

City of Salinas California



Basic Financial Statements Fiscal Year Ended June 30, 2014

Basic Financial Statements

Fiscal Year Ended June 30, 2014



PREPARED BY
THE FINANCE DEPARTMENT

Matt N. Pressey, CPA
Finance Director

Miguel Gutierrez
Elizabeth Mariano

AUDITORS

McGilloway, Ray, Brown & Kaufman
Accountants and Consultants
379 West Market Street
Salinas, CA 93901

CITY OF SALINAS
Basic Financial Statements
Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION:	
Transmittal Letter.....	i
Organizational Chart.....	xxiii
List of Principal Officials.....	xxiv
FINANCIAL SECTION:	
Independent Auditors' Report	F-1
Management's Discussion and Analysis (Required Supplementary Information).....	F-4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	F-20
Statement of Activities.....	F-21
Fund Financial Statements:	
Governmental Funds:.....	
Balance Sheet.....	F-24
Reconciliation of the Balance Sheet to Statement of Net Position.....	F-25
Statement of Revenues, Expenditures and Changes in Fund Balance.....	F-26
Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balance to the Statement of Activities	F-27
Proprietary Funds:.....	F-28
Statement of Fund Net Position (Deficits).....	F-29
Statement of Revenues, Expenses and Changes in Fund Net Position (Deficits) ...	F-30
Statement of Cash Flows	F-31
Fiduciary Funds:	F-33
Statement of Fiduciary Net Position (Deficits).....	F-34
Statement of Changes in Fiduciary Net Position (Deficits).....	F-35
Notes to Basic Financial Statements:.....	F-36
#1. Description of the Reporting Entity and Significant Accounting Policies	F-36
#2. Stewardship, Compliance and Accountability	F-50
#3. Debt Compliance	F-52
#4. Cash and Investments	F-52
#5. Restricted Assets.....	F-55
#6. Taxes Receivable	F-55
#7. Assessment Receivable.....	F-55
#8. Due From Other Agencies	F-56
#9. Interfund Transactions	F-57
#10. Loans Receivable	F-59
#11. Land and Properties Held for Resale	F-60
#12. Capital Assets.....	F-61
#13. Deferred Compensation Plan	F-62

CITY OF SALINAS
Basic Financial Statements
Table of Contents

	<u>Page</u>
#14. Retirement Programs	F-63
#15. Post Employment Benefits Other Than Pensions (OPEB)	F-68
#16. Risk Management	F-71
#17. Lease Obligations.....	F-72
#18. Long Term Debt.....	F-74
#19. Restricted Net Position	F-86
#20. Unearned Revenues	F-86
#21. Prior Period Adjustment	F-86
#22. Fund Balance	F-88
#23. Encumbrance.....	F-89
#24. Joint Venture – Salinas Valley Solid Waste Authority.....	F-89
#25. Commitments and Contingent Liabilities	F-90
#26. Successor Agency Trust for Assets of Former Redevelopment Agency	F-90
#27. Subsequent Events	F-95
Required Supplementary Information	R-1
Budgetary Policy and Control:.....	R-2
Budgetary Comparison Schedule – General Fund & Measure V	R-6
Budgetary Comparison Schedule – Measure V.....	R-7
Budgetary Comparison Schedule – HUD Fund.....	R-8
Budgetary Comparison Schedule – Development Fees Fund.....	R-9
Schedule of Funding Progress – Retirement Programs:	R-10
California Public Employees’ Retirement Plan	R-11
New York Life Retirement Plan	R-12
Other Post Employment Benefits.....	R-13
Supplementary Information	O-1
Non-Major Governmental Funds:.....	O-2
Special Revenues	
Combining Balance Sheet.....	O-6
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	O-7
Debt Service Funds	
Combining Balance Sheet.....	O-8
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	O-9
Capital Projects Funds	
Combining Balance Sheet.....	O-10
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	O-11
Internal Service Funds:	O-12
Combining Statement of Net Position	O-13
Combining Statement of Revenues, Expenses and Changes in Net Position	O-14

CITY OF SALINAS
Basic Financial Statements
Table of Contents

	<u>Page</u>
Combining Statement of Cash Flows	O-15
Fiduciary Funds:	
Private Purpose Trust Funds	O-17
Combining Statement of Fiduciary Net Position (Deficits).....	O-18
Combining Statement of Changes in Fiduciary Net Position (Deficits).....	O-19
Agency Funds	O-20
Combining Statement of Fiduciary Net Position	O-21
General and Measure V Funds:.....	O-22
Combining Balance Sheet.....	O-23
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	O-24



This page is intentionally left blank.



City of Salinas

FINANCE DEPARTMENT • 200 Lincoln Ave • Salinas, California 93901

(831) 758-7420 • (831) 758-7937 (Fax) • www.ci.salinas.ca.us

December 23, 2014

***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, 2014. 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 Department of Finance 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, 2014, 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, 2014, 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 155,205, as of January 1, 2014. The City FY 2014-15 budget includes 511.5 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 established by City Ordinance are:

- Equal Opportunity Commission
- Airport Commission
- Library and Community Services Commission
- Traffic and Transportation Commission
- Planning Commission
- Youth Commission
- 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, 2014 and to provide a financial analysis of City performance.

Capital Assets and Depreciation

As of June 30, 2014, capital assets, including infrastructure assets, of the City of Salinas totaled \$628.1 million; accumulated depreciation totaled \$336.1 million, with the difference providing net capital assets of \$292.1 million. Net capital assets of the City's governmental activities (general government) are \$167.7 million and net capital assets for the City's business-type activities (enterprise funds) are \$124.4 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 2013-14, depreciation expense on capital assets of the City's governmental activities (general government) was \$7.2 million and depreciation expense on capital assets of the City's business-type activities (enterprise funds) was \$5.5 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, 2014, the City had \$96.3 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 Note 18 for a complete discussion of the City's Long-term Debt.

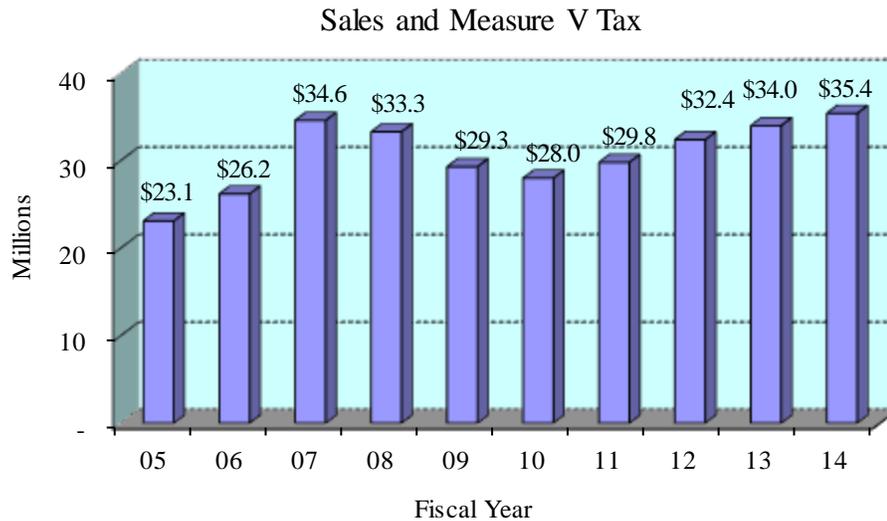
Fund Financial Statements-General Governmental Revenues

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, 2014, total revenues for general governmental functions totaled \$115,852,098, 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 third year after the three consecutive years of declines. The sales and transaction and use tax

increased \$1.4 million, or 4.1% from FY 2012-13. Sales tax was still the largest single category of revenue this fiscal year producing 21.2% of the combined governmental fund type revenues. Transactions and Use Tax (Measure V) represents 9.3% of the combined governmental fund type revenues. Measure V 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 \$35,376,543 or 30.5% of the combined governmental fund type revenues.

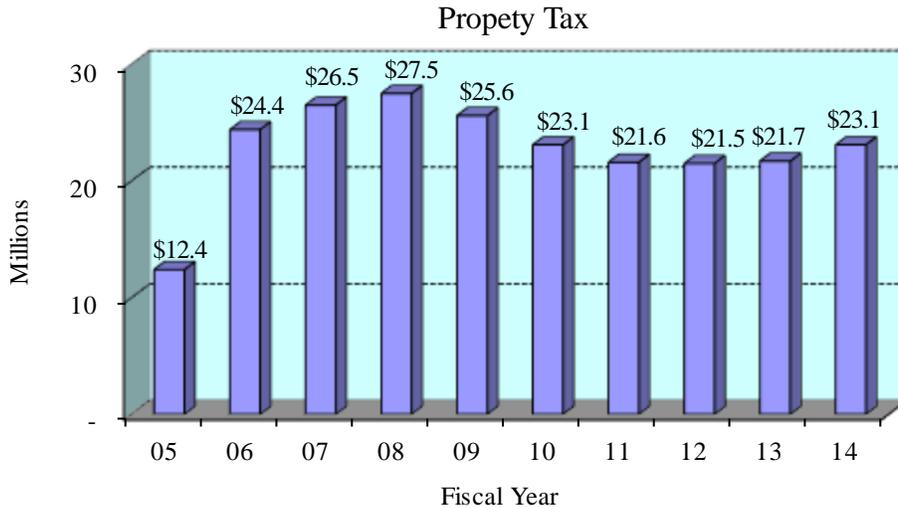


The sales tax and in-lieu sales tax receivable due from the State of California for FY 2013-14 totaled \$5,014,506 and is recorded as revenue for the year ended June 30, 2014.

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).

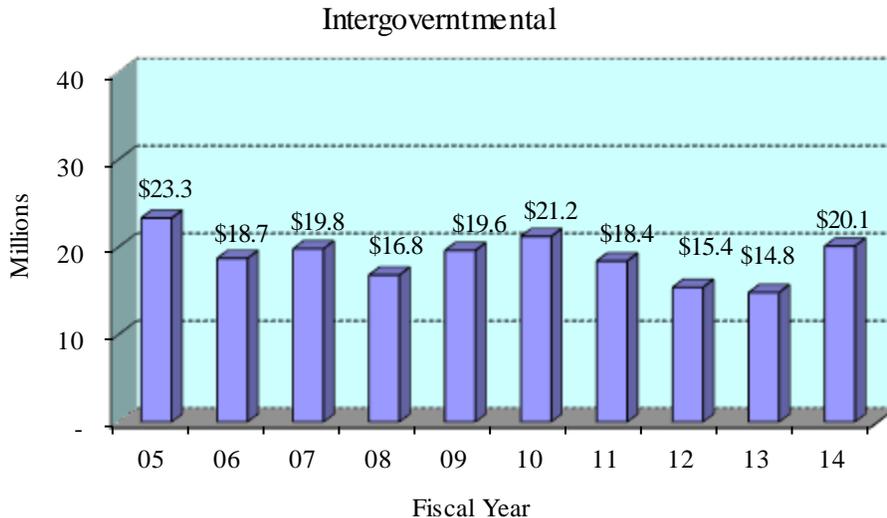
Property Tax

Property tax revenue was the second largest source of revenue during this fiscal year, producing 20.0% of the combined governmental fund type revenues. Property tax revenue includes Property tax-in-lieu of vehicle license fees (2/3 of VLF) of \$9,772,067 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 17.3% 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 in the prior year increasing by \$5.3 million, or 35.8% primarily as a result of increased draw downs (\$3.6 million) from the Housing and Urban Development Department (HUD) CDBG grant funding being reduced. Gas tax and traffic congestion relief gas tax funding increased by \$1.3 million from the prior year.



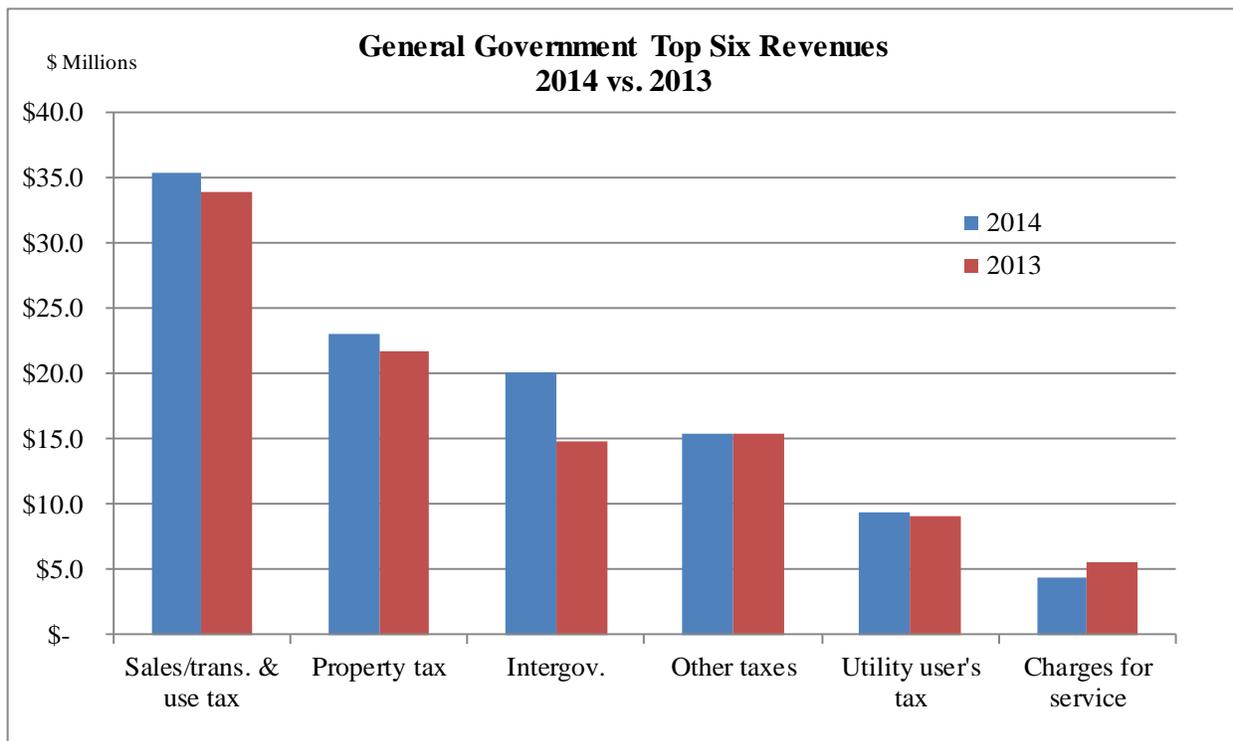
Utility User's Tax and Other Taxes

Utility user's tax and other taxes produced 21.4% of the combined governmental fund type revenues. Other taxes include business license tax and franchise fees among others. Utility user's tax increased by \$300,528, or 3.3%, while other taxes decreased slightly by \$21,674 with a 0.1% decline from the prior year.

Taxes receivable total \$9,584,091 for the year ended June 30, 2014 and are further explained in Note 6 to the financial statements.

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

Source of Revenues	2014 Amounts	Percent of Total	2013 Amounts	2013 vs. 2014 Increase/(decrease)	
				Dollars	Percent
Assessment districts:					
Taxes	\$ 4,089,281	3.5%	\$ 4,785,169	\$ (695,888)	-14.5%
Property tax	23,138,385	20.0%	21,706,369	1,432,016	6.6%
Sales/transaction & use tax	35,376,543	30.5%	33,968,129	1,408,414	4.1%
Utility user's tax	9,358,457	8.1%	9,057,929	300,528	3.3%
Other taxes	15,362,567	13.3%	15,384,241	(21,674)	-0.1%
License & permits	1,143,747	1.0%	1,268,394	(124,647)	-9.8%
Intergovernmental	20,055,536	17.3%	14,766,611	5,288,925	35.8%
Charges for service	4,383,480	3.8%	5,491,820	(1,108,340)	-20.2%
Interest	459,601	0.4%	210,576	249,025	118.3%
Rental income	354,949	0.3%	294,863	60,086	20.4%
Fines/forfeitures	519,592	0.4%	583,065	(63,473)	-10.9%
Developer contributions	495,652	0.4%	552,977	(57,325)	-10.4%
Miscellaneous	1,114,308	1.0%	1,793,327	(679,019)	-37.9%
TOTAL	\$ 115,852,098	100.0%	\$ 109,863,470	\$ 5,988,628	5.5%

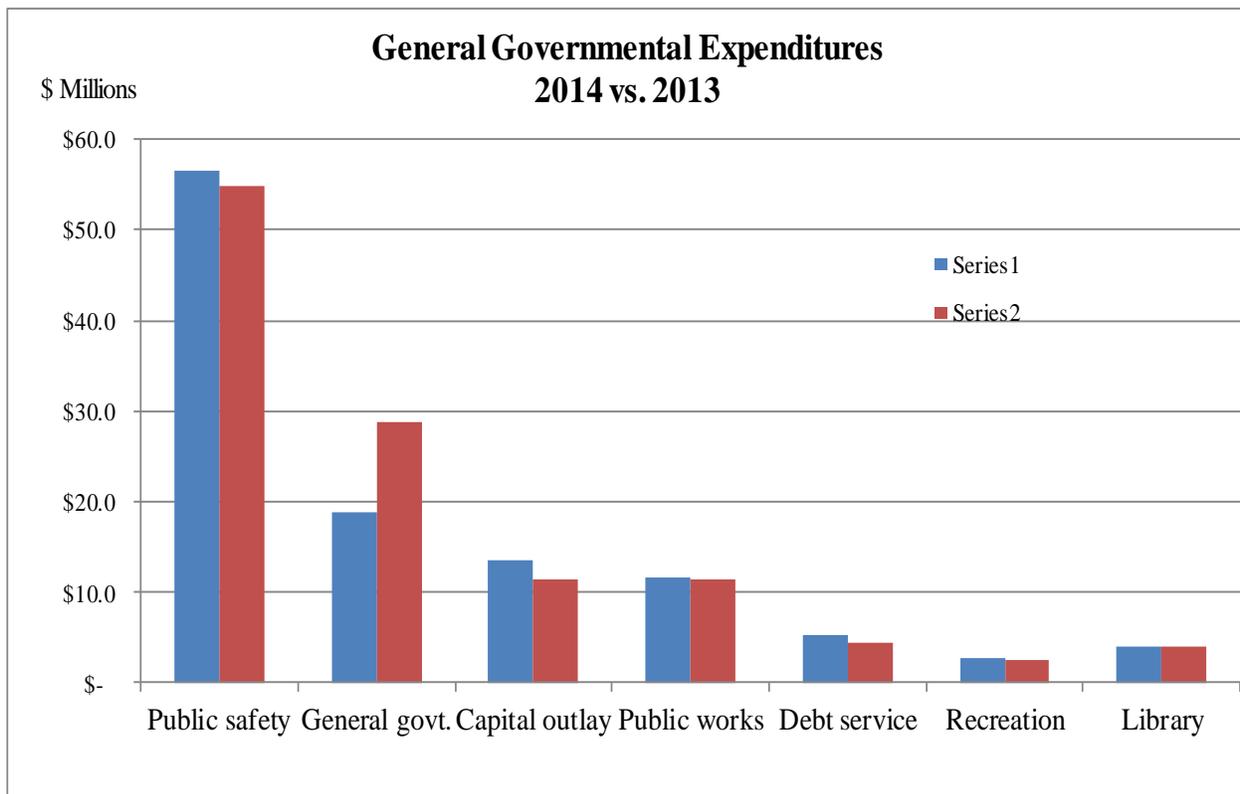


Fund Financial Statements-General Governmental Expenditures

Expenditures for governmental operations during the fiscal year ended June 30, 2014 were \$112,662,179 a net decrease of 4.3% in total expenditures over the previous year.

Changes in expenditures by major function are as follows:

Function	2014	Percent of Total	2013	2013 vs. 2014 Increase/(decrease)	
				Dollars	Percent
General government	\$ 18,759,086	16.7%	\$ 28,781,797	\$ (10,022,711)	-34.8%
Public safety	56,604,218	50.2%	54,919,121	1,685,097	3.1%
Public works	11,742,158	10.4%	11,538,077	204,081	1.8%
Recreation	2,662,734	2.4%	2,581,512	81,222	3.1%
Library	4,045,013	3.6%	4,137,207	(92,194)	-2.2%
Subtotal operations	93,813,209	83.3%	101,957,714	(8,144,505)	-8.0%
Capital outlay	13,624,103	12.1%	11,379,942	2,244,161	19.7%
Debt service:					
Principal	3,900,000	3.5%	2,980,000	920,000	30.9%
Interest	1,324,867	1.2%	1,373,655	(48,788)	-3.6%
Total	\$ 112,662,179	100.0%	\$ 117,691,311	\$ (5,029,132)	-4.3%



Operating expenditures decreased by \$8,144,505 or 8.0% from \$101,957,714 in FY 2012-13 to \$93,813,209 in FY 2013-14.

General Government decreased by \$10,022,711, or 34.8% primarily due to the decreases in the General and Measure V Fund by \$4,953,717 and in the affordable housing of \$6,681,827 in the

non-major Affordable Housing Fund. There was an increase in the CDBG funding of \$1,641,725.

Public Safety, Public Works, and Recreation have increased slightly during the year, while Library expenditures have decreased. Vacant positions in these functions account for the marginal increase or most of the decrease in comparison to the previous year.

Principal and interest payments increased by \$871,212 based on normally scheduled debt service changes.

Capital Outlay (Project) expenditures increased \$2,244,161 or 19.7% from \$11,379,942 in FY 2012-13 to \$13,624,103 in FY 2013-14. The main reason for this change occurred in the Aviation Fund where the capital outlay expenditure increased by \$2,790,524.

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 \$99,327,740 at June 30, 2014.

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, 2014, the Internal Service Funds liabilities for estimated claims payable totaled \$19,117,790, with \$17,705,716 representing Worker's Compensation and \$1,412,074 representing General Liability.

Total Worker's Compensation insurance claims liabilities are \$20,161,149 at June 30, 2014. A portion of the liability is reported in the Internal Service Fund (\$17,705,716) and a portion is treated as long-term debt (\$2,455,433). 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 \$1,395,903 held by City. Of the net deficit, a net deficit of \$1,655,468 is held by the City for the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and net position of \$259,565 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 \$14,776,852 are employee deferred compensation funds. Agency Funds are assets held by the City for Sunrise House, Economic Development, Salinas Valley Enterprise Zone, Second Chance Youth Program, Employee Cafeteria Plan and Retired Employees Health Insurance Program. Agency assets held by the City total \$744,830.

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 (51.3% of investment at FMV) are invested in the State’s Local Agency Investment Fund (LAIF). LAIF yielded average returns of .25% for fiscal year ended June 30, 2014.

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, 2014 is as follows:

Balance at cost - June 30, 2014	\$ 56,769,957
Unrealized gain	<u>16,352</u>
Balance at fair value - June 30, 2014	<u><u>\$ 56,786,309</u></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 \$758.3 million to \$9,356,177,997 representing an increase of 8.82% over FY 2012-13.

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

Fiscal year	Before Redevelopment Increment	After Redevelopment Increment	Percent Change
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 three basic initiatives, which guide the activities of each City department. The following is a list of accomplishments during FY 2013-14 for each of the three initiatives:

❖ **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 locate in OldTown 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.
- ✓ Hosted two Site Selector Consultant visits.
- ✓ Funded the CSUMB Small Business Development Center (SBDC).
- ✓ Provided support for the hosting of two travel writer visits (close to fifty writers in attendance) to continue to promote visitation and tourism for the Salinas Valley region.
- Permit Center:
 - ✓ Continued emphasis on full cost recovery of Permit Center services.
 - ✓ CEDD 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 (Mann Packing, Taylor Farms Central Office Building, etc.).
- Planning/Special Projects:
 - ✓ Significant community outreach accomplished associated with the new Economic Development Element for the General Plan.
 - ✓ Two Specific Plans were submitted for the Future Growth Area and staff comments were returned to the development teams.
- Successor Agency:
 - ✓ Successor Agency (SA) and Oversight Board continue to meet dissolution act requirements.
 - ✓ SA properties placed for sale.
 - ✓ Continued Long Range Property Management Plan activities.
- Housing:
 - ✓ 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 Gateway Seniors Apartments – 52 affordable seniors units.
 - ✓ Completion of Haciendas Phase II – 50 affordable multi-family units.
 - ✓ Successful allocation of \$3.8 million of Federal funding for HOME, CDBG, and ESG programs.
 - ✓ Construction of HOME-funded Wesley Oaks, a 9 single-family rental dwellings developed by CHISPA was completed.

- ✓ Continued to fund the City's rehabilitation program to maintain existing owner-occupied/rental housing stock.
- ✓ The Neighborhood Stabilization Program (NSP) concluded in July 2013, a program that stabilized neighborhoods by purchasing and rehabilitating foreclosed homes and reselling to eligible low and moderate-income households.

City Attorney's Department

- Alisal Marketplace. Supported City efforts to move this project forward toward realization.
- Chinatown Revitalization. Supported acquisition and development of properties on Soledad Street. Supported efforts to establish warming shelter, including working with Public Works staff on agreements with Monterey County and other partner agencies.
- Enhanced Permit Center Operations. Participated in the consultant's review of Permit Center operations; provided legal support during the consultant's review.
- Steinbeck Regional Innovation Foundation/Cluster. Supported CEDD and Admin with implementation of the Cluster, including legal agreements related to the programs (Kauffman FastTrac, etc.).
- Enhanced Branding Image of City. Provided legal support to CEDD and Admin with programs and agreements.
- Secure Source of Water. Supported DPW's efforts to identify and secure a stable source of water for residents and businesses.
- Municipal Utility. Supported DPW and Admin in developing agreements with DeepWater Desal, LLC for establishment of a municipal electric utility and power purchase agreements.

Police Department

- Used creative staffing allocations resulting in significant cost savings.
- Continued to work closely with City Human Resources, Workers Compensation providers, and treating physicians to reduce Workers Compensation costs and return employees back to work as soon as possible.

Public Works Department

- Downtown Vibrancy Study
- Airport Hangar Development
- Brunken Avenue Right of Way
- Make Improvements to Industrial Wastewater System
- Begin recycling of produce wash water for irrigation purposes

Assessments and Maintenance Districts

- Provide well groomed street scapes in all districts to promote pride in the neighborhood and minimize aesthetic degradation/blight potential.

Library and Community Services

- Over 30 jobs provided to youth through program grants.
- Many educational opportunities provided through workshops and programs for innovation and creativity.
- Investment in a new Cesar Chavez Library expanded services for education, literacy and job potential.
- The City once again undertook management of the Community Center facility. The facility is available for rent to the community for private, public and commercial events.
- Partnered with NSC for display of fine art at NSC.

❖ **Safe, Livable Community**

Police Department

- Implemented a Department-wide intelligence driven process to focus enforcement efforts on the worst violent offenders.
- Conducted a major wiretap operation resulting in the disruption of leadership within a major criminal street gang.
- Continued member of the Community Alliance for Safety and Peace Cross Functional Team and conducted 35 formal home visits to offer resources provided by the CASP CFT.

Fire Department

- United States Homeland Security SAFER Grant – The Fire Department received a \$2.9 million SAFER grant to retain seven (7) Firefighters and hire four (4) new Firefighters. 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.
- OES Fire Engine - The Fire Department was successful in obtaining an Office of Emergency Services (OES) fire engine for out-of-county fire responses. The fire engine will also be available to use as needed in the City.
- Hazardous Materials Team - The Fire Department was successful in obtaining a Type II status for the City's Hazardous Materials Team through the State Office of Emergency Services. Type II is a higher level of expertise, which provides more training and equipment opportunities.
- Apparatus Purchases - Utilizing Fire Mitigation Fees, the Fire Department purchased one (1) new tiller ladder truck, one (1) fire engine and one (1) Aircraft Rescue Firefighting vehicle. All three units will be in-service by the end of 2014.

City Attorney's Department

- Work with public to create consistent funding for public safety. Provided legal support and information to Finance Department and City Council related to the placement of a transactions and use tax measure on the November 2014 ballot.
- Support neighborhoods and volunteers. Provided legal support and advice as request by DPW and LCSD; support Code Enforcement efforts in addressing neighborhood issues through administrative and criminal prosecution efforts.
- Address Homelessness. Supported DPW and SPD to implement “sweeps” of the Chinatown area and other tasks related to homeless efforts, consistent with State law. Supported DPW in the establishment of the warming shelter and the extension of the warming shelter.
- Build new police station. Provided legal support for the selection of a consultant related to the design and construction of the new facility; drafted consulting agreement for design consultant's work.
- Elvee Drive Extension. Supported DPW in the environmental and public review of the proposed Elvee Drive extension and improvements.

Finance Department

- Work with citizen to create consistent funding public safety: Provided leadership and help coordinating a November 2014 revenue measures that passed.

Library and Community Services

- Libraries and Recreation Centers provided safe places for youth to learn, study, play and participate in sports.
- Afterschool programs for children and youth provided positive places to spend their time all year long.
- Over 613,000 residents visited libraries, and over 450,000 utilized sports and programs at Recreation Centers.
-

Public Works Department

- Sherwood Hall Improvement's
- China Town Cleanups
- Winter Warming Shelter
- Facilitate study of Public Safety Facility
- Enhanced signing and crosswalks at school zone areas

Assessments and Maintenance Districts

- Address and eradicate graffiti vandalism within 24 hours by reporting to Republic Services.

Housing

- 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

- The City Clerk's Office processed over 220 Political Reform Act filings and over 250 Council actions; coordinated over 100 commendations and proclamations; received and processed over 85 tort claims, responded to over 5,000 public inquiries and over 50 records requests.
- Processed six City Council recall attempts and one citizen proposed initiative for a special tax measure and two Council proposed initiatives.
- City Manager conducted 12 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.
- City Manager and Assistant City Manager participated in approximately 12 informational community meetings regarding City services fiscal management upon request by Council members and community organizations.
- The City Clerk's Office successfully implemented a Statement of Economic Interest Statement (SEI) E-filing system resulting in 100% compliance with Fair Political Practices Commission and City Code mandates; increased transparency by establishing a public review portal for filed SEI's.
- The City Clerk's Office successfully implemented an electronic legislative and agenda management system (Granicus); in the process of launching live video streaming for all codified legislative body meetings.
- Transitioned Dental, Life/LTD Insurance Policies to new carrier for approximately \$200K plus annual savings.
- Conducted RFP for Workers Compensation Administration and transitioning to new TPA for approximately \$50K plus savings per year.
- Coordinated Fine Arts Appraisal.

City Attorney's Office

- Employee Customer Service. Provided legal support for agreements, as needed; training to departments and Commissions on Brown Act and procedural compliance; reviewed temp policies.

- Technology upgrades. Provided legal support for any technology upgrades (e.g., Council Agenda review and management [Granicus]).
- Development Impact Fee. Provided legal support to Finance Department as it developed (Nexus Study) and had adopted new development impact fees (resolutions and ordinances) to support the provision of services in the North of Boronda Future Growth Area.

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

- Technology Upgrades: Supported other departments in the use of technology to improve efficiency and effectiveness of service delivery. Provide leadership and support for implementing the fiber optic network connections to all City facilities outside of City Hall; negotiated new lower cost technology help desk contract and coordinated a smooth transition with new firm; Demonstrated new Citizens mobile App for reporting graffiti, and other issues; implemented new GIS upgrades; Deployed most of the remaining virtual desktops/Windows 7 Upgrades; Wifi installations at the Permit Center, City Hall, Airport, and the City Yard.
- Strategically and collaboratively worked with departments and City Manager to balance the FY 2014-15 year budget.
- Continue to manage, facilitate and support the Measure V Committee.
- Planned, coordinated, and implemented Priority Based Budgeting including three community meetings, online survey, social media, print media, press releases, e-mail blasts for outreach, online engagement tool through Peak Democracy, applying for and receiving grant to fund the community engagement effort.
- Initiated and coordinated a 2nd round of Business License audits that generated over \$325,000 in revenue, negotiated a lower cost for the audits, and had interaction at the finance Counter and phone calls from over 600 businesses.
- Initiated, coordinated, and managed new City-Wide Fee study and Indirect Cost plan.
- Coordinated and managed outreach, communication, polling, study sessions, community meetings and process for potential new revenue measure.
- Completed the annual financial statements and audit with a clean audit opinion.

Fire Department

- Pubic Facility Impact Fee Study – A Nexus Study of the Fire Department’s Fire Mitigation Fees was included in this study. This study satisfied the need to review the Fire Mitigation Fees.

Police Department

- Implemented strategies to increase productivity and accountability.
- Provided Department-wide procedural justice and legitimacy training to enhance police department trust.
- Completed two citizen community academies that greatly enhanced the department’s ability to broaden the understanding of police operations in the community.

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

- Contain maintenance costs at budgeted levels.
- Diversify maintenance activities to various contractors to obtain best price and service.

Library and Community Services

- Libraries, Parks and Recreation provided year-round programs for residents making them the most use city services on a daily basis with a minimal investment of 7% of the General Fund.
- Volunteers, school students, and CSUMB Service Learners contributed to services.

Enterprise Operations

- Continued support of the Airport Commission

Housing

- Updated the City’s Citizen Participation Plan, a plan required by HUD for entitlement communities, and that provides reasonable opportunities for the public to provide input on HUD planned activities and accomplishments.
- 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, sub recipient payment and beneficiary data management, and compliance monitoring task.

❖ **Excellent Infrastructure**

Finance Department

- Deployed most of the remaining virtual desktops.
- Supported DPW through the CIP process and compilation and assisted with revenue solutions.
- Initiated, planned, coordinated, and implemented new developer impact fee for Police, Fire, Library and Recreation facilities and equipment including meetings with FGA team, Business Development Task Force, Central Coast Builders Association, Grower Shipper Association and City staff.

Library and Community Services

- Almost all employees at libraries and recreation centers work directly with the public.
- Work with the public to assist them in providing special events to the community.

Public Works Department

- Market Street Improvements
- Airport Taxiway Improvements
- 50-50 Sidewalk Program
- Elvee Drive Improvement Design and Public Meetings
- Completed Rehabilitation of Historic Freight Building

Enterprise Operations

- Completed the Taxiway A and Charlie Reconstruction Project

❖ **Quality of Life**

City Attorney's Office

- Youth Soccer Fields. Drafted agreements with Monterey County and Salinas Regional Sports Authority for development of the soccer fields at Constitution Boulevard. Supported Planning Division and DPW in the preparation of the environmental review associated with the project development.

Library and Community Services

- Libraries were open seven days a week, Parks and Recreation provided a wide variety of sports programs, and Art projects such as the Sister City Collection in the new city hall Art Space, and the restoration of the Claes Oldenburg "Hat in Three Stages of Landing" expand opportunities for growth and development.
- Volunteers, Youth Commission, and Commissioners contributed to the development of services.

Police Department

- Engaged in direct police and homeless community communications.
- Supported Salinas Night Walks to increase the presence of the moral voice of the community.
- Conducted two “Parent Project” classes where 32 parents learned how to love, provide structure, and discipline their children while forming strong parent support groups.

Public Works Department

- Caesar Chavez Park Improvements
- Closter Park Improvements
- Tatum’s Garden (Property Agreement)
- Ciclovía (Award winning open streets project)
- Acquisition of Urban Greening Grant

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) will continue; Police Management and Salinas Police Officers Associations agreed to defer a 5% salary adjustment until October 1, 2015, a 6.3% furlough salary reduction until July 1, 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 agreed to a contribution of 13% of salary toward City paid health insurance premiums until July 1, 2015.

The estimated annual cost in FY 2014-15 is over \$6.4 million. The non-safety employee furlough program does not have a sunset.

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 Accounting Officer, Miguel Gutierrez, and Supervising Accountant, 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.

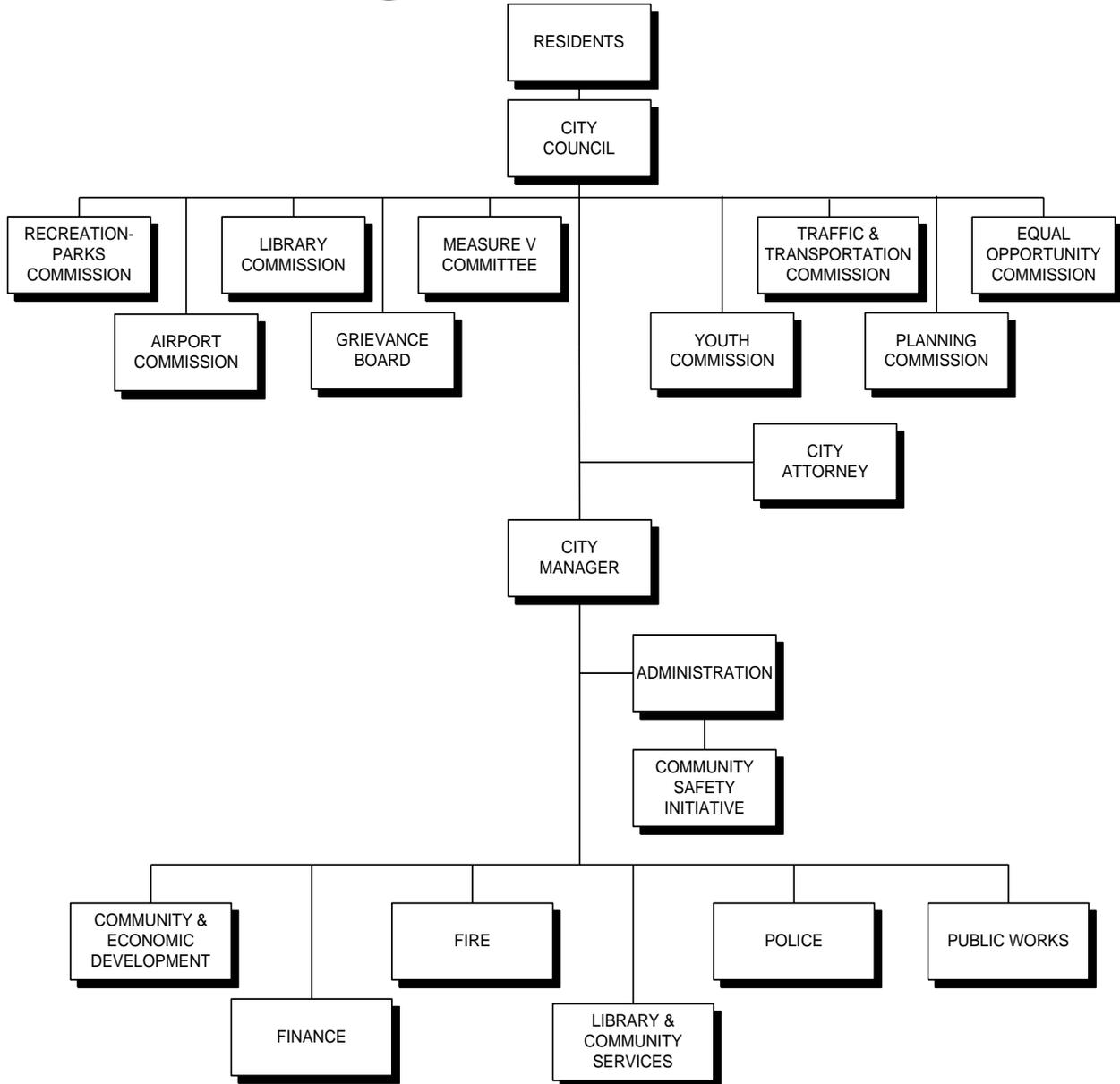
Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Matt N. Pressey", is written over a light blue rectangular background.

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

Tony Barrera

Councilmember
District 2

Steve McShane

Councilmember
District 3

Ray E. Corpus, Jr.

City Manager

Jim Pia

Assistant City Manager

Kelly J. McMillin

Chief of Police

Matt N. Pressey, CPA

Finance Director

Gloria De La Rosa

Councilmember
District 4

Kimbley Craig

Councilmember
District 5

Jyl Lutes

Councilmember
District 6

Christopher A. Callihan

City Attorney

Gary E. Petersen

Public Works Director

Douglas Yount

Community and Economic
Development Director

Edmond A. Rodriguez

Fire Chief



This page is intentionally left blank.

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

The Honorable Mayor and City Council
City of Salinas,
Salinas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Salinas, California (City) as of and for the year ended June 30, 2014, 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 of Salinas, California, as of June 30, 2014, 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.

Adoption of New Accounting Principle

As described in Note 21 to the basic financial statements, in 2014, the City adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Salinas, California's basic financial statements. The 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 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014, on our consideration of the Salinas, California'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.

A handwritten signature in black ink that reads "McGilway, Roy, Brown & Kaufman". The signature is written in a cursive, flowing style.

Salinas, California
December 23, 2014

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2014

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, 2014. 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, 2014, the City's net position (excess of assets over liabilities) were \$283.5 million. Of this amount, \$6.7 million are unrestricted assets.
- During the fiscal year ended June 30, 2014, the City's total net position increased by \$0.9 million. This change results from an increase of \$2.8 million in governmental activities net position and a decrease of \$1.8 million in business-type activities net position.
- During the fiscal year governmental funds fund balances increased \$3.7 million to \$56.6 million, of which \$51.6 million is either nonspendable, restricted, committed, or assigned and thus unavailable.
- During the fiscal year the General Fund and Measure V fund balance increased \$4.9 million to \$11.5 million of which \$8.0 million is either nonspendable, restricted, committed, or assigned. Unassigned General Fund and Measure V fund balance was \$3.5 million.
- The City's total liabilities decreased by \$4.8 million during the current fiscal year. The insurance claims liabilities decreased by \$0.9 million, and the net OPEB obligation decreased by \$1.0 million, and the long-term debt decreased by \$3.9 million as result of regularly schedule debt service repayments in both governmental and business-type activities.
- The City's capital assets, net of depreciation, decreased \$5.0 to \$292.1 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. The Salinas Redevelopment Agency (Agency) is a component unit of the City and, for practical purposes is a department of the City, has been included in the basic financial statements as an integral part of the primary government using the blended method.

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, 2014

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, 2014

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 and Measure V Funds, Development Fees Special Revenue Fund, and Assessment Districts Debt Service 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 Industrial Wastewater System, Airport, 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, 2014

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 Fund and Measure V and Development Fees major special revenue funds, 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 and Measure V 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, 2014

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, net position of the City were \$283.5 million, which is an increase of \$1.0 million (0.4%) from the prior year.

At June 30, 2014, the largest portion of net position (79.4%) 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, 2014 and 2013:

City of Salinas Condensed Statements of Net Position June 30, 2014								
	Governmental Activities		Business-type Activities		Total		Percent of Total	
	2014	2013	2014	2013	2014	2013		
Assets:								
Current assets	\$ 70,109,932	\$ 74,587,897	\$ 11,806,729	\$ 19,368,713	\$ 81,916,661	\$ 93,956,610	19.8 %	
Other assets	33,764,711	22,179,200	5,110,593	284,896	38,875,304	22,464,096	9.4 %	
Capital assets, net	167,668,537	174,992,633	124,389,538	126,017,272	292,058,075	301,009,905	70.7 %	
Total assets	271,543,180	271,759,730	141,306,860	145,670,881	412,850,040	417,430,611	99.9 %	
Deferred outflows of resources								
Requisition costs	335,138	-	430,904	-	766,042	-	100.0 %	
Total deferred outflows of resources	335,138	-	430,904	-	766,042	-	100.0 %	
Liabilities:								
Current liabilities	9,900,885	8,637,042	875,973	920,368	10,776,858	9,557,410	8.3 %	
Other liabilities	40,286,153	42,363,779	-	27,794	40,286,153	42,391,573	31.0 %	
LTD - due in one year	5,868,668	5,397,602	2,078,080	1,401,304	7,946,748	6,798,906	6.1 %	
Long-term liabilities	31,647,815	33,999,321	39,455,971	42,158,217	71,103,786	76,157,538	54.6 %	
Total liabilities	87,703,521	90,397,744	42,410,024	44,507,683	130,113,545	134,905,427	100.0 %	
Net Position:								
Invested in Capital Assets	142,686,305	145,565,953	82,595,102	82,169,810	225,281,407	227,735,763	79.4 %	
Restricted	43,488,015	44,530,991	8,044,570	9,264,740	51,532,585	53,795,731	18.2 %	
Unrestricted	(1,999,523)	(8,734,958)	8,688,068	9,728,648	6,688,545	993,690	2.4 %	
Total Net Position	\$ 184,174,797	\$ 181,361,986	\$ 99,327,740	\$ 101,163,198	\$ 283,502,537	\$ 282,525,184	100.0 %	

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2014

Statement of Activities

The following is the Condensed Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2014 and 2013:

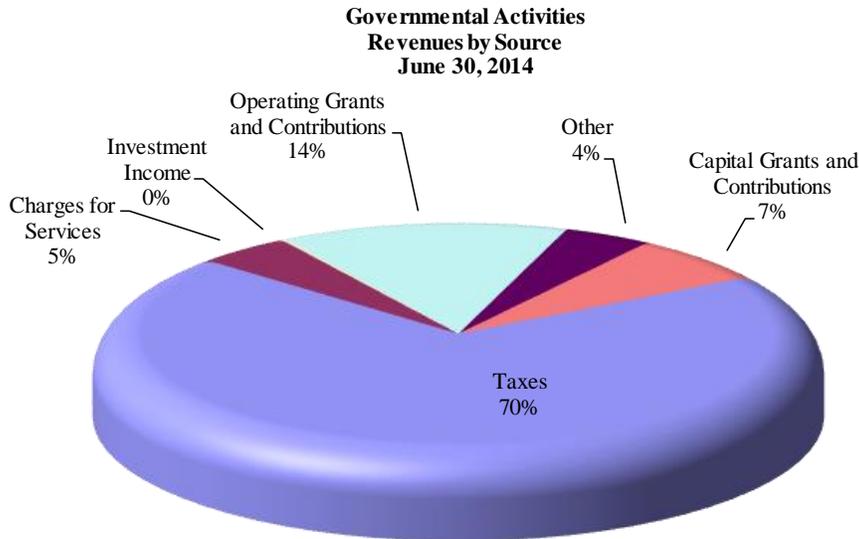
City of Salinas							
Condensed Statement of Activities and Changes in Net Position							
For the Fiscal Year Ended June 30, 2014							
	Governmental Activities		Business-type Activities		Total		
	2014	2013	2014	2013	2014	2013	
Revenues							
Program Revenues:							
Charges for Services	\$ 5,493,742	\$ 5,332,591	\$ 7,792,171	\$ 6,562,775	\$ 13,285,913	\$ 11,895,366	
Operating Grants & Contributions	16,932,597	14,378,415	268,443	302,001	17,201,040	14,680,416	
Capital Grants & Contributions	8,170,682	8,221,225	3,181,631	1,859,148	11,352,313	10,080,373	
General Revenues:							
Taxes	82,567,875	79,507,618	-	-	82,567,875	79,507,618	
Licenses & Permits	1,143,747	1,268,394	-	-	1,143,747	1,268,394	
Fines & Forfeitures	34,854	46,066	-	-	34,854	46,066	
Grants & Contributions							
not Restricted	-	66,402	-	-	-	66,402	
Unrestricted Investment Earnings	248,088	91,298	312,271	279,355	560,359	370,653	
Rental income	174,933	117,356	-	-	174,933	117,356	
Gain (Loss) on Disposal of Assets	(19,024)	-	(8,364)	(9,879)	(27,388)	(9,879)	
Loan Proceeds	2,812,000	1,090,318	-	-	2,812,000	1,090,318	
Loans Receivable Forgiven	178,845	-	-	-	178,845	-	
Miscellaneous	860,750	93,019	-	-	860,750	93,019	
Total Revenues	118,599,089	110,212,702	11,546,152	8,993,400	130,145,241	119,206,102	
Expenses							
General Government	18,313,166	41,834,355	1,795,262	1,717,944	20,108,428	43,552,299	
Public Safety	59,290,226	57,043,480	-	-	59,290,226	57,043,480	
Public Works	26,058,855	18,154,197	10,359,075	10,530,389	36,417,930	28,684,586	
Recreation	3,514,702	3,488,915	847,252	955,933	4,361,954	4,444,848	
Library	4,158,251	4,281,646	-	-	4,158,251	4,281,646	
Interest	1,071,604	1,408,010	-	-	1,071,604	1,408,010	
Total Expenses	112,406,804	126,210,603	13,001,589	13,204,266	125,408,393	139,414,869	
Increase (decrease) in Net Position before Contributions and Transfers	6,192,285	(15,997,901)	(1,455,437)	(4,210,866)	4,736,848	(20,208,767)	
Contributions	(24,446)	-	809,021	-	784,575	-	
Issuance cost of refinancing	-	-	(153,702)	-	(153,702)	-	
Transfers	(2,441,172)	(853,825)	841,685	853,825	(1,599,487)	-	
	(2,465,618)	(853,825)	1,497,004	853,825	(968,614)	-	
Increase (decrease) in Net Position	3,726,667	(16,851,726)	41,567	(3,357,041)	3,768,234	(20,208,767)	
Net Position - Beginning of Year	181,361,986	198,213,712	101,163,198	103,437,948	282,525,184	301,651,660	
Prior Period Adjustment	(913,856)	-	(1,877,025)	-	(2,790,881)	-	
Net Position - Beginning of Year as restated	180,448,130	198,213,712	99,286,173	103,437,948	279,734,303	301,651,660	
Transfer Parking Net Position to Business-type Activities	-	-	-	1,082,291	-	1,082,291	
Net Position - Ending	\$ 184,174,797	\$ 181,361,986	\$ 99,327,740	\$ 101,163,198	\$ 283,502,537	\$ 282,525,184	

CITY OF SALINAS
 Management's Discussion and Analysis
 Fiscal Year ended June 30, 2014

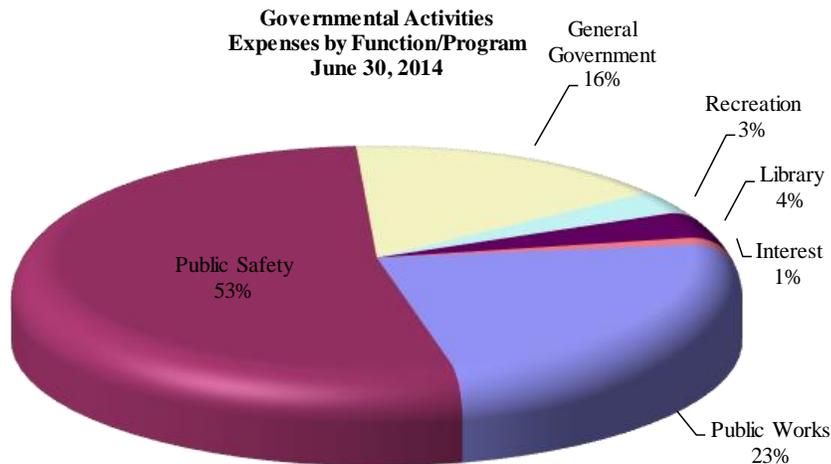
Total revenues increased from the prior year by \$11.0 million and total expenditures decreased by \$14.0 million from prior year. Further analysis is provided within the governmental and business-type activities sections.

Governmental Activities

Governmental activities resources total \$118.6 million. The City's governmental activities increased net position by \$3.7 million. The following charts highlight the sources of revenues and purpose of expenses:



Total expenses for governmental activities, excluding transfers and contributions, were \$112.4 million including interest on long-term debt of \$1.1 million. Total expenditures that were funded by tax revenues, investment income and other general revenues were \$88.0 million.



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2014

Functional expenses for the year ended June 30, 2014 were as follows:

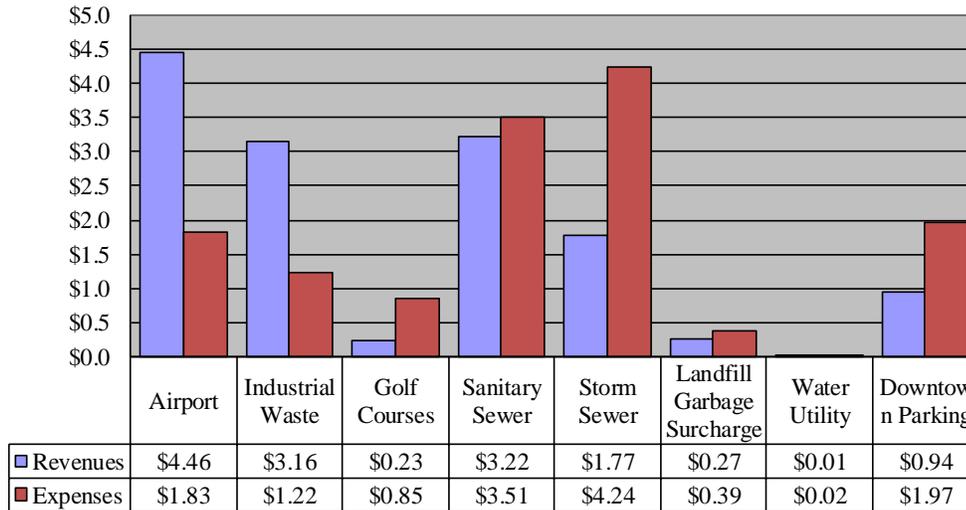
	Total Cost of Services	Percent	Net Cost of Services	Percentage
General government	\$ 18,313,166	16.3 %	\$ 7,074,894	8.6 %
Public safety	59,290,226	52.7 %	57,056,930	69.7 %
Public works	26,058,855	23.2 %	12,162,452	14.9 %
Recreation	3,514,702	3.1 %	3,234,692	4.0 %
Library	4,158,251	3.7 %	3,787,718	4.6 %
Interest	1,071,604	1.0 %	(1,506,903)	(1.8)%
Total	\$ 112,406,804	100 %	\$ 81,809,783	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 \$99.3 million, a decrease of \$1.8 million from the prior fiscal year. Total revenues for business-type activities were \$11.5 million. The largest program revenues were charges for services of \$7.8 million. Other program revenues included operating/capital grants and contributions of \$3.5 million. Total expenses for the business-type activities were \$13.0 million during FY 2013-14.

**Business -Type Activities
Revenues, Expenses (in millions)
June 30, 2014**



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2014

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 \$56.6 million. Of the total fund balance of \$56.6 million, \$9.6 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, \$33.9 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 \$15.2 was restricted for future development, \$7.3 million for maintenance districts, \$2.0 million for street repairs, \$1.7 million for aviation projects, \$5.4 million was restricted for debt service, and \$0.9 million for was restricted for public safety purposes. Committed fund balance totaled \$3.3 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 \$3.3 million committed fund balance is committed for capital projects. Assigned fund balance totaled \$4.8 million. The remaining fund balance of \$5.0 million is unassigned and mainly includes the unassigned fund balance of the General Fund of \$3.5 million and the nonmajor governmental funds balance totaling \$1.6 million.

The General Fund is the chief operating fund of the City. The General and Measure V Fund's fund balance increased by \$4.9 million in FY 2013-14 to \$11.5 million, of which \$3.1 million was nonspendable and indicates the resources are nonspendable inventory and advances and are not anticipated to be liquidated in the near-term. The \$1.3 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 \$3.6 million and have been allocated by the City Council for specific capital and operational needs. The remaining fund balance of \$3.5 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.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended General Fund and Measure V budget, including transfers in and advances, totaled \$89.0 million.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2014

Significant Appropriations Increases/Decreases

Appropriations during the year was adjusted upward by \$7.4 million, of which, \$3.6 million were related to transfers for capital projects. The Public Works increased by \$0.5 million and General Government increased by \$0.4 million. Estimated revenue was adjusted upward by \$1.7 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, 2014 and 2013:

City of Salinas' Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 22,769,197	\$ 22,524,752	\$ 3,632,339	\$ 3,632,339	\$ 26,401,536	\$ 26,157,091
Buildings	45,607,241	44,781,561	27,231,159	27,097,169	72,838,400	71,878,730
Improvements	12,881,306	12,257,011	16,135,046	16,046,824	29,016,352	28,303,835
Equipment	27,733,098	28,923,942	7,226,433	6,952,111	34,959,531	35,876,053
Infrastructure	230,547,709	229,474,132	222,131,957	222,131,957	452,679,666	451,606,089
Construction in Progress	7,123,454	4,845,771	5,110,860	1,354,997	12,234,314	6,200,768
	346,662,005	342,807,169	281,467,794	277,215,397	628,129,799	620,022,566
Accumulated Depreciation	(178,993,468)	(171,767,456)	(157,078,256)	(151,198,125)	(336,071,724)	(322,965,581)
	<u>\$ 167,668,537</u>	<u>\$ 171,039,713</u>	<u>\$ 124,389,538</u>	<u>\$ 126,017,272</u>	<u>\$ 292,058,075</u>	<u>\$ 297,056,985</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, 2014, net capital assets of the governmental activities totaled \$167.7 million and the net capital assets of the business-type activities totaled \$124.4 million. During FY 2002-03, American Appraisal Associates were hired to conduct an inventory and valuation of all the City's capital assets. Finance 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 \$5.3 million of capital assets during the year. The acquisitions include \$3.6 million in construction in progress, \$0.6 million in infrastructure improvements, \$0.3 million in machinery and equipment, \$0.1 million in buildings and improvements and no change in land.

Business-type activities acquired \$4.4 million of capital assets during the year. The Airport Fund had \$3.2 million and the Industrial Waste Fund had \$0.4 million in construction in progress. The Sanitary Sewer Fund had machinery and equipment of \$0.5 million. Other additions of capital assets were routine replacements of current capital assets.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2014

Long-Term Obligations

As of June 30, 2014, the City had \$79.1 million in long-term debt.

City of Salinas' Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Annual Leave	\$ 9,838,561	\$ 9,519,155	\$ 266,829	\$ 288,204	\$ 10,105,390	\$ 9,807,359
Estimated Insurance Claims	2,455,433	3,047,525	-	-	2,455,433	3,047,525
Net Pension Obligation	-	18,083	-	-	-	18,083
Capital Leases	4,744,910	2,297,160	13,556,016	467,617	18,300,926	2,764,777
Loans and Notes	-	-	57,033	93,664	57,033	93,664
Revenue Bonds	-	-	17,290,000	17,625,000	17,290,000	17,625,000
Tax Allocation Bonds	-	-	-	-	-	-
Certificates of Participation	10,775,000	12,095,000	10,255,000	24,915,000	21,030,000	37,010,000
Assessment District Bonds	9,840,000	12,420,000	-	-	9,840,000	12,420,000
Unamortized Bond Premium	-	-	159,409	170,036	159,409	170,036
Unamortized Bond Discount	(137,421)	(146,130)	(50,236)	(54,803)	(187,657)	(200,933)
	<u>\$ 37,516,483</u>	<u>\$ 39,250,793</u>	<u>\$ 41,534,051</u>	<u>\$ 43,504,718</u>	<u>\$ 79,050,534</u>	<u>\$ 82,755,511</u>

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 2015-16 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 \$20 million a year beginning 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 grow over time. Furthermore, the housing market has improved more than expected so far in FY 2014-15 with assessed values increasing more than 8.8%.

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 fiscal year of this audited. 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, will further build on what the Avery organizational study accomplished and

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2014

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 62 active federal and state grants that total over \$45 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.



This page is intentionally left blank.

BASIC FINANCIAL STATEMENTS



This page is intentionally left blank.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF SALINAS
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$ 63,634,797	\$ 11,189,036	\$ 74,823,833
Receivables, net of allowance			
Taxes	9,736,609	-	9,736,609
Accounts	443,364	1,274,965	1,718,329
Accrued interest	1,197,466	12,672	1,210,138
Due from outside agencies	5,009,020	-	5,009,020
Due from other funds	691,619	(681,809)	9,810
Internal balances	2,960,000	(2,960,000)	-
Inventory	16,588	-	16,588
Restricted cash and investments	2,291,643	7,874,654	10,166,297
Advances to Successor Agency	1,010,629	-	1,010,629
Assessments receivable	9,840,000	-	9,840,000
Loan receivables, net of allowance	4,371,227	-	4,371,227
Prepaid bond insurance	164,128	207,804	371,932
Land and properties held for resale	2,507,553	-	2,507,553
Capital assets			
Land and nondepreciable assets	29,892,651	8,743,199	38,635,850
Depreciable assets, net of accumulated depreciation	137,775,886	115,646,339	253,422,225
Total assets	<u>271,543,180</u>	<u>141,306,860</u>	<u>412,850,040</u>
DEFERRED OUTFLOWS OF RESOURCES			
Reacquisition cost on refunding	335,138	430,904	766,042
Total deferred outflows of resources	<u>335,138</u>	<u>430,904</u>	<u>766,042</u>
Total assets and deferred outflows	<u>271,878,318</u>	<u>141,737,764</u>	<u>413,616,082</u>
LIABILITIES			
Accounts payable	9,368,583	320,161	9,688,744
Accrued interest payable	232,302	527,214	759,516
Prepaid deposits	-	28,598	28,598
Due to other agencies	300,000	-	300,000
Unearned revenues	13,350,649	-	13,350,649
Long term liabilities			
Insurance claims payable	19,117,790	-	19,117,790
Net OPEB obligation	7,817,714	-	7,817,714
Debt due within one year	5,868,668	2,078,080	7,946,748
Debt due in more than one year	31,647,815	39,455,971	71,103,786
Total liabilities	<u>87,703,521</u>	<u>42,410,024</u>	<u>130,113,545</u>
NET POSITION			
Invested in capital assets	142,686,305	82,595,102	225,281,407
Restricted for:			
Housing	8,689,443	-	8,689,443
Capital projects	6,173,304	-	6,173,304
Highways and streets	18,241,113	-	18,241,113
Debt service	8,377,597	8,044,570	16,422,167
Special programs	2,006,558	-	2,006,558
Total restricted assets	43,488,015	8,044,570	51,532,585
Unrestricted net position (deficits)	(1,999,523)	8,688,068	6,688,545
Total net position	<u>\$ 184,174,797</u>	<u>\$ 99,327,740</u>	<u>\$ 283,502,537</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

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	\$ 18,313,166	\$ 4,028,428	\$ 7,209,571	\$ 273	\$ (7,074,894)	\$ -	\$ (7,074,894)
Public safety	59,290,226	1,192,761	1,040,535	-	(57,056,930)	-	(57,056,930)
Public works	26,058,855	13,725	8,315,946	5,566,732	(12,162,452)	-	(12,162,452)
Recreation	3,514,702	221,403	35,064	23,543	(3,234,692)	-	(3,234,692)
Library	4,158,251	37,425	331,481	1,627	(3,787,718)	-	(3,787,718)
Interest on long-term debt	1,071,604	-	-	2,578,507	1,506,903	-	1,506,903
Total governmental activities	112,406,804	5,493,742	16,932,597	8,170,682	(81,809,783)	-	(81,809,783)
Business-type activities:							
Airport	1,795,262	1,294,410	23,963	3,143,971	-	2,667,082	2,667,082
Industrial waste	1,204,574	3,140,865	-	5,728	-	1,942,019	1,942,019
Municipal golf courses	847,252	-	225,000	-	-	(622,252)	(622,252)
Sanitary sewer	3,344,081	3,167,632	10,628	17,384	-	(148,437)	(148,437)
Storm sewer	3,977,553	59,554	-	14,548	-	(3,903,451)	(3,903,451)
Water utility	20,187	5,568	4,352	-	-	(10,267)	(10,267)
Downtown parking	1,812,680	124,142	4,500	-	-	(1,684,038)	(1,684,038)
Total business-type activities	13,001,589	7,792,171	268,443	3,181,631	-	(1,759,344)	(1,759,344)
Total primary government	\$ 125,408,393	\$ 13,285,913	\$ 17,201,040	\$ 11,352,313	(81,809,783)	(1,759,344)	(83,569,127)
General revenues and transfers:							
					82,567,875	-	82,567,875
					1,178,601	-	1,178,601
					248,088	312,271	560,359
					860,750	-	860,750
					174,933	-	174,933
					(19,024)	(8,364)	(27,388)
					2,812,000	-	2,812,000
					(24,446)	-	(24,446)
					-	809,021	809,021
					-	(153,702)	(153,702)
					178,845	-	178,845
					(2,441,172)	841,685	(1,599,487)
					<u>85,536,450</u>	<u>1,800,911</u>	<u>87,337,361</u>
Change in net position					3,726,667	41,567	3,768,234
Net position - beginning of year					181,361,986	101,163,198	282,525,184
Prior period adjustment - Note 21					(913,856)	(1,877,025)	(2,790,881)
Net position - beginning of year, as restated					<u>180,448,130</u>	<u>99,286,173</u>	<u>279,734,303</u>
Net position - end of year					<u>\$ 184,174,797</u>	<u>\$ 99,327,740</u>	<u>\$ 283,502,537</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

GENERAL AND MEASURE V FUND

The General and Measure V Funds are always classified as a major fund. It accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General and Measure V 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.

CITY OF SALINAS
STATEMENT OF FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General and Measure V	Development Fees	Assessment District Debt Service	Governmental Funds	Total
ASSETS					
Cash and investments	\$ 19,708,931	\$ 15,330,295	\$ 2,999,366	\$ 18,565,398	\$ 56,603,990
Receivables, net:					
Taxes	9,584,091	-	-	-	9,584,091
Accounts	143,930	-	-	299,404	443,334
Accrued interest	38,527	18,692	-	1,134,304	1,191,523
Assessments	-	-	9,840,000	-	9,840,000
Due from outside agencies	-	-	-	4,934,020	4,934,020
Due from other funds	2,638,709	-	-	1,289,517	3,928,226
Advances to Sucessor Agency	70,629	-	-	940,000	1,010,629
Inventory	16,588	-	-	-	16,588
Restricted cash and investments	-	-	-	2,212,068	2,212,068
Loan receivables	-	-	-	4,371,227	4,371,227
Advances to other funds	3,035,000	-	-	-	3,035,000
Land and properties held for resale	-	-	-	2,507,553	2,507,553
Total assets	<u>\$ 35,236,405</u>	<u>\$ 15,348,987</u>	<u>\$ 12,839,366</u>	<u>\$ 36,253,491</u>	<u>\$ 99,678,249</u>
LIABILITIES					
Accounts payable	\$ 6,710,547	\$ -	\$ -	\$ 2,565,388	\$ 9,275,935
Due to outside agencies	-	-	-	300,000	300,000
Due to other funds	17,021,678	109,667	-	2,628,125	19,759,470
Unearned revenues	-	-	-	3,164,184	3,164,184
Total liabilities	<u>23,732,225</u>	<u>109,667</u>	<u>-</u>	<u>8,657,697</u>	<u>32,499,589</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - housing loans	-	-	-	355,417	355,417
Unavailable revenues - grants	-	-	-	346,465	346,465
Unavailable revenues - special assessment receivable	-	-	9,840,000	-	9,840,000
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>9,840,000</u>	<u>701,882</u>	<u>10,541,882</u>
FUND BALANCE					
Nonspendable	3,122,217	-	-	6,523,363	9,645,580
Restricted	-	15,239,320	2,999,366	15,669,439	33,908,125
Committed	1,293,400	-	-	2,000,000	3,293,400
Assigned	3,599,747	-	-	1,150,453	4,750,200
Unassigned	3,488,816	-	-	1,550,657	5,039,473
Total fund balance	<u>11,504,180</u>	<u>15,239,320</u>	<u>2,999,366</u>	<u>26,893,912</u>	<u>56,636,778</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 35,236,405</u>	<u>\$ 15,348,987</u>	<u>\$ 12,839,366</u>	<u>\$ 36,253,491</u>	<u>\$ 99,678,249</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, 2014

Total fund balances - total governmental funds (page F-24)		\$ 56,636,778
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.		167,668,537
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.		(232,302)
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.		355,417
Taxes receivable not collectible within sixty days are not available to pay current period expenditures and, therefore, are not reported in the funds.		152,518
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.		4,424,456
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	\$ (9,834,237)	
Estimated insurance claims	(2,455,433)	
Capital leases	(4,744,910)	
Certificates of participation	(10,775,000)	
Assessment bonds	(9,840,000)	
Bond discount	<u>137,421</u>	(37,512,159)
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.		(7,817,714)
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		<u>499,266</u>
Net position of governmental activities (page F-20)		<u><u>\$ 184,174,797</u></u>

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, 2014

	General and Measure V	Development Fees	Assessment District Debt Service	Other Non- major Governmental Funds	Total
REVENUES					
Taxes	\$ 82,614,953	\$ -	\$ -	\$ 620,999	\$ 83,235,952
Taxes - special assessments	-	-	2,578,507	1,510,774	4,089,281
Licenses and permits	1,143,747	-	-	-	1,143,747
Intergovernmental	453,653	-	-	19,601,883	20,055,536
Charges for services	3,896,044	202,858	-	284,578	4,383,480
Interest	248,088	79,641	-	131,872	459,601
Rental income	174,933	-	-	180,016	354,949
Fines and forfeits	34,854	-	-	484,738	519,592
Developer contributions	-	-	-	495,652	495,652
Miscellaneous	860,750	-	-	253,558	1,114,308
Total revenues	<u>89,427,022</u>	<u>282,499</u>	<u>2,578,507</u>	<u>23,564,070</u>	<u>115,852,098</u>
EXPENDITURES					
Current:					
General government	12,850,584	-	-	5,908,502	18,759,086
Public safety	52,476,672	-	-	4,127,546	56,604,218
Public works	11,742,158	-	-	-	11,742,158
Recreation	1,396,365	-	-	1,266,369	2,662,734
Library	3,684,767	-	-	360,246	4,045,013
Capital outlay	209,633	31,932	-	13,382,538	13,624,103
Debt service:					
Principal retirement	-	-	2,580,000	1,320,000	3,900,000
Interest and fiscal charges	-	-	635,291	689,576	1,324,867
Total expenditures	<u>82,360,179</u>	<u>31,932</u>	<u>3,215,291</u>	<u>27,054,777</u>	<u>112,662,179</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,066,843</u>	<u>250,567</u>	<u>(636,784)</u>	<u>(3,490,707)</u>	<u>3,189,919</u>
OTHER FINANCING SOURCES (USES)					
Loan proceeds	-	-	-	2,812,000	2,812,000
Loan receivables forgiven	-	-	-	178,845	178,845
Property transfers	-	-	-	(24,446)	(24,446)
Operating transfers in	4,123,012	-	-	9,822,525	13,945,537
Operating transfers out	(6,294,520)	(849,804)	-	(9,218,001)	(16,362,325)
Total other financing sources (uses)	<u>(2,171,508)</u>	<u>(849,804)</u>	<u>-</u>	<u>3,570,923</u>	<u>549,611</u>
NET CHANGE IN FUND BALANCE	4,895,335	(599,237)	(636,784)	80,216	3,739,530
FUND BALANCE, BEGINNING OF YEAR	6,608,845	15,838,557	3,636,150	26,813,696	52,897,248
FUND BALANCE, END OF YEAR	<u>\$ 11,504,180</u>	<u>\$ 15,239,320</u>	<u>\$ 2,999,366</u>	<u>\$ 26,893,912</u>	<u>\$ 56,636,778</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, 2014

Net change in fund balance - total governmental funds (page F-26)		\$ 3,739,530
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.		(3,371,176)
Net increase (decrease) in taxes receivable not collectible within sixty days.		(47,082)
Unearned revenues of new housing loans are reported in the statement of net position.		1,587,708
Principal payments on housing loans are reported in the statement of net position.		(202,136)
Reporting of loan receivables at realizable value requires an allowance to be made.		(1,272,743)
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	\$ 276,236	
Net pension obligation	18,083	
Capital leases	(2,447,750)	
Certificates of participation	1,320,000	
Assessment district 1915 act bonds	<u>2,580,000</u>	1,746,569
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.		(991,547)
Governmental funds report the effect of issuance costs and similar items 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 issuance cost.		(45,734)
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.		253,263
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>2,330,015</u>
Change in net position of governmental activities (page F-21)		<u><u>\$ 3,726,667</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.

CITY OF SALINAS
STATEMENT OF FUND NET POSITION (DEFICITS)
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-type Activity - Enterprise Funds									Governmental Activity
	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	\$ 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
Receivables, net										
Accounts	44,013	454,386	16,667	735,797	-	-	9,920	14,182	1,274,965	30
Accrued interest	726	3,940	-	3,630	378	3,998	-	-	12,672	5,943
Prepaid bond insurance	-	-	3,278	-	-	-	-	8,587	11,865	-
Due from general fund	-	-	-	-	-	-	-	-	-	16,522,863
Total current assets	<u>633,296</u>	<u>3,857,060</u>	<u>505,767</u>	<u>3,580,098</u>	<u>655,966</u>	<u>3,171,033</u>	<u>52,101</u>	<u>33,217</u>	<u>12,488,538</u>	<u>23,559,643</u>
Noncurrent assets:										
Restricted cash and investments	-	-	920,080	6,951,958	-	-	-	2,616	7,874,654	79,575
Prepaid bond issuance cost, net	-	-	32,778	-	-	-	-	163,161	195,939	-
Capital assets										
Land and nondepreciable assets	5,331,982	1,872,100	-	1,493,956	38,461	-	-	6,700	8,743,199	-
Depreciable assets, net accumulated depreciation	12,385,016	3,849,322	3,511,448	34,495,394	49,481,800	-	97,542	11,825,817	115,646,339	-
Net capital assets	17,716,998	5,721,422	3,511,448	35,989,350	49,520,261	-	97,542	11,832,517	124,389,538	-
Total noncurrent assets	17,716,998	5,721,422	4,464,306	42,941,308	49,520,261	-	97,542	11,998,294	132,460,131	79,575
Total assets	<u>18,350,294</u>	<u>9,578,482</u>	<u>4,970,073</u>	<u>46,521,406</u>	<u>50,176,227</u>	<u>3,171,033</u>	<u>149,643</u>	<u>12,031,511</u>	<u>144,948,669</u>	<u>23,639,218</u>
DEFERRED OUTFLOWS OF RESOURCES										
Reacquisition costs	-	-	361,656	69,248	-	-	-	-	430,904	-
Total deferred outflows of resources	-	-	361,656	69,248	-	-	-	-	430,904	-
Total assets and deferred outflows	<u>18,350,294</u>	<u>9,578,482</u>	<u>5,331,729</u>	<u>46,590,654</u>	<u>50,176,227</u>	<u>3,171,033</u>	<u>149,643</u>	<u>12,031,511</u>	<u>145,379,573</u>	<u>23,639,218</u>
LIABILITIES										
Current liabilities:										
Accounts payable	57,870	91,954	1,162	65,281	52,126	-	1,085	50,683	320,161	92,648
Deposits	28,598	-	-	-	-	-	-	-	28,598	-
Due to other funds	-	29,162	-	458,600	26,348	-	-	167,699	681,809	-
Insurance claims payable	-	-	-	-	-	-	-	-	-	19,117,790
Interest payable	-	1,752	74,173	273,623	2,467	-	-	175,199	527,214	-
Long term debt - due within one year	30,762	99,758	370,433	369,876	63,091	-	-	1,144,160	2,078,080	155
Total current liabilities	<u>117,230</u>	<u>222,626</u>	<u>445,768</u>	<u>1,167,380</u>	<u>144,032</u>	<u>-</u>	<u>1,085</u>	<u>1,537,741</u>	<u>3,635,862</u>	<u>19,210,593</u>
Noncurrent Liabilities:										
Advance from general fund	-	-	1,050,000	-	-	-	-	1,910,000	2,960,000	-
Long term debt - due in more than one year	27,418	19,030	9,834,331	17,175,773	216,438	-	-	12,182,981	39,455,971	4,169
Total noncurrent liabilities	27,418	19,030	10,884,331	17,175,773	216,438	-	-	14,092,981	42,415,971	4,169
Total liabilities	<u>144,648</u>	<u>241,656</u>	<u>11,330,099</u>	<u>18,343,153</u>	<u>360,470</u>	<u>-</u>	<u>1,085</u>	<u>15,630,722</u>	<u>46,051,833</u>	<u>19,214,762</u>
NET POSITION										
Invested in capital assets	17,693,091	5,624,670	(6,767,489)	18,266,318	49,333,685	-	97,542	(1,652,715)	82,595,102	-
Restricted	4,707	70,800	920,080	6,991,019	55,348	-	-	2,616	8,044,570	79,575
Unrestricted	507,848	3,641,356	(150,961)	2,990,164	426,724	3,171,033	51,016	(1,949,112)	8,688,068	4,344,881
Total net position (deficits)	<u>\$ 18,205,646</u>	<u>\$ 9,336,826</u>	<u>\$ (5,998,370)</u>	<u>\$ 28,247,501</u>	<u>\$ 49,815,757</u>	<u>\$ 3,171,033</u>	<u>\$ 148,558</u>	<u>\$ (3,599,211)</u>	<u>\$ 99,327,740</u>	<u>\$ 4,424,456</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, 2014

	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	\$ -	\$ 3,140,865	\$ -	\$ 3,167,632	\$ 59,554	\$ -	\$ 5,568	\$ -	\$ 6,373,619	\$ 6,589,860
Licenses and permits	50,511	-	-	-	-	-	124,142	-	174,653	-
Rental income	1,243,899	-	225,000	-	-	-	-	-	1,468,899	-
Total operating revenues	<u>1,294,410</u>	<u>3,140,865</u>	<u>225,000</u>	<u>3,167,632</u>	<u>59,554</u>	<u>-</u>	<u>5,568</u>	<u>124,142</u>	<u>8,017,171</u>	<u>6,589,860</u>
OPERATING EXPENSES:										
Personnel services	447,791	264,352	-	742,481	869,753	-	-	97,750	2,422,127	272,889
Administration	171,733	140,635	-	143,265	189,611	-	1,285	88,627	735,156	-
Contractual services	224,011	165,241	16,588	12,959	72,776	-	8,634	338,567	838,776	490,269
Supplies	77,601	32,409	-	89,795	136,976	-	-	9,205	345,986	599
Insurance	25,750	18,500	-	44,800	25,700	-	-	-	114,750	755,013
Insurance claims	-	-	-	-	-	-	-	-	-	4,245,233
Fees and permits (taxes)	43,247	10,802	-	-	48,285	-	-	-	102,334	-
Utilities	112,968	379,970	-	165,019	2,107	-	-	32,564	692,628	-
Depreciation	672,525	175,862	552,068	1,449,301	2,620,311	-	10,268	576,765	6,057,100	-
Amortization	-	-	40,723	4,617	-	-	-	8,587	53,927	-
Other	19,636	7,963	-	7,118	1,450	-	-	1,380	37,547	-
Total operating expenses	<u>1,795,262</u>	<u>1,195,734</u>	<u>609,379</u>	<u>2,659,355</u>	<u>3,966,969</u>	<u>-</u>	<u>20,187</u>	<u>1,153,445</u>	<u>11,400,331</u>	<u>5,764,003</u>
Operating income (loss)	<u>(500,852)</u>	<u>1,945,131</u>	<u>(384,379)</u>	<u>508,277</u>	<u>(3,907,415)</u>	<u>-</u>	<u>(14,619)</u>	<u>(1,029,303)</u>	<u>(3,383,160)</u>	<u>825,857</u>
NONOPERATING REVENUES (EXPENSES)										
Investment income	2,584	12,810	3,404	19,720	1,657	268,543	-	3,553	312,271	24,158
Interest expense	-	(8,840)	(237,873)	(684,726)	(8,012)	-	-	(659,235)	(1,598,686)	-
Gain (loss) on disposition of fixed assets	(8,364)	-	-	-	-	-	-	-	(8,364)	-
Issuance cost of refinancing	-	-	-	-	-	-	-	(153,702)	(153,702)	-
Other nonoperating revenues (expenses)	23,963	-	-	10,628	(2,572)	-	4,352	4,500	40,871	-
Total nonoperating revenues(expenses)	<u>18,183</u>	<u>3,970</u>	<u>(234,469)</u>	<u>(654,378)</u>	<u>(8,927)</u>	<u>268,543</u>	<u>4,352</u>	<u>(804,884)</u>	<u>(1,407,610)</u>	<u>24,158</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(482,669)</u>	<u>1,949,101</u>	<u>(618,848)</u>	<u>(146,101)</u>	<u>(3,916,342)</u>	<u>268,543</u>	<u>(10,267)</u>	<u>(1,834,187)</u>	<u>(4,790,770)</u>	<u>850,015</u>
Contributed assets	3,143,971	5,728	-	17,384	14,548	-	-	-	3,181,631	-
Contribution for parking structure debt	-	-	-	-	-	-	-	809,021	809,021	-
Transfers in	-	-	-	-	1,700,000	-	-	-	1,700,000	1,480,000
Transfers out	(22,138)	(20,000)	-	(170,404)	(260,676)	(385,097)	-	-	(858,315)	-
CHANGE IN NET POSITION	<u>2,639,164</u>	<u>1,934,829</u>	<u>(618,848)</u>	<u>(299,121)</u>	<u>(2,462,470)</u>	<u>(116,554)</u>	<u>(10,267)</u>	<u>(1,025,166)</u>	<u>41,567</u>	<u>2,330,015</u>
NET POSITION, BEGINNING OF YEAR	<u>15,566,482</u>	<u>7,406,951</u>	<u>(4,767,291)</u>	<u>29,223,011</u>	<u>52,278,227</u>	<u>3,287,587</u>	<u>158,825</u>	<u>(1,990,594)</u>	<u>101,163,198</u>	<u>2,094,441</u>
Prior Period Adjustment - Note 21	-	(4,954)	(612,231)	(676,389)	-	-	-	(583,451)	(1,877,025)	-
NET POSITION, BEGINNING OF YEAR - AS RESTATED	<u>15,566,482</u>	<u>7,401,997</u>	<u>(5,379,522)</u>	<u>28,546,622</u>	<u>52,278,227</u>	<u>3,287,587</u>	<u>158,825</u>	<u>(2,574,045)</u>	<u>99,286,173</u>	<u>2,094,441</u>
NET POSITION (DEFICITS), END OF YEAR	<u>\$ 18,205,646</u>	<u>\$ 9,336,826</u>	<u>\$ (5,998,370)</u>	<u>\$ 28,247,501</u>	<u>\$ 49,815,757</u>	<u>\$ 3,171,033</u>	<u>\$ 148,558</u>	<u>\$ (3,599,211)</u>	<u>\$ 99,327,740</u>	<u>\$ 4,424,456</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, 2014

	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	\$ 1,427,939	\$ 3,633,068	\$ 225,000	\$ 3,605,947	\$ 59,554	\$ -	\$ 7,190	\$ 231,373	\$ 9,190,071	\$ 476,933
Receipts from interfund services provided	-	-	-	-	-	-	-	-	-	6,248,211
Payments to suppliers	(661,215)	(771,912)	(57,317)	(464,857)	(528,247)	-	(9,854)	(448,765)	(2,942,167)	(1,251,219)
Payments to employees	(444,222)	(272,798)	-	(748,849)	(883,255)	-	-	(97,376)	(2,446,500)	(268,440)
Payments to claimants	-	-	-	-	-	-	-	-	-	(5,601,391)
Net cash provided (used) by operating activities	322,502	2,588,358	167,683	2,392,241	(1,351,948)	-	(2,664)	(314,768)	3,801,404	(395,906)
Cash flows from non-capital financing activities:										
Other non-operating revenue (expenses)	23,963	-	-	10,628	(2,572)	-	4,352	4,500	40,871	-
Deposits	804	-	-	-	-	-	-	-	804	-
Cash flow advance due to general fund	-	-	-	-	-	-	-	105,730	105,730	-
Advance received from general fund	-	-	450,000	-	-	-	-	175,000	625,000	-
Contribution from Successor Agency	-	-	-	-	-	-	-	809,021	809,021	-
Operating transfers in	-	-	-	-	1,700,000	-	-	-	1,700,000	1,480,000
Operating transfers out	(22,138)	(20,000)	-	(170,404)	(260,676)	(385,097)	-	-	(858,315)	-
Net cash provided by (used for) Non-capital financing activities	2,629	(20,000)	450,000	(159,776)	1,436,752	(385,097)	4,352	1,094,251	2,423,111	1,480,000
Cash flows from capital and related financing activities:										
Acquisition of capital assets	(19,718)	(483,427)	(93,488)	(383,143)	(32,735)	-	-	-	(1,012,511)	-
Net proceeds from capital debt	-	-	-	-	-	3,287,588	-	13,253,000	16,540,588	-
Cost of bond issuance	-	-	-	-	-	-	-	(153,702)	(153,702)	-
Unamortized bond issuance costs	-	-	40,723	4,617	-	-	-	8,587	53,927	-
Principal paid on capital debt	(31,876)	(90,000)	(360,000)	(335,000)	(42,725)	-	-	(14,336,631)	(15,196,232)	-
Interest paid on capital debt	-	(10,500)	(241,730)	(687,406)	(6,805)	-	-	(701,178)	(1,647,619)	-
Net cash provided (used) by capital and related financing activities	(51,594)	(583,927)	(654,495)	(1,400,932)	(82,265)	3,287,588	-	(1,929,924)	(1,415,549)	-
Cash flows from investing activities:										
Interest received	1,890	8,827	3,404	16,530	1,405	264,544	-	3,554	300,154	24,315
Increase (decrease) in fair value of investments	135	803	-	587	35	-	-	-	1,560	773
Transfer (to) from restricted cash	-	-	(3,307)	(3,783)	-	-	-	1,146,548	1,139,458	247,687
Net cash provided by investing activities	2,025	9,630	97	13,334	1,440	264,544	-	1,150,102	1,441,172	272,775
Net increase (decrease) in cash and cash equivalents	275,562	1,994,061	(36,715)	844,867	3,979	3,167,035	1,688	(339)	6,250,138	1,356,869
Cash and cash equivalents at beginning of year	312,995	1,404,673	522,537	1,995,804	651,609	-	40,493	10,787	4,938,898	5,673,938
Cash and cash equivalents at end 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

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, 2014

	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)	\$ (500,852)	\$ 1,945,131	\$ (384,379)	\$ 508,277	\$ (3,907,415)	\$ -	\$ (14,619)	\$ (1,029,303)	\$ (3,383,160)	\$ 825,857
Adjustments to reconcile net income to net cash provided by operating activities:										
Depreciation	672,525	175,862	552,068	1,449,301	2,620,311	-	10,268	576,765	6,057,100	-
(Increase) decrease in accounts receivable	133,529	492,202	-	438,316	-	-	1,622	107,231	1,172,900	(4,795)
(Increase) decrease in prepaid insurance	-	-	-	-	-	-	-	-	-	-
(Increase) decrease in due from general fund	-	-	-	-	-	-	-	-	-	(335,866)
Increase (decrease) in accounts payable	14,695	(20,708)	(6)	3,773	(51,878)	-	65	29,998	(24,061)	31,844
Increase (decrease) in insurance claims	-	-	-	-	-	-	-	-	-	(916,495)
Increase (decrease) in accrued leave	2,605	(4,129)	-	(7,426)	(12,966)	-	-	541	(21,375)	3,549
Increase (decrease) in restricted cash	-	-	-	-	-	-	-	-	-	(247,687)
Transfer to restricted cash	-	-	-	-	-	-	-	-	-	247,687
Total adjustments to net income	823,354	643,227	552,062	1,883,964	2,555,467	-	11,955	714,535	7,184,564	(1,221,763)
Net cash provided by operating activities	\$ 322,502	\$ 2,588,358	\$ 167,683	\$ 2,392,241	\$ (1,351,948)	\$ -	\$ (2,664)	\$ (314,768)	\$ 3,801,404	\$ (395,906)

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.

CITY OF SALINAS
STATEMENT OF FIDUCIARY NET POSITION (DEFICITS)
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust	Pension Trust	Agency	Total
ASSETS				
Cash and investments	\$ 3,095,417	\$ 14,790,728	\$ 928,325	\$ 18,814,470
Accounts	59,522	-	117,092	176,614
Interest	10,056	2,062	407	12,525
Loans and notes receivable	669,566	-	-	669,566
Due from outside agencies	-	-	2,449	2,449
Total current assets	<u>3,834,561</u>	<u>14,792,790</u>	<u>1,048,273</u>	<u>19,675,624</u>
Noncurrent assets				
Restricted cash and investments	1,631,712	-	-	1,631,712
Capital assets, net of accumulated depreciation	155,514	-	-	155,514
Total noncurrent assets	<u>1,787,226</u>	<u>-</u>	<u>-</u>	<u>1,787,226</u>
 Total assets	 <u>5,621,787</u>	 <u>14,792,790</u>	 <u>1,048,273</u>	 <u>21,462,850</u>
LIABILITIES				
Current liabilities				
Accounts payable	1,037,715	15,938	181,587	1,235,240
Due to other funds	9,810	-	-	9,810
Advance from the City of Salinas	940,000	-	70,630	1,010,630
Deferred revenues	8,080	-	-	8,080
Interest payable	664,818	-	-	664,818
Long term debt - due within one year	357,594	-	10,245	367,839
Total current liabilities	<u>3,018,017</u>	<u>15,938</u>	<u>262,462</u>	<u>3,296,417</u>
Long-term liabilities				
Long term debt - due in more than one year	3,999,673	-	40,981	4,040,654
Total long-term liabilities	<u>3,999,673</u>	<u>-</u>	<u>40,981</u>	<u>4,040,654</u>
 Total liabilities	 <u>7,017,690</u>	 <u>15,938</u>	 <u>303,443</u>	 <u>7,337,071</u>
NET POSITION (DEFICITS)				
Held in trust for benefits and other purposes	<u>\$ (1,395,903)</u>	<u>\$ 14,776,852</u>	<u>\$ 744,830</u>	<u>\$ 14,125,779</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, 2014

	Private Purpose Trust	Pension Trust	Total
ADDITIONS			
Taxes	\$ 4,535,431	\$ -	\$ 4,535,431
Intergovernmental			
Rental income	26,038	-	26,038
Miscellaneous	(1,554)	-	(1,554)
Contributions			
Plan members	-	305,728	305,728
Private donations	1,795,262	-	1,795,262
Total contributions	<u>6,355,177</u>	<u>305,728</u>	<u>6,660,905</u>
Investment earnings			
Interest	72,451	543,967	616,418
Net investment earnings	<u>72,451</u>	<u>543,967</u>	<u>616,418</u>
Transfers in	106,324	-	106,324
Total additions	<u>6,533,952</u>	<u>849,695</u>	<u>7,383,647</u>
DEDUCTIONS			
Expenses	2,335,636	-	2,335,636
Benefit payments	-	1,561,178	1,561,178
Payments on behalf of trustees	1,568,217	-	1,568,217
Contribution to other agencies	809,021	-	809,021
Transfers out	1,221	-	1,221
Total deductions	<u>4,714,095</u>	<u>1,561,178</u>	<u>6,275,273</u>
CHANGE IN NET POSITION (DEFICITS)	<u>1,819,857</u>	<u>(711,483)</u>	<u>1,108,374</u>
NET POSITION			
BEGINNING OF YEAR	(2,943,395)	15,488,335	12,544,940
Prior period adjustment - Note 21	(272,365)	-	(272,365)
Restated net assets, beginning	<u>(3,215,760)</u>	<u>15,488,335</u>	<u>12,272,575</u>
END OF YEAR	<u>\$ (1,395,903)</u>	<u>\$ 14,776,852</u>	<u>\$ 13,380,949</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 basic financial statements of the City of Salinas, California (City), include the financial activities of the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. The blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units is combined with data of the primary government. The City has no discretely presented component units. The City and its blended component units 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 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.
- 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 reported in Debt Service and Enterprise Funds. A financial report is not issued by the Authority.

No entities have been excluded from the basic financial statements of the City for which there was a positive response to the reporting entity inclusion criteria.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Other Organizations

The City of Salinas acts as fiscal agent for Sunrise House. The City of Salinas acted as a fiscal agent for Second Chance Youth Program for the remainder of the agreed upon terms, which ended March 31, 2014. Therefore, financial information for these agencies are included in the accompanying financial statements as fiduciary fund types.

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 significant reductions in employee compensation packages and reduction in workforce. The economic downturn had a considerable negative impact to the City's revenues and navigating through those challenging times was cause for extreme cost cutting measures. For the long term, the City believes additional revenues will be generated by an increase in property tax revenues. The City will address the structural deficit by prioritizing services and service levels, optimizing cost recovery, leveraging grant funding and reviewing all opportunities to increase revenues. The City believes that success in increasing revenues and controlling cost is achievable and that available cash and cash equivalents will provide adequate liquidity to fund the City's operations through at least June 30, 2015.

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, 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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 and Measure V - 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 Fund supports 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.

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

- 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.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 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. 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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

- 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

E. 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 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 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, 2014, 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 14 for additional information on the various deferred compensation plans.

F. 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.

G. 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.

H. 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.

I. 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.

J. 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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

K. Inventory of Supplies

Inventory is valued at average cost, which approximates cost as determined 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.

L. 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.

M. 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.

N. 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

O. 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.

P. 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.

Q. 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.

R. 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. The City performs an actuarial study of claims and judgments to determine liabilities on a biannual basis. This liability is recorded in the internal service fund that accounts for the City's self insurance activities.

S. 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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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. Bond issuance costs are reported as unamortized bond issuance cost and amortized over the term of the related debt. 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.

T. 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 losses on refunding reported as deferred outflows in the government-wide financial statements.

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 two items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, 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.

U. 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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.”

V. 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 Fund, 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, 2014

W. 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 either on a flat 1% rate applied to the fiscal 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 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.

X. 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, 2014 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 contacts with a third party administrator for claims management.

Y. Use of Estimates

A number of estimates and assumptions relating to the reporting of revenues, expenditures/ expenses, assets, deferred outflows of resources, liabilities and 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.

Z. New Pronouncements

In the fiscal year 2012-2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred*

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Inflows of Resources, and Net Position". This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, "Elements of Financial Statements" into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

In fiscal year 2013-2014, the City implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Due to the implementation of this statement, the calculation of deferred loss on refunding was revised to eliminate the inclusion of costs that should be recognized as an expense in the period incurred and eliminated debt issuance costs which should be recognized as an expense in the period incurred. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively.

The City's beginning net position has been restated to reflect the cumulative effect of the interpretation of GASB 65. The following table provides a reconciliation of net position as of June 30, 2013, as previously reported, to net position as of July 1, 2013:

	Governmental activities	Business-type activities	Total
Net position as of June 30, 2013 as previously reported	\$ 181,361,986	\$ 101,163,198	\$ 282,525,184
To expense unamortized debt issuance costs as of July 1, 2013	<u>(913,856)</u>	<u>(1,877,025)</u>	<u>(2,790,881)</u>
Net position as of July 1, 2013 as restated	<u>\$ 180,448,130</u>	<u>\$ 99,286,173</u>	<u>\$ 279,734,303</u>

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In June 2012, the GASB issued two new standards, GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA/Aa or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method - entry age normal - rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The statements relate to accounting and financial reporting and do not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in financial statements. The statements would separate how the accounting and financial reporting is determined from how pensions are funded. Application of Statement No. 67 is effective for financial statements for the City's fiscal year ending June 30, 2014. Application of Statement No. 68 is effective for the City's fiscal year ending June 30, 2015.

In January 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement is intended to improve accounting and financial reporting for state and local government's combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale.

The new standard provides guidance for:

- Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations;
- Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations;
- Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and
- Reporting the disposal of government operations that have been transferred or sold.

Application of Statement No. 69 is effective for the City's fiscal year ending June 30, 2015.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to enhance comparability of financial statements among governments by requiring consistent reporting by those

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees and to enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. Application of Statement No. 70 is effective for the City's fiscal year ending June 30, 2014.

In November, 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. Application of Statement No. 71 is effective for the City's fiscal year ending June 30, 2015.

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. During the year, several supplementary appropriations were necessary.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

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, 2014, the following funds had a deficit fund balance or deficit net position:

Major Funds		
Business-type Activities		
Municipal Golf Courses Fund	\$	5,998,370
Parking District Fund		3,599,211
Non-Major Funds		
Governmental Activities		
Debt Service Fund		
Assessment District Administration		39,733

Governmental Funds – Other Nonmajor Fund – Debt Service Fund

Assessment District Administration

The deficit net asset balance of \$39,733 is a result of \$1,939 accounts payable and \$37,794 due to general fund due to timing of expenditure.

Enterprise Funds – Municipal Golf Courses Fund

The deficit net asset balance of \$5,998,370 is a result of the long-term bonds payable for the 2005A Certificates of Participation and the 2008 Certificates of Participation amounting to \$5,645,000 and \$4,559,764, 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 \$3,599,211 is a result of the long-term lease payable amounting to \$13,253,000. This deficit will continue to decline over time as the bonds are paid back.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

4. Cash and Investments:

The City's cash and investments at June 30, 2014 are included in the accompanying basic financial statements as follows:

	<u>Government-Wide Statement of Net Position</u>			<u>Fund Financials</u>	
	<u>Governmental</u>	<u>Business-Type</u>		<u>Fiduciary Funds</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Statement of</u>	<u>Total</u>
				<u>Net Position</u>	
Cash and Investments	\$ 63,634,797	\$ 11,189,036	\$ 74,823,833	\$ 18,814,470	\$ 93,638,303
Restricted Cash and Investments	<u>2,291,643</u>	<u>7,874,654</u>	<u>10,166,297</u>	<u>1,631,712</u>	<u>11,798,009</u>
Total Cash and Investments	<u>\$ 65,926,440</u>	<u>\$ 19,063,690</u>	<u>\$ 84,990,130</u>	<u>\$ 20,446,182</u>	<u>\$ 105,436,312</u>

Cash and investments at June 30, 2014 consisted of the following:

Cash	
Demand accounts at banks	\$ 2,812,119
Petty cash and revolving fund	27,042
	<u>2,839,161</u>
Investments	
State local agency investment fund (LAIF)	54,120,921
Certificates of deposits	100,000
Money market	7,851,244
Investments held in trust by fiscal agent	25,654,683
Insurance reserves	79,575
Deferred compensation	
Cash in state local agency investment fund (LAIF)	2,665,388
Trust deeds and properties	12,125,340
	<u>102,597,151</u>
Total cash and investments	<u>\$ 105,436,312</u>

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.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014, the City's pooled and fiscal agent investments in LAIF were approximately \$56,786,309. The weighted average maturity of LAIF was 232 days at June 30, 2014. The total amount recorded by all public agencies in LAIF at June 30, 2014 was approximately \$21.1 billion. LAIF is part of the State's Pooled Money Investment Account (PMIA). PMIA has a total of approximately \$64.8 billion and of that amount, 99.10% was invested in non-derivative financial products and 0.90% in structured notes and asset backed securities.

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, 2014, the carrying amount of the City's deposits was \$3,792,160. The bank balance was \$2,812,119. The difference is due to outstanding checks and deposits in transit. All bank balances are insured or collateralized.

Investments

As of June 30, 2014, the City had the following investment and maturities:

	Cost	Fair Value	0-12 months	1-5 years	over 5 years
Local Agency					
Investment Fund	\$ 48,791,804	\$ 56,786,309	\$ 56,786,309	\$ -	\$ -
Money Market	7,851,244	7,851,244	7,851,244	-	-
Certificates of Deposits	100,000	100,000	100,000	-	-
Investment Agreements	25,654,683	25,654,683	-	-	25,654,683
Insurance Reserves	79,575	79,575	79,575	-	-
Trust Deeds-Def Comp	12,125,090	12,125,340	-	12,125,340	-
	<u>\$ 94,602,396</u>	<u>\$ 102,597,151</u>	<u>\$ 64,817,128</u>	<u>\$ 12,125,340</u>	<u>\$ 25,654,683</u>
Total	<u>\$ 94,602,396</u>	<u>\$ 102,597,151</u>	<u>\$ 64,817,128</u>	<u>\$ 12,125,340</u>	<u>\$ 25,654,683</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014 had an average life of 232 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	\$ 56,786,309	NR	NR	55.35%
Money Market				
Rabobank	7,851,244	AA-	Aaa2	7.65%
Certificates of Deposits				
Pinnacle Bank	100,000	NR	NR	0.10%
Investment Agreements				
Fed PRM Obl	24,072,646	AAAm	Aaa-mf	23.46%
Ally Bank Midvale	230,000	B+	B1	0.22%
Capital GTY	1	NR	NR	0.00%
Wells Fargo	376,569	AAAm	AA3	0.37%
Westdeutsche Bank	975,467	BBB-	A1	0.95%
Insurance Reserves	79,575	NR	NR	0.08%
Trust Deeds-Def Comp	12,125,340	NR	NR	11.82%
Total	<u>\$ 102,597,151</u>			<u>100.00%</u>

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

5. Restricted Assets:

Cash and investments of \$10,166,297 are recorded as restricted assets at June 30, 2014 as follows:

Debt Service Fund:

Debt Service Fund - restricted to cover expenses of debt service	\$	2,212,068
--	----	-----------

Enterprise Fund:

Restricted to cover expenses of debt service

Golf Courses Fund	\$	920,080
Sanitary Sewer		6,951,958
Downtown Parking District		2,616
		7,874,654

Internal Service Fund:

Restricted for liability expenses and workers compensation		79,575
--	--	--------

Total Restricted Assets		\$ 10,166,297
-------------------------	--	---------------

6. Taxes Receivable:

Taxes receivable recorded in the General Funds of \$9,584,091 represent amounts due for the quarter ending June 30, 2014 for the following taxpayer – assessed taxes:

Sales Tax	\$	3,393,737
Transaction and Use Tax		2,029,190
In-lieu Sales Tax		1,620,769
Utility Users Tax		1,098,487
Franchise Tax		799,292
Transient Occupancy Tax		556,348
Other Taxes		20,195
Property Transfer Tax		66,073
		66,073
Total	\$	9,584,091

7. Assessment Receivable:

Debt Service Fund – Assessments receivable recorded in the Assessment District Debt Service Fund of \$9,840,000 at June 30, 2014, will be collected from property owners to retire outstanding bond principal issued for improvements in special assessment districts. Cash and investments at June 30, 2014 of \$2,999,366 are available to make bond and interest payments of \$3,187,184 that are due on September 1, 2014.

Assessment receivables in the amount of \$7,120,000 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, 2014

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	1,042,521	-	-	1,042,521
HOME Investment Program	76,496	-	-	76,496
Emergency Shelter Grant	54,024	-	-	54,024
County of Monterey	-	-	-	-
U.S. Department of Justice	495,358	-	-	495,358
Local JAG Program	-	-	-	-
COPS Hiring Program	-	-	-	-
California Highway Users Tax	-	438,903	-	438,903
California Office of Traffic Safety(US DOT)	-	454	-	454
Cable Franchise	-	-	48,923	48,923
California Emergency Management Agency	-	90,690	-	90,690
County of Monterey	-	-	206,904	206,904
Data Ticket	-	-	16,457	16,457
U.S. Department of Transportation	48,658	-	-	48,658
U.S. Department of Commerce	19,900	-	-	19,900
U.S. Department of Homeland Security	-	-	-	-
	<u>1,736,957</u>	<u>530,047</u>	<u>272,284</u>	<u>2,539,288</u>
Capital Projects Funds:				
Federal Aviation Administration	1,332,121	-	-	1,332,121
Federal TEA Grant	35,412	-	-	35,412
Federal Transit Administration	4,663	-	-	4,663
Federal Train Grant	536,169	-	-	536,169
U.S. Department of Agriculture	10,602	-	-	10,602
RSTP	-	993	-	993
State TEA Grant	-	4,588	-	4,588
Department of Forestry	-	96,519	-	96,519
Urban Greening	-	7,084	-	7,084
County of Monterey	-	-	61,526	61,526
Air District	-	-	148,627	148,627
Developers	-	-	156,428	156,428
	<u>1,918,967</u>	<u>109,184</u>	<u>366,581</u>	<u>2,394,732</u>
Primary Government Totals	<u>\$ 3,655,924</u>	<u>\$ 639,231</u>	<u>\$ 713,865</u>	<u>\$ 5,009,020</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

9. Interfund Transactions:

Interfund Receivables/Payables (Due to/Due from) – The composition of interfund balances as of June 30, 2014 was as follows:

	Due To				Total
	Governmental Activities			Internal Service	
<u>Due From:</u>	General	Act of 1974	Capital Projects		Comm Dev
Primary Government					
Governmental Activities:					
Major Funds:					
General	\$ -	\$ 300,000	\$ 145,795	\$ 16,522,863	\$ 16,968,658
Measure V	-	-	53,020	-	53,020
Development Fee	1,700	-	107,967	-	109,667
Non-Major Funds:					
Emergency Medical Services	-	-	3,570	-	3,570
Lighting, Landscape & Maintenance	57,325	-	-	-	57,325
Comm Dev Act of 1974	1,053,372	-	22,612	-	1,075,984
Gas Tax	-	-	64,029	-	64,029
Recreation Parks Fund	-	-	1,208	-	1,208
Debt Service	186,949	-	77,206	-	264,155
Construction Assist	528,821	-	-	-	528,821
Assessment Districts	37,794	-	-	-	37,794
Grants	595,239	-	-	-	595,239
Total Governmental Activities	<u>2,461,200</u>	<u>300,000</u>	<u>475,407</u>	<u>16,522,863</u>	<u>19,759,470</u>
Business Type Activities:					
Industrial Waste	-	-	29,162	-	29,162
Sanitary Sewer	-	-	458,600	-	458,600
Storm Sewer	-	-	26,348	-	26,348
Downtown Parking	167,699	-	-	-	167,699
Total Business Type Activities	<u>167,699</u>	<u>-</u>	<u>514,110</u>	<u>-</u>	<u>681,809</u>
Total Primary Government	<u>2,628,899</u>	<u>300,000</u>	<u>989,517</u>	<u>16,522,863</u>	<u>20,441,279</u>
Expendable Trust Funds:					
Trust Deposits	9,810	-	-	-	9,810
Total Expendable Trust Funds	<u>9,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,810</u>
	<u>\$ 2,638,709</u>	<u>\$ 300,000</u>	<u>\$ 989,517</u>	<u>\$ 16,522,863</u>	<u>\$ 20,451,089</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014 was as follows:

	Operating Transfers In	Operating Transfers Out
	\$ 4,123,012	\$ 6,294,520
General Fund		
Special Revenue Funds:		
Emergency Medical Services	575,000	95,763
Lighting, Landscape & Maintenance	-	158
Local Public Safety	-	7,131
Housing and Urban Development	-	2,139,795
Vehicle Abatement Program	50,000	-
Development Fee	-	849,804
Gas Tax	-	5,356,784
Traffic Safety	-	525,000
Recreation Parks	-	17,382
Grants	3	25,710
SRA Accounts Transferred to City	-	-
	<u>625,003</u>	<u>9,017,527</u>
Debt Service Funds:		
COPS 2005B	810,097	-
COPS 1999	65,400	89,843
COPS 2002	182,700	-
2014 Lease Purchase	89,843	960,435
	<u>1,148,040</u>	<u>1,050,278</u>
Capital Projects Funds:		
Construction Assistance	122,500	-
Capital Project	7,926,982	-
	<u>8,049,482</u>	<u>-</u>
Total Governmental Activities	<u>13,945,537</u>	<u>16,362,325</u>
Enterprise Funds:		
Airport	-	22,138
Industrial Waste	-	20,000
Municipal Golf Courses Fund	-	-
Sanitary Sewer	-	170,404
Storm Sewer	1,700,000	260,676
Solid Waste	-	385,097
Parking District	-	-
Internal Service Funds:	-	-
General Liability-Self Insurance	1,480,000	-
Total Business Type Activities	<u>3,180,000</u>	<u>858,315</u>
Total Governmental & Business Activities	<u>17,125,537</u>	<u>17,220,640</u>
Expendable Trust Fund:		
Agency	13,163	23,163
Trust Deposits	106,324	1,221
Total Expendable Trust Fund	<u>119,487</u>	<u>24,384</u>
	<u>\$ 17,245,024</u>	<u>\$ 17,245,024</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Internal Balances - The composition of advances to/from other funds as of June 30, 2014 was as follows:

<u>Advances From:</u>	<u>Advances To</u>
	<u>Governmental Activities</u>
	<u>General</u>
Business Type Activities:	
Golf Course	\$ 1,050,000
Downtown Parking	1,910,000
Total Business Type Activities	2,960,000
Total Primary Government	\$ 2,960,000

10. Loans Receivable, Net of Allowance:

At June 30, 2014, receivables of the City's major individual funds and nonmajor funds taken in aggregate, including the applicable allowance for uncollectible accounts areas follows:

Type of Loan	CDBG	General Fund	Low & Moderate Income Housing Asset	Total Governmental Activities	Fiduciary Funds
Housing Program Developer, rehabilitation, second mortgage and relocation loans	\$ -	\$ -	\$ -	\$ -	\$ -
Loans funded by federal grants	16,099,755	-	-	16,099,755	-
Economic development real estate developer and other loans			10,655,810	10,655,810	669,566
Less: Allowance for Uncollectibles	(15,744,338)	-	(6,640,000)	(22,384,338)	
Total loans, net	\$ 355,417	\$ -	\$ 4,015,810	\$ 4,371,227	\$ 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:

Loan Type	Interest Rates	Due
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

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014:

<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, 2014

12. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Adjustments/ Retirements	Balance June 30, 2014
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 22,524,752	\$ 220,000	\$ 24,445	\$ 22,769,197
Construction in progress	4,845,771	3,562,753	(1,285,070)	7,123,454
Total assets not being depreciated	<u>27,370,523</u>	<u>3,782,753</u>	<u>(1,260,625)</u>	<u>29,892,651</u>
Capital assets, being depreciated:				
Buildings and improvements	44,781,561	108,463	717,217	45,607,241
Improvements other than buildings	12,257,011	542,548	81,747	12,881,306
Machinery and equipment	28,923,942	250,198	(1,441,042)	27,733,098
Infrastructure	229,474,132	587,471	486,106	230,547,709
Total assets being depreciated	<u>315,436,646</u>	<u>1,488,680</u>	<u>(155,972)</u>	<u>316,769,354</u>
Less accumulated depreciation	<u>(171,767,456)</u>	<u>(8,648,033)</u>	<u>1,422,021</u>	<u>(178,993,468)</u>
Total capital assets being depreciated, net	<u>143,669,190</u>	<u>(7,159,353)</u>	<u>1,266,049</u>	<u>137,775,886</u>
Governmental Activities capital assets, net	<u>\$ 171,039,713</u>	<u>\$ (3,376,600)</u>	<u>\$ 5,424</u>	<u>\$ 167,668,537</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 3,632,339	\$ -	\$ -	\$ 3,632,339
Construction in progress	1,354,997	3,889,622	(133,759)	5,110,860
Total assets not being depreciated	<u>4,987,336</u>	<u>3,889,622</u>	<u>(133,759)</u>	<u>8,743,199</u>
Capital assets, being depreciated:				
Buildings and improvements	27,097,169	231	133,759	27,231,159
Improvements other than buildings	16,046,824	88,222	-	16,135,046
Machinery and equipment	6,952,111	459,655	(185,333)	7,226,433
Infrastructure	222,131,957	-	-	222,131,957
Total assets being depreciated	<u>272,228,061</u>	<u>548,108</u>	<u>(51,574)</u>	<u>272,724,595</u>
Less accumulated depreciation	<u>(151,198,125)</u>	<u>(6,057,100)</u>	<u>176,969</u>	<u>(157,078,256)</u>
Total capital assets being depreciated, net	<u>121,029,936</u>	<u>(5,508,992)</u>	<u>125,395</u>	<u>115,646,339</u>
Business-type Activities capital assets, net	<u>\$ 126,017,272</u>	<u>\$ (1,619,370)</u>	<u>\$ (8,364)</u>	<u>\$ 124,389,538</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Governmental activities:	
General government	\$ 208,161
Police	635,541
Fire	604,887
Public works, including infrastructure assets	6,133,635
Recreation and parks	912,590
Library	153,219
	<u>8,648,033</u>
Total depreciation expense - governmental activities	\$ 8,648,033
Business-type activities:	
Airport	\$ 672,525
Industrial waste	175,862
Municipal golf courses	552,068
Sanitary sewer	1,449,301
Storm sewer	2,620,311
Water utility	10,268
Preferential parking	5,469
Downtown parking	571,296
	<u>6,057,100</u>
Total depreciation expense - business-type activities	\$ 6,057,100

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.

International City Manager's Association (ICMA) Retirement Corporation

The International City Manager's Association Retirement, Inc., Plan had 330 participants and a balance of \$25,969,062 at June 30, 2014. All employees are eligible to participate through voluntary salary deduction. Some management employees participated in lieu of participation in

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014 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 371 participants and a balance of \$13,797,743 in net position at June 30, 2014. 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, 2014.

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 \$100,000. 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, 2014 is \$5,275,309. 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 41 participants with a balance of \$2,991,174 at June 30, 2014. All employees are eligible to participate through voluntary salary deductions. The assets for this plan are not reported on the City's financial statements.

14. Retirement Programs:

As of June 30, 2014, the City was contributing to three employee retirement programs. Total pension expenses for the fiscal year were \$15,693,734, including employee contributions, normal costs and annual amortization of prior service costs.

Public Employees Retirement System

Plan Description – The City of Salinas' defined benefit pension plans, Safety Fire Plan, Safety Police Plan and Miscellaneous Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plans are part of

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. Under the authority of approved legislation, the CalPERS Board of administration created a Risk pooling system for plans with less than 100 participants. The Fire Safety Plan is required to participate in a risk pool since there were less than one hundred active members in at least one valuation since June 30, 2003. Risk pooling consists of pooling assets and liabilities from several employers to produce a large risk sharing pool that will dramatically reduce or eliminate the large fluctuations in the employer's contribution rate caused by unexpected demographic events. Supplementary information includes the Fire Public Safety Group risk pool history as available from CalPERS.

A menu of benefit provisions as well as other requirements is established by state statutes within the Public Employees' Retirement Law. The City of Salinas selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 Q Street – Sacramento, CA 95811.

The City amended its contract with CalPERS effective June 1, 2001 to provide 3% at 50 for the Police Public Safety Group and 2% at 55 for Local Miscellaneous Members. The City contract with CalPERS for the Fire Public Safety Group provided 2% at 50 through November 30, 2005. A contract amending the benefits for the Fire Public Safety Group providing 3% at 50 went in effect as of December 1, 2005. All CalPERS participant benefits vest after five years of service. Local Police Safety and Local Fire Safety Employees who retire at or after age 50 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount that equals 3 percent at age 50 of the single highest year's salary for each year of credited service. Those Miscellaneous members under CalPERS who retire at or after age 55 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount that varies from 2 percent at age 55 to a maximum 2.418 percent at age 63 and over of the single highest year's salary for each year of credited service.

The City entered in negotiations and achieved an agreement in June 2011, with both public safety groups (police and fire) to create a second tier of benefits and amend the retirement formula from the current 3% @ 50 with the single highest year of salary to a less expensive formula for all new employees under these classifications to 3% @ 55 with a three-year final compensation. The contract with CalPERS was formally amended October 17, 2011. Continuing with its efforts to reduce pension costs the City amended again during FY 2012-13 the contract with CalPERS to conform with legislation Assembly Bill AB340 that created the Public Employees' Pension Reform Act (PEPRA) that implemented new formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who met the definition of new member under PEPRA. The new formulas for new employees in both Public Safety groups are now 2.7% at age 57 and for non-public safety groups the new formula is 2% @ 62.

Funding Policy – Active plan members are required to contribute 9% (7% for miscellaneous employees) of their annual covered salary. The City of Salinas is required to contribute the

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013/14 were as follows:

Employee Group	City Contribution					Employee Contribution
	3% @ 50	3% @ 55	2% @ 55	2.7% @ 57	2% @ 62	
Police	34.975%	34.975%	-	34.975%	-	9.000%
Firefighters	45.791%	22.502%	-	12.250%	-	9.000%
Miscellaneous	-	-	14.545%	-	14.545%	7.000%

The contribution requirements of the plan members are established by State statute and CalPERS actuarially determines the employer contribution rate annually.

Annual Pension Cost – For fiscal year 2013-14, the City of Salinas’ annual pension cost of \$14,557,336 was equal to the City’s required and actual contributions. The City of Salinas actually contributed \$11,284,075 while the employees contributed \$3,273,261. The required contribution for fiscal year 2013/14 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumption included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.3% to 10.9% for safety members (3.3% to 12.4% for miscellaneous members), and (c) 3.0% overall payroll growth. Both (a) and (b) include an inflation component of 2.75%. CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of assumed future payroll on a closed basis.

THREE YEAR TREND INFORMATION

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013-14	\$ 14,557,336	100%	\$ -
2012-13	\$ 14,078,476	100%	\$ -
2011-12	\$ 13,394,063	100%	\$ -

The Annual Pension Cost represents the contribution rate as determined by CalPERS for the period of July 1, 2013 to June 30, 2014 multiplied by the payroll of covered employees that was actually paid during the same period.

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.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014, 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, 2014 is \$1,425,550.

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 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.

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014 was \$896,370. During fiscal year 2013-14, the City contributed \$834,719 to the New York Life retirement plan, while the employees contributed \$68,886. The City also contributed \$14,772 on behalf of employees represented by SEIU Blue Collar.

The Net Pension Obligation as determined by the Actuarial valuation of September 1, 2013 is an asset of (\$35,550) and if ends in an obligation is then included in the General Long Term Debt.

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, 2012, the unfunded actuarial accrued liability was determined to be \$9,775,648 based on the market of plan assets and plan accrued liabilities. The actuarial assumptions include (a) 7.0% investment return (net of administrative expenses) (b) projected salary increases of 2.0% per year and (c) projected cost of living adjustment of 2%. 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
2013	\$ 779,671	106.88%	\$ (35,550)
2012	\$ 825,663	101.22%	\$ 18,083
2011	\$ 724,502	100.67%	\$ 28,194

The Annual Pension Cost represents the contribution rate as determined by the New York Life actuary for the period of July 1, 2013 to June 30, 2014 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 \$896,370 during fiscal year 2013-14.

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.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 2013-14, the City's contribution to this plan was \$51,349, while the employees had a mandatory contribution of 4.5% of their salary or \$5,832. Since June 29, 1998, participants are required to contribute 4.5% of their compensation to the plan.

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. Plan investments are reported at fair market value. At June 30, 2013, the total Plan Assets totaling \$2,064,679 consisted of \$54,978 of employer contributions during the year coupled with \$5,832 of employee mandatory contributions and \$3,931 rollover from another qualified plan. Earnings include dividends, interest, and realized and unrealized gains and losses.

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, 2014, there were 6 participants in this program and the City's annual contribution was \$78,605 while the employees had an equal mandatory matching contribution of \$78,605.

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.

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 (\$83.30 per month in 2014).

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Membership of the plan consisted of the following at June 30, 2011, the date of the applicable actuarial valuation:

	<u>Miscellaneous</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Active plan members				
Count	282	78	152	512
Average age	46.5	41.2	39.0	43.4
Average service	8.2	11.0	10.5	9.3
Average PERS service	10.3	12.6	13	11.5
Average PERS pay	\$ 52,500	\$ 98,500	\$ 105,300	\$ 75,500
Total PERS payroll (millions)	\$ 14.5	\$ 7.7	\$ 16.0	\$ 38.2
Retirees				
Count	51	41	51	143
Average age	64.9	65.8	63.1	64.5
Average retirement age	60.5	49.9	49.4	52.3
Currently receiving \$100 monthly benefit	-	35	29	64

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 and \$200,000 in fiscal year 2013-14. After recognizing contributions, administrative fees and accruing earning and losses experienced in the Trust Plan, the City shows an ending balance of \$993,641 at June 30, 2014.

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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:

	June 30, 2014
Annual required contribution (ARC)	\$ 1,823,000
Interest on net OPEB obligation	345,000
Adjustment to annual required contribution	(614,000)
Implied Subsidy Adjustment	(143,000)
Annual OPEB cost (expense)	1,411,000
Contributions made to CERBT Trust	(200,000)
Contributions under "pay-as-you-go"	
Payment to Retirees	(97,691)
Payment to CalPERS	(121,762)
Subtotal	(419,453)
Change in net OPEB obligation	991,547
Net OPEB obligation - beginning of the year	6,826,167
Net OPEB obligation - end of the year	\$ 7,817,714

At June 30, 2014, the City recorded net OPEB obligations totaling \$7,817,714 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 2014 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
2012	\$ 1,587,000	\$ 548,016	34.5%	\$ 6,043,704
2013	1,469,000	686,537	46.7%	6,826,167
2014	1,411,000	419,453	29.7%	7,817,714

Funded Status and Progress- The 2013-14 Annual Required Contribution included the normal cost at \$881,000 plus a 30-year amortization of the Unfunded Actuarial Accrued Liability (UAAL) of \$942,000, for a total Annual Required Contribution of \$1,823,000 representing 4.3% of the annual payroll. The estimated covered payroll (annual payroll of active employees covered by the plan) was \$42.0 million.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 4.50% 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 \$143,000 of the total Annual Required Contribution of \$1,823,000.

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, 2014 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

- Worker’s Compensation insurance liability of \$20,161,149 includes \$16,128,919 for claims incurred but not paid and \$4,032,230 for claims incurred but not reported which is based on expected claims and past claims history as recommended by the City’s risk management consultant. At June 30, 2014, Worker’s Compensation Insurance liability of \$20,161,149 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, 2014 is \$17,705,716 and is reported in the Internal Service Fund; \$2,455,433 of this is treated as long-term debt.
- General liability insurance liability at June 30, 2014 of \$1,412,074 includes \$822,611 for claims incurred but not paid and \$589,463 for claims incurred but not reported which is based on expected claims and past claims history. Unreserved retained earnings is \$2,295,704 at June 30, 2014 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.

Changes to the claims liability for FY 2013-14 are as follows:

	Workers Compensation	General Liability
Beginning balance of claims liability	\$ 21,428,735	\$ 1,653,075
Less beginning provision for incurred but not reported claims	(4,285,747)	(584,018)
Beginning provisions for incurred but not paid claims	17,142,988	1,069,057
Increase (decrease) in claims incurred and reported	3,875,328	313,185
Reinsurance recoveries	-	-
Claims expenses paid	(4,889,397)	(559,631)
Ending balance provision for incurred but not paid claims	16,128,919	822,611
Provisions for incurred but not reported claims	4,032,230	589,463
Ending balance of claims liability	\$ 20,161,149	\$ 1,412,074

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 2019. 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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

General Fund and other governmental funds under these operating lease agreements for the fiscal year ended June 30, 2014 amounted to \$550,520.

The future minimum lease payments anticipated under the existing lease commitments as of June 30, 2014 are as follows:

Year Ended June 30,	
2014	\$ 511,556
2015	509,344
2016	<u>495,236</u>
	<u><u>\$ 1,516,136</u></u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

18. Long Term Debt:

The following is a summary of Long Term Debt transactions for the fiscal year ended June 30, 2014:

	June 30, 2013	Increases	Decreases	June 30, 2014	Due Within One Year
Governmental Activities:					
Annual Leave	\$ 9,519,155	\$ 386,155	\$ 66,749	\$ 9,838,561	\$ 1,971,172
Estimated Insurance claims	3,047,525	-	592,092	2,455,433	-
Net Pension Obligation	18,083	-	18,083	-	-
Capital Leases	2,297,160	2,812,000	364,250	4,744,910	671,205
Certificates of Participation					
Series B-2005	9,080,000	-	425,000	8,655,000	440,000
Series A-1999	820,000	-	820,000	-	-
Series A-2002	2,195,000	-	75,000	2,120,000	75,000
Total Certificates	12,095,000	-	1,320,000	10,775,000	515,000
Assessment District 1915 Act Bonds	12,420,000	-	2,580,000	9,840,000	2,720,000
Bond Discount					
Series B-2005	-	(103,169)	(6,448)	(96,721)	(6,448)
Series A-2002	-	(42,961)	(2,261)	(40,700)	(2,261)
Total Bond Discounts	-	(146,130)	(8,709)	(137,421)	(8,709)
Government Activities	39,396,923	3,052,025	4,932,465	37,516,483	5,868,668
Business-type Activities					
Annual Leave	288,204	-	21,375	266,829	53,368
Capital Leases:					
Monterey Parking Garage 2014	-	13,253,000	-	13,253,000	1,103,000
Street Sweeper	226,834	-	42,725	184,109	44,007
Industrial Waste Lease	185,000	-	90,000	95,000	95,000
Airport Fuel Facility Lease	55,783	-	31,876	23,907	23,907
Total Leases	467,617	13,253,000	164,601	13,556,016	1,265,914
State of CA- Parking Garage Lighting	93,664	-	36,631	57,033	37,738
Bonds Payable:					
Sanitary Sewer Revenue Bonds - 2012	17,625,000	-	335,000	17,290,000	340,000
Certificates of Participation					
Series A-2004	14,300,000	-	14,300,000	-	-
Series A-2005	5,980,000	-	335,000	5,645,000	345,000
Series A-2008	4,635,000	-	25,000	4,610,000	30,000
Total Bonds Payable	24,915,000	-	14,660,000	10,255,000	375,000
Subtotal	43,389,485	13,253,000	15,217,607	41,424,878	2,072,020
Bond Premium - Sanitary Sewer	170,036	-	10,627	159,409	10,627
Bond Discount - Municipal Golf	-	(54,803)	(4,567)	(50,236)	(4,567)
Business-type Activities	43,559,521	13,198,197	15,223,667	41,534,051	2,078,080
Total Long-Term Liability	<u>\$ 82,956,444</u>	<u>\$ 16,250,222</u>	<u>\$ 20,156,132</u>	<u>\$ 79,050,534</u>	<u>\$ 7,946,748</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The annual requirements to amortize capital leases, loans and notes, certificates of participation and bonds outstanding as of June 30, 2014 by activity are as follows:

Year Ended June 30,	Governmental-Wide Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 3,906,205	\$ 1,314,238	\$ 1,818,000	\$ 1,880,677
2016	2,023,633	1,055,023	1,379,914	1,581,166
2017	2,101,548	956,291	1,317,327	1,528,391
2018	2,043,817	853,747	1,377,687	1,476,371
2019	1,798,856	758,790	1,437,088	1,423,649
2020-2024	7,619,851	2,525,370	7,924,000	6,240,526
2025-2029	4,936,000	791,588	8,726,000	4,533,180
2030-2034	930,000	86,038	7,951,000	2,824,362
2035-2039	-	-	3,840,000	1,207,306
2040-2044	-	-	5,330,000	549,231
	<u>\$ 25,359,910</u>	<u>\$ 8,341,085</u>	<u>\$ 41,101,016</u>	<u>\$ 23,244,859</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, 2014 the liability for all compensated absences totaled \$10,156,616. It includes \$10,140,448 of annual leave and \$16,167 of sick leave. These amounts are reported on the financial statements in the following funds:

	June 30, 2013	Increases	Decreases	June 30, 2014	Due Within One Year
Governmental Activities					
General Fund	\$ 8,536,923	\$ 333,135	\$ 14,488	\$ 8,855,570	\$ 1,774,574
Measure V	831,936	48,995	-	880,931	176,186
Special Revenue Funds	138,276	-	52,261	86,015	17,203
Debt Service Funds	11,246	476	-	11,722	2,344
Internal Service Funds	774	3,549	-	4,323	865
	<u>\$ 9,519,155</u>	<u>\$ 386,155</u>	<u>\$ 66,749</u>	<u>\$ 9,838,561</u>	<u>\$ 1,971,172</u>
Business-type Activities					
Enterprise Funds	\$ 288,204	\$ -	\$ 21,375	\$ 266,829	\$ 53,368
Fiduciary Activities					
Agency Funds	\$ 64,633	\$ -	\$ 13,407	\$ 51,226	\$ 10,245

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Estimated Insurance Claims

At June 30, 2014, the estimated insurance claims liability recorded in the Internal Service Funds is as follows:

Worker's Compensation	\$ 17,705,716
General Liability	<u>1,412,074</u>
Total	<u><u>\$ 19,117,790</u></u>

An additional \$2,455,433 of Worker's Compensation claims liability is reported in the Long-Term Debt under estimated insurance claims.

Net Pension Obligation

At June 30, 2014, the City of Salinas has no Net Pension Obligation reported as determined by the September 1, 2013 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
2015	\$ 671,205	\$ 233,090	\$ 904,295
2016	523,633	158,115	681,748
2017	541,548	138,854	680,402
2018	458,817	118,924	577,741
2019	363,856	102,900	466,756
2020-2024	1,054,851	338,925	1,393,776
2025-2029	696,000	167,071	863,071
2030-2034	435,000	35,537	470,537
	<u><u>\$ 4,744,910</u></u>	<u><u>\$ 1,293,416</u></u>	<u><u>\$ 6,038,326</u></u>

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 \$1,239,075 is recorded as Government activities at June 30, 2014.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Year Ended June 30,	Principal	Interest	Total
2015	\$ 186,289	\$ 50,926	\$ 237,215
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
2020-2024	227,851	9,365	237,216
	<u>\$ 1,239,075</u>	<u>\$ 184,218</u>	<u>\$ 1,423,293</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 \$693,835 is recorded as Government activities at June 30, 2014.

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

Year Ended June 30,	Principal	Interest	Total
2015	\$ 190,916	\$ 19,394	\$ 210,310
2016	196,687	13,623	210,310
2017	202,631	7,679	210,310
2018	103,601	1,554	105,155
	<u>\$ 693,835</u>	<u>\$ 42,250</u>	<u>\$ 736,085</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 \$236,466. The net present value savings of the refunding was \$29,929. The annual debt service requirements for the Animal Shelter are illustrated in the table below and are reported as Government activities.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Year Ended June 30,	Principal	Interest	Total
2015	\$ 294,000	\$ 162,770	\$ 456,770
2016	133,000	101,223	234,223
2017	137,000	95,877	232,877
2018	145,000	90,370	235,370
2019	145,000	84,540	229,540
2020-2024	827,000	329,560	1,156,560
2025-2029	696,000	167,071	863,071
2030-2032	435,000	35,537	470,537
	<u>\$ 2,812,000</u>	<u>\$ 1,066,948</u>	<u>\$ 3,878,948</u>

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 at June 30, 2014 of \$8,655,000 are secured by a lien 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 net value savings of the refunding was \$517,645. 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+.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Year Ended June 30,	Principal	Interest	Total
2015	\$ 440,000	\$ 343,580	\$ 783,580
2016	460,000	327,830	787,830
2017	475,000	311,171	786,171
2018	490,000	293,374	783,374
2019	510,000	274,496	784,496
2020-2024	2,830,000	1,048,314	3,878,314
2025-2029	3,450,000	388,892	3,838,892
	<u>\$ 8,655,000</u>	<u>\$ 2,987,657</u>	<u>\$ 11,642,657</u>

Series A-1999 – Animal Shelter

The City of Salinas Certificates of Participation (Certificates) Series 1999 were issued by the Salinas Public Financing Authority on March 16, 1999 in the amount of \$14,315,000. The Certificates were issued to complete an animal shelter (\$1,250,338) and golf course improvements (\$13,064,662). The outstanding Certificates at June 30, 2014 of \$820,000 are secured by a lien on City owned assets based on the following appraised values; Salinas Community Center (\$9,840,000) and Twin Creeks Golf Course (\$4,800,000).

On September 14, 2005, the Salinas Public Financing Authority issued \$8,005,000 of City of Salinas Refunding Certificates of Participation Series 2005A (Twin Creeks Golf Course). The Refunding Certificates were issued to refund the portion of Series A-1999 Certificates attributed to Twin Creeks Golf Course (\$7,210,000). The outstanding balance at June 30, 2014 of \$5,645,000 is reported in the Golf Course Enterprise Fund.

The portion of Series A 1999 Certificates attributed to the Animal Shelter and Fairways Golf Course remained not refunded until August 2008, when the Fairways Golf Course portion was refunded by Series 2008 Certificates. The annual debt service requirements for Animal Shelter are illustrated in table below and they are reported as Governmental activities. New Series 2008, refunding Certificates of Participation for Fairways Golf Course are reported as Business-type activities.

On January 29, 2014, the City refinanced the 1999, Series A animal Shelter Certificates of Deposit. The refinancing was a private placement refinancing with Western Alliance Bank through a lease/purchase agreement see capital leases.

Series A-2002 – Steinbeck Center

On May 2, 2002, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation Series A-2002, in aggregate principle amount of \$2,855,000 to finance the acquisition by the Agency of a leasehold interest in the Steinbeck Center site. This financing provided funds to repay the \$2,300,000 in bank loans of the Steinbeck Center and release the collateral posted by the Agency. In addition, the funds repaid an advance of \$267,000 to the City of Salinas, funded a reserve to pay the final payment on the Certificates in the amount of \$183,750, and paid certain costs of issuance. The Steinbeck Center makes annual lease

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

payments to the City in an amount equivalent to the required payments of the Certificates of Participation.

The outstanding Certificates at June 30, 2014 of \$2,120,000 are secured by the City taking possession of the Steinbeck Center building pursuant to a ground lease, if the Steinbeck Center defaults on its lease payments. In case of default by the Steinbeck Center, the City would become responsible for the payments on the Certificates.

Debt service requirements to maturity for Steinbeck Center are as follow:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 75,000	\$ 107,614	\$ 182,614
2016	80,000	101,126	181,126
2017	85,000	97,526	182,526
2018	90,000	93,595	183,595
2019	90,000	89,320	179,320
2020-2024	525,000	375,000	900,000
2025-2029	680,000	228,750	908,750
2029-2032	495,000	50,501	545,501
	<u>\$ 2,120,000</u>	<u>\$ 1,143,432</u>	<u>\$ 3,263,432</u>

Assessment Districts Bonds

At June 30, 2014, outstanding Assessment District Bonds totaled \$9,840,000. 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 \$2,999,366 at June 30, 2014.

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

Year Ended June 30,	Principal	Interest	Total
2015	\$ 2,720,000	\$ 467,184	\$ 3,187,184
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
2020-2024	3,210,000	433,571	3,643,571
2025-2026	110,000	6,875	116,875
	<u>\$ 9,840,000</u>	<u>\$ 2,052,240</u>	<u>\$ 11,892,240</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 net present value savings of the refunding was \$684,290. The annual debt service requirements for the Monterey Street Parking Structure are illustrated in the table below and are reported as Business-Type Activities.

Debt service requirements to maturity is as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 1,103,000	\$ 773,026	\$ 1,876,026
2016	472,000	488,430	960,430
2017	492,000	469,456	961,456
2018	511,000	449,677	960,677
2019	534,000	429,135	963,135
2020-2024	2,999,000	1,806,749	4,805,749
2025-2029	3,651,000	1,153,579	4,804,579
2030-2033	3,491,000	357,739	3,848,739
	<u>\$ 13,253,000</u>	<u>\$ 5,927,791</u>	<u>\$ 19,180,791</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 \$184,109 is recorded in the Storm Sewer Enterprise Fund at June 30, 2014.

Debt service requirements to maturity is as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 44,007	\$ 5,523	\$ 49,530
2016	45,327	4,203	49,530
2017	46,687	2,843	49,530
2018	48,088	1,443	49,531
	<u>\$ 184,109</u>	<u>\$ 14,012</u>	<u>\$ 198,121</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Industrial Waste Lease

On May 1, 1994, the City sold a lease in the amount of \$1,050,000 to finance the construction of the industrial waste facility expansion. This is a twenty-year lease at 7.5% interest per annum. Annual lease payments are secured by the City's obligation to make lease payments from any lawful available source of funds and by the pledge of net revenues of the City's Industrial Waste System. Debt payable of \$95,000 is recorded in the Industrial Waste Enterprise Fund at June 30, 2014.

Debt service requirements to maturity is as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 95,000	\$ 3,562	\$ 98,562

Airport Fuel Facility Lease

On December 12, 2007 the City Council entered into a lease agreement with Central Coast Aviation Services, Inc. to purchase a Fuel Facility at the Salinas Municipal Airport. The agreed total cost for the facility is \$415,924. The City acquired its ownership interest in the fuel facility subject to the City's obligation to reimburse Central Coast for the costs of construction and installation of \$250,000 and to credit the total amount of rent due under the Fuel Facility and Offices Leases for a ten year period. The rent credits for the fiscal year ended June 30, 2014 of \$31,786 have been applied to the obligation leaving an outstanding balance of \$23,907 as of June 30, 2014.

Debt service requirements to maturity is as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 23,907	\$ -	\$ 23,907

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

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

Year Ended June 30,	Principal	Interest	Total
2015	\$ 345,000	\$ 219,545	\$ 564,545
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
2020-2024	2,230,000	574,697	2,804,697
2025-2027	1,570,000	104,096	1,674,096
	<u>\$ 5,645,000</u>	<u>\$ 1,646,469</u>	<u>\$ 7,291,469</u>

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.

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+.

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, 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Year Ended June 30,	Principal	Interest	Total
2015	\$ 30,000	\$ 207,450	\$ 237,450
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
2020-2024	520,000	939,825	1,459,825
2025-2029	910,000	790,425	1,700,425
2030-2034	1,305,000	546,750	1,851,750
2035-2039	1,625,000	226,125	1,851,125
	<u>\$ 4,610,000</u>	<u>\$ 3,522,375</u>	<u>\$ 8,132,375</u>

Certificates of Participation, Series A-2004 – Monterey Street Parking Structure

On November 2001, the City and the Salinas Redevelopment Agency entered into a Disposition and Development Agreement with Maya Cinema Holding Company LLC for the development of a 14-screen, 2,916-seat multiplex movie theatre complex in the 100 block of Main Street. To serve this and other developments within the 100 blocks, the Disposition Agreement committed the City/Agency to construct a five-level public parking structure.

On December 17, 2003, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation Series A-2004, with a principle amount of \$16,630,000 an aggregate interest of 4.68%, for a term of thirty years to finance the acquisition and construction of a five level (with one below grade) 452-space public parking garage adjacent to the National Steinbeck Center and the planned Maya Cineplex Theater. Both the public parking structure and multiplex movie theatre complex were completed and opened during July 2005.

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 net present value savings of the refunding was \$684,290. The annual debt service requirements for the Monterey Street Parking Structure are illustrated in the table below and are reported as Business-Type activities.

On January 29, 2014, the City refinanced the 1999, Series A animal Shelter Certificates of Deposit. The refinancing was a private placement refinancing with Western Alliance Bank through a lease/purchase agreement see capital leases.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 \$17,290,000 is recorded in the Sanitary Sewer Enterprise Fund at June 30, 2014.

Debt service requirements and maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 340,000	\$ 680,656	\$ 1,020,656
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
2020-2024	2,175,000	2,919,255	5,094,255
2025-2029	2,595,000	2,485,080	5,080,080
2030-2034	3,155,000	1,919,873	5,074,873
2035-2040	3,840,000	1,207,306	5,047,306
2041-2043	3,705,000	323,106	4,028,106
	<u>\$ 17,290,000</u>	<u>\$ 12,130,650</u>	<u>\$ 29,420,650</u>

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, 2014 the total conduit debt outstanding related to these bonds is \$4,535,000.

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, 2014, total conduit debt outstanding related to the Economic Development Revenue Bonds is \$17,225,000.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 \$43,488,015 of restricted net position, of which enabling legislation restricts \$6,991,019 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 \$13,350,649, net of allowance in the Government-Wide Statements and \$13,706,066 in the Fund statements, consisting of \$3,164,184 of unearned revenues and \$10,541,882 of deferred inflows of resources. These are not available resources.

Unearned revenues, net of allowance of \$13,706,066 at June 30, 2014 consist of the following:

Governmental activities:

Major funds:

Assessment district debt service

Assessment receivable	\$ 9,840,000
-----------------------	--------------

Non-major funds:

Housing and urban development

Housing rehab loans	2,288,348
---------------------	-----------

First time homebuyers loans	1,423,000
-----------------------------	-----------

CDBG/home program deferred inflows or resources	12,388,407
---	------------

Subtotal	16,099,755
----------	------------

Less: allowance for doubtful accounts	(15,744,338)
---------------------------------------	--------------

Total housing and urban development	355,417
-------------------------------------	---------

Grants	346,465
--------	---------

Special revenue and capital projects unearned revenue	3,164,184
---	-----------

Total governmental activities	\$ 13,706,066
-------------------------------	---------------

21. Prior Period Adjustment

Effective July 1, 2013, the City implemented Governmental Accounting Standards board (GASB) statement number 65, *Items Previously Reported as Assets and Liabilities*. This statement redefines certain financial elements previously reported as assets and liabilities as deferred outflows and deferred inflows of resources. In addition, the statement changes the method of reporting debt issuance costs. Prior to implementation of GASB statement number 65, the City reported debt issuance costs, including costs related to bond issuance, as prepaid bond issuance costs which was capitalized and amortized over the life of the debt. Both current and

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

non-current portions of prepaid bond issuance costs were reported on the statement of net position. In GASB statement number 65, bond issuance costs, excluding bond issuance costs which should be treated as a prepaid asset, are to be recognized in the period of debt issue. This resulted in a restatement of previously reported net position.

The effect of the change was to reduce beginning net position by the following amounts as of July 1, 2013:

	Prepaid Bond Issuance Costs (as previously reported)	Bond Insurance	Bond Discount	Deferred Outflows	Prior Period Adjustment
Primary Government					
Governmental Activities	\$ 1,596,227	\$ (178,811)	\$ (146,130)	\$ (357,430)	\$ 913,856
Business-type Activities					-
Industrial Waste	4,954	-	-	-	4,954
Municipal Golf Courses	1,100,900	(39,334)	(54,803)	(394,532)	612,231
Sanitary Sewer	750,254	-	-	(73,865)	676,389
Parking District	763,786	(180,335)	-	-	583,451
Total business-type activities	<u>2,619,894</u>	<u>(219,669)</u>	<u>(54,803)</u>	<u>(468,397)</u>	<u>1,877,025</u>
Total primary government	<u>4,216,121</u>	<u>(398,480)</u>	<u>(200,933)</u>	<u>(825,827)</u>	<u>2,790,881</u>
Fiduciary Funds	272,365	-	-	-	272,365
Total prior period adjustment	<u>\$ 4,488,486</u>	<u>\$ (398,480)</u>	<u>\$ (200,933)</u>	<u>\$ (825,827)</u>	<u>\$ 3,063,246</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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. For the year ending June 30, 2014, the City did not meet their minimum fund balance reserve of 5%.

Fund balance for governmental funds as of June 30, 2014 consists of the following:

	General and Measure V	Development Fees	Assessment District Debt Service	Other Nonmajor Governmental Funds	Total
Nonspendable:					
Inventory	\$ 16,588	\$ -	\$ -	\$ -	\$ 16,588
Loans & Notes Receivable	-	-	-	4,015,810	4,015,810
Advances	3,105,629	-	-	-	3,105,629
Land Held for Resale	-	-	-	2,507,553	2,507,553
	<u>3,122,217</u>	<u>-</u>	<u>-</u>	<u>6,523,363</u>	<u>9,645,580</u>
Restricted for:					
Public Safety	-	-	-	1,275,013	1,275,013
Future Development	-	15,239,320	-	-	15,239,320
Maintenance District	-	-	-	4,281,508	4,281,508
Recreation Parks	-	-	-	94,343	94,343
Community Development	-	-	-	70,451	70,451
Properties Held for Resale	-	-	-	-	-
Franchise-Cable	-	-	-	308,211	308,211
Street Repairs	-	-	-	1,950,350	1,950,350
Grants	-	-	-	467,788	467,788
Low/Moderate Housing	-	-	-	84,700	84,700
Capital Projects-Airport	-	-	-	1,719,111	1,719,111
Debt Service	-	-	2,999,366	5,417,964	8,417,330
	<u>-</u>	<u>15,239,320</u>	<u>2,999,366</u>	<u>15,669,439</u>	<u>33,908,125</u>
Committed for:					
Capital Projects	1,293,400	-	-	2,000,000	3,293,400
Assigned for:					
Other Purposes	619,346	-	-	-	619,346
Unrealized Market Value	11,357	-	-	-	11,357
Carryover Appropriations	2,969,044	-	-	-	2,969,044
Capital Projects	-	-	-	1,150,453	1,150,453
	<u>3,599,747</u>	<u>-</u>	<u>-</u>	<u>1,150,453</u>	<u>4,750,200</u>
Unassigned:					
Operations-Reserve	5,051,300	-	-	-	5,051,300
Other-Accruals	2,029,190	-	-	-	2,029,190
Other Unassigned	(3,591,674)	-	-	1,550,657	(2,041,017)
	<u>3,488,816</u>	<u>-</u>	<u>-</u>	<u>1,550,657</u>	<u>5,039,473</u>
Total Fund Balances	<u>\$ 11,504,180</u>	<u>\$ 15,239,320</u>	<u>\$ 2,999,366</u>	<u>\$ 26,893,912</u>	<u>\$ 56,636,778</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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. As of June 30, 2014, total governmental fund encumbrance balances for the City are as follows:

General Fund and Measure V	\$	619,346
Housing and Urban Development		70,451
Development Fees		172,839
Nonmajor governmental funds		2,396,971
		3,259,607
	\$	3,259,607

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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, 2014 consisted of the following:

Cash and investments	\$ 1,858,411
Restricted cash and investments	<u>1,631,712</u>
 Total Cash and Investments	 <u><u>\$ 3,490,123</u></u>

Cash and investments of \$1,631,712 recorded as restricted assets are restricted to cover debt service. These funds are held by the fiscal agent.

Prepaid Bond Issuance Cost – The Statement of Fiduciary Net Position reports no prepaid bond issuance costs at June 30, 2014. The Agency incurred bond issuance costs of \$377,714 and \$372,789 in connection with the issuance of the 1992 and 1996 tax allocation bonds, respectively. The issuance costs were being amortized over the life of bonds - 30 and 28 years, respectively, but with the implementation of GASB 65 the issuance cost is expensed Note 21. Following is a summary of unamortized bond issuance costs that are reported as deferred charges:

	June 30, 2013	Increases	Decreases	June 30, 2014
Tax Allocation Bonds				
Series A-1992	\$ 125,914	\$ -	\$ (125,914)	\$ -
Series A-1996	<u>146,451</u>	<u>-</u>	<u>(146,451)</u>	<u>-</u>
	<u><u>\$ 272,365</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (272,365)</u></u>	<u><u>\$ -</u></u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Capital Assets – The following is a summary of the Agency’s capital assets at June 30, 2014:

	Balance June 30, 2013	Additions	Adjustments/ Retirements	Balance June 30, 2014
Fiduciary Activities				
Capital assets, not being depreciated				
Land	\$ 149,270	\$ -	\$ -	\$ 149,270
Total assets not being depreciated	149,270	-	-	149,270
Capital assets, being depreciated				
Improvements other than buildings	17,840	-	-	17,840
Total assets being depreciated	17,840	-	-	17,840
Less accumulated depreciation	(9,812)	(1,784)	-	(11,596)
Total capital assets being depreciated, net	8,028	(1,784)	-	6,244
Fiduciary Activities capital assets, net	<u>\$ 157,298</u>	<u>\$ (1,784)</u>	<u>\$ -</u>	<u>\$ 155,514</u>

Long Term Debt – The following is a summary of the long term debt at June 30, 2014:

	June 30, 2013	Increases	Decreases	June 30, 2014	Due Within One Year
Fiduciary-type Activities					
Loans and Notes Payable:					
Homeless Shelter	\$ 157,500	\$ -	\$ -	\$ 157,500	\$ -
Church Purchase Note Payable	22,295	-	(22,295)	-	-
Total Loans & Notes Payable	179,795	-	(22,295)	157,500	-
Tax Allocation Refunding Bonds:					
Series A-1996	3,115,000	-	(755,000)	2,360,000	90,000
Series A-1992	2,052,291	-	(123,337)	1,928,954	276,513
Total Bonds Payable	5,167,291	-	(878,337)	4,288,954	366,513
Subtotal	5,347,086	-	(900,632)	4,446,454	366,513
Unamortized Bond Discount	(98,106)	-	8,919	(89,187)	(8,919)
Fiduciary-type Activities	<u>\$ 5,248,980</u>	<u>\$ -</u>	<u>\$ (891,713)</u>	<u>\$ 4,357,267</u>	<u>\$ 357,594</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The annual requirements to amortize loans and notes and bonds outstanding as of June 30, 2014 by activity are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 366,513	\$ 1,067,214	\$ 1,433,727
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	1,541,347	5,612,587	7,153,934
2020-2024	1,360,000	37,400	1,397,400
2025-2029	-	-	-
2030-2041	157,500	-	157,500
	<u>\$ 4,446,454</u>	<u>\$ 9,990,852</u>	<u>\$ 14,437,306</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 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

Church of the Nazarene Note Payable

On August 15, 2008, the former Salinas Redevelopment Agency purchased the Church of the Nazarene located at 331 N. Sanborn Street. The property is leased to the Boys and Girls Clubs of Monterey County and will be used to operate such club. The property was purchased for \$2,603,272 down and a promissory note of \$200,000 with semi-annual payments of \$22,851 with an interest rate of 5% for five years.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014 are as follows:

Year Ended June 30,	TAB Series A-1996		TAB Series A-1992	
	Principal	Interest	Principal	Interest
2015	\$ 90,000	\$ 127,325	\$ 276,513	\$ 939,889
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	615,000	462,141	926,347	5,150,446
2020-2024	1,360,000	37,400	-	-
2024	-	-	-	-
	<u>\$ 2,360,000</u>	<u>\$ 977,356</u>	<u>\$ 1,928,954</u>	<u>\$ 9,013,496</u>

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. 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 \$98,106 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The following is a summary of the 1996 Tax Allocation Revenue Bonds unamortized discount at June 30, 2014:

	June 30, 2013	Increases	Decreases	June 30, 2014
Tax Allocation Bond, Series A-1996	\$ 98,106	\$ -	\$ (8,919)	\$ 89,187

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.

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 in 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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 December 23, 2014, the date these financial statements were available to be issued.

National Steinbeck Center - On July 2, 2014, the City made a payment in the amount of \$1,979,736 covered the amount due for principal and interest on the balance of the 2002 Certificates of Participation. The City made the payment using funds from the General Fund that were part of the proceeds of the 2014 Lease Purchase Financing that closed in February 2014. See Commitment to Other Taxing Agencies.

Energy Efficient Improvements at City Facilities - On October 21, 2014, the City Council approved an Energy Service Contract with Opterra Energy Services and lease agreement with Banc of America to continue its ongoing efforts to reduce energy consumption and develop long-term cost savings through increased energy efficiency, in addition to reduce greenhouse gas emissions in order to assist the State of California in meeting its goals under AB 32. The project will encompass building solar photovoltaic installations at the Hitchcock Road Animal Shelter, the Industrial Waste Water Treatment Plant, the Salinas Municipal Airport, the Permit Center, Sherwood Hall and a Sewer Lift Station site. Additionally, the project includes LED interior and exterior lighting upgrades at most City facilities, industrial processes upgrades and electrical switchgear improvements at the Industrial Waste Water Treatment Plant; heating/cooling upgrades at various City facilities; and LED street, parking lot and parking lighting fixture replacements. In addition to the direct benefit to the City of lowered utility costs, the City will benefit from providing energy through the solar photovoltaic to serve the Monterey Regional Water Pollution Control Agency. Banc of America will be financing the lease for this project in an amount not to exceed \$25,000,000. Debt Service repayment will be paid back over 17 years at 3.03% interest.

One Percent Transaction and Use Tax and Modernization of the Utility Users Tax Ordinance - On June 24, 2014, the City Council approved placing two revenue measures on the November 4, 2014, election ballot that included; 1) an increase of 1% to the Transaction and Use Tax with a 15 year sunset and with citizen's oversight that could generate as much as \$20 million annually and; 2) a Modernization of the Utility Users Tax that would reduce the tax rate from 6% to 5% for telecommunication and video services while other utility services would continue at the 6% rate, and update the applicability of the Utility Users Tax to include current technologies and treat all taxpayers the same regardless of technology used. It is anticipated that this measure could generate up to \$1 million dollars in additional revenue per year.



This page is intentionally left blank.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Information
Fiscal Year Ended June 30, 2014

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.

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

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Information
Fiscal Year Ended June 30, 2014

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.

BUDGETARY INFORMATION

The adopted FY 2013-14 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 (2014-15) 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 4, 2013, 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 2013-14 Annual Operating Budgets on the same day, June 4, 2013. A major update to the CIP was made during FY 2013-14 for the current fiscal year through fiscal year 2018-19. Capital project budget is updated annually with major revisions occurring every two years.

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 \$685,488,139 were identified for the six (6) year period from July 1, 2013, to June 30, 2019. 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 \$1.59 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.

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Information
Fiscal Year Ended June 30, 2014

GENERAL FUND

The General Fund fund balance increased \$3,970,930 to \$6,061,594, of which \$3,122,217 is Non-spendable, \$1,293,400 is committed, \$2,722,730 is assigned and (\$1,076,753) 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 \$3,122,217 includes Inventory (\$16,588) and Advances (\$3,105,629). Committed funds balance of \$1,293,400 is designated for future Capital Projects.

The General Fund negative unassigned fund balance of \$1,076,753 is made of \$4,230,000 in Operations Reserve and (\$5,306,753) of future funds required to meet the fund balance reserves at June 30, 2014.

MEASURE V

Measure V is a general tax (discretionary) and is reported as part of the General Fund. The Measure V fund balance increased \$924,404 to \$5,442,586, of which \$877,017 is assigned and \$4,565,569 is unassigned.

Of the \$4,565,569 Measure V unassigned fund balance, \$821,300 is reserved for operations, \$2,029,190 in accruals and \$1,715,078 in unassigned fund balances.

Measure V reserves have been set-aside by Council for specific purposes.

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.

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Information
Fiscal Year Ended June 30, 2014

- 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 2013-14 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 October 22, 2013 when it was recommended to allocate \$200,000 to fund outside services, utilities and temporary staffing of the Sherwood Hall/Community Center site that was just taken back from a semi-private operator. The budget was increased using carryover funds from fiscal year 2012-13 by \$800,000 for one-time capital projects. This action included also to increase the General Liability Fund Reserve by \$1,480,000, and to increase the General Fund Operation Reserve by \$420,000. A second budget amendment occurred in February 18, 2014 by an increase of \$704,400 to fund a variety of operating programs. With the same action, the Council approved an increase to the estimated revenue of \$1,682,000 in property taxes, sales tax, utility user's tax and administrative service revenues.
- Measure V budget was also amended on October 22, 2013 when the budget was increased \$806,000 by setting aside \$395,100 for Closter Park Improvements, \$145,000 to upgrade computers for police cars, and \$265,900 for other general purpose programs in the Library and Recreation programs.

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.

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Comparison Schedule
General Fund and Measure V
Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2013	\$ 6,608,845	\$ 6,608,845	\$ 6,608,845	\$ -
Resources (inflows):				
Taxes:				
Sales	18,044,000	18,442,300	18,272,633	(169,667)
In-lieu Sales	6,015,000	6,147,700	6,310,205	162,505
Transactions and Use	10,467,600	10,467,600	10,793,705	326,105
Property	11,967,900	12,161,900	13,006,953	845,053
Property-Vehicle License Fees	9,615,800	9,735,800	9,772,067	36,267
Utility	9,300,000	9,450,000	9,358,458	(91,542)
Business License	4,600,000	4,600,000	4,926,079	326,079
Franchise	8,066,000	8,066,000	8,228,235	162,235
Other	1,575,000	1,575,000	1,946,618	371,618
Licenses and Permits	1,190,000	1,190,000	1,178,601	(11,399)
Intergovernmental	381,700	381,700	453,653	71,953
Charges for Services	3,618,200	3,718,200	3,896,044	177,844
Interest	75,000	75,000	248,088	173,088
Miscellaneous	266,000	853,000	1,035,683	182,683
Operating Transfers In	2,025,000	2,025,000	4,123,012	2,098,012
Total Resources	<u>87,207,200</u>	<u>88,889,200</u>	<u>93,550,034</u>	<u>4,660,834</u>
Charges to Appropriations (outflows):				
Administration	12,767,300	13,181,561	12,850,584	330,977
Public Safety	52,954,500	53,102,827	52,476,672	626,155
Public Works	11,845,600	12,333,832	11,742,158	591,674
Recreation	1,546,900	1,729,799	1,396,365	333,434
Library	4,264,500	4,225,940	3,684,767	541,173
Capital Outlay	75,000	254,711	209,633	45,078
Transfers Out	4,034,000	10,044,465	6,294,520	3,749,945
Total Charges to Appropriations	<u>87,487,800</u>	<u>94,873,135</u>	<u>88,654,699</u>	<u>6,218,436</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(280,600)</u>	<u>(5,983,935)</u>	<u>4,895,335</u>	<u>10,879,270</u>
Fund Balance, June 30, 2014	<u>\$ 6,328,245</u>	<u>\$ 624,910</u>	<u>\$ 11,504,180</u>	<u>\$ 10,879,270</u>

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Comparison Schedule
Measure V Fund
Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2013	\$ 4,518,181	\$ 4,518,181	\$ 4,518,181	\$ -
Resources (inflows):				
Taxes:				
Transaction and Use Tax	10,467,600	10,467,600	10,793,705	326,105
Interest	10,000	10,000	19,549	9,549
Miscellaneous	-	-	15,249	15,249
Total Resources	<u>10,477,600</u>	<u>10,477,600</u>	<u>10,828,503</u>	<u>350,903</u>
Charges to Appropriations (outflows):				
Administration	266,300	266,300	261,358	4,942
Public Safety	3,494,600	3,495,939	2,750,474	745,465
Public Works	1,262,200	1,260,200	1,107,210	152,990
Recreation	615,000	615,000	573,762	41,238
Library	4,264,500	4,225,940	3,684,767	541,173
Capital Outlay	-	74,960	68,035	6,925
Transfers Out	575,000	2,376,102	1,458,492	917,610
Total Charges to Appropriations	<u>10,477,600</u>	<u>12,314,441</u>	<u>9,904,098</u>	<u>2,410,343</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>-</u>	<u>(1,836,841)</u>	<u>924,405</u>	<u>2,761,246</u>
Fund Balance, June 30, 2014	<u>\$ 4,518,181</u>	<u>\$ 2,681,340</u>	<u>\$ 5,442,586</u>	<u>\$ 2,761,246</u>

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Comparison Schedule
Housing and Urban Development Fund
Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2013	\$ 1,161,477	\$ 1,161,477	\$ 1,161,477	\$ -
Resources (inflows):				
Intergovernmental	4,233,300	4,224,878	6,492,114	2,267,236
Interest	200	200	-	(200)
Miscellaneous	72,500	122,500	235,627	113,127
Total Resources	<u>4,306,000</u>	<u>4,347,578</u>	<u>6,727,741</u>	<u>2,380,163</u>
Charges to Appropriations (outflows):				
Administration	2,606,000	6,128,721	5,747,118	(381,603)
Transfers Out	2,505,388	2,505,388	2,139,795	(365,593)
Total Charges to Appropriations	<u>5,111,388</u>	<u>8,634,109</u>	<u>7,886,913</u>	<u>(747,196)</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(805,388)</u>	<u>(4,286,531)</u>	<u>(1,159,172)</u>	<u>3,127,359</u>
Fund Balance, June 30, 2014	<u>\$ 356,089</u>	<u>\$ (3,125,054)</u>	<u>\$ 2,305</u>	<u>\$ 3,127,359</u>

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Comparison Schedule
Development Fees Fund
Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2013	\$ 15,838,557	\$ 15,838,557	\$ 15,838,557	\$ -
Resources (inflows):				
Charges for Services	532,000	532,000	202,858	(329,142)
Interest	71,500	71,500	79,641	8,141
Total Resources	<u>603,500</u>	<u>603,500</u>	<u>282,499</u>	<u>(321,001)</u>
Charges to Appropriations (outflows):				
Capital Outlay	-	-	31,932	(31,932)
Transfers Out	15,009,145	15,688,039	849,804	14,838,235
Total Charges to Appropriations	<u>15,009,145</u>	<u>15,688,039</u>	<u>881,736</u>	<u>14,806,303</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(14,405,645)</u>	<u>(15,084,539)</u>	<u>(599,237)</u>	<u>14,485,302</u>
Fund Balance, June 30, 2014	<u>\$ 1,432,912</u>	<u>\$ 754,018</u>	<u>\$ 15,239,320</u>	<u>\$ 14,485,302</u>

**SCHEDULE OF
FUNDING PROGRESS
RETIREMENT PROGRAMS**

CITY OF SALINAS
Schedule of Funding Progress
For California Public Employees' Retirement Plan
Last Three Years

ACTUARIAL VALUATION DATE	ENTRY AGE NORMAL ACCRUED LIABILITY	ACTUARIAL ASSET VALUE	UNFUNDED ACTUARIAL ACCRUED LIABILITY	FUNDED RATIO	ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
06/30/13						
Safety Fire	* \$ 132,573,681	\$ 90,986,078	\$ 41,587,603	68.6%	\$ 8,000,478	519.8%
Safety Police	219,553,709	148,614,202	70,939,507	67.7%	16,106,619	440.4%
Miscellaneous	78,754,147	56,558,464	22,195,683	71.8%	15,370,657	144.4%
06/30/12						
Safety Fire	* 128,448,168	99,240,382	29,207,786	77.3%	8,414,028	347.1%
Safety Police	209,153,100	160,879,402	48,273,698	76.9%	16,250,660	297.1%
Miscellaneous	74,147,233	56,211,777	17,935,456	75.8%	15,975,147	112.3%
06/30/11						
Safety Fire	* 124,581,284	95,815,688	28,765,596	76.9%	8,414,175	341.9%
Safety Police	198,216,423	154,486,430	43,729,993	77.9%	16,697,755	261.9%
Miscellaneous	69,621,977	52,276,607	17,345,370	75.1%	15,568,113	111.4%

* As of July 1, 2005 the California Public Employees' Retirement System required the City to pool all of its assets and liabilities of the Fire Safety Group into the newly created risk pool for Public Safety. The data shown above reflects the new pooled report format including the assets and liabilities of other agencies required to participate in the risk pool. More specific information can be found on Note #16 of the notes to the Financial Statements.

CITY OF SALINAS
Schedule of Funding Progress
For New York Life Retirement Plan
Last Three Years

Actuarial Valuation Date	Actuarial Value of Assets	Unamortized Portion of Initial Unfunded Actuarial Accrued Liability (IUAAL)	Unfunded Frozen Actuarial Accrued Liability (UFAAL) *	Covered Payroll	IUAAL as a Percentage of covered Payroll (b/d)	UFAAL as a Percentage of Covered Payroll (c/d)
09/01/13	\$ 10,313,577	\$ 9,591,373	\$ 9,775,648	\$ 1,425,550	672.8%	685.7%
09/01/12	\$ 13,567,181	\$ 10,251,380	\$ 7,982,671	\$ 1,845,313	555.5%	432.6%
09/01/11	\$ 13,057,610	\$ 10,651,913	\$ 8,464,913	\$ 2,094,262	508.6%	404.2%

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
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
06/30/13	\$ 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%
06/30/11	\$ 20,387,000	\$ 12,166,000	\$ 1,587,000	\$ 39,434,000	4.0%

SUPPLEMENTARY INFORMATION

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 headquarters of “Fresh Farms” building 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.

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 (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.

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.

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.

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 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.

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.

Capital Projects Fund - This fund accounts for all capital projects 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 financings.

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.

CITY OF SALINAS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2014

	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	\$ 945,457	\$ 79,070	\$ 4,404,603	\$ 309,123	\$ 693,549	\$ 1,571,673	\$ 15,001	\$ 218,692	\$ 95,623	\$ 289,289	\$ 372,631	\$ 1,506,868	\$ 307,809	\$ 10,809,388
Receivables, net:														
Accrued interest	987	77	5,497	368	-	3,804	-	-	-	-	-	1,830	1,118,141	1,130,704
Due from outside agencies	-	-	-	93,175	1,173,041	438,902	58,674	-	-	48,923	726,573	-	-	2,539,288
Due from other funds	-	-	-	-	300,000	-	-	-	-	-	-	-	-	300,000
Advances to Successor Agency	-	-	-	-	-	-	-	-	-	-	-	-	940,000	940,000
Loan receivables	-	-	-	-	355,417	-	-	-	-	-	-	-	4,015,810	4,371,227
Land and properties held for resale	-	-	-	-	-	-	-	-	-	-	-	850,000	1,657,553	2,507,553
Total assets	\$ 946,444	\$ 79,147	\$ 4,410,100	\$ 402,666	\$ 2,522,007	\$ 2,014,379	\$ 73,675	\$ 218,692	\$ 95,623	\$ 338,212	\$ 1,099,204	\$ 2,358,698	\$ 8,039,313	\$ 22,598,160
LIABILITIES														
Accounts payable	\$ 35,512	\$ 114	\$ 71,267	\$ -	\$ 788,301	\$ -	\$ -	\$ 3,749	\$ 72	\$ 30,001	\$ 157,500	\$ -	\$ 8,507	\$ 1,095,023
Due to outside agencies	-	-	-	-	300,000	-	-	-	-	-	-	-	-	300,000
Due to other funds	3,570	-	57,325	-	1,075,984	64,029	-	-	1,208	-	595,239	-	-	1,797,355
Unearned revenues	-	-	-	-	-	-	-	-	-	-	-	-	2,057,783	2,057,783
Total liabilities	39,082	114	128,592	-	2,164,285	64,029	-	3,749	1,280	30,001	752,739	-	2,066,290	5,250,161
DEFERRED INFLOWS OF RESOURCES														
Unavailable revenues - housing loans	-	-	-	-	355,417	-	-	-	-	-	-	-	-	355,417
Unavailable revenues - grants	-	-	-	-	-	-	-	-	-	-	346,465	-	-	346,465
Total deferred inflows of resources	-	-	-	-	355,417	-	-	-	-	-	346,465	-	-	701,882
FUND BALANCE														
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	850,000	5,673,363	6,523,363
Restricted	907,362	79,033	4,281,508	-	70,451	1,950,350	73,675	214,943	94,343	308,211	467,788	-	84,700	8,532,364
Unassigned	-	-	-	402,666	(68,146)	-	-	-	-	-	(467,788)	1,508,698	214,960	1,590,390
Total fund balances	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
Total liabilities, deferred inflows, and fund balances	\$ 946,444	\$ 79,147	\$ 4,410,100	\$ 402,666	\$ 2,166,590	\$ 2,014,379	\$ 73,675	\$ 218,692	\$ 95,623	\$ 338,212	\$ 1,099,204	\$ 2,358,698	\$ 8,039,313	\$ 22,242,743

CITY OF SALINAS, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	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	\$ -	\$ -	\$ -	\$ 434,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,720	\$ -	\$ -	\$ -	\$ 620,999
Taxes - special assessment	-	-	1,510,774	-	-	-	-	-	-	-	-	-	-	1,510,774
Intergovernmental	123,381	89,582	5,200	318,168	6,492,114	4,692,490	-	130,244	-	-	3,130,932	-	-	14,982,111
Charges for services	-	-	60,599	-	-	-	-	-	-	-	-	-	-	60,599
Interest	4,093	367	21,125	1,163	-	15,705	-	-	-	-	-	7,686	1,348	51,487
Rental income	-	-	-	-	-	152,952	-	-	27,064	-	-	-	-	180,016
Fines and forfeits	-	-	-	-	-	-	484,738	-	-	-	-	-	-	484,738
Miscellaneous	-	-	-	-	235,627	-	-	-	-	-	-	-	17,931	253,558
Total revenues	127,474	89,949	1,597,698	753,610	6,727,741	4,861,147	484,738	130,244	27,064	186,720	3,130,932	7,686	19,279	18,144,282
EXPENDITURES														
Current:														
General government	-	-	-	-	5,747,118	-	-	-	-	120,310	-	-	41,074	5,908,502
Public safety	479,884	21,055	-	783,145	-	-	-	98,483	-	-	2,744,979	-	-	4,127,546
Recreation	-	-	1,215,060	-	-	-	-	-	51,309	-	-	-	-	1,266,369
Library	-	-	-	-	-	-	-	-	-	-	360,246	-	-	360,246
Total expenditures	479,884	21,055	1,215,060	783,145	5,747,118	-	-	98,483	51,309	120,310	3,105,225	-	41,074	11,662,663
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(352,410)	68,894	382,638	(29,535)	980,623	4,861,147	484,738	31,761	(24,245)	66,410	25,707	7,686	(21,795)	6,481,619
OTHER FINANCING SOURCES (USES)														
Property transfers to City	-	-	-	-	-	-	-	-	-	-	-	(24,446)	-	(24,446)
Operating transfers in	575,000	-	-	-	-	-	-	50,000	-	-	3	-	-	625,003
Operating transfers out	(95,763)	-	(158)	(7,131)	(2,139,795)	(5,356,784)	(525,000)	-	(17,382)	-	(25,710)	-	-	(8,167,723)
Total other financing sources (uses)	479,237	-	(158)	(7,131)	(2,139,795)	(5,356,784)	(525,000)	50,000	(17,382)	-	(25,707)	(24,446)	-	(7,567,166)
NET CHANGE IN FUND BALANCES	126,827	68,894	382,480	(36,666)	(1,159,172)	(495,637)	(40,262)	81,761	(41,627)	66,410	-	(16,760)	(21,795)	(1,085,547)
FUND BALANCES, BEGINNING OF YEAR	780,535	10,139	3,899,028	439,332	1,161,477	2,445,987	113,937	133,182	135,970	241,801	-	2,375,458	5,994,818	17,731,664
FUND BALANCES, END 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

**CITY OF SALINAS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2014**

	<u>Assessment District Reserve</u>	<u>Assessment District Administration</u>	<u>Certificates of Participation (2005 B)</u>	<u>Certificates of Participation (1999)</u>	<u>Certificates of Participation (2002)</u>	<u>COP 1999 & COP 2004 Consolidation (2014)</u>	<u>Totals</u>
ASSETS							
Cash and investments	\$ 3,133,662	\$ -	\$ 34,139	\$ -	\$ -	\$ 20	\$ 3,167,821
Receivables:							
Accounts receivable	-	-	-	-	299,404	-	299,404
Accrued interest	2,758	-	-	-	-	68	2,826
Restricted cash and investments	-	-	807,362	-	188,864	1,215,842	2,212,068
Total assets	<u>\$ 3,136,420</u>	<u>\$ -</u>	<u>\$ 841,501</u>	<u>\$ -</u>	<u>\$ 488,268</u>	<u>\$ 1,215,930</u>	<u>\$ 5,682,119</u>
LIABILITIES							
Accounts payable	\$ -	\$ 1,939	\$ -	\$ -	\$ -	\$ -	\$ 1,939
Due to other funds	-	37,794	-	-	147,287	116,868	301,949
Total liabilities	<u>-</u>	<u>39,733</u>	<u>-</u>	<u>-</u>	<u>147,287</u>	<u>116,868</u>	<u>303,888</u>
FUND BALANCE							
Restricted	3,136,420	-	841,501	-	340,981	1,099,062	5,417,964
Unassigned	-	(39,733)	-	-	-	-	(39,733)
Total fund balance	<u>3,136,420</u>	<u>(39,733)</u>	<u>841,501</u>	<u>-</u>	<u>340,981</u>	<u>1,099,062</u>	<u>5,378,231</u>
Total liabilities and fund balance	<u>\$ 3,136,420</u>	<u>\$ -</u>	<u>\$ 841,501</u>	<u>\$ -</u>	<u>\$ 488,268</u>	<u>\$ 1,215,930</u>	<u>\$ 5,682,119</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Assessment District Reserve	Assessment District Administration	Certificates of Participation (2005 B)	Certificates of Participation (1999)	Certificates of Participation (2002)	COP 1999 & COP 2004 Consolidation (2014)	Totals
REVENUES							
Charges for services	\$ -	\$ 36,914	\$ -	\$ -	\$ -	\$ -	\$ 36,914
Interest	11,755	-	3,498	22	19	57,905	73,199
Total revenues	<u>11,755</u>	<u>36,914</u>	<u>3,498</u>	<u>22</u>	<u>19</u>	<u>57,905</u>	<u>110,113</u>
EXPENDITURES							
Debt service:							
Principal retirement	-	-	425,000	45,000	75,000	775,000	1,320,000
Interest and fiscal charges	-	69,167	361,916	22,887	110,355	125,251	689,576
Total expenditures	<u>-</u>	<u>69,167</u>	<u>786,916</u>	<u>67,887</u>	<u>185,355</u>	<u>900,251</u>	<u>2,009,576</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,755</u>	<u>(32,253)</u>	<u>(783,418)</u>	<u>(67,865)</u>	<u>(185,336)</u>	<u>(842,346)</u>	<u>(1,899,463)</u>
OTHER FINANCING SOURCES (USES)							
Loans proceeds	-	-	-	-	-	2,812,000	2,812,000
Loans receivable	-	-	-	-	178,845	-	178,845
Operating transfers in	-	-	810,097	65,400	182,700	89,843	1,148,040
Operating transfers out	-	-	-	(89,843)	-	(960,435)	(1,050,278)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>810,097</u>	<u>(24,443)</u>	<u>361,545</u>	<u>1,941,408</u>	<u>3,088,607</u>
NET CHANGE IN FUND BALANCES	<u>11,755</u>	<u>(32,253)</u>	<u>26,679</u>	<u>(92,308)</u>	<u>176,209</u>	<u>1,099,062</u>	<u>1,189,144</u>
FUND BALANCES, BEGINNING OF YEAR	<u>3,124,665</u>	<u>(7,480)</u>	<u>814,822</u>	<u>92,308</u>	<u>164,772</u>	<u>-</u>	<u>4,189,087</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,136,420</u>	<u>\$ (39,733)</u>	<u>\$ 841,501</u>	<u>\$ -</u>	<u>\$ 340,981</u>	<u>\$ 1,099,062</u>	<u>\$ 5,378,231</u>

**CITY OF SALINAS
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2014**

	<u>Special Aviation</u>	<u>Special Construction Assistance</u>	<u>Capital Project</u>	<u>Assessment District Project</u>	<u>Totals</u>
ASSETS					
Cash and investments	\$ 591,580	\$ 1,610,151	\$ 2,000,000	\$ 386,458	\$ 4,588,189
Receivables, net					
Accrued interest	310	-	-	464	774
Due from outside agencies	1,332,121	1,062,611	-	-	2,394,732
Due from other funds	-	-	989,517	-	989,517
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,924,011</u>	<u>\$ 2,672,762</u>	<u>\$ 2,989,517</u>	<u>\$ 386,922</u>	<u>\$ 7,973,212</u>
LIABILITIES					
Accounts payable	\$ 204,900	\$ 274,009	\$ 989,517	\$ -	\$ 1,468,426
Due to other funds	-	528,821	-	-	528,821
Unearned revenues	-	1,106,401	-	-	1,106,401
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>204,900</u>	<u>1,909,231</u>	<u>989,517</u>	<u>-</u>	<u>3,103,648</u>
FUND BALANCE					
Restricted	1,719,111	-	-	-	1,719,111
Committed	-	-	2,000,000	-	2,000,000
Assigned	-	763,531	-	386,922	1,150,453
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>1,719,111</u>	<u>763,531</u>	<u>2,000,000</u>	<u>386,922</u>	<u>4,869,564</u>
	<u>\$ 1,924,011</u>	<u>\$ 2,672,762</u>	<u>\$ 2,989,517</u>	<u>\$ 386,922</u>	<u>\$ 7,973,212</u>
Total liabilities and fund balances	<u>\$ 1,924,011</u>	<u>\$ 2,672,762</u>	<u>\$ 2,989,517</u>	<u>\$ 386,922</u>	<u>\$ 7,973,212</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Special Aviation	Special Construction Assistance	Capital Project	Assessment District Project	Totals
REVENUES					
Intergovernmental	\$ 2,836,450	\$ 1,783,322	\$ -	\$ -	\$ 4,619,772
Charges for services	-	187,065	-	-	187,065
Interest	5,236	-	-	1,950	7,186
Developer contributions	-	495,652	-	-	495,652
Total revenues	<u>2,841,686</u>	<u>2,466,039</u>	<u>-</u>	<u>1,950</u>	<u>5,309,675</u>
EXPENDITURES					
Capital outlay	<u>3,143,970</u>	<u>2,311,586</u>	<u>7,926,982</u>	<u>-</u>	<u>13,382,538</u>
Total expenditures	<u>3,143,970</u>	<u>2,311,586</u>	<u>7,926,982</u>	<u>-</u>	<u>13,382,538</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(302,284)</u>	<u>154,453</u>	<u>(7,926,982)</u>	<u>1,950</u>	<u>(8,072,863)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	<u>-</u>	<u>122,500</u>	<u>7,926,982</u>	<u>-</u>	<u>8,049,482</u>
Total other financing sources (uses)	<u>-</u>	<u>122,500</u>	<u>7,926,982</u>	<u>-</u>	<u>8,049,482</u>
NET CHANGE IN FUND BALANCES	<u>(302,284)</u>	<u>276,953</u>	<u>-</u>	<u>1,950</u>	<u>(23,381)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,021,395</u>	<u>486,578</u>	<u>2,000,000</u>	<u>384,972</u>	<u>4,892,945</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,719,111</u>	<u>\$ 763,531</u>	<u>\$ 2,000,000</u>	<u>\$ 386,922</u>	<u>\$ 4,869,564</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.

CITY OF SALINAS
COMBINING STATEMENT OF FUND NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	<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	\$ 450,600	\$ 1,630,978	\$ 1,242,139	\$ 3,707,090	\$ 7,030,807
Receivables					
Accounts	-	30	-	-	30
Accrued interest	-	-	1,626	4,317	5,943
Due from general fund	-	-	16,522,863	-	16,522,863
Total current assets	<u>450,600</u>	<u>1,631,008</u>	<u>17,766,628</u>	<u>3,711,407</u>	<u>23,559,643</u>
Noncurrent Assets:					
Restricted cash and investments	-	-	-	79,575	79,575
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,575</u>	<u>79,575</u>
Total assets	<u>450,600</u>	<u>1,631,008</u>	<u>17,766,628</u>	<u>3,790,982</u>	<u>23,639,218</u>
LIABILITIES					
Current liabilities:					
Accounts payable	7,239	20,868	60,912	3,629	92,648
Insurance claims payable	-	-	17,705,716	1,412,074	19,117,790
Long term debt - due within one year	155	-	-	-	155
Total current liabilities	<u>7,394</u>	<u>20,868</u>	<u>17,766,628</u>	<u>1,415,703</u>	<u>19,210,593</u>
Noncurrent liabilities:					
Long term debt - due in more than one year	4,169	-	-	-	4,169
Total noncurrent liabilities	<u>4,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,169</u>
Total liabilities	<u>11,563</u>	<u>20,868</u>	<u>17,766,628</u>	<u>1,415,703</u>	<u>19,214,762</u>
NET POSITION					
Restricted	-	-	-	79,575	79,575
Unrestricted	439,037	1,610,140	-	2,295,704	4,344,881
Total net position	<u>\$ 439,037</u>	<u>\$ 1,610,140</u>	<u>\$ -</u>	<u>\$ 2,375,279</u>	<u>\$ 4,424,456</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Risk Management	General Insurance	Workers Compensation	General Liability	Total
OPERATING REVENUES					
Charges for services	\$ 350,160	\$ 914,647	\$ 4,370,258	\$ 954,795	\$ 6,589,860
Total operating revenues	<u>350,160</u>	<u>914,647</u>	<u>4,370,258</u>	<u>954,795</u>	<u>6,589,860</u>
OPERATING EXPENSES					
Personnel services	272,889	-	-	-	272,889
Contractual services	-	88,066	360,203	42,000	490,269
Supplies	599	-	-	-	599
Insurance	-	277,190	166,285	311,538	755,013
Insurance claims	-	75,536	3,850,937	318,760	4,245,233
Other	-	-	-	-	-
Total operating expenses	<u>273,488</u>	<u>440,792</u>	<u>4,377,425</u>	<u>672,298</u>	<u>5,764,003</u>
OPERATING INCOME (LOSS)	<u>76,672</u>	<u>473,855</u>	<u>(7,167)</u>	<u>282,497</u>	<u>825,857</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	-	-	7,167	16,991	24,158
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>7,167</u>	<u>16,991</u>	<u>24,158</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>76,672</u>	<u>473,855</u>	<u>-</u>	<u>299,488</u>	<u>850,015</u>
Transfers in	-	-	-	1,480,000	1,480,000
CHANGE IN NET POSITION	<u>76,672</u>	<u>473,855</u>	<u>-</u>	<u>1,779,488</u>	<u>2,330,015</u>
NET POSITION, BEGINNING OF YEAR	<u>362,365</u>	<u>1,136,285</u>	<u>-</u>	<u>595,791</u>	<u>2,094,441</u>
NET POSITION, END OF YEAR	<u>\$ 439,037</u>	<u>\$ 1,610,140</u>	<u>\$ -</u>	<u>\$ 2,375,279</u>	<u>\$ 4,424,456</u>

CITY OF SALINAS
Combining Statement of Cash Flows
Internal Service Funds
For Fiscal Year Ended June 30, 2014

	Risk Management Fund	General Insurance Fund	Workers Compensation Fund	General Liability Fund	Totals
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 160	\$ 828	\$ 475,945	\$ -	\$ 476,933
Receipts from interfund services provided	350,000	913,819	4,034,392	950,000	6,248,211
Payments to Suppliers	(599)	(370,594)	(526,489)	(353,537)	(1,251,219)
Payments to Employees	(268,440)	-	-	-	(268,440)
Payments to Claimants	-	(61,615)	(4,980,145)	(559,631)	(5,601,391)
Net Cash Provided (Used) by Operating Activities	<u>81,121</u>	<u>482,438</u>	<u>(996,297)</u>	<u>36,832</u>	<u>(395,906)</u>
Cash Flows from Non-Capital Financing Activities:					
Operating Transfers In	-	-	-	1,480,000	1,480,000
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,480,000</u>	<u>1,480,000</u>
Cash Flows from Investing Activities:					
Interest Received	-	-	6,740	17,575	24,315
(Decrease) in Fair Value of Investments	-	-	(58)	831	773
Transfer (to) from Restricted Cash	-	-	269,610	(21,923)	247,687
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>	<u>276,292</u>	<u>(3,517)</u>	<u>272,775</u>
Net Increase(Decrease) in Cash and Cash Equivalents	81,121	482,438	(720,005)	1,513,315	1,356,869
Cash and Cash Equivalents - Beginning of Year	<u>369,479</u>	<u>1,148,540</u>	<u>1,962,144</u>	<u>2,193,775</u>	<u>5,673,938</u>
Cash and Cash Equivalents - End 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>

CITY OF SALINAS
Combining Statement of Cash Flows
Internal Service Funds
For Fiscal Year Ended June 30, 2014

	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)	\$ 76,672	\$ 473,855	\$ (7,167)	\$ 282,497	\$ 825,857
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:					
(Increase) Decrease in Accounts Receivable	-	-	-	(4,795)	(4,795)
(Increase) Decrease in Due from General Fund	-	-	(335,866)	-	(335,866)
Increase (Decrease) in Accounts Payable	900	8,583	22,230	131	31,844
Increase (Decrease) in Insurance Claims	-	-	(675,494)	(241,001)	(916,495)
Increase (Decrease) in Accrued Leave	3,549	-	-	-	3,549
Increase (Decrease) in Restricted Cash	-	-	(269,610)	21,923	(247,687)
Transfer (to) from Restricted Cash	-	-	269,610	(21,923)	247,687
Total Adjustments to Net Income	4,449	8,583	(989,130)	(245,665)	(1,221,763)
Net Cash Provided (Used) by Operating Activities	\$ 81,121	\$ 482,438	\$ (996,297)	\$ 36,832	\$ (395,906)

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.

CITY OF SALINAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION (DEFICITS)
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2014

	Successor Agency Trust				Total
	Redevelopment Obligation Retirement Fund	Administration	Total Successor Agency Trust	Other Private Purpose Trust	
ASSETS					
Cash and investments	\$ 1,619,558	\$ 238,853	\$ 1,858,411	\$ 1,237,006	\$ 3,095,417
Deposits	-	-	-	-	-
Receivables					
Taxes	-	-	-	-	-
Accounts	-	-	-	59,522	59,522
Interest	10,056	-	10,056	-	10,056
Loans and notes receivable	669,566	-	669,566	-	669,566
Due from other fund	-	-	-	-	-
Due from other agencies	-	-	-	-	-
Prepaid bond issuance cost	-	-	-	-	-
Total current assets	<u>2,299,180</u>	<u>238,853</u>	<u>2,538,033</u>	<u>1,296,528</u>	<u>3,834,561</u>
Noncurrent assets					
Cash and investments restricted	1,631,712	-	1,631,712	-	1,631,712
Prepaid bond issuance cost net of accumulated amortization	-	-	-	-	-
Land held for Resale	-	-	-	-	-
Capital assets, net of accumulated dep.	155,514	-	155,514	-	155,514
Total noncurrent assets	<u>1,787,226</u>	<u>-</u>	<u>1,787,226</u>	<u>-</u>	<u>1,787,226</u>
 Total assets	 <u>4,086,406</u>	 <u>238,853</u>	 <u>4,325,259</u>	 <u>1,296,528</u>	 <u>5,621,787</u>
LIABILITIES					
Current liabilities					
Accounts payable	-	10,562	10,562	1,027,153	1,037,715
Due to the City of Salinas	-	-	-	-	-
Due to other funds	-	-	-	9,810	9,810
Advance from the City of Salinas	940,000	-	940,000	-	940,000
Advance from other funds	-	-	-	-	-
Deferred revenues	8,080	-	8,080	-	8,080
Interest payable	664,818	-	664,818	-	664,818
Long term debt - due within one year	357,594	-	357,594	-	357,594
Total current liabilities	<u>1,970,492</u>	<u>10,562</u>	<u>1,981,054</u>	<u>1,036,963</u>	<u>3,018,017</u>
Long-term liabilities					
Long term debt - due in more than one year	3,999,673	-	3,999,673	-	3,999,673
Total long-term liabilities	<u>3,999,673</u>	<u>-</u>	<u>3,999,673</u>	<u>-</u>	<u>3,999,673</u>
 Total liabilities	 <u>5,970,165</u>	 <u>10,562</u>	 <u>5,980,727</u>	 <u>1,036,963</u>	 <u>7,017,690</u>
NET POSITION (DEFICITS)					
Held in trust for benefits and other purposes	<u>\$ (1,883,759)</u>	<u>\$ 228,291</u>	<u>\$ (1,655,468)</u>	<u>\$ 259,565</u>	<u>\$ (1,395,903)</u>

CITY OF SALINAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (DEFICITS)
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Successor Agency Trust			Other Private Purpose Trust	Total	
	Redevelopment Obligation					Total Successor
	Retirement Fund	Administration	Agency Trust			Agency Trust
ADDITIONS						
Taxes	\$ 4,285,431	\$ 250,000	\$ 4,535,431	\$ -	\$ 4,535,431	
Rental income	26,038	-	26,038	-	26,038	
Miscellaneous	(1,554)	-	(1,554)	-	(1,554)	
Contributions						
Private donations	-	-	-	1,795,262	1,795,262	
Total contributions	<u>4,309,915</u>	<u>250,000</u>	<u>4,559,915</u>	<u>1,795,262</u>	<u>6,355,177</u>	
Investment earnings						
Interest	72,174	277	72,451	-	72,451	
Net investment earnings	<u>72,174</u>	<u>277</u>	<u>72,451</u>	<u>-</u>	<u>72,451</u>	
Transfer In	-	-	-	106,324	106,324	
Total additions	<u>4,382,089</u>	<u>250,277</u>	<u>4,632,366</u>	<u>1,901,586</u>	<u>6,533,952</u>	
DEDUCTIONS						
Expenses	2,085,636	250,000	2,335,636	-	2,335,636	
Payments on behalf of trustees	-	-	-	1,568,217	1,568,217	
Contribution to other agencies	809,021	-	809,021	-	809,021	
Transfer out	-	-	-	1,221	1,221	
Total deductions	<u>2,894,657</u>	<u>250,000</u>	<u>3,144,657</u>	<u>1,569,438</u>	<u>4,714,095</u>	
CHANGE IN NET POSITION (DEFICITS)	<u>1,487,432</u>	<u>277</u>	<u>1,487,709</u>	<u>332,148</u>	<u>1,819,857</u>	
NET POSITION						
BEGINNING OF THE YEAR	(3,098,826)	228,014	(2,870,812)	(72,583)	(2,943,395)	
Prior period adjustment - Note 21	(272,365)	-	(272,365)	-	(272,365)	
Restated net assets, beginning	<u>(3,371,191)</u>	<u>228,014</u>	<u>(3,143,177)</u>	<u>(72,583)</u>	<u>(3,215,760)</u>	
END 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>	

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.

Second Chance Youth Program - This fund is used to account for the assets held on behalf of Second Chance Youth Program through March 31, 2014. Monies are collected from various grants and used by Second Chance to provide various activities for “at-risk” youths. Second Chance has a separate Board of Directors.

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.

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.

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.

CITY OF SALINAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2014

	Sunrise House	Economic Development	Salinas Valley Enterprise Zone	Second Chance Youth Program	Cafeteria Plan	Retiree Health Insurance	Business Improvement District	Totals
ASSETS								
Cash and investments	\$ 337,136	\$ 96,800	\$ 389,483	\$ -	\$ 96,139	\$ 1	\$ 8,766	\$ 928,325
Receivables								
Accounts	-	-	21,800	-	95,342	-	(50)	117,092
Accrued interest	407	-	-	-	-	-	-	407
Due from other agencies	2,449	-	-	-	-	-	-	2,449
Total assets	<u>339,992</u>	<u>96,800</u>	<u>411,283</u>	<u>-</u>	<u>191,481</u>	<u>1</u>	<u>8,716</u>	<u>1,048,273</u>
LIABILITIES								
Accounts payable	38,234	8,721	11,330	-	123,302	-	-	181,587
Advance from the City	-	-	-	70,630	-	-	-	70,630
Long term debt - due within one year	4,871	4,310	1,064	-	-	-	-	10,245
Total liabilities	<u>43,105</u>	<u>13,031</u>	<u>12,394</u>	<u>70,630</u>	<u>123,302</u>	<u>-</u>	<u>-</u>	<u>262,462</u>
Long-term liabilities								
Long term debt - due in more than one year	19,485	17,239	4,257	-	-	-	-	40,981
Total long-term liabilities	<u>19,485</u>	<u>17,239</u>	<u>4,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,981</u>
Total liabilities	<u>62,590</u>	<u>30,270</u>	<u>16,651</u>	<u>70,630</u>	<u>123,302</u>	<u>-</u>	<u>-</u>	<u>303,443</u>
NET POSITION								
Held in trust for pension benefits and other purposes	<u>\$ 277,402</u>	<u>\$ 66,530</u>	<u>\$ 394,632</u>	<u>\$ (70,630)</u>	<u>\$ 68,179</u>	<u>\$ 1</u>	<u>\$ 8,716</u>	<u>\$ 744,830</u>

**GENERAL
and
MEASURE V FUNDS**

CITY OF SALINAS
COMBINING BALANCE SHEET
GENERAL AND MEASURE V FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Measure V</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 15,811,412	\$ 3,897,519	\$ 19,708,931
Receivables, net:			
Taxes	7,554,901	2,029,190	9,584,091
Accounts	143,930	-	143,930
Accrued interest	33,658	4,869	38,527
Advance to Successor Agency	70,629	-	70,629
Due from other funds	2,638,709	-	2,638,709
Advances to other funds	3,035,000	-	3,035,000
Inventory	16,588	-	16,588
Total assets	<u>\$ 29,304,827</u>	<u>\$ 5,931,578</u>	<u>\$ 35,236,405</u>
LIABILITIES			
Accounts payable	\$ 6,274,575	\$ 435,972	\$ 6,710,547
Due to other funds	16,968,658	53,020	17,021,678
Total liabilities	<u>23,243,233</u>	<u>488,992</u>	<u>23,732,225</u>
FUND BALANCE			
Nonspendable	3,122,217	-	3,122,217
Committed	1,293,400	-	1,293,400
Assigned	2,722,730	877,017	3,599,747
Unassigned	(1,076,753)	4,565,569	3,488,816
Total fund balance	<u>6,061,594</u>	<u>5,442,586</u>	<u>11,504,180</u>
Total liabilities and fund balance	<u>\$ 29,304,827</u>	<u>\$ 5,931,578</u>	<u>\$ 35,236,405</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL AND MEASURE V FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Measure V</u>	<u>Total</u>
REVENUES			
Taxes	\$ 71,821,248	\$ 10,793,705	\$ 82,614,953
Licenses and permits	1,143,747	-	1,143,747
Intergovernmental	453,653	-	453,653
Charges for services	3,896,044	-	3,896,044
Interest	228,539	19,549	248,088
Rental income	174,933	-	174,933
Fines and forfeits	34,854	-	34,854
Miscellaneous	845,501	15,249	860,750
Total revenues	<u>78,598,519</u>	<u>10,828,503</u>	<u>89,427,022</u>
EXPENDITURES			
Current:			
General government	12,589,226	261,358	12,850,584
Public safety	49,726,198	2,750,474	52,476,672
Public works	10,634,948	1,107,210	11,742,158
Recreation	822,603	573,762	1,396,365
Library	-	3,684,767	3,684,767
Capital outlay	141,598	68,035	209,633
Total expenditures	<u>73,914,573</u>	<u>8,445,606</u>	<u>82,360,179</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,683,946</u>	<u>2,382,897</u>	<u>7,066,843</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	4,123,012	-	4,123,012
Operating transfers out	<u>(4,836,028)</u>	<u>(1,458,492)</u>	<u>(6,294,520)</u>
Total other financing sources (uses)	<u>(713,016)</u>	<u>(1,458,492)</u>	<u>(2,171,508)</u>
NET CHANGE IN FUND BALANCE	3,970,930	924,405	4,895,335
FUND BALANCE, BEGINNING OF YEAR	<u>2,090,664</u>	<u>4,518,181</u>	<u>6,608,845</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,061,594</u>	<u>\$ 5,442,586</u>	<u>\$ 11,504,180</u>



This page is intentionally left blank.