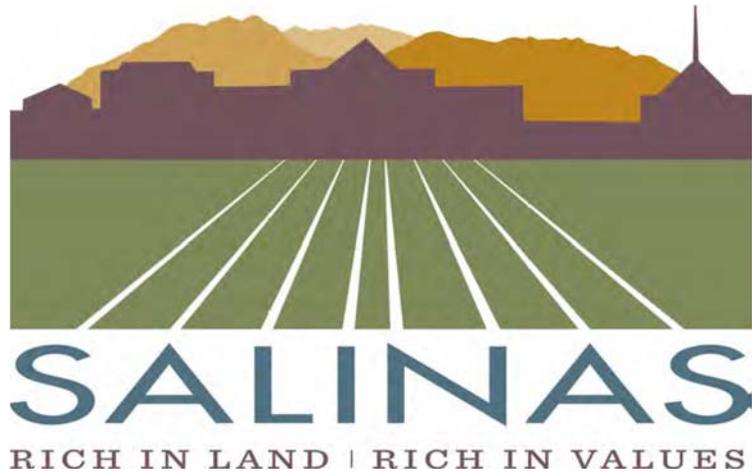


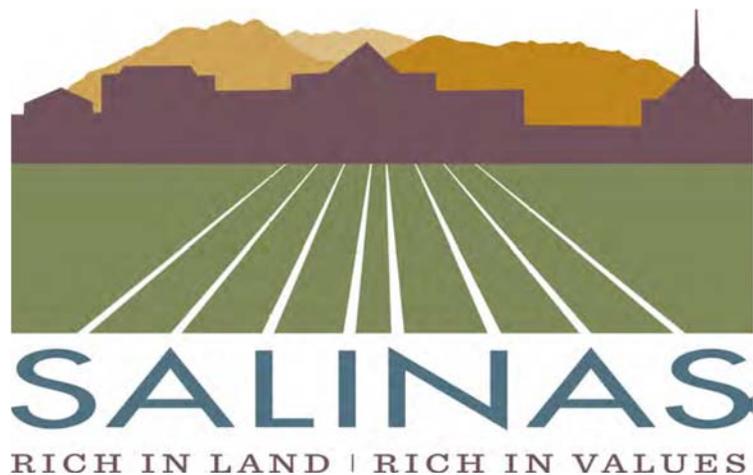
City of Salinas California



Basic Financial Statements **Fiscal Year Ended June 30, 2015**

Basic Financial Statements

Fiscal Year Ended June 30, 2015



PREPARED BY
THE FINANCE DEPARTMENT

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City of Salinas

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January 14, 2016

***Honorable Mayor and Members of the City Council
City of Salinas, California***

We are pleased to submit the City of Salinas (City) Basic Financial Statements for the fiscal year ended June 30, 2015. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and are audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all notes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. Management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the residences of the City of Salinas, City staff, creditors, investors and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

McGilloway, Ray, Brown & Kaufman, a firm of certified public accountants have audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2015, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on fair presentation of the financial statements, but also on the government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

This report is divided into two sections:

- The **Introductory Section** includes this letter of transmittal and an organizational overview of the City government.
- The **Financial Section** consists of the independent auditors’ report, Management’s Discussion and Analysis, Basic Financial Statements; which include the Government-Wide Financial Statements, Fund Financial Statements, Notes to Financial Statements and Required Supplementary Information and other Supplementary Information.

The Reporting Entity and Its Services

In defining the reporting entity, there are no other governmental units over which the City Council has financial accountability. Under new state law, the Salinas Redevelopment Agency, which was a component unit of the City, ceased to exist as of February 1, 2012, and therefore the assets and activities of the dissolved redevelopment agency are reported in a Fiduciary Fund (private purpose trust fund) in the financial statements of the City.

The City of Salinas acts as fiscal agent for the Sunrise House. Therefore, the financial information of this agency is included in the Fiduciary Funds in the accompanying financial statements.

The City of Salinas was incorporated as a charter City on March 4, 1874, and operates under the Council-Manager form of government. The City is governed by a six-member Council elected by districts for four-year alternating terms and a Mayor elected at large for a two-year term. The Council appoints the City Attorney and the City Manager who is responsible for day-to-day administration of the City under the policy direction of the Council.

The City of Salinas is the “county seat” of Monterey County, and is located in the Central Coast region of California, 17 miles inland from the Monterey Bay, 325 miles north of Los Angeles and 106 miles south of San Francisco. Salinas is a charter City providing all typical City services: Public safety- police and fire, Public Works-maintenance services (streets, lighting, signals, facilities, parks and trees), development and permit services, current and advanced planning and

traffic and facilities engineering, Library, Recreation and General administrative services. Business-type City services include: a Municipal Airport, Industrial Waste system, Golf (two municipal golf courses), Sanitary Sewer and Storm Drain systems, Water Utility and a Parking District. The State Department of Finance reports the City's population at 154,720, as of January 1, 2015. The City FY 2015-16 budget includes 593.5 positions authorized on a full time equivalent basis.

Three elementary school districts, a unified high school district and several private schools at both the primary and secondary level operate in the City of Salinas. Hartnell College, a State Community College, offers two-year degrees and occupational certificate programs. California State University Monterey Bay is located less than 15 miles away on the former Fort Ord site. Graduate studies through Golden Gate University, Monterey Institute of International Studies and Chapman College are available nearby. Also in the area are Moss Landing Marine Laboratory, Monterey College of Law, Stanford University's Hopkins Marine Station and San Jose State University.

Salinas has extensive health and medical services with two of Monterey County's four hospitals located within the City. Salinas also offers skilled nursing and convalescent homes and residential retirement facilities for seniors, as well as over 220 practicing physicians.

Fire protection and basic and advanced life support are provided by the City's full service Fire Department. Advanced life support services are provided by the Fire Department's paramedic program. The City of Salinas has a Police Department and receives additional support, as required, from the Monterey County Sheriff's Office and other regional, state and federal agencies as required.

The City's moderate climate encourages year-round use of its 550 plus acres of municipal parks, which include golf courses, tennis courts and swimming pools. The Salinas Community Center regularly hosts symphonies, ballets, concerts and conventions. Salinas is host to the annual Steinbeck Festival, the California Rodeo, and the California International Airshow. Salinas has a modern California Sports Complex and the National Steinbeck Center. Surrounding Salinas are diverse recreational opportunities including beautiful beaches and the world famed golf courses of the Monterey Bay Peninsula.

As the retail hub of the Central Coast, Salinas enjoys a wide selection and diversity in its stores. Northridge Shopping Center contains over 120 specialty shops and four major department stores – Macy's, Sears, Best Buy and J.C. Penney. Harden Ranch Plaza includes Wal-Mart, Target, Safeway, specialty stores, restaurants, and banking institutions. The Westridge Shopping Center is home to Costco, Wal-Mart, Office Max, Dick's Sporting Goods and a variety of national chain restaurants. The Salinas Auto Center houses nine local dealers and its retail area hosts Home Depot, Beverages and More, Kohl's, Babies-R-U's and other specialty stores. Additionally, Salinas' location allows quick access to the Monterey Peninsula, as well as the San Jose area.

The City utilizes various Boards and Commissions in the conduct of its affairs. Commissions and Committees established by City Ordinance are:

- Equal Opportunity Commission
- Airport Commission
- Library and Community Services Commission
- Traffic and Transportation Commission
- Planning Commission
- Youth Advisory Commission
- Measure G Committee
- Measure V Committee

Boards and Committees established by Resolution of the City Council are:

- Police Community Advisory Committee
- Animal Shelter Committee
- Design Review Board
- Board of Appeals
- Grievance Advisory Board

FINANCIAL INFORMATION

The City's management staff is responsible for establishing and maintaining internal controls that safeguard the assets of the government from loss, theft, or misuse and allow the compilation of adequate accounting data for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed its likely benefits and that the evaluation of costs and benefits is subject to management estimates and judgments.

Single Audit

As a recipient of Federal, State and County financial assistance, the City is responsible for providing assurance that adequate internal controls are in place to ensure compliance with applicable laws and regulations relating to these award programs. Internal controls are subject to periodic evaluation by management, the Finance Department staff, and the City's outside independent auditors.

As part of the City's single audit procedures, tests are performed to determine the effectiveness of the internal controls over major Federal award programs and the City's compliance with applicable laws and regulations related to these award programs.

Accounting System and Budgetary Control

The City's accounting and budgeting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable. Expenditures are recorded when the services or goods are received or the liabilities incurred. Accounting and budgeting for the City's proprietary funds are maintained on the accrual basis.

The City also uses encumbrance accounting as another technique for accomplishing budgetary control. An encumbrance is a commitment of a future expenditure earmarked for a particular purpose that reduces the amount of budgetary authority available for general spending. At the end of the fiscal year, encumbered appropriations are carried forward and become part of the following year's budget while appropriations that have not been encumbered lapse and are available to be appropriated through the following fiscal year's budget process.

The City Council approves operating appropriations at the department and fund level prior to July 1, each year and may amend the budget during the fiscal year. Please refer to Required Supplementary Information to the financial statements for a more detailed discussion of budget policy and control. The City continues to meet its responsibility for sound financial management as demonstrated by the statements and schedules included in the financial section of this report.

Annual Financial Report

The purpose of the City's Annual Financial Report is to summarize the administrative and operational performance of the City during the previous fiscal year. The report is intended to highlight significant accomplishments that were achieved during the fiscal year ended June 30, 2015 and to provide a financial analysis of City performance.

Capital Assets and Depreciation

As of June 30, 2015, capital assets, including infrastructure assets, of the City of Salinas totaled \$652.3 million; accumulated depreciation totaled \$349.4 million, with the difference providing net capital assets of \$302.9 million. Net capital assets of the City's governmental activities (general government) are \$172.6 million and net capital assets for the City's business-type activities (enterprise funds) are \$130.3 million.

Capital assets include buildings, infrastructure (streets, curbs, gutters, sidewalks, bridges, streetlights, traffic signals, etc.), improvements other than buildings (park improvements, etc.), and machinery and equipment.

During FY 2014-15, depreciation expense on capital assets of the City's governmental activities (general government) was \$8.4 million and depreciation expense on capital assets of the City's business-type activities (enterprise funds) was \$6.1 million. Depreciation expense represents the amount at which assets are being used-up annually. Due to budget constraints over the years, the City has been unable to invest in the maintenance of capital assets at anywhere near the annual depreciation amount.

Please refer to the Notes to Basic Financial Statements for a complete discussion of the City's Capital Assets.

Long-term Debt Payable

At June 30, 2015, the City had \$232.9 million in long-term debt. Long-term debt includes liabilities for annual leave, long-term portion of Worker's Compensation claims payable, capital leases and notes and bonds payable. While the General Fund guarantees most of the City's long-term debt, other funds, agencies or property owners make the majority of principal and interest payments. Examples of other funds, agencies or property owners include, the Industrial Waste Fund, Golf Courses Fund, the Steinbeck Center, the Sanitary Sewer Fund, Successor Agency to the former Salinas Redevelopment Agency property tax increments, payments from the Salinas Valley Solid Waste Authority for the installment sale of Crazy Horse landfill and payments from property owners who are included in the City's various assessment districts.

Please refer to the Notes to Basic Financial Statements, Note 18 for a complete discussion of the City's Long-term Debt.

Fund Financial Statements-General Governmental Revenues

The current governmental operations of the City are accounted for in the General, Special Revenue, Debt Service, and Capital Project Funds. For the fiscal year ended June 30, 2015, total revenues for general governmental functions totaled \$122,183,782, an increase of 5.5% over the previous fiscal year.

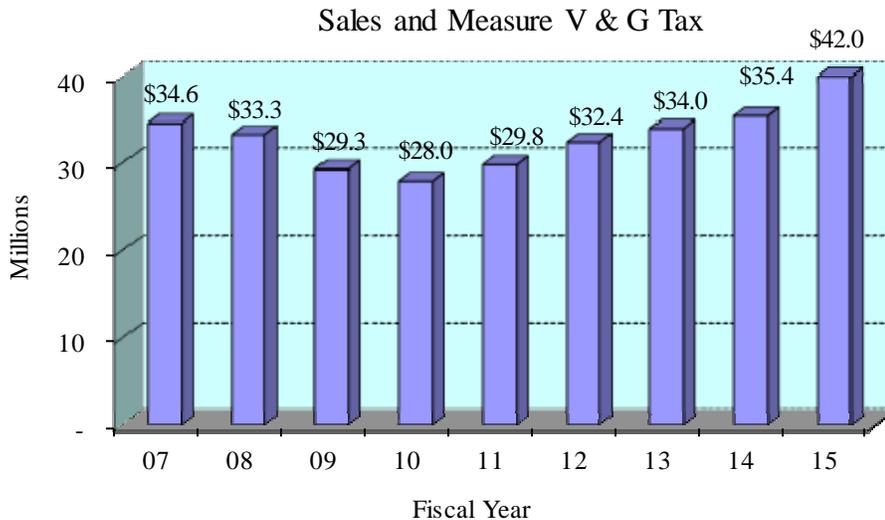
Sales Tax

The City has a well-diversified economy and sales tax base. Sales tax receipts increased for the fourth year after the three consecutive years of declines. The sales and transaction and use tax increased \$6.6 million, or 18.6% from FY 2013-14. Sales tax was still the largest single category of revenue this fiscal year producing 34.4% of the combined governmental fund type revenues. Transactions and Use Tax (Measure V and G) represents 14.6% of the combined governmental fund type revenues. Measure V and G transactions and use tax is a general tax and is reported as part of the General Fund. Combined, sales tax and transactions and use tax revenue total \$41,975,302 or 34.4% of the combined governmental fund type revenues.

The sales tax and in-lieu sales tax receivable due from the State of California for FY 2014-15 totaled \$6,002,895 and is recorded as revenue for the year ended June 30, 2015.

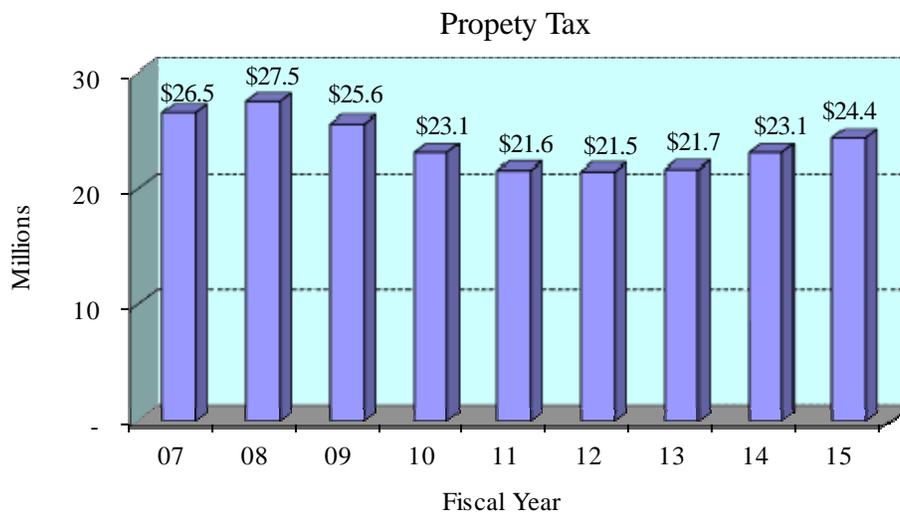
On November 8, 2005, the voters of Salinas approved Measure V, a 0.50% transactions and use tax. Measure V is a general tax and is reported as part of the General Fund, although the tax is accounted for in a separate sub-fund of the General Fund. On November 6, 2012, the voters of Salinas approved to extend the 0.50% transaction and use tax with no sunset (Measure E).

On November 4, 2014, the voters of Salinas approved Measure G, an ordinance imposing a one-cent general transactions and use tax. Measure G has a fifteen-year term and requires the City Council to establish an Oversight Committee. Measure G is a general tax and is reported as part of the General Fund, although the tax is accounted for in a separate sub-fund of the General Fund.



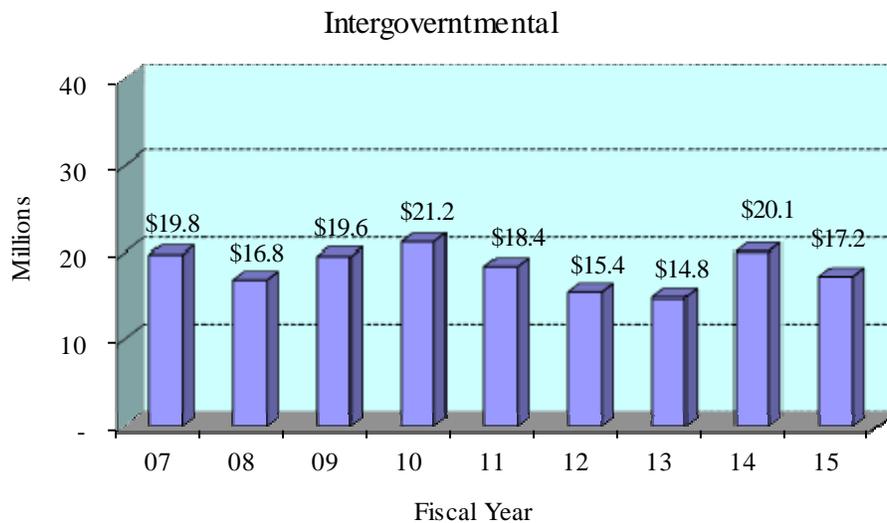
Property Tax

Property tax revenue was the second largest source of revenue during this fiscal year, producing 19.9% of the combined governmental fund type revenues. Property tax revenue includes Property tax-in-lieu of vehicle license fees (2/3 of VLF) of \$10,633,700 that is now determined by the City’s growth in assessed property values.



Intergovernmental

Intergovernmental revenue was the third largest single category of revenue during the fiscal year producing 14.1% of the combined governmental fund revenues. Intergovernmental revenues consist of vehicle licenses fees (1/3 of VLF), Federal and State Public Safety Funds, Federal Block Grants, State Gas Taxes and Federal and State Construction Grants. Intergovernmental revenue recovered from a 10-year low two years ago. Intergovernmental revenue decreased by \$2.9 million, or 16.9% primarily as a result of increased draw downs (\$3.6 million) from the Housing and Urban Development Department (HUD) CDBG grant in the prior year. During the current year the SAFR grant for fire fighters began, which was an increase of \$1.8 million. Lastly, the traffic congestion relief gas tax funding decreased from a \$1.3 million spike up in the prior year to a decrease of \$.5 million in the current year.



Utility User's Tax and Other Taxes

Utility user's tax and other taxes produced 9.6% of the combined governmental fund type revenues. Other taxes include business license tax and franchise fees among others. Utility user's tax increased by \$589,027, or 6.3%, while other taxes increased by \$502,728, or a 3.3% increase from the prior year.

Taxes receivable total \$14,097,504 for the year ended June 30, 2015 and are further explained in Note 6 to the financial statements.

Assessment District Taxes

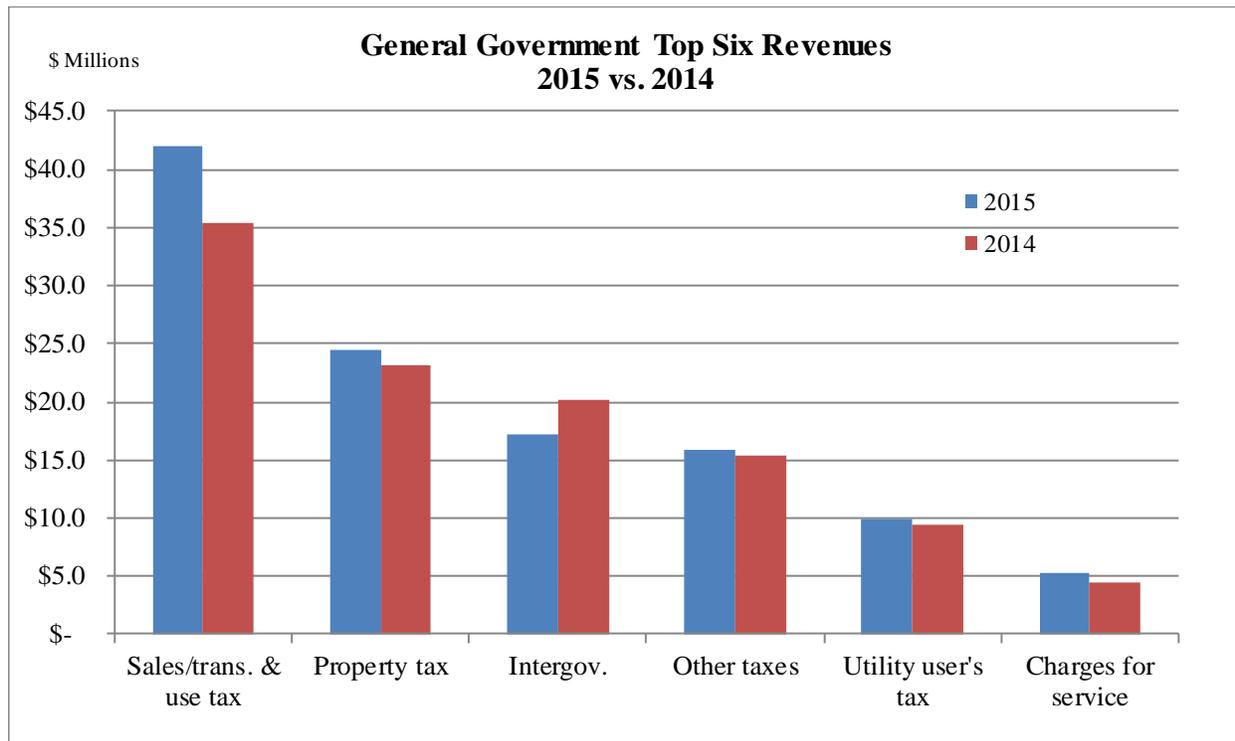
The Assessment District Deb Service Fund taxes decreased from \$4.1 million in the prior year to \$3.0 million in the current year as a result of paying off the Harden Ranch assessment district bonds in the prior year. The special assessment taxes in the Harden Ranch assessment district were zero in the current year.

Charges for Services

The Charges for Services revenue increased by \$.8 million as a result of implementing a new developer impact fee for City facilities and equipment and from increases in other existing developer impact fees such as the traffic, storm drain, and sanitary sewer impact fees.

Revenues from various sources and the resulting changes over last year are shown below.

Source of Revenues	2015 Amounts	Percent of Total	2014 Amounts	2015 vs. 2014 Increase/(decrease)	
				Dollars	Percent
Assessment districts:					
Taxes	\$ 3,015,063	2.5%	\$ 4,089,281	\$ (1,074,218)	-26.3%
Property tax	24,365,975	19.9%	23,138,385	1,227,590	5.3%
Sales/transaction & use tax	41,975,302	34.3%	35,376,543	6,598,759	18.7%
Utility user's tax	9,947,484	8.1%	9,358,457	589,027	6.3%
Other taxes	15,865,295	13.0%	15,362,567	502,728	3.3%
License & permits	1,469,919	1.2%	1,143,747	326,172	28.5%
Intergovernmental	17,218,815	14.1%	20,055,536	(2,836,721)	-14.1%
Charges for service	5,161,803	4.2%	4,383,480	778,323	17.8%
Interest	306,739	0.3%	459,601	(152,862)	-33.3%
Rental income	522,457	0.4%	354,949	167,508	47.2%
Fines/forfeitures	800,094	0.7%	519,592	280,502	54.0%
Developer contributions	794,343	0.7%	495,652	298,691	60.3%
Miscellaneous	740,493	0.6%	1,114,308	(373,815)	-33.5%
TOTAL	\$ 122,183,782	100.0%	\$ 115,852,098	\$ 6,331,684	5.5%

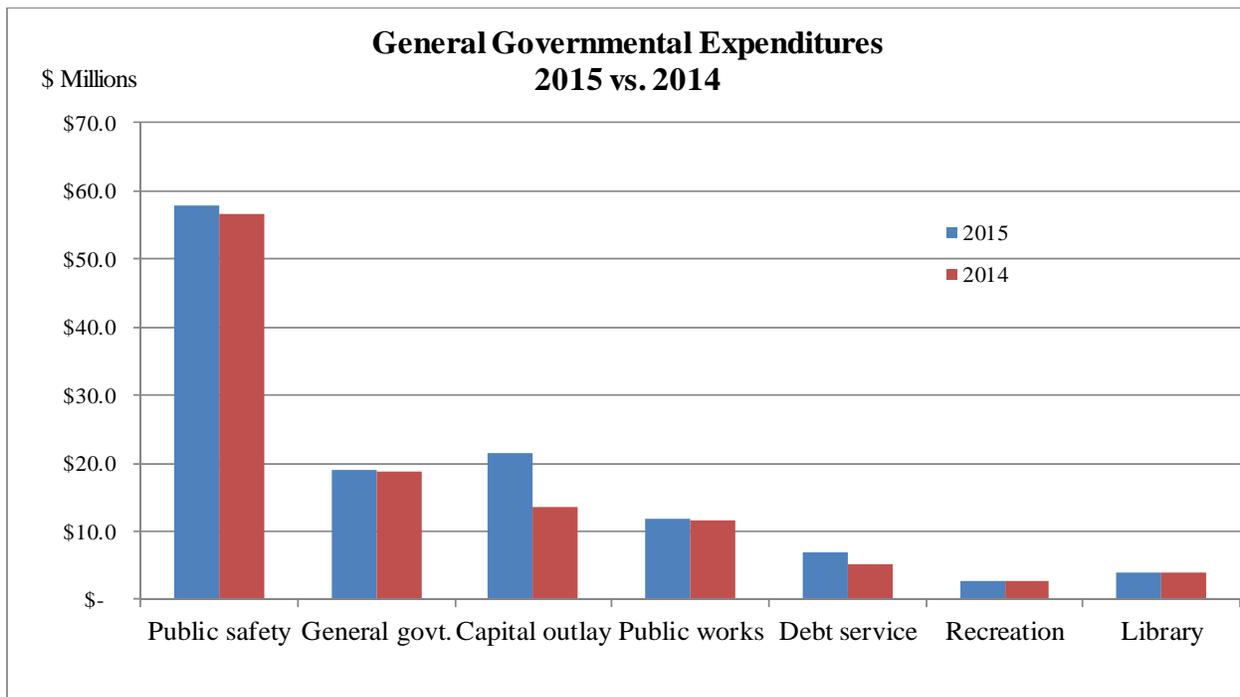


Fund Financial Statements-General Governmental Expenditures

Expenditures for governmental operations during the fiscal year ended June 30, 2015 were \$123,772,823 a net increase of 9.9% in total expenditures over the previous year.

Changes in expenditures by major function are as follows:

Function	2015	Percent of Total	2014	2015 vs. 2014 Increase/(decrease)	
				Dollars	Percent
General government	\$ 18,897,139	15.3%	\$ 18,759,086	\$ 138,053	0.7%
Public safety	57,792,398	46.7%	56,604,218	1,188,180	2.1%
Public works	11,815,626	9.5%	11,742,158	73,468	0.6%
Recreation	2,849,835	2.3%	2,662,734	187,101	7.0%
Library	4,000,150	3.2%	4,045,013	(44,863)	-1.1%
Subtotal operations	95,355,148	77.0%	93,813,209	1,541,939	1.6%
Capital outlay	21,617,770	17.5%	13,624,103	7,993,667	58.7%
Debt service:					
Principal	5,449,000	4.4%	3,900,000	1,549,000	39.7%
Interest	1,350,905	1.1%	1,324,867	26,038	2.0%
Total	\$ 123,772,823	100.0%	\$ 112,662,179	\$ 11,110,644	9.9%



Operating expenditures increased by \$1,541,939 or 1.6% from \$93,813,209 in FY 2013-14 to \$95,355,148 in FY 2014-15.

General Government increased slightly by \$138,053, or .7%. Public Safety increased by \$1,188,180, or 2.1% and Public Works increased slightly during the year by \$73,468, or .6%, while Library expenditures have decreased slightly by \$44,863, or 1.1%. Recreation increased by \$187,101, or 7%. The City continued to manage vacant positions during the year in these functions, which offset the inflationary increases in employee costs.

Principal and interest payments increased by \$1,575,038 based on normally scheduled debt service changes.

Capital Outlay (Project) expenditures increased \$7,993,667 or 58.7% from \$13,624,103 in FY 2013-14 to \$21,617,770 in FY 2014-15. The main reason for this change occurred in the Capital Projects Fund, where the project expenditures increase by \$7,887,378, or 99.5%. During the year, there were 153 capital projects worked on. The majority of the increase relates to the Energy Efficiency retrofit project, where \$6,632,432 was spent during the year.

Business-type Activities-Enterprise Funds

Enterprise Funds are the City's business-type activities (activities supported, at least in part, by fees or charges) and include the Salinas Municipal Airport, the Industrial Waste Facility, the Municipal Golf Courses (Fairways and Twin Creeks), the Storm Sewer System, the Sanitary Sewer System, the Hitchcock Road Water Utility, the Parking District and the Landfill Garbage Surcharge Fund (which is used to account for the proceeds of the installment sale of the Crazy Horse landfill to the Salinas Valley Solid Waste Authority).

The Enterprise Fund's net position totaled \$97,373,170 at June 30, 2015.

Internal Service Funds

Internal Service Funds are used to account for the City's risk management program which administers employee benefits and the City's insurance programs including; 1) General Insurances-employee assistance program, unemployment claims, biennial physical exams and property insurance; 2) Worker's Compensation self-insurance program; and 3) General Liability self-insurance program.

At June 30, 2015, the Internal Service Funds liabilities for estimated claims payable totaled \$24,088,100, with \$20,616,875 representing Worker's Compensation and \$3,471,225 representing General Liability.

Total Worker's Compensation insurance claims liabilities are \$23,752,753 at June 30, 2015. A portion of the liability is reported in the Internal Service Fund (\$20,616,875) and a portion is treated as long-term debt (\$3,135,878). The long-term debt portion represents future obligations of the Worker's Compensation Plan.

Fiduciary Funds

Fiduciary Funds are used to account for assets held in trust for others and cannot be used for general government purposes. The City maintains the following Fiduciary Funds:

Private Purpose Trust Funds include a net deficit of \$502,078 held by City, which has improved by \$893,825 from the prior year. Of the net deficit, a net deficit of \$1,139,633 is held by the City for the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and net position of \$637,555 held by the City for Community Center and Sherwood Hall activities, MRWPCA Fees, Sales Tax, Payroll Taxes, Deposits, Construction Bonds and other trust arrangements not properly reported in a pension trust.

Pension Trust Funds held by the City of \$13,678,828 are employee deferred compensation funds. Agency Funds are assets held by the City for Sunrise House, Economic Development, Salinas Valley Enterprise Zone, Employee Cafeteria Plan and Retired Employees Health Insurance Program. Agency assets held by the City total \$752,868.

Cash Management

In accordance with the provisions of California Government Code Section 53600 et. seq., the City is restricted to certain types of legal investments. These investments are included in the City's investment policy and are approved by City Council annually. In addition, the City's investment activity is reported to the City Council monthly pursuant to the California Government Code.

The City invests all idle funds daily. The cash management system of the City is designed to monitor revenues and expenditures to ensure the investment of monies to the fullest extent possible. The criteria, in order of priority, for selecting investments are safety, liquidity, and yield.

The majority of City funds (52.8% of investment at FMV) are invested in the State's Local Agency Investment Fund (LAIF). LAIF yielded average returns of .26% for fiscal year ended June 30, 2015.

The City's investment in certificates of deposit and investment contracts are reported at cost, which is fair value. While recorded at fair market value in the financial statements, the City's investments are redeemable at 100% of cost.

The City's investment in the State Local Agency Investment Fund at June 30, 2015 is as follows:

Balance at cost - June 30, 2015	\$ 65,278,090
Unrealized gain	<u>24,166</u>
Balance at fair value - June 30, 2015	<u>\$ 65,302,256</u>

Please refer to the Note 4 for a complete discussion of the City's Cash and Investments.

Property Assessment

Assessed valuation of citywide taxable properties increased \$607.6 million to \$9,963,782,622 representing an increase of 6.49% over FY 2013-14.

The following table summarizes the growth and declines in assessed valuation.

<u>Fiscal year</u>	<u>Before Redevelopment Increment</u>	<u>After Redevelopment Increment</u>	<u>Percent Change</u>
2015-16	\$ 9,963,782,622	\$ 9,195,146,472	6.49%
2014-15	9,356,177,997	8,629,207,052	8.82%
2013-14	8,597,836,189	7,904,316,402	2.72%
2012-13	8,370,116,351	7,693,329,440	0.72%
2011-12	8,310,478,479	7,628,550,860	-0.61%
2010-11	8,361,701,633	7,473,844,928	-6.75%
2009-10	8,966,761,801	7,981,760,147	-11.25%
2008-09	10,102,973,741	9,158,540,984	-5.10%
2007-08	10,645,974,648	9,750,295,032	7.25%
2006-07	9,926,023,729	9,107,918,547	12.72%
2005-06	8,806,009,783	8,305,434,488	12.90%
2004-05	7,799,653,100	7,373,407,370	10.70%
2003-04	7,045,521,979	6,643,698,145	6.90%
2002-03	6,590,542,785	6,284,551,441	10.04%
2001-02	5,989,470,269	5,697,145,117	9.12%
2000-01	5,488,912,290	5,222,902,081	9.14%
1999-00	5,029,395,502	4,774,694,999	7.08%

Significant Events and Accomplishments

Through the leadership of the City Council and staff, an amazing amount has been accomplished. The City Council is committed to five strategic goals, which guide the initiatives and activities of each City department. The following is a list of accomplishments during FY 2014-15 for each of the five strategic goals:

❖ **Economic Diversity and Prosperity**

Community and Economic Development Department

- Economic Development/Salinas Valley Enterprise Zone:
 - ✓ Support provided for the Economic Development Element to the General Plan.
 - ✓ Economic Development marketing efforts resulted in many positive articles about Salinas in major business journals and other media outlets.
 - ✓ Continued to provide support for the Steinbeck Innovation Cluster. Steinbeck Innovation Center announcement to be physically located in Old Town area.

- ✓ SVEZ continues to support local businesses in its last full year of operation.
- ✓ First Grow Salinas Fund (GSF) Revolving Loan placed for a local business. GSF cap expanded from \$1.0 Million to \$2.0 Million.
- ✓ Attraction of the Forbes Ag-tech Conference to Salinas.
- ✓ Funded the CSUMB Small Business Development Center (SBDC).
- Permit Center:
 - ✓ Continued emphasis on cost recovery of Permit Center services.
 - ✓ CDD Assessment (Citygate Report) recommendations are being implemented as rapidly as possible.
 - ✓ Continued high performance in reviewing and approving site plans, building plans and necessary inspections.
- Planning/Special Projects:
 - ✓ Initiated an update of the General Plan Housing Element which included significant community public outreach.
 - ✓ Completion of a RFP process and selection of the consultant to prepare two EIRs for the two Specific Plans submitted for the North of Boronda Future Growth Area.
 - ✓ Completion of the City's Housing Element Annual Progress Report
- Successor Agency:
 - ✓ Successor Agency (SA) and Oversight Board continue to meet dissolution act requirements.
 - ✓ SA properties placed for sale or exchange.
 - ✓ Continued Long Range Property Management Plan activities.
- Housing/Blockgrant:
 - ✓ Initiated update of Inclusionary Housing Ordinance which included significant community public outreach
 - ✓ Assisted with the creation of the HUD Section 108 Loan Pool Fund, first use of funds are for the IWW Conveyance Systems improvement of \$ 4.0 Million.
 - ✓ Funded Loma El Paraiso renovation project, 43-unit multi-family housing development.
 - ✓ Completion of Haciendas Phase II – 50 affordable multi-family units.
 - ✓ Approval and start of construction of Haciendas Senior – 40 affordable seniors' units
 - ✓ Successful allocation of \$3.8 million of Federal funding for HOME, CDBG, and ESG programs.
 - ✓ Continued to administer the Grow Salinas Fund (GSF), a program that provides debt financing to small businesses intending to expand/locate in the City limits; closed two CDBG-funded GSF loans.
 - ✓ Received HUD determination to fund the Industrial Waste Water Conveyance System (IWWCS) improvement project under the Section 108 Loan Pool Fund, approved in FY13/14; project is now in construction.
 - ✓ Completed the Loma El Paraiso renovation project, a 43-unit multi-family rental housing development located in East Salinas within the Alisal Homeownership Neighborhood Revitalization Strategy area and available to low and moderate-income households.

- ✓ Funded the University Corporation at Monterey Bay through the Salinas Business Development Center’s workshop and bilingual advisory services, a program that assists to improve small business profitability and increase jobs in the income qualified census tracts.
- ✓ Continued to fund the City’s Rehabilitation program, Rebuilding Together Monterey-Salinas’ Home Repair and Rehabilitation Program, and Grid Alternatives, to maintain existing owner-occupied/rental housing stock.

City Attorney’s Department

- **Alisal Marketplace.** Supported the City’s efforts to move the project forward to completion (Acquisition of County and other property; coordination with other departments toward relocation of transfer station.)
- **Chinatown Revitalization.** Continued support of the acquisition and the development of properties in the Chinatown; continued to support DPW and SPD in “clean-ups” and enforcement efforts; supported Code Enforcement efforts.
- **Sustainable Steinbeck Regional Innovation Foundation/Cluster.** Continued to provide support to Admin and CDD with ongoing Foundation/Cluster activities.
- **Future Growth Area.** Continued support to the Planning Division in review of the Specific; supported efforts related to completion of the environmental review, including selection of environmental consultant; drafted and implemented a Reimbursement Ordinance to ensure recovery of City costs.
- **Plan For and Engage a Safe, Secure, Well-Managed Water Supply.** Continued supporting DPW in their efforts related to drafting and approval of multi-agency water agreements and initial implementation of Groundwater Sustainability Act; continued working with Admin and DPW to implement agreements with DeepWater Desal, LLC on the development of a desalination plant.
- **Local Purchasing Preference.** Drafted and obtained approval of a Local Purchasing Preference ordinance establishing a preference for local business providers.

Finance Department

- **Enhanced Permit Center Operations:** Support CEDD in the use of technology and participate in consultant interviews and assessment.

Police Department

- Used creative staffing allocations resulting in significant cost savings
- Provided overtime patrols to the Old Town and China Town area to enforce quality of life issues, provide for an inviting entertainment district and to manage homeless related issues.

Public Works Department

- Downtown Vibrancy Plan Completion
- Development of the Downtown Community Benefit District
- Airport Hangar Development
- Make Improvements to Industrial Wastewater System
- Begin recycling of produce wash water for irrigation purposes
- Support Completion of the Taylor Headquarters Building
- Support Nunes Cooling Expansion (OPL Abandonment)
- Support Approval Process for Sonic Restaurant at Laurel West Shopping Center
- Support Approval Process for Northridge Mall Expansion

Assessments and Maintenance Districts

- Respond to citizen inquires and attend property owner meetings
- Suggest methods to improve service efficiencies without raising the cost to the homeowner
- Keeping expenses within budget and below the anticipated revenues to insure adequate reserves

Library and Community Services

- In partnership with CSUMB, students contributed over 500 service learning hours to the Library's youth and community programs.
- Provided jobs to over 50 local youth through the Library's' after-school programs.

Enterprise Operations

- Provided economic benefit and economic role of the airport for the Salinas Economic Development Element.

❖ **Safe, Livable Community**

Police Department

- Collaborated with the Department of Justice to fund a DOJ Commander's position that will assist in providing resources and leadership to the STING Task Force.
- Conducted a major wiretap operation resulting in the disruption of leadership within a major criminal street gang in the Chinatown area.
- Conducted quarterly clean-ups of the Chinatown area with City Yard personnel.
- Obtained grand funding for School Resource Officers and a place-based Police Officer in Acosta Plaza.

Fire Department

- Grants
 - SAFER - The City received a \$2.9 million SAFER grant to retain seven (7) Firefighters and hire four (4) new Firefighters in late 2013. The department lost three firefighters through attrition after receiving the SAFER grant and requested additional funding for three positions. FEMA approved the additional positions raising the total grant amount to \$3.7 million. This grant is a non-matching grant that will pay the full salary and benefits for eleven (11) Firefighters for a period of two-years. The grant will also pay for a third year of salary and benefits for veteran hires.
 - Assistance to Firefighter Grants (AFG) – In 2014 the Fire Department received a \$900,388 grant to replace 10-year old Self-Contained Breathing Apparatus (SCBA). This grant was a 90% (Federal), 10% (Local) matching Regional Grant with the City of Seaside and Big Sur Volunteer Fire Brigade. This AFG will replace 80 SCBA's. The total cost to replace the City's 80 SCBA's was \$536,360 - Federal share \$482,724 (90%) and Local share \$53,636 (10%).
 - Urban Area Security Initiatives (UASI) – The Fire Department has received tentative approval of a \$240,000 grant proposal to replace a 2004 Haz Mat Vehicle and Trailer with a modern Haz Mat Rescue type vehicle.
 - State Homeland Security (DHS) – \$178,000 was received from various DHS funding sources to equip, support and sustain the department's Haz Mat Team, Mobile Command/Communications Vehicle, and train fire paramedics as SWAT Medics (EMS support of SWAT deployments).
- **Firefighter Academies** - The Fire Department conducted a successful fire academy of eight firefighters who graduated in February of 2015. A second fire academy of eight firefighters was started in March of 2015.
- **SWAT Medic Program** – Three firefighter paramedics were trained in Tactical Medicine to be designated as SWAT Medics. The SWAT Medics will support Police SWAT deployments as part of the team.
- **Battalion Chief and Fire Captain Promotional Exams** – Two successful promotional processes were completed for the positions of Battalion Chief and Fire Captain. Two – three Battalion Chief and nine Fire Captain promotions are possible in 2015 from these lists.
- **Apparatus Purchases** – The Fire Department took possession of a new tiller ladder truck and a new fire engine. The fire engine was placed into service at fire station 3 in April of 2015. The new tiller ladder truck will be placed in service May of 2015. An addition tiller and engine was approved and ordered in January 2015.

City Attorney's Department

- **Work with Citizen Groups to Create Consistent and Predictable Funding for Public Safety.** Supported City efforts on voter approval of Measure G on the November 2014 ballot; successfully brought a Writ of Mandate in defense of Measure G and opposing a Special Tax Initiative.
- **Address Homelessness.** Continued to support the DPW's efforts to address homeless issues in the Downtown neighborhood; continued to support the establishment of homeless resources in the Chinatown areas; supported DPW and SPD in clean-up efforts and in establishing warming shelter.
- **Build a New Police Station.** Supported ongoing efforts to acquire properties to support development of a new police station; drafted or reviewed agreements or other documents as required to support development of the facility.
- **Fire Department Equipment Needs.** Supported SFD's acquisition of new equipment through review and drafting of agreements, as required; supported SFD's implementation of a cost-recovery fee.
- **Implemented New Code Enforcement Strategy.** Implemented a new approach of initiating civil action against negligent property owners whose properties are not kept in a clean and safe condition.

Finance Department

- **Work with Citizen to Create Consistent Funding Public Safety:** Provided leadership and help coordinating a November 2014 revenue measure and implementation of the revenue measure.

Library and Community Services

- To reduce violence and provide positive alternatives for youth, the Recreation Division implemented a weekly Saturday Night Teen Program that logged over 2,000 visits and 200 unduplicated participants.
- The Library was visited by approximately 500,000 patrons and over 220,000 youth, ages 3 through 18, participated in sports and after-school programs.
- Successfully secured grant funding to expand the Cesar Chavez Library, conduct the "Salinas Youth Initiative Learning Center" at Los Padres Elementary, complete the "Youth Leadership through Arts and Culture" Program, open learning centers at Sherwood Elementary School and Roosevelt Elementary School, fund the Cesar Chavez Football Academy and complete the "Creeks of Salinas to the Bay and Return of the Natives with CSUMB".

Public Works Department

- Sherwood Hall Improvements
- City-wide Encampment Cleanups
- Development of Homeless Service Partnerships and Winter Warming Shelter Programs
- Complete Public Safety Facility Needs Assessment
- Adopted Crosswalk Policy
- Safety and Security Improvements at various Parks, Train Station and other City properties

Assessments and Maintenance Districts

- Remove graffiti within 24-hours
- Repair faulty lights and damage from vehicle accidents as soon as possible
- Respond to concerns related to traffic and security as soon as possible

Housing/Blockgrant

- Supported various agencies focused on providing homeless and homeless prevention services.
- Collaborated with City Public Works and MidPen Housing Corporation for development of a 90-unit affordable housing project with ground floor commercial space in the Chinatown area.

Enterprise Operations

- Hosted 2013 California International Airshow

❖ **Effective, Sustainable Government**

Administration

- City Manager was an integral part of Salinas being named a finalist for the 2015 All-America City Award, a prestigious award honoring communities developing innovative solutions to pressing problem.
- City Manager continues to dialogue with City leaders, site selectors and major business corporations in preparation and planning for the “Forbes Reinventing America AgTech Summit 2015,” hosted by the City.
- City Manager and Assistant City Manager continue to engage Council and community regarding City services, fiscal management, and implementation of the strategic plan goals and objectives.
- City Manager conducted 10 joint City/School Districts/Superintendent collaborative meetings.

- City Manager administered 20 federal and state legislative committee meetings. City Manager attends and coordinates City Council Strategic Planning Session and City Council meetings throughout the year.
- Conducted the 2014 Municipal Election, processed one citizen initiative, and two Council initiatives.
- Consolidated with City Clerk's Office with the City Manager's Office in efforts to improve government efficiencies and customer service.
- City Clerk's Office successfully implemented an agenda management system for the City Council, Commissions and Boards; and launched live video streaming.
- Human Resources Division implemented a Veteran's Preference Hiring Policy.
- Human Resources Division transitioned Life, LTD, and Dental carriers for annual costs savings of approximately \$180,696 for 2014 and 2015.
- Human Resources Division transitioned the administration of the City's workers' compensation program from JT2 Integrated Resources to CorVel, Inc.,
- Human Resources conducted 32 recruitments, processed 978 employment applications and 95 hires.
- Community Safety Division completed the SWP 5-year plan for 2013-2018, evaluated and ratified by the National Forum on Youth Violence Prevention
- Community Safety Division developed a process to solicit and evaluate potential grant partners for the 2015-2018 CAL GRIP Grant resulting in award of a 3-year \$1.5 million dollar grant that will fund Hospital based Violence Prevention, Community Police Officer, Teen Saturday Night Rec and the Parent Project.
- Community Safety Division hosted a two-day visit from the Office of Juvenile Justice and Delinquency Prevention which included presentations and visits with over 20 CASP partners included our police department various non-profits and many county and city departments.

City Attorney's Office

- **Customer Service Employee Training and Culture.** Participated in City-wide efforts to focus on excellent customer service and training of employees in customer service training.
- **Technology Upgrades.** Continued to support the City's efforts to upgrade City technology; drafted revisions to Social Media policy; began transition toward a "paperless" office.
- **Policy Review and Update.** Worked with Human Resources Staff to review and to update outdated or unworkable employment policies.

Community and Economic Development Department

- TRAKIT Permitting System now in use by other departments.
- Citygate Assessment Implementation Plan well underway.
- Expanded mobile TRAKIT usage to facilitate ease of capturing information for building inspections, fire inspection and code enforcement activities.
- CEDD/Permit Center Assessment findings presented to City Council with an implementation plan for the major recommendations.

Finance Department

- Actively participated in the selection of a new Financial Management System that included attending product presentations, system evaluations, site visits to other agencies using those systems and finally the product selection. Consequently, staff worked with vendor representatives to customize product to the City's needs while receiving training in accounting, accounts receivable/payable, and purchasing modules for eventual implementation on July 1, 2015.
- Automate, upgrade and improve business processes of the organization for both internal and external customers by implementing a new Finance and HR/Payroll system.
- Strategically and collaboratively worked with departments and City Manager to balance the FY 2015-16 year budget
- Tirelessly supporting all aspects of technology within the city with limited personnel
- Initial rollout of the new Shoretel VoIP system
- Additional acquisition and deployment of thin clients and datacenter infrastructure
- Continue to manage, facilitate and support the Measure V Committee
- Completed the annual financial statements and audit with a clean audit opinion.

Police Department

- Obtained grant funding to provide (70) body worn cameras to patrol personnel to enhance the Department's transparency and trust within the community.
- Began the process of installing mobile audio video cameras in all new patrol cars to enhance the Department's transparency and trust within the community.
- Began the process of participating in the Collaborative Reform Program with the Department of Justice.

Public Works Department

- Priority Based Budgeting
- Capital Improvement Budget Process Updates
- Agreement with Chevron Energy Services to create efficient use of energy
- Consolidation of property management following the dissolution of Redevelopment
- Developed and implemented a civic engagement program to support various projects and initiatives

Assessments and Maintenance Districts

- Manage district budgets with positive fund balances at year-end
- Address concerns quickly and effectively

Library and Community Services

- Leveraged programming and services by partnering with non-profit groups to lease portions of Sherwood Community Center, Closter Park, the Breadbox and Firehouse.
- In conjunction with the Friends of the Salinas Public Library, pursued and secured grant funding to explore alternative service delivery models including \$20,000 for Project Paletero, a mobile library outreach program that will allow push carts to serve as hot spots to provide temporary internet access and the ability to check out materials in neighborhoods. Recognized as the most innovated project by the Monterey County Gives Program. Also, partnered to establish a “Little Libraries Program” in five Salinas parks.

Enterprise Operations

- Continued support of the Airport Commission

Housing/Blockgrant

- Updated 3 essential HUD plans: the 5-year Consolidated Plan, a plan required for Salinas as an entitlement community; the Alisal Homeownership Neighborhood Revitalization Strategy Area, and the Analysis of Impediments to Fair Housing Choice. Conducted extensive outreach to engage residents to provide input on community development and housing needs, priorities, and potential strategies.
- Continued to increase efficiency and effectiveness through the continued use of online data management system to streamline the division’s Request for Proposal (RFP) process, subrecipient payment and beneficiary data management, and compliance monitoring task.
- Continued to implement projects and activities approved in the FY 2013-14 Supplemental CDBG RFP.

❖ **Excellent Infrastructure**

City Attorney’s Office

- **Continue Assessment and Inventory of Infrastructure Needs Based on a Standard of Quality for the City.** Managed litigation related to sidewalk-related cases; continued to support DPW in contracts and projects; supported efforts to develop and update fee programs which fund infrastructure improvements.

Library and Community Services

- Established a partnership with a volunteer group to install a new disc golf facility at Natividad Creek Park.

- Conducted 9 community clean-ups, issued 120 special event permits and provided \$17,500 in grants to local neighborhood groups through the Neighborhood Beautification Grants program.

Public Works Department

- East Market Street Improvements
- Airport Taxiway Improvements
- 50-50 Sidewalk Program
- Elvee Drive Improvement Design and Public Meetings
- Completed Rehabilitation of the Salinas Train Depot and the Historic Freight Building
- Complete Funding for Alisal-Skyway Roundabout and Award of Contract
- Completion of Design and Award of John Street/Sanborn Road Safety Project
- Intermodal Transportation Cost Center
- Completion of Design/award and start of construction of the Industrial Waste Water Conveyance System
- Completion of the design for the Sanborn Road/US101/Elvee Road Improvements
- Completion of phase 1 Sanitary Sewer and Manhole Rehab for the Downtown Area

Assessments and Maintenance Districts

- Quality maintenance contracts in place for mowing and street sweeping
- Replaced all lighting with LED
- Painted curbs and replaced signs as needed

Housing/Blockgrant

- Funded several Capital Improvement Projects including ADA-compliant sidewalks at Tatum's Garden and renovations for the Sherwood Hall Community Center facility.
- Completed the ADA improvements on E. Market St. (E. Market St. Overlay project).
- Allocated Section 108 loan funds for the Industrial Waste Water Conveyance System Upgrade project, which consists of critical upgrades to the deteriorated system that serves more than twenty-five (25) different high-volume ag-industrial users of the Industrial Wastewater Treatment Facility that collectively employ some 410 Full Time Equivalent (FTE) jobs which are largely low-moderate income positions.

Enterprise Operations

- Completed the Taxiway A and Charlie Reconstruction Project

❖ **Quality of Life**

City Attorney's Office

- **Youth Soccer Fields at Constitution Park.** Completed entitlement process on regional soccer complex project, including approval of environmental review and Master Lease with Monterey County and Sublease with SRSA.
- **Prioritize El Gabilan Library Expansion through Measure V Funds.** Assisted with preparation of lease agreements to complete expansion of El Gabilan Library.

Library and Community Services

- Provided over 22,500 meals to youth and seniors at seven locations through the Summer Snack Program and Firehouse Senior Program.
- Promoted literacy and cultural enrichment through the Annual Teen Film Festival featuring 27 student-produced films, six community poetry slams and spoken word events and the expansion of two more bookmobile sites.

Police Department

- Obtained grant funding for a place-based Police Officer to be assigned in Acosta Plaza.
- Partnered with Code Enforcement to assist Code Enforcement with illegal flower sales during Valentine's Day and Mother's Day.

Public Works Department

- Caesar Chavez Park Improvements (Play Equipment)
- Closter Park Improvements (Basketball Courts)
- Tatum's Garden (Property Agreement)
- Ciclovia (Award winning open streets project – 2nd Year)
- Acquisition of Urban Greening Grant
- Completed the retrofit of nearly 6,000 street lights with energy-efficient LED lights
- Planning El Gabilan Library Expansion and execution of associated agreements
- Four community outreach events in Chinatown to connect the marginally housed to services

Housing/Blockgrant

- Funded City and community programs focused upon the recreational and education needs of Salinas' youth.
- Funded design and construction of the 10 Soledad Street public facility located in the Chinatown area, ADA improvements for the Steaming Ahead Historic Railroad Exhibit, and retrofits for the Old Municipal Swimming Pool.
- Began construction on several Capital Improvement Projects including reconstruction of the La Paz Park Stage Area, playground improvements at various city parks, repairs at Sherwood Hall, and retrofits at the Old Municipal Pool.

Labor Relations

All employee groups have approved Memorandum of Understandings (MOUs) with the City. Police Management Association (PMA) and Salinas Police Officers Association (SPOA) MOUs will expire December 31, 2015. Fire Supervisors Association (FSA) and International Association of Firefighters (IAFF) MOUs will expire January 2, 2017. All other non-safety groups' contracts will expire December 31, 2016.

Effective July 1, 2013, employee bargaining groups agreed to the following concessions: non-safety employee groups deferred two four-percent salary adjustments until December 2014 and January 2016. The 10% reduction in pay with corresponding reduced hours (furlough) ended June 30, 2015. The Police Management and Salinas Police Officers Associations deferral of 5% salary adjustment ended October 1, 2015 and the 6.3% furlough salary reduction ended June 30, 2015; Fire Supervisors Association agreed to a contribution of 6.0% of salary toward City paid health insurance premiums and the suspension of management leave until December 31, 2016; International Association of Firefighters agreed to a contribution of 4.0% of salary toward City paid health insurance premiums until October 1, 2015; Fire units agreed to a fourth tier PERS plan of 2.5% at 57; and the Executive Group's contribution of 13% of salary toward City paid health insurance premiums ended June 30, 2015.

Acknowledgements

The preparation of this Annual Financial Report could not have been accomplished without the professional, efficient, and dedicated service of the staff of the Finance Department. In particular, I would like to express my appreciation to our professional accountants: Alma Gonzales-Delgado and Mary Lagasca, with a very special thanks to Assistant Finance Director, Miguel Gutierrez, and Accounting Manager, Elizabeth Mariano, who both are dedicated to the sound fiscal management of the City. The entire Finance staff deserves a special word of thanks for another year of hard work and quality performance. We also wish to thank our auditors, McGilloway, Ray, Brown & Kaufman, Accountants & Consultants, for their cooperation and assistance.

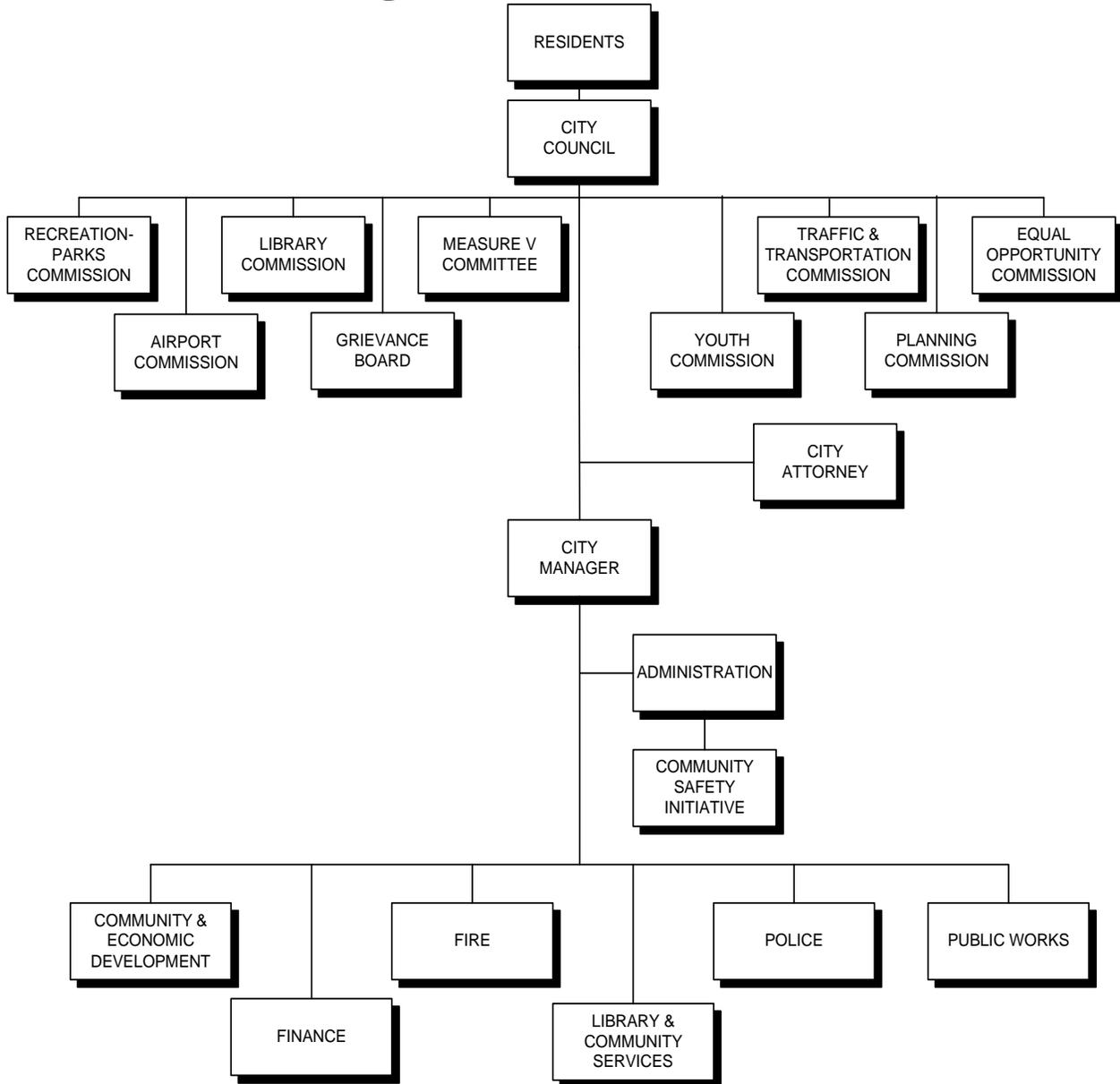
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



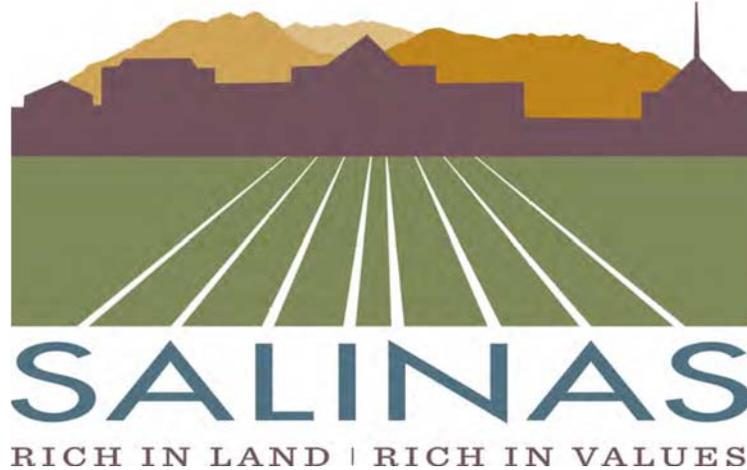
Matt N. Pressey, CPA —
Finance Director

City of Salinas Organization Chart



City of Salinas

List of Principal Officials



Joe Gunter

Mayor

José Castañeda

Councilmember
District 1

Gloria De La Rosa

Councilmember
District 4

Tony Barrera

Councilmember
District 2

Kimbley Craig

Councilmember
District 5

Steve McShane

Councilmember
District 3

Jyl Lutes

Councilmember
District 6

Ray E. Corpus, Jr.

City Manager

Christopher A. Callihan

City Attorney

Jim Pia

Assistant City Manager

Gary E. Petersen

Public Works Director

Cynthia Bojorquez

Library and Community
Services Director

Megan Hunter

Community
Development Director

Kelly J. McMillin

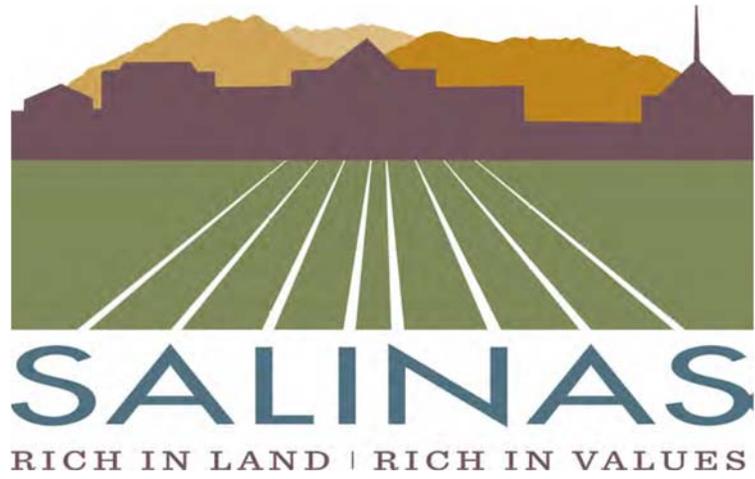
Chief of Police

Edmond A. Rodriguez

Fire Chief

Matt N. Pressey, CPA

Finance Director



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McGILLOWAY, RAY, BROWN & KAUFMAN

Accountants & Consultants

2511 Garden Road, Suite A180
Monterey, CA 93940-5301
831-373-3337
Fax 831-373-3437

379 West Market Street
Salinas, CA 93901
831-424-2737
Fax 831-424-7936

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Salinas, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Salinas, California (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

*Daniel M. McGilloway, Jr., CPA, CVA, Gerald C. Ray, CPA, Clyde W. Brown, CPA, Patricia M. Kaufman, CPA,
Larry W. Rollins, CPA*

*Sarita C. Shannon, CPA, Whitney Ernest, CPA, Devvyn MacBeth, CPA,
Jesus Montemayor, CPA, Smriti Shrestha, CPA, Wei Ding, CPA*

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Principle

As described in Notes 14 and 21 to the basic financial statements, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective July 1, 2014. Our opinions are not modified with respect to this matter.

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 schedules, pension schedule of changes in net pension liability and related ratios during the measurement period, and related pension schedule of plan contributions, schedule of funding progress other pension plan, schedule of funding progress other post-employment benefits, and schedule of claims development for internal service funds as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the

auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2016, 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 City of Salinas, California's internal control over financial reporting and compliance.



McGilloway, Ray, Brown & Kaufman
Salinas, California
January 14, 2016



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CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2015

This analysis of the City of Salinas (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to the financial statements.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2015, the City's net position (excess of assets over liabilities) were \$141.8 million. Of this amount, \$280.0 million are invested in capital assets and restricted assets which is offset by a deficit of \$138.2 million classified as unrestricted assets.
- During the fiscal year ended June 30, 2015, the City's total net position decreased by \$141.7 million. This change results from implementing a new accounting and standard requiring the recording of the net pension liability. Aside from recording the net pension liability, there was an increase of \$2.6 million in governmental activities net position and a slight increase of \$0.024 million in business-type activities net position after the prior period adjustments.
- During the fiscal year governmental funds fund balances increased \$20.2 million to \$76.9 million, of which \$68.7 million is either nonspendable, restricted, committed, or assigned and thus unavailable.
- During the fiscal year the General Fund, Measure V, and Measure G fund balance increased \$6.6 million to \$18.1 million of which \$8.9 million is either nonspendable, restricted, committed, or assigned. Unassigned General, Measure V & Measure G Fund fund balance was \$9.2 million.
- The City's total liabilities increased by \$158.7 million during the current fiscal year, mainly, as a result of the new accounting standard which added the new net pension liability. The City issued two new debts during the year. A capital lease financing of \$22 million for energy projects was issued, where the energy savings will more than pay for the debt service. The second was a \$4 million loan using low interest HUD Section 108 funds. The long-term debt decreased by \$8.0 million as result of regularly schedule debt service repayments in both governmental and business-type activities and the \$2.1 million payoff of the bonds related to the National Steinbeck Center (Series A-2002 COP's).
- The City's capital assets, net of depreciation, increased \$10.8 to \$302.9 million.

B. OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements and 3) Notes to the Basic Financial Statements.

The basic financial statements include the City (primary government) and all legally separate entities (component units) for which the government is financially accountable.

This report also contains other supplementary information in addition to the basic financial statements for further information and analysis.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2015

Government-Wide Financial Statements

The Government-Wide Financial Statements present the financial picture of the City and provide readers with a broad view of the City's finances. These statements present governmental activities and business-type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

The *Statement of Net Position* and the *Statement of Activities and Changes in Net Position* report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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, changes in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities and Changes in Net Position* presents information showing how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

In the *Statement of Net Position* and the *Statement of Activities and Changes in Net Position*, we separate the City activities as follows:

Governmental Activities—All of the City's basic services are reported in this category, including general government, public safety, community development, public works, recreation, and library. Property taxes, sales taxes, user fees, interest income, franchise fees, state grants and federal grants finance these activities. The City's insurance programs (health, worker's compensation, liability and property damage) are accounted for in internal service funds, but are reported as part of governmental activities since these programs are used primarily for governmental activities.

Business-Type Activities—The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Industrial Wastewater System, Airport, Golf Courses, Sanitary Sewer, Hitchcock Water Utility, Storm Sewer, Landfill and Parking District activities are reported as business-type activities.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2015

Fund Financial Statements

The Fund Financial Statements provide detailed information about the City's major funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

The Fund Financial Statements include statements for each of the three categories of activities – governmental, proprietary and fiduciary. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary funds are agency funds, pension trust fund and private purpose trust funds, which only report assets and liabilities and do not have a measurement focus.

Governmental Funds - The Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Funds Financial Statements focus on current financial resources, which emphasize near-term inflows and outflows of expendable resources as well as balances of expendable resources at the end of the fiscal year. This information is essential in evaluating the City's near-term financial requirements.

In order to better understand the City's long-term and short-term requirements, it is useful to compare the City's Governmental Funds Statements with the governmental activities in the Government-Wide Financial Statements. A reconciliation is provided for the Governmental Fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances to facilitate this comparison. The major governmental funds include the General, Measure V and Measure G Funds, Development Fees Special Revenue Fund, and Assessment Districts Debt Service Fund, Energy Improvement Lease Debt Service Fund and the Capital Projects Fund, which are reported in detail in the Governmental Fund Financial Statements. All other funds are shown in the aggregate as other non-major governmental funds.

Individual fund data for other non-major governmental funds is provided in the form of supplementary information elsewhere in the report.

Proprietary Funds - The City maintains two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The City uses enterprise funds to account for its Airport, Industrial Wastewater System, Golf Courses, Sanitary Sewer, Parking, Hitchcock Water Well Utility, Storm Sewer and Landfill activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its general city insurance operations. Because these services predominantly benefit the governmental rather than business-type activities, they have been included within governmental activities in the Government-Wide Financial Statements.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2015

Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. All enterprise funds are presented in detail as major enterprise funds. The internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of supplementary information elsewhere in the report.

Fiduciary Funds - The City is the trustee, or fiduciary, for certain funds held on behalf of external parties. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the resources of these funds are not available to support the City's own programs. The City is responsible for ensuring that these funds are used for their intended purpose.

Notes to the 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.

Required Supplementary Information

In addition to the basic financial statements, this report also presents certain Required Supplementary Information including the City's budgetary comparison schedules for the General, Measure V and Measure G Funds and the Development Fees major special revenue fund, and information concerning the progress in funding its obligation to provide pension benefits to its employees.

Other Supplementary Information

Combining statements for the other non-major governmental funds, Internal Service Funds, Fiduciary Funds and General, Measure V and Measure G Funds are presented immediately following the Required Supplementary Information as supplementary information.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2015

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Management Discussion and Analysis (MD&A) includes comparative data for analysis.

Statement of Net Position

Net position are a good indicator of the City's financial position. During this fiscal year, the net position of the City decreased \$2.6 million (1.9%) from the prior year from \$139.2 to \$141.8 million, after the prior period adjustment.

At June 30, 2015, the largest portion of net position (151.9%) consists of the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related outstanding debt used for such acquisition. The City uses these capital assets to provide services to residents. The capital assets of the City are not sources of income for repayment of debt as most assets are not revenue generating and generally are not liquidated to repay debt. Debt service payments are funded from other resources available to the City.

The following is the Condensed Statement of Net Position for the fiscal years ended June 30, 2015 and 2014:

	Governmental Activities		Business-type Activities		Total		Percent of Total
	2015	2014	2015	2014	2015	2014	
Assets:							
Current assets	\$ 86,503,477	\$ 70,109,932	\$ 10,863,435	\$ 11,806,729	\$ 97,366,912	\$ 81,916,661	22.0 %
Other assets	39,355,949	33,764,711	2,908,348	5,110,593	42,264,297	38,875,304	9.6 %
Capital assets, net	172,551,548	167,668,537	130,343,824	124,389,538	302,895,372	292,058,075	68.4 %
Total assets	298,410,974	271,543,180	144,115,607	141,306,860	442,526,581	412,850,040	100.0 %
Deferred outflows of resources							
Pension contributions	10,951,364	-	163,475	-	11,114,839	-	94.0 %
Reacquisition costs	312,794	335,138	393,411	430,904	706,205	766,042	6.0 %
Total deferred outflows of resources	11,264,158	335,138	556,886	430,904	11,821,044	766,042	100.0 %
Liabilities:							
Current liabilities	12,243,040	9,900,885	1,025,636	875,973	13,268,676	10,776,858	4.6 %
Other liabilities	42,698,545	40,286,153	-	-	42,698,545	40,286,153	14.8 %
LTD - due in one year	4,126,334	5,868,668	1,339,460	2,078,080	5,465,794	7,946,748	1.9 %
Long-term liabilities	182,867,058	31,647,815	44,554,189	39,455,971	227,421,247	71,103,786	78.7 %
Total liabilities	241,934,977	87,703,521	46,919,285	42,410,024	288,854,262	130,113,545	100.0 %
Deferred outflows of resources							
Pension investment earnings	23,306,419	-	380,038	-	23,686,457	-	100.0 %
Total deferred outflows of resources	23,306,419	-	380,038	-	23,686,457	-	100.0 %
Net Position:							
Net investment in Capital Assets	129,351,447	142,686,305	86,052,822	82,595,102	215,404,269	225,281,407	151.9 %
Restricted	56,799,569	43,488,015	7,840,011	8,044,570	64,639,580	51,532,585	45.6 %
Unrestricted	(141,717,280)	(1,999,523)	3,480,337	8,688,068	(138,236,943)	6,688,545	(97.5)%
Total Net Position	\$ 44,433,736	\$184,174,797	\$ 97,373,170	\$ 99,327,740	\$141,806,906	\$283,502,537	100.0 %

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2015

Statement of Activities

The following is the Condensed Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2015 and 2014:

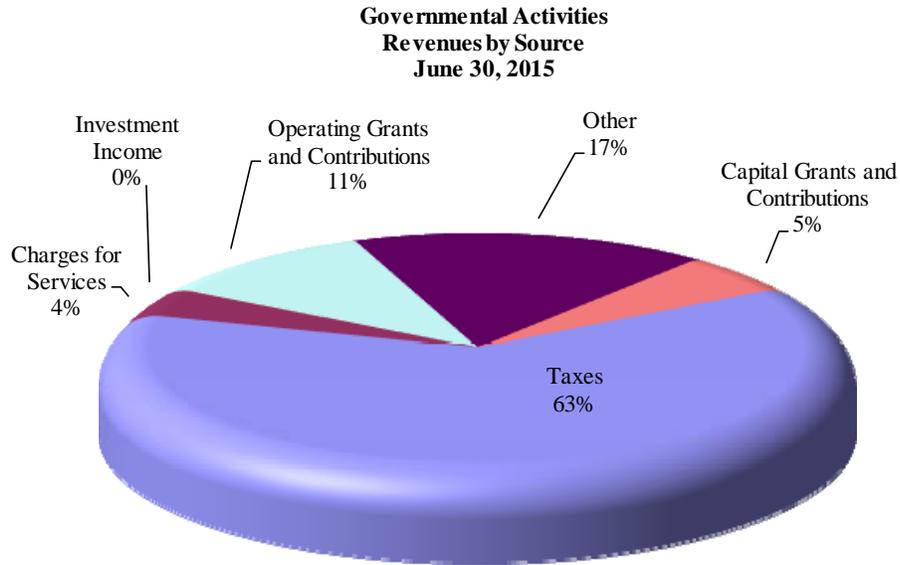
City of Salinas						
Condensed Statement of Activities and Changes in Net Position						
For the Fiscal Year Ended June 30, 2015						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services	\$ 5,591,738	\$ 5,493,742	\$ 7,873,379	\$ 7,792,171	\$ 13,465,117	\$ 13,285,913
Operating Grants & Contributions	15,492,374	16,932,597	666,321	268,443	16,158,695	17,201,040
Capital Grants & Contributions	8,020,484	8,170,682	2,713,634	3,181,631	10,734,118	11,352,313
General Revenues:						
Taxes	91,510,000	82,567,875	-	-	91,510,000	82,567,875
Licenses & Permits	1,469,919	1,143,747	-	-	1,469,919	1,143,747
Fines & Forfeitures	289,055	34,854	-	-	289,055	34,854
Grants & Contributions not Restricted	64,142	-	-	-	64,142	-
Unrestricted Investment Earnings	137,041	248,088	71,326	312,271	208,367	560,359
Rental income	340,695	174,933	-	-	340,695	174,933
Gain (Loss) on Disposal of Assets	(55,044)	(19,024)	-	(8,364)	(55,044)	(27,388)
Loan Proceeds	21,908,000	2,812,000	-	-	21,908,000	2,812,000
Loans Receivable Forgiven	-	178,845	-	-	-	178,845
Housing loan repayment from Successor Agency	646,438	-	-	-	646,438	-
Miscellaneous	223,105	860,750	-	-	223,105	860,750
Total Revenues	145,637,947	118,599,089	11,324,660	11,546,152	156,962,607	130,145,241
Expenses						
General Government	19,802,892	18,313,166	1,889,261	1,795,262	21,692,153	20,108,428
Public Safety	84,980,933	59,290,226	-	-	84,980,933	59,290,226
Public Works	26,516,376	26,058,855	10,441,791	10,359,075	36,958,167	36,417,930
Recreation	3,842,926	3,514,702	869,640	847,252	4,712,566	4,361,954
Library	4,285,395	4,158,251	-	-	4,285,395	4,158,251
Interest	1,742,682	1,071,604	-	-	1,742,682	1,071,604
Total Expenses	141,171,204	112,406,804	13,200,692	13,001,589	154,371,896	125,408,393
Increase (decrease) in Net Position before Contributions and Transfers						
	4,466,743	6,192,285	(1,876,032)	(1,455,437)	2,590,711	4,736,848
Contributions	-	(24,446)	1,169,706	809,021	1,169,706	784,575
Issuance cost of refinancing	-	-	-	(153,702)	-	(153,702)
Transfers	(1,903,952)	(2,441,172)	730,203	841,685	(1,173,749)	(1,599,487)
	(1,903,952)	(2,465,618)	1,899,909	1,497,004	(4,043)	(968,614)
Increase (decrease) in Net Position	2,562,791	3,726,667	23,877	41,567	2,586,668	3,768,234
Net Position - Beginning of Year	184,174,797	181,361,986	99,327,740	101,163,198	283,502,537	282,525,184
Prior Period Adjustment	(142,303,852)	(913,856)	(1,978,447)	(1,877,025)	(144,282,299)	(2,790,881)
Net Position - Beginning of Year as restated	41,870,945	180,448,130	97,349,293	99,286,173	139,220,238	279,734,303
Transfer Parking Net Position to Business-type Activities	-	-	-	-	-	-
Net Position - Ending	\$ 44,433,736	\$ 184,174,797	\$ 97,373,170	\$ 99,327,740	\$ 141,806,906	\$ 283,502,537

CITY OF SALINAS
 Management's Discussion and Analysis
 Fiscal Year ended June 30, 2015

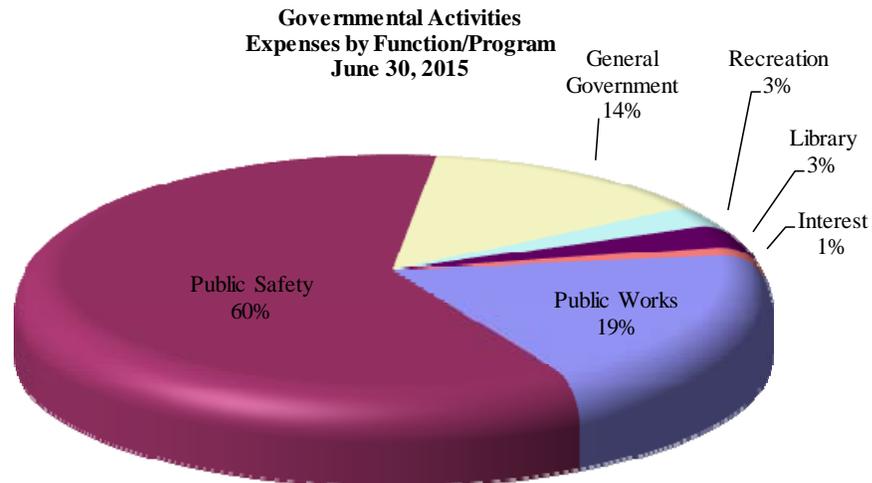
Total revenues increased from the prior year by \$26.8 million, or 20.6% and total expenditures increased by \$28.9 million from prior year, or 23.1%. Further analysis is provided within the governmental and business-type activities sections.

Governmental Activities

Governmental activities resources total \$145.6 million. The City's governmental activities increased net position by \$2.6 million. The following charts highlight the sources of revenues and purpose of expenses:



Total expenses for governmental activities, excluding transfers and contributions, were \$141.1 million including interest on long-term debt of \$1.7 million. Total expenditures that were funded by tax revenues, investment income and other general revenues were \$116.5 million.



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2015

Functional expenses for the year ended June 30, 2015 were as follows:

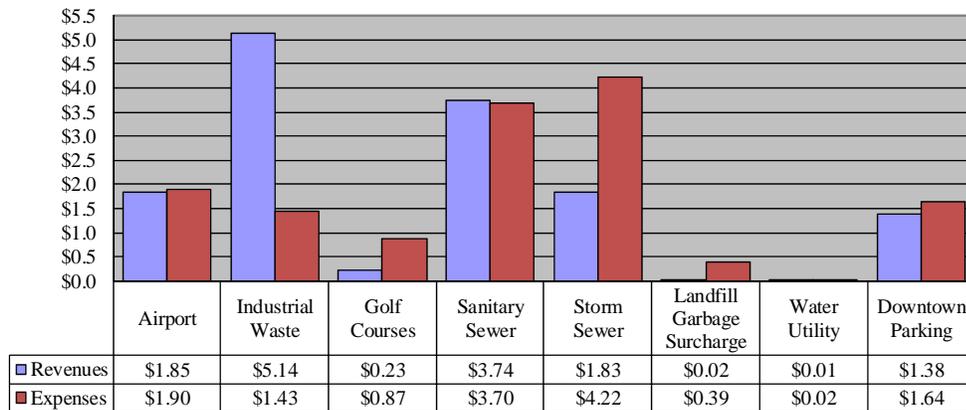
	Total Cost of Services	Percent	Net Cost of Services	Percentage
General government	\$ 19,802,892	14.0 %	\$ 11,072,599	9.9 %
Public safety	84,980,933	60.2 %	78,512,092	70.1 %
Public works	26,516,376	18.8 %	15,036,196	13.4 %
Recreation	3,842,926	2.7 %	3,459,967	3.1 %
Library	4,285,395	3.0 %	3,619,643	3.2 %
Interest	1,742,682	1.2 %	366,111	0.3 %
Total	\$ 141,171,204	100 %	\$ 112,066,608	100 %

Public safety continues to be the single highest expense for the City followed by public works. Net cost of services, after subtracting fees and grant revenues total \$81.8 million.

Business-Type Activities

The City's business-type activities net position was \$97.4 million, a slight increase of \$23,877 from the prior fiscal year after the prior period adjustment. Total revenues for business-type activities were \$11.3 million. The largest program revenues were charges for services of \$7.9 million. Other program revenues included operating/capital grants and contributions of \$3.4 million. Total expenses for the business-type activities were \$13.2 million during FY 2014-15.

Business -Type Activities
Revenues, Expenses (in millions)
June 30, 2015



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2015

D. FUND FINANCIAL STATEMENT ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of current fiscal year, the City's governmental funds reported combined ending fund balances of \$76.9 million. Of the total fund balance of \$76.9 million, \$10.2 million was nonspendable and indicates the resources are nonspendable inventory, loans, notes, land and property held for resale and are not anticipated to be liquidated in the near-term. Of the total fund balance, \$47.0 million was restricted fund balance and indicates the use of resources is constrained by external parties, resource providers, constitutions or enabling legislations. Fund balance of \$15.5 was restricted for future development, \$4.8 million for maintenance districts, \$2.1 million for street repairs, \$1.7 million for aviation projects, \$20.4 million was restricted for debt service, and \$1.5 million was restricted for public safety purposes. The remainder of the restrictions in the amount of \$1 million is restricted for various purposes as listed in Note 22. Committed fund balance totaled \$3.2 million are limited to specific purposes as defined in the City Charter or through a formal budgetary action of the City Council occurring through adoption of an ordinance or resolution. The \$3.2 million committed fund balance is committed for capital projects. Assigned fund balance totaled \$8.3 million. The remaining fund balance of \$8.1 million is unassigned and mainly includes the unassigned fund balance of the Measure V Fund of \$5 million and the Measure G Fund of \$5.4 million.

The General Fund is the chief operating fund of the City. The General, Measure V and Measure G Funds' fund balance increased by \$6.6 million in FY 2014-15 to \$18.1 million, of which \$3.7 million was nonspendable and indicates the resources are nonspendable inventory and advances and are not anticipated to be liquidated in the near-term. The \$1.2 million committed fund balance is committed for capital projects and is limited to specific purposes as defined in the City Charter or through a formal budgetary action of the City Council occurring through adoption of an ordinance or resolution. Assigned fund balance totaled \$4.1 million and have been allocated by the City Council for specific capital and operational needs. The remaining fund balance of \$9.1 million is unassigned.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Factors concerning these funds have been addressed in the discussion of Government-Wide Financial Analysis.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2015

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended General, Measure V, and Measure G Fund budget, including transfers in and advances, totaled \$91.4 million.

Significant Appropriations Increases/Decreases

Appropriations during the year was adjusted upward by \$5.0 million, of which, \$1.0 million were related to transfers for capital projects and \$2.3 million in operational changes mainly relating to General Government. Estimated revenue was adjusted upward by \$1.9 million.

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets Including Infrastructure

The following is a summary of the City's capital assets as of June 30, 2015 and 2014:

City of Salinas' Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 22,769,197	\$ 22,769,197	\$ 3,632,339	\$ 3,632,339	\$ 26,401,536	\$ 26,401,536
Buildings	47,181,218	45,607,241	27,231,159	27,231,159	74,412,377	72,838,400
Improvements	13,959,337	12,881,306	16,183,015	16,135,046	30,142,352	29,016,352
Equipment	29,369,357	27,733,098	7,647,612	7,226,433	37,016,969	34,959,531
Infrastructure	231,208,257	230,547,709	222,230,857	222,131,957	453,439,114	452,679,666
Progress	14,354,532	7,123,454	16,557,938	5,110,860	30,912,470	12,234,314
	358,841,898	346,662,005	293,482,920	281,467,794	652,324,818	628,129,799
Accumulated Depreciation	(186,290,350)	(178,993,468)	(163,139,096)	(157,078,256)	(349,429,446)	(336,071,724)
	<u>\$ 172,551,548</u>	<u>\$ 167,668,537</u>	<u>\$ 130,343,824</u>	<u>\$ 124,389,538</u>	<u>\$ 302,895,372</u>	<u>\$ 292,058,075</u>

Capital assets including infrastructure assets of the City are those assets which are used in the performance of the City's functions. At June 30, 2015, net capital assets of the governmental activities totaled \$172.6 million and the net capital assets of the business-type activities totaled \$130.3 million. During FY 2002-03, American Appraisal Associates were hired to conduct an inventory and valuation of all the City's capital assets. Finance Department staff maintains and updates the Capital Assets inventory by recording all assets acquired or retired at the end of every fiscal year and performs rotating spot inventories each year.

The City has elected to report and depreciate all infrastructures.

Governmental activities acquired \$12.1 million of capital assets during the year. The acquisitions include \$7.2 million in construction in progress, \$0.7 million in infrastructure improvements, \$1.6 million in machinery and equipment, \$2.6 million in buildings and improvements and no change in land.

Business-type activities acquired \$12.0 million of capital assets during the year. The acquisitions include \$11.45 million in construction in progress, \$0.1 million in infrastructure improvements, \$0.4 million in machinery and equipment, \$0.05 in buildings and improvements, and no change in land.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2015

Long-Term Obligations

As of June 30, 2015, the City had \$232.9 million in long-term debt.

City of Salinas' Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Annual Leave	\$ 9,801,634	\$ 9,838,561	\$ 247,384	\$ 266,829	\$ 10,049,018	\$10,105,390
Estimated Insurance						
Claims	3,135,878	2,455,433	-	-	3,135,878	2,455,433
New York Life Net						
Pension Obligation	25,921	-	-	-	25,921	-
Capital Leases	27,734,363	4,744,910	12,915,781	13,556,016	40,650,144	18,300,926
Loans and Notes	-	-	4,019,295	57,033	4,019,295	57,033
Revenue Bonds	-	-	16,950,000	17,290,000	16,950,000	17,290,000
Certificates of						
Participation	8,215,000	10,775,000	9,880,000	10,255,000	18,095,000	21,030,000
Assessment District						
Bonds	7,120,000	9,840,000	-	-	7,120,000	9,840,000
Unamortized Bond						
Premium	-	-	148,782	159,409	148,782	159,409
Unamortized Bond						
Discount	(90,273)	(137,421)	(45,669)	(50,236)	(135,942)	(187,657)
Subtotal	55,942,523	37,516,483	44,115,573	41,534,051	100,058,096	79,050,534
Net Pension Liability	131,050,869	-	1,778,076	-	132,828,945	-
Total outstanding debt	\$ 186,993,392	\$37,516,483	\$45,893,649	\$41,534,051	\$ 232,887,041	\$79,050,534

Further details on the City of Salinas' long-term debt can be found in Note 18 to the financial statements.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For FY 2016-17 and beyond, the City is still faced with the challenges of rising costs and but now is also faced with the challenges of strategically allocating existing and new resources to what matters most to the community. With the successful passage of Measure G, the revenue measure will bring in over \$22 million a year, which began in April 2015. Furthermore, the City was successful in the passage of Measure H, which modernizes the Utility Users Tax for telecommunications and video services, which could bring in an additional \$1 million a year and will grow over time. Furthermore, the housing market has improved more than expected in FY 2014-15 with assessed values increasing more than 8.8% and 6.49% in FY 2015-16.

From an efficiency and reallocation of resources standpoint, the City has been working hard on several fronts to collaboratively and creatively reduce, control costs and strategically realign the allocation of existing resources. The City has implemented priority based budgeting, further expending and deploying economic development efforts, and implementing new technology to improve the workforce efficiency and effectiveness in administrative functions and service delivery and has worked hard on pension reform, reaching a forth tier of reform in the last fiscal year. Each Department has been reviewing its operations and organizational structure. Studies including the Permit Center review and a study of the Police and Fire department staffing have occurred and recommendations implemented. These studies, performed by outside, independent consultants, further built

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2015

on what the Avery organizational study accomplished and provide the City with a blueprint for a more specific sustainable service delivery model and structure. The City also continues to leverage grant funding and leverage private, public and non-profit partnerships to pay for and provide services to the community. The City has 61 active federal and state grants that total over \$43 million over 50 active collaborative relationships with other organizations that bring millions in resources to the City and service to the community. Given the efforts underway and the improved revenue forecast, the future outlook is very positive.

H. REQUEST FOR INFORMATION

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Salinas Finance Department, 200 Lincoln Avenue, Salinas, California 93901.

BASIC FINANCIAL STATEMENTS



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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



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CITY OF SALINAS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 66,231,225	\$ 11,989,960	\$ 78,221,185
Receivables, net of allowance			
Taxes	14,316,156	-	14,316,156
Accounts	119,781	640,521	760,302
Accrued interest	819,042	13,750	832,792
Due from outside agencies	4,668,662	-	4,668,662
Due from other funds	1,791,107	(1,780,796)	10,311
Internal balances	3,585,000	(3,585,000)	-
Inventory	16,133	-	16,133
Restricted cash and investments	19,937,751	6,297,410	26,235,161
Advances to Successor Agency	293,562	-	293,562
Assessments receivable	7,120,000	-	7,120,000
Loan receivables, net of allowance	4,336,620	-	4,336,620
Prepaid bond insurance	116,834	195,938	312,772
Land and properties held for resale	2,507,553	-	2,507,553
Capital assets			
Land and nondepreciable assets	37,123,729	20,190,277	57,314,006
Depreciable assets, net of accumulated depreciation	135,427,819	110,153,547	245,581,366
Total assets	<u>298,410,974</u>	<u>144,115,607</u>	<u>442,526,581</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions	10,951,364	163,475	11,114,839
Loss on refunding	312,794	393,411	706,205
Total deferred outflows of resources	<u>11,264,158</u>	<u>556,886</u>	<u>11,821,044</u>
Total assets and deferred outflows	<u>309,675,132</u>	<u>144,672,493</u>	<u>454,347,625</u>
LIABILITIES			
Accounts payable	11,418,961	470,351	11,889,312
Accrued interest payable	624,079	525,926	1,150,005
Prepaid deposits	-	29,359	29,359
Due to outside agencies	200,000	-	200,000
Unearned revenues	9,748,905	-	9,748,905
Long term liabilities			
Insurance claims payable	24,088,100	-	24,088,100
Net OPEB obligation	8,861,540	-	8,861,540
Debt due within one year	4,126,334	1,345,520	5,471,854
Debt due in more than one year	51,816,189	42,770,053	94,586,242
Net pension liability	131,050,869	1,778,076	132,828,945
Total liabilities	<u>241,934,977</u>	<u>46,919,285</u>	<u>288,854,262</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	23,306,419	380,038	23,686,457
Total deferred outflows of resources	<u>23,306,419</u>	<u>380,038</u>	<u>23,686,457</u>
NET POSITION			
Net investment in capital assets	129,351,447	86,052,822	215,404,269
Restricted for:			
Housing	8,607,858	-	8,607,858
Capital projects	6,728,037	-	6,728,037
Highways and streets	18,907,884	-	18,907,884
Debt service	20,363,648	7,840,011	28,203,659
Special programs	2,192,142	-	2,192,142
Total restricted assets	<u>56,799,569</u>	<u>7,840,011</u>	<u>64,639,580</u>
Unrestricted net position (deficit)	<u>(141,717,280)</u>	<u>3,480,337</u>	<u>(138,236,943)</u>
Total net position	<u>\$ 44,433,736</u>	<u>\$ 97,373,170</u>	<u>\$ 141,806,906</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

FUNCTION/PROGRAM ACTIVITIES	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 19,802,892	\$ 4,163,461	\$ 4,566,766	\$ 66	\$ (11,072,599)	\$ -	\$ (11,072,599)
Public safety	84,980,933	1,027,020	5,245,696	196,125	(78,512,092)	-	(78,512,092)
Public works	26,516,376	106,787	5,103,403	6,269,990	(15,036,196)	-	(15,036,196)
Recreation	3,842,926	252,739	28,234	101,986	(3,459,967)	-	(3,459,967)
Library	4,285,395	41,731	548,275	75,746	(3,619,643)	-	(3,619,643)
Interest on long-term debt	1,742,682	-	-	1,376,571	(366,111)	-	(366,111)
Total governmental activities	141,171,204	5,591,738	15,492,374	8,020,484	(112,066,608)	-	(112,066,608)
Business-type activities:							
Airport	1,889,261	1,307,723	39,434	503,208	-	(38,896)	(38,896)
Industrial waste	1,429,645	3,010,988	-	2,101,272	-	3,682,615	3,682,615
Municipal golf courses	869,640	-	225,000	-	-	(644,640)	(644,640)
Sanitary sewer	3,370,557	3,280,028	401,887	32,889	-	344,247	344,247
Storm sewer	3,984,938	54,027	-	76,265	-	(3,854,646)	(3,854,646)
Landfill Garbage Surcharge	-	-	-	-	-	-	-
Water utility	18,049	7,780	-	-	-	(10,269)	(10,269)
Downtown parking	1,638,602	212,833	-	-	-	(1,425,769)	(1,425,769)
Total business-type activities	13,200,692	7,873,379	666,321	2,713,634	-	(1,947,358)	(1,947,358)
Total primary government	\$ 154,371,896	\$ 13,465,117	\$ 16,158,695	\$ 10,734,118	(112,066,608)	(1,947,358)	(114,013,966)
General revenues and transfers:							
					91,510,000	-	91,510,000
					1,758,974	-	1,758,974
					64,142	-	64,142
					137,041	71,326	208,367
					223,105	-	223,105
					340,695	-	340,695
					(55,044)	-	(55,044)
					21,908,000	-	21,908,000
					-	1,169,706	1,169,706
					646,438	-	646,438
					(1,903,952)	730,203	(1,173,749)
Total general revenues and transfers					114,629,399	1,971,235	116,600,634
Change in net position					2,562,791	23,877	2,586,668
Net position - beginning of year					184,174,797	99,327,740	283,502,537
Prior period adjustment - Note 21					(142,303,852)	(1,978,447)	(144,282,299)
Net position - beginning of year, as restated					41,870,945	97,349,293	139,220,238
Net position - end of year					\$ 44,433,736	\$ 97,373,170	\$ 141,806,906

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS



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GOVERNMENTAL FUNDS

GENERAL, MEASURE V, & MEASURE G FUND

The General, Measure V, & Measure G Funds are always classified as a major fund. They account for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General, Measure V, & Measure G Funds support essential City services such as police and fire protection, street maintenance, libraries, and parks and open space maintenance.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for a particular purpose. The following fund has been classified as a major fund.

Development Fees Fund - This fund accounts for the fees that subdividers and developers of property are required to pay, by Resolution 3823 (N.C.S.), covering traffic impact, annexation, use of existing or new sewers, storm drains, park facilities, library facilities and street trees.

DEBT SERVICE FUNDS

Debt Service Funds are used primarily to account for the accumulation of resources for the payment of principal and interest on general long-term debt of the City. The following fund has been classified as a major fund.

Assessment District Debt Service Fund - This fund is used to accumulate monies for payment of the City's Assessment Districts Improvement Bonds. Debt service is financed with special assessments levied against property owners within the respective improvement districts.

Energy Improvement Lease Fund - This fund is used to account for lease payments on debt incurred in fiscal year 2014-15 that funds the City's ongoing efforts to reduce energy consumption and to develop long-term cost savings through increased energy efficiency. The project will install LED lighting on street lights and parking lots in addition to building solar PV installations at the Hitchcock road Animal Shelter, the Industrial Waste Treatment Plant, the Salinas Municipal Airport, the Permit Center, Sherwood Hall, and the Sewer Lift Station site off Work Street. The Funding came through a private placement in the amount of \$21,908,000. The Debt Service repayment will be over a 17 year period at an interest rate of 3.03%.

Capital Projects Fund - This fund accounts for all capital project expenditures. Funds are transferred in from various other funds after expenditures are made. This revolving fund was established with \$2,000,000 and is used to advance capital project expenditures prior to reimbursement of Federal, State, and other construction grants and bond financing.



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CITY OF SALINAS
STATEMENT OF FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General, Measure V, & Measure G	Development Fees	Assessment District Debt Service	Energy Improvement Lease	Capital Projects	Other Non-Major Governmental Funds	Total
ASSETS							
Cash and investments	\$ 19,825,905	\$ 15,615,132	\$ 1,946,218	\$ -	\$ 1,896,149	\$ 18,063,310	\$ 57,346,714
Receivables, net:							
Taxes	14,097,504	-	-	-	-	-	14,097,504
Accounts	119,781	-	-	-	-	-	119,781
Accrued interest	47,852	15,863	-	-	-	750,288	814,003
Assessments	-	-	7,120,000	-	-	-	7,120,000
Due from outside agencies	75,000	-	-	-	-	4,593,662	4,668,662
Due from other funds	5,059,134	-	-	-	3,643,585	200,000	8,902,719
Advances to Successor Agency	-	-	-	-	-	293,562	293,562
Inventory	16,133	-	-	-	-	-	16,133
Restricted cash and investments	-	-	-	18,787,024	-	810,169	19,597,193
Loan receivables	-	-	-	-	-	4,336,620	4,336,620
Advances to other funds	3,585,000	-	-	-	-	-	3,585,000
Land and properties held for resale	-	-	-	-	-	2,507,553	2,507,553
Total assets	<u>\$ 42,826,309</u>	<u>\$ 15,630,995</u>	<u>\$ 9,066,218</u>	<u>\$ 18,787,024</u>	<u>\$ 5,539,734</u>	<u>\$ 31,555,164</u>	<u>\$ 123,405,444</u>
LIABILITIES							
Accounts payable	\$ 6,156,381	\$ -	\$ -	\$ -	\$ 3,539,734	\$ 1,623,410	\$ 11,319,525
Due to outside agencies	-	-	-	-	-	200,000	200,000
Due to other funds	18,569,969	98,206	-	3,511,456	-	3,057,855	25,237,486
Unearned revenues	-	-	-	-	-	2,101,908	2,101,908
Total liabilities	<u>24,726,350</u>	<u>98,206</u>	<u>-</u>	<u>3,511,456</u>	<u>3,539,734</u>	<u>6,983,173</u>	<u>38,858,919</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - housing loans	-	-	-	-	-	328,442	328,442
Unavailable revenues - grants	-	-	-	-	-	226,890	226,890
Unavailable revenues - special assessment receivable	-	-	7,120,000	-	-	-	7,120,000
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>7,120,000</u>	<u>-</u>	<u>-</u>	<u>555,332</u>	<u>7,675,332</u>
FUND BALANCE							
Nonspendable	3,676,133	-	-	-	-	6,515,731	10,191,864
Restricted	-	15,532,789	1,946,218	15,275,568	-	14,248,004	47,002,579
Committed	1,213,900	-	-	-	2,000,000	-	3,213,900
Assigned	4,089,713	-	-	-	-	4,234,164	8,323,877
Unassigned	9,120,213	-	-	-	-	(981,240)	8,138,973
Total fund balance	<u>18,099,959</u>	<u>15,532,789</u>	<u>1,946,218</u>	<u>15,275,568</u>	<u>2,000,000</u>	<u>24,016,659</u>	<u>76,871,193</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 42,826,309</u>	<u>\$ 15,630,995</u>	<u>\$ 9,066,218</u>	<u>\$ 18,787,024</u>	<u>\$ 5,539,734</u>	<u>\$ 31,555,164</u>	<u>\$ 123,405,444</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

Total fund balances - total governmental funds (page F-27)		\$ 76,871,193
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not current financial resources and therefore are not reported in the governmental funds balance sheet.		172,551,548
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.		(624,079)
Deferred revenues are adjusted as follows:		
Deferred revenues resulting from revenues that are not available to liquidate liabilities of the current period in the governmental funds are reclassified as revenues in the statement of net position.		28,335
Taxes receivable not collectible within sixty days are not available to pay current period expenditures and, therefore, are not reported in the funds.		218,652
Internal service funds are used by management to charge the costs of insurance programs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net position.		3,168,448
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet as follows:		
Annual leave	\$ (9,801,635)	
Estimated insurance claims	(3,135,878)	
Net pension liability	(131,050,869)	
New York Life pension obligation	(25,921)	
Capital leases	(27,734,363)	
Certificates of participation	(8,215,000)	
Assessment bonds	(7,120,000)	
Bond discount	90,272	(186,993,394)
The Other Post Employment Benefit (OPEB) obligation is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(8,861,540)
Governmental funds report premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position		429,628
Deferred inflows and outflows		
The deferred outflows below are not current assets or financial resources; and the deferred inflows are not due and payable in the current period, and therefore are not reported in the Governmental Funds		
Deferred outflows		10,951,364
Deferred inflows		(23,306,419)
Net position of governmental activities (page F-21)		\$ 44,433,736

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General, Measure V, & Measure G	Development Fees	Assessment District Debt Service	Energy Improvement Lease	Capital Projects	Other Non- major Governmental Funds	Total
REVENUES							
Taxes	\$ 91,443,865	\$ -	\$ -	\$ -	\$ -	\$ 710,191	\$ 92,154,056
Taxes - special assessments	-	-	1,376,571	-	-	1,638,492	3,015,063
Licenses and permits	1,469,919	-	-	-	-	-	1,469,919
Intergovernmental	1,196,114	-	-	-	-	16,022,701	17,218,815
Charges for services	3,859,668	1,094,316	-	-	-	258,219	5,212,203
Interest	137,041	85,501	-	-	-	84,764	307,306
Rental income	340,695	-	-	-	-	181,762	522,457
Fines and forfeits	289,055	-	-	-	-	511,039	800,094
Developer contributions	-	-	-	-	-	794,343	794,343
Miscellaneous	223,105	-	-	-	-	466,421	689,526
Total revenues	<u>98,959,462</u>	<u>1,179,817</u>	<u>1,376,571</u>	<u>-</u>	<u>-</u>	<u>20,667,932</u>	<u>122,183,782</u>
EXPENDITURES							
Current:							
General government	16,096,574	10,252	-	-	-	2,790,313	18,897,139
Public safety	52,982,137	-	-	-	-	4,810,261	57,792,398
Public works	11,815,626	-	-	-	-	-	11,815,626
Recreation	1,615,001	-	-	-	-	1,234,834	2,849,835
Library	3,556,485	-	-	-	-	443,665	4,000,150
Capital outlay	205,689	-	-	-	15,814,360	5,597,721	21,617,770
Debt service:							
Principal retirement	-	-	2,720,000	-	-	2,729,000	5,449,000
Interest and fiscal charges	-	-	487,994	-	-	563,507	1,051,501
Bad Debt	-	-	-	-	-	299,404	299,404
Total expenditures	<u>86,271,512</u>	<u>10,252</u>	<u>3,207,994</u>	<u>-</u>	<u>15,814,360</u>	<u>18,468,705</u>	<u>123,772,823</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,687,950</u>	<u>1,169,565</u>	<u>(1,831,423)</u>	<u>-</u>	<u>(15,814,360)</u>	<u>2,199,227</u>	<u>(1,589,041)</u>
OTHER FINANCING SOURCES (USES)							
Loan proceeds	-	-	-	21,908,000	-	-	21,908,000
Housing Loan Repayment from Successor Agency	-	-	-	-	-	646,438	646,438
Operating transfers in	2,151,766	-	-	-	15,814,360	4,198,718	22,164,844
Operating transfers out	(8,243,937)	(876,096)	778,275	(6,632,432)	-	(7,921,636)	(22,895,826)
Total other financing sources (uses)	<u>(6,092,171)</u>	<u>(876,096)</u>	<u>778,275</u>	<u>15,275,568</u>	<u>15,814,360</u>	<u>(3,076,480)</u>	<u>21,823,456</u>
NET CHANGE IN FUND BALANCE	6,595,779	293,469	(1,053,148)	15,275,568	-	(877,253)	20,234,415
FUND BALANCE, BEGINNING OF YEAR	<u>11,504,180</u>	<u>15,239,320</u>	<u>2,999,366</u>	<u>-</u>	<u>2,000,000</u>	<u>24,893,912</u>	<u>56,636,778</u>
FUND BALANCE, END OF YEAR	<u>\$ 18,099,959</u>	<u>\$ 15,532,789</u>	<u>\$ 1,946,218</u>	<u>\$ 15,275,568</u>	<u>\$ 2,000,000</u>	<u>\$ 24,016,659</u>	<u>\$ 76,871,193</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE
GOVERNMENT WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balance - total governmental funds (page F-29)		\$ 20,234,415
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		4,883,009
Net increase (decrease) in taxes receivable not collectible within sixty days.		66,134
Unearned revenues of new housing loans are reported in the statement of net position.		748,450
Principal payments on housing loans are reported in the statement of net position.		(284,334)
Reporting of loan receivables at realizable value requires an allowance to be made.		(791,198)
Issuance of long-term debt including capital advances, compensating absences, and leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources in governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Following is the net effect of these differences in the treatment of long-term debt and related items:		
Decrease in benefits' liability	\$ (647,842)	
Net pension liability	(1,102,072)	
New York Life pension obligation	(25,921)	
Capital leases	(22,989,453)	
Certificates of participation	2,560,000	
Assessment district 1915 act bonds	<u>2,720,000</u>	(19,485,288)
Net Other Post Employment Benefits (OPEB) expenses are recognized in government-wide statements. The net OPEB obligation is the cumulative difference between annual OPEB costs and contributions made to the plan.		(1,043,826)
Governmental funds report the effect of bond insurance costs when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net current period change in unamortized bond insurance cost.		(116,786)
Interest payable expense on long-term debt is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, interest payable expense is not reported as expenditures in governmental funds. This amount is the current year net change in interest payable.		(391,777)
Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The assets and liabilities of the internal service funds are included in the statement of net position.		<u>(1,256,008)</u>
Change in net position of governmental activities (page F-22)		<u><u>\$ 2,562,791</u></u>

The accompanying notes are an integral part of this statement.

PROPRIETARY FUNDS

Proprietary Funds are used to account for a government's business-type activities (activities supported, at least in part, by fees or charges). Proprietary funds are segregated into Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report business-type activities for which a fee is charged to external users for goods or services. Internal Service Funds on the other hand are used primarily for services provided to internal users (other departments or agencies).

The City has the following Enterprise Funds:

Airport Fund - This fund is used to account for the enterprise operations of the City-owned airport.

Industrial Waste Fund - This fund is used to account for enterprise operations of the City-operated Industrial Wastewater treatment facility.

Municipal Golf Courses Fund - This fund is used to account for the enterprise operations of the Fairways and Twin Creeks golf courses.

Sanitary Sewer Fund - This fund is used to account for the maintenance of the City's sanitary sewer collection system, which is funded by user fees and by the Monterey Regional Water Pollution Control Agency sewer user fees.

Storm Sewer Fund - This fund is used to account for the maintenance of the City's storm drainage system and the street sweeping program. This program was funded with a storm sewer fee that was declared by the Court as invalid under Proposition 218. Until alternative funding is secured, the program is funded with a combination of general funds and gas tax funds. In addition, the program is funded with a street sweeping surcharge on garbage collection billings.

Landfill Garbage Surcharge Fund - This fund is used to account for the installment sale of the Crazy Horse landfill site to the Salinas Valley Solid Waste Authority.

Water Utility Fund – This fund is used to account for the repairs and maintenance of the water well located at Hitchcock Road. Water users fund the costs of the water well repairs and annual operating costs.

Parking District Fund - This fund was established to account for revenues, operating expenses and debt service associated with the City's parking facilities. The City's paid parking facilities include the Monterey Street Parking Structure, the Salinas Street Garage and four parking lots.



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CITY OF SALINAS
STATEMENT OF FUND NET POSITION (DEFICITS)
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activity - Enterprise Funds								Governmental	
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Parking District	Totals	Internal Service Funds
ASSETS										
Current Assets:										
Cash and investments	\$ 679,199	\$ 2,792,498	\$ 454,799	\$ 4,453,704	\$ 764,961	\$ 2,799,247	\$ 43,669	\$ 1,883	\$ 11,989,960	\$ 8,884,511
Receivables, net										
Accounts	39,677	316,138	16,667	244,297	-	-	7,780	15,962	640,521	-
Accrued interest	739	4,545	154	5,078	424	2,810	-	-	13,750	5,039
Prepaid bond insurance	-	-	3,278	-	-	-	-	8,587	11,865	-
Due from general fund	-	-	-	-	-	-	-	-	-	18,125,874
Total current assets	<u>719,615</u>	<u>3,113,181</u>	<u>474,898</u>	<u>4,703,079</u>	<u>765,385</u>	<u>2,802,057</u>	<u>51,449</u>	<u>26,432</u>	<u>12,656,096</u>	<u>27,015,424</u>
Noncurrent assets:										
Restricted cash and investments	-	1,864,761	925,718	3,504,315	-	-	-	2,616	6,297,410	340,558
Prepaid bond Insurance, long term	-	-	29,500	-	-	-	-	154,573	184,073	-
Capital assets										
Land and nondepreciable assets	5,648,548	8,963,340	-	5,522,544	49,145	-	-	6,700	20,190,277	-
Depreciable assets, net accumulated depreciation	12,112,999	3,673,459	3,009,013	33,088,343	46,933,406	-	87,274	11,249,053	110,153,547	-
Net capital assets	<u>17,761,547</u>	<u>12,636,799</u>	<u>3,009,013</u>	<u>38,610,887</u>	<u>46,982,551</u>	<u>-</u>	<u>87,274</u>	<u>11,255,753</u>	<u>130,343,824</u>	<u>-</u>
Total noncurrent assets	<u>17,761,547</u>	<u>14,501,560</u>	<u>3,964,231</u>	<u>42,115,202</u>	<u>46,982,551</u>	<u>-</u>	<u>87,274</u>	<u>11,412,942</u>	<u>136,825,307</u>	<u>340,558</u>
Total assets	<u>18,481,162</u>	<u>17,614,741</u>	<u>4,439,129</u>	<u>46,818,281</u>	<u>47,747,936</u>	<u>2,802,057</u>	<u>138,723</u>	<u>11,439,374</u>	<u>149,481,403</u>	<u>27,355,982</u>
DEFERRED OUTFLOWS OF RESOURCES										
Pension contributions	36,976	29,192	-	46,707	40,869	-	-	9,731	163,475	-
Loss on refunding of debt	-	-	328,779	64,632	-	-	-	-	393,411	-
Total deferred outflows of resources	<u>36,976</u>	<u>29,192</u>	<u>328,779</u>	<u>111,339</u>	<u>40,869</u>	<u>-</u>	<u>-</u>	<u>9,731</u>	<u>556,886</u>	<u>-</u>
Total assets and deferred outflows	<u>18,518,138</u>	<u>17,643,933</u>	<u>4,767,908</u>	<u>46,929,620</u>	<u>47,788,805</u>	<u>2,802,057</u>	<u>138,723</u>	<u>11,449,105</u>	<u>150,038,289</u>	<u>27,355,982</u>
LIABILITIES										
Current Liabilities:										
Accounts payable	48,140	253,645	1,154	57,550	51,150	-	433	58,279	470,351	99,434
Deposits	29,359	-	-	-	-	-	-	-	29,359	-
Due to other funds	8,970	295,784	-	1,102,219	31,237	-	-	342,586	1,780,796	-
Insurance claims payable	-	-	-	-	-	-	-	-	-	24,088,100
Interest payable	1,156	7,339	70,202	278,760	1,877	-	-	166,592	525,926	-
Long term debt - due within one year	38,908	3,553	390,433	372,328	64,217	-	-	476,081	1,345,520	-
Total current liabilities	<u>126,533</u>	<u>560,321</u>	<u>461,789</u>	<u>1,810,857</u>	<u>148,481</u>	<u>-</u>	<u>433</u>	<u>1,043,538</u>	<u>4,151,952</u>	<u>24,187,534</u>
Noncurrent Liabilities:										
Advance from general fund	-	-	1,500,000	-	-	-	-	2,085,000	3,585,000	-
Long term debt - due in more than one year	191,511	4,014,211	9,443,898	16,784,952	170,335	-	-	12,165,146	42,770,053	-
Net pension liability	402,184	317,514	-	508,021	444,519	-	-	105,838	1,778,076	-
Total noncurrent liabilities	<u>593,695</u>	<u>4,331,725</u>	<u>10,943,898</u>	<u>17,292,973</u>	<u>614,854</u>	<u>-</u>	<u>-</u>	<u>14,355,984</u>	<u>48,133,129</u>	<u>-</u>
Total liabilities	<u>720,228</u>	<u>4,892,046</u>	<u>11,405,687</u>	<u>19,103,830</u>	<u>763,335</u>	<u>-</u>	<u>433</u>	<u>15,399,522</u>	<u>52,285,081</u>	<u>24,187,534</u>
DEFERRED INFLOWS OF RESOURCES										
Pension investment earnings	85,961	67,864	-	108,582	95,010	-	-	22,621	380,038	-
Total deferred inflows	<u>85,961</u>	<u>67,864</u>	<u>-</u>	<u>108,582</u>	<u>95,010</u>	<u>-</u>	<u>-</u>	<u>22,621</u>	<u>380,038</u>	<u>-</u>
NET POSITION										
Invested in capital assets	17,587,711	8,629,460	(6,941,189)	21,382,127	46,840,572	-	87,274	(1,533,133)	86,052,822	-
Restricted	-	2,390,796	925,718	4,479,287	38,093	-	-	6,117	7,840,011	340,558
Unrestricted	124,238	1,663,767	(622,308)	1,855,794	51,795	2,802,057	51,016	(2,446,022)	3,480,337	2,827,890
Total net position (deficit)	<u>\$ 17,711,949</u>	<u>\$ 12,684,023</u>	<u>\$ (6,637,779)</u>	<u>\$ 27,717,208</u>	<u>\$ 46,930,460</u>	<u>\$ 2,802,057</u>	<u>\$ 138,290</u>	<u>\$ (3,973,038)</u>	<u>\$ 97,373,170</u>	<u>\$ 3,168,448</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICITS)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activity - Enterprise Fund									Governmental Activity
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Parking District	Totals	Internal Service Funds
OPERATING REVENUES:										
Charges for services										
Fees	\$ 2,600	\$ 3,010,988	\$ -	\$ 3,280,028	\$ 54,027	\$ -	\$ 7,780	\$ -	\$ 6,355,423	\$ 9,342,163
Licenses and permits	47,354	-	-	-	-	-	-	212,833	260,187	-
Rental income	1,257,769	-	225,000	-	-	-	-	-	1,482,769	-
Total operating revenues	<u>1,307,723</u>	<u>3,010,988</u>	<u>225,000</u>	<u>3,280,028</u>	<u>54,027</u>	<u>-</u>	<u>7,780</u>	<u>212,833</u>	<u>8,098,379</u>	<u>9,342,163</u>
OPERATING EXPENSES:										
Personnel services	591,307	258,859	-	713,139	891,067	-	-	110,270	2,564,642	205,503
Pension expense	3,663	2,892	-	4,626	4,048	-	-	963	16,192	-
Administration	110,000	140,315	-	164,965	215,360	-	1,100	62,132	693,872	-
Contractual services	197,922	206,063	53,661	19,869	69,461	-	6,679	324,958	878,613	479,918
Supplies	87,218	26,983	-	87,695	154,796	-	-	10,084	366,776	500
Insurance	25,750	18,500	-	44,800	25,700	-	-	-	114,750	724,500
Insurance claims	-	-	-	-	-	-	-	-	-	9,209,567
Fees and permits (taxes)	43,677	10,009	-	-	-	-	-	-	53,686	-
Utilities	119,381	573,466	-	163,753	958	-	-	32,042	889,600	-
Depreciation	671,014	175,862	550,405	1,471,723	2,614,405	-	10,269	576,765	6,070,443	-
Amortization	-	-	40,722	4,616	-	-	-	8,588	53,926	-
Other	34,142	7,548	-	9,579	4,212	-	-	270	55,751	129
Total operating expenses	<u>1,884,074</u>	<u>1,420,497</u>	<u>644,788</u>	<u>2,684,765</u>	<u>3,980,007</u>	<u>-</u>	<u>18,048</u>	<u>1,126,072</u>	<u>11,758,251</u>	<u>10,620,117</u>
Operating income (loss)	<u>(576,351)</u>	<u>1,590,491</u>	<u>(419,788)</u>	<u>595,263</u>	<u>(3,925,980)</u>	<u>-</u>	<u>(10,268)</u>	<u>(913,239)</u>	<u>(3,659,872)</u>	<u>(1,277,954)</u>
NONOPERATING REVENUES (EXPENSES)										
Investment income	3,899	22,751	5,231	21,054	2,268	16,124	-	-	71,327	21,946
Interest expense	(5,186)	(9,149)	(224,852)	(685,793)	(4,933)	-	-	(512,529)	(1,442,442)	-
Gain (loss) on disposition of fixed assets	-	-	-	-	-	-	-	-	-	-
Other nonoperating revenues (expenses)	39,434	-	-	401,887	-	-	-	-	441,321	-
Total nonoperating revenues(expenses)	<u>38,147</u>	<u>13,602</u>	<u>(219,621)</u>	<u>(262,852)</u>	<u>(2,665)</u>	<u>16,124</u>	<u>-</u>	<u>(512,529)</u>	<u>(929,794)</u>	<u>21,946</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(538,204)</u>	<u>1,604,093</u>	<u>(639,409)</u>	<u>332,411</u>	<u>(3,928,645)</u>	<u>16,124</u>	<u>(10,268)</u>	<u>(1,425,768)</u>	<u>(4,589,666)</u>	<u>(1,256,008)</u>
Contributed assets	503,208	2,101,272	-	32,889	76,265	-	-	-	2,713,634	-
Contribution for parking structure debt	-	-	-	-	-	-	-	1,169,706	1,169,706	-
Transfers in	-	-	-	-	1,700,000	-	-	-	1,700,000	-
Transfers out	(11,195)	(4,874)	-	(330,323)	(238,305)	(385,100)	-	-	(969,797)	-
CHANGE IN NET POSITION (DEFICIT)	<u>(46,191)</u>	<u>3,700,491</u>	<u>(639,409)</u>	<u>34,977</u>	<u>(2,390,685)</u>	<u>(368,976)</u>	<u>(10,268)</u>	<u>(256,062)</u>	<u>23,877</u>	<u>(1,256,008)</u>
NET POSITION (DEFICIT), BEGINNING OF YEAR	18,205,646	9,336,826	(5,998,370)	28,247,501	49,815,757	3,171,033	148,558	(3,599,211)	99,327,740	4,424,456
Prior Period Adjustment - Note 21	(447,506)	(353,294)	-	(565,270)	(494,612)	-	-	(117,765)	(1,978,447)	-
NET POSITION (DEFICIT), BEGINNING OF YEAR - AS RESTATED	<u>17,758,140</u>	<u>8,983,532</u>	<u>(5,998,370)</u>	<u>27,682,231</u>	<u>49,321,145</u>	<u>3,171,033</u>	<u>148,558</u>	<u>(3,716,976)</u>	<u>97,349,293</u>	<u>4,424,456</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ 17,711,949</u>	<u>\$ 12,684,023</u>	<u>\$ (6,637,779)</u>	<u>\$ 27,717,208</u>	<u>\$ 46,930,460</u>	<u>\$ 2,802,057</u>	<u>\$ 138,290</u>	<u>\$ (3,973,038)</u>	<u>\$ 97,373,170</u>	<u>\$ 3,168,448</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds								Governmental	
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Downtown Parking District	Totals	Internal Service Funds
Cash flows from operating activities:										
Receipts from customer and users	\$ 1,312,060	\$ 3,149,236	\$ 225,000	\$ 3,771,528	\$ 54,027	\$ -	\$ 9,920	\$ 211,053	\$ 8,732,824	\$ 50,343
Receipts from interfund services provided	-	-	-	-	-	-	-	-	-	7,737,656
Payments to suppliers	(631,908)	(822,362)	(94,391)	(504,075)	(473,096)	-	(8,432)	(432,110)	(2,966,374)	(1,207,243)
Payments to employees	(563,754)	(263,714)	-	(749,813)	(890,404)	-	-	(106,813)	(2,574,498)	(210,786)
Payments to claimants	-	-	-	-	-	-	-	-	-	(4,278,133)
Net cash provided (used) by operating activities	116,398	2,063,160	130,609	2,517,640	(1,309,473)	-	1,488	(327,870)	3,191,952	2,091,837
Cash flows from non-capital financing activities:										
Other non-operating revenue (expenses)	39,435	-	-	391,260	-	-	-	-	430,695	-
Deposits	761	-	-	-	-	-	-	-	761	-
Cash flow advance due to general fund	-	-	-	-	-	-	-	174,887	174,887	-
Advance received from general fund	-	-	450,000	-	-	-	-	175,000	625,000	-
Contribution from Successor Agency	-	-	-	-	-	-	-	1,169,706	1,169,706	-
Operating transfers in	-	-	-	-	1,700,000	-	-	-	1,700,000	-
Operating transfers out	(11,195)	(4,874)	-	(330,323)	(238,305)	(385,100)	-	-	(969,797)	-
Net cash provided by (used for) Non-capital financing activities	29,001	(4,874)	450,000	60,937	1,461,695	(385,100)	-	1,519,593	3,131,252	-
Cash flows from capital and related financing activities:										
Acquisition of capital assets	(203,386)	(4,723,346)	(47,969)	(3,416,752)	4,459	-	-	-	(8,386,994)	-
Net proceeds from capital debt	199,499	4,000,000	-	-	-	-	-	-	4,199,499	-
Unamortized bond issuance costs	-	-	40,722	4,615	-	-	-	8,587	53,924	-
Principal paid on capital debt	(50,726)	(95,000)	(375,000)	(340,000)	(44,007)	-	-	(687,739)	(1,592,472)	-
Interest paid on capital debt	(4,030)	(3,562)	(228,823)	(680,656)	(5,523)	-	-	(521,136)	(1,443,730)	-
Net cash provided (used) by capital and related financing activities	(58,643)	(821,908)	(611,070)	(4,432,793)	(45,071)	-	-	(1,200,288)	(7,169,773)	-
Cash flows from investing activities:										
Interest received	3,846	21,742	5,075	19,485	2,187	17,524	-	-	69,859	21,946
Increase (decrease) in fair value of investments	40	405	-	121	35	(212)	-	-	389	904
Transfer (to) from restricted cash	-	(1,864,761)	(5,637)	3,447,643	-	-	-	-	1,577,245	(260,983)
Net cash provided by investing activities	3,886	(1,842,614)	(562)	3,467,249	2,222	17,312	-	-	1,647,493	(238,133)
Net increase (decrease) in cash and cash equivalents	90,642	(606,236)	(31,023)	1,613,033	109,373	(367,788)	1,488	(8,565)	800,924	1,853,704
Cash and cash equivalents at beginning of year	588,557	3,398,734	485,822	2,840,671	655,588	3,167,035	42,181	10,448	11,189,036	7,030,807
Cash and cash equivalents at end of year	\$ 679,199	\$ 2,792,498	\$ 454,799	\$ 4,453,704	\$ 764,961	\$ 2,799,247	\$ 43,669	\$ 1,883	\$ 11,989,960	\$ 8,884,511

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds								Governmental Activities -	
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Downtown Parking District	Totals	Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:										
Operating income (loss)	\$ (576,351)	\$ 1,590,491	\$ (419,788)	\$ 595,263	\$ (3,925,980)	\$ -	\$ (10,268)	\$ (913,239)	\$ (3,659,872)	\$ (1,277,954)
Adjustments to reconcile net income to net cash provided by operating activities:										
Depreciation	671,014	175,862	550,405	1,471,723	2,614,405	-	10,268	576,765	6,070,442	-
Changes in assets, deferred inflows of resources, liabilities, and deferred inflows of resources:										
Change in deferred pension	3,663	2,892	-	4,626	4,048	-	-	963	16,192	-
(Increase) decrease in accounts receivable	4,336	138,248	-	491,500	-	-	2,140	(1,780)	634,444	30
(Increase) decrease in due from general fund	-	-	-	-	-	-	-	-	-	(1,603,011)
Increase (decrease) in accounts payable	(9,730)	161,691	(8)	(7,731)	(976)	-	(652)	7,596	150,190	6,786
Increase (decrease) in insurance claims	-	-	-	-	-	-	-	-	-	4,970,310
Increase (decrease) in accrued leave	23,466	(6,024)	-	(37,741)	(970)	-	-	1,825	(19,444)	(4,324)
Increase (decrease) in restricted cash	-	-	-	-	-	-	-	-	-	(420,133)
Transfer to restricted cash	-	-	-	-	-	-	-	-	-	420,133
Total adjustments to net income	692,749	472,669	550,397	1,922,377	2,616,507	-	11,756	585,369	6,851,824	3,369,791
Net cash provided by operating activities	<u>\$ 116,398</u>	<u>\$ 2,063,160</u>	<u>\$ 130,609</u>	<u>\$ 2,517,640</u>	<u>\$ (1,309,473)</u>	<u>\$ -</u>	<u>\$ 1,488</u>	<u>\$ (327,870)</u>	<u>\$ 3,191,952</u>	<u>\$ 2,091,837</u>

The accompanying notes are an integral part of this statement.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The City maintains the following Fiduciary Funds:

Private Purpose Trust Funds - These funds are used to account for any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments. This fund also accounts for the Successor Agency of the former Redevelopment Agency which was dissolved on January 31, 2012 pursuant to state law.

Pension Trust Funds – These funds are used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. The City's only pension trust fund is the Deferred Compensation Fund; which allows City employees to invest in trust deeds that are managed by the City with the oversight of an investment committee that is made up of representatives from each of the bargaining units.

Agency Funds - These funds are used to account for assets held in an agency capacity by the City for individuals, private organizations, other governments and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.



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CITY OF SALINAS
STATEMENT OF FIDUCIARY NET POSITION (DEFICITS)
FIDUCIARY FUNDS
JUNE 30, 2015

	Private Purpose Trust	Pension Trust	Agency	Total
ASSETS				
Cash and investments	\$ 3,102,244	\$ 13,680,334	\$ 874,007	\$ 17,656,585
Receivables				
Accounts	42,374	-	113,927	156,301
Interest	10,212	1,094	217	11,523
Loans and notes receivable	669,566	-	-	669,566
Due from outside agencies	-	-	2,500	2,500
Total current assets	<u>3,824,396</u>	<u>13,681,428</u>	<u>990,651</u>	<u>18,496,475</u>
Noncurrent Assets				
Restricted cash and investments	1,586,316	-	-	1,586,316
Capital assets, net of accumulated depreciation	153,730	-	-	153,730
Total noncurrent assets	<u>1,740,046</u>	<u>-</u>	<u>-</u>	<u>1,740,046</u>
Total assets	<u>5,564,442</u>	<u>13,681,428</u>	<u>990,651</u>	<u>20,236,521</u>
LIABILITIES				
Current Liabilities				
Accounts payable	1,080,991	2,600	179,487	1,263,078
Due to other funds	10,312	-	-	10,312
Advance from the City of Salinas	293,562	-	-	293,562
Deferred revenues	9,384	-	-	9,384
Interest payable	672,598	-	-	672,598
Long term debt - due within one year	344,690	-	12,390	357,080
Total current liabilities	<u>2,411,537</u>	<u>2,600</u>	<u>191,877</u>	<u>2,606,014</u>
Long-term liabilities				
Long term debt - due in more than one year	3,654,983	-	45,906	3,700,889
Total long-term liabilities	<u>3,654,983</u>	<u>-</u>	<u>45,906</u>	<u>3,700,889</u>
Total liabilities	<u>6,066,520</u>	<u>2,600</u>	<u>237,783</u>	<u>6,306,903</u>
NET POSITION (DEFICIT)				
Held in trust for benefits and other purposes	<u>\$ (502,078)</u>	<u>\$ 13,678,828</u>	<u>\$ 752,868</u>	<u>\$ 13,929,618</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (DEFICITS)
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Private Purpose Trust	Pension Trust	Total
ADDITIONS			
Taxes	\$ 4,242,134	\$ -	\$ 4,242,134
Rental income	25,878	-	25,878
Miscellaneous	25,947	32,809	58,756
Contributions			
Plan members	-	1,104,489	1,104,489
Private donations	2,475,431	-	2,475,431
Total contributions	<u>6,769,390</u>	<u>1,137,298</u>	<u>7,906,688</u>
Investment earnings			
Interest	71,048	420,203	491,251
Net investment earnings	<u>71,048</u>	<u>420,203</u>	<u>491,251</u>
Transfers in	4,042	-	4,042
Total additions	<u>6,844,480</u>	<u>1,557,501</u>	<u>8,401,981</u>
DEDUCTIONS			
Expenses	2,679,466	-	2,679,466
Benefit payments	-	2,655,525	2,655,525
Payments on behalf of trustees	2,098,218	-	2,098,218
Contribution to other agencies	1,169,706	-	1,169,706
Transfers out	3,265	-	3,265
Total deductions	<u>5,950,655</u>	<u>2,655,525</u>	<u>8,606,180</u>
CHANGE IN NET POSITION (DEFICIT)	893,825	(1,098,024)	(204,199)
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>(1,395,903)</u>	<u>14,776,852</u>	<u>13,380,949</u>
END OF YEAR	<u>\$ (502,078)</u>	<u>\$ 13,678,828</u>	<u>\$ 13,176,750</u>

The accompanying notes are an integral part of this statement.

**NOTES TO
BASIC FINANCIAL STATEMENTS**



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CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

1. Description of the Reporting Entity and Significant Accounting Policies:

A. Reporting Entity

Description of the Reporting Entity

The City of Salinas was incorporated as a charter City on March 4, 1874. The City operates under a Council-Manager form of government and provides the following services as authorized: Public Safety, Public Works, Recreation-Parks, Library and General Government Administrative Services. The City also operates an Airport, a Downtown Parking District, a Sanitary Sewer System, a Water Utility, a Storm Sewer System and an Industrial Waste Facility.

The financial statements and accounting policies of the City conform with generally accepted accounting principles applicable to governments in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

The basic financial statements of the City of Salinas, California (City), include the financial activities of the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of their operational or financial relationship with the City. The blended component unit, although a legally separate entity, is, in substance, part of the City's operations and so data from this unit is combined with data of the primary government. The City has no discretely presented component units. The City and its blended component unit have June 30 year ends.

Blended Component Units

The Salinas Public Financing Authority (Authority) – The Authority was established October 6, 1992 pursuant to a Joint Exercise of Powers Agreement by and between the City and the City of Salinas Redevelopment Agency, which is now the Salinas Successor Agency to the former Redevelopment Agency. It was established to refund Central City Revitalization Project tax allocation bonds. The Authority's purpose is to assist with financing or refinancing of certain public capital facilities within the City.

The Authority was used on the following dates for the following purposes:

- April 19, 1994 - to issue a site lease to finance the expansion of the industrial waste facility.
- September 17, 1996 - to issue Central City Revitalization Project Tax Allocation Bonds, Series A 1996.
- March 25, 1997 - issue Variable Rate Lease Revenue Bonds, Series A and B 1997.
- October 24, 1997 - to issue Certificates of Participation, Series A 1997.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

- February 25, 1999 - to issue Certificates of Participation, Series A 1999.
- December 17, 2003 - to issue Certificates of Participation, Series A 2004.
- September 1, 2005 - issue Refunding Certificates of Participation, Series 2005 A and B.
- August 21, 2008 - to issue variable rate taxable refunding Certificates of Participation Series 2008.
- January 29, 2014 – to refinance Certificates of Participation, Series A 2004 & Series A 1999 (Animal Shelter) with a lease purchase agreement (2014) with a bank.

The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the City’s Debt Service and Enterprise Funds. A financial report is not issued by the Authority.

Other Organizations

The City of Salinas acts as fiscal agent for Sunrise House. Therefore, financial information for this agency is included in the accompanying financial statements as a fiduciary fund type.

B. Financial Statement Presentation

In recent years, the City’s General Fund has been managed carefully in order to balance its revenues and expenditures. The City has achieved adequate liquidity through the passage of an additional transaction and sales tax initiative (Measure G) coupled with an increase in property taxes resulting from the recovery of the local real estate market values from the decline experienced in 2009.

The City’s Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Financial Statements – The government-wide financial statements, i.e. the statement of net position and the statement of activities, display information about the primary government (City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the City. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. Governmental activities,

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

which are normally supported by taxes and inter-governmental revenues and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a business-type activity or governmental function and; therefore, are clearly identifiable to a particular activity or function. Program revenues include 1) fines, fees and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements – The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of the fund financial statements are on major governmental and enterprise funds of the City and are reported separately in the accompanying financial statements. All remaining governmental funds are separately aggregated and reported as nonmajor funds in the accompanying financial statements.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The City reports the following major governmental funds:

- General Fund, Measure V, & Measure G - is the primary operating fund of the City. It accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General, Measure V, & Measure G Funds support essential City services such as police and fire protection, street maintenance, libraries, and parks and open space maintenance.
- Development Fees - This fund accounts for fees paid by subdividers and developers of property, by Resolution 3823 (N.C.S.), covering traffic impact, annexation, use of existing or new sewers, storm drains, park facilities, library facilities and street trees.
- Assessment District Debt Service Fund - This fund is used to accumulate monies for payment of the City's Assessment Districts Improvement Bonds. Debt service is financed with special assessments levied against property owners within the respective improvement districts.
- Energy Improvement Lease Fund - This fund is used to account for lease payments on debt incurred in fiscal year 2014-15 that funds the City's ongoing efforts to reduce energy consumption and to develop long-term cost savings through increased energy efficiency. The project will install LED lighting on street lights and parking lots in addition to building solar PV installations at the Hitchcock road Animal Shelter, the Industrial Waste Treatment

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Plant, the Salinas Municipal Airport, the Permit Center, Sherwood Hall, and the Sewer Lift Station site off Work Street. The Funding came through a private placement in the amount of \$21,908,000. The Debt Service repayment will be over a 17 year period at an interest rate of 3.03%.

- Capital Projects Fund - This fund accounts for all capital project expenditures. Funds are transferred in from various other funds after expenditures are made. This revolving fund was established with \$2,000,000 and is used to advance capital project expenditures prior to reimbursement of Federal, State, and other construction grants and bond financing.

The City reports the following major enterprise funds:

- Airport Fund - This fund accounts for the operations of the City owned airport. The activities necessary to provide such service are accounted for in the fund, including, but not limited to, operations, maintenance, financing and related debt service, and billing and collection.
- Industrial Waste Fund - This fund accounts for the operations of the City operated Industrial Waste Water treatment facility.
- Municipal Golf Courses Fund - This fund accounts for the operations of Fairways and Twin Creek golf courses.
- Sanitary Sewer Fund - This fund accounts for the maintenance of the City's sanitary sewer collection system, which is funded from a surcharge on the Monterey Regional Water Pollution Control Agency sewer user fees.
- Storm Sewer Fund - This fund accounts for the maintenance of the City's storm drainage system and the street sweeping program. This program was funded with a storm sewer fee that was declared by the Court as invalid under Proposition 218. Until alternative funding is secured, the program is funded with a combination of general funds and gas tax funds. In addition, the program is funded with a street sweeping surcharge on garbage collection billings.
- Landfill Garbage Surcharge Fund - This fund accounts for the installment sale of the Crazy Horse landfill site to the Salinas Valley Solid Waste Authority.
- Water Utility Fund - This fund accounts for the repairs and maintenance of the water well located at Hitchcock Road. Water users fund the costs of the water well repairs and annual operating costs.
- Parking District Fund - This fund accounts for the operations of the City's parking facilities. The activities necessary to provide such services are accounted for in the fund, including, but not limited to, operations, maintenance, financing and related debt service, and billing and collection.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The City reports the following additional fund types:

- Internal Service Fund (a proprietary fund type) accounts for the services provided to internal users (other departments or agencies).
- Fiduciary Fund accounts for the assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The private-purpose trust funds accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and other trust arrangements not properly reported in a pension trust. The pension trust funds account for resources that are required to be held in trust for members and beneficiaries of defined benefit pension plans, defined contribution plan, other post-employment benefit plans, other employee benefit plans. The agency fund is used to account for assets held in an agency capacity by the City for individuals, private organizations, other governments and/or other funds.

C. Measurement Focus and Basis of Accounting

Measurement focus and basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. When both restricted and unrestricted net positions are available, unrestricted resources are used only after the restricted resources are depleted.

The government-wide financial statements and proprietary fund 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 imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental funds are reported using the current financial resources measurement focus. This focus is on the determination of, and changes in financial resources, and generally only current assets and current liabilities are included in the balance sheet. These funds use the modified accrual basis of accounting, whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. For this purpose, the City considers revenues as available if they are collected within sixty days of the end

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

of the current fiscal period. Expenditures are generally recorded when a liability is incurred. However, principal and interest on long-term debt and certain estimated liabilities, such as compensated absences, Other Post Employment Benefits (OPEB) and self-insurance claims, are recorded only when payment is due.

In governmental funds, revenues from taxes, franchise fees, investment income, state and federal grants and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current period. All other revenue items are considered measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply restricted cost reimbursement grant resources to such programs, followed by restricted categorical block grants, and then by unrestricted general revenues.

D. New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

Statement No 68 – “*Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*”

The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014.

Statement No 69 – “*Government Combinations and Disposal of Government Operations*”

The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Statement No 71 –“*Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*”

The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014.

E. Interest Earnings

Interest received on time deposits and investments is prorated quarterly to the following funds generally based on an average of three month ending cash balances. Interest earned by other funds under this method is allocated to the General Fund.

- General Fund
- Airport Fund
- Industrial Waste Fund
- Emergency Medical Services
- Asset Seizure Fund
- Local Public Safety Fund
- Community Development Act of 1974 Fund
- Lighting, Landscape and Maintenance District Funds
- Storm Sewer Fund
- Landfill Garbage Surcharge
- Sanitary Sewer Fund
- Development Fee Fund
- Special Gas Tax Improvement Fund
- Special Aviation Fund
- Certificates of Participation Debt Service Funds
- Internal Service Self Insurance Funds
- Parking District Fund
- Assessment District Funds
- Affordable Housing Funds
- Successor Agency
- Housing and Urban Development
- SRA Public Improvement
- Deferred Compensation Fund
- Sunrise House Agency Fund
- Successor Agency

F. Cash and Investments

Cash and Cash Equivalents - Cash and cash equivalents are considered to be amounts in demand deposits, and short-term investments with original, maturity of three months or less from the date of acquisition. For purposes of both the balance sheet and statements of cash flows, cash and cash equivalents include not only currency on hand, but deposits in the City’s cash and investment pool. These deposits have the same characteristics for the participating funds as demand deposit accounts, in that the funds may deposit additional cash at any time and also effectively withdraw cash at any time without prior notice or penalty. Cash and cash equivalents also include restricted cash and money market funds held by fiscal agents. For purposes of cash flows, the City considers all liquid market investments with maturities of one year or less at time of purchase to be cash

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

equivalents. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Investment held in Local Agency Investment Fund - The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as a result of changes in interest rates.

LAIF determines fair value on its investments portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

The City valued its investments in LAIF as of June 30, 2015, by multiplying its account balance with LAIF times a fair value factor determined by LAIF value for all LAIF participants by total aggregate amortized cost.

Other Investments - Investments are accounted for in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This Statement requires governmental entities to report investments at fair value in the statement of net positions or balance sheet and to recognize the corresponding change in fair value of investments in the year in which the change occurred.

Investments in nonparticipating interest earning contracts (certificate of deposits) are reported at cost, and all other investments are reported at fair value. Fair value is defined as the amount the City could reasonably expect to receive for an investment in a current sale between a willing buyer and seller and is generally measured by quoted market prices.

Deferred Compensation - The Deferred Compensation Plan is invested in deeds of trust secured by real or personal property and in real estate holdings. The trust deeds are considered nonparticipating interest earning investments and are reported at cost. See Note 13 for additional information on the various deferred compensation plans.

G. Restricted Cash and Investment with Fiscal Agents

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects.

H. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Invoices that remain unpaid after 90 days may be referred to collections. An invoice sent to collection is written off.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

I. Prepaid Bond Insurance, Original Issue Discounts and Premiums, and Refundings

Prepaid bond insurance costs are amortized using the straight-line method over the life of the bonds. Amortization of these balances is recorded as a component of operating expenses.

In the government-wide, proprietary fund and fiduciary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund and fiduciary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Original issue premiums are amortized using the straight-line method over the life of the bonds. Gains or losses from refunding of debt are reported as deferred inflows or outflows of resources and amortized over the shorter of the life of the refunded debt or refunding debt. Amortization of these balances is recorded as a component of interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Special Assessment Districts

Special assessments are recorded as receivables when they become a lien on property. Special assessments not considered available are recorded as receivables and offset by unearned revenues. In general, special assessments and special tax bonds are fully secured by liens against the privately owned properties benefited by the improvement for which the bonds were issued. There is no reserve for delinquent receivables since priority liens exist against the related properties and hence the City's management believes value will ultimately be received by the City.

K. Interfund-fund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements and/or transfers. Loans and balances related to unsettled service transactions are reported as receivables and payables as appropriate, are subject to elimination upon consolidation of similar fund types, and are referred to as either "due to/from other funds," i.e., the current portion of interfund loans and unsettled service transactions, or "advances to/from other funds," i.e., the noncurrent portion of interfund loans. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

L. Inventory of Supplies

Inventory is valued on a first-in-first-out basis. Inventory in the General Fund consists of expendable supplies held for consumption by all departments of the City. The cost is recorded as an expenditure or expense in the appropriate fund at the time individual inventory items are withdrawn for use (consumption method). The General Fund inventory amount is recorded as a nonspendable portion of fund balance because such assets are not available for current operations.

M. Land Held for Resale

Land held for resale is being carried at the lower of cost or market, but no greater than the net realizable value. In the fund financial statements, this amount is recorded as a restricted portion of fund balance due to externally imposed grantor restrictions.

N. Restricted Assets

Assets that are restricted for specific uses by bonded debt requirements, grant provisions or other requirements are classified as restricted because their use is limited by applicable bond covenants or agreements. In addition, funds have been restricted for future capital improvements by City resolution.

O. Capital Assets

Capital assets include land, buildings, improvements, vehicles and equipment, infrastructure, and all other tangible and intangible assets that are used in operations and that have initial useful lives in excess of one year. Capital assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements, the proprietary funds' statement of net position, and the private-purpose trust fund. Capital assets are defined as assets with an initial individual cost of more than \$5,000 for general capital assets and \$100,000 for major infrastructure assets, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the time received. Capital outlay is recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Amortization of assets acquired under capital leases is based on the shorter of the lease term or the estimated useful life of the asset and is included in depreciation and amortization.

Buildings, improvements, infrastructure, vehicles and equipment, and furniture and fixtures are depreciated using the straight-line method (with half-year conversion applied to the first year of acquisition) over the following estimated useful lives:

Buildings	20-50 years
Other improvements	15-45 years
Infrastructure	10-50 years
Equipment	5-20 years

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

P. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Q. Compensated Absences

Vacation, sick leave, compensatory time, and related benefits are accrued as determined by the agreement between the City and the respective employees' collective bargaining group. For governmental funds, compensated absence obligations are recorded in the appropriate governmental funds when due. The portion not currently due is recorded in the government-wide financial statements. For proprietary funds, compensated absences are expensed when earned by employees. At year-end, the accrued but unpaid compensated absence obligations are recorded as current and non-current liabilities in the appropriate proprietary funds.

Eligible employees may accrue a maximum of 600 annual leave hours (75 days). Any hours accumulated in excess of 600 hours are paid at the employee's adjusted hourly rate of pay. For the Firefighter group the maximum is 840 hours for 56 hour shift employees and 600 for 40 hour shift employees. Employees with fewer than 20 years of service may request pay in lieu of Annual Leave up to a maximum of 10 days. Employees with more than 20 years of service may request a maximum of 15 days pay in lieu of annual leave.

R. Public Employees Retirement System (CalPERS)

Pensions - For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the City of Salinas. 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 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	June 30, 2013 to June 30, 2014

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

S. Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. For additional information on unearned revenues, see Note 20.

T. Claims and Judgments

Claims and judgments are recognized as expenditures when it is probable that the liability has been incurred and the amount of the loss can be reasonably estimated. This liability is recorded in the internal service fund that accounts for the City's self insurance activities.

U. Long-Term Debt

In the Government-wide Financial Statements and the proprietary fund types in the Fund Financial Statements, long-term debt and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net positions. Bond premiums and discounts are deferred and amortized over the life of the bonds using effective interest methods. Bonds Payable are reported net of the applicable bond premium or discount. In the governmental funds statement of revenue, expenditures and changes in fund balance, issuance of debt is recorded as another financing source (use) in the respective fund. Issuance costs and payment of principal are reported as debt service expenditures.

V. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Losses on refunding are reported as deferred outflows in the government-wide financial statements.
- Deferred pension contributions are reported as deferred outflows in the government-wide financial statements, as described further in Note 14.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Unavailable revenues from grants and long-term notes receivables, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from grants and long-term notes receivable. These amounts are reported as unavailable and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources in the government wide financial statements for deferred pensions as described further in Note 14.

W. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets, excluding unspent debt proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as follows:

- Net Investment In Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- Restricted Net Position - This category represents net position that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This category represents net amounts that do not meet the criteria for “restricted” or “net investment in capital assets.”

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

X. Fund Equity

Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the financial statements reporting for governmental funds classify fund balances based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. Fund balance for the City's governmental funds consists of the following categories:

- *Nonspendable Fund Balance* - includes amounts that are not in a spendable form, such as inventories, prepaid items, and long-term loans and notes receivables. It also includes amounts that are legally or contractually required to be maintained intact or required to be retained in perpetuity, such as the principal of an endowment fund.
- *Restricted Fund Balance* - includes amounts reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* - includes amounts that have been limited to specific purposes as defined in the City Charter or through adoption of an ordinance by the City Council, the highest level of decision making authority of the City. These commitments may be changed or lifted, but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.
- *Assigned Fund Balance* - includes amounts that are intended to be used by the City for specific purposes through City Council budgetary action, which include the approval of appropriations and revenue sources pertaining to the next fiscal year's budget. Intent is expressed by (a) the City Council or (b) a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purpose.
- *Unassigned Fund Balance* - includes amounts within the General, Measure V, & Measure G Funds, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories, unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance categories, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Y. Property Taxes

Property taxes are collected on behalf of and remitted to the City by the County of Monterey (the “County”). The amount of property tax levies is restricted by Article 13A of the California State Constitution (commonly referred to as Proposition 13).

The County assesses property values, levies, bills, and collects the related property taxes as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	January 1	January 1
Due dates (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

The City has not elected to participate in the “Teeter Plan” offered by the County whereby cities receive 100% of secured property and supplemental property taxes levied in exchange for foregoing any interest and penalties collected on the related delinquent taxes. The City retains the right to any interest and penalties collected on the related delinquent taxes. Accordingly, property tax revenues are recognized in the fiscal period for which they are levied and collected, adjusted for any amounts deemed uncollectible and amounts expected to be collected more than 60 days after the fiscal year.

General property taxes are based on either a flat 1% rate applied to the fiscal year 1976 full value of the property or on 1% of the sales price of the property on sales transactions and construction that occur after the fiscal year 1976 valuation. Assessed values on properties (exclusive of increases related to sales and construction) can rise at a maximum of 2% per year depending on increases in the consumer price index.

Z. Self-Insurance

The City is self-insured for workers’ compensation, general, automobile, and public liability claims. The City’s estimated liability for claims as of June 30, 2015 is based on the claim manager’s estimate of probable losses plus an amount estimated for incurred but not reported claims. An Internal Service Fund is used to account for the collection of premiums from various City departments related to workers’ compensation claims and general claims liabilities. Premiums are established based on historical claims experience. Additionally, the City contracts with third party administrators for claims management.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

AA. Use of Estimates

A number of estimates and assumptions relating to the reporting of revenues, expenditures/expenses, assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

2. Stewardship, Compliance and Accountability:

A. Budgeting

The Budget is prepared by the City Manager and adopted by City Council. Formal budgetary integration was employed as a management control device during the fiscal year for the General Fund, Special Revenue Funds and Capital Projects Funds.

The City Manager may transfer budget appropriations between departments and Department Directors may transfer appropriations between programs and accounts within their individual departments and divisions, but only the Council by resolution may appropriate funds from reserves or fund balances.

Budgets for General, Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Reserves for future lease commitments have been established for accounting purposes and the fund balance is reserved for the total lease commitment consistent with budget policies.

Budget policy excludes taxes, interest, and accounts receivable assets, which are not currently available resources for budget purposes, and condemnation deposits which are returned upon right of way acquisition.

Expenditures may not legally exceed budgeted appropriations at the government level. Budgeted amounts shown are as originally adopted or as amended by the City Council during the year. Additional supplementary appropriations were adopted during the mid-year review.

Appropriations lapse at fiscal year end and then are rebudgeted for the coming year. Project-length financial plans are adopted for all capital projects funds and appropriations are carried forward until project completion. Grant funds are carried forward until the grant expires.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are recorded as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

For additional information on budgetary policy and control see Required Supplementary Information.

B. Deficit Fund Equity

At June 30, 2015, the following funds had a deficit fund balance or deficit net position:

Major Funds	
Business-type Activities	
Municipal Golf Courses Fund	\$ 6,637,779
Parking District Fund	3,973,038

Enterprise Funds – Municipal Golf Courses Fund

The deficit net asset balance of \$6,637,779 is a result of the long-term bonds payable for the 2005A Certificates of Participation and the 2008 Certificates of Participation amounting to \$5,300,000 and \$4,610,000, respectively, exceeding the related assets. This deficit will continue to decline over time as the bonds are paid back.

Enterprise Funds – Parking District Fund

The deficit net position in the Parking District Fund of \$3,973,038 is a result of the long-term lease payable amounting to \$12,603,000. This deficit will continue to decline over time as the bonds are paid back.

3. Debt Compliance:

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

4. Cash and Investments:

The City's cash and investments at June 30, 2015 are included in the accompanying basic financial statements as follows:

	<u>Government-Wide Statement of Net Position</u>			<u>Fund Financials</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Fiduciary Funds Statement of Net Position</u>	<u>Total</u>
Cash and Investments	\$ 66,231,225	\$ 11,989,960	\$ 78,221,185	\$ 17,656,585	\$ 95,877,770
Restricted Cash and Investments	19,937,751	6,297,410	26,235,161	1,586,316	27,821,477
Total Cash and Investments	\$ 86,168,976	\$ 18,287,370	\$ 104,456,346	\$ 19,242,901	\$ 123,699,247

Cash and investments at June 30, 2015 consisted of the following:

Cash	
Demand accounts at banks	\$ 3,484,288
Petty cash and revolving fund	16,752
	<u>3,501,040</u>
Investments	
State local agency investment fund (LAIF)	63,753,714
Certificates of deposits	100,000
Money market	858
Investments held in trust by fiscal agent	42,322,743
Insurance reserves	340,558
Deferred compensation	
Cash in state local agency investment fund (LAIF)	1,548,542
Trust deeds and properties	12,131,792
	<u>120,198,207</u>
Total cash and investments	\$ 123,699,247

Investment income from cash and investment held by fiscal agents is credited directly to the related fund.

Investments are stated at fair value. Investments shown at fair value are used only to assess the actual value if the City were to liquidate the investments before maturity. The City intends to hold all investments to maturity.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The City is a voluntary participant in the California Local Agency Investment Fund (“LAIF”) that is governed by the California Government Code under the oversight of the Local Investment Advisory Board (“Board”). The Board consists of five members as designated by state statute. The fair value of the City's investment in the LAIF 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, which is different from the fair value of the City's position in the LAIF pool.

At June 30, 2015, the City's pooled and fiscal agent investments in LAIF were approximately \$65,302,256. The weighted average maturity of LAIF was 239 days at June 30, 2015. The total amount recorded by all public agencies in LAIF at June 30, 2015 was approximately \$21.5 billion. LAIF is part of the State's Pooled Money Investment Account (PMIA). PMIA has a total of approximately \$69.6 billion of that amount, 85.84% was invested in money market instruments (Treasuries, Certificates of Deposits, Time Deposits & Commercial Paper), 13.40% was invested in securities and 0.76% in loans and mortgages.

The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool shares in LAIF that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the City's position in the pool. The City's investment in LAIF is unrated for credit risk.

Investments permitted by the City’s investment policy include the following:

- Certificates of Deposit
- Repurchase Agreements
- Bankers Acceptances
- Guaranteed Investment Contracts
- U.S. Treasury Bills and Notes
- State of California Local Agency Investment Fund
- Government Agency Securities
- Passbook Savings Accounts
- Mutual Funds
- Interest Bearing Checking Accounts
- Commercial Paper

The Deferred Compensation Plan is permitted by City resolution to invest in deeds of trust secured by real or personal property.

Deposits

At June 30, 2015, the carrying amount of the City’s deposits was \$3,484,288. The bank balance was \$5,698,916. The difference is due to outstanding checks and deposits in transit. All bank balances are insured or collateralized.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Investments

As of June 30, 2015, the City had the following investment and maturities:

	Cost	Fair Value	0-12 months	1-5 years	over 5 years
Local Agency					
Investment Fund	\$ 65,302,256	\$ 65,302,256	\$ 65,302,256	\$ -	\$ -
Money Market	858	858	858	-	-
Certificates of Deposits	100,000	100,000	100,000	-	-
Investment Agreements	42,322,743	42,322,743	-	-	42,322,743
Insurance Reserves	340,558	340,558	340,558	-	-
Trust Deeds-Def Comp	12,131,542	12,131,792	-	12,131,792	-
Total	<u>\$ 120,197,957</u>	<u>\$ 120,198,207</u>	<u>\$ 65,743,672</u>	<u>\$ 12,131,792</u>	<u>\$ 42,322,743</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses from rising interest rates, the City's investment policy limits the maturity of investments in accordance with Government Code Sections 53601(a)-(n) and 53636(a)-(m). It is the City's policy to ladder investments so that there are always investments coming due to meet cash flow requirements. Because the Local Agency Investment Fund as of June 30, 2015 had an average life of 239 days, it was presented as an investment with a maturity of 0-12 months. However, LAIF allows the City to make withdrawals of any amount within 24 hours. Information about the sensitivity of the fair values of the City investments to market interest rate fluctuations is provided by the preceding table that shows the distribution of the City's investment by maturity.

Summarized below are the ratings of the City's cash and investments:

	Fair Value	S&P	Moody's	% of Total
Local Agency Investment Fund	\$ 65,302,256	NR	NR	54.34%
Money Market				
Rabobank	858	A+	Aa2	0.00%
Certificates of Deposits				
Pinnacle Bank	100,000	NR	NR	0.08%
Investment Agreements				
Fed PRM Obl	21,949,403	AAAm	Aaa-mf	18.26%
Capital GTY	1	NR	NR	0.00%
Wells Fargo	610,848	AAAm	Aaa-mf	0.51%
Westdeutsche Bank	975,467	NR	Aa2	0.81%
Deutsche Bank Trust Co. Americas	18,787,024	BBB+	A1	15.63%
Insurance Reserves	340,558	NR	NR	0.28%
Trust Deeds-Def Comp	12,131,792	NR	NR	10.09%
Total	<u>\$ 120,198,207</u>			<u>100.00%</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. However, the City's investment policy calls for portfolio diversification by avoiding over concentration in a specific maturity sector or specific investments. The City's portfolio is detailed in the preceding table (see above).

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 City's investment policy limits safekeeping of investments to third-party custody.

All of the City's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) up to \$250,000 or collateralized with pledge securities held in the trust department of the financial institution in the City's name.

5. Restricted Assets:

Cash and investments of \$26,235,161 are recorded as restricted assets at June 30, 2015 as follows:

Debt Service Fund:			
Debt Service Fund - restricted to cover expenses of debt			\$ 19,597,193
Enterprise Fund:			
Restricted to cover expenses of debt service			
Industrial Waste	\$ 1,864,761		
Golf Courses Fund	925,718		
Sanitary Sewer	3,504,315		
Downtown Parking District	<u>2,616</u>	6,297,410	
Internal Service Fund:			
Restricted for liability expenses and workers compensation		<u>340,558</u>	
Total Restricted Assets			<u><u>\$ 26,235,161</u></u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

6. Taxes Receivable:

Taxes receivable recorded in the General Funds of \$14,097,504 represent amounts due for the quarter ending June 30, 2015 for the following taxpayer – assessed taxes:

Sales Tax	\$ 3,593,652
Transaction and Use Tax	6,025,333
In-lieu Sales Tax	1,504,618
Utility Users Tax	1,381,558
Franchise Tax	806,353
Transient Occupancy Tax	727,100
Other Taxes	10,572
Property Transfer Tax	48,318
Total	\$ 14,097,504

7. Assessment Receivable:

Debt Service Fund – Assessments receivable recorded in the Assessment District Debt Service Fund of \$7,120,000 at June 30, 2015, will be collected from property owners to retire outstanding bond principal issued for improvements in special assessment districts. Cash and investments at June 30, 2015 of \$1,946,218 are available to make bond and interest payments of \$1,326,729 that are due on September 1, 2015.

Assessment receivables in the amount of \$6,160,000 are not expected to be collected within the subsequent year.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

8. Due From Other Agencies:

Due from other agencies consists of the following:

	Federal	State	Other	Total
Governmental Activities:				
General Fund:				
Welcome Center	\$ -	\$ -	\$ 75,000	\$ 75,000
Special Revenue Funds:				
Dept. of Housing & Urban Development:				
CDBG Improvement Program	630,733	-	-	630,733
HOME Investment Program	267,262	-	-	267,262
Emergency Shelter Grant	68,005	-	-	68,005
U.S. Department of Justice	352,517	-	-	352,517
California Highway Users Tax	-	381,788	-	381,788
California Office of Traffic Safety(US DOT)	-	618	-	618
Cable Franchise	-	-	51,922	51,922
California Emergency Management Agency	-	76,631	-	76,631
County of Monterey	-	-	234,623	234,623
Data Ticket	-	-	14,261	14,261
U.S. Department of Transportation	67,315	-	-	67,315
U.S. Department of Homeland Security	754,453	-	-	754,453
	<u>2,140,285</u>	<u>459,037</u>	<u>300,806</u>	<u>2,900,128</u>
Capital Projects Funds:				
Federal Aviation Administration	262,667	-	-	262,667
Federal Transit Administration	17,502	-	-	17,502
Federal Train Grant	735	-	-	735
U.S. Department of Agriculture	261,649	-	-	261,649
RSTP	-	213,309	-	213,309
Urban Greening	-	84,692	-	84,692
Air District	-	-	15,332	15,332
Developers	-	-	837,648	837,648
	<u>542,553</u>	<u>298,001</u>	<u>852,980</u>	<u>1,693,534</u>
Primary Government Totals	<u>\$2,682,838</u>	<u>\$ 757,038</u>	<u>\$1,228,786</u>	<u>\$4,668,662</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

9. Interfund Transactions:

Interfund Receivables/Payables (Due to/Due from) – The composition of interfund balances as of June 30, 2015 was as follows:

<u>Due From:</u>	Due To				Total
	General	Act of 1974	Capital Projects	Internal Service	
Primary Government					
Governmental Activities:					
Major Funds:					
General	\$ -	\$ 200,000	\$ 244,095	\$ 18,125,874	\$ 18,569,969
Development Fee	1,969	-	96,237	-	98,206
Non-Major Funds:					
Emergency Medical Services	-	-	1,768	-	1,768
Lighting, Landscape & Maintenance	58,985	-	-	-	58,985
Comm Dev Act of 1974	892,086	-	443	-	892,529
Gas Tax	-	-	485,268	-	485,268
Recreation Parks Fund	-	-	3,167	-	3,167
Debt Service	2,247,440	-	1,374,397	-	3,621,837
Construction Assist	340,814	-	-	-	340,814
Assessment Districts	59,528	-	-	-	59,528
Grants	1,105,414	-	-	-	1,105,414
Total Governmental Activities	4,706,236	200,000	2,205,375	18,125,874	25,237,485
Business Type Activities:					
Airport	-	-	8,970	-	8,970
Industrial Waste	-	-	295,784	-	295,784
Sanitary Sewer	-	-	1,102,219	-	1,102,219
Storm Sewer	-	-	31,237	-	31,237
Downtown Parking	342,586	-	-	-	342,586
Total Business Type Activities	342,586	-	1,438,210	-	1,780,796
Total Primary Government	5,048,822	200,000	3,643,585	18,125,874	27,018,281
Expendable Trust Funds:					
Trust Deposits	10,312	-	-	-	10,312
Total Expendable Trust Funds	10,312	-	-	-	10,312
	\$ 5,059,134	\$ 200,000	\$ 3,643,585	\$ 18,125,874	\$ 27,028,593

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Interfund Transfers – Interfund transfers are legally authorized transfers between funds in which one fund is responsible for the initial receipt of funds and another fund is responsible for the actual disbursements. The composition of interfund balances as of June 30, 2015 was as follows:

	Operating Transfers In	Operating Transfers Out	<u>Transfers For:</u>
General Fund	\$ 2,151,766	\$ 8,243,937	Capital projects, debt service, & other operating costs
Special Revenue Funds:			
Emergency Medical Services	640,000	109,604	Operating costs
Asset Seizure	-	1,659	Refund
Housing and Urban Development	2,349	232,675	Grant projects
Vehicle Abatement Program	75,000	-	Operating costs
Development Fee	-	876,096	Capital projects
Gas Tax	-	4,163,615	Capital and street expenditures
Traffic Safety	-	470,000	Operating costs
Recreation Parks	-	38,579	Capital projects
Grants	3,264	1,144,499	Grant projects
	<u>720,613</u>	<u>7,036,727</u>	
Debt Service Funds:			
COPS 2005B	647,100	-	Debt Service
COPS 2002	2,121,915	-	Debt Service
2014 COP Consolidation	314,200	982,730	Debt Service
Energy Improvement Lease	-	6,632,432	Debt Service
Assessment District	778,275	-	Debt Service
Assessment District Reserve	-	778,275	Debt Service
	<u>3,861,490</u>	<u>8,393,437</u>	
Capital Projects Funds:			
Construction Assistance	394,890	-	Capital projects
Capital Project	15,814,360	-	Capital projects
	<u>16,209,250</u>	<u>-</u>	
Total Governmental Activities	<u>22,943,119</u>	<u>23,674,101</u>	
Enterprise Funds:			
Airport	-	11,195	Capital projects
Industrial Waste	-	4,874	Capital projects
Sanitary Sewer	-	330,323	Capital projects
Storm Sewer	1,700,000	238,305	Capital projects
Solid Waste	-	385,100	Debt service
Parking District	1,169,706	-	Debt service
Total Business Type Activities	<u>2,869,706</u>	<u>969,797</u>	
Total Governmental & Business Activities	<u>25,812,825</u>	<u>24,643,898</u>	
Expendable Trust Fund:			
Agency	-	1,169,706	Debt service
Trust Deposits	4,042	3,265	Salinas Old Town activity
Total Expendable Trust Fund	<u>4,042</u>	<u>1,172,971</u>	
	<u>\$25,816,867</u>	<u>\$25,816,869</u>	

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Internal Balances - The composition of advances to/from other funds as of June 30, 2015 was as follows:

<u>Advances From:</u>	<u>Advances To</u>
	<u>Governmental Activities</u>
	<u>General</u>
Business Type Activities:	
Golf Course	\$ 1,500,000
Downtown Parking	2,085,000
Total Business Type Activities	3,585,000
Total Primary Government	\$ 3,585,000

10. Loans Receivable, Net of Allowance:

At June 30, 2015, receivables of the City's major individual funds and nonmajor funds taken in aggregate, including the applicable allowance for uncollectible accounts are as follows:

<u>Type of Loan</u>	<u>CDBG</u>	<u>Low & Moderate Income Housing Asset</u>	<u>Total Governmental Activities</u>	<u>Fiduciary Funds</u>
Housing Program Developer, rehabilitation, second mortgage and relocation loans	\$ -	\$ -	\$ -	\$ -
Loans funded by federal grants	16,863,978	-	16,863,978	-
Economic development real estate developer and other loans	-	10,648,178	10,648,178	669,566
Less: Allowance for Uncollectibles	(16,535,536)	(6,640,000)	(23,175,536)	-
Total loans, net	\$ 328,442	\$ 4,008,178	\$ 4,336,620	\$ 669,566

The City uses funds generated from the former Agency Housing Loans as well as other state and federal funding sources to offer financial assistance to qualified developers, individuals and families by providing loans at “below market” interest rates.

Typical loans and related terms are summarized as follows:

<u>Loan Type</u>	<u>Interest Rates</u>	<u>Due</u>
Affordable Housing	0 - 4%	up to 55 years
Multi-unit rental rehabilitation	3%	5 or more years
First time home buyer	3%	7 to 40 years
Home Improvement	3 - 6%	1 to 30 years

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Loans are secured by first or second in lien-property deeds of trust except for first time homebuyer loans, which are all secured by second deeds of trust. Interest and principal are typically due in installments, except for first time homebuyer, which do not require payments until their maturity dates.

The City has also invested in multi-family rental housing projects serving low to moderate income individuals through subordinate loans with terms of up to 55 years. Generally, these loans are to be repaid through fixed payments or net cash flow payments from project operations and the term and potential risk of each loan varies. Because of the net cash flow feature of these subordinate loans, there is greater risk of variability in the timing of payments and, potentially, a lower probability of eventual repayment on these subordinate loans than on other loan types.

Accordingly, for financial statement purposes, the City has established an allowance account for these loans receivable due to the contingent nature of the repayment schedules of these loans.

11. Land and Properties Held for Resale:

Land and properties held for resale consisted of the following at June 30, 2015:

<u>Special Revenue Fund</u>	
137, 145 & 151 Division Street	\$ 850,000
 <u>Affordable Housing Fund - Central City Housing</u>	
17 & 19 Soledad Street	370,693
9 & 11 Soledad Street	129,738
	500,431
 <u>Affordable Housing Fund -Sunset Avenue Merged Housing</u>	
115 Division Street	335,947
123 Division Street	300,000
923 E. Market Street	521,175
	1,157,122
Total Land and Properties Held for Resale	\$ 2,507,553

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

12. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Adjustments/ Retirements	Balance June 30, 2015
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 22,769,197	\$ -	\$ -	\$ 22,769,197
Construction in progress	7,123,454	8,186,272	(955,194)	14,354,532
Total assets not being depreciated	<u>29,892,651</u>	<u>8,186,272</u>	<u>(955,194)</u>	<u>37,123,729</u>
Capital assets, being depreciated:				
Buildings and improvements	45,607,241	767,940	806,037	47,181,218
Improvements other than buildings	12,881,306	928,874	149,157	13,959,337
Machinery and equipment	27,733,098	2,752,213	(1,115,954)	29,369,357
Infrastructure	230,547,709	660,548	-	231,208,257
Total assets being depreciated	<u>316,769,354</u>	<u>5,109,575</u>	<u>(160,760)</u>	<u>321,718,169</u>
Less accumulated depreciation	<u>(178,993,468)</u>	<u>(8,357,792)</u>	<u>1,060,910</u>	<u>(186,290,350)</u>
Total capital assets being depreciated, net	<u>137,775,886</u>	<u>(3,248,217)</u>	<u>900,150</u>	<u>135,427,819</u>
Governmental Activities capital assets, net				
	<u>\$ 167,668,537</u>	<u>\$ 4,938,055</u>	<u>\$ (55,044)</u>	<u>\$ 172,551,548</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 3,632,339	\$ -	\$ -	\$ 3,632,339
Construction in progress	5,110,860	11,447,078	-	16,557,938
Total assets not being depreciated	<u>8,743,199</u>	<u>11,447,078</u>	<u>-</u>	<u>20,190,277</u>
Capital assets, being depreciated:				
Buildings and improvements	27,231,159	-	-	27,231,159
Improvements other than buildings	16,135,046	47,969	-	16,183,015
Machinery and equipment	7,226,433	430,779	(9,600)	7,647,612
Infrastructure	222,131,957	98,900	-	222,230,857
Total assets being depreciated	<u>272,724,595</u>	<u>577,648</u>	<u>(9,600)</u>	<u>273,292,643</u>
Less accumulated depreciation	<u>(157,078,256)</u>	<u>(6,070,440)</u>	<u>9,600</u>	<u>(163,139,096)</u>
Total capital assets being depreciated, net	<u>115,646,339</u>	<u>(5,492,792)</u>	<u>-</u>	<u>110,153,547</u>
Business-type Activities capital assets, net				
	<u>\$ 124,389,538</u>	<u>\$ 5,954,286</u>	<u>\$ -</u>	<u>\$ 130,343,824</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Governmental activities:	
General government	\$ 167,332
Police	541,605
Fire	668,949
Public works, including infrastructure assets	5,924,889
Recreation and parks	936,515
Library	118,502
Total depreciation expense - governmental activities	\$ 8,357,792
Business-type activities:	
Airport	\$ 671,014
Industrial waste	175,862
Municipal golf courses	550,405
Sanitary sewer	1,471,723
Storm sewer	2,614,405
Water utility	10,269
Preferential parking	5,469
Downtown parking	571,296
Total depreciation expense - business-type activities	\$ 6,070,443

13. Deferred Compensation Plan:

The City has four deferred compensation plans created in accordance with Internal Revenue Code Section 457. The Small Business Job Protection Act of 1996 requires the establishment of a trust or similar vehicle to ensure that the assets of Deferred Compensation Plans under the Internal Revenue Code Section 457 are protected and used exclusively for the benefit of Plan participants and/or their beneficiaries. According to these laws the City established Employer Trust arrangements for each of the Plans before January 1, 1999.

The City has established Employer Trust agreements with ICMA Retirement Corporation, Mass Mutual Financial Group (formerly Hartford), and Central Coast Credit Union. In 1998, the City Council adopted a Resolution amending the City administered deferred compensation plans to conform to the new law protecting the plan participant assets from any claim against the City. Under the Trust arrangement, individual accounts maintained by the record-keeper used for receiving contributions and paying distributions must be subject to the Trust. The existence of the Trust does little to change the Plan structure except to add a layer of protection for money set aside for the employee against claims of the Employer's creditors. The law also allows an increase in the amount a participant may contribute to differ each year, based on changes in the consumer price index.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

International City Manager's Association (ICMA) Retirement Corporation

The International City Manager's Association Retirement, Inc., Plan had 345 participants and a balance of \$26,916,471 at June 30, 2015. All employees are eligible to participate through voluntary salary deduction. Some management employees participated in lieu of participation in the New York Life Retirement Program until June 19, 1995 when a qualified 401(a) retirement program was established. These assets are not reported on the City's financial statements at June 30, 2015 pursuant to the Employer Trust established by the City with ICMA Retirement Corporation during November 1997.

Trust Deed Program

The City administers a Trust Deposit Fund that includes a deferred compensation plan funded solely by the voluntary salary reductions. The goal of the Trust Deed program is to invest participants' funds in short-term deeds of trust. This investment option is administered within the City of Salinas by the City's appointed administrator of the Deferred Compensation Plan. Loans are based on equity after obtaining a fee appraisal. All property is physically inspected and the loan package is reviewed and approved/disapproved by a Deferred Compensation Committee. All employees are eligible to participate. The Plan had 336 participants and a balance of \$12,559,459 in net position at June 30, 2015. The balance in these plans is available to employees only upon termination, retirement, death or unforeseen emergency. While the Employer Trust established by the City on December 15, 1998 protects these funds from creditors of the City, because the City administers the plan assets, they are included in the City's financial statements at June 30, 2015.

Central Coast Federal Credit Union (CCFCU)

This third deferred compensation plan was established in August 1993. The plan funds are backed by the full faith and credit of the U.S. Government and are also insured by the National Credit Union Administration (NCUA), an agency of the federal government for up to \$250,000. Central Coast collateralizes any amounts invested in their savings accounts in excess of NCUA insurance limits in accordance with applicable law. There were 85 participants with a balance at June 30, 2015 is \$5,039,803. All employees are eligible to participate through voluntary salary deductions. The assets for this plan are not reported on the City's financial statements.

Mass Mutual Financial Group

The fourth Deferred Compensation plan was established in September 2000. This retirement savings plan enables employees to defer a portion of their current compensation for payment at later date, generally retirement. Salary deferrals (or contributions) are voluntary, and are made through the ease of payroll deduction. Mass Mutual offers a variety of investment vehicles that vary in risks, term and return to the investment. These investment options are offered through a group variable annuity contract. There were 42 participants with a balance of \$3,089,736 at June 30, 2015. All employees are eligible to participate through voluntary salary deductions. The assets for this plan are not reported on the City's financial statements.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

14. Retirement Programs:

As of June 30, 2015, the City of Salinas was contributing to three employee retirement programs. Total pension expenses for the fiscal year were \$13,684,386.

A. California Public Employees Retirement System

Agent Multiple-Employer Defined Benefit Pension Plans

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City of Salinas’ separate Safety (police) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government 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.

The City of Salinas Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	*Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	14.545%	15.040%

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	Police	
	*Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	50	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	12.75%
Required employer contribution rates	34.975%	37.830%

**Plan is closed to new members. Miscellaneous and Safety (Police) members that were CalPERS participants before January 1, 2013, with no break in service over six months, may continue in the plan.*

Employees Covered – As of June 30, 2013, the following employees were covered by the benefit terms for each plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	104
Inactive employees entitled to but not yet receiving benefits	194
Active employees	<u>254</u>
Total	<u><u>552</u></u>
	<u>Police</u>
Inactive employees or beneficiaries currently receiving benefits	214
Inactive employees entitled to but not yet receiving benefits	93
Active employees	<u>145</u>
Total	<u><u>452</u></u>

Contribution Description – Section 20814(c) of the California Public Employees’ Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

For the measurement period ending June 30, 2014 (the measurement date), the average active employee contribution as a percent of annual pay, and the average employer's contribution rate of annual payroll is as follows for each plan:

	Employer Contribution Rates of Annual Payroll	Employee Contribution Rates of Annual Pay
Miscellaneous Plan	14.545%	6.984%
Safety Police Plan	34.975%	9.027%

Actuarial Methods and Assumptions used to determine Total Pension Liability – For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Investment and Administrative Expenses; includes inflation
Mortality (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS' website.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculations is not necessary. The long term expected discount rate of 7.50 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.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is schedule to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 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 rounded down to the nearest one quarter of one percent.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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. These rates of return are net of administrative expenses.

Asset class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	-0.55	-1.05

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position – The City’s plan fiduciary net position disclosed in their GASB 68 accounting valuation may differ from the plan assets reported in their funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. The amounts are excluded for rate setting purposes in their funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Changes in Net Pension Liability – The following tables show the changes in the net pension liability for both the City’s Miscellaneous and Safety (Police) plans recognized over the measurement period:

Classic Agent Multiple-Employer Defined Benefit Plan –
Miscellaneous Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2013 (VD) (1)	\$ 82,224,560	\$ 56,661,039	\$ 25,563,521
Changes Recognized for the Measurement Period:			
Service Cost	2,331,545	-	2,331,545
Interest on Pension Liability	6,154,034	-	6,154,034
Changes of Benefit Terms	-	-	-
Differences between expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions from the Employer	-	2,010,590	(2,010,590)
Contributions from the Employees	-	959,420	(959,420)
Net Investment Income (2)	-	9,911,526	(9,911,526)
Benefit Payments, including Refunds of Employee Contributions	(2,673,091)	(2,673,091)	-
Net Changes during 2013-14	5,812,488	10,208,445	(4,395,957)
Balance at: 6/30/2014 (MD) (1)	\$ 88,037,048	\$ 66,869,484	\$ 21,167,564

(1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

(2) Net of administrative expenses.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Agent Multiple-Employer Defined Benefit Plan –
Safety (Police) Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2013 (VD) (1)	\$ 230,948,692	\$ 148,936,610	\$ 82,012,082
Changes Recognized for the Measurement Period:			
Service Cost	4,932,982	-	4,932,982
Interest on Pension Liability	17,097,550	-	17,097,550
Changes of Benefit Terms	-	-	-
Differences between expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions from the Employer	-	5,285,903	(5,285,903)
Contributions from the Employees	-	1,375,826	(1,375,826)
Net Investment Income (2)	-	25,664,291	(25,664,291)
Benefit Payments, including Refunds of Employee Contributions	(10,895,705)	(10,895,705)	-
Net Changes during 2013-14	11,134,827	21,430,315	(10,295,488)
Balance at: 6/30/2014 (MD) (1)	\$ 242,083,519	\$ 170,366,925	\$ 71,716,594

(1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

(2) Net of administrative expenses.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50) than the current rate:

	Miscellaneous	Police
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 33,664,134	\$ 105,178,075
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 21,167,564	\$ 71,716,594
1% Increase	8.50%	8.50%
Net Pension Liability	\$ 10,845,517	\$ 44,320,195

Subsequent Events – There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses – Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The EARSL for the 2013-14 measurement period for both the City's Miscellaneous and Safety (Police) plans was as follows:

	<u>Total Number of Service Years</u>	<u>Total Number of Participants</u>	<u>EARSL (in years)</u>
Miscellaneous	2,633	552	4.8
Safety - Police	1,621	452	3.6

Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also, note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions
– As of the start of the measurement period (July 1, 2013), the NPL is \$107,575,603.

For the measurement period ending June 30, 2014 (the measurement date), the City of Salinas recognized a pension expense of \$8,868,425 for the plan.

As of June 30, 2014 the City of Salinas reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Plan Contributions Subsequent to Measurement Date	\$ 7,303,332	\$ -
Differences between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(16,263,377)
	<u>\$ 7,303,332</u>	<u>\$ (16,263,377)</u>

CITY OF SALINAS
Notes to Basic Financial Statements
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Amounts reported as deferred inflows of resources in the previous chart, including the employer-specific item, will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred (Inflows) of Resources
2015	\$ (4,065,845)
2016	(4,065,845)
2017	(4,065,845)
2018	(4,065,842)
2019	-
Thereafter	-
Total	\$ (16,263,377)

In addition to the above amounts, \$7,303,331 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Cost-Sharing Multiple Employer Defined Benefit Pension Plans

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City of Salinas’ separate Safety (Fire Tier 1 & Tier 2), agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The City of Salinas Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Fire Tier 1	
	*Prior to	On or after
	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Hire Date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	50	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	8.99%	9.00%
Required employer contribution rates	45.791%	12.250%

	Fire Tier 2	
	*Prior to	On or after
	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Hire Date		
Benefit formula	3.0% @ 55	2.5% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	55	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	8.98%	9.00%
Required employer contribution rates	22.502%	11.750%

**Plan is closed to new members. Safety (Fire Tier 1 & Tier 2) members that were CalPERS participants before January 1, 2013, with no break in service over six months, may continue in the plan.*

Contribution Description – Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

For the measurement period ending June 30, 2014 (the measurement date), the average active employee contribution as a percent of annual pay, and the average employer's contribution rate of annual payroll is as follows for each plan:

	Employer Contribution Rates of Annual Payroll	Employee Contribution Rates of Annual Pay
Safety Fire Tier 1 Plan	45.791%	8.986%
Safety Fire Tier 2 Plan	22.502%	8.980%

Actuarial Methods and Assumptions used to determine Total Pension Liability – For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Investment and Administrative Expenses; includes inflation
Mortality (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS' website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculations is not necessary. The long term expected discount rate of 7.50 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.

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Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is schedule to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 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 rounded down to the nearest one quarter of one percent.

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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. These rates of return are net of administrative expenses.

Asset class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	-0.55	-1.05

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

Allocation of Net Pension Liability and Pension Expense to Individual Employers – A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer’s share by reflecting these relationships. Employer liability and asset-related information are used where available, and proportional allocations of individual employer amounts as of the valuation date are used where not available.

- (1) In determining a cost-sharing employer’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date. The risk pool’s FNP subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date. Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date.

Note: for purposes of FNP in this step (2) and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period.

- (3) The individual employer’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the employer’s individual TPL and FNP from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.

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For the Fiscal Year Ended June 30, 2015

(5) The employer's TPL as of the measurement date is equal to the TPL generated in (2) multiplied by the TPL ratio generated in (4).

The employer's FNP as of the measurement date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

(6) The employer's NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

The following table shows the City of Salinas' Cost-Sharing Multiple Employers Plan's proportionate share of the net pension liability over the measurement period:

	Fire Tier 1		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD)	\$137,773,213	\$ 90,927,138	\$ 46,846,075
Balance at: 6/30/2014 (MD)	144,457,196	104,611,387	39,845,809
Net Changes during 2013-14	\$ 6,683,983	\$ 13,684,249	\$ (7,000,266)
	Fire Tier 2		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD)	\$ 508,021	\$ 376,959	\$ 131,062
Balance at: 6/30/2014 (MD)	532,667	433,691	98,976
Net Changes during 2013-14	\$ 24,646	\$ 56,732	\$ (32,086)

The Entity's proportionate share of the net pension liability for each of the City of Salinas' Cost-Sharing Multiple Employer plans as of June 30, 2013 and 2014 was as follows:

	Safety - Fire	
	Tier 1	Tier 2
Proportion - June 30, 2013	0.9792%	0.0027%
Proportion - June 30, 2014	1.0623%	0.0026%
Change - Increase (Decrease)	0.0831%	-0.0001%

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50) than the current rate:

	Fire Tier 1	Fire Tier 2
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 59,195,492	\$ 170,326
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 39,845,809	\$ 98,976
1% Increase	8.50%	8.50%
Net Pension Liability	\$ 23,902,505	\$ 40,187

Subsequent Events – There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses – Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the 2013-14 measurement for the City’s Safety (Fire Tier 1 & Tier 2) plans was 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also, note that total future service is based on the members’ probability of decrementing due to an event other than receiving a cash refund.

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Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions
As of the start of the measurement period (July 1, 2013), the NPL is \$46,977,137.

For the measurement period ending June 30, 2014 (the measurement date), the City of Salinas recognized a pension expense of \$3,364,677 for the plan.

As of June 30, 2014 the City of Salinas reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Plan Contributions Subsequent to Measurement Date	\$ 3,811,507	\$ -
Differences between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	-	(7,238,356)
Adjustment due to Differences in Proportions	-	(184,724)
	\$ 3,811,507	\$ (7,423,080)

Amounts reported as deferred inflows of resources in the previous chart, including the employer-specific item, will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred (Inflows) of Resources
2015	\$ (1,875,562)
2016	(1,875,562)
2017	(1,862,367)
2018	(1,809,589)
2019	-
Thereafter	-
Total	\$ (7,423,080)

In addition to the above amounts, \$3,811,507 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

CITY OF SALINAS
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For the Fiscal Year Ended June 30, 2015

Agent Multiple-Employer & Cost-Sharing Multiple Employer Defined Benefit Pension Plans

Total Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions – As of the start of the measurement period (July 1, 2013), the NPL is \$154,552,740.

For the measurement period ending June 30, 2014 (the measurement date), the City of Salinas recognized a pension expense of \$12,233,102 for the plan.

As of June 30, 2014 the City of Salinas reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Plan Contributions Subsequent to Measurement Date	\$ 11,114,839	\$ -
Differences between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	-	(23,501,733)
Adjustment due to Differences in Proportions	-	(184,724)
	\$ 11,114,839	\$ (23,686,457)

Amounts reported as deferred inflows of resources in the previous chart, including the employer-specific item, will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred (Inflows) of Resources
2015	\$ (5,941,407)
2016	(5,941,407)
2017	(5,928,212)
2018	(5,875,431)
2019	-
Thereafter	-
Total	\$ (23,686,457)

In addition to the above amounts, \$11,114,839 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

CITY OF SALINAS
Notes to Basic Financial Statements
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The City's net pension liability as of June 30, 2015, is as follows (recorded as of the measurement date of June 30, 2014):

	Governmental Activities	Business-type Activities	Total Net Pension Liability
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 19,389,489	\$ 1,778,076	\$ 21,167,565
Agent Multiple-Employer Safety-Police	71,716,594	-	71,716,594
Cost Sharing Multiple-Employer Fire-Tier1	39,845,809	-	39,845,809
Cost Sharing Multiple-Employer Fire-Tier2	98,977	-	98,977
Total net pension liability	<u>\$ 131,050,869</u>	<u>\$ 1,778,076</u>	<u>\$ 132,828,945</u>

B. New York Life Retirement Plan

Plan Description – The New York Life is a closed single-employer defined benefit pension plan that covers Non-Public Safety Employees. The plan benefit offers a formula of 2% @ 60 for vested employees. The Plan was established on September 1, 1954 and has been amended and restated from time to time since that date. Prior Plan amendments eliminated the six-month service requirement for entry into the plan and credited participants with up to six-months of service from hire to plan entry prior to time change. The Plan was amended and restated effective September 1, 1996 to bring the Plan into compliance with the Internal Revenue Code and Regulations promulgated thereby to provide for the City's pick-up of employee eligible participants equal to the present value of vested accrued benefits. Effective June 1, 2001, the Plan amended its benefit formula to one that uses an average salary computed from the twelve-month period, replacing an old formula that uses an average salary computed from a thirty six month period.

As of June 19, 1995, all new regular non-public safety employees are enrolled in the California Public Employees Retirement System (CalPERS).

The City of Salinas has an agreement with New York Life Insurance Company to hold and invest plan assets of the Retirement Plan, which covers employees other than Police and Fire. During FY 2009-10 the City allowed employees participating in this retirement plan to transfer to CalPERS retirement plan. Twenty-eight active participants and three terminated vested participants opted to transfer on January 25, 2010 with all their corresponding assets accumulated throughout their years of participation. At June 30, 2015, there were twenty-seven employees left in this closed plan after transfers and retirements. The total covered payroll for employees participating in the Plan for fiscal year ended June 30, 2015 is \$1,307,601.

Non-Public Safety personnel benefits vest after five years of service. The vested benefit would be in the form of a pension beginning after attaining age 60 equal to the benefits accrued at time of termination, or for a reduced amount if an election is made to have payments commence before attaining the normal retirement age of 60. City employees who retire at or after age of 60 with five years of credited service are entitled to an annual retirement benefit payable: monthly, as a straight line annuity, as a ten year certain and life annuity, or as a lump sum, in an amount equal

CITY OF SALINAS
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to 2% of the average earnings paid to the employee during the twelve consecutive months of service with the City during which his earnings were highest, multiplied by the number of years and completed months of plan participation.

The plan allows early retirement after reaching age 55 and completing five years of plan participation. The plan also provides death and survivor benefits.

The plan is not administered through a trust or equivalent arrangement and thus falls under the scope of Government Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. Implementation of GASB Statement 73 is effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that addresses financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The City has not early implemented GASB Statement 73, therefore this plan is presented in accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*.

Funding Policy – The contribution requirements of Plan members and the City are established and may be amended by the City Council. Prior to January 1, 1979, participants were required to make specified levels of contributions to the plan in order to accrue benefits under the Plan. For the period commencing January 1, 1979 through December 31, 1993, there were no participants' contributions under this Plan. Since January 1, 1994, participants are required to contribute 4.5% (of their compensation to the Plan. Since September 1, 1996, participant contributions are made by the City under the employee pretax pick-up provision for government-sponsored plans allowed under the Internal Revenue Code. As established in their Memorandum of Understanding document for personnel of the SEIU Blue Collar bargaining group, the City will contribute (pick-up) four and one-half percent of the employee retirement contribution.

Annual Pension Cost – The annual pension cost is actuarially determined by the valuation based on a plan year that starts on September 1st and ends on August 31st. The required actuarially determined City contribution for the period ending in August 31, 2015 was \$1,339,510.

During fiscal year 2014-15, the City contributed \$1,339,510 to the New York Life retirement plan, while the employees contributed \$64,740. The City also contributed \$14,738 on behalf of employees represented by SEIU Blue Collar.

The Net Pension Obligation as determined by the Actuarial valuation of September 1, 2014 is \$25,921, this obligation is then included in the General Long Term Debt.

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The plan used the frozen initial liability (frozen entry age) actuarial cost method under which the unfunded actuarial accrued liability is not explicitly determined each year until September 2005. Effective with the September 1, 2005 actuarial valuation, the plan uses the entry age normal cost funding method under which the unfunded actuarial accrued liability is explicitly determined each year. As of September 1, 2014, the unfunded actuarial accrued liability was determined to be \$15,051,559 based on the market of plan assets and plan accrued liabilities. The actuarial assumptions include (a) 5.0% investment return (net of plan expenses) (b) projected salary increases of 2.0% per year and (c) projected cost of living adjustment of 1.5%. The actuarial liability represents the actuarial present value of all benefits accrued as of the valuation date, based on service and salary at that date.

THREE YEAR TREND INFORMATION

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2015	\$ 1,333,690	100.44%	\$ 25,921
2014	\$ 902,010	92.54%	\$ 31,741
2013	\$ 779,671	106.88%	\$ (35,550)

The Annual Pension Cost represents the contribution rate as determined by the New York Life actuary for the period of July 1, 2014 to June 30, 2015 multiplied by the payroll of covered employees that was actually paid during the same period. The City made the recommended minimum employer contribution (30-year amortization of unfunded liabilities) of \$1,339,510 during fiscal year 2014-15.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liability for benefits. The reference to the schedule of funding progress presented as RSI does not represent or imply incorporation of the schedule of funding progress into notes to the basic financial statements. The RSI information is presented in accordance with GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers.

As of September 1, 2014, there are seventeen active participants who are already eligible for early retirement and immediate lump sum distributions. Therefore, potentially there may be a significant amount of lump sums to be paid out in the near future, depending on the timing of actual retirements among this group.

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C. ICMA Retirement Corporation Defined Contribution Plan

Plan Description – On June 19, 1995, the City established a qualified retirement program in accordance with Internal Revenue Code Section 401(a). This defined contribution 401(a) Money Purchase Retirement Plan was established with International City Managers Association Retirement Corporation (ICMA). Non-Public Safety Mid-Management employees that were participating in the ICMA 457 non-qualified deferred compensation plan in-lieu of participation in the New York Life Retirement Program, were required to transfer to one of the other City's three qualified retirement plans. The City's annual contribution to this plan is determined by the employer required contribution to the New York Life Plan Retirement Plan.

During the fiscal year 2014-15, the City's contribution to this plan was \$50,147, while the employees had a mandatory contribution of 4.5% of their salary or \$5,320.

Significant Accounting Policies

Basis of Accounting – Financial statements are prepared using the cash basis of accounting. Employer contributions are recognized in the period that the contributions are made.

Method Used to Value Investments – Participants direct their investments, without restriction, among various investments options available under the ICMA 401(a) Plan.

Retirement Buyback Program

During Fiscal Year 1995-96, the City established a deferred compensation retirement buyback program for Department Directors where the City contributes a flat dollar amount based on tenure with the City. The 401(a) Money Purchase Retirement Plan is administered by the ICMA Retirement Corporation. The program requires employee-matching contributions for every dollar contributed by the City. At June 30, 2015, there were 6 participants in this program and the City's annual contribution was \$61,627 while the employees had an equal mandatory matching contribution of \$61,627.

15. Post Employment Benefits Other Than Pensions (OPEB):

Plan Description: The City participates in the Public Employees Medical and Hospital Care (PEMHCA) for Police and Miscellaneous employees, offered through the California Public Employees' Retirement System (CalPERS), a multi-employer healthcare plan which provides medical insurance benefits to active and eligible retirees and their families in accordance with various labor agreements. Fire employees receive healthcare benefits for active and retiree members from a union sponsored plan.

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Post Employment Benefits Eligibility: The City provides postretirement healthcare benefits to eligible employees who retire directly from the City. The City pays 25% of retiree and spouse health insurance premium up to \$100 per month for safety retirees (Police and Fire). The payment is made until Medicare eligibility, but no more than 10 years for non-supervisory Police retirees. For Miscellaneous employees and all non-IAFF (Firefighters) safety employees, the City pays the PEMHCA “unequal method” monthly benefit to retirees (\$91.50 per month in 2015).

Membership of the plan consisted of the following at June 30, 2013, the date of the applicable actuarial valuation:

	<u>Miscellaneous</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Active plan members				
Count	270	88	146	504
Average age	47.7	41.1	39.9	44.3
Average service	10.7	11.4	11.9	11.2
Average PERS service	11.6	12.1	13.2	12.1
Average PERS pay	\$ 52,900	\$ 107,000	\$ 109,500	\$ 78,700
Total PERS payroll (millions)	\$ 14.3	\$ 9.4	\$ 16.0	\$ 39.7
Retirees				
Count	94	113	141	348
Average age	66.8	67.6	63.9	65.9
Average retirement age	60.7	49.8	49.4	52.7
Currently receiving \$100 monthly benefit	-	35	40	75

Funding Policy- The City’s policy approved by Council on May 20, 2008, established a contribution of \$100,000 during fiscal year 2007-08, increasing by \$25,000 per year until reaching \$250,000 and \$250,000 annually thereafter to the CERBT (CalPERS OPEB) trust account. The amounts of annual appropriations for contributions to CERBT are subject to budget constraints. Additionally, the City will continue paying the portion of the retiree premiums outside of the trust (Pay-as-you-go approach). During FY 2009-10 and FY 2010-11, the City opted not to fund the Post Employment Benefit cost for the those two years in accordance with established policy, but resumed payments as planned with a contribution of \$150,000 during fiscal year 2011-12; \$175,000 in fiscal year 2012-13, \$200,000 in fiscal year 2013-14 and \$225,000 in fiscal year 2014-15. After recognizing contributions, administrative fees and accruing earning and losses experienced in the Trust Plan, the City shows an ending balance of \$1,210,760 at June 30, 2015.

Annual OPEB Cost and Net OPEB Obligation-The City’s annual other post employment benefit (OPEB) cost (Expense) is calculated based on the annual required contribution 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 ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities not to exceed thirty years.

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The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

	<u>June 30, 2015</u>
Annual required contribution (ARC)	\$ 1,992,000
Interest on net OPEB obligation	368,000
Adjustment to annual required contribution	(663,000)
Implied Subsidy Adjustment	(157,000)
Annual OPEB cost (expense)	<u>1,540,000</u>
Contributions made to CERBT Trust	(225,000)
Contributions under "pay-as-you-go"	
Payment to Retirees	(91,049)
Payment to CalPERS	(180,125)
Subtotal	<u>(496,174)</u>
Change in net OPEB obligation	1,043,826
Net OPEB obligation - beginning of the year	<u>7,817,714</u>
Net OPEB obligation - end of the year	<u><u>\$ 8,861,540</u></u>

At June 30, 2015, the City recorded net OPEB obligations totaling \$8,861,540 in the government-wide financial statements.

The City's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for 2015 and two preceding years were as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 1,469,000	\$ 686,537	46.7%	\$ 6,826,167
2014	1,411,000	419,453	29.7%	7,817,714
2015	1,540,000	496,174	32.2%	8,861,540

Funded Status and Progress- The 2014-15 Annual Required Contribution included the normal cost at \$975,000 plus a 30-year amortization of the Unfunded Actuarial Accrued Liability (UAAL) of \$1,017,000, for a total Annual Required Contribution of \$1,992,000 representing 4.6% of the annual payroll. The estimated covered payroll (annual payroll of active employees covered by the plan) was \$43.7 million.

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amount 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 are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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 the benefits.

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the normal cost for each participant is determined as a level percent of payroll throughout the participant's working lifetime. (the EAN cost method is required by CalPERS for agencies funding with the CERBT.)

The unfunded actuarial accrued liability was amortized over a fixed 30-year period as a level percentage of payroll beginning with the 2008-09 fiscal year. The Plan is assumed to be ongoing for cost purposes. This does not imply that an obligation to continue the Plan exists.

The discount rate applied was 4.00% for the portion of the Annual Required Contribution (ARC) not funded and 7.25% for the portion of the ARC funded.

A 3% per annum is assumed for the inflation rate and a 3.25% per annum for aggregate payroll increases.

The assumption includes also the "Implied Subsidy" factor for the Fire Safety Medical Plan. GASB 45 generally requires recognition of retiree healthcare obligation when retirees participate in the active medical plan and are charged a composite rate based on active and retiree experience. This obligation, referred to as the implied subsidy, is based on the difference between the per capita cost and the premium charged. The implied subsidy represents \$157,000 of the total Annual Required Contribution of \$1,992,000.

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16. Risk Management:

The City has a self-insurance program and carries excess insurance for catastrophic losses. National Casualty Company combined with Berkley National Insurance Company provides General Liability coverage up to a maximum of \$15,000,000 after the self-insured retention of \$1,000,000 per occurrence met. Safety National Casualty Corporation provides Worker's Compensation excess coverage with statutory coverage (pursuant to California Worker's Compensation Act) after the self-insurance retention of \$1,000,000 for Public Safety and \$750,000 for non Public Safety is met.

Liabilities for estimated claims payable for the self-insurance programs represent settled claims, claims incurred but not paid and claims incurred but not reported based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2015 is dependent on future developments, City management has determined the desired reserve level for each self-insurance program as follows and believes the estimates are adequate to cover such losses.

- Worker's Compensation insurance liability of \$23,752,753 includes \$19,002,202 for claims incurred but not paid and \$4,750,551 for claims incurred but not reported which is based on expected claims and past claims history. At June 30, 2015, Worker's Compensation Insurance liability of \$23,752,753 is reported on the statement of net position. The worker's compensation fund was established as an Internal Service Fund on July 1, 1991. The portion of the worker's compensation insurance liability since July 1, 1991, at June 30, 2015 is \$20,616,875 and is reported in the Internal Service Fund; \$3,135,878 of this is treated as long-term debt.
- General liability insurance liability at June 30, 2015 of \$3,471,225 that is reported in the Internal Service Fund includes \$2,811,777 for claims incurred but not paid and \$659,448 for claims incurred but not reported which is based on expected claims and past claims history. Unreserved retained earnings is \$487,796 at June 30, 2015 and is short the City's goal of reserving three times the self-insured retention plus full funding of all past claims history. The City's self-insured retention is \$1,000,000.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Changes to the claims liability for FY 2014-15 are as follows:

	<u>Workers Compensation</u>	<u>General Liability</u>
Beginning balance of claims liability	\$ 20,161,149	\$ 1,412,074
Less beginning provision for incurred but not reported claims	<u>(4,032,230)</u>	<u>(589,463)</u>
Beginning provisions for incurred but not paid claims	16,128,919	822,611
Increase (decrease) in claims incurred and reported	5,560,000	3,375,584
Claims expenses paid	<u>(2,686,717)</u>	<u>(1,386,418)</u>
Ending balance provision for incurred but not paid claims	19,002,202	2,811,777
Provisions for incurred but not reported claims	<u>4,750,551</u>	<u>659,448</u>
Ending balance of claims liability	<u><u>\$ 23,752,753</u></u>	<u><u>\$ 3,471,225</u></u>

17. Lease Obligations:

Operating Leases as Lessee

The City has commitments under various long-term operating lease agreements requiring annual rental payments, which are described as follows:

Governmental Activities:

The City has ongoing commitments under operating lease agreements for business equipment, and office facilities necessary for City operations, which expire at various dates through 2020. Each governmental fund includes the expenditures related to such lease agreements. There are both cancelable and non-cancelable lease agreements. Rental expenditures reported by the General Fund and other governmental funds under these operating lease agreements for the fiscal year ended June 30, 2015 amounted to \$561,835.

The future minimum lease payments anticipated under the existing lease commitments as of June 30, 2015 are as follows:

Year Ended <u>June 30,</u>	
2016	\$ 557,276
2017	543,168
2018	516,869
2019	112,663
2020	<u>101,890</u>
	<u><u>\$ 1,831,866</u></u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

18. Long Term Debt:

The following is a summary of Long Term Debt transactions for the fiscal year ended June 30, 2015:

	June 30, 2014	Increases	Decreases	June 30, 2015	Due Within One Year
Governmental Activities:					
Annual Leave	\$ 9,838,561	\$ 343,758	\$ 380,685	\$ 9,801,634	\$ 1,971,172
Estimated Insurance claims	2,455,433	680,445	-	3,135,878	-
Net Pension Obligation	-	25,921	-	25,921	25,921
Capital Leases	4,744,910	23,731,204	741,752	27,734,362	715,689
Certificates of Participation					
Series B-2005	8,655,000	-	440,000	8,215,000	460,000
Series A-2002	2,120,000	-	2,120,000	-	-
Total Certificates	10,775,000	-	2,560,000	8,215,000	460,000
Assessment District 1915 Act Bonds	9,840,000	-	2,720,000	7,120,000	960,000
Bond Discount					
Series B-2005	(96,721)	-	(6,449)	(90,272)	(6,448)
Series A-2002	(40,700)	-	(40,700)	-	-
Total Bond Discounts	(137,421)	-	(47,149)	(90,272)	(6,448)
Government Activities	37,516,483	24,781,328	6,355,288	55,942,523	4,126,334
Business-type Activities					
Annual Leave	266,829	-	19,445	247,384	49,477
Capital Leases:					
Monterey Parking Garage 2014	13,253,000	-	650,000	12,603,000	453,000
Street Sweeper	184,109	-	44,007	140,102	45,327
Industrial Waste Lease	95,000	-	95,000	-	-
Fire Engine	-	199,499	26,819	172,680	27,361
Airport Fuel Facility Lease	23,907	-	23,907	-	-
Total Leases	13,556,016	199,499	839,733	12,915,782	525,688
HUD Section 108 Loan	-	4,000,000	-	4,000,000	-
State of CA- Parking Garage Lighting	57,033	-	37,738	19,295	19,295
Bonds Payable:					
Sanitary Sewer Revenue Bonds - 2012	17,290,000	-	340,000	16,950,000	350,000
Certificates of Participation					
Series A-2005	5,645,000	-	345,000	5,300,000	355,000
Series A-2008	4,610,000	-	30,000	4,580,000	40,000
Total Bonds Payable	10,255,000	-	375,000	9,880,000	395,000
Subtotal	41,424,878	4,199,499	1,611,916	44,012,461	1,339,460
Bond Premium - Sanitary Sewer	159,409	-	10,627	148,782	10,627
Bond Discount - Municipal Golf	(50,236)	-	(4,567)	(45,669)	(4,567)
Business-type Activities	41,534,051	4,199,499	1,617,976	44,115,574	1,345,520
Total Long-Term Liability	<u>\$ 79,050,534</u>	<u>\$ 28,980,827</u>	<u>\$ 7,973,264</u>	<u>\$100,058,097</u>	<u>\$ 5,471,854</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The annual requirements to amortize capital leases, loans and notes, certificates of participation and bonds outstanding as of June 30, 2015 by activity are as follows:

Year Ended June 30,	Governmental-Wide Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 2,135,689	\$ 1,740,309	\$ 1,270,688	\$ 1,642,994
2017	2,801,776	1,460,901	1,704,600	1,618,058
2018	3,025,043	1,341,544	1,781,565	1,562,442
2019	2,850,323	1,225,236	1,804,052	1,504,934
2020	2,984,066	1,130,931	1,883,639	1,445,850
2021 - 2025	12,667,287	3,979,700	10,579,238	6,149,925
2026 - 2030	11,414,880	1,814,253	8,426,000	4,256,900
2031 - 2035	5,190,298	246,589	8,126,000	2,568,187
2036 - 2040	-	-	5,335,000	1,194,960
2041 - 2045	-	-	2,835,000	184,132
	<u>\$ 43,069,362</u>	<u>\$ 12,939,463</u>	<u>\$ 43,745,782</u>	<u>\$ 22,128,382</u>

The debt for the State of California – Parking Garage Lighting, annual leave, estimated insurance claims and net pension obligation does not have an amortization schedule and is therefore not included in the above schedules.

Accrued Annual Leave – Accrued leave for governmental activities is reported in Long-Term Debt on the Government-Wide Statements and in current liabilities for business-type activities. The cost of Annual Leave accumulated at fiscal year-end is recorded as a liability within Proprietary and Fiduciary Funds. At June 30, 2015 the liability for all compensated absences totaled \$10,107,315. It includes \$10,090,534 of annual leave and \$16,781 of sick leave. These amounts are reported on the financial statements in the following funds:

	June 30, 2014	Increases	Decreases	June 30, 2015	Due Within One Year
Governmental Activities					
General Fund	\$ 8,855,570	\$ 229,590	\$ 364,640	\$ 8,720,520	\$ 1,753,753
Measure V	880,931	45,026	-	925,957	186,216
Special Revenue Funds	86,015	69,142	-	155,157	31,203
Debt Service Funds	11,722	-	11,722	-	-
Internal Service Funds	4,323	-	4,323	-	-
	<u>\$ 9,838,561</u>	<u>\$ 343,758</u>	<u>\$ 380,685</u>	<u>\$ 9,801,634</u>	<u>\$ 1,971,172</u>
Business-type Activities					
Enterprise Funds	\$ 266,829	\$ -	\$ 19,445	\$ 247,384	\$ 49,477
Fiduciary Activities					
Agency Funds	\$ 51,226	\$ 12,391	\$ 5,321	\$ 58,296	\$ 12,390

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Estimated Insurance Claims – At June 30, 2015, the estimated insurance claims liability recorded in the Internal Service Funds is as follows:

Worker's Compensation	\$ 20,616,875
General Liability	3,471,225
Total	\$ 24,088,100

An additional \$3,135,878 of Worker's Compensation claims liability is reported in the Long-Term Debt under estimated insurance claims.

Net Pension Obligation – At June 30, 2015, a Net Pension Obligation of \$25,921 is reported as determined by the September 1, 2014 actuarial valuation of the New York Life retirement plan.

Governmental Type Activities

Capital Leases – Annual debt service requirements to maturity for the capital lease is as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 715,689	\$ 1,185,750	\$ 1,901,439
2017	1,326,776	836,867	2,163,643
2018	1,530,043	790,686	2,320,729
2019	1,505,323	743,206	2,248,529
2020	1,579,066	694,896	2,273,962
2021 - 2025	7,342,287	2,772,448	10,114,735
2026 - 2030	8,544,880	1,554,641	10,099,521
2031 - 2035	5,190,298	246,589	5,436,887
	\$ 27,734,362	\$ 8,825,083	\$ 36,559,445

Pierce Fire Pumper

On October 4, 2011, the City, using lease purchase financing, purchased two Pierce fire pumpers, \$1,049,274, and refinanced a 2007 fire vehicle lease, \$705,693, for a total of \$1,754,967. The City will make nine annual payments of \$237,215, beginning October 4, 2011 and ending October 4, 2019 at 4.11% interest. Debt payable of \$1,052,785 is recorded as Government activities at June 30, 2015.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Debt service requirements to maturity for Pierce Fire Pumper are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 193,946	\$ 43,269	\$ 237,215
2017	201,917	35,298	237,215
2018	210,216	27,000	237,216
2019	218,856	18,360	237,216
2020	227,850	9,365	237,215
	<u>\$ 1,052,785</u>	<u>\$ 133,292</u>	<u>\$ 1,186,077</u>

Police Portable Radios

On August 15, 2012, the City, using lease purchase financing, purchased 210 police portable radios in the amount of \$969,759. The City will make ten semi-annual payments of \$105,155, beginning August 15, 2012 and ending August 15, 2017 at 4.344% interest. Debt payable of \$502,919 is recorded as Government activities at June 30, 2015.

Debt service requirements to maturity for Police Portable Radios are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 196,686	\$ 13,623	\$ 210,309
2017	202,632	7,679	210,311
2018	103,601	1,554	105,155
	<u>\$ 502,919</u>	<u>\$ 22,856</u>	<u>\$ 525,775</u>

Quantum Pumper Fire Engine & Rosenbauer Airwolf

On January 21, 2014, the City, using lease purchase financing, purchased a Quantum Pumper fire engine, \$536,653, and a Rosenbauer Airwolf fire engine, \$398,997, for a total of \$935,650. The City will make seven annual payments of \$144,680, beginning on March 1, 2015 and ending March 1, 2021 at 2.02% interest. The Rosenbauer Airwolf fire engine debt is funded 50% by the Airport Fund; see capital leases for business-type activities. Debt payable of \$637,190 is recorded as Government activities at June 30, 2015.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Debt service requirements to maturity for the Quantum Pumper Fire Engine & Rosenbauer Airwolf are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 100,961	\$ 12,871	\$ 113,832
2017	103,000	10,832	113,832
2018	105,080	8,752	113,832
2019	107,203	6,629	113,832
2020	109,368	4,464	113,832
2021 - 2025	111,578	2,254	113,832
	<u>\$ 637,190</u>	<u>\$ 45,802</u>	<u>\$ 682,992</u>

Quantum Tiller Ladder Truck

On January 21, 2014, the City, using lease purchase financing, purchased a Quantum Tiller Ladder Truck for a total of \$1,087,053. The City will make ten annual payments of \$124,848, beginning on March 17, 2015 and ending March 17, 2024 at 2.60% interest. Debt payable of \$990,468 is recorded as Government activities at June 30, 2015.

Debt service requirements to maturity for the Quantum Tiller Ladder Truck are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 99,096	\$ 25,752	\$ 124,848
2017	101,672	23,176	124,848
2018	104,316	20,532	124,848
2019	107,028	17,820	124,848
2020	109,811	15,037	124,848
2021 - 2025	468,545	30,846	499,391
	<u>\$ 990,468</u>	<u>\$ 133,163</u>	<u>\$ 1,123,631</u>

2014 Lease/Purchase Agreement

The City of Salinas 2014 Lease/Purchase Agreement was issued by the Salinas Facilities Financing Authority on January 29, 2014. The financing was issued to refund the Animal Shelter COP Series A-1999 (\$2,812,000) and the Monterey Street Parking Structure COP Series A-2004 (\$13,253,000). The Animal Shelter portion of the financing was issued for 19 years (ending September 1, 2032), at an average interest rate of 4.02%. Maximum annual debt service is \$278,646. Debt payable of \$2,643,000 is recorded as Government Activities at June 30, 2015.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Debt service requirements to maturity for 2014 Lease/Purchase Agreement are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 125,000	\$ 103,736	\$ 228,736
2017	133,000	98,550	231,550
2017	137,000	93,124	230,124
2018	145,000	87,455	232,455
2019	145,000	81,626	226,626
2021 - 2025	827,000	312,937	1,139,937
2026 - 2030	696,000	153,082	849,082
2031 - 2035	435,000	26,793	461,793
	<u>\$ 2,643,000</u>	<u>\$ 957,303</u>	<u>\$ 3,600,303</u>

Energy Improvement Lease

On November 1, 2014, the City entered into a lease agreement funded through a private placement in the amount of \$21,908,000. The project will install LED lighting on street lights and parking lots in addition to building solar PV installations at the Hitchcock road Animal Shelter, the Industrial Waste Treatment Plant, the Salinas Municipal Airport, the Permit Center, Sherwood Hall, and the Sewer Lift Station site off Work Street. The Debt Service repayment will be over a 17 year period at an interest rate of 3.03% beginning on May 1, 2016 and ending on November 1, 2032. Maximum annual debt service is \$2,005,124. Debt payable of \$21,908,000 is recorded as Government Activities at June 30, 2015.

Debt service requirements to maturity for Energy Improvement Lease Agreement are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ 986,499	\$ 986,499
2017	584,555	661,332	1,245,887
2018	869,830	639,724	1,509,554
2019	927,236	612,942	1,540,178
2020	987,037	584,404	1,571,441
2021 - 2025	5,935,164	2,426,411	8,361,575
2026 - 2030	7,848,880	1,401,559	9,250,439
2031 - 2035	4,755,298	219,796	4,975,094
	<u>\$ 21,908,000</u>	<u>\$ 7,532,667</u>	<u>\$ 29,440,667</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Certificates of Participation Bonds

Series A-1997 (Refunded by Series B-2005)

On October 24, 1997, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation (Certificates) Series A-1997 totaling \$11,960,000. The purpose of this financing was to raise money for capital improvement projects, \$8,000,000 and to refund the Authority's Variable Rate Lease Revenue Bonds, which were issued to purchase the 65 W. Alisal Building. The Variable Rate Lease Revenue Bonds Series A-1997 and Series B-1997 were fully retired on November 20, 1997. The outstanding Certificates were secured by liens on City owned assets based on the following appraised values; City Hall (\$3,820,000); Public Safety Building (\$1,990,000); Steinbeck Library (\$2,350,000) and 65 W. Alisal Building (\$2,805,000).

On September 14, 2005, the Salinas Public Financing Authority issued City of Salinas Refunding Certificates of Participation Series 2005B (1997 Capital Improvement Projects). The Refunding Certificates were issued to refund Series A-1997 Certificates. Series 2005B Refunding Certificates were issued in the amount of \$11,705,000 for 24 years at 4.22%. Maximum annual debt service is \$795,705. The Refunding Certificates are secured by a lien on the Salinas Community Center with an appraised value of \$13,415,000. With these refunding liens removed from the City's Public Safety Building, 65 West Alisal Building and Steinbeck Library. Refunding Certificates 2005B are rated Aaa (insured by Ambac) with an underlying AAAM rating from Standard and Poor's. In conjunction with this refunding, Standard and Poor's affirmed the City's issuer's credit rating of A+.

The annual debt service requirements to maturity for the Certificates is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 460,000	\$ 187,830	\$ 647,830
2017	475,000	311,171	786,171
2018	490,000	293,374	783,374
2019	510,000	274,496	784,496
2020	520,000	274,496	794,496
2021 - 2025	2,945,000	930,064	3,875,064
2026 - 2030	2,815,000	252,737	3,067,737
	<u>\$ 8,215,000</u>	<u>\$ 2,524,168</u>	<u>\$ 10,739,168</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Assessment Districts Bonds

At June 30, 2015, outstanding Assessment District Bonds totaled \$7,120,000. Bonds issued for improvements in special assessment districts are liabilities of the property owners and are secured by liens against the assessed property. In the case of default, the City has the authority to advance bonds payments from the special reserve fund and to foreclosure on delinquent property. The Assessment District Reserve Fund balance is \$2,370,182 at June 30, 2015.

Annual debt service requirements to maturity for assessment district bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 960,000	\$ 366,729	\$ 1,326,729
2017	1,000,000	312,863	1,312,863
2018	1,005,000	257,484	1,262,484
2019	835,000	207,534	1,042,534
2020	885,000	161,539	1,046,539
2021 - 2025	2,380,000	277,188	2,657,188
2026 - 2030	55,000	6,875	61,875
	<u>\$ 7,120,000</u>	<u>\$ 1,590,212</u>	<u>\$ 8,710,212</u>

Business-Type Activities

Capital Leases

2014 Lease/Purchase Agreement

The City of Salinas 2014 Lease/Purchase Agreement was issued by the Salinas Facilities Financing Authority on January 29, 2014. The financing was issued to refund the Animal Shelter COP Series A-1999 (\$2,812,000) and the Monterey Street Parking Structure COP Series A-2004 (\$13,253,000). The Monterey Street Parking Structure portion of the financing was issued for 20 years (ending September 1, 2033), at an average interest rate of 4.02%. Maximum annual debt service is \$963,518. The annual debt service requirements for the Monterey Street Parking Structure are illustrated in the table below and are reported as Business-Type Activities.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 453,000	\$ 497,535	\$ 950,535
2017	472,000	478,943	950,943
2018	492,000	459,567	951,567
2019	511,000	439,405	950,405
2020	534,000	418,402	952,402
2021 - 2025	2,999,000	1,746,469	4,745,469
2026 - 2030	3,651,000	1,080,194	4,731,194
2031 - 2035	3,491,000	287,571	3,778,571
	<u>\$ 12,603,000</u>	<u>\$ 5,408,086</u>	<u>\$ 18,011,086</u>

Street Sweepers

The City, using lease purchase financing, purchased another street sweeper on January 17, 2013. The City of Salinas will make five annual payments of \$49,530. Debt payable of \$140,102 is recorded in the Storm Sewer Enterprise Fund at June 30, 2015.

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 45,327	\$ 4,203	\$ 49,530
2017	46,687	2,843	49,530
2018	48,088	1,443	49,531
	<u>\$ 140,102</u>	<u>\$ 8,489</u>	<u>\$ 148,591</u>

Fire Engine

On January 21, 2014, the City, using lease purchase financing, purchased a Rosenbauer Airwolf fire engine for \$398,997. The fire engine debt is funded 50% by the Airport Fund; see capital leases for governmental type activities for the remaining 50% under *Quantum Pumper Fire Engine & Rosenbauer Airwolf*. The City will make seven annual payments of \$30,849 for the portion associated to business-type activities, beginning on March 1, 2015 and ending on March 1, 2021 at 2.02% interest. Debt payable of \$172,680 is recorded in the Airport Fund at June 30, 2015.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 27,361	\$ 3,488	\$ 30,849
2017	27,913	2,935	30,848
2018	28,477	2,372	30,849
2019	29,052	1,796	30,848
2020	29,639	1,210	30,849
2021 - 2025	30,238	611	30,849
	<u>\$ 172,680</u>	<u>\$ 12,412</u>	<u>\$ 185,092</u>

HUD Section 108 Loan

On March 28, 2015, the City entered into a contract for Loan Guarantee Assistance with the Housing and Urban Development Department (HUD), pursuant to which the City will derive funds for the purposes permitted under the agreement, and will execute one or more City Notes in the maximum aggregate principal amount of up to \$9,390,000. During the fiscal year, the City executed a note numbered as B-12-MC-06-0005 (Community and Economic Development Fund – Industrial Waste Water Conveyance System Project) in the principal amount of \$4,000,000. The City of Salinas has pledged current and future Community Development Block Grants (CDBG) funds as principal security for the loan. The loan carries a variable interest rate of 20 points (0.2%) above the applicable LIBOR rate. As of June 30, 2015, \$4,000,000 of the loan balance is outstanding.

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ 54,117	\$ 54,117
2017	378,000	78,605	456,605
2018	393,000	75,209	468,209
2019	409,000	70,662	479,662
2020	425,000	63,947	488,947
2021 - 2025	2,395,000	165,007	2,560,007
	<u>\$ 4,000,000</u>	<u>\$ 507,547</u>	<u>\$ 4,507,547</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Bonds Payable

Certificates of Participation, Series A-1999 – Golf Courses (Portion Refunded by Series A-2005)

On March 16, 1999, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation (Certificates) Series A-1999 totaling \$14,315,000. A portion of the Certificates was allocated for the construction of an animal shelter, \$1,250,338, and the balance of the Certificates, \$13,064,662 was allocated for construction of the new Twin Creeks (9-hole) Golf Course, \$8,221,604 and the renovation of Fairways Golf Course, \$4,843,058.

On August 24, 2004, the City entered into a sublease agreement with the Monterey Peninsula Foundation and its related foundation, Future Citizens Foundation, dba the First Tee of Monterey County providing for the lease of Twin Creeks golf course to Future Citizens Foundation. As a condition of the lease, the City repaid the portion of the 1999 Certificates attributable to the Twin Creeks golf course facility (about 57.5% of the lease payments of \$575,000) and refinanced that golf course portion with a new Refunding issue of Certificate of Participation.

On September 14, 2005, the Salinas Public Financing Authority issued City of Salinas Refunding Certificates of Participation Series 2005A, in the amount of \$8,005,000, to refund the portion of the 1999 Certificates attributed to Twin Creeks. With the closing of this financing, the sublease agreement with First Tee of Monterey County was finalized. Annual debt service for the 2005A Certificates (\$572,308) will be paid by the annual lease payments (\$575,000) from Future Citizens Foundation and guaranteed by the Monterey Peninsula Foundation. As with most City issued debt, the General Fund of the City backs the new Certificates and payment of debt service is ultimately the responsibility of the City.

At the request of First Tee of Monterey County, on December 6, 2011, the City approved a sublease payment reduction from \$575,000 to \$125,000 (an annual reduction of \$450,000). This request was the result of First Tee's significant unsustainable golf course operating losses experienced recently due to the downturn of the economy. With the goal of maintaining a quality of level of service to the thousands of golf youth participants and as the most cost effective alternative, the City Council approved the General Fund support through fiscal year 2014-15 to offset the reduced amount of the sublease to the First Tee of Monterey County.

Refunding Certificates Series 2005A were issued in the amount of \$8,005,000 for 24 years at 4.22%. Maximum annual debt service is \$572,308. The net value expense of the funding was \$117,298. The refunding was completed to issue qualified 501 (c) 3 bonds to provide for the operation of Twin Creeks golf course by First Tee of Monterey County. Refunding Certificates Series 2005A are secured by a lien on Twin Creeks golf course.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Refunding Certificates 2005A are rated Aaa (insured by Ambac) with an underlying AAAM rating from Standard & Poor's. In conjunction with this refunding, Standard and Poor's affirmed the City's issuer's credit rating of A+.

Debt service requirements to maturity for the Twin Creeks Golf Course is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 355,000	\$ 207,295	\$ 562,295
2017	370,000	194,376	564,376
2018	380,000	180,545	560,545
2019	395,000	165,915	560,915
2020	410,000	150,210	560,210
2021 - 2025	2,320,000	481,532	2,801,532
2026 - 2030	1,070,000	47,053	1,117,053
	<u>\$ 5,300,000</u>	<u>\$ 1,426,926</u>	<u>\$ 6,726,926</u>

Certificates of Participation, Series A-2008 – Fairways Golf Course

On August 2008, the City of Salinas was issued Refunding Certificates of Participation Series 2008, in the amount of \$4,660,000 at a variable interest rate, to refund the outstanding portion of the 1999 Certificate pertaining to the Fairways Golf Project. Bond started September 1, 2008 and will end after 30 years on September 1, 2038. Following the execution and delivery of the Certificates of Participation Series 2008, the 1999 Certificates, attributed to the animal shelter, will remain outstanding.

The annual debt service requirements to maturity for Fairways Golf Course are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 40,000	\$ 206,100	\$ 246,100
2017	50,000	204,300	254,300
2018	60,000	202,050	262,050
2019	70,000	199,350	269,350
2020	80,000	196,200	276,200
2021 - 2025	585,000	916,425	1,501,425
2026 - 2030	1,005,000	749,475	1,754,475
2031 - 2035	1,360,000	488,025	1,848,025
2036 - 2040	1,330,000	153,000	1,483,000
	<u>\$ 4,580,000</u>	<u>\$ 3,314,925</u>	<u>\$ 7,894,925</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Series 2012 – Sanitary Sewer Revenue Bonds

On February 8, 2012, the City of Salinas issued Sanitary Sewer System Revenue Bonds, Series 2012 in the amount of \$17,995,000 to provide funds for the current refunding of the City’s Sanitary Sewer System Revenue Bonds, Series 1998 and to finance capital replacement of existing sewer mains and other sewer related capital replacement. Maximum annual debt service is \$1,022,406, including interest ranging from 1.0% to 4.4% for 30 years. The City is authorized under Chapter 36, Article II, Division 5 of the Salinas City Code, to levy a sewer fee for the purpose of paying sanitary sewer related expenses of the City. On January 10, 2012, the City Council approved adjustments to wastewater collection fees effective February 1, 2012 to reflect the cost of wastewater conveyance through the Enterprise and an amount to cover debt service. The fee is billed by the Monterey Regional Water Pollution Control Agency. Debt payable of \$16,950,000 is recorded in the Sanitary Sewer Enterprise Fund at June 30, 2015.

Debt service requirements and maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 350,000	\$ 670,256	\$ 1,020,256
2017	360,000	656,056	1,016,056
2018	380,000	641,256	1,021,256
2019	390,000	627,806	1,017,806
2020	405,000	615,881	1,020,881
2021 - 2025	2,250,000	2,839,881	5,089,881
2026 - 2030	2,700,000	2,380,178	5,080,178
2031 - 2035	3,275,000	1,792,591	5,067,591
2036 - 2040	4,005,000	1,041,960	5,046,960
2041 - 2045	2,835,000	184,132	3,019,132
	<u>\$ 16,950,000</u>	<u>\$ 11,449,997</u>	<u>\$ 28,399,997</u>

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Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Conduit Debt

In June of 1999, the City of Salinas issued Multifamily Housing Revenue Bonds, Series 1999A (\$5,310,000 tax-exempt) and 1999A-T (\$390,000 taxable) for the construction of a 132-unit senior apartment project. Twenty percent (20%) of the project is designated to be affordable to seniors. As of June 30, 2015 the total conduit debt outstanding related to these bonds is \$4,410,000.

In June 14, 2007, the City of Salinas issued Economic Development Revenue Bonds, Series 2007A (\$18,655,000 tax exempt) and 2007B (\$1,570,000 taxable) for the acquisition of a building located at 1000 Main Street in Salinas. The building is currently leased in part to the County of Monterey Department of Social Services. The project intends to provide monthly rental at below the market value rates to the County of Monterey, a one million dollar premise improvement allowance to the Department of Social Services to renovate and upgrade its space in the building and to generate charitable support for the County's residents. As of June 30, 2015, total conduit debt outstanding related to the Economic Development Revenue Bonds is \$16,585,000.

Pursuant to the bond purchase agreements, the City of Salinas has no obligation related to the repayment of these bonds. Accordingly, the bonds are not reported as liabilities in the City's financial statements.

19. **Restricted Net Position:**

The government-wide statement of net position reports \$56,799,569 of restricted net position, of which enabling legislation restricts \$4,479,287 represented by the net position held at the Sanitary Sewer Fund.

20. **Unearned Revenues and Deferred Inflows of Resources, Net of Allowance:**

Governmental funds report unearned revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period (unavailable). Unearned revenues are those where assets recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenues are stated at \$9,748,905, net of allowance in the Government-Wide Statements and \$9,777,240 in the Fund statements, consisting of \$2,101,908 of unearned revenues and \$7,675,332 of deferred inflows of resources. These are not available resources.

CITY OF SALINAS
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For the Fiscal Year Ended June 30, 2015

Unearned revenues, net of allowance of \$9,777,240 at June 30, 2015 consist of the following:

Governmental activities:	
Major funds:	
Assessment district debt service	
Assessment receivable	\$ 7,120,000
Non-major funds:	
Housing and urban development	
Housing rehab loans	418,443
First time homebuyers loans	1,443,000
CDBG/home program deferred inflows or resources	15,002,536
Subtotal	16,863,979
Less: allowance for doubtful accounts	(16,535,537)
Total housing and urban development	328,442
Grants	226,890
Special revenue and capital projects unearned revenue	2,101,908
Total governmental activities	\$ 9,777,240

21. Prior Period Adjustment:

For the fiscal year ended June 30, 2015, the City implemented the provisions of GASB No. 68 - *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. As part of implementing the requirements, prior period adjustments totaling \$144,282,299 were made to decrease the City’s beginning net positions. These adjustments were recorded prospectively, as it was not practical for management to attempt to estimate pension expense for prior years.

Beginning net positions of the governmental and business type activities were adjusted as follows:

	Net Pension Liability	Deferred Outflows	Prior Period Adjustment
Governmental Activities	\$ (152,405,404)	\$ 10,101,552	\$ (142,303,852)
Business-type Activities			
Airport	(485,707)	38,201	(447,506)
Industrial Waste	(383,453)	30,159	(353,294)
Sanitary Sewer	(613,525)	48,255	(565,270)
Storm Sewer	(536,834)	42,222	(494,612)
Parking District	(127,818)	10,053	(117,765)
Total Business-type Activities	(2,147,337)	168,890	(1,978,447)
Total prior period adjustment	\$ (154,552,741)	\$ 10,270,442	\$ (144,282,299)

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

22. Fund Balance:

It is the policy of the City to maintain a minimum reserve for a reasonable level of assurance that the City's day-to-day operations will be able to continue even if circumstances occur where revenues are insufficient to cover expenditures. The minimum reserve of the General Fund is 5% of the next year's General Fund annual budgeted operating expenditures, as calculated by the Finance Director. The minimum fund balance is shown as unassigned in the General Fund.

Fund balance for governmental funds as of June 30, 2015 consists of the following:

	General, Measure V, & Measure G	Development Fees	Assessment District Debt Service	Energy Improvement Lease	Capital Projects	Other Nonmajor Governmental Funds	Total
Nonspendable:							
Inventory	\$ 16,133	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,133
Loans & Notes Receivable	-	-	-	-	-	4,008,178	4,008,178
Advances	3,660,000	-	-	-	-	-	3,660,000
Land Held for Resale	-	-	-	-	-	2,507,553	2,507,553
	<u>3,676,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,515,731</u>	<u>10,191,864</u>
Restricted for:							
Public Safety	-	-	-	-	-	1,460,501	1,460,501
Future Development	-	15,532,789	-	-	-	-	15,532,789
Maintenance District	-	-	-	-	-	4,799,848	4,799,848
Recreation Parks	-	-	-	-	-	56,899	56,899
Community Development	-	-	-	-	-	142,558	142,558
Properties Held for Resale	-	-	-	-	-	-	-
Franchise-Cable	-	-	-	-	-	386,026	386,026
Street Repairs	-	-	-	-	-	2,057,742	2,057,742
Grants	-	-	-	-	-	369,451	369,451
Low/Moderate Housing	-	-	-	-	-	58,000	58,000
Capital Projects-Airport	-	-	-	-	-	1,713,446	1,713,446
Debt Service	-	-	1,946,218	15,275,568	-	3,203,533	20,425,319
	<u>-</u>	<u>15,532,789</u>	<u>1,946,218</u>	<u>15,275,568</u>	<u>-</u>	<u>14,248,004</u>	<u>47,002,579</u>
Committed for:							
Capital Projects	1,143,900	-	-	-	2,000,000	-	3,143,900
Assigned for:							
Other Purposes	940,923	-	-	-	-	-	940,923
Unrealized Market Value	-	-	-	-	-	-	-
Carryover Appropriations	3,148,790	-	-	-	-	-	3,148,790
Capital Projects	-	-	-	-	-	1,417,382	1,417,382
	<u>4,089,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,417,382</u>	<u>5,507,095</u>
Unassigned:							
Operations-Reserve	5,601,300	-	-	-	-	-	5,601,300
Other-Accruals	-	-	-	-	-	-	-
Other Unassigned	3,588,913	-	-	-	-	1,835,542	5,424,455
	<u>9,190,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,835,542</u>	<u>11,025,755</u>
Total Fund Balances	<u>\$ 18,099,959</u>	<u>\$ 15,532,789</u>	<u>\$ 1,946,218</u>	<u>\$ 15,275,568</u>	<u>\$ 2,000,000</u>	<u>\$ 24,016,659</u>	<u>\$ 76,871,193</u>

23. Encumbrance:

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled (executor contracts; and open purchase orders). Commitments for such expenditures of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities but, rather, as restricted, committed, or assigned governmental fund balance.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

As of June 30, 2015, total governmental fund encumbrance balances for the City are as follows:

General Fund, Measure V, & Measure G	\$	940,923
Development Fees		295,757
Energy Improvement Lease		17,444,099
Nonmajor governmental funds		3,949,326
		\$ 22,630,105
		\$ 22,630,105

24. Joint Venture – Salinas Valley Solid Waste Authority:

The Authority is a joint exercise of powers authority, created pursuant to an agreement dated as of January 1, 1997 (the “Authority Agreement”) among the County of Monterey, and the cities of Salinas, Gonzales, Greenfield, Soledad, and King City (the “Members”). The Authority was established to acquire and manage the landfill assets of each member, ensure long-term landfill capacity of the Authority service area and provide a unified and coordinated solid waste management for the members.

The Authority is governed by a nine member governing board, consisting of three members of the Salinas City Council, two members of the Monterey County Board of Supervisors, and one City council member each from the cities of Gonzales, Greenfield, King City and Soledad. Pursuant to the Authority Agreement, while the City of Salinas does not have unilateral control over the activities of the Authority, the affirmative vote of at least one member of the Authority Board who is a member of the Salinas City Council is required to approve Board actions.

With the formation of the Authority, each participating jurisdiction contractually agreed to its responsibilities. In addition, the Authority adopted waste delivery agreements with each Member of the Authority. Each member has committed to deliver waste generated within its boundaries to the Authority’s solid waste facilities, to direct its franchise/permitted solid waste haulers to dispose of waste at these facilities, and to pay tipping fees set by the Authority to cover all Authority-related costs.

The commitments provided by the Members are for a minimum period of 15 years (2012) from the date of the Authority Agreements. Thereafter, the agreement may be terminated under specific terms of withdrawal, which includes a majority vote of the City Council, repayment of all outstanding debt and funding of closure, post closure and site remediation costs upon withdrawal from or termination of the Authority. The members have made no equity contributions, or have sold their interest in their assets to the Authority, and there is no explicit, measurable equity interest in this joint venture.

The City had no measurable equity interest in the Authority and does not receive a share of operating results.

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Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The Annual Financial Report of the Salinas Valley Solid Waste Authority is published and available from the Authority Treasurer at the Authority's Finance Department located at 128 Sun Street, Suite 101, Salinas, CA 93901.

25. Commitments and Contingent Liabilities:

Various claims and lawsuits are pending against the City. Although the outcome of those claims and lawsuits are not presently determinable, in the opinion of the City Attorney the resolution of these matters are within the self-insured retention and are not likely to have a material adverse effect on the financial condition on the City.

26. Successor Agency to the Salinas Redevelopment Agency:

Cash and Investments – Cash and investments at June 30, 2015 consisted of the following:

Cash and investments	\$ 1,430,429
Restricted cash and investments	<u>1,586,316</u>
Total Cash and Investments	<u><u>\$ 3,016,745</u></u>

Cash and investments of \$1,586,316 recorded as restricted assets are restricted to cover debt service. These funds are held by the fiscal agent.

Capital Assets – The following is a summary of the Agency's capital assets at June 30, 2015:

	Balance June 30, 2014	Additions	Adjustments/ Retirements	Balance June 30, 2015
Fiduciary Activities				
Capital assets, not being depreciated				
Land	\$ 149,270	\$ -	\$ -	\$ 149,270
Total assets not being depreciated	<u>149,270</u>	<u>-</u>	<u>-</u>	<u>149,270</u>
Capital assets, being depreciated				
Improvements other than buildings	17,840	-	-	17,840
Total assets being depreciated	<u>17,840</u>	<u>-</u>	<u>-</u>	<u>17,840</u>
Less accumulated depreciation	<u>(11,596)</u>	<u>(1,784)</u>	<u>-</u>	<u>(13,380)</u>
Total capital assets being depreciated, net	<u>6,244</u>	<u>(1,784)</u>	<u>-</u>	<u>4,460</u>
Fiduciary Activities capital assets, net	<u><u>\$ 155,514</u></u>	<u><u>\$ (1,784)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 153,730</u></u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Long Term Debt – The following is a summary of the long term debt at June 30, 2015:

	June 30, 2014	Increases	Decreases	June 30, 2015	Due Within One Year
Fiduciary-type Activities					
Loans and Notes Payable:					
Homeless Shelter	\$ 157,500	\$ -	\$ -	\$ 157,500	\$ -
Total Loans & Notes Payable	157,500	-	-	157,500	-
Tax Allocation Refunding Bonds:					
Series A-1996	2,360,000	-	(90,000)	2,270,000	95,000
Series A-1992	1,928,954	-	(276,513)	1,652,441	258,609
Total Bonds Payable	4,288,954	-	(366,513)	3,922,441	353,609
Subtotal	4,446,454	-	(366,513)	4,079,941	353,609
Unamortized Bond Discount	(89,187)	-	8,919	(80,268)	(8,919)
Fiduciary-type Activities	<u>\$ 4,357,267</u>	<u>\$ -</u>	<u>\$ (357,594)</u>	<u>\$ 3,999,673</u>	<u>\$ 344,690</u>

The annual requirements to amortize loans and notes and bonds outstanding as of June 30, 2015 by activity are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 353,609	\$ 1,080,534	\$ 1,434,143
2017	341,368	1,090,416	1,431,784
2018	326,117	1,102,701	1,428,818
2019	320,866	1,109,163	1,430,029
2020	312,604	1,119,147	1,431,751
2021 - 2025	2,267,877	3,421,673	5,689,550
2026 - 2030	-	-	-
2031 - 2041	157,500	-	157,500
	<u>\$ 4,079,941</u>	<u>\$ 8,923,634</u>	<u>\$ 13,003,575</u>

Loans and Notes Payable

Homeless Shelter Loan – Green Gold Inn

On March 7, 1995, the Salinas Redevelopment Agency – Central Agency Revitalization Project entered into a funding agreement and received a loan from the City of Salinas Community Development Block Grant Fund for the acquisition of property, Green Gold Inn at 28-32 Soledad Street, to establish a homeless center/shelter. The Agency agreed that the property would be used solely for a homeless center/shelter for a period not less than ten years. If the Agency or the organization holding title to the property disposes of the property or alters the use of the property prior to expiration of the ten year period, the Agency will reimburse the City the full amount of the current fair market value less improvement costs. Upon completion of the ten-year period, one

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

half of the debt, \$157,500 was forgiven. Upon cessation of the homeless center/shelter operations, the City will be reimbursed the fair market value of the property less the portion of the loan paid and improvement cost.

Debt service requirements for Green Gold Inn homeless center/shelter no interest loan is as follows:

Year Ended June 30,	Principal	Interest	Total
2029-2041	\$ 157,500	\$ -	\$ 157,500

Tax Allocation Bonds

On August 28, 1996, the former Salinas Redevelopment Agency issued \$11,145,000 of Tax Allocation Bonds Series A-1996. On October 27, 1992, the former Redevelopment Agency issued \$6,541,178 of Refunding Tax Allocation Bonds Series A-1992. The bonds were issued to complete project improvements in the Central Agency Revitalization Project area. The bonds were repaid from property taxes levied within the Salinas Redevelopment Agency Central City Revitalization Project through January 31, 2012, the dissolution date. This debt is now being paid with taxes received from the Redevelopment Property Tax Trust Fund in accordance with the Recognized Obligation Payments Schedule submitted by the Successor Agency and approved by the State Department of Finance.

The annual debt service requirements for the bonds at June 30, 2015 are as follows:

Year Ended June 30,	TAB Series A-1996		TAB Series A-1992	
	Principal	Interest	Principal	Interest
2016	\$ 95,000	\$ 122,238	\$ 258,609	\$ 958,296
2017	100,000	116,876	241,368	973,540
2018	100,000	111,376	226,117	991,325
2019	110,000	105,600	210,866	1,003,563
2020	115,000	99,412	197,604	1,019,735
2021 - 2024	1,750,000	294,525	517,877	3,127,148
	\$ 2,270,000	\$ 850,027	\$ 1,652,441	\$ 8,073,607

The Series A-1996 bond issue has a term bond of \$4,510,000 that matures on November 1, 2023. Debt service payments beginning in fiscal year 2011-2012 are deposits into a sinking fund. The term bonds are subject to redemption prior to maturity from the sinking fund installments on each November 1 on and after November 1, 2011 without premium according to a specified schedule, which is used in these debt service requirements.

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The Series A-1992 bond issue has a term bond of \$2,638,475 that matures on November 1, 2022. Debt service payments beginning in fiscal year 2009-2010 are deposits into a sinking fund. The term bonds are subject to redemption prior to maturity from the sinking fund installments on each November 1 on and after November 1, 2009 without premium according to a specified schedule that is used in these debt service requirements.

Unamortized Bond Discount

The Statement of Net position includes an unamortized bond discount of \$80,268 in Debt Payable-Due in More than One Year-Net of Discounts. The 1996 Tax Allocation Revenue Bonds were sold at a discount of \$249,729. The discount is being amortized over the life of the bond issue (28 years) at an annual rate of \$8,919.

The following is a summary of the 1996 Tax Allocation Revenue Bonds unamortized discount at June 30, 2015:

	June 30, 2014	Increases	Decreases	June 30, 2015
Tax Allocation Bond, Series A-1996	\$ 89,187	\$ -	\$ (8,919)	\$ 80,268

Commitment to Other Taxing Agencies – On June 15, 2010, the Former Redevelopment Agency approved a loan agreement between the Agency and the National Steinbeck Center. The Agency agreed to make five lease payments on behalf of the Steinbeck Center. The lease payments are used to make debt service payments for the City/Agency Certificates of Participation Series A of 2002. The deferred lease payments due March 1, 2009 through March 1, 2011 total \$484,716. The Agency and Steinbeck Center entered into a note for \$484,716, with interest based on the Local Agency Investment Fund, which is variable, not to exceed (1%) per annum. The note and appropriate interest is due in full on July 1, 2018, unless prepaid prior to that date.

The Steinbeck Center is constructed on Agency owned land. Pursuant to a fifty-year ground lease dated December 31, 1997, the Redevelopment Agency leases the land to Steinbeck Center for \$1 per year.

On July 8, 2014, The Successor Agency adopted a resolution electing to terminate the Loan Agreement with the National Steinbeck Center that was executed June 15, 2010 in the amount of \$484,716 plus accrued interest thereby forgiving the loan and directed the Successor Agency’s Executive Director to prepare a termination agreement to implement the loan forgiveness. The Oversight Board accepted the fact that the National Steinbeck Center was unable to satisfy its obligations under the loan agreement. The termination and forgiveness of the loan requires the approval of the California State Department of Finance.

CITY OF SALINAS
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For the Fiscal Year Ended June 30, 2015

On October 21, 2014, during a joint meeting of the City of Salinas and the Successor Agency the entities agreed to: 1) The sale of the National Steinbeck Center building located at 1 Main Street in Salinas to the University of Monterey Bay; 2) To terminate the ground lease between the former Salinas Redevelopment Agency and the National Steinbeck Center and the Sublease Agreement between the City of Salinas and the National Steinbeck Center; 3) Approve the sale of City-owned land located at 1 Main Street to the University Corporation at Monterey Bay and; 4) Elect to terminate the loan agreement between the former Salinas Redevelopment Agency and the National Steinbeck Center to implement forgiveness of the Loan Agreement.

Commitment to Monterey Street Parking Structure – In November 2001, the City Council and the Agency entered into a Disposition and Development Agreement (DDA) with Maya Cinema Holding Company LLC for the development of a 14-Screen, 2,916-seat multiplex movie theater complex on the 100 block of Main Street. To serve this and other developments within the 100 blocks, the DDA committed the City/Agency to construct a five-level, 435-space public parking structure on the corner of Monterey Street and Market Street adjacent to the National Steinbeck Center and the Maya Cineplex Theater. The public parking garage opened in June 2005, while the Maya Cinemas Multiplex was completed and opened during July 2005. During FY 2013-14 the Certificates of Participation 2004 that funded the construction of the Monterey Street Parking Structure with a balance of \$13,870,000 at January 2014, was refinanced through the Salinas Facilities Financing Authority by a direct private lease placement with Western Alliance Bancorporation. Because the debt service for the 2004 Certificates was reimbursed to the City from redevelopment tax increment, the savings from the 2004 Certificates was distributed to affected taxing entities as apportioned by the County of Monterey, including a portion for the City, due to the dissolution of the City’s Redevelopment Agency. With this refinancing, the average annual debt service requirement was reduced by approximately \$123,000.

27. Subsequent Events:

The City has evaluated subsequent events through January 14, 2016, the date these financial statements were available to be issued.

Refinancing of 2005A and 2005B Certificates of Participation – On September 1, 2015, the City finalized the refinancing of the 2005A Certificates of Participation (Twin Creeks) and the 2005B Certificates of Participation (Capital improvements) through a direct private placement with CoBiz Public Finance, Inc. (CoBiz), in the amount of \$11,440,000 at 2.53%. The private placement is structured as leases, the payments under which will be assigned directly to CoBiz. On January 7, 2014, the City Council approved the formation of the Salinas Facilities Financing Authority, where the Salinas Facilities Financing Authority is a joint member with the City through a joint exercise of powers agreement. Financings, such as this are typically structured with a lease-lease back structure. For this refinancing, the Salinas Facilities Financing Authority and the City entered into a “site lease” where the City will lease certain assets from the Authority and a “Lease/Purchase Agreement”, where the City will lease the same City asset back from the Authority. The lease payments go both ways and would also be paid, in turn, by the Authority to CoBiz. Certificates of participation in the lease will not be sold to investors.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

With this refinancing, the City the City will realize annual average savings on its debt service payments of \$242,786 for the remaining life of the lease (twelve years).

Sale of One Main Street (National Steinbeck Center) – On September 21, 2015, The City concluded the sale of the land and building located at 1 Main Street where the National Steinbeck Center is located. The property was sold to the National Steinbeck Center (NSC) that at the same time entered into an agreement to sell the property to the California State University’s supporting organization, University Corporation at Monterey Bay (“UCMB”).

The Building – Construction of the building and interior improvements at 1 Main Street began in 2007, financed in part by private donations and contributions from the City of Salinas and the former Salinas Redevelopment Agency (SRA). The building was occupied since the time of its opening by the NSC pursuant to various agreements, including a ground lease between the former SRA and the NSC and a Sublease Agreement between the City of Salinas and the NSC. The NSC and UCMB reached an agreement on the terms of a purchase and sale of the building that required the City’s consent. As part of the agreement between the NSC and UCMB, a long-term lease will allow NSC to continue to use approximately 45% of the building space so that the NSC may continue to operate within the building by displaying exhibits and continuing to enhance its community programs. The City received \$2,234,766 during the transaction settlement for this concept. This amount will be used to pay debt service requirements of the NSC 2002 Certificates of Participation.

The Land – The land on which the NSC building was constructed was at all times owned by either the former Salinas Redevelopment Agency or the City of Salinas. The building was permitted to be constructed on the City’s land pursuant to the various agreements. In order to merge the ownership interests of the building and the land, UCMB purchased the land from the City at the same time it purchased the building from NSC. The total sale price for the land was \$100,000. This amount will be used to pay debt service requirements of the NSC 2002 Certificates of Participation.

As part of the sale of the property, the NSC paid the outstanding balance that was secured by a promissory note to guarantee missing lease payments from August 2009 through February 2010. The City received \$492,071 that was credited to the Successor Agency Fund.

**REQUIRED
SUPPLEMENTARY
INFORMATION**



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CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2015

BUDGETING

The budget is prepared by the City Manager and adopted by the City Council. The City Council approves operating appropriations at the department and fund level prior to July 1, each year and may amend the budget during the fiscal year. Budgetary control is maintained at the program level. Formal budgetary integration was employed as a management control device during the fiscal year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Enterprise Funds and Internal Service Funds.

Budgets are legally adopted for all Governmental and Proprietary Fund Types. Fiduciary Funds and Agency Funds have no adopted budgets because the City is only required to make payments to the extent funds are available. Agency Fund budgets that are approved by their respective governing boards are recorded in the City's accounting system.

The City Manager may transfer budget appropriations between departments and Department Directors may transfer appropriations between programs and accounts within their individual departments and divisions, but only the Council may appropriate funds from reserves or fund balances.

Budget policy excludes the use of taxes, accounts receivable, interest receivable assets and long-term advances that are not currently available resources for budget purposes. Condemnation deposits, are also excluded because they are returned upon right of way acquisition.

Expenditures may not legally exceed budgeted appropriations at the department level. Budgeted amounts shown are as originally adopted and as amended by the City Council during the year. During the year, Council amends the budget with the approval of supplemental appropriations and reviews and amends the budget at mid-year and at year-end.

Appropriations lapse at fiscal year end to the extent they have not been expended. New budget appropriations are approved for the coming year. Project-length financial plans are adopted for all capital projects funds and appropriations are carried forward until project completion. Grant funds are carried forward until the grant expires.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are recorded as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2015

On November 8, 2005, the voters of Salinas approved Measure V, a 0.50% transactions and use tax. Measure V is a general tax and is reported as part of the General Fund. The tax was effective April 1, 2005 and had an original sunset of ten (10) years that was revised by the voters on November 6, 2012 eliminating a termination date on the imposition of the tax. The Measure V Oversight Committee is a fundamental provision of the voter-approved tax. The Mayor and City Council each annually appoints one member of the public to serve on the Oversight Committee. The committee has two (2) major responsibilities recommending the specific uses of Measure V funds to the City Council and overseeing the use of Measure V funds to assure consistency with the voter approved tax and the appropriated use of Measure V funds.

On November 4, 2014, the voters of Salinas approved Measure G (For a Safer Better Salinas), a 1.00% transactions and use tax. Measure G is a general tax and is reported as part of the General Fund. The tax was effective April 1, 2015 and had a sunset date of fifteen (15) years. The Measure G Oversight Committee is a fundamental provision of the voter-approved tax. The Mayor and City Council each annually appoints one member of the public to serve on the Oversight Committee. The committees' main responsibilities include the review of the auditor's report of the specific uses of Measure G funds and to issue a public report to the City Council regarding the use of revenue and such other matters as the City Council may assign.

BUDGETARY INFORMATION

The adopted FY 2014-15 budget represents the financial and organizational plan by which the policies and programs approved by the City Council will be implemented. It includes: (1) the programs, projects, services and activities to be provided during the fiscal year; (2) estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget for a second fiscal year (2015-16) plan is also presented for planning purposes only. The City's goals and objectives are:

- Economic Diversity and Prosperity – develop, enhance, and protect an expanded local economic base
- Safe Livable Community - Salinas as a City of Peace
- Effective, Sustainable Government
- Excellent Infrastructure
- Quality of Life

On June 3, 2014, the City Council was presented and reviewed a two (2) year operating budget with staff recommending approval of a one (1) year operating budget for the City of Salinas and Successor Agency. The Salinas City Council and Successor Agency adopted FY 2014-15 Annual Operating Budgets on June 17, 2014. A major update to the CIP was made during FY 2014-15 for the current fiscal year through fiscal year 2019-20. Capital project budget is updated annually with major revisions occurring every two years.

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2015

Annual budgets are prepared for the General Government Funds, Internal Service, Enterprise Operations, Assessment and maintenance Districts, Block Grant and Home programs, certain Grant and City Agencies, Deferred Compensation and Retirement, Debt Service, Successor Agency and Capital Project Funds.

The annual appropriation resolution adopts the budget at an appropriation level by fund, with detail expenditure by departments and programs included in the budget document.

Potential investments of \$599,247,400 were identified for the six (6) year period from July 1, 2014, to June 30, 2020. The required investments range from deferred maintenance needs of existing facilities (e.g. fire station repairs) or a new Public Safety Radio System to the construction of long overdue new and expanded facilities (e.g. a new police facility and the expansion of El Gabilan Library) necessary to continue providing basic services to the residents of Salinas. The CIP projects were funded from a variety of sources, including modest General Fund investments of \$1.3 million. Due to the economic downturn and the requirement to balance the two-year Operating Budget, Capital project investments funded by Measure V were reduced to zero. Similarly, Measure G funds were not budgeted for any capital project as the first installment scheduled to be received from the State was to occur in the last month of fiscal year 2014-15.

GENERAL FUND

The General Fund fund balance increased \$908,509 to \$6,970,103, of which \$3,676,133 is Non-spendable, \$1,143,900 is committed, \$3,392,948 is assigned and (\$1,242,878) is unassigned.

General Fund reserves have been set-aside by Council for specific purposes. Under the Reserved fund balance category, the General Fund Non-spendable fund balance of \$3,676,133 includes Inventory (\$16,133) and Advances (\$3,660,000). Committed funds balance of \$1,143,900 is designated for future Capital Projects.

The General Fund negative unassigned fund balance of \$1,242,878 is made up of \$4,730,000 in Operations Reserve and (\$5,972,878) of future funds required to meet the fund balance reserves at June 30, 2015.

MEASURE V

Measure V is a general tax (discretionary) and is reported as part of the General Fund. The Measure V fund balance increased \$312,718 to \$5,755,304, of which \$696,765 is assigned and \$5,058,539 is unassigned.

Of the \$5,058,539 Measure V unassigned fund balance, \$871,300 is reserved for operations, and \$4,187,239 in unassigned fund balances. Measure V reserves have been set-aside by Council for specific purposes.

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2015

MEASURE G

Measure G is a general tax (discretionary) and is reported as part of the General Fund. The Measure G fund balance is \$5,374,552. The total fund balance is unassigned at June 30, 2015 and includes accruals of taxes receivable of \$3,955,487.

BUDGETARY RESULTS RECONCILED TO GAAP

The budgetary process is based upon accounting for certain transactions on a basis other than the accounting principles generally accepted in the United States (GAAP) basis. The results of operations are presented in the accompanying budget and actual comparison schedules in accordance with the budgetary process (budgetary basis) to provide a meaningful comparison with the budget. The major differences between the budgetary basis actual and GAAP basis are as follows:

- Year-end encumbrances are recognized as the equivalent of expenditures in the budgetary basis financial statements, while encumbered amounts are not recognized as expenditures on the GAAP basis until the equipment, supplies, or services are received.
- Certain loan transactions are recognized as expenditures for the budgetary basis but not for the GAAP basis. When these loans are made, they are recorded as receivables for the GAAP basis and as expenditures for the budgetary basis. When loan repayments are received, they are recorded as reductions to receivables for the GAAP basis, but are recognized as revenues for the budgetary basis.
- Certain accounts such as the change in fair market value of investments included in the City's GAAP basis amounts, for which no formal budgets are prepared, are excluded from the budgetary basis financial statements.
- Certain grant revenues received in advance are recognized on the budgetary basis financial statements, but are deferred and not recognized as revenue on the GAAP basis financial statements. This process normally creates a variance in recognized revenue from the prior year to the current year.

BUDGET REVISIONS

The following is a summary of the actions taken after the approval of the fiscal year 2014-15 budget:

- General Fund and Measure V Budgets were balanced through the continuation of employee concessions coupled with higher than estimated tax revenues. The General Fund budget was first amended on August 26, 2014 when it was recommended to allocate \$40,000 to fund construction and improvements of a basketball court located at Acosta Plaza, \$140,000 to fund the Housing Conplan and \$100,000 to fund a loan to Vista La Terraza.

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2015

The budget was increased during the mid-year by \$1,424,100 to fund a variety of unexpected maintenance (radio & building) costs, training needs, economic development efforts and additional funding for self-insurance liability and worker's compensation costs. This action included the increase of the General Fund Operation Reserve by \$500,000. With the same action, the Council approved an increase to the estimated revenue of \$1,925,000 in property taxes, sales tax, utility user's tax and administrative service revenues. The Capital Project budget was increased in December 2014 by \$1,074,000 to fund the acquisition of a Financial Management Software and increased again during the mid-year by \$818,900 to fund a variety of project including economic development efforts like the Forbes Ag Tech Summit, Charter Review, Social Media and the Vibrancy Downtown Traffic Parking Study.

- Measure V budget was also amended at the mid-year point on February 17, 2015 when the budget was increased \$400,000 to increase funding of the liability insurance fund.

The budget amounts presented in the accompanying schedule of revenues, expenditures, and changes in fund balances – budget and actual (budgetary basis) reflect such budget revisions.



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CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND, MEASURE V, & MEASURE G
FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2014	\$ 11,504,180	\$ 11,504,180	\$ 11,504,180	\$ -
Resources (inflows):				
Taxes:				
Sales	18,781,000	18,646,000	18,919,368	273,368
In-lieu Sales	6,260,000	6,120,000	6,002,895	(117,105)
Transactions and Use	11,030,000	11,030,000	16,541,240	5,511,240
Property	12,371,500	13,746,500	13,732,275	(14,225)
Property-Vehicle License Fees	9,808,100	10,633,100	10,633,700	600
Utility	9,277,000	9,277,000	9,947,484	670,484
Business License	4,692,000	4,692,000	4,590,157	(101,843)
Franchise	8,199,100	8,199,100	8,473,737	274,637
Other	1,725,000	1,725,000	2,603,009	878,009
Licenses and Permits	1,213,800	1,213,800	1,758,974	545,174
Intergovernmental	447,500	387,500	1,196,114	808,614
Charges for Services	3,455,200	3,455,200	3,859,668	404,468
Interest	66,300	66,300	137,041	70,741
Miscellaneous	267,700	267,700	563,800	296,100
Operating Transfers In	1,985,000	1,985,000	2,151,766	166,766
Total Resources	<u>89,579,200</u>	<u>91,444,200</u>	<u>101,111,228</u>	<u>9,667,028</u>
Charges to Appropriations (outflows):				
Administration	13,518,565	15,181,350	16,096,574	(915,224)
Public Safety	53,019,304	53,155,732	52,982,137	173,595
Public Works	12,373,626	12,415,511	11,815,626	599,885
Recreation	1,658,600	1,723,600	1,615,001	108,599
Library	4,317,424	4,317,424	3,556,485	760,939
Capital Outlay	85,913	230,226	205,689	24,537
Transfers Out	7,687,258	10,655,713	8,243,937	2,411,776
Total Charges to Appropriations	<u>92,660,690</u>	<u>97,679,556</u>	<u>94,515,449</u>	<u>3,164,107</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(3,081,490)</u>	<u>(6,235,356)</u>	<u>6,595,779</u>	<u>12,831,135</u>
Fund Balance, June 30, 2015	<u>\$ 8,422,690</u>	<u>\$ 5,268,824</u>	<u>\$ 18,099,959</u>	<u>\$ 12,831,135</u>

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
MEASURE V FUND
FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2014	\$ 5,442,586	\$ 5,442,586	\$ 5,442,586	\$ -
Resources (inflows):				
Taxes:				
Transaction and Use Tax	11,030,000	11,030,000	11,167,324	137,324
Interest	10,000	10,000	25,026	15,026
Miscellaneous	-	-	-	-
Total Resources	<u>11,040,000</u>	<u>11,040,000</u>	<u>11,192,350</u>	<u>152,350</u>
Charges to Appropriations (outflows):				
Administration	457,200	857,200	840,946	16,254
Public Safety	3,464,400	3,470,700	2,854,770	615,930
Public Works	1,266,600	1,266,600	1,126,053	140,547
Recreation	888,400	888,400	782,934	105,466
Library	4,317,200	4,317,424	3,556,485	760,939
Capital Outlay	-	913	-	913
Transfers Out	640,000	2,439,956	1,718,444	721,512
Total Charges to Appropriations	<u>11,033,800</u>	<u>13,241,193</u>	<u>10,879,632</u>	<u>2,361,561</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>6,200</u>	<u>(2,201,193)</u>	<u>312,718</u>	<u>2,513,911</u>
Fund Balance, June 30, 2015	<u>\$ 5,448,786</u>	<u>\$ 3,241,393</u>	<u>\$ 5,755,304</u>	<u>\$ 2,513,911</u>

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
MEASURE G FUND
FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2014	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Taxes:				
Transaction and Use Tax	-	-	5,373,916	5,373,916
Interest	-	-	636	636
Miscellaneous	-	-	-	-
Total Resources	<u>-</u>	<u>-</u>	<u>5,374,552</u>	<u>5,374,552</u>
Charges to Appropriations (outflows):				
Administration	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Capital Outlay	-	-	-	-
Transfers Out	-	-	-	-
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>-</u>	<u>-</u>	<u>5,374,552</u>	<u>5,374,552</u>
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,374,552</u>	<u>\$ 5,374,552</u>

**CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
HOUSING AND URBAN DEVELOPMENT FUND
FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2014	\$ 2,305	\$ 2,305	\$ 2,305	\$ -
Resources (inflows):				
Intergovernmental	4,266,000	4,166,163	2,358,380	(1,807,783)
Interest	200	200	-	(200)
Miscellaneous	72,500	72,500	1,100	(71,400)
Transfers In	-	-	2,349	2,349
Total Resources	<u>4,338,700</u>	<u>4,238,863</u>	<u>2,361,829</u>	<u>(1,877,034)</u>
Charges to Appropriations (outflows):				
Administration	3,770,700	4,768,093	2,539,019	(2,229,074)
Transfers Out	5,030,890	5,030,890	232,675	(4,798,215)
Total Charges to Appropriations	<u>8,801,590</u>	<u>9,798,983</u>	<u>2,771,694</u>	<u>(7,027,289)</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(4,462,890)</u>	<u>(5,560,120)</u>	<u>(409,865)</u>	<u>5,150,255</u>
Fund Balance, June 30, 2015	<u>\$ (4,460,585)</u>	<u>\$ (5,557,815)</u>	<u>\$ (407,560)</u>	<u>\$ 5,150,255</u>

**CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT FEES FUND
FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2014	\$ 15,239,320	\$ 15,239,320	\$ 15,239,320	\$ -
Resources (inflows):				
Charges for Services	269,000	269,000	1,094,316	825,316
Interest	66,500	66,500	85,501	19,001
Total Resources	<u>335,500</u>	<u>335,500</u>	<u>1,179,817</u>	<u>844,317</u>
Charges to Appropriations (outflows):				
Capital Outlay	-	-	10,252	(10,252)
Transfers Out	15,235,576	14,763,826	876,096	13,887,730
Total Charges to Appropriations	<u>15,235,576</u>	<u>14,763,826</u>	<u>886,348</u>	<u>13,877,478</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(14,900,076)</u>	<u>(14,428,326)</u>	<u>293,469</u>	<u>14,721,795</u>
Fund Balance, June 30, 2015	<u>\$ 339,244</u>	<u>\$ 810,994</u>	<u>\$ 15,532,789</u>	<u>\$ 14,721,795</u>

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND
RELATED RATIOS DURING THE MEASUREMENT PERIOD
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Last 10 Fiscal Years*

	<u>Miscellaneous</u>	<u>Police</u>
Measurement Period	2013-14 (1)	2013-14 (1)
TOTAL PENSION LIABILITY		
Service Cost	\$ 2,331,545	\$ 4,932,982
Interest	6,154,034	17,097,550
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(2,673,091)	(10,895,705)
Net Change in Total Pension Liability	<u>5,812,488</u>	<u>11,134,827</u>
Total Pension Liability - Beginning	<u>82,224,560</u>	<u>230,948,692</u>
Total Pension Liability - Ending (a)	<u>88,037,048</u>	<u>242,083,519</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	2,010,590	5,285,903
Contributions - Employee	959,420	1,375,826
Net Investment Income (2)	9,911,526	25,664,291
Benefit Payments, Including Refunds of Employee Contributions	(2,673,091)	(10,895,705)
Other Changes in Fiduciary Net Position	-	-
Net Change in Fiduciary Net Position	<u>10,208,445</u>	<u>21,430,315</u>
Plan Fiduciary Net Position - Beginning	<u>56,661,039</u>	<u>148,936,610</u>
Plan Fiduciary Net Position - Ending (b)	<u>66,869,484</u>	<u>170,366,925</u>
Plan Net Pension Liability/(Asset) - Ending (a)-(b)	<u>\$ 21,167,564</u>	<u>\$ 71,716,594</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.96%	70.38%
Covered Employee Payroll	\$ 15,831,777	\$ 16,589,818
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	133.70%	432.29%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Net of administrative expenses.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Notes to schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes in Assumptions: There were no changes in assumptions.

**CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Last 10 Fiscal Years*

	Miscellaneous <u>Fiscal Year 2013-14</u>	Police <u>Fiscal Year 2013-14</u>
Actuarially Determined Contribution	\$ 2,010,590	\$ 5,285,903
Contributions in Relation to the Actuarially Determined Contribution	<u>(2,010,590)</u>	<u>(5,285,903)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 15,831,777	\$ 16,589,818
Contributions as a Percentage of Covered-Employee Payroll	12.70%	31.86%

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for the Fiscal Year 2014-2015 were from the June 30, 2013 actuarial valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2011 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation.
Retirement Age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
COST SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
RELATED RATIOS AS OF THE MEASUREMENT DATE
FOR THE FISCAL YEAR ENDED JUNE, 30 2015**

Last 10 Fiscal Years*	Fire	
	Tier 1 6/30/2014	Tier 2 6/30/2014
Plan's Proportion of the Net Pension Liability (Asset)	0.64035%	0.00159%
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$ 39,845,809	\$ 98,976
Plan's Covered - Employee Payroll	\$ 8,240,493	\$ 1,291,442
Plan's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	483.54%	7.66%
Plan's Proportion of the Fiduciary Net Position	0.74893%	0.00310%
Plan's Share of Risk Pool FNP	\$ 104,611,387	\$ 433,691
Plan's Additional Payments to side Fund During Measurement Period	-	-
Plan's Proportionate Share of the Fiduciary Net Position (sum of the two preceding lines)	\$ 104,611,387	\$ 433,691
Plan's Proportionate Share of the Fiduciary Net Position as a percentage of the Plan's Total Pension Liability	72.42%	81.42%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 2,961,671	\$ 12,278

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
COST SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN
SCHEDULE OF THE PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Last 10 Fiscal Years*	Fire	
	Tier 1	Tier 2
	Fiscal Year 2014-15	Fiscal Year 2014-15
Actuarially Determined Contribution	\$ 3,875,533	\$ 312,868
Contributions in Relation to the Actuarially Determined Contribution	(3,875,533)	(312,868)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll	\$ 8,240,493	\$ 1,291,442
Contributions as a Percentage of Covered-Employee Payroll	47.03%	24.23%

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes of Assumptions: None.

**CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR NEW YORK LIFE RETIREMENT PLAN
LAST THREE YEARS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Unamortized Portion of Initial Unfunded Actuarial Accrued Liability (IUAAL) (b)	Unfunded Frozen Actuarial Accrued Liability (UFAAL) * (c)	Covered Payroll (d)	IUAAL as a Percentage of covered Payroll (b/d)	UFAAL as a Percentage of Covered Payroll (c/d)
09/01/14	\$ 11,598,931	\$ 10,608,004	\$ 15,051,559	\$ 1,307,601	811.3%	1151.1%
09/01/13	\$ 10,816,745	\$ 10,774,604	\$ 9,272,480	\$ 1,425,550	755.8%	650.4%
09/01/12	\$ 13,567,181	\$ 10,251,380	\$ 7,982,671	\$ 1,845,313	555.5%	432.6%

The plan is not administered through a trust or equivalent arrangement, and therefore is presented in accordance with GASB Statement No. 27 - Accounting for Pension by State and Local Governmental Employers.

The plan uses the frozen initial liability (frozen entry age) actuarial cost method (under which the unfunded actuarial accrued liability is not explicitly determined each year until September 1, 2005. Effective September 1, 2005 actuarial valuation, the plan uses the entry age normal cost funding method under which the unfunded actuarial liability is explicitly determined each year. As of September 1, 2005, the unfunded actuarial accrued liability was redetermined to be \$12,127,776 based on the market plan assets and plan accrued liabilities as of September 1, 2005 and the plan's funding contribution was then calculated based on a 30-year amortization of the redetermined unfunded actuarial accrued liability.

* Includes the unamortized initial unfunded actuarial accrued liability re-established 9/1/83 plus the unamortized portion of other bases established for changes in plan provisions and changes in actuarial assumptions.

**CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
LAST THREE YEARS**

Actuarial Valuation Date	Present Value of Benefits	Unfunded Actuarial Accrued Liability	Annual Required Contribution (ARC)	Covered Payroll	ARC as a Percentage Payroll
06/30/14	\$ 24,464,000	\$ 14,233,000	\$ 1,992,000	\$ 43,684,000	4.6%
06/30/13	\$ 24,464,000	\$ 14,233,000	\$ 1,823,000	\$ 42,039,000	4.3%
06/30/12	\$ 20,387,000	\$ 12,166,000	\$ 1,676,000	\$ 40,716,000	4.1%

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
CLAIMS DEVELOPMENT
INTERNAL SERVICE FUNDS-GENERAL LIABILITY INSURANCE
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net earned required contribution and investment revenues	\$ 1,070,533	\$ 1,182,409	\$ 892,752	\$ 935,129	\$ 1,343,428	\$ 814,131	\$ 910,555	\$ 952,735	\$ 971,785	\$ 1,892,297
Unallocated expenses	395,222	376,213	370,771	371,076	348,331	315,065	350,753	338,630	353,537	334,291
Estimated incurred claims and expenses, end of policy year	32,657	30,502	56,732	238,703	39,595	102,556	83,079	522,131	161,668	965,536
Paid Claims as of:										
End of policy year	7,560	17,711	24,230	43,408	5,487	14,877	7,665	30,214	18,140	55,188
One year later	185,850	138,651	156,683	391,628	150,457	93,839	245,112	172,798	635,352	
Two years later	186,424	320,071	360,609	497,350	789,862	190,588	466,599	375,290		
Three years later	186,424	447,569	1,193,165	1,537,770	1,307,381	224,592	983,571			
Four years later	186,424	452,506	159,784	1,539,402	1,466,325	224,959				
Five years later	186,424	498,439	161,663	1,539,402	1,467,548					
Six years later	173,116	511,036	161,993	1,539,402						
Seven years later	173,116	511,036	162,286							
Eight years later	173,116	511,036								
Nine years later	173,116									
Reestimated incurred claims and expenses:										
End of policy year	32,657	30,502	56,732	238,703	39,595	102,556	83,079	522,131	161,668	965,536
One year later	189,355	297,814	753,135	527,836	280,903	174,137	870,512	638,797	2,233,535	
Two years later	186,424	443,240	753,718	570,697	1,463,367	219,220	942,962	1,085,173		
Three years later	186,424	498,386	1,193,165	1,546,208	1,580,287	225,383	1,371,990			
Four years later	186,424	452,506	186,210	1,539,402	1,552,896	224,959				
Five years later	186,424	498,439	206,010	1,539,402	1,548,767					
Six years later	173,116	513,439	216,010	1,539,402						
Seven years later	173,116	511,036	216,010							
Eight years later	173,116	511,036								
Nine years later	173,116									
Increase/(Decrease) in estimated incurred claims and expenses										
End of policy year	140,459	480,534	159,278	1,300,699	1,509,172	122,403	1,288,911	563,042	2,071,867	-

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
CLAIMS DEVELOPMENT
INTERNAL SERVICE FUNDS-WORKERS COMPENSATION INSURANCE
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net earned required contribution and investment revenues	\$ 2,778,669	\$ 3,164,817	\$ 3,057,272	\$ 2,043,505	\$ 4,505,413	\$ 5,353,747	\$ 9,173,838	\$ 7,472,705	\$ 4,377,425	\$ 6,130,921
Unallocated expenses	333,401	262,483	285,455	214,582	249,818	285,858	292,754	323,122	360,203	335,408
Estimated incurred claims and expenses, end of policy year	573,047	985,428	830,790	1,039,527	1,460,583	937,398	1,720,157	2,243,630	1,666,909	1,432,029
Paid claims (cumulative) as of:										
End of policy year	172,929	368,902	286,530	423,304	660,835	403,754	533,708	646,857	950,284	334,254
One year later	442,713	770,525	976,701	1,344,588	2,113,115	1,308,910	1,864,818	1,634,364	1,371,978	
Two years later	564,497	916,943	1,224,838	1,637,077	2,835,706	1,711,483	2,854,520	1,959,739		
Three years later	670,100	1,038,220	1,542,842	1,940,235	3,543,291	1,962,598	3,136,125			
Four years later	738,682	1,117,251	1,732,246	2,090,155	4,112,174	2,198,461				
Five years later	800,582	1,208,982	1,852,584	2,188,846	4,292,478					
Six years later	903,785	1,246,725	1,974,390	2,277,738						
Seven years later	868,727	1,257,411	2,037,189							
Eight years later	874,824	1,263,553								
Nine years later	879,412									
Reestimated incurred claims and expenses:										
End of policy year	573,047	985,428	830,790	1,039,527	1,460,583	937,398	1,720,157	2,243,630	1,666,909	1,432,029
One year later	808,841	1,250,090	1,794,518	2,429,854	3,280,511	2,328,492	4,335,777	3,285,111	2,218,693	
Two years later	928,207	1,128,907	1,826,991	2,697,846	5,310,361	2,538,085	4,746,128	3,764,688		
Three years later	872,237	1,201,945	2,392,497	3,355,273	5,982,979	2,654,485	4,801,869			
Four years later	958,367	1,295,130	2,690,591	3,098,511	5,975,348	2,883,206				
Five years later	912,809	1,484,666	2,540,276	3,081,380	6,094,953					
Six years later	1,194,278	1,460,589	2,665,192	3,249,970						
Seven years later	934,979	1,455,769	3,097,014							
Eight years later	954,377	1,456,300								
Nine years later	982,450									
Increase/(Decrease) in estimated incurred claims and expenses										
End of policy year	409,403	470,872	2,266,224	2,210,443	4,634,370	1,945,808	3,081,712	1,521,058	551,784	-



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SUPPLEMENTARY INFORMATION



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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for specified purposes. The Special Revenue Funds used by the City in this report are as follows:

Emergency Medical Services Fund - This fund accounts for monies received from County Service Area (CSA) 74. Funds are used to purchase emergency medical and safety equipment under the capital improvement program.

Asset Seizure - This fund accounts for the proceeds from sale of assets seized primarily from illegal narcotics activity. These funds are used for law enforcement.

Lighting, Landscape and Maintenance District - This fund accounts for monies received from the various maintenance districts throughout the City. Funds are used to pay for the lighting and landscape maintenance of the respective districts.

Local Public Safety Fund - This fund accounts for monies received from federal and state grants, which are expended to enhance law enforcement services.

Housing and Urban Development Grant - This fund accounts for the use of community development block grant funds received from the federal government. Other revenues in this fund include repayments of commercial and residential loans and rental income from City property. Funds are used for programs or projects that increase affordable housing and benefit people with special needs such as senior and handicapped citizens.

Gas Tax - This fund accounts for gas tax revenues received from State apportionments of gasoline taxes. Expenditures are restricted to street maintenance and street improvements. No expenditures are made directly from this fund, but transfers are made to the General Fund for street maintenance and engineering salaries and to the Capital Projects Fund for street improvements based on actual expenditures.

Traffic Safety - This fund accounts for revenues derived from traffic violations whose use is restricted by State statute for traffic safety and street maintenance purposes. No expenditures are made directly from this fund, but transfers are made to the General Fund for traffic safety expenditures and street maintenance.

Vehicle Abatement - This fund accounts for monies allocated by the State to fund the vehicle abatement program.

Recreation Parks Fund - This fund accounts for revenues received from an admission fee charge that is imposed to events held at the Salinas Sports Complex (Rodeo Grounds stadium). Funds are designated for Parks and Recreation activities.

Cable - This fund accounts for revenues received for public, educational and governmental (PEG) fees from video service providers are kept in this fund. Its use is restricted to provide non-commercial public, educational and government channels.

Grants Fund - This fund accounts for various minor grants received for purposes ranging from library to police operations.

SRA Public Improvement Grant - This fund accounts for the use of monies received from proceeds of the land sale located in Main Street where the “Taylor Farms” headquarters is constructed and other properties held for re-sale.

Affordable Housing Fund - These funds are used to improve and increase the supply of low income housing within the City.

CITY OF SALINAS
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 JUNE 30, 2015

	Emergency Medical Services	Asset Seizure	Lighting, Landscape and Maintenance District	Local Public Safety	Housing and Urban Development Grant	Gas Tax	Traffic Safety	Vehicle Abatement	Recreation Parks	Cable	Grants	SRA Public Impvt Grant	Affordable Housing	Total
ASSETS														
Cash and investments	\$ 1,011,462	\$ 103,405	\$ 4,884,894	\$ 282,274	\$ 473,130	\$ 2,158,659	\$ 57,464	\$ 268,908	\$ 60,098	\$ 334,104	\$ 254,853	\$ 1,515,507	\$ 961,174	\$ 12,365,932
Receivables, net:														
Accrued interest	828	552	5,098	138	108	2,563	-	-	-	-	-	1,528	735,136	745,951
Due from outside agencies	-	-	-	121,018	966,000	381,788	57,250	-	-	51,922	1,322,150	-	-	2,900,128
Due from other funds	-	-	-	-	200,000	-	-	-	-	-	-	-	-	200,000
Advances to Successor Agency	-	-	-	-	-	-	-	-	-	-	-	-	293,562	293,562
Loan receivables	-	-	-	-	328,442	-	-	-	-	-	-	-	4,008,178	4,336,620
Land and properties held for resale	-	-	-	-	-	-	-	-	-	-	-	850,000	1,657,553	2,507,553
Total assets	<u>\$ 1,012,290</u>	<u>\$ 103,957</u>	<u>\$ 4,889,992</u>	<u>\$ 403,430</u>	<u>\$ 1,967,680</u>	<u>\$ 2,543,010</u>	<u>\$ 114,714</u>	<u>\$ 268,908</u>	<u>\$ 60,098</u>	<u>\$ 386,026</u>	<u>\$ 1,577,003</u>	<u>\$ 2,367,035</u>	<u>\$ 7,655,603</u>	<u>\$ 23,349,746</u>
LIABILITIES														
Accounts payable	\$ 33,587	\$ 114	\$ 31,159	\$ -	\$ 954,269	\$ -	\$ -	\$ 3,899	\$ 32	\$ -	\$ 244,699	\$ -	\$ 7,813	\$ 1,275,572
Due to outside agencies	-	-	-	-	200,000	-	-	-	-	-	-	-	-	200,000
Due to other funds	1,768	-	58,985	-	892,529	485,268	-	-	3,167	-	1,105,414	-	-	2,547,131
Unearned revenues	-	-	-	-	-	-	-	-	-	-	-	-	1,027,742	1,027,742
Total liabilities	<u>35,355</u>	<u>114</u>	<u>90,144</u>	<u>-</u>	<u>2,046,798</u>	<u>485,268</u>	<u>-</u>	<u>3,899</u>	<u>3,199</u>	<u>-</u>	<u>1,350,113</u>	<u>-</u>	<u>1,035,555</u>	<u>5,050,445</u>
DEFERRED INFLOWS OF RESOURCES														
Unavailable revenues - housing loans	-	-	-	-	328,442	-	-	-	-	-	-	-	-	328,442
Unavailable revenues - grants	-	-	-	-	-	-	-	-	-	-	226,890	-	-	226,890
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>328,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,890</u>	<u>-</u>	<u>-</u>	<u>555,332</u>
FUND BALANCE														
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	850,000	5,665,731	6,515,731
Restricted	976,935	103,843	4,799,848	-	142,558	2,057,742	114,714	265,009	56,899	386,026	369,451	-	58,000	9,331,025
Assigned	-	-	-	403,430	-	-	-	-	-	-	-	1,517,035	896,317	2,816,782
Unassigned	-	-	-	-	(550,118)	-	-	-	-	-	(369,451)	-	-	(919,569)
Total fund balances	<u>976,935</u>	<u>103,843</u>	<u>4,799,848</u>	<u>403,430</u>	<u>(407,560)</u>	<u>2,057,742</u>	<u>114,714</u>	<u>265,009</u>	<u>56,899</u>	<u>386,026</u>	<u>-</u>	<u>2,367,035</u>	<u>6,620,048</u>	<u>17,743,969</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,012,290</u>	<u>\$ 103,957</u>	<u>\$ 4,889,992</u>	<u>\$ 403,430</u>	<u>\$ 1,967,680</u>	<u>\$ 2,543,010</u>	<u>\$ 114,714</u>	<u>\$ 268,908</u>	<u>\$ 60,098</u>	<u>\$ 386,026</u>	<u>\$ 1,577,003</u>	<u>\$ 2,367,035</u>	<u>\$ 7,655,603</u>	<u>\$ 23,349,746</u>

CITY OF SALINAS, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Emergency Medical Services	Asset Seizure	Lighting, Landscape and Maintenance District	Local Public Safety	Housing and Urban Development Grant	Gas Tax	Traffic Safety	Vehicle Abatement	Recreation Parks	Cable	Grants	SRA Public Improvement Grant	Affordable Housing	Total
REVENUES														
Taxes	\$ -	\$ -	\$ -	\$ 511,797	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198,394	\$ -	\$ -	\$ -	\$ 710,191
Taxes - special assessment	-	-	1,638,492	-	-	-	-	-	-	-	-	-	-	1,638,492
Intergovernmental	139,669	42,701	7,000	288,492	1,949,226	4,129,790	-	114,988	-	-	4,872,972	-	-	11,544,838
Charges for services	-	-	61,384	-	-	-	-	-	-	-	-	-	-	61,384
Interest	4,456	1,252	25,199	475	242	13,049	-	-	-	-	-	8,337	3,368	56,378
Rental income	-	-	-	-	-	159,528	-	-	22,234	-	-	-	-	181,762
Fines and forfeits	-	-	-	-	-	-	511,039	-	-	-	-	-	-	511,039
Miscellaneous	-	-	-	-	410,012	-	-	-	-	-	-	-	56,409	466,421
Total revenues	144,125	43,953	1,732,075	800,764	2,359,480	4,302,367	511,039	114,988	22,234	198,394	4,872,972	8,337	59,777	15,170,505
EXPENDITURES														
Current:														
General government	-	-	-	-	2,539,019	31,360	-	-	-	120,579	40,165	-	59,190	2,790,313
Public safety	604,948	17,484	-	800,000	-	-	-	139,922	-	-	3,247,907	-	-	4,810,261
Recreation	-	-	1,213,735	-	-	-	-	-	21,099	-	-	-	-	1,234,834
Library	-	-	-	-	-	-	-	-	-	-	443,665	-	-	443,665
Total expenditures	604,948	17,484	1,213,735	800,000	2,539,019	31,360	-	139,922	21,099	120,579	3,731,737	-	59,190	9,279,073
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(460,823)	26,469	518,340	764	(179,539)	4,271,007	511,039	(24,934)	1,135	77,815	1,141,235	8,337	587	5,891,432
OTHER FINANCING SOURCES (USES)														
Housing Loan Repayment from Successor Agency	-	-	-	-	-	-	-	-	-	-	-	-	646,438	646,438
Operating transfers in	640,000	-	-	-	2,349	-	-	75,000	-	-	3,264	-	-	720,613
Operating transfers out	(109,604)	(1,659)	-	-	(232,675)	(4,163,615)	(470,000)	-	(38,579)	-	(1,144,499)	-	-	(6,160,631)
Total other financing sources (uses)	530,396	(1,659)	-	-	(230,326)	(4,163,615)	(470,000)	75,000	(38,579)	-	(1,141,235)	-	646,438	(4,793,580)
NET CHANGE IN FUND BALANCES	69,573	24,810	518,340	764	(409,865)	107,392	41,039	50,066	(37,444)	77,815	-	8,337	647,025	1,097,852
FUND BALANCES, BEGINNING OF YEAR	907,362	79,033	4,281,508	402,666	2,305	1,950,350	73,675	214,943	94,343	308,211	-	2,358,698	5,973,023	16,646,117
FUND BALANCES, END OF YEAR	\$ 976,935	\$ 103,843	\$ 4,799,848	\$ 403,430	\$ (407,560)	\$ 2,057,742	\$ 114,714	\$ 265,009	\$ 56,899	\$ 386,026	\$ -	\$ 2,367,035	\$ 6,620,048	\$ 17,743,969

NON-MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

Debt Service Funds are used for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on general long-term debt. The debt service funds include the following debt issuances:

Assessment District Reserve Fund - This fund accounts for the reserves on outstanding assessment districts bonds.

Assessment District Administration Fund - This fund accounts for the cost of administering the City's 18 assessment district bonds used to finance improvements within those districts. Funding is provided by an assessment equal to 5% of the assessment amount with a maximum \$16 levy per parcel per bond.

Certificates of Participation (2005B) Fund - This fund is used to accumulate funds for the payment of principal and interest on the 2005B Certificates of Participation. Proceeds were used to refund the Certificates of Participation 1997. The proceeds from the Certificates of Participation 1997 were used for capital improvements and to refund the Salinas Public Financing Authority's Variable Rate Lease Revenue Bonds that were used to purchase the 65 W. Alisal building. Debt service is financed from installment payments from the Salinas Valley Solid Waste Authority (SVSWA) for the purchase of Crazy Horse Landfill and a lease on the 65 W. Alisal Building.

Certificates of Participation (2002) Fund - This fund is used to accumulate funds for the payment of principal and interest on the 2002 Certificates of Participation. Proceeds were used to finance the acquisition by the Salinas Redevelopment Agency of a leasehold interest in the Steinbeck Center site. Debt service is financed from the Steinbeck Center's annual lease payments.

Lease Purchase/Agreement 2014 Fund - Animal Shelter- This fund is used to accumulate funds for the payment of principal and interest on the 2014 Lease Purchase/Agreement that was issued on January 29, 2014 to refinance the portion of the 1999 Certificates of Participation that were used to finance the construction of the City Animal Shelter. Debt service is used to finance the City's General Fund.

Monterey Street Parking Structure - This fund is used to accumulate funds for the payment of principal and interest on the 2014 Lease Purchase/Agreement that was issued on January 29, 2014 to refinance the 2004 Certificates of Participation (2004 COP). Proceeds of the 2004 COP were used to provide funding to finance the cost of acquisition and construction of a five-level, 452-space public parking structure. Debt Service is to be funded by paid parking throughout the downtown area. Pursuant to a reimbursement agreement, the Salinas Redevelopment Agency is responsible for the debt service. As with any City sponsored debt, the City's General Fund is pledged to make the bond payments if the Agency is financially unable to make the bond payments.



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**CITY OF SALINAS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2015**

	Assessment District Reserve	Assessment District Administration	Certificates of Participation (2005 B)	Certificates of Participation (2002)	COP 1999 & COP 2004 Consolidation (2014)	Totals
ASSETS						
Cash and investments	\$ 2,368,309	\$ -	\$ -	\$ -	\$ 133,575	\$ 2,501,884
Receivables:						
Accounts receivable	-	-	-	-	-	-
Accrued interest	1,873	-	384	-	-	2,257
Restricted cash and investments	-	-	808,084	-	2,085	810,169
Total assets	\$ 2,370,182	\$ -	\$ 808,468	\$ -	\$ 135,660	\$ 3,314,310
LIABILITIES						
Accounts payable	\$ -	\$ 2,143	\$ -	\$ -	\$ 395	\$ 2,538
Due to other funds	-	59,528	101,233	-	9,149	169,910
Total liabilities	-	61,671	101,233	-	9,544	172,448
FUND BALANCE						
Restricted	2,370,182	-	707,235	-	126,116	3,203,533
Unassigned	-	(61,671)	-	-	-	(61,671)
Total fund balance	2,370,182	(61,671)	707,235	-	126,116	3,141,862
Total liabilities and fund balance	\$ 2,370,182	\$ -	\$ 808,468	\$ -	\$ 135,660	\$ 3,314,310

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Assessment District Reserve	Assessment District Administration	Certificates of Participation (2005 B)	Certificates of Participation (2002)	COP 1999 & COP 2004 Consolidation (2014)	Totals
REVENUES						
Charges for services	\$ -	\$ 15,808	\$ -	\$ -	\$ -	\$ 15,808
Interest	12,037	-	5,198	18	271	17,524
Total revenues	<u>12,037</u>	<u>15,808</u>	<u>5,198</u>	<u>18</u>	<u>271</u>	<u>33,332</u>
EXPENDITURES						
Debt service:						
Principal retirement	-	-	440,000	2,120,000	169,000	2,729,000
Interest and fiscal charges	-	37,746	346,564	43,510	135,687	563,507
Bad debt	-	-	-	299,404	-	299,404
Total expenditures	<u>-</u>	<u>37,746</u>	<u>786,564</u>	<u>2,462,914</u>	<u>304,687</u>	<u>3,591,911</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,037</u>	<u>(21,938)</u>	<u>(781,366)</u>	<u>(2,462,896)</u>	<u>(304,416)</u>	<u>(3,558,579)</u>
OTHER FINANCING SOURCES (USES)						
Loans proceeds	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-
Operating transfers in	-	-	647,100	2,121,915	314,200	3,083,215
Operating transfers out	<u>(778,275)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(982,730)</u>	<u>(1,761,005)</u>
Total other financing sources (uses)	<u>(778,275)</u>	<u>-</u>	<u>647,100</u>	<u>2,121,915</u>	<u>(668,530)</u>	<u>1,322,210</u>
NET CHANGE IN FUND BALANCES	<u>(766,238)</u>	<u>(21,938)</u>	<u>(134,266)</u>	<u>(340,981)</u>	<u>(972,946)</u>	<u>(2,236,369)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>3,136,420</u>	<u>(39,733)</u>	<u>841,501</u>	<u>340,981</u>	<u>1,099,062</u>	<u>5,378,231</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,370,182</u>	<u>\$ (61,671)</u>	<u>\$ 707,235</u>	<u>\$ -</u>	<u>\$ 126,116</u>	<u>\$ 3,141,862</u>

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for major capital acquisition and construction activities. The Capital Projects Funds used by the City in this report are as follows:

Special Aviation Fund - This fund accounts for federal and state airport grants. Funds are used to reimburse the Capital Projects Fund for airport capital expenditures.

Special Construction Assistance – The proceeds of long-term borrowings resulting from the sale of Certificates of Participation to finance the acquisition and construction of capital projects are reported under this fund.

Assessment District Projects Fund - This fund accounts for bond proceeds from assessment districts used for capital improvements. Funds are used to reimburse the Capital Projects Fund for assessment district capital project expenditures.



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**CITY OF SALINAS
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2015**

	<u>Special Aviation</u>	<u>Special Construction Assistance</u>	<u>Assessment District Project</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 1,609,358	\$ 1,197,479	\$ 388,657	\$ 3,195,494
Receivables, net				
Accrued interest	1,686	-	394	2,080
Due from outside agencies	262,667	1,430,867	-	1,693,534
Due from other funds	-	-	-	-
	<u>1,873,711</u>	<u>2,628,346</u>	<u>389,051</u>	<u>4,891,108</u>
Total assets	<u>\$ 1,873,711</u>	<u>\$ 2,628,346</u>	<u>\$ 389,051</u>	<u>\$ 4,891,108</u>
LIABILITIES				
Accounts payable	\$ 160,265	\$ 185,035	\$ -	\$ 345,300
Due to other funds	-	340,814	-	340,814
Unearned revenues	-	1,074,166	-	1,074,166
	<u>160,265</u>	<u>1,600,015</u>	<u>-</u>	<u>1,760,280</u>
Total liabilities	<u>160,265</u>	<u>1,600,015</u>	<u>-</u>	<u>1,760,280</u>
FUND BALANCE				
Restricted	1,713,446	-	-	1,713,446
Committed	-	-	-	-
Assigned	-	1,028,331	389,051	1,417,382
	<u>1,713,446</u>	<u>1,028,331</u>	<u>389,051</u>	<u>3,130,828</u>
Total fund balance	<u>1,713,446</u>	<u>1,028,331</u>	<u>389,051</u>	<u>3,130,828</u>
Total liabilities and fund balances	<u>\$ 1,873,711</u>	<u>\$ 2,628,346</u>	<u>\$ 389,051</u>	<u>\$ 4,891,108</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Special Aviation	Special Construction Assistance	Assessment District Project	Totals
REVENUES				
Intergovernmental	\$ 289,312	\$ 4,188,551	\$ -	\$ 4,477,863
Charges for services	-	181,027	-	181,027
Interest	8,733	-	2,129	10,862
Developer contributions	-	794,343	-	794,343
Total revenues	<u>298,045</u>	<u>5,163,921</u>	<u>2,129</u>	<u>5,464,095</u>
EXPENDITURES				
Capital outlay	<u>303,710</u>	<u>5,294,011</u>	<u>-</u>	<u>5,597,721</u>
Total expenditures	<u>303,710</u>	<u>5,294,011</u>	<u>-</u>	<u>5,597,721</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,665)</u>	<u>(130,090)</u>	<u>2,129</u>	<u>(133,626)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>-</u>	<u>394,890</u>	<u>-</u>	<u>394,890</u>
Total other financing sources (uses)	<u>-</u>	<u>394,890</u>	<u>-</u>	<u>394,890</u>
NET CHANGE IN FUND BALANCES	(5,665)	264,800	2,129	261,264
FUND BALANCES, BEGINNING OF YEAR	<u>1,719,111</u>	<u>763,531</u>	<u>386,922</u>	<u>2,869,564</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 1,713,446</u></u>	<u><u>\$ 1,028,331</u></u>	<u><u>\$ 389,051</u></u>	<u><u>\$ 3,130,828</u></u>

INTERNAL SERVICE FUNDS

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

Risk Management Fund - This fund is used to account for the City's risk management program which administers employee benefits and the Internal Service Funds insurance programs.

General Insurance Fund - This fund is used to account for city-wide safety programs, employee assistance programs, unemployment claims, biennial physical exams, and insurance for property, fine arts, and reimbursable damages.

Workers Compensation Fund - This fund is used to account for the City's self-insured workers compensation program.

General Liability Fund - This fund is used to account for the City's self-insured general liability insurance program.



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CITY OF SALINAS
COMBINING STATEMENT OF FUND NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2015

	<u>Risk Management</u>	<u>General Insurance</u>	<u>Workers Compensation</u>	<u>General Liability</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and investments	\$ 589,424	\$ 2,120,945	\$ 2,220,357	\$ 3,953,785	\$ 8,884,511
Receivables					
Accrued interest	-	-	1,282	3,757	5,039
Due from general fund	-	-	18,125,874	-	18,125,874
Total current assets	<u>589,424</u>	<u>2,120,945</u>	<u>20,347,513</u>	<u>3,957,542</u>	<u>27,015,424</u>
Noncurrent Assets:					
Restricted cash and investments	-	-	335,530	5,028	340,558
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>335,530</u>	<u>5,028</u>	<u>340,558</u>
Total assets	<u>589,424</u>	<u>2,120,945</u>	<u>20,683,043</u>	<u>3,962,570</u>	<u>27,355,982</u>
LIABILITIES					
Current liabilities:					
Accounts payable	6,279	23,438	66,168	3,549	99,434
Insurance claims payable	-	-	20,616,875	3,471,225	24,088,100
Long term debt - due within one year	-	-	-	-	-
Total current liabilities	<u>6,279</u>	<u>23,438</u>	<u>20,683,043</u>	<u>3,474,774</u>	<u>24,187,534</u>
Noncurrent liabilities:					
Long term debt - due in more than one year	-	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>6,279</u>	<u>23,438</u>	<u>20,683,043</u>	<u>3,474,774</u>	<u>24,187,534</u>
NET POSITION					
Restricted	-	-	335,530	5,028	340,558
Unrestricted	583,145	2,097,507	(335,530)	482,768	2,827,890
Total net position	<u>\$ 583,145</u>	<u>\$ 2,097,507</u>	<u>\$ -</u>	<u>\$ 487,796</u>	<u>\$ 3,168,448</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Risk Management	General Insurance	Workers Compensation	General Liability	Total
OPERATING REVENUES					
Charges for services	\$ 350,240	\$ 990,650	\$ 6,126,273	\$ 1,875,000	\$ 9,342,163
Total operating revenues	<u>350,240</u>	<u>990,650</u>	<u>6,126,273</u>	<u>1,875,000</u>	<u>9,342,163</u>
OPERATING EXPENSES					
Personnel services	205,503	-	-	-	205,503
Contractual services	-	102,510	335,408	42,000	479,918
Supplies	500	-	-	-	500
Insurance	-	264,209	168,000	292,291	724,500
Insurance claims	-	136,564	5,627,513	3,445,490	9,209,567
Other	129	-	-	-	129
Total operating expenses	<u>206,132</u>	<u>503,283</u>	<u>6,130,921</u>	<u>3,779,781</u>	<u>10,620,117</u>
OPERATING INCOME (LOSS)	<u>144,108</u>	<u>487,367</u>	<u>(4,648)</u>	<u>(1,904,781)</u>	<u>(1,277,954)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	-	-	4,648	17,298	21,946
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>4,648</u>	<u>17,298</u>	<u>21,946</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>144,108</u>	<u>487,367</u>	<u>-</u>	<u>(1,887,483)</u>	<u>(1,256,008)</u>
Transfers in	-	-	-	-	-
CHANGE IN NET POSITION	<u>144,108</u>	<u>487,367</u>	<u>-</u>	<u>(1,887,483)</u>	<u>(1,256,008)</u>
NET POSITION, BEGINNING OF YEAR	<u>439,037</u>	<u>1,610,140</u>	<u>-</u>	<u>2,375,279</u>	<u>4,424,456</u>
NET POSITION, END OF YEAR	<u>\$ 583,145</u>	<u>\$ 2,097,507</u>	<u>\$ -</u>	<u>\$ 487,796</u>	<u>\$ 3,168,448</u>

CITY OF SALINAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Risk Management Fund	General Insurance Fund	Workers Compensation Fund	General Liability Fund	Totals
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 240	\$ 1,257	\$ 48,846	\$ -	\$ 50,343
Receipts from interfund services provided	350,000	989,393	4,523,263	1,875,000	7,737,656
Payments to Suppliers	(630)	(368,914)	(503,408)	(334,291)	(1,207,243)
Payments to Employees	(210,786)	-	-	-	(210,786)
Payments to Claimants	-	(131,769)	(2,759,945)	(1,386,419)	(4,278,133)
Net Cash Provided (Used) by Operating Activities	<u>138,824</u>	<u>489,967</u>	<u>1,308,756</u>	<u>154,290</u>	<u>2,091,837</u>
Cash Flows from Non-Capital Financing Activities:					
Operating Transfers In	-	-	-	-	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:					
Interest Received	-	-	4,648	17,298	21,946
(Decrease) in Fair Value of Investment	-	-	344	560	904
Transfer (to) from Restricted Cash	-	-	(335,530)	74,547	(260,983)
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>	<u>(330,538)</u>	<u>92,405</u>	<u>(238,133)</u>
Net Increase(Decrease) in Cash and Cash Equivalents	138,824	489,967	978,218	246,695	1,853,704
Cash and Cash Equivalents - Beginning of Year	<u>450,600</u>	<u>1,630,978</u>	<u>1,242,139</u>	<u>3,707,090</u>	<u>7,030,807</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 589,424</u></u>	<u><u>\$ 2,120,945</u></u>	<u><u>\$ 2,220,357</u></u>	<u><u>\$ 3,953,785</u></u>	<u><u>\$ 8,884,511</u></u>

**CITY OF SALINAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Risk Management Fund	General Insurance Fund	Workers Compensation Fund	General Liability Fund	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating Income (Loss)	\$ 144,108	\$ 487,367	\$ (4,648)	\$ (1,904,781)	\$ (1,277,954)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:					
(Increase) Decrease in Accounts Receivable	-	30	-	-	30
(Increase) Decrease in Due from General Fund	-	-	(1,603,011)	-	(1,603,011)
Increase (Decrease) in Accounts Payable	(960)	2,570	5,256	(80)	6,786
Increase (Decrease) in Insurance Claims	-	-	2,911,159	2,059,151	4,970,310
Increase (Decrease) in Accrued Leave	(4,324)	-	-	-	(4,324)
Increase (Decrease) in Restricted Cash	-	-	(335,530)	(84,603)	(420,133)
Transfer (to) from Restricted Cash	-	-	335,530	84,603	420,133
Total Adjustments to Net Income	(5,284)	2,600	1,313,404	2,059,071	3,369,791
Net Cash Provided (Used) by Operating Activities	\$ 138,824	\$ 489,967	\$ 1,308,756	\$ 154,290	\$ 2,091,837

Fiduciary Funds

PRIVATE-PURPOSE TRUST FUNDS

The private-purpose trust funds accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and other trust arrangement not properly reported in a pension trust.

Successor Agency - RORF - This fund accounts for all the financial activities of the Redevelopment Obligation Retirement Fund (RORF) related to the former Redevelopment Project Area in accordance with AB 1x26 and AB 1484 which unwind the Redevelopment Agency of the City of Salinas.

Administration – This fund accounts for the administrative activities of the Successor Agency to the former Salinas Redevelopment Agency which was dissolved on February 1, 2012 in accordance with AB 1x26 (enacted June 28, 2011).

Other Private Purpose Trust Funds – These funds are used to account for other trust arrangements not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments. The City accounts for the following trust funds: Community Center, Monterey Regional Water Pollution Control Agency (MRWPCA) Fees, Sales Tax, Payroll Taxes, Developer Deposits, Evidence Room, Construction Bonds, Monterey County Tourism Improvement District, Leadership Salinas, and miscellaneous.



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CITY OF SALINAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION (DEFICITS)
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2015

	Successor Agency Trust			Other Private Purpose Trust	Total
	Redevelopment Obligation Retirement Fund	Administration	Total Successor Agency Trust		
ASSETS					
Cash and investments	\$ 1,429,231	\$ 1,198	\$ 1,430,429	\$ 1,671,815	\$ 3,102,244
Receivables					
Accounts	-	-	-	42,374	42,374
Interest	10,212	-	10,212	-	10,212
Loans and notes receivable	669,566	-	669,566	-	669,566
Total current assets	<u>2,109,009</u>	<u>1,198</u>	<u>2,110,207</u>	<u>1,714,189</u>	<u>3,824,396</u>
Noncurrent assets					
Cash and investments restricted	1,586,316	-	1,586,316	-	1,586,316
Capital assets, net of accumulated depreciation	153,730	-	153,730	-	153,730
Total noncurrent assets	<u>1,740,046</u>	<u>-</u>	<u>1,740,046</u>	<u>-</u>	<u>1,740,046</u>
Total assets	<u>3,849,055</u>	<u>1,198</u>	<u>3,850,253</u>	<u>1,714,189</u>	<u>5,564,442</u>
LIABILITIES					
Current liabilities					
Accounts payable	-	14,669	14,669	1,066,322	1,080,991
Due to other funds	-	-	-	10,312	10,312
Advance from the City of Salinas	293,562	-	293,562	-	293,562
Deferred revenues	9,384	-	9,384	-	9,384
Interest payable	672,598	-	672,598	-	672,598
Long term debt - due within one year	344,690	-	344,690	-	344,690
Total current liabilities	<u>1,320,234</u>	<u>14,669</u>	<u>1,334,903</u>	<u>1,076,634</u>	<u>2,411,537</u>
Long-term liabilities					
Long term debt - due in more than one year	3,654,983	-	3,654,983	-	3,654,983
Total long-term liabilities	<u>3,654,983</u>	<u>-</u>	<u>3,654,983</u>	<u>-</u>	<u>3,654,983</u>
Total liabilities	<u>4,975,217</u>	<u>14,669</u>	<u>4,989,886</u>	<u>1,076,634</u>	<u>6,066,520</u>
NET POSITION (DEFICIT)					
Held in trust for benefits and other purposes	<u>\$ (1,126,162)</u>	<u>\$ (13,471)</u>	<u>\$ (1,139,633)</u>	<u>\$ 637,555</u>	<u>\$ (502,078)</u>

CITY OF SALINAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (DEFICITS)
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Successor Agency Trust			Other Private Purpose Trust	Total	
	Redevelopment Obligation					Total Successor
	Retirement Fund	Administration	Agency Trust			Agency Trust
ADDITIONS						
Taxes	\$ 4,242,134	\$ -	\$ 4,242,134	\$ -	\$ 4,242,134	
Rental income	25,878	-	25,878	-	25,878	
Miscellaneous	19,778	6,169	25,947	-	25,947	
Contributions						
Private donations	-	-	-	2,475,431	2,475,431	
Total contributions	<u>4,287,790</u>	<u>6,169</u>	<u>4,293,959</u>	<u>2,475,431</u>	<u>6,769,390</u>	
Investment earnings						
Interest	71,048	-	71,048	-	71,048	
Net investment earnings	<u>71,048</u>	<u>-</u>	<u>71,048</u>	<u>-</u>	<u>71,048</u>	
Transfer In	-	-	-	4,042	4,042	
Total additions	<u>4,358,838</u>	<u>6,169</u>	<u>4,365,007</u>	<u>2,479,473</u>	<u>6,844,480</u>	
DEDUCTIONS						
Expenses	2,431,535	247,931	2,679,466	-	2,679,466	
Payments on behalf of trustees	-	-	-	2,098,218	2,098,218	
Contribution to other agencies	1,169,706	-	1,169,706	-	1,169,706	
Transfer out	-	-	-	3,265	3,265	
Total deductions	<u>3,601,241</u>	<u>247,931</u>	<u>3,849,172</u>	<u>2,101,483</u>	<u>5,950,655</u>	
CHANGE IN NET POSITION (DEFICIT)	757,597	(241,762)	515,835	377,990	893,825	
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>(1,883,759)</u>	<u>228,291</u>	<u>(1,655,468)</u>	<u>259,565</u>	<u>(1,395,903)</u>	
END OF YEAR	<u>\$ (1,126,162)</u>	<u>\$ (13,471)</u>	<u>\$ (1,139,633)</u>	<u>\$ 637,555</u>	<u>\$ (502,078)</u>	

AGENCY FUNDS

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds operate as a clearing mechanism. Cash resources are collected, held for a brief period and then distributed to the proper recipients. The City has a fiduciary responsibility for the assets, which it does not own outright.

Sunrise House - This fund is used to account for the assets held on behalf of Sunrise House. Monies are collected from various grants and used by Sunrise House to provide a half-way house for youths. Sunrise House has a separate Board of Directors.

Economic Development - This fund is used to account for the activities related to enhancing economic development in the City with the purpose of increasing employment opportunities, better paying employment, assisting local businesses to remain competitive and attracting new, desirable business and promoting expansion of tourism industry while enhancing revenue stream for the City.

Salinas Valley Enterprise Zone - This fund is used to account for activities related to the Enterprise Zone created by the City of Salinas, County of Monterey, City of Soledad, City of Greenfield, City of Gonzales and the City of King. The Salinas Valley Enterprise Zone will remain in force for a period of fifteen years with an effective date of January 30, 2009, through January 29, 2024. The enterprise zone offers incentives to local businesses, both existing and newly locating firms, to qualify for California Income Tax Credits. The use of Income Tax Credits and other tax related benefits of being an enterprise zone are focused on encouraging new investment and job creation. Significant sources of revenue include municipality contributions and application fees for each hiring credit voucher requested.

Cafeteria Plan - This fund is used to account for the City's Cafeteria Plan for unreimbursed medical and dependent care payments (Flexible Spending Account) operated under Section 125 of the Internal Revenue Code. Pre-tax monies are deducted from employees in accordance with their Salary Redirection Agreements and used to reimburse employees for qualified unreimbursed medical and dependent care expenses after obtaining approval from the City's cafeteria plan administrator.

Retiree Health Insurance - This fund is used to account for revenues resulting of employee concessions contributions used to reduce the cost of medical, vision and dental health insurance premiums.

Business Improvements District Fund - This fund accounts for the business license surcharged assessment imposed on Old Town and Alisal businesses. These funds are used to promote and revitalize these two business districts. Expenditures are determined by the districts' Board of Directors and approved by the City Council.



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CITY OF SALINAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2015

	Sunrise House	Economic Development	Salinas Valley Enterprise Zone	Cafeteria Plan	Retiree Health Insurance	Business Improvement District	Totals
ASSETS							
Cash and investments	\$ 209,592	\$ 138,814	\$ 412,366	\$ 109,068	\$ 1	\$ 4,166	\$ 874,007
Receivables							
Accounts	-	-	-	113,927	-	-	113,927
Accrued interest	217	-	-	-	-	-	217
Due from other agencies	2,500	-	-	-	-	-	2,500
Total assets	212,309	138,814	412,366	222,995	1	4,166	990,651
LIABILITIES							
Accounts payable	42,226	63	16,611	120,587	-	-	179,487
Advance from the City	-	-	-	-	-	-	-
Long term debt - due within one year	1,714	10,676	-	-	-	-	12,390
Total liabilities	43,940	10,739	16,611	120,587	-	-	191,877
Long-term liabilities							
Long term debt - due in more than one year	24,357	21,549	-	-	-	-	45,906
Total long-term liabilities	24,357	21,549	-	-	-	-	45,906
Total liabilities	68,297	32,288	16,611	120,587	-	-	237,783
NET POSITION							
Held in trust for pension benefits and other purposes	\$ 144,012	\$ 106,526	\$ 395,755	\$ 102,408	\$ 1	\$ 4,166	\$ 752,868



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**GENERAL,
MEASURE V,
& MEASURE G FUNDS**



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CITY OF SALINAS
COMBINING BALANCE SHEET
GENERAL, MEASURE V, & MEASURE G FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Measure V</u>	<u>Measure G</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 14,197,054	\$ 4,210,259	\$ 1,418,592	\$ 19,825,905
Receivables, net:				
Taxes	8,072,171	2,069,846	3,955,487	14,097,504
Accounts	119,781	-	-	119,781
Accrued interest	42,853	4,526	473	47,852
Due from outside agencies	75,000	-	-	75,000
Due from other funds	5,059,134	-	-	5,059,134
Inventory	16,133	-	-	16,133
Advances to other funds	3,585,000	-	-	3,585,000
Total assets	<u>\$ 31,167,126</u>	<u>\$ 6,284,631</u>	<u>\$ 5,374,552</u>	<u>\$ 42,826,309</u>
LIABILITIES				
Accounts payable	\$ 5,642,277	\$ 514,104	\$ -	\$ 6,156,381
Due to other funds	18,554,746	15,223	-	18,569,969
Total liabilities	<u>24,197,023</u>	<u>529,327</u>	<u>-</u>	<u>24,726,350</u>
FUND BALANCE				
Nonspendable	3,676,133	-	-	3,676,133
Committed	1,143,900	70,000	-	1,213,900
Assigned	3,392,948	696,765	-	4,089,713
Unassigned	(1,242,878)	4,988,539	5,374,552	9,120,213
Total fund balance	<u>6,970,103</u>	<u>5,755,304</u>	<u>5,374,552</u>	<u>18,099,959</u>
Total liabilities and fund balance	<u>\$ 31,167,126</u>	<u>\$ 6,284,631</u>	<u>\$ 5,374,552</u>	<u>\$ 42,826,309</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL, MEASURE V, & MEASURE G FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Measure V</u>	<u>Measure G</u>	<u>Total</u>
REVENUES				
Taxes	\$ 74,902,625	\$ 11,167,324	\$ 5,373,916	\$ 91,443,865
Licenses and permits	1,469,919	-	-	1,469,919
Intergovernmental	1,196,114	-	-	1,196,114
Charges for services	3,859,668	-	-	3,859,668
Interest	111,379	25,026	636	137,041
Rental income	340,695	-	-	340,695
Fines and forfeits	289,055	-	-	289,055
Miscellaneous	223,105	-	-	223,105
Total revenues	<u>82,392,560</u>	<u>11,192,350</u>	<u>5,374,552</u>	<u>98,959,462</u>
EXPENDITURES				
Current:				
General government	15,255,628	840,946	-	16,096,574
Public safety	50,127,367	2,854,770	-	52,982,137
Public works	10,689,573	1,126,053	-	11,815,626
Recreation	832,067	782,934	-	1,615,001
Library	-	3,556,485	-	3,556,485
Capital outlay	205,689	-	-	205,689
Total expenditures	<u>77,110,324</u>	<u>9,161,188</u>	<u>-</u>	<u>86,271,512</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,282,236</u>	<u>2,031,162</u>	<u>5,374,552</u>	<u>12,687,950</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	2,151,766	-	-	2,151,766
Operating transfers out	(6,525,493)	(1,718,444)	-	(8,243,937)
Total other financing sources (uses)	<u>(4,373,727)</u>	<u>(1,718,444)</u>	<u>-</u>	<u>(6,092,171)</u>
NET CHANGE IN FUND BALANCE	908,509	312,718	5,374,552	6,595,779
FUND BALANCE, BEGINNING OF YEAR	6,061,594	5,442,586	-	11,504,180
FUND BALANCE, END OF YEAR	<u>\$ 6,970,103</u>	<u>\$ 5,755,304</u>	<u>\$ 5,374,552</u>	<u>\$ 18,099,959</u>



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