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City of Del Rey Oaks
Annual Financial Report
For the year ended June 30, 2020

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position.....	11
Statement of Activities.....	12
<i>Fund Financial Statements</i>	
<i>Governmental Funds:</i>	
Balance Sheet.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities	16
Notes to the Basic Financial Statements.....	17

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP Basis) – General Fund	46
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP Basis) – Measure X Special Revenue Fund	47
Schedule of Pension Plan Contributions.....	48
Schedule of Proportionate Share of Net Pension Liabilities	49
Schedule of Changes in Total OPEB Liability	50
Notes to the Required Supplementary Information	51

SUPPLEMENTARY INFORMATION

Combining Statements - Nonmajor funds:	
Combining Balance Sheet - Nonmajor Governmental Funds.....	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	55

OTHER INDEPENDENT AUDITOR’S REPORT

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
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FINDINGS AND RESPONSES

Schedule of Findings and Responses.....	59
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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the
City Council of the City of Del Rey Oaks
Del Rey Oaks, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Del Rey Oaks (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, 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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position and 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, budgetary comparison information, schedule of pension plan contributions, schedule of proportionate share of net pension liabilities, and schedule of changes in total OPEB liability, 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.

Supplementary Information

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 April 1, 2021 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 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.

C & A LLP

April 1, 2021
San Jose, California



MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The discussion and analysis of the City of Del Rey Oaks' (the City) financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2020. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- On a government-wide basis the assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the year ended June 30, 2020 by \$18.97 million. However, \$1.28 million is a net investment in capital assets, restricted net position of \$19.04 million, leaving an unrestricted deficit net position of \$1.36 million.
- The City's total net position increased by \$14.58 million from current year operations.
- The City's governmental funds reported combined ending fund balance of \$20.95 million. The net change in fund balances was an increase of \$14.35 million, mostly to due to assets received from FORA as part of their dissolution.
- The General Fund reported a fund balance of \$11.13 million. The net change was an increase of \$4.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City's financial statements. The City's Financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains 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 of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases and 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 net position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base, the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.) and redevelopment projects, to assess the overall health or financial condition of the City.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. 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).

The government-wide financial statements include all the governmental activities of the City. The governmental activities of the City include public safety, streets, parks, planning, community development and general administration. The City does not operate any business-type activities.

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 fund financial statements

provide detail information about the most significant funds, not the City as a whole. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds are governmental fund types. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, 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.

Because the focus of the governmental fund 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 in the government-wide financial statements. Both the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures and Changes in Fund Balances* provide a reconciliation to facilitate the comparison between the governmental fund and government-wide statements.

The City maintains five individual governmental funds. Information is presented in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the nonmajor governmental funds.

Notes to Basic 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City's net position increased by \$14.6 million in fiscal year 2020 from fiscal year 2019. The City's net investment in assets of \$10.19 million is used to provide services to citizens; consequently, these assets are not available for future spending, leaving the City with a deficit for operating purposes.

Summary of Net Position			
As of June 30			
	2020	2019	Increase (Decrease)
Assets			
Current and other assets	\$ 21,087,445	\$ 11,991,017	\$ 9,096,428
Capital assets	2,089,279	2,039,698	49,581
Total Assets	<u>\$ 23,176,724</u>	<u>\$ 14,030,715</u>	<u>\$ 9,146,009</u>
Deferred Outflows of Resources			
	<u>\$ 384,060</u>	<u>\$ 563,682</u>	<u>\$ (179,622)</u>
Liabilities			
Current and other liabilities	\$ 143,685	\$ 6,034,999	\$ (5,891,314)
Noncurrent liabilities	4,256,386	3,865,387	390,999
Total Liabilities	<u>\$ 4,400,071</u>	<u>\$ 9,900,386</u>	<u>\$ (5,500,315)</u>
Deferred Inflows of Resources			
	<u>\$ 192,718</u>	<u>\$ 301,292</u>	<u>\$ (108,574)</u>
Net Position			
Net investment in capital assets	\$ 1,284,344	\$ 6,479,271	\$ (5,194,927)
Restricted	19,039,139	4,633,442	14,405,697
Unrestricted	(1,355,488)	(6,719,994)	5,364,506
Total Net Position	<u>\$ 18,967,995</u>	<u>\$ 4,392,719</u>	<u>\$ 14,575,276</u>

- Current assets and capital assets increased while current liabilities decreased primarily due to the release from the obligation in the amount of \$4.5 million, as part of the FORA dissolution.
- Restricted net position increased primarily due to the assets received from the FORA dissolution.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Activities
As of June 30

Functions/Programs	2020	2019	Increase (Decrease)
Revenue:			
Program Revenues:			
Charges for services	\$ 1,343,856	\$ 1,089,046	\$ 254,810
Operating grants and contributions	361,583	352,577	9,006
Capital grants and contributions	9,682,439	94,755	9,587,684
General Revenues:			
Property tax	660,282	659,580	702
Sales tax	376,614	509,164	(132,550)
Transaction tax	808,102	981,141	(173,039)
Franchise tax	163,594	171,946	(8,352)
Business license tax	213,602	199,160	14,442
Other taxes	651,721	976,708	(324,987)
Investment earnings	36,675	6,938	29,737
Other revenue	14,769	65,356	(50,587)
Total Revenue	<u>14,313,237</u>	<u>5,106,371</u>	<u>9,206,866</u>
Expenses:			
General government	1,314,429	801,150	513,279
Public safety	2,629,147	2,349,959	279,188
Public works	172,593	204,375	(31,782)
Community development	78,017	98,749	(20,732)
Parks	92,286	121,410	(29,124)
Interest on long-term debt	85,427	80,691	4,736
Total Expenses	<u>4,371,899</u>	<u>3,656,334</u>	<u>715,565</u>
Special and Extraordinary Items:			
Special item - gain/loss on disposal of capital assets	168,838	(45,455)	214,293
Special item - release of obligation due to FORA	4,465,100	-	4,465,100
Total Special and Extraordinary Items	<u>4,633,938</u>	<u>(45,455)</u>	<u>4,679,393</u>
Change in Net Position	14,575,276	1,404,582	13,170,694
Net Position, Beginning of Year	<u>4,392,719</u>	<u>2,988,137</u>	<u>1,404,582</u>
Net Position, End of Year	<u>\$ 18,967,995</u>	<u>\$ 4,392,719</u>	<u>\$ 14,575,276</u>

- The increase in charges for services and public safety expenses is due to fiscal year 2020 reporting a full year of police services to the airport, whereas fiscal year 2019 reported only nine months of services.
- The decrease in transaction tax is due to the effects of pandemics.
- The decrease in other taxes is due to the effects of the pandemic on cannabis taxes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets as of June 30, 2020, amounted to \$2 million (net of accumulated depreciation). This amount included land, buildings, improvements, furniture, equipment, and vehicles.

Debt Administration - At fiscal year end, the City had \$2.2 million in debt. New debt for the year was \$279 thousand, which was related to a new loan with TAMC for prefunding of Measure X projects. In addition, the City made payments on debt of \$816 thousand, for a net decrease of \$536 thousand.

FINANCIAL ANALYSIS OF THE 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's financing requirements.

At the end of the current fiscal year, the City's governmental funds reported a total fund balance of \$20.95 million. During the current fiscal year, the fund balance of the City's total governmental funds increased \$14.3 million.

FUND BUDGETARY HIGHLIGHTS

General Fund - The original budgeted general fund revenues increased \$350. General Fund estimated budgeted revenues exceeded the actuals by \$162 thousand. The original budgeted general fund expenses increased by \$88 thousand. Actual expenditures were \$408 thousand less than final budgeted expenditures.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Fiscal year 2020-21 has felt the impact of the COVID-19 pandemic. Due to reductions in Sales tax and cannabis excise taxes, the City took steps to reduce its expenditures and has managed to maintain a balanced budget. As the City and the State come out of the pandemic, the City is seeing a slight increase in sales tax. Cannabis tax is expected to remain low due to the pandemic and the large number of competing dispensaries in the area. The City is expecting to maintain a balanced budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Del Rey Oaks, 650 Canyon Del Rey Road, Del Rey Oaks, California 93940.



BASIC FINANCIAL STATEMENTS

City of Del Ray Oaks
Statement of Net Position
June 30, 2020

ASSETS	
Current Assets:	
Cash and investments	\$ 3,160,056
Restricted cash and investments	8,644,441
Receivables:	
Taxes	314,755
Other receivables	63,520
Land held for resale	8,904,673
Total Current Assets	<u>21,087,445</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable	549,500
Depreciable, net of accumulated depreciation	1,539,779
Total Capital Assets - Net	<u>2,089,279</u>
Total Assets	<u>\$ 23,176,724</u>
 DEFERRED OUTFLOWS OF RESOURCES	
OPEB Adjustments	\$ 57,996
Pension Adjustments	326,064
Total Deferred Outflows of Resources	<u>\$ 384,060</u>
 LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 118,748
Prepaid business licenses	8,255
Prepaid developer deposits	9,063
Long-term debt - due within one year	7,619
Total Current Liabilities	<u>143,685</u>
Noncurrent Liabilities:	
Long-term debt - due in more than one year	2,239,375
Compensated absences	92,224
Net pension liability	1,584,252
Total OPEB liability	340,535
Total Noncurrent Liabilities	<u>4,256,386</u>
Total Liabilities	<u>\$ 4,400,071</u>
 DEFERRED INFLOWS OF RESOURCES	
OPEB Adjustments	\$ 29,387
Pension Adjustments	163,331
Total Deferred Inflows of Resources	<u>\$ 192,718</u>
 NET POSITION	
Net investment in capital assets	\$ 1,284,344
Restricted for land held for resale	8,904,673
Restricted for pension	310,397
Restricted for streets and roads	7,473,483
Restricted for habitat management	775,854
Restricted for capital projects	1,574,732
Unrestricted	(1,355,488)
Total Net Position	<u>\$ 18,967,995</u>

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

City of Del Ray Oaks
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
General government	\$ 1,314,429	\$ 412,088	\$ 143,750	\$ 63,036	\$ 618,874	\$ (695,555)
Public safety	2,629,147	824,266	176,389	-	1,000,655	(1,628,492)
Public works	172,593	54,110	41,444	-	95,554	(77,039)
Community development	78,017	24,459	-	9,619,403	9,643,862	9,565,845
Parks	92,286	28,933	-	-	28,933	(63,353)
Interest and fiscal charges	85,427	-	-	-	-	(85,427)
Total	<u>\$ 4,371,899</u>	<u>\$ 1,343,856</u>	<u>\$ 361,583</u>	<u>\$ 9,682,439</u>	<u>\$ 11,387,878</u>	<u>7,015,979</u>

General Revenues and Special Item:

Taxes:	
Property taxes	660,282
Sales tax	376,614
Transaction tax	808,102
Franchise tax	163,594
Business license tax	213,602
Other taxes	651,721
Investment earnings	36,675
Other revenues	14,769
Special item:	
Release of obligation due to FORA	4,465,100
Gain (loss) on disposal of capital assets	168,838
Total General Revenues and Special Items	<u>7,559,297</u>
Change in Net Position	14,575,276
Net Position - Beginning of Year	<u>4,392,719</u>
Net Position - End of Year	<u>\$ 18,967,995</u>

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

City of Del Ray Oaks
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	SBR Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,665,554	7,268,813	\$ 2,550,670	\$ 11,485,037
Restricted cash and investments	319,460	-	-	319,460
Receivables:				
Taxes	310,169	-	4,586	314,755
Other receivables	63,520	-	-	63,520
Land held for resale	8,904,673	-	-	8,904,673
Total assets	<u>\$ 11,263,376</u>	<u>\$ 7,268,813</u>	<u>\$ 2,555,256</u>	<u>\$ 21,087,445</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 118,748	\$ -	\$ -	\$ 118,748
Prepaid business licenses	8,255	-	-	8,255
Prepaid developer deposits	9,063	-	-	9,063
Total liabilities	<u>136,066</u>	<u>-</u>	<u>-</u>	<u>136,066</u>
Fund Balances:				
Restricted:				
Land held for resale	8,904,673	-	-	8,904,673
Pension	310,397	-	-	310,397
Streets and roads	-	7,268,813	204,670	7,473,483
Habitat management	-	-	775,854	775,854
Capital projects	-	-	1,574,732	1,574,732
Unassigned:				
Economic uncertainties	1,652,182	-	-	1,652,182
Unappropriated	260,058	-	-	260,058
Total fund balances	<u>11,127,310</u>	<u>7,268,813</u>	<u>2,555,256</u>	<u>20,951,379</u>
Total liabilities and fund balances	<u>\$ 11,263,376</u>	<u>\$ 7,268,813</u>	<u>\$ 2,555,256</u>	<u>\$ 21,087,445</u>

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

City of Del Ray Oaks
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2020

Total Fund Balances - Total Governmental Funds \$ 20,951,379

Amounts reported for governmental activities in the statement of net position were different because:

Capital assets used in governmental activities were not current financial resources.

Therefore, they were not reported in the governmental funds balance sheet. The capital assets were adjusted as follows:

Capital assets	\$ 2,927,833	
Less: accumulated depreciation	(838,554)	
Total Capital Assets		2,089,279

Contributions made to pension plans will not be included in the calculation of the City's net pension liability of the plan year included in this report and have been deferred and reported as deferred outflows of resources.

OPEB adjustments:

Change in assumptions		(29,387)
Contribution subsequent to measurement date		57,996

Pension adjustments:

Net change in assumptions		51,369
Net difference between expected and actual experience		102,943
Net difference between projected and actual investment earnings		(23,303)
Net differences between employer's contributions and proportionate share of contributions		(77,391)
Net change in employer's proportion		7,544
Contribution subsequent to measurement date		101,571

Long-term obligations were not due and payable in the current period. Therefore, they were not reported in the governmental funds balance sheet. The long-term liabilities were adjusted as follows:

Long-term debt	\$ (2,246,994)	
Compensated absences	(92,224)	
Net pension liability	(1,584,252)	
Total OPEB liability	(340,535)	
Total Long-Term Obligations		(4,264,005)

Net Position of Governmental Activities \$ 18,967,995

City of Del Ray Oaks
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General Fund	SBR Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property taxes	\$ 660,282	\$ -	\$ -	\$ 660,282
Sales tax	361,088	-	70,913	432,001
Transaction tax	767,327	-	-	767,327
Franchise tax	163,594	-	-	163,594
Business license tax	213,602	-	-	213,602
Other taxes	702,728	-	37,910	740,638
Licenses and permits	71,989	-	-	71,989
Fines, forfeits and penalties	11,986	-	-	11,986
Charges for current services	1,153,443	-	-	1,153,443
Intergovernmental revenues	383,175	7,268,813	2,392,030	10,044,018
Interest, rents and concessions	143,116	-	-	143,116
Other revenues	14,769	-	-	14,769
Total Revenues	4,647,099	7,268,813	2,500,853	14,416,765
EXPENDITURES				
Current:				
General government	873,245	-	-	873,245
Public safety	2,422,353	-	-	2,422,353
Public works	139,824	-	14,506	154,330
Community development	78,017	-	-	78,017
Parks	77,332	-	-	77,332
Capital outlay	390,718	-	86,886	477,604
Debt service				
Principal	562,962	-	52,946	615,908
Interest and fiscal charges	31,097	-	19,390	50,487
Total Expenditures	4,575,548	-	173,728	4,749,276
Excess (Deficiency) of Revenues over Expenditures	71,551	7,268,813	2,327,125	9,667,489
OTHER FINANCING SOURCES (USES)				
Proceeds from draw on loan	50,222	-	184,280	234,502
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	50,222	-	184,280	234,502
SPECIAL ITEMS				
Release of obligation due to FORA	4,465,100	-	-	4,465,100
Separation agreement	(21,096)	-	-	(21,096)
Total Special Items	4,444,004	-	-	4,444,004
Net Change in Fund Balances	4,565,777	7,268,813	2,511,405	14,345,995
Fund Balances Beginning	6,561,533	-	43,851	6,605,384
Fund Balances Ending	\$ 11,127,310	\$ 7,268,813	\$ 2,555,256	\$ 20,951,379

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

City of Del Ray Oaks
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Fiscal Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 14,345,995
Amounts reported for governmental activities in the statement of activities and changes in net position were different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets was allocated over their estimated useful lives as depreciation expense.	
Capital outlay	119,552
Depreciation expense	(69,971)
Revenues that were reported in the government-wide statement of activities in prior years have become current financial resources in the current year and have been reported in the governmental fund statement of revenues, expenditures and changes in fund balances.	
	(103,530)
Long-term compensated absences and claims payables were reported in the government-wide statement of activities, but they did not require the use of current financial resources and were not reported as expenditures in governmental funds.	
	(23,320)
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as note in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	
	(216,025)
In governmental funds, actual contributions to the OPEB plan is reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	
	(13,825)
The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The net effect of these differences in the treatment of long-term debt and related items is as follows:	
Forgiveness of FORA loan debt	168,838
Repayment of debt principal	615,908
Proceeds from loan	(234,502)
Expenses that were reported in the government-wide statement of activities in prior year have become current financial uses in the current year and have been reported in the governmental fund statement of revenues, expenditures and changes in fund balances.	
	21,096
Interest expense on long-term debt was reported in the government-wide statement of activities and changes in net position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the net change in compound interest from current year to prior year.	
	(34,940)
Change in Net Position of Governmental Activities	\$ 14,575,276

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

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The City of Del Rey Oaks, California was incorporated as a general law city on September 3, 1953. The City operates under a city council-manager form of government and provides a wide range of municipal services.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City Council acts as the governing board. In addition, the City staff performs all administrative and accounting functions for these entities and these entities provide their services entirely to the City. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize their legal separateness from the City. The City had no component units as of June 30, 2020.

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

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

The City's government-wide financial statements include a *Statement of Net Position* and a *Statement of Activities and Changes in Net Position*. These statements present a summary of the governmental activities for the City. Fiduciary activities of the City are not included in these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City did not have any business-type activities during the year.

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources (including capital assets, as well as infrastructure assets, and long-term liabilities), are included in the accompanying *Statement of Net Position*. The *Statement of Activities* presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those clearly identifiable with a specific function or segment. In conformity with the City's indirect cost allocation plan, certain indirect costs are included in the program expense reported for individual functions and activities.

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

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated. The following interfund activities have been eliminated:

- Transfers in/Transfers out

Governmental Fund Financial Statements

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

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The *Statement of Revenues, Expenditures and Changes in Fund Balances* present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (up to 90 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Fines, forfeitures, and licenses and permits are not susceptible to accrual because they are usually not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

government has a legal claim to the resources, the unearned revenue is removed from the combined balance sheet and revenue is recognized.

Major individual governmental funds are reported as separate columns in the fund financial statements.

The following funds are major funds:

General Fund - The General Fund is the general operating fund of the City. It accounts for the City's primary services (Public Safety, Public Works, Park, etc.) and is the primary operating unit of the City.

SBR Construction Fund - This capital project fund was established to account for the financial resources received as a result of the dissolution of FORA to be used for the completion of construction services for the South Boundary Roadway project that were initiated by FORA.

The following funds are nonmajor funds:

Gas Tax Fund - This special revenue fund was established to account for the financial resources required to be used on street/road projects.

SB 1 Fund - This special revenue fund was established to account for the financial resources received for transportation purposes.

Measure X Fund - This special revenue fund was established to account for the financial resources received as part of the Measure X retail transactions and use tax. The funds are to be used to fund transportation safety and mobility projects in Monterey County.

Fora Habitat Management Fund – This special revenue fund was established to account for the financial resources received as a result of the dissolution of FORA to be used maintenance and management of properties that were previously under the purview of FORA.

SBR Engineering Fund - This capital project fund was established to account for the financial resources received as a result of the dissolution of FORA to be used for the completion of engineering services for the South Boundary Roadway that were initiated by FORA.

SBR/GJM Intersection Fund - This capital project fund was established to account for the financial resources received as a result of the dissolution of FORA to be used for the completion of an intersection construction project that was initiated by FORA.

C. Cash, Cash Equivalents and Investments

The City pools its cash and investments of all funds. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on the average daily balance of cash of each fund. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Deposit and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB Statement No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

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

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF). Under Federal Law, the State of California cannot declare bankruptcy; therefore deposits in the LAIF shall not be subject to either of the following: (a) transfer or loan pursuant to Government Code Section 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency.

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The following is a summary of the definition of fair value:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

D. Interfund Receivables and Payables

Items classified as interfund receivables/payables are referred to as “advances to/advances from other funds” or as “due to/from other funds”. Due to/from other funds include short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund. Advances to/advances from other funds represents non-current portions of any long-term

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation.

E. Receivables

Billed, but unpaid, services provided to individuals or non-governmental entities are recorded as accounts receivable. Revenues earned but not collected by year-end are accrued. No allowance for uncollectible accounts receivable has been provided as management has determined that uncollectible accounts have historically been immaterial and the direct write-off method does not result in a material difference from the allowance method.

F. Assets Held for Sale

Property that has been classified as held for sale have met the following criteria:

- Management has committed to a plan to sell the asset;
- An active program to locate a buyer and other actions required to complete the plan of sale have been initiated;
- The sale of the property or asset within one year is probable and will qualify for accounting purposes as a sale;
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- Actions required to complete the plan of sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

G. Capital Assets

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold is met.

Capital assets, which include property, facilities, equipment, and infrastructure purchased or acquired are carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Infrastructure fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been capitalized on a prospective basis, from July 1, 2003. Prior to July 1, 2003, infrastructure assets were not capitalized. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 for equipment, \$25,000 for facilities and improvements, \$150,000 for infrastructure, all land, and an estimated useful life in excess of one year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Interest is capitalized on the construction or acquisition of major assets using debt proceeds. The amount

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during the year ended June 30, 2020.

Property, facilities, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 Years
Improvements	5-20 Years
Equipment	5-10 Years
Vehicles	8 Years
Furniture and Fixtures	10 Years
Infrastructure	20-50 Years

H. Deferred Outflows/Deferred Inflows

In addition to assets, the Statement of Net Position includes a separate section for deferred outflow of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has recognized deferred outflows of resources related to the recognition of the net pension liability and OPEB liability reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The City has recognized deferred inflows of resources related to the recognition of the pension liability and OPEB liability reported in the Statement of Net Position.

I. Interest Payable

In the government-wide financial statements, interest payable of long-term debt is recognized as an incurred liability for governmental fund types. The City has not allocated the interest on long-term debt to departments.

In the fund financial statements, governmental fund types do not recognize the interest payable when the liability is incurred. Interest on long-term debt is recorded in the fund statements when payment is made.

J. Deferred Compensation Plan

City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, and death or in an emergency as defined by the Plan. Member contributions for the fiscal year ending June 30, 2020 totaled \$36,850.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

the City's property and are not subject to City control, they have been excluded from these financial statements.

K. Compensated Absences

Compensated absences comprise of unpaid vacation, which are accrued as earned. Unused vacation may be accumulated up to 160 hours and is paid at the time of termination from City employment. The liability for compensated absence is determined annually. The long-term portion is recorded in the Statement of Net Position and represents a reconciling item between the fund and government-wide presentations. The following is a summary of the changes in compensated absences for the fiscal year ended June 30, 2020:

Description	June 30, 2019	Additions	Retirements	June 30, 2020
Government Activities	\$ 68,904	\$ 23,320	\$ -	\$ 92,224

L. Long-Term Liabilities

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are expensed in year incurred.

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

M. Fund Balances

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Nonspendable

Nonspendable fund balance are amounts that cannot be spent because they are either (a) not in spendable form, such as long term receivables or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balance are restricted when constrains placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balance are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the City Council.

Assigned

Assigned fund balance are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the City Manager.

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Unassigned

The Unassigned Fund Balance category represents fund balance which may be held for specific types of uses or stabilization purposes, but is not yet directed to be used for a specific purpose.

The detail of amounts reported for each of the above defined fund balance categories is reported in the governmental funds balance sheet.

Flow Assumption /Spending Order Policy

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to be spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to be spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has directed otherwise.

N. Net Position

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

Net Investment in Capital Assets

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position.

Restricted Net Position

This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position

This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The detail of amounts reported for each of the above defined net position categories is reported in the government-wide Statement of Net Position.

Use of Restricted/Unrestricted Net Position

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

O. Property Taxes

County tax assessments include secured and unsecured property taxes. "Unsecured" refers to taxes on personal property. These tax assessments are secured by liens on the property being taxed.

Monterey County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year.

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 90 days after year end. Property tax on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

P. Unearned Revenue

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

Q. Unavailable Revenue

In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows as unavailable revenue.

R. Use of Estimates

The preparation of basic financial statements in conformity 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 those estimates.

S. Benefit Plans

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.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB Statement No. 68) requires that the reported results pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes were used:

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	June 30, 2018 to June 30, 2019

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, information about the City’s Retiree Benefits Plan (the Plan) and additions to/deductions are based on when they are due and payable in accordance with the benefit terms for the measurement period included in the OPEB plan’s actuarial reports.

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	June 30, 2018 to June 30, 2019

T. Upcoming New Accounting Pronouncements

GASB 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 arrangements that are fiduciary activities. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2018 but have been delayed to periods beginning after December 15, 2019, pursuant to GASB Statement No. 95. Earlier application is encouraged. The City does not believe this statement will have a significant impact on the District’s financial statements.

GASB issued Statement No. 87, Leases

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 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 requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2019 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The City does not believe this statement will have a significant impact on the District’s financial statements.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of the Construction Period

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost 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 requirements of this Statement were initially to be effective for financial statements for periods

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

beginning after December 15, 2019 but have been delayed to periods beginning after December 15, 2020, pursuant to GASB Statement No. 95. Earlier application is encouraged. The City does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 90, Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61

The 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. This Statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2018, but have been delayed to periods beginning after December 15, 2019, pursuant to GASB Statement No. 95. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The City does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 91, Conduit Debt Obligations

The 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 also clarifies 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 commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The City does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 92, Omnibus 2020

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement were initially to be effective for financial statements for periods beginning after June 15, 2020 but have been delayed to periods beginning after June 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The City does not believe this statement will have a significant impact on the District's financial statements.

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement were initially to be effective for financial statements for periods beginning after June 15, 2020 but have been delayed to periods beginning after June 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The City does not believe this statement will have a significant impact on the District's financial statements.

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

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged. The City does not believe this statement will have a significant impact on the District's financial statements.

NOTE 2 - CASH AND INVESTMENTS

As of June 30, 2020, cash and investments were reported in the financial statements as follows:

	Statement of Net Position		Total
	Unrestricted	Restricted	Cash and Investments
Cash in bank	\$ 1,800,489	\$ 9,063	\$ 1,809,552
Cash with fiscal agent	-	8,635,378	8,635,378
Local Agency Investment Fu	1,359,567	-	1,359,567
Total cash and investments	\$ 3,160,056	\$ 8,644,441	\$ 11,804,497

A. *Cash Deposits*

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

manner shall have the effect of perfecting a security interest, and places the City ahead of general creditors of the institution.

The market value of pledged securities must equal at least 110 percent of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150 percent of the City's total cash deposits. The City has waived the collateral requirements for cash deposits which are fully insured to \$250,000 by the Federal Deposits Insurance Corporation (FDIC).

The bank balances before reconciling items totaled \$1,981,433 at June 30, 2020 and were different from carrying amounts due to deposits in transit and outstanding checks. As of June 30, 2020, the City's cash balances exceeded insurance by \$1,731,433 but were collateralized as discussed above.

B. Restricted Cash with Fiscal Agent

For the year ended June 30, 2020, the City had a balance of \$310,397 in a Public Agency Retirement Services (PARS) Pension Rate Stabilization Program (PRSP) 115 irrevocable trust for pensions. Participating agencies maintain oversight of investment management and control over the risk tolerance level. Assets in the plan can be accessed to offset unexpected rate increases or be used as a rainy day fund related to their pension plan (CalPERS). These assets are not dedicated to providing plan benefits to plan participants and are not directly used to pay benefits until such time as the City transfers the funds from the PARS trust to the pension plan (CalPERS). The trust restricts the use of the assets to be used solely for pension related expenses. Amounts held in Trust for FORA Dissolution Administration and Successor Agency obligations are also reported as restricted cash and investments.

C. Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques. This hierarchy has three levels.

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The City has the following recurring fair value measurements as of June 30, 2020:

- California Local Agency Investment Fund (LAIF) of \$1,359,567; valued using Level 2 inputs.

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

D. Investment Policies

City Investment Policy

The City has an investment policy, which is in accordance with the California Government Code, the following investments are authorized:

<u>Authorized Investment Type</u>	<u>Maximum Maturity (1)</u>	<u>Maximum Total of Portfolio</u>	<u>Maximum Investment in Anyone Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	20%	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	2 years	20%	None
County Pooled Investment Funds	1 year	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

E. External Investment Pool

The City's investments with LAIF at June 30, 2020, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes

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

Asset-Backed Securities

The bulk of asset-backed securities are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The approved investments policy is listed on the LAIF website, located at <http://www.treasurer.ca.gov/pmia-laif/laif/index.asp>.

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

F. Risk Disclosures

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 term of an investment's maturity, the greater the sensitivity to changes in market interest rates. It is the City's practice to manage its exposure to interest rate risk is by purchasing a combination of shorter 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 City's operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2020, the City's investments were in compliance with the ratings required by the City's investment policy, indenture agreements and Government Code.

Concentrations of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2020, the City had no investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represented 5% or more of the total City investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

NOTE 3 - INTERFUND TRANSACTIONS

A. Transfers In/Out

With Council approval resources may be transferred from one fund to another. Transfers routinely reimburse funds that have made an expenditure on behalf of another fund. Transfers may also be made to pay for capital projects or capital outlays, lease or debt service payments, and operating expenses. The City did not have any transfers in/out during the fiscal year ended June 30, 2020.

B. Interfund Receivables and Payables

The timing of when cash is received and paid can result in a negative cash balance in a fund as of fiscal year end. At year-end, a liability, "Due To Other Funds" is created to eliminate any negative cash balances along with a corresponding asset, "Due From Other Funds." In the following fiscal year, the liabilities are settled and the assets are liquidated. The City did not have any interfund receivables and payables as of June 30, 2020.

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 4 - CAPITAL ASSETS

Capital assets consisted of the following as of June 30, 2020:

	Balance June 30, 2019	Additions	Deletions/ Adjustments	Balance June 30, 2020
Non-depreciable:				
Land	\$ 549,500	\$ -	\$ -	\$ 549,500
Construction in Progress	895,048	-	(895,048)	-
Total Non-Depreciable	<u>1,444,548</u>	<u>-</u>	<u>(895,048)</u>	<u>549,500</u>
Depreciable:				
Buildings and Improvements	638,486	-	-	638,486
Furniture, Equipment, and Vehicles	650,247	-	-	650,247
Structure and Improvements	75,000	1,014,600	-	1,089,600
Total Depreciable	<u>1,363,733</u>	<u>1,014,600</u>	<u>-</u>	<u>2,378,333</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(386,868)	(15,694)	-	(402,562)
Furniture, Equipment, and Vehicles	(317,965)	(50,527)	-	(368,492)
Structure and Improvements	(63,750)	(3,750)	-	(67,500)
Total Accumulated Depreciation	<u>(768,583)</u>	<u>(69,971)</u>	<u>-</u>	<u>(838,554)</u>
Total Depreciable Capital Asset - Net	<u>595,150</u>	<u>944,629</u>	<u>-</u>	<u>1,539,779</u>
Total Capital Assets - Net	<u>\$ 2,039,698</u>	<u>\$ 944,629</u>	<u>\$ (895,048)</u>	<u>\$ 2,089,279</u>

During fiscal year ended June 30, 2019, the City reclassified \$8,904,673 in land to “held for resale” as the City is in the process of selling the land, which the City originally received as part of an Economic Development Conveyance through the Fort Ord Reuse Authority (FORA). The land remained classified as held for sale as of June 30, 2020.

During fiscal year ending June 30, 2020, the City transferred \$895,048 from construction in progress to structure and improvements which are noted in the table above.

Depreciation expense was charged to the functions of the government as follows:

General Government	\$ 2,407
Police Department	40,979
Parks	10,496
Public Works	16,089
Total depreciation expense	<u>\$ 69,971</u>

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES

The City's long-term liabilities consisted of the following as of June 30, 2020:

Description	Balance			Balance June 30, 2020	Due Within One Year
	June 30, 2019	Additions	Retirements		
Capital Leases:					
Software	\$ -	\$ 50,222	\$ 10,000	\$ 40,222	\$ 7,619
Subtotal leases	-	50,222	10,000	40,222	7,619
Loans payable:					
FORA(1)	565,455	-	565,455	-	-
FORA Compound Interest (1)	187,441	-	187,441	-	-
Federal Group International, LLC	1,200,000	-	-	1,200,000	-
Federal Group International, LLC Compound Interest	197,199	44,860	-	242,059	-
TAMC Measure X Loan	633,379	184,280	52,946	764,713	-
Subtotal loans payable	2,783,474	229,140	805,842	2,206,772	-
Total	\$ 2,783,474	\$ 279,362	\$ 815,842	\$ 2,246,994	\$ 7,619

(1) The City entered into an agreement with FORA and paid \$552,962 towards principal payments during fiscal year end 2019-20. The remaining outstanding principal balance plus compound interest was forgiven which was recorded as gain.

The following is a summary of the City's long-term debt as of June 30, 2020:

Records Management Software Capital Lease

The City entered into a software and service agreement with Sun Ridge System, Inc. to receive computer software and services from Sun Ridge System, Inc. The lease qualifies as a capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments at the date of the inception of the lease. The principal and interest payments on the lease are \$8,713 with the interest rate of 2.721%.

As of June 30, 2020, the annual debt service requirements on the Records Management Software Capital Lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 7,619	\$ 1,094	\$ 8,713
2022	7,826	887	8,713
2023	8,039	674	8,713
2024	8,258	455	8,713
2025	8,480	231	8,711
Total	\$ 40,222	\$ 3,341	\$ 43,563

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Fort Ord Reuse Authority (FORA) Loan Payable

The City has a Memorandum of Understanding (MOU) with FORA dated July 1, 2013 concerning repayment to FORA of a pollution legal liability insurance loan for the City of Del Rey Oaks former Fort Ord property. The original term of the MOU was two full calendar years, beginning on the effective date of July 1, 2013 and ending on June 30, 2015. The MOU was extended for three years, through June 30, 2018. However, on July 31, 2019 the City signed a new agreement with FORA which is not reflected in the long-term liabilities schedule above. The City agreed to pay \$210,900 in August 2019 and will pay 11 monthly payments of \$31,096 thereafter. In the new agreement, the FORA Board of Directors has waived the compound interest and \$12,499 of the principal. The remaining outstanding balance was forgiven and fully paid as of June 30, 2020.

Federal Group International, LLC Loan Payable

The City has a promissory note with Federal Group International, LLC in the amount of \$1,200,000, \$700,000 of the note is the City's obligation to pay for funds loaned by Federal/JER Associates I, LLC to the former Redevelopment Agency of the City of Del Rey Oaks, the remaining \$500,000 of the note evidences the City's obligation to pay the holder as settlement of claims between the City and Bellmont Rock Holdings, LLC. Interest is accrued at 5% per annum on the \$700,000 beginning June 1, 2014 until the entire outstanding loan amount, plus interest, is paid in full. Payments on the note, once they commence, shall be for a five year period, however if the note is not paid in full at the end of the five year term it shall automatically renew, once, for an additional five year term. No payment shall be due under this loan until commencement of construction on the Fort Ord property and are based on an increase of 50% of City revenue associated with the development of the entire property.

As of June 30, 2020, the annual debt service requirements on the capital Federal Group International, LLC Loan Payable are as follows:

Year Ending June 30,	Loans Payable		
	Principal	Interest	Total
2021	\$ -	\$ -	\$ -
2022	1,442,059	-	1,442,059
Total	\$1,442,059	\$ -	\$1,442,059

TAMC Measure X Loan Payable

In December 2018, the City entered into an agreement with the Transportation Agency for Monterey County (TAMC) for the purpose of receiving advance funding for the Del Rey Oaks Slurry Seal (the project). As of June 30, 2019, the TAMC has advanced \$677,020 to the City, of the allowable \$861,300, for expenses related to the project. The loan is payable from Measure X revenue, which can only be estimated year to year, so no amortization schedule has been established at this time. An interest rate of 2.5% is fixed until such time as the Monterey County Pool Quarterly Rate rises above 2.0%, at which point the interest rate will be variable, tied to the Monterey County Pool Quarterly Rate plus 50 basis points, only becoming fixed again at 2.5% when the Monterey County Pool Quarterly Rate drops below 2.0%.

NOTE 6 - LAND VALUE DUE TO FORA

In 2006, the City received property as part of an Economic Development Conveyance through the Fort Ord Reuse Authority (FORA). The Economic Development Conveyance requires that the property be used in a manner that promotes economic development in the area. FORA transferred the property to the City in

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

accordance with Government Code Section 67678, which requires the use of the property consistent with the Base Reuse Plan and that all proceeds from the sale of the property be distributed equally to FORA and the City. The remaining property as of June 30, 2020 has a book value of \$8,904,673. The remaining balance due to FORA for the land, if it is sold based on the value originally used to calculate the book value of the land, is \$4,465,100. In the fiscal year ended 6/30/20, FORA was dissolved and as part of the dissolution agreement, the portion due to FORA from the sale of the land was forgiven and the City recognized the amount \$4,465,100 as a release of obligation.

NOTE 7 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts, damage to, or destruction of assets; errors and omissions; injuries to workers; and natural disasters. These risks are covered by a combination of commercial insurance purchased from independent third parties and participation in the Monterey Bay Area Self Insurance Authority (MBASIA), which is a public entity risk pool. There have not been any significant reductions in insurance coverage as compared to the previous year. Settled claims from these risks have not exceeded commercial coverage for the past three fiscal years.

MBASIA was formed under a joint powers agreement (JPA) pursuant to California Government Code Section 6500 et seq. effective July 1, 1982. MBASIA is administered by a Board of Directors consisting of thirteen members appointed by the cities participating. The Board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by member cities beyond their representation on the Board. Each member city pays a premium commensurate with the amount of predicted losses and shares surpluses and deficits proportionate to their participation in the JPA.

Financial statements for the Authority may be obtained from www.mbasia.org.

NOTE 8 - CALPERS PENSION PLAN

General Information about the Pension Plans

Plan Description - All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous and Safety Employee Pension Plans (the Plans); cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be 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 55 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous		Safety	
	Tier 1	PEPRA	Police	Police - PEPRA
Benefit formula	2% @ 60	2% @ 62	2% @ 50	2% @ 57
Benefit vesting schedule	3 Years	3 Years	3 Years	3 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	60	62	55	57
Monthly benefits as a % of eligible compensation	2.00%	2.00%	2.00%	2.00%
Required employee contribution rates	7.000%	6.750%	7.000%	9.500%
Required employer contribution rates	8.081%	6.985%	13.540%	10.216%

Employees Covered - At June 30, 2020 (fiscal year), June 30, 2019 (the valuation date), the following employees were covered by the benefit terms for the Plans:

	Miscellaneous	Safety
Active	3	4
Transferred	3	2
Separated	2	1
Retired	6	14
Total	14	21

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 Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rates are 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. For the year ended June 30, 2020, the City's contributions were \$25,884 and \$75,687 for miscellaneous and safety, respectively.

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

As of June 30, 2020, the City reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	Proportionate Share of Net Pension Liability/(Asset)
Miscellaneous	\$ 404,949
Safety	1,179,303
Total	\$ 1,584,252

The City's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans are measured as of June 30, 2019, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plans as of June 30, 2019 and 2020 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Combined Plans</u>
Proportion - June 30, 2019	0.00953%	0.01952%	0.01561%
Proportion - June 30, 2020	0.01011%	0.01889%	0.01546%
Change - Increase/(Decrease)	<u>0.00058%</u>	<u>-0.00062%</u>	<u>-0.00015%</u>

For the year ended June 30, 2020, the City recognized pension expense of \$349,099 for the plans. At June 30, 2020, 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>
Changes of Assumptions	\$ 67,647	\$ 16,278
Differences between Expected and Actual Experience	105,123	2,179
Differences between Projected and Actual Investment Earnings	-	23,303
Differences between Employer's Contributions and Proportionate Share of Contributions	18,410	95,801
Change in Employer's Proportion	33,313	25,769
Pension Contributions Made Subsequent to Measurement Date	101,571	-
Total	<u>\$ 326,064</u>	<u>\$ 163,330</u>

The City reported \$101,571 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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>Fiscal Year Ending June 30:</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2021	\$ 24,792
2022	(7,517)
2023	(1,288)
2024	1,431
Total	<u>\$ 17,418</u>

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Actuarial Assumptions - The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method

Actuarial Assumptions:

Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

- (1) Varies by entry age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS' website.

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 cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

- (a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.0% used for this period.
- (c) An expected inflation of 2.92% used for this period.

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 Plans, calculated using the discount rate for the Plans, 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:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 671,515	1,804,797
Current	7.15%	7.15%
Net Pension Liability	\$ 404,949	1,179,303
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 184,918	666,495

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description - The City of Del Rey Oaks has contracted with the Public Employees Retirement System (PERS) under the PERS Care Health Plan to provide benefits of the Meyers-Geddes State Employees'

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Medical and Hospital Care Act per Government Code Section 22850. The Plan provides for continuation of medical insurance benefits for certain retirees or annuitants and their dependents. The Plan can be amended by action of the City Council on passing a resolution.

Benefits Provided - The City contributes toward post-retirement benefits for employees who retire after age 50 with at least 5 years of service. The City will pay the minimum CalPERS PEMHCA contribution. The monthly payment is \$133 in 2018 and \$136 in 2019 and is expected to increase further in future years. Payments are made for as long as the retired employee or dependent spouse is living.

Employees Covered by Benefit Terms - At June 30, 2019 (the valuation date), the benefit terms covered the following employees:

Active employees	15
Inactive employees	1
Total employees	16

Contributions - The City makes contributions based on an actuarially determined rate and are approved by the authority of the City’s Council. Total contributions to the OPEB plan during the year were \$1,668. Total benefit payments included in the measurement period were \$7,542. The actuarially determined contribution for the measurement period was \$25,269. The City’s contributions were 0.71% of covered employee payroll during the measurement period June 30, 2019 (reporting period June 30, 2020). Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

Actuarial Assumptions

Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	8.7 years
Actuarial Assumptions:	
Discount Rate	3.50%
Inflation	2.75%
Salary Increases	3.25%
Healthcare Trend Rate	4.00%
Mortality	2017 CalPERS OPEB Assumptions Model for miscellaneous
Retirement	2017 CalPERS OPEB Assumptions Model for miscellaneous public employees with 2.0% at 55 retirement.

Discount Rate - The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Changes in the Total OPEB Liability - The following summarizes the changes in the total OPEB liability during the year ended June 30, 2020, for the measurement date of June 30, 2019:

Fiscal Year Ended June 30, 2020 (Measurement Date June 30, 2019)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2019	\$ 261,827	\$ -	\$ 261,827
Service cost	8,242	-	8,242
Interest in Total OPEB Liability	9,987	-	9,987
Balance of diff between actual and exp experience	63,643	-	63,643
Balance of changes in assumptions	4,378	-	4,378
Benefit payments	(7,542)	-	(7,542)
Net changes	78,708	-	78,708
Balance at June 30, 2020	\$ 340,535	\$ -	\$ 340,535

Covered Employee Payroll	\$ 1,080,538
Total OPEB Liability as a % of Covered Employee Payroll	31.52%
Plan Fid. Net Position as a % of Total OPEB Liability	0.00%
Service Cost as a % of Covered Employee Payroll	0.76%
Net OPEB Liability as a % of Covered Employee Payroll	31.52%

The City's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

Deferred Inflows and Outflows of Resources - At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 56,328	\$ -
Change in assumptions	-	29,387
OPEB contribution subsequent to measurement date	1,668	-
Totals	\$ 57,996	\$ 29,387

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,668 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2021.

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,		
2021	\$	3,174
2022		3,174
2023		3,174
2024		3,172
2025		3,174
Thereafter		11,073
Total	\$	<u>26,941</u>

OPEB Expense - The following summarizes the OPEB expense by source during the year ended June 30, 2020, for the measurement date of June 30, 2019:

Service cost	\$	8,242
Interest in TOL		9,987
Difference between actual and expected ex		7,315
Change in assumptions		(4,141)
OPEB Expense	\$	<u>21,403</u>

The following summarizes changes in the total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2020, for the measurement date of June 30, 2019:

Total OPEB liability ending	\$	340,535
Total OPEB liability begining		<u>(261,827)</u>
Change in total OPEB liability		78,708
Changes in deferred outflows		(56,328)
Changes in deferred inflows		(8,519)
Employer contributions and implicit subsidy		7,542
OPEB Expense	\$	<u>21,403</u>

Sensitivity to Changes in the Municipal Bond Rate - The total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a municipal bond rate (used to determine the discount rate) that is one percentage point lower or one percentage point higher, is as follows:

	<u>Municipal Bond Rate</u>		
	<u>(1% Decrease)</u>	<u>3.50%</u>	<u>(1% Increase)</u>
Total OPEB Liability	\$ 405,443	\$ 340,535	\$ 290,486

City of Del Rey Oaks
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Sensitivity to Changes in the Healthcare Cost Trend Rates - The total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	4.00%	(1% Increase)
Total OPEB Liability	\$ 291,782	\$ 340,535	\$ 402,538

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. Lawsuits

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. Federal and State Grant Programs

The City participates in Federal and State grant programs. These programs are audited by the City's independent accountants if required by and in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. For Federal programs, the City did not reach the level of qualifying expenditures during the current fiscal year that would require a single audit. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 11 - INTERGOVERNMENTAL AGREEMENTS

The City has an agreement with the City of Seaside for fire protection and related services to be provided by Seaside pursuant to Government Code Section 55632. The annual fee for these services for fiscal year ending June 30, 2020 was \$195,000. Either party may cancel the agreement with at least 90 days written notice.

The City has an agreement, effective as of October 2018, with the Monterey Peninsula Airport District (Airport), a Special District, for the City to provide law enforcement services to the Airport pursuant to Government Code Sections 54981 and 55632. The City will receive \$774,306, a portion of the annual fee of \$1,097,408, from the Airport for the initial year. Each subsequent year the fee will be increased by 2.5% per year or 50% of known cost increases, subject to the annual true up of costs to account for actual costs incurred by the City.

NOTE 12 - SUBSEQUENT EVENTS

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of the financial statements, the City had not suffered a material adverse impact from the CV19 Crisis. At the date of the issuance of these financial statements, the future impact of the CV19 Crisis cannot be reasonably estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Del Ray Oaks
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (GAAP Basis)
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 630,100	\$ 630,100	\$ 660,282	\$ 30,182
Other taxes	2,253,900	2,166,400	2,208,339	41,939
Licenses and permits	265,100	305,100	71,989	(233,111)
Reimbursements	900	900	936	36
Fines, forfeits and penalties	10,000	13,000	11,986	(1,014)
Grants	299,000	318,750	383,175	64,425
Current services	1,228,100	1,228,100	1,202,432	(25,668)
Parks and recreation	43,000	43,000	71,282	28,282
Other	79,000	104,100	36,678	(67,422)
Total Revenues	<u>4,809,100</u>	<u>4,809,450</u>	<u>4,647,099</u>	<u>(162,351)</u>
EXPENDITURES				
Payroll and benefits	2,630,810	2,571,110	2,423,573	147,537
Supplies	152,900	144,900	182,603	(37,703)
Utility and services	159,200	150,200	147,407	2,793
Other services	88,800	98,300	58,294	40,006
Outside services	528,950	713,450	711,119	2,331
Auto ops	191,000	162,000	143,906	18,094
Police and fire	209,550	209,550	210,632	(1,082)
Streets and storm water	50,800	50,800	103,955	(53,155)
Capital improvement	330,000	330,000	-	330,000
Debt service				
Principal	552,900	552,900	562,962	(10,062)
Interest and fiscal charges	-	-	31,097	(31,097)
Total Expenditures	<u>4,894,910</u>	<u>4,983,210</u>	<u>4,575,548</u>	<u>407,662</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(85,810)</u>	<u>(173,760)</u>	<u>71,551</u>	<u>245,311</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from draw on loan	-	-	50,222	50,222
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>50,222</u>	<u>50,222</u>
SPECIAL ITEMS				
Release of obligation due to FORA	-	-	4,465,100	(4,465,100)
Separation agreement	-	-	(21,096)	21,096
Net Change in Fund Balances	<u>\$ (85,810)</u>	<u>\$ (173,760)</u>	<u>4,565,777</u>	<u>\$ 316,629</u>
Fund Balances - Beginning of Year			<u>6,561,533</u>	
Fund Balances Ending			<u>\$ 11,127,310</u>	

The City employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the City Council to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP. The expenditures noted above in excess of appropriations were covered by fund balance, appropriations available in other categories, or revenues in excess of budget.

City of Del Ray Oaks
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (GAAP Basis)
SBR Construction Capital Projects Fund
For the Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 7,268,813	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>7,268,813</u>	<u>-</u>
EXPENDITURES				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>7,268,813</u>	<u>7,268,813</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>7,268,813</u>	<u>\$ 7,268,813</u>
Fund Balances - Beginning of Year			<u>-</u>	
Fund Balances Ending			<u>\$ 7,268,813</u>	

The City employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the City Council to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the SBR Construction Capital Projects Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP. The expenditures noted above in excess of appropriations were covered by fund balance, appropriations available in other categories, or revenues in excess of budget.

City of Del Ray Oaks
Schedule of Pension Plan Contributions
For the Fiscal Year Ended June 30, 2020

Miscellaneous Plan

Plan Measurement Date Fiscal Year Ended	2014 2015	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020
Contractually Required Contributions	\$ 33,822	\$ 44,939	\$ 37,901	\$ 34,721	\$ 23,757	\$ 25,884
Contributions in Relation to Contractually Required Contributions	33,822	44,939	37,901	34,721	23,757	25,884
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 368,033	\$ 374,374	\$ 296,535	\$ 297,685	\$ 434,368	\$ 322,853
Contributions as a % of Covered Payroll	9.19%	12.00%	12.78%	11.66%	5.47%	8.02%

Safety Plan

Plan Measurement Date Fiscal Year Ended	2014 2015	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020
Contractually Required Contributions	\$ 185,949	\$ 185,949	\$ 162,246	\$ 149,453	\$ 79,875	\$ 75,687
Contributions in Relation to Contractually Required Contributions	185,949	185,949	162,246	149,453	79,875	75,687
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 483,025	\$ 500,535	\$ 426,293	\$ 301,916	\$ 803,799	\$ 464,127
Contributions as a % of Covered Payroll	38.50%	37.15%	38.06%	49.50%	9.94%	16.31%

Notes to Schedule:

Valuation Date: June 30, 2018
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
3.8 Years Remaining Amortization Period
Inflation Assumed at 2.5%
Investment Rate of Returns set at 7.15%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

City of Del Ray Oaks
Schedule of Proportionate Share of Net Pension Liabilities
For the Fiscal Year Ended June 30, 2020

Miscellaneous and Safety Plans

Plan Measurement Date	2014	2015	2016	2017	2018	2019
Fiscal Year Ended	2015	2016	2017	2018	2019	2020
Proportion of Net Pension Liability (Safety and Misc)	0.02058%	0.01585%	0.01592%	0.01564%	0.01561%	0.01546%
Proportion of Net Pension Liability (Safety Plan Only)	0.00636%	0.02145%	0.02084%	0.03008%	0.01952%	0.01011%
Proportion of Net Pension Liability (Misc Plan Only)	0.00966%	0.00744%	0.00858%	0.00928%	0.00953%	0.04949%
Proportionate Share of Net Pension Liability	\$ 1,280,369	\$ 1,088,059	\$ 1,377,408	\$ 1,551,296	\$ 1,504,158	\$ 1,584,252
Covered Payroll	\$ 853,661	\$ 851,058	\$ 874,909	\$ 722,828	\$ 599,601	\$ 1,238,167
Proportionate Share of NPL as a % of Covered Payroll	149.99%	127.85%	157.43%	214.61%	250.86%	127.95%
Plan's Fiduciary Net Position as a % of the TPL	79.31%	76.30%	75.12%	75.25%	75.63%	75.80%

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions was adjusted in fiscal year 2019.

City of Del Ray Oaks
Schedule of Changes in Total OPEB Liability
For the Fiscal Year Ended June 30, 2020

Fiscal Year Ended	2018	2019	2020
Total OPEB liability			
Service cost	\$ 9,840	\$ 8,537	\$ 8,242
Interest	7,961	9,288	9,987
Differences between expected and actual experience	-	-	63,643
Changes of assumptions	(33,928)	(12,049)	4,378
Benefit payments	(770)	(6,774)	(7,542)
Net change in Total OPEB Liability	(16,897)	(998)	78,708
Total OPEB Liability - beginning	279,722	262,825	261,827
Total OPEB Liability - ending	<u>\$ 262,825</u>	<u>\$ 261,827</u>	<u>\$ 340,535</u>
Plan fiduciary net position			
Net change in plan fiduciary net position	\$ -	\$ -	\$ -
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability (asset)	\$ 262,825	\$ 261,827	340,535
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 977,093	\$ 953,262	\$ 1,080,538
Net OPEB liability as a percentage of covered employee payroll	26.90%	27.47%	31.52%
Total OPEB liability as a percentage of covered employee payroll	26.90%	27.47%	31.52%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were not changes in benefit terms.

The discount rate was decrease from 3.87% to 3.50% in fiscal year 2020.

The salary increases increased from 3.00% to 3.25% in fiscal year 2020.

The mortality rates were updated to the 2017 CalPERS OPEB Assumptions model.

City of Del Rey Oaks
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

NOTE 1 - BUDGETARY DATA

The City Council adopts an annual legal budget for the General Fund and the SBR Special Revenue Fund. All appropriations lapse at fiscal year end and then are rebudgeted for the coming fiscal year. Encumbrance accounting is not used. The budgets are prepared on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

A mid-year budget review is performed and the budget is amended by passage of a resolution. Additional appropriations or interfund transfers not included in the amended budget resolution must be approved by the City Council.

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SUPPLEMENTARY INFORMATION

City of Del Ray Oaks
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds				Capital Project Funds		Total Nonmajor Governmental Funds
	Gas Tax Fund	SB 1 Fund	Measure X Fund	FORA Habitat Management Fund	SBR Engineering Fund	SBR/GJM Intersection Fund	
ASSETS							
Cash and investments	\$ 35,188	\$ 68,925	\$ 95,971	\$ 775,854	\$ 518,564	\$ 1,056,168	\$ 2,550,670
Receivables:							
Taxes	-	4,586	-	-	-	-	4,586
Total assets	<u>\$ 35,188</u>	<u>\$ 73,511</u>	<u>\$ 95,971</u>	<u>\$ 775,854</u>	<u>\$ 518,564</u>	<u>\$ 1,056,168</u>	<u>\$ 2,555,256</u>
FUND BALANCES							
Restricted:							
Streets and roads	\$ 35,188	\$ 73,511	\$ 95,971	\$ -	\$ -	\$ -	\$ 204,670
Habitat management	-	-	-	775,854	-	-	775,854
Capital projects	-	-	-	-	518,564	1,056,168	1,574,732
Total fund balances	<u>\$ 35,188</u>	<u>\$ 73,511</u>	<u>\$ 95,971</u>	<u>\$ 775,854</u>	<u>\$ 518,564</u>	<u>\$ 1,056,168</u>	<u>\$ 2,555,256</u>

City of Del Ray Oaks
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2020

	Special Revenue Funds				Capital Projects Funds		Total Nonmajor Governmental Funds
	Gas Tax Fund	SB 1 Fund	Measure X Fund	FORA Habitat Management Fund	SBR Engineering Fund	SBR/GJM Intersection Fund	
REVENUES							
Taxes:							
Sales tax	\$ -	\$ -	70,913	\$ -	\$ -	\$ -	\$ 70,913
Other taxes	-	37,910	-	-	-	-	37,910
Intergovernmental revenues	41,444	-	-	775,854	518,564	1,056,168	2,392,030
Total Revenues	<u>41,444</u>	<u>37,910</u>	<u>70,913</u>	<u>775,854</u>	<u>518,564</u>	<u>1,056,168</u>	<u>2,500,853</u>
EXPENDITURES							
Current:							
Public works	14,506	-	-	-	-	-	14,506
Capital outlay	-	-	86,886	-	-	-	86,886
Debt service							
Principal	-	-	52,946	-	-	-	52,946
Interest and fiscal charges	-	-	19,390	-	-	-	19,390
Total Expenditures	<u>14,506</u>	<u>-</u>	<u>159,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,728</u>
Excess (Deficiency) of Revenues over Expenditures	<u>26,938</u>	<u>37,910</u>	<u>(88,309)</u>	<u>775,854</u>	<u>518,564</u>	<u>1,056,168</u>	<u>2,327,125</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from draw on loan	-	-	184,280	-	-	-	184,280
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>184,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,280</u>
Net Change in Fund Balances	26,938	37,910	95,971	775,854	518,564	1,056,168	2,511,405
Fund Balances Beginning	8,250	35,601	-	-	-	-	43,851
Fund Balances Ending	<u>\$ 35,188</u>	<u>\$ 73,511</u>	<u>\$ 95,971</u>	<u>\$ 775,854</u>	<u>\$ 518,564</u>	<u>\$ 1,056,168</u>	<u>\$ 2,555,256</u>



**OTHER INDEPENDENT
AUDITOR'S REPORT**



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

To the Honorable Mayor and Members of the
City Council of the City of Del Rey Oaks
Del Rey Oaks, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Del Rey Oaks (the “City”) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City’s basic financial statements, and have issued our report thereon dated April 1, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City’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’s internal control. Accordingly, we do not express an opinion on the effectiveness of City’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 City’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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 City’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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

April 1, 2021
San Jose, California

City of Del Rey Oaks
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2020

Current Year Findings:

None Noted

Status of Prior Year Findings:

None Noted