FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT

YEAR ENDING JUNE 30, 2013

City of Del Rey Oaks, California

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LAVORATO & DARLING, INC
CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AICPA DIVISION FOR CPA FIRMS - PRIVATE COMPANIES PRACTICE SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of governmental activities, each major fund, and the aggregate remaining fund information of the City of Del Rey Oaks, California as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of management of the City of Del Rey Oaks, California. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Del Rey Oaks, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City of Del Rey Oaks has not presented management's discussion and analysis which is not required to be part of the basic financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 25 and 26, the CALPERS schedule of funding and the schedule of funding for post-employment benefits other than pensions on page 27, 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.

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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Del Rey Oaks financial statements as a whole. The introductory section, combining individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Lavorato & Darling, Inc.

Lavorato & Darling

Salinas, California

December 23, 2013

City of Del Rey Oaks, California
Government-Wide Financial Statements
Statement of Net Position
As of June 30, 2013

See Independent Auditors' Report

		Governmental Activities
Assets		
Cash & Equivalents	$	132,232
Investments		75,428
Receivables		136,821
Receivable from Other Governments		54,885
Receivable from RDA Successor Agency Trust Fund		539,683
Notes Receivable		71,500
RDA Successor Agency Trust Fund Obligation		10,432,614
Noncurrent Assets:		
Receivable from Developer		453,152
Capital Assets, Not Being Depreciated		549,500
Capital Assets, Net of Depreciation		387,045
Total Assets		12,832,860
Liabilities		
Accounts Payable		1,007,466
Deposit		29,215
Deferred Revenue		163,685
Due to RDA Successor Agency Trust Fund		10,432,614
Noncurrent Liabilities:		
Due within One Year		12,802
Due in More Than One Year		285,141
Total Liabilities		11,930,923
Net Position		
Invested in Capital Assets, Net of Related Debt		817,370
Restricted-nonexpendable		178,768
Restricted For:		
Housing Program		25,000
Unrestricted		(119,201)
Total Net Position		901,937

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

City of Del Rey Oaks, California
Government-Wide Financial Statements
Statement of Activities
For the Year Ended June 30, 2013

See Independent Auditors' Report

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenue
Functions/Programs:				
Governmental Activities:				
General Government	$ 833,500	$ 323,011	$ -	$ (510,489)
Public Safety	1,129,694	39,087	100,000	(990,607)
Public Works	149,203	-	-	(149,203)
Parks	99,190	37,390	-	(61,800)
Interest on Long Term Debt	3,039	-	-	(3,039)
Total Governmental Activities	$ 2,214,626	$ 399,488	$ 100,000	$ (1,715,138)
General Revenues:				
Taxes				
Property Taxes				$ 472,396
Sales Taxes				699,785
Franchise Taxes				103,591
Gas Taxes				44,309
Investment Earnings				465
Other Revenue				23,774
Total General Revenues				1,344,320
Extraordinary Gain (Loss) on Closure of Redevelopment Agency				(10,538,644)
Change in Net Position				(10,909,462)
Net Position, Beginning of the Year				11,896,699
Prior Period Adjustment				(85,300)
Net Position, End of the Year				$ 901,937

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

General Fund -

The General Fund is used to account for the City's primary services (public safety, public works, parks, etc.) and is the primary operating unit of the City.

Capital Projects Fund -

The Capital Projects Fund is used to account for financial resources to be used for administrative expenditures related for the acquisition or construction of major capital facilities and infrastructure improvements.

Other Government Funds -

Other governmental funds are non-major funds and are used to account for the revenues from traffic safety, gas tax and economic and community development loans.

City of Del Rey Oaks, California
Balance Sheet
Governmental Funds
June 30, 2013

See Independent Auditors' Report

	Major Funds		Non-Major	
Assets	**General**	**Capital Projects**	**Governmental Funds**	**Total**
Cash & Equivalents	$ 107,232	$ 0	$ 25,000	$ 132,232
Investments	75,428	-	-	75,428
Receivables	60,181	-	10,885	71,066
Receivable from Other Governments	120,640	-	-	120,640
Notes Receivable	-	-	71,500	71,500
Due from Other Fund	642,303	-	-	642,303
Total Assets	1,005,784	0	107,385	1,113,169
Liabilities				
Accounts Payable	731,003	-	-	731,003
Deferred Revenue	-	-	71,500	71,500
Total Liabilities	731,003	0	71,500	802,503
Fund Balances				
Reserve for:				
Long Term Receivables	71,500	-	-	71,500
Housing Program	-	-	25,000	25,000
Unreserved, Reported in:				
General Fund (Deficit)	203,281	-	-	203,281
Special Revenue Fund	-	-	10,885	10,885
Total Fund Balances	274,781	-	35,885	310,666
Total Liabilities & Fund Balances	$ 1,005,784	$ -	$ 107,385	$ 1,113,169

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

City of Del Rey Oaks, California
Reconciliation of the Balance Sheet of Government Funds
To the Government-Wide Statements of Net Assets
For the Fiscal Year Ended June 30, 2013

See Independent Auditors' Report

Total Fund Balances - Total Government Funds (page 6)		$ 310,666
Amounts reported in the governmental activities column in the statement of net assets are different because of the following:		
Capital Assets		
Capital assets used in governmental funds are not current financial resources and therefore are not reported in the Balance Sheet of Government Funds.		936,545
Deferred Revenue		
Certain revenues in the governmental funds are deferred because the revenues are not collected within the prescribed time period after fiscal year-end. However the revenues are included on the accrual basis used in the government-wide statements.		(163,685)
Developer Transactions		
The City, the Redevelopment Agency, and a developer entered into an option agreement for the sales of City owned real estate that included several borrowing and lending agreements between the parties. Since these transactions do not include repayment in the ccurrent period, they are not reported in the governmental funds balance sheet, but are included in the statement of net assets as follows:		
Loan Receivable from Developer		423,937
Loan Payable to Developer		(263,661)
Deposit Received from Developer		(29,215)
Long Term Obligations		
Long term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. These are the obligations at year end.		
Capital Leases	$ 35,084	
Compensated Absences	27,868	
Other Post Employment Benefits	150,900	
Long-term Payables	98,798	(312,650)
Total Net Position -Government Wide Statement of Net Position (page 3)		$ 901,937

City of Del Rey Oaks, California
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013

See Independent Auditors' Report

	Major Funds		Non-Major	
	General	Capital Projects	Governmental Funds	Total
Revenues				
Property Taxes	$ 472,396	$ -	$ -	$ 472,396
Sales Taxes	699,785	-	-	699,785
Franchise Taxes	103,591	-	-	103,591
Other Taxes	8,298	-	-	8,298
Licenses and Permits	217,244	-	-	217,244
Fines and Forfeitures	-	-	14,446	14,446
Investment Earnings	465	-	-	465
Revenue from Other Agencies	159,745	-	-	159,745
Use of Property - Parks	37,390	-	-	37,390
Other Revenue	130,446	-	-	130,446
Total Revenues	1,829,360	-	14,446	1,843,806
Expenditures				
Current:				
General Government	785,914	-	-	785,914
Public Safety	1,124,135	-	-	1,124,135
Public Works	121,803	-	-	121,803
Parks	99,190	-	-	99,190
Debt Service	27,836	-	-	27,836
Capital Outlay	131,067	-	-	131,067
Total Expenditures	2,289,945	-	-	2,289,945
Revenues Over (Under) Expenditures	(460,585)	-	14,446	(446,139)
Other Financing Sources (Uses)				
Proceeds from Long Term Debt	120,260		-	120,260
Total Other Financing Sources (Uses)	120,260	-	-	120,260
Net Change in Fund Balances	(340,325)	-	14,446	(325,879)
Fund Balances:				
Beginning Fund Balances	615,106		21,439	636,545
Fund Balances, End of Fiscal Year	$ 274,781	$ -	$ 35,885	$ 310,666

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

City of Del Rey Oaks, California
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Government Funds to The Government-Wide Statement of Activities
For the Year Ended June 30, 2013

See Independent Auditors' Report

Change in Fund Balances (Page 8)		$ (325,879)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital Assets		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period this amount is:		
Capital Outlay	(131,067)	
Current Year Depreciation	47,586	
(Gain) Loss on Disposal of Capital Assets	-	83,481
Long Term Obligations		
Payment of long term obligations are an expenditure in the governmental funds financial statement but the payment reduces long term liabilities in the statement of net assets This is the net effect of these differences in the treatment of long-term debt.		(128,420)
Extraordinary Loss on the Closure of the RDA		
The extraordinary loss on the closure of the RDA is reported on the Government-Wide Statement of Activities but, not reported on the Government Funds Statement of Revenue, Expenditures and Changes in Fund Balances as this is not a current expenditure of funds.		(10,538,644)
Change in Net Assets of Governmental Activities (page 4)		$ (10,909,462)

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

1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles (US GAAP). A summary of the City of Del Rey Oaks, California's accounting policies is as follows:

Reporting Entity
The City of Del Rey Oaks (the City), California, was incorporated as a general law city on September 3, 1953, under the laws of the State of California. The City operates under a city council - manager form of government and provides a wide range of municipal services. As required by generally accepted accounting principles these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable.

As required by US GAAP, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are in substance, part of the government's operation, so data from these units are combined with data of the primary government. The following entity is a blended component unit:

Redevelopment Agency of the City of Del Rey Oaks (the Agency) -
The Redevelopment Agency of the City of Del Rey Oaks was established on January 26, 1999 by the City of Del Rey Oaks pursuant to Community Redevelopment Law of California (Health and Safety Code Section 33000 et. seq.). The Agency, which is a component unit of the City, was established to carry out various redevelopment projects within the City. On December 29, 2011, the California Supreme Court upheld Assembly Bill IX 26 that provided for the dissolution of all redevelopment agencies in the State of California as of February 1, 2012. Upon the dissolution of the Agency, the assets, liabilities and fund balances were transferred to the Successor Agency of the Del Rey Oaks Redevelopment Agency.

Basis of Presentation and Accounting
The accompanying financial statements have been prepared assuming the City will continue as a going concern. For the last several years, the City's Capital Project Fund has struggled to balance its revenues and expenditures. The deficit is expected to be eliminated from future tax increment revenues. Additionally, the economic downturn has had a dramatic negative impact to the City's revenues. For the long term, the City believes additional revenues will be generated by new development. However, during this year, the City will address the growing structural deficit by prioritizing service levels, optimizing cost recovery and reviewing all opportunities to increase revenues. The City believes that success in increasing revenues and controlling costs is achievable, and that available cash and cash equivalents will provide adequate liquidity to fund the City's operations through at least June 30, 2014. The financial statements do not include any adjustments to reflect the future effects in the recoverability and classification of assets or the amounts and classification of liabilities that might result from the possible inability of the City to continue as a going concern.

Government and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

The Statements of Net Assets presents the City's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt.
This category consists of capital assets net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position.
Restricted net position result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The City has no restrictions imposed by enabling legislation.

Unrestricted net position.
These are the net position not meeting the definition of the two preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

Separate fund based financial statements are provided for governmental funds. The City has no proprietary or fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The non major funds are combined in a column in the fund financial statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

1. Summary of Significant Accounting Policies (continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if collected within 60 days of the end of the current fiscal period with the following exceptions: 1) Revenue received as part of the Accounting for Local Revenue Realignments Adopted in the 2004-2005 State of California Budget. These revenues are considered available if collected within seven months of the end of the current fiscal period; and 2) Grant revenues availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources. Ad valorem, franchise and sales tax revenues are recognized under the susceptible to accrual concept. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

There are, however, essentially two types of revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The City reports the following major governmental funds:

General Fund
The general fund accounts for the City's primary services (public safety, public works, parks, etc.) and is the primary operating unit of the City.

Capital Projects Fund
The capital projects fund accounts for financial resources to be used for administrative expenditures related to redevelopment projects and for the acquisition or construction of major capital facilities and infrastructure improvements-see note 18 regarding closure of the Redevelopment Agency.

Budgeting
The City legally adopts an annual budget for the Capital Projects Fund, in conformance with Health and Safety Code Section 33606 and for the General Fund and Other Governmental Funds. The City adopts the budget before June 30 for each ensuing fiscal year.

Budgets submitted to the Council include both proposed appropriations and the means of financing them. 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 original budget resolution must be approved by the City Council.

All budgets have been prepared on a basis consistent with generally accepted accounting principles, which is the basis of accounting as used to reflect actual revenue and expenditures. Appropriations lapse at fiscal year end and then are re budgeted for the coming fiscal year. Encumbrance accounting is not used.

Cash, Cash Equivalents and Investments
The City follows the practice of pooling cash and investments of all funds. Investments of the pooled cash consist of deposits with the Local Agency Investment Fund and are accounted for at fair market value. 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 considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

1. Summary of Significant Accounting Policies (continued)

Receivables and Payables

Property, sales, use and utility users taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the governmental-wide statement of net assets.

The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available. The City considers these taxes available if they are received during the period when settlement of prior fiscal year accounts payable and payroll charges normally occur.

Allowance for Uncollectible Accounts Receivable

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Economic and Community Development Loans

These receivables are deferred repayment loans under the City's housing and economic development programs. The program consists of long term deferred payment loans of grant funds from the State which were reported as grant revenues in the year received, and expenditures in the year the loans were made. A deferred loan is required to be repaid in full only if the secured property is sold or transferred. Prior to the sale or transfer no payment is required. Principal and interest payments which are receivable at year end are offset by an equal amount of deferred revenue. Such payments will be recognized as revenue when received.

Capital Assets

Capital assets are defined as property, facilities, equipment and infrastructure (roads, sidewalks, drainage systems, lighting systems, etc.) Capital assets are reported in the government-wide financial statements. These assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at their estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of assets are not capitalized. Major outlays for capital assets and improvements are capitalized.

The City's policy has set the following capitalization threshold for capitalizing assets at the following levels:

Equipment	$	5,000.00
Facilities and Improvements	$	25,000.00

Property, improvements, facilities and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Assets	
Buildings	40 Years
Improvements	5-20 Years
Equipment	5-10 Years
Vehicles	8 Years
Furniture & Fixtures	10 Years

Compensated Absences

Unused vacation may be accumulated up to 160 hours and is paid at the time of termination from City employment. Vacation is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Post-Employment Benefits

In addition to pension benefits described in Note 9, the City provides post-employment medical benefits, pursuant to the California Public Employee's Medical and Hospital Care Act (PEMHCA), paying the PEMHCA minimum but on a 20 year phase-in basis for employees retiring directly from the City.

1. Summary of Significant Accounting Policies (continued)

Deferred Revenue

In governmental funds deferred revenue arises when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise, in governmental funds, when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures (unearned). In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, revenue is recognized. Deferred revenues in the governmental funds amounted to the following at June 30, 2013

Housing & Economic Development Programs Deferred Loans	$	71,500
Prepaid Business Licenses		163,685
	$	235,185

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Compensated absences are considered due after one year.

Fund Equity

In the government fund financial statements, reservations of fund balances represent amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change. In the government-wide financial statements, restrictions of net position are limited to outside third-party restrictions.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

Property Tax Levy, Collection and Maximum Rates

The State of California (State) Constitution Article 13 provides for a maximum general property tax rate statewide of $1 per $100 of assessed value. Assessed value is calculated at 100% of market value as defined by the above referenced Article 13. The State Legislature has determined the method of distribution of receipts from the $1 tax levy among counties, cities, schools and other districts. Counties, cities and school districts may levy such additional tax as is necessary to provide for voter approved debt service.

The County of Monterey assesses properties, bills for and collects property taxes, as follows:

	Secured	Unsecured
Valuation Dates	January 1	January 1
Lien/Levy Dates	July 1	July 1
Due Dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 (for November April 10 (for February)	August 31

The term "Unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed.

Property tax revenues are recorded in governmental funds as receivables and deferred revenues at the time the tax levy is billed. Current year revenues are those collected within the current period or soon enough thereafter to pay current liabilities, generally within sixty days of year-end.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (continued)

Accounting Pronouncements

In July of 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions, with required implementation by the City during the 2009-2010 fiscal year. The new statement significantly changes the way state and local governments report their "other post employment benefits" to the public. As a result of GASB 45, state and local governments are required to (1) recognize the cost of these benefits in periods when the related services are rendered to the employer, (2) provide information about the actuarial accrued liabilities for promised benefits associated with past services and to what extent those benefits have been funded, (3) and provide information useful in assessing potential demands on the employer's cash flow.

In March 2009, the GASB issued Statement No 54, Fund Balance Reporting and Governmental Fund Type Definitions, which initially distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with long-term notes receivable or inventory, and other amounts that are classified as spendable based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

* Restricted - amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
* Committed - amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.
* Assigned - amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
* Unassigned - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The new standard also clarifies the definitions of individual governmental fund types. It also specifies how economic stabilization or "rainy day" amounts should be reported. Because of the specific nature of these accounts, the statement considers stabilization amounts as specific purpose.

Investments

The City's investments consist of deposits in the State Treasurer's Local Agency Investment Fund (LAIF). LAIF is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investments in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Investments consisted of funds held in the Local Agency Investment Fund in the amounts of:

	June 30, 2013
Funds held by the Local Agency Investment Fund	$ 75,428

Investment Policy

Cash balances from all funds are combined and invested to the extent possible, pursuant to the City Council approved "Statement of Investment Policy". The following represents types of investments authorized by the City Council:

Types of Investments	Maximum Amount	Maximum Maturity
Local Agency Investment Fund	No Limit Set	Not Applicable

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair value of the City's investments to market interest rate fluctuations is provided by the following table that show the maturity date of each investment.

Investment Type	Fair Value	Investment Maturity
Local Agency Investment Fund	$ 75,428	6-12 Months

2. Deposits and Investments (continued)

Concentration of Credit Risk

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. 100% of the City's investments at year end are in LAIF.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Local Agency Investment Fund managed by the State Treasurer, representing 100% of the City's investment portfolio, is not rated.

The City has a deposit policy that complies with California Government Code Section 53638 (Public Deposit Act). The following are the City's carrying amounts of demand deposits (checking accounts):

	June 30, 2013
Demand Deposits (Checking Accounts)	$ 132,232

Bank account balances per the bank statements differ from the amounts reported in these financial statements. The differences are due to checks outstanding and deposits in transit recorded on the books but not yet cleared by the bank due to timing differences. The maximum amount insured by the Federal Depository Insurance Company (FDIC) is currently $250,000. Amounts in excess of the $250,000 FDIC insurance is collateralized in accordance with the California Government Code requirements by securities held by the pledging financial institution in the City's name. The fair value of the pledged securities must equal at least 110% of the City's demand deposits.

3. Receivables

Receivables for the government's individual major funds and non-major funds in the aggregate, reported on the government-wide statements, consist of the following:

June 30, 2013

Receivables:	General	Capital Projects	Other Governmental Funds	Total
Franchise	$ 76,640	$ -	$ -	$ 76,640
Developer Fees	453,152	-	-	453,152
Grants	25,250		-	25,250
Other	34,931		-	34,931
Total Receivables	$ 589,973	$ -	$ -	$ 589,973
Receivables from Other Governments:				
Gas Tax	-	-	3,202	3,202
Fines	-		7,684	7,684
Sales Taxes	16,600	-	-	16,600
Transaction Taxes	27,399	-	-	27,399
Total Receivables from Other Governments	$ 43,999	$ -	$ 10,886	$ 54,885

4. Notes Receivable

The City has outstanding loan balances from interest free loans, which were made for rehabilitation and emergency repairs of older housing located within the City. These loans were provided by a grant from the State of California, Department of Housing and Community Development. Repayment of the loans is deferred until the homeowners sell their property. The balance of the loans is:

	June 30, 2013
Community Development Block Grant Loans Receivable	$ 71,500

5. Receivable from Developer

In July 2003, the City's Redevelopment Agency entered into an Agreement to Negotiate Exclusively (ANE) with Federal/JER Associates I, LLC for the development of the Agency's land. As part of that agreement, the developer agreed to deposit funds to reimburse the City's Redevelopment Agency for all legal, consulting fees and staff overhead costs incurred as part of the negotiation process.

In February 2007, the City's Redevelopment Agency entered into agreements with the developer to deposit funds for the Agency for the costs of environmental and permit approval consulting services.

The agreements were subsequently amended to revise time schedules, repayment and loan provisions. In February 2009, the City's Redevelopment Agency notified the developer of default. Upon the dissolution of the Agency, the loan receivable due from the developer was transferred to the Successor Agency. Due to the default and economic conditions, the City of Del Rey may not be able to collect the loan receivable due from the developer, a portion of which is recorded as deferred revenue in the government-wide statement of net assets as follows:

	Due from Developer	Deferred Revenue
Receivable from Developer	$ 453,152	$ -

6. Capital Assets

Capital assets activity for the year ended:

	Balance June 30, 2012	Additions	Adjustments/ Retirements	Balance June 30, 2013
Capital assets not being depreciated				
Land	$ 549,500	$ -	$ -	$ 549,500
Capital assets being depreciated				
Buildings and Improvements	501,025	10,807	-	511,832
Furniture, Equipment and Vehicles	431,659	120,260	-	551,919
	932,684	131,067	-	1,063,751
Less: Accumulated Depreciation	625,370	51,336	-	676,706
Net Depreciable Capital Assets	307,314	79,731	-	387,045
Net Capital Assets	$ 856,814	$ 79,731	$ -	$ 936,545

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

General Government	$ 4,105
Public Safety	29,328
Public Works	629
Parks	13,524
	$ 47,586

7. Long Term Debt

Capital Leases

The City has noncancelable capital lease agreements with Ford Motor Credit Company to finance the acquisition of vehicles. The leases qualify as capital leases. Cost of the assets acquired under the leases are included in "Capital Assets Being Depreciated". The terms of the leases are as follows:

*Ford Crown Victoria - Principal and interest payments of $4,331.76 with interest at 6.3% are to be made bi-annually beginning August 21, 2012 and continuing until February 21, 2015.

*Ford Crown Victoria - Principal and interest payments of $3070.45 with interest at 6.25% are to be made bi-annually beginning February 18, 2013 and continuing until November 18, 2013

The City has noncancelable capital lease agreements with PNC Equipment Finance Company to finance the acquisition of Police VHF Radio System . The leases qualify as capital leases. Cost of the assets acquired under the leases are included in "Capital Assets Being Depreciated". The terms of the leases are as follows:

*Police VHF Radio System- Principal and interest payments of $5,397.70 with interest at 4.0% are to be made quarterly beginning December 27, 2012 and continuing until September 27, 2017

Long Term Payables

Long-term payables include amounts advanced by creditor consultants to finance planning costs incurred with the formation of the Redevelopment Agency. These consultants agreed to defer payment of their fees until such time as the Redevelopment Agency receives payment for sales of Agency-owned property or receipt of tax increment revenue.

General long-term debt balances for the fiscal year ended June 30,2013 are as follows:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Notes & Capital Leases:				
Capital Leases	23,712	120,260	(24,797)	119,175
Total Notes & Capital Leases	23,712	120,260	(24,797)	119,175
Other Liabilities:				
Compensated Absences	22,309	5,559	-	27,868
Post-Employment Health Care Obligations	123,500	27,400	-	150,900
Total Other Liabilities	145,809	32,959	-	178,768
Total	$ 169,521	$ 153,219	$ (24,797)	$ 297,943

Annual capital lease debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2014	$ 31,343	$ 5,052	$ 36,395
2015	32,903	4,936	37,839
2016	25,745	2,719	28,464
2017	23,839	1,183	25,022
2018	5,345	146	5,491
	$ 119,175	$ 14,036	$ 133,211

8. Operating Lease

The City as lessee with U.S. Bank, entered into an operating lease on September 10, 2009 , for a Digital Color Imaging System. The City is to pay $216.98 per month for 60 months under the agreement. The City does not intend to purchase the system at the end of the lease. Future minimum rental payments due by the City under the lease at June 30, 2013 are as follows:

2014	2,604
2015	868
	$ 3,472

9. Interfund Transfers

At fiscal year end, June 30, interfund receivables and payables consist of:

June 30, 2013

Fund	Interfund Receivable	Interfund Payable
General	$ 539,683	$ 0
	$ 539,683	$ -

Due to/from other funds at the fiscal year end represent advances from the City to the Redevelopment Agency (Agency) to pay various consultants and to cover the Agency's share of administrative expenses. The Agency pays various rates of interest on these advances based on the LAIF interest rate at the time of the advance. Upon the dissolution of the Agency, advances from the City Redelevelopment Agency to cover the agency share of expenses were transferred to the Successor Agency of the Del Rey Oaks Redevelopment Agency. Repayment of the loan is expected to be made from future incremental property tax revenues as land within the Agency project area is developed. Consequently a future debt repayment schedule cannot be determined.

Transfers between funds during the year were as follows:

June 30, 2013

Fund	Transfers In	Transfers Out
General	$ 0	$ 0
Other Governmental Funds:		
General	$ 18,341	$ 0
Capital Projects	0	(18,341)
	$ 18,341	$ (18,341)

Transfers are made from Other Governmental Funds to cover expenditures for traffic safety and street purposes.

10. Pension Plan

The City contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. CalPERS issues a publicly available annual financial report that includes financial statements and required supplementary information of the City. That report may be obtained from their executive office located at 400 P Street, Sacramento, California 95814.

10. Pension Plan-continued

Funding Policy and Pension Costs

Participants are required to contribute 7% of their annual covered salary. Of this 7%, the City has agreed to pay 5%. The City is required to contribute at an actuarially determined rate recommended by CalPERS actuaries and actuarial consultants and adopted by the CalPERS Board of Administration. The employer contribution rate was 25.398% for public safety personnel and 7.276% for other covered employees for fiscal year ended June 30, 2013. The City's contributions to CalPERS for the current and two prior fiscal years ended June 30, were as follows:

2013	$	193,076
2012	$	187,178
2011	$	206,238

The City has made the required contributions for each year.

The City has less than 100 active members, therefore, it is required to participate in a risk pool. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents the risk pool multi year trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

11. Post Employment Benefits Other than Pensions (OPEB)

Plan Description

The City provides medical benefits through the CalPERS health care program, pursuant to the Public Employees' Medical and Hospital Care Act (PEMHCA). The CalPERS PEMHCA Plan is a defined contribution, multiple employer health care plan providing benefits to active and retired employees. The health care plan is administered by CalPERS. Copies of the CalPERS annual financial report may be obtained from the Executive Office, 400 P Street, Sacramento, Ca. 95814.

Funding Policy

PEMCHA determines the amount contributed by the City towards retiree health insurance. The mandatory employer contribution for active and retiree health insurance is increased annually in accordance with PEMHCA regulations. Beginning in calendar year 2011, the contribution amount began increasing by the consumer price index increase. At fiscal year end, June 30, the following expenditures were recognized for post-employment health insurance contributions on a pay-as-you-go basis.

	June 30, 2013
Net OPEB Obligation	$ 150,900

The City is required to record the annual required contributions of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Annual OPEB Costs and Net OPEB Obligation

For the fiscal year ended June 30, 2013, the City contributed $38,200 for pay-as-you-go premiums to the Plan.

The components of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2013 is as follows:

	June 30, 2013
Annual Required Contribution (ARC)	$ 150,900

11. Post Employment Benefits Other than Pensions (OPEB) - continued

Funding Status and Funding Progress

As of the June 30, 2013 fiscal year end, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was $183,100. The covered payroll (annual payroll of active employees covered by the plan) was $680,728 and the ratio of the UAAL to the covered payroll was 26.9%. The plan has no segregated assets.

If the City elected to fully fund the annual required contribution through an irrevocable trust (at an average investment return of 7.75%), the decrease in the annual contribution would be $18,300.

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

Actuarial Methods and Assumptions

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

In the June 30, 2013 actuarial valuation the actuarial costs method used the Entry Age Normal (EAN) cost method. Under the EAN cost method, the plan's normal cost is developed as a level percent of payroll throughout the participants' working lifetime. Entry age is based on current age minus years of service. The Actuarial Accrued Liability (AAL) is the cumulative value on the valuation date of prior normal cost. For the retirees, the AAL is the present value of all projected benefits. The unfunded AAL is being amortized on a level dollar closed 30 year basis, as a level percent of payroll with a remaining amortization period at June 30, 2013 for 30 years. GASB 34 requires stating the interest rate to represent the underlying expected return for the source of funds used to pay benefits. The actuarial methods and assumptions included a 4.0% interest rate representing the long term expected rate of return on the City's pooled investments. Annual inflation was assumed to increase 3% per annum and the aggregate payroll assumed to increase 3.25% per annum. The study used assumptions for the salary merit and longevity increases, and demographic assumptions such as mortality withdrawal, and disability based on CalPERS 1997-2007 Experience Study.

12. Risk Management

The City is exposed to various risks of loss related to torts, thefts, damage and destruction of assets, errors and omissions, injuries to workers and natural disasters. The City has insurance to cover these risks from 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.

13. Transaction Tax

The citizens of Del Rey Oaks passed a 1.0% transaction and use tax measure, which became operative on April 1, 2007. The tax which is administered by the State Board of Equalization, and was set to expire on April 1, 2012. The 1% transaction and use tax was extended, November 2011, for a five year period and is set to expire April 1, 2017 or at any sooner date as determined by subsequent ordinance of the City. The City received the following in fiscal years ended:

	June 30, 2013
1.0% Transaction and Use Taxes Collected	$ 360,414

14. Commitments

Federal/JER Associates I, LLC agreed to take over the repayment obligation of the Redevelopment Agency to FORA beginning July 15, 2008. The developer did not make the July 15, 2008 or the July 15, 2009 payments and is in default of the agreement. The Redevelopment Agency made both payments.

The Redevelopment Agency entered into an agreement with FORA to make monthly payments of $21,858.87 (principal and interest) for the repayment of the Pollution Legal Liability insurance. Upon the dissolution of the Agency, repayment of the Pollution Legal Liability insurance were transferred to the Successor Agency of the Del Rey Oaks Redevelopment Agency.

15. Contingent Liabilities

The City is subject to litigation arising from the normal course of business. Federal Del Rey Associates and Federal/JER Associates (collectively, "Federal") have filed a cross-complaint against the City and the Redevelopment Agency, as described in Note 5 - Receivable from Developer. The City will continue to incur legal expenses. Future legal costs at this point cannot be determined.

16. Proposition 1A Securitization Program

Under the provisions of Proposition 1A and as part of the 2009-10 state budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed eight percent (8%) of the amount of property tax revenues, including those property taxes associated with the in-lieu motor vehicle license fee, the triple-flip in lieu of sales tax and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 30, 2013.

After repayment of this initial borrowing, the California Legislature may consider only one additional borrowing within a 10-year period. The amount of this borrowing pertaining to the City of Del Rey Oaks was $50,723.

17. Prior Period Adjustment

In prior years the OPEB Annual Obligation was not recorded which is required under the modified accrual basis of accounting.

Government Statement	
Beginning Balance:	$ 11,896,699
Prior Period Adjustment	(85,300)
Ending Balance	$ 11,811,399

18. Successor Agency Trust For Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Del Rey Oaks that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

18. Successor Agency Trust For Assets of Former Redevelopment Agency - continued

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

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

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund. At June 30, 2013 the transfer to the fiduciary fund had not been completed. Therefore the assets and activities are shown in the Government-Wide financial statements as a liability due to the RDA Successor Agency Trust Fund. In the future, after the transfer is completed the assets and activities will be reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from the governmental funds of the City to the fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. When the assets and liabilities are reported in the private-purpose trust fund, they will be reported as an extraordinary gain.

Because of the different measurement focus of the governmental funds and the government-wide net position, the extraordinary loss recognized in the government-wide statement of activities was not the same amount as that recognized in the statement of revenue, expenditures and changes in fund balance.

The difference between the extraordinary loss recognized in the fund financial statements and the government-wide financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds	$ -
Capital assets recorded in the government-wide financial statements	11,367,700
Accounts and notes receivable recorded in the government-wide financial statements	1,077,712
Deferred revenue reported in the government-wide financial statements	(1,155,732)
Deposits paid by the developer reported in the government-wide financial statements.	(50,000)
Accounts payable reported in the government-wide financial statements.	(161,383)
Loans and advances payable to other funds	(539,683)
Total extraordinary loss reported in the government-wide financial statements - net increase to net asset of the RDA Successor Agency Trust Fund.	$ 10,538,644

19. Accounting Changes and Accounting Standards

In fiscal year 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Statement 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position.

The GASB has issued the following Statements which will become effective in future years as shown below:

Statement No. 65, "Items Previously Reported as Assets and Liabilities". The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). This Statement will become effective for the City in fiscal year 2014. Management has not yet determined the impact of this Statement on the financial statements.

19. Accounting Changes and Accounting Standards-continued

Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement will become effective for the City in fiscal year 2015. Management has not yet determined the impact of this Statement on the financial statements.

20. Correction of an Error

In fiscal year ended June 30, 2013, there were a number of formatting errors found in the Government Funds financial statements. The funds statements were not reported using the current financial resources measurement focus.

In addition the closure of the Redevelopment Agency and subsequent transfer of assets and liabilities to the RDA Successor Agency Trust Fund was not properly reflected in the Government-Wide financial statements.

The net effect on the fund balances is as follows:

	Government-Wide	Government Funds
Ending net position/fund balance as previously reported	$ 11,436,831	$ (216,354)
Net effect of correction of errors	10,534,894	(518,020)
Ending net positon/fund balance as restated	$ 901,937	$ 301,666

REQUIRED

SUPPLEMENTARY INFORMATION

City of Del Rey Oaks, California
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual - General
For the Year Ended June 30, 2013

See Independent Auditors' Report

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Over/(Under) Budget
Resources (Inflows):				
Property Taxes	$ 472,396	$ 468,955	$ 468,955	$ 3,441
Sales Tax	699,785	810,000	810,000	(110,215)
Franchise Taxes	103,591	100,500	100,500	3,091
Other Taxes	8,298	9,000	9,000	(702)
Licenses and Permits	217,244	202,600	202,600	14,644
Fines, Forfeits and Penalties	14,446	17,500	17,500	(3,054)
Investment Earnings	465	800	800	(335)
Revenue from Other Agencies	159,745	164,000	164,000	(4,255)
Use of Property - Parks	37,390	30,000	30,000	7,390
Other Revenue	130,446	149,650	149,650	(19,204)
Total Resources	1,843,806	1,953,005	1,953,005	(109,199)
Charges and Appropriations (Outflows):				
Current:				
Salaries and Benefits	1,497,805	1,419,802	1,419,802	78,003
Supplies	61,413	66,000	66,000	(4,587)
Utilities and Services	123,264	102,807	102,807	20,457
Printing and Publications	58	-	-	58
Outside Services	187,579	149,800	149,800	37,779
Vehicle Operations	48,693	46,800	46,800	1,893
Police & Fire	182,945	139,655	139,655	43,290
Streets	25,882	24,551	24,551	1,331
Other Expenditures	3,402	2,000	2,000	1,402
Debt Service	27,836	-	-	27836.00
Capital Outlay	131,067	-	-	131,067
Total Charges	2,289,944	1,951,415	1,951,415	310,693
Excess of Revenues Over (Under) Expenditures	(446,138)	1,590	1,590	(419,892)
Other Financing Sources:				
Proceeds from Long-Term Debt	120,260	-	-	120,260
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources	120,260	-	-	120,260
Net Change in Fund Balance	$ (325,878)	$ 1,590	$ 1,590	$ (327,468)

See Independent Auditors' Report

1. Budgetary Data

The City Council adopts an annual legal budget, which covers the General Fund and RDA 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.

Per GASB Statement No. 34, only the general fund and major special revenue fund budgets are to be presented in required supplementary information.

City of Del Rey Oaks, California

Required Supplemental Information

CalPERS Schedule of Funding Progress & Postemployment Healthcare Benefits

Schedule of Funding Progress

For the Year Ending June 30, 2013

Since the City has less than 100 active members in each plan, it is required by CalPERS to participate in a risk pool. Therefore, no required supplementary information is required to be reported in this report regarding the funding status of the plan, however the City believes this information is particulary useful to users of this financial statement report because it displays the unfunded status of the plan. The following actuarial valuation reports the activity of the risk pool as a whole, and not the specific activity of individual memebers such as the City of Del Rey Oaks.

Miscellaneous 2% at 55 Risk Pool

Actuarial Valuation Date	(a) Actuarial Accrued Liability (AAL) Entry Age	(b) Actuarial Value of Assets	(a-b) Unfunded AAL (UAAL)	(b/a) Funded Ratio	(c) Covered Payroll	((a-b)/c) UAAL as a Percentage of Covered Payroll
6/30/10	$ 624,423,437	$594,492,164	$ 29,931,273	95.2	$ 186,777,830	16.0
6/30/11	$ 682,375,804	$639,237,247	$ 43,138,557	93.7	$ 193,877,169	22.3
6/30/12	$ 736,231,913	$701,224,211	$ 35,007,702	95.3	$ 208,517,122	16.8

Safety Plan 2% at 55 Risk Pool

Actuarial Valuation Date	(a) Actuarial Accrued Liability (AAL) Entry Age	(b) Actuarial Value of Assets	(a-b) Unfunded AAL (UAAL)	(b/a) Funded Ratio	(c) Covered Payroll	((a-b)/c) UAAL as a Percentage of Covered Payroll
6/30/10	$ 80,550,533	$ 69,069,025	$ 11,481,508	85.8	$ 21,754,150	52.8
6/30/11	$ 87,234,077	$ 84,508,206	$ 12,725,871	85.4	$ 21,957,452	58.0
6/30/12	$ 84,829,856	$ 75,003,561	$ 9,826,295	88.4	$ 21,079,631	46.6

Postemployment Health Insurance Benefits Plan

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Accrued Liability (AAL) Entry Age	(b) Actuarial Value of Assets	(a-b) Unfunded AAL (UAAL)	(b/a) Funded Ratio	(c) Covered Payroll	((a-b)/c) UAAL as a Percentage of Covered Payroll
6/30/13	$ 183,100		$ 183,100		$ 680,728	26.9

Note: Fiscal year 2010 was the year of implementation of GASB No. 45 and the City elected to implement prospectively.