

City of Salinas California



Basic Financial Statements **Fiscal Year Ended June 30, 2016**

Basic Financial Statements

Fiscal Year Ended June 30, 2016



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THE FINANCE DEPARTMENT

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CITY OF SALINAS
Basic Financial Statements
Table of Contents

Page

INTRODUCTORY SECTION:

Transmittal Letter.....	i
Organizational Chart.....	xiv
List of Principal Officials.....	xxv

FINANCIAL SECTION:

Independent Auditors' Report	F-1
---	-----

Management's Discussion and Analysis (Required Supplementary Information)	F-5
---	-----

Basic Financial Statements

Government-wide Financial Statements:	
Statement of Net Position	F-21
Statement of Activities.....	F-22
Fund Financial Statements:	
Governmental Funds:.....	
Balance Sheet.....	F-25
Reconciliation of the Balance Sheet to Statement of Net Position	F-27
Statement of Revenues, Expenditures and Changes in Fund Balance.....	F-28
Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balance to the Statement of Activities	F-29
Proprietary Funds:.....	F-30
Statement of Fund Net Position (Deficit)	F-31
Statement of Revenues, Expenses and Changes in Fund Net Position (Deficit)	F-33
Statement of Cash Flows	F-34
Fiduciary Funds:	F-35
Statement of Net Position (Deficit).....	F-37
Statement of Changes in Net Position (Deficit).....	F-39
Notes to Basic Financial Statements:	
#1. Description of the Reporting Entity and Significant Accounting Policies	F-43
#2. Stewardship, Compliance and Accountability	F-60
#3. Debt Compliance	F-61
#4. Cash and Investments	F-61
#5. Restricted Assets	F-67
#6. Taxes Receivable	F-68
#7. Assessment Receivable	F-68
#8. Due From Other Agencies	F-69
#9. Interfund Transactions	F-70
#10. Loans Receivable, Net of Allowance.....	F-72

CITY OF SALINAS
Basic Financial Statements
Table of Contents

	<u>Page</u>
#11. Land and Properties Held for Resale	F-73
#12. Capital Assets.....	F-74
#13. Deferred Compensation Plan	F-75
#14. Retirement Programs	F-77
#15. Post Employment Benefits Other Than Pensions (OPEB)	F-99
#16. Risk Management	F-103
#17. Lease Obligations.....	F-104
#18. Long Term Debt.....	F-105
#19. Restricted Net Position	F-118
#20. Unearned Revenues	F-118
#21. Prior Period Adjustment	F-119
#22. Fund Balance	F-119
#23. Encumbrance.....	F-120
#24. Joint Venture – Salinas Valley Solid Waste Authority.....	F-121
#25. Commitments and Contingent Liabilities	F-122
#26. Successor Agency Trust for Assets of Former Redevelopment Agency...	F-122
#27. Subsequent Events	F-126
Required Supplementary Information	R-1
Budgetary Policy and Control:.....	R-3
Budgetary Comparison Schedule – General Fund, Measure V, & Measure G	R-9
Budgetary Comparison Schedule – Measure V.....	R-10
Budgetary Comparison Schedule – Measure G.....	R-11
Budgetary Comparison Schedule – Housing and Urban Development Fund.....	R-12
Budgetary Comparison Schedule – Development Fees Fund.....	R-13
Schedule of Funding Progress for Other Post Employment Benefits.....	R-14
Claims Development for Internal Service Funds	
General Liability Insurance.....	R-15
Claims Development for Internal Service Funds	
Workers Compensation Insurance	R-16
Agent Multiple-Employer Defined Benefit Plan	
Schedule of City’s Net Pension Liability and Related Ratios	R-17
Agent Multiple-Employer Defined Benefit Plan	
Schedule of the City’s Pension Plan Contributions and Notes	R-18
Cost-sharing Multiple-Employer Defined Benefit Plan	
Schedule of the City’s Proportionate Share of the Plan’s (PERF C)	
Net Pension Liability and Related Ratios	R-19
Cost-sharing Multiple-Employer Defined Benefit Plan	
Schedule of the City’s Pension Plan Contributions and Notes	R-20
Single - Employer Defined Benefit Pension Plan	
Schedule of the City’s Net Pension Liability and Related Ratios	R-21
Single - Employer Defined Benefit Pension Plan	
Schedule of the City’s Pension Plan Contributions and Notes	R-22

CITY OF SALINAS
Basic Financial Statements
Table of Contents

	<u>Page</u>
Supplementary Information	O-1
Non-Major Governmental Funds:	
Special Revenue Funds	O-3
Combining Balance Sheet.....	O-5
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	O-6
Debt Service Funds	O-7
Combining Balance Sheet.....	O-9
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	O-10
Capital Projects Funds	O-11
Combining Balance Sheet.....	O-13
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	O-14
Internal Service Funds:	O-15
Combining Statement of Net Position	O-17
Combining Statement of Revenues, Expenses and Changes in Net Position	O-18
Combining Statement of Cash Flows	O-19
Fiduciary Funds:	
Private Purpose Trust Funds	O-21
Combining Statement of Fiduciary Net Position (Deficits).....	O-23
Combining Statement of Changes in Fiduciary Net Position (Deficits).....	O-24
Agency Funds	O-25
Combining Statement of Changes in Assets and Liabilities	O-27
General, Measure V, & Measure G Funds:.....	O-29
Combining Balance Sheet.....	O-31
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	O-32



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City of Salinas

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March 21, 2017

***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, 2016. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and are audited in accordance with generally accepted auditing standards.

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

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

McGilloway, Ray, Brown & Kaufman, a firm of certified public accountants, have audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2016, 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, 2016, 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 161,042 as of January 1, 2016. The City FY 2016-17 budget includes 603.5 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.

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

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

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

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

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

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

FINANCIAL INFORMATION

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

Single Audit

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

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

Accounting System and Budgetary Control

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

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

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

Annual Financial Report

The purpose of the City's Annual Financial Report is to summarize the administrative and operational performance of the City during the previous fiscal year. The report is intended to highlight significant accomplishments that were achieved during the fiscal year ended June 30, 2016 and to provide a financial analysis of City performance.

Capital Assets and Depreciation

As of June 30, 2016, capital assets, including infrastructure assets, of the City of Salinas totaled \$683.6 million; accumulated depreciation totaled \$364.0 million, with the difference providing net capital assets of \$319.6 million. Net capital assets of the City's governmental activities (general government) are \$190.3 million and net capital assets for the City's business-type activities (enterprise funds) are \$129.3 million.

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

During FY 2015-16, depreciation expense on capital assets of the City's governmental activities (general government) was \$8.3 million and depreciation expense on capital assets of the City's business-type activities (enterprise funds) was \$6.2 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, 2016, the City had \$229.3 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 Sanitary Sewer Fund, Successor Agency to the former Salinas Redevelopment Agency property tax increments, payments from the Salinas Valley Solid Waste Authority for the installment sale of Crazy Horse landfill and payments from property owners who are included in the City's various assessment districts.

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

Fund Financial Statements-General Governmental Revenues

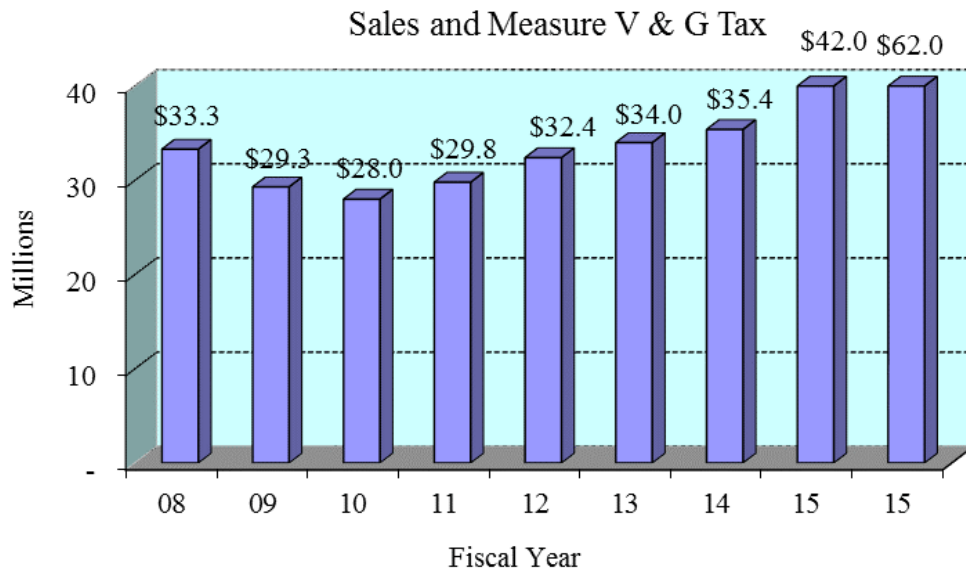
The current governmental operations of the City are accounted for in the General, Special Revenue, Debt Service, and Capital Project Funds. For the fiscal year ended June 30, 2016, total revenues for general governmental functions totaled \$149.7 million, an increase of 22.5% over the previous fiscal year.

Sales Tax

The City has a well-diversified economy and sales tax base. Sales tax receipts increased for the fifth year after the three consecutive years of declines. The sales and transaction and use tax increased \$20.0 million, or 47.6% from FY 2014-15. Sales tax was still the largest single category of revenue this fiscal year producing 18.3% of the combined governmental fund type revenues. Transactions and Use Tax (Measure V and G) represents 23.1% of the combined governmental fund type revenues. Measure V and G transactions and use tax is a general tax and is reported as part of the General Fund. Combined, sales tax and transactions and use tax revenue total \$62.0 million or 41.3% of the combined governmental fund type revenues.

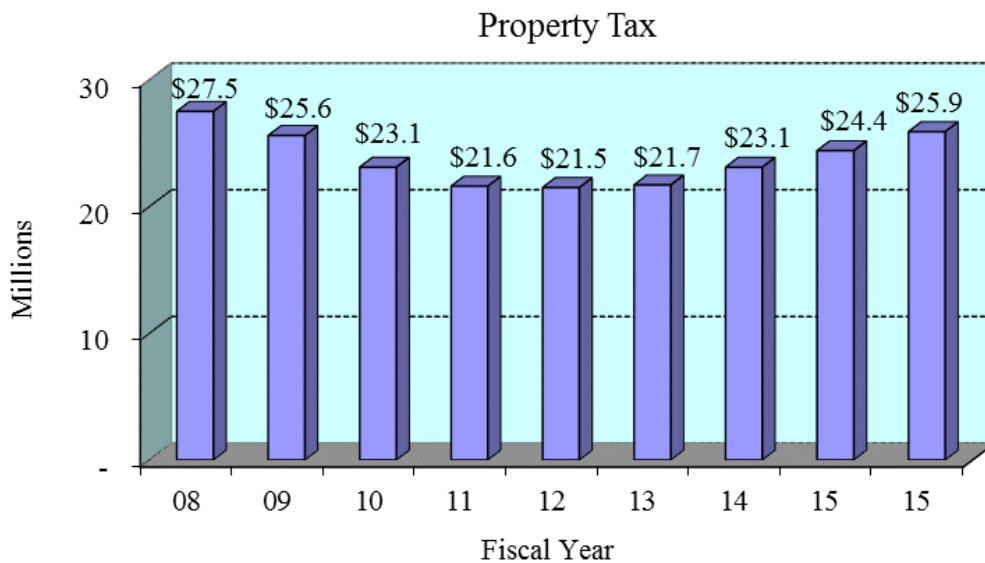
On November 8, 2005, the voters of Salinas approved Measure V, a 0.50% transactions and use tax. Measure V is a general tax and is reported as part of the General Fund, although the tax is accounted for in a separate sub-fund of the General Fund. On November 6, 2012, the voters of Salinas approved to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

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



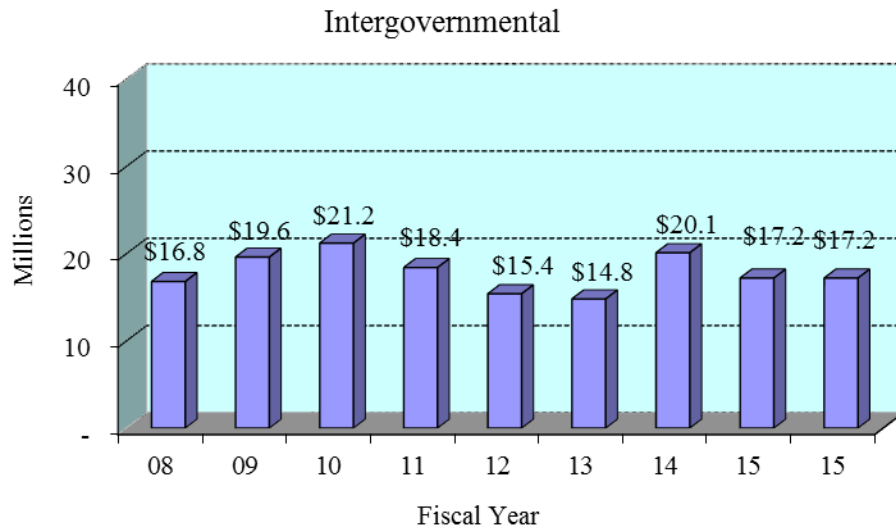
Property Tax

Property tax revenue was the second largest source of revenue during this fiscal year, producing 17.3% of the combined governmental fund type revenues. Property tax revenue includes Property tax-in-lieu of vehicle license fees (2/3 of VLF) of \$11.3 million 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 11.5% 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 three years ago. Intergovernmental revenue stayed consistent with the prior year with a slight increase by \$.02 million, or 0.1%.



Utility User's Tax and Other Taxes

Utility user's tax and other taxes produced 8.1% of the combined governmental fund type revenues. Other taxes include business license tax and franchise fees among others. Utility user's tax increased by \$2.1 million, or 21.2%, while other taxes increased by \$0.8 million, or a 4.8% increase from the prior year.

Taxes receivable total \$18.3 million for the year ended June 30, 2016 and are further explained in Note 6 to the financial statements.

Assessment District Taxes

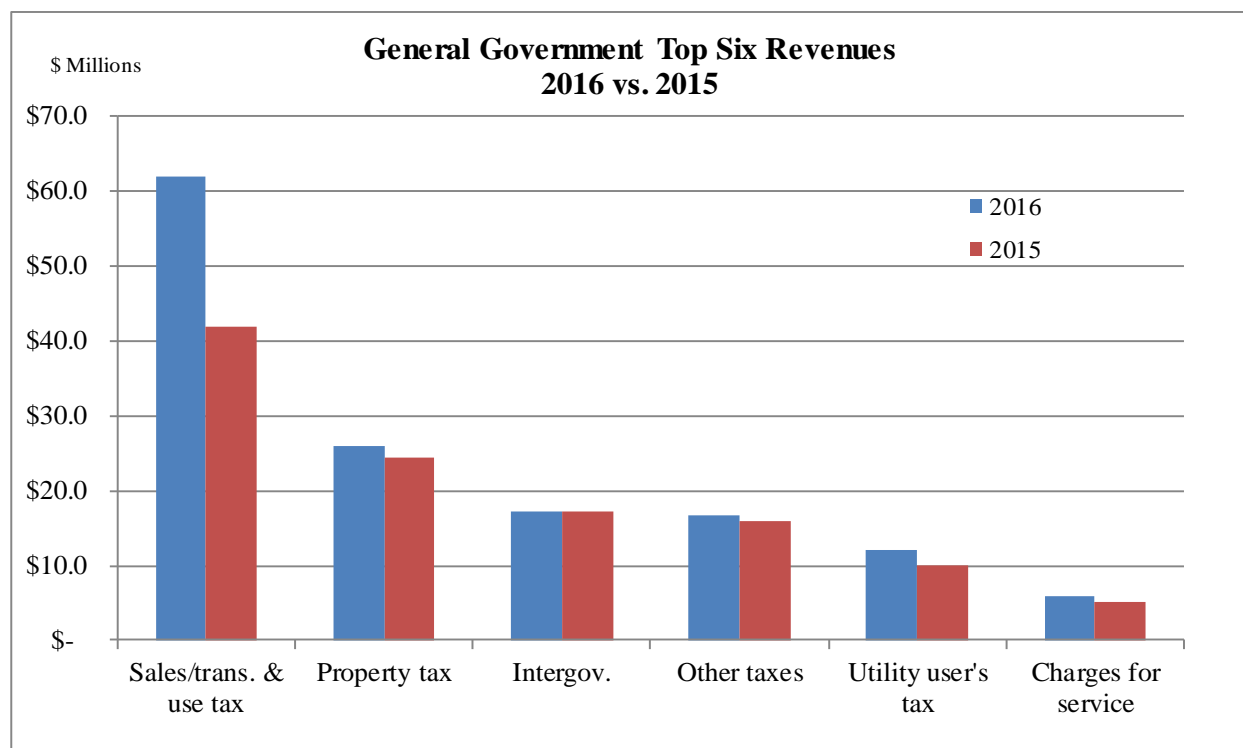
The Assessment District Debt Service Fund taxes decreased from \$0.2 million in the prior year to \$2.8 million in the current year, which is consistent between years.

Charges for Services

The Charges for Services revenue increased by \$0.6 million as a result of increased development, the second year of implementing a new developer impact fee for City facilities and equipment and from increases in other existing developer impact fees such as the traffic, storm drain, and sanitary sewer impact fees.

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

Source of Revenues	2016 Amounts	Percent of Total	2015 Amounts	2016 vs. 2015 Increase/(decrease)	
				Dollars	Percent
Assessment districts:					
Taxes	\$ 2,833,325	1.9%	\$ 3,015,063	\$ (181,738)	-6.0%
Property tax	25,949,905	17.3%	24,365,975	1,583,930	6.5%
Sales/transaction & use tax	61,958,246	41.3%	41,975,302	19,982,944	47.6%
Utility user's tax	12,060,151	8.1%	9,947,484	2,112,667	21.2%
Other taxes	16,620,537	11.1%	15,865,295	755,242	4.8%
License & permits	1,591,305	1.1%	1,469,919	121,386	8.3%
Intergovernmental	17,239,454	11.5%	17,218,815	20,639	0.1%
Charges for service	5,779,360	3.9%	5,161,803	617,557	12.0%
Interest	572,229	0.4%	306,739	265,490	86.6%
Rental income	575,124	0.4%	522,457	52,667	10.1%
Fines/forfeitures	474,447	0.3%	800,094	(325,647)	-40.7%
Developer contributions	521,564	0.3%	794,343	(272,779)	-34.3%
Miscellaneous	3,553,185	2.4%	740,493	2,812,692	379.8%
TOTAL	\$ 149,728,832	100.0%	\$ 122,183,782	\$ 27,545,050	22.5%

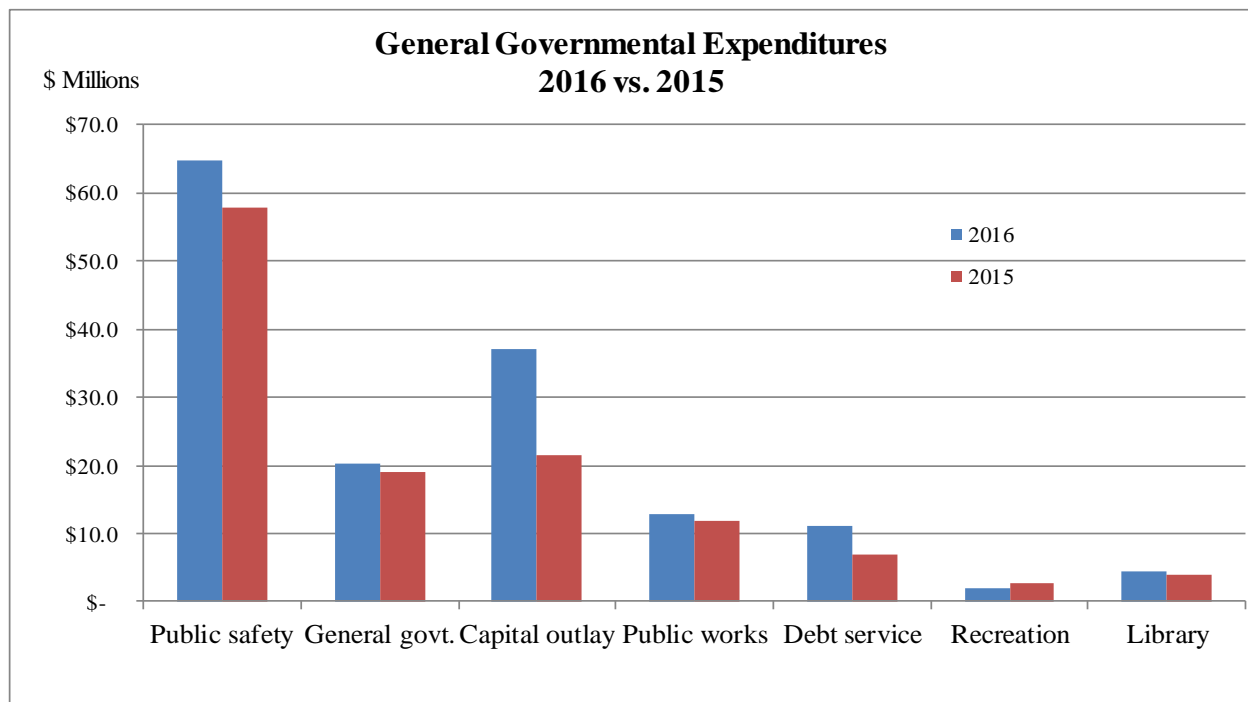


Fund Financial Statements-General Governmental Expenditures

Expenditures for governmental operations during the fiscal year ended June 30, 2016 were \$152.3 million, a net increase of 23.1% in total expenditures over the previous year.

Changes in expenditures by major function are as follows:

Function	2016	Percent of Total	2015	2016 vs. 2015 Increase/(decrease)	
				Dollars	Percent
General government	\$ 20,302,850	13.3%	\$ 18,897,139	\$ 1,405,711	7.4%
Public safety	64,668,021	42.5%	57,792,398	6,875,623	11.9%
Public works	12,792,810	8.4%	11,815,626	977,184	8.3%
Recreation	1,930,449	1.3%	2,849,835	(919,386)	-32.3%
Library	4,516,332	3.0%	4,000,150	516,182	12.9%
Subtotal operations	104,210,462	68.4%	95,355,148	8,855,314	9.3%
Capital outlay	36,956,428	24.3%	21,617,770	15,338,658	71.0%
Debt service:					
Principal	9,300,000	6.1%	5,449,000	3,851,000	70.7%
Interest	1,860,336	1.2%	1,350,905	509,431	37.7%
Total	\$ 152,327,226	100.0%	\$ 123,772,823	\$ 28,554,403	23.1%



Operating expenditures increased by \$8.9 million or 9.3% from \$95.4 million in FY 2014-15 to \$104.2 million in FY 2015-16.

General Government increased slightly by \$1.4 million, or 7.4%. Public Safety increased by \$6.9 million, or 11.9%, Public Works increased during the year by \$1.0 million, or 8.3%, Library expenditures have increased by \$0.5 million, or 12.9%, while Recreation decreased by \$0.9 million, or 32.3% because of vacant positions. The increases are mainly related to the new Measure G funding and related new positions.

Principal and interest payments increased by \$4.4 million from paying off certain debt through refinancing and from normally scheduled debt service changes.

Capital Outlay (Project) expenditures increased \$15.3 million or 71.0% from \$21.6 million in FY 2014-15 to \$37.0 million in FY 2015-16. The main reason for this change occurred in the Special Construction Assistance Fund and the Capital Projects Fund, where the project expenditures increase by \$13.6 million, or 64.5%. During the year, there were 137 capital projects worked on. The majority of the increase relates to the Energy Efficiency retrofit project, where \$16.0 million was spent during the year.

Business-type Activities-Enterprise Funds

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

The Enterprise Fund's net position totaled \$96.8 million at June 30, 2016.

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, 2016, the Internal Service Funds liabilities for estimated claims payable totaled \$25.2 million, with \$21.8 million representing Worker's Compensation and \$3.3 million representing General Liability.

Total Worker's Compensation insurance claims liabilities are \$27.9 million at June 30, 2016. A portion of the liability is reported in the Internal Service Fund (\$25.2 million) and a portion is treated as long-term debt (\$2.7 million). 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 \$0.4 million held by City, which has improved by \$0.1 million from the prior year. Of the net deficit, a net deficit of \$2.5 million is held by the City for the dissolved Redevelopment Agency, which is accounted for in the Successor Agency

Trust, and net position of \$1.9 million 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 \$12.8 million are employee deferred compensation funds. Agency Funds are assets held by the City for Sunrise House, Economic Development, Salinas Valley Enterprise Zone, Employee Cafeteria Plan and Retired Employees Health Insurance Program. Agency assets held by the City total \$0.8 million.

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 (68.8% of investment at FMV) are invested in the State's Local Agency Investment Fund (LAIF). LAIF yielded average returns of 0.425% for fiscal year ended June 30, 2016.

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, 2016 is as follows:

Balance at cost - June 30, 2016	\$ 85,204,403
Unrealized gain	<u>49,440</u>
Balance at fair value - June 30, 2016	<u><u>\$ 85,253,843</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 \$458.7 million to \$10,422 million representing an increase of 4.60% over FY 2015-16.

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

Fiscal year	Before Redevelopment Increment	After Redevelopment Increment	Percent Change
2016-17	\$ 10,422,521,577	\$ 9,614,776,155	4.60%
2015-16	9,963,782,622	9,195,146,472	6.49%
2014-15	9,356,177,997	8,629,207,052	8.82%
2013-14	8,597,836,189	7,904,316,402	2.72%
2012-13	8,370,116,351	7,693,329,440	0.72%
2011-12	8,310,478,479	7,628,550,860	-0.61%
2010-11	8,361,701,633	7,473,844,928	-6.75%
2009-10	8,966,761,801	7,981,760,147	-11.25%
2008-09	10,102,973,741	9,158,540,984	-5.10%
2007-08	10,645,974,648	9,750,295,032	7.25%
2006-07	9,926,023,729	9,107,918,547	12.72%
2005-06	8,806,009,783	8,305,434,488	12.90%
2004-05	7,799,653,100	7,373,407,370	10.70%
2003-04	7,045,521,979	6,643,698,145	6.90%
2002-03	6,590,542,785	6,284,551,441	10.04%
2001-02	5,989,470,269	5,697,145,117	9.12%
2000-01	5,488,912,290	5,222,902,081	9.14%

Significant Events and Accomplishments

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

❖ Economic Diversity and Prosperity

Community Development Department

- Plan & Project Implementation Division
 - ✓ Commenced preparation of programmatic Environmental Impact Report for the draft Economic Development Element
 - ✓ Initiated implementation of the draft Economic Development Element
 - Released Request for Proposals for preparation of the Alisal Vibrancy Plan
 - ✓ Provided Small Business Support
 - Provided staff liaison support for SUBA
 - Processed twenty Grow Salinas Fund loan application packets
 - ✓ Initiated implementation of Salinas Downtown Vibrancy Plan
 - Approved the formation of the Salinas City Center Improvement Association Community Benefit District
 - Released Downtown Housing Market Study Request for Proposals

- Special Projects/Advanced Planning Division
 - ✓ Completion of the 2015-2023 Housing Element, which was praised as a model for other cities by the California Housing and Community Development Department
 - Submission of the The Housing Element Annual Progress Report
 - ✓ Adoption of the Reasonable Accommodation Ordinance to facilitate development that is designed for people of all abilities
 - ✓ Initiation of the environmental process for the West Area Specific Plan, part of the Future Growth Area
 - ✓ Completion of the City/County Downtown Government Center MOU to ensure coordination of governmental facilities development
- Current Planning & Permit Services Divisions
 - ✓ Issued 5,156 permits with a valuation over \$74 million in 2015
 - ✓ Offered counter service from 8:00 am – 5:00 pm, Monday – Friday serving 11,289 customers
 - ✓ Achieved full cost recovery for the Permit Services Division
 - ✓ Completed plan and permit reviews and inspections within allotted time frames
 - ✓ Conducted all inspections via electronic devices
- Code Enforcement Division
 - ✓ Addressed 969 code complaints
 - ✓ Reduced the time it takes to respond to complaints by 4-6 weeks
 - ✓ Cleaned up a backlog of nearly 9,000 cases, some of which were over 20 years old.
 - ✓ Worked collaboratively with the Legal Department to initiate receivership of one of the worst properties in the City
- Housing & Community Development Division
 - ✓ Completed the City's Consolidated Plan for FY 2015-2019 for the City's federal HUD funding (CDBG, HOME, & ESG)
 - ✓ Funded 20 public services agencies to provide critical programming to over 1,900 youth, seniors, and homeless
 - ✓ Initiated an update to the City's Inclusionary Housing Ordinance
 - ✓ Entered into an Exclusive Negotiating Rights Agreement with MidPen and provided a pre-development loan for \$201,500 for the development of a mixed use building, with 90-unit affordable housing development
 - ✓ Preserved 40 affordable housing units through investment in Vista de la Terraza and assisted in funding 41 units of affordable senior housing (Haciendas Seniors)

City Attorney's Department

- Future Growth Area. Continued support to the Planning Division in review of the Specific Plans and environmental review thereof; supported efforts related to processing the environmental review.

- Plan for and engage a safe, secure, well-managed water supply. Continued supporting DPW in their efforts related to drafting and approval of multi-agency water agreements and initial implementation of Groundwater Sustainability Act.
- Commercial Cannabis Business Ordinance. Drafted an ordinance allowing for the establishment of commercial cannabis businesses in Salinas. Working to develop applications and an application process for the issuance of commercial cannabis permits.

Police Department

- Used creative staffing allocations to attempt to reduce overtime costs.
- Provided overtime patrols to the Old Town and China Town area to enforce quality of life issues, provide for an inviting entertainment district and to manage homeless related issues.

Public Works Department

- Downtown Vibrancy Plan Implementation
- Development of the Downtown Community Benefit District
- Continued recycling of produce wash water for irrigation purposes
- Support development of Salinas Gateway project
- Support modifications to Northridge Mall
- Supported community based projects including:
 - ✓ new lighting and new basketball court in Acosta Plaza,
 - ✓ the rehabilitation of the Cesar Chavez “Warriors” basketball court,
 - ✓ new and refurbished lighting Natividad Creek Park in support at the skate park and tennis courts,
 - ✓ initiating the community garden with the Local Urban Gardeners in Natividad Creek Park.
 - ✓ City representative to the Building Healthy Communities project funded by the California Endowment

Assessments and Maintenance Districts

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

Library and Community Services

- Provided community service opportunities for youth and adults to strengthen skill development and workforce readiness. Residents performed nearly 23,000 community service hours.

- The Library engaged over 1500 participants to assist with GED completion, literacy and family literacy (supporting parents through structured programming to assist them with helping their children to read.)
- At the end of FY 15-16, the Library will acquire Learning Express a new online learning services and training tool to help connect customers to careers and provide support for academic advancement through test preparation tools and other vocational tutorials and e-books.
- Every summer the Library enlists thousands of students to read. The library presented 160 programs in 8 weeks in summer 2015. The goal was to encourage reading and reduce and/or reverse the summer slide (a well-documented phenomenon that affects many students during the summer months and reduces grade level readiness).

Enterprise Operations

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

❖ **Safe, Livable Community**

Police Department

- Established effective communications strategy with the homeless in Chinatown.
- Continued to refine shooting review process to more effectively use limited resources and involve other allied agencies.
- Supported City yard personnel in ongoing cleanups of homeless encampments
- Collaborated with Federal Law Enforcement partners targeting violent criminals and fugitives in Salinas and surrounding areas.

Fire Department

- Grants
 - ✓ SAFER - The City received a \$2.9 million SAFER grant to retain seven (7) Firefighters and hire four (4) new Firefighters in late 2013. The department lost three firefighters through attrition after receiving the SAFER grant and requested additional funding for three positions. FEMA approved the additional positions raising the total grant amount to \$3.7 million. This grant is a non-matching grant that will pay the full salary and benefits for eleven (11) Firefighters for a period of two-years. The grant will also pay for a third year of salary and benefits for veteran hires. Several of these positions will transition from SAFER funding to Measure G beginning in mid-2017.
 - ✓ Urban Area Security Initiatives (UASI) – The Fire Department has received approval of a \$237,000 grant proposal to replace a 2004 Haz Mat Vehicle and Trailer with a modern Type 1 Haz Mat Rescue response vehicle. Matching funds for the total cost are being provided by Measure G and the vehicle is scheduled for delivery during the 3rd quarter of 2016.

- ✓ State Homeland Security Grant (SHSG) – \$81,541 was received from various DHS funding sources to equip, support and sustain the department’s Haz Mat Team for an upgrade to Type I and to provide tuition and back-fill to train two (2) firefighters as Haz/Mat Specialists. In addition, \$47,000 was secured from LEPC Funding to train four (4) additional firefighters as Haz/Mat Specialists.
- ✓ California Department of Transportation (Cal-DOT)- \$1,200,000 Staff has applied for a grant for a new Type II Haz/Mat Emergency Response vehicle, equipment and training to provide for additional safety and response to Crude by Rail (CBR) Incidents in the City of Salinas and greater Monterey County.
- ✓ If successful, this grant would provide all future training for the Haz/Mat Team and the vehicle will be utilized as a reserve for the new Type I being delivered.
- Firefighter Academies - The Fire Department conducted a successful fire academy of eight (8) firefighters who graduated in June of 2015. A second fire academy of nine (9) firefighters was started in January of 2016 and will graduate in late May, 2016.
- Haz/Mat Response Program- The Fire Department has received all components necessary to conduct an inspection for an upgrade to Type I from our current rating of Type II. A type I team can respond to all Haz/Mat emergencies and will enhance coverage for the City of Salinas and greater Monterey County. The inspection will be scheduled for early 2017
- Battalion Chief and Fire Captain Promotional Exams –The Fire Department hosted the largest promotional ceremony in its history due to the refilling of current positions and a return of key staff positions. Promotions included; eleven (11) Engineers, twelve (12) Captains, one (1) EMS Officer, three (3) battalion Chiefs and one (1) Deputy Fire Chief.
- Apparatus Purchases – The Fire Department took possession of a new tiller ladder truck and a new fire engine. The fire engine was placed into service at Fire Station 3 in April of 2015. The new tiller ladder truck was placed into service at Fire Station 1 in May of 2015. An additional tiller ladder truck and engine was approved and ordered in January 2015. The engine was delivered and placed into service at Fire Station 5 in March 2016. The new tiller ladder truck will be assigned as Truck 2 at Fire Station 5 in late June, 2016. In September 2015, an additional engine was approved and ordered in response to irreparable mechanical damage to a reserve fire engine. That engine is due to arrive and be placed into service at Fire Station 2 in June 2016. In partnership with the Salinas Municipal airport, we purchased and placed into service at Fire Station 4 a new Class C Aircraft Rescue Firefighting (ARFF) vehicle.

City Attorney’s Department

- Assisted in Management of Homelessness. Drafted and successfully defended an ordinance and administrative procedure permitting the City to remove personal property from City property.
- Implemented New Code Enforcement Strategy. Implemented a new approach of initiating civil action against negligent property owners whose properties are not

- kept in a clean and safe condition. Implemented this process to successfully demolish 1141 Pacific Avenue, with full recovery of all costs and fees.
- Police Station Project. Supported the Public Works Department's efforts to gain control of 312 E. Alisal Street to allow development of the Police Station project.

Library and Community Services

- To reduce violence and provide positive alternatives for youth, the Recreation Division implemented a weekly Saturday Night Teen Program that logged over 1,940 visits and 493 unduplicated participants.
- Over 220,000 residents visited recreation centers and 3,500 youth ages 5-18 participated in various sports programs.
- Conducted 7 community clean ups and issued 104 special event permits.
- The Library's Youth Services division expanded programming to offer programs seven days a week.

Public Works Department

- Sherwood Hall security Improvements
- Adopted the policy defining City-wide homeless encampment cleanup process and implemented it cleaning more than 78 camps at a cost of \$200,000
- Continued implementation of Homeless Service Partnerships and Winter Warming Shelter Programs
- Acquire property for the Public Safety Facility
- Re-established the Inmate Cleanup Crew program to help parolees fulfill probation requirements while addressing illegal dumping in the City
- Provide property access and funding for the Franciscan Workers of Junipero Serra to build the Chinatown Health Center.

Assessments and Maintenance Districts

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

Enterprise Operations

- Hosted 2015 California International Airshow

❖ **Effective, Sustainable Government**

Administration Department

- City Manager continues to dialogue with City leaders, site selectors and major business corporations in preparation and planning for the "Forbes Reinventing America AgTech Summit 2016," hosted by the City.

- City Manager and Assistant City Manager continue to engage Council and community regarding City services, fiscal management, and implementation of the strategic plan goals and objectives for FY 2016/17.
- City Manager continues to work with local service providers and County officials to revitalize Chinatown by mitigating homeless encampments and planned development.
- City Manager continues to oversee the Economic Development Element Plan and the integration of the Housing element, Downtown Vibrancy Plan and Alisal Vibrancy to the General Plan.
- Ongoing management of the City Council, Measure V, and Measure G agenda process; processed two ballot measures for the June 2016 election.
- Inventoried and destroyed City records pursuant to the Records Retention Policy; and is in the process of updating the City's record retention schedule; assist with the management of Public Record Requests.
- Continues to process Republic Services low income senior discounts and assist with the Utility Users Tax exemption.
- Managed the Capital Improvements to the City Managers Conference Room, Administration Department, and City Hall.
- Human Resources Division completed the 1st phase of Affordable Care Act notification requirements.
- Human Resources conducted over 100 recruitments, processed over 2,500 applications and processed approximately 70 new regular hires and 43 new temporary hires.
- Human Resources partnered with Community Hospital of the Monterey Peninsula and coordinated biometric health studies for eligible employees as part of a growing Health and Wellness Program.
- Human Resources coordinated the Employee Health & Wellness Fair attended by more than 40 vendors.
- Human Resources processed over 80 health enrollments and/or changes and respective COBRA notifications.
- Community Safety Division Applied for a received a \$500,000 Bureau of Justice Administration grant to support the improvement of Re-entry services in Monterey County. This is in support of PIER violence reduction strategy.
- Community Safety Division has increased CASP attendance and participation by 10% over this last year.
- Community Safety Division Unfroze the management position and hired a community Safety Coordinator to improve outreach into the community and maintain the Community Leadership Academy programs.

City Attorney's Department

- Customer service employee training and culture. Provided in-house Sexual Harassment Prevention Training for all managers and supervisors, as well as AB 1234 Ethics training for designated employees. Additional training opportunities will continue to be explored.

- Policy Review and Update. Worked with Human Resources Staff to review and to update outdated or unworkable employment policies.
- Internal Services (Insurance). Completed a full evaluation of the City's insurance portfolio, added transparency to the insurance program, and took action to decrease brokerage and insurance fees and to significantly increase scope and quality of coverages for the City.
- Internal Services (Risk Management/Liability). Completed a full evaluation and modification of contracts with service providers (third party administrators) to add accountability to their handling of City account.
- Internal Services (Workers Compensation). Commissioned a full audit of the City's third party administrator of workers' compensation claims and implemented protocols and standards for improved performance.
- Charter Update. Completed a comprehensive review of the City Charter and a comprehensive update of the City Charter for voter consideration in June 2016.
- Policy Reviews and Updates. Continued working with all City departments to review and to update City policies and procedures.

Finance Department

- Strategically and collaboratively worked with departments and City Manager to balance the FY 2016-17 year budget
- Successfully implemented new payroll system and budget system
- Coordinated the purchase and rolled out of the new City-Wide ShoreTel VoIP system
- Continued to add more servers and hardware for a more stable environment
- Upgrade the network speed from 50 Mb to 100 Mb and upgraded City internet connection from 100 Mb to 300 Mb
- Continue to manage, facilitate and support the Measure V and G Committee
- Completed the annual financial statements and audit with a clean audit opinion.

Police Department

- Re-organized the department to include:
 - ✓ Organization of all civilian staff under a civilian administrator (Police Services Administrator)
 - ✓ Eliminated specialized units to increase patrol and investigations staffing in order to better provide basic police services.
- Institutionalized Body Worn Cameras in patrol personnel to enhance the Department's transparency and trust within the community.
- Completed the first phase of the Collaborative Reform Program with the Department of Justice.

Public Works Department

- Priority Based Budgeting
- Capital Improvement Budget Process Updates

- Completion of Opterra Energy Services Project
- Implementing the Governing for Racial Equity program with City staff
- Began implementing the Long Range Property Management Plan following the dissolution of Redevelopment
- Developed and implemented a civic engagement program to support various projects and initiatives

Assessments and Maintenance Districts

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

Library and Community Services

- Initiated recruitments and successfully hired 8 newly authorized or vacant recreation and neighborhood services positions that will allow the Recreation, Neighborhood and Community Services Division to begin to build capacity for increased quality and quantity of programming for residents.
- The Library hired six part-time staff to help better support weekend services, it also promoted a Librarian II to the position of Manager for Technical Services, hired a new Deputy Librarian, a new Director of Libraries and Community Services and opened up recruitment for two Librarian II positions.

Enterprise Operations

- Continued support of the Airport Commission

Internal Services

- Internal Services (Insurance). Completed a full evaluation of the City's insurance portfolio, added transparency to the insurance program, and took action to decrease brokerage and insurance fees and to significantly increase scope and quality of coverages for the City.
- Internal Services (Risk Management/Liability). Completed a full evaluation and modification of contracts with service providers (third party administrators) to add accountability to their handling of City account.
- Internal Services (Workers Compensation). Commissioned a full audit of the City's third party administrator of workers' compensation claims and implemented protocols and standards for improved performance.

❖ **Excellent Infrastructure**

City Attorney's Department

- Boronda Right-of-Way. Assisted with completion of dedication agreement to support widening of Boronda Road.

Library and Community Services

- Initiated Phase I of the Old Muni Pool Retrofit Project which will allow for additional venues for recreation and meeting space.
- Through Federal and State Grants, Salinas Public Library signed a contract that will introduce significantly greater bandwidth to its customers beginning in Summer 2016. In addition to providing greater access to e-services, the greater bandwidth will be leveraged to support the library's plans for a business incubator and career readiness center.

Public Works Department

- East Market Street Improvements
- Airport Pavement Improvements
- 50-50 Sidewalk Program
- Broke ground on the Elvee Drive Improvement Project
- Re-roofed the Salinas Train Depot
- Complete construction of Alisal-Skyway Roundabout
- Airport Electrical project
- Construction of permanent shunt for Industrial Wastewater System
- Intermodal Transportation Cost Center
- Completion of construction of the Industrial Waste Water Conveyance System on time and under budget
- Completion of phase 1 and 2 of Sanitary Sewer and Manhole Rehab for the Downtown Area

Assessments and Maintenance Districts

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

Enterprise Operations

- Completed the Taxiway A and Charlie Reconstruction Project

❖ **Quality of Life**

Police Department

- Re-established the Community Services Unit and utilized volunteers to increase Neighborhood Watch presentations.
- Worked with community stakeholders to balance the property owner's rights with the needs of the homeless community.

Public Works Department

- Caesar Chavez Park Improvements (Play Equipment)
- El Dorado Park water features retrofit
- Tatum's Garden sidewalk project
- Ciclovía (Award winning open streets project – 3rd Year)
- Completion of Urban Greening Grant project
- Produced 4 megawatts of solar power
- Received \$1.4 million from All US Credit Union for El Gabilan Library Expansion
- Co-chair for the regional Community Foundation's homeless response and services committee

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 expired December 31, 2015. SPOA has finalized a new MOU that will expire December 31, 2018. Fire Supervisors Association (FSA) and International Association of Firefighters (IAFF) MOUs expired January 2, 2017. Two of the non-safety groups have new contracts that expire December 31, 2019 and all other non-safety groups' contracts will expire December 31, 2016, which have provisions to continue to be in effect until a new contract is negotiated. PMA, FSA, IAFF and all but two of the non-safety groups are still in negotiations as of the date of this report.

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 acknowledge and give a very special thanks to Assistant Finance Director, Miguel Gutierrez and Accounting Manager, Elizabeth Mariano, who both are dedicated to the sound fiscal management of the City. I also would like to express my appreciation to our professional senior accountants: Alma Gonzales-Delgado, Mary Lagasca, and Abe Pedroza. 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 diligence, cooperation and assistance.

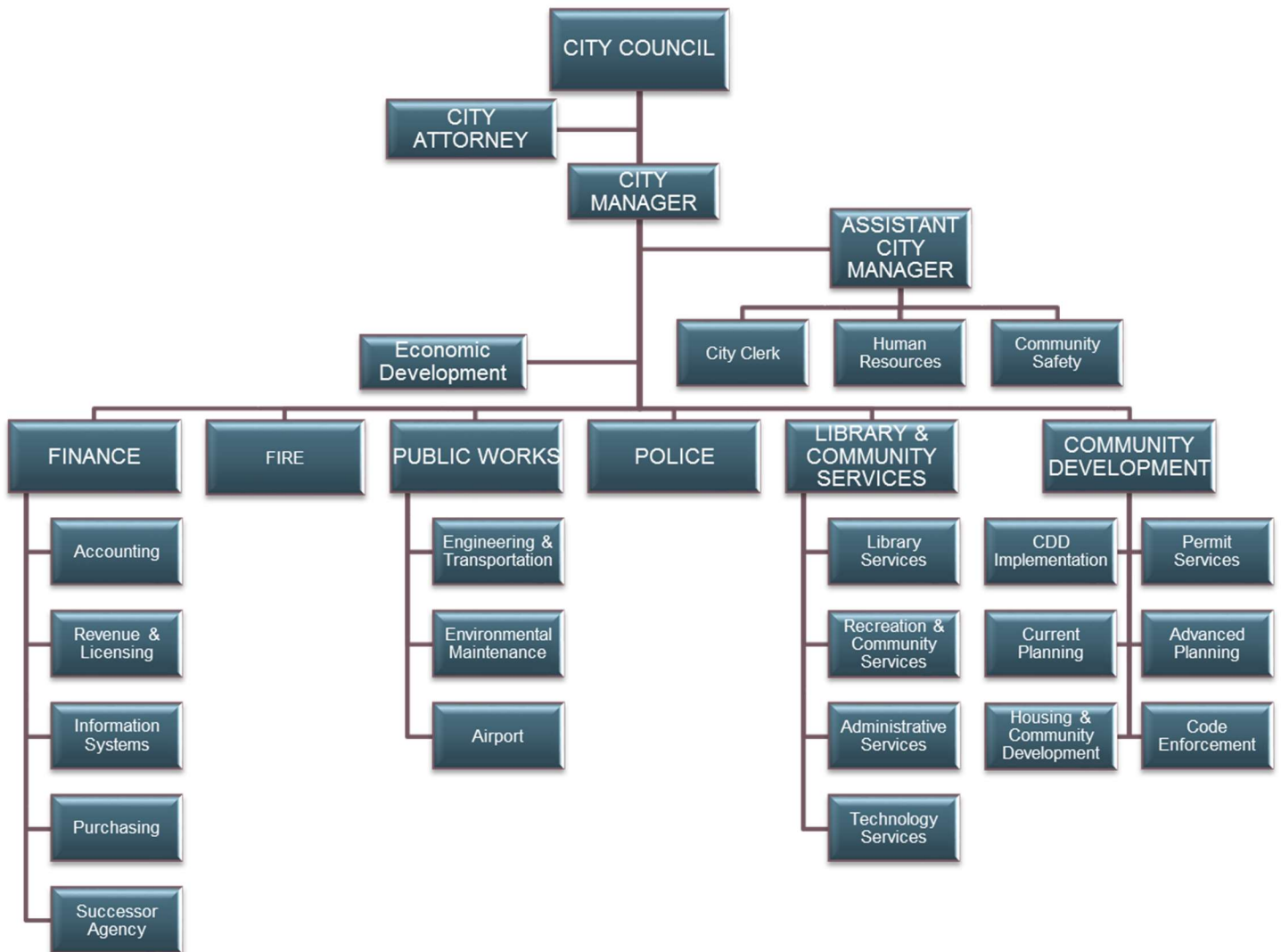
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Matt N. Pressey, CPA
Finance Director

City of Salinas Organization Chart



City of Salinas

List of Principal Officials



Joe Gunter

Mayor

Scott Davis

Councilmember
District 1

Gloria De La Rosa

Councilmember
District 4

Tony Barrera

Councilmember
District 2

Kimbley Craig

Councilmember
District 5

Steve McShane

Councilmember
District 3

John "Tony" Villegas

Councilmember
District 6

Ray E. Corpuz, Jr.

City Manager

Christopher A. Callihan

City Attorney

Jim Pia

Assistant City Manager

Gary E. Petersen

Public Works Director

Cary Ann Siegried

Library and Community
Services Director

Megan Hunter

Community
Development Director

Adele Fresé

Chief of Police

Edmond A. Rodriguez

Fire Chief

Matt N. Pressey, CPA

Finance Director



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McGilloway | Ray
Brown | Kaufman

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Fax 831-373-3437

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Salinas, CA 93901
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3478 Buskirk Avenue, Suite 1000
Pleasant Hill, CA 94523
831-373-3337
Fax 831-373-3437

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the 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 (the City), as of and for the year ended June 30, 2016, 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.

Daniel M. McGilloway, Jr., CPA, CVA | Gerald C. Ray, CPA | Patricia M. Kaufman, CPA, CGMA
Larry W. Rollins, CPA | Jesus Montemayor, CPA

Sarita C. Shannon, CPA | Whitney Ernest, CPA | Devlyn MacBeth, CPA
Smriti Shrestha, CPA | Wei Ding, CPA | Mark Moran, CPA, CFE | Mohamed Elkadi, CPA

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Principle

As described in Note 1, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and amendments to Certain Provisions of GASB Statements 67 and 68*. 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 the management's discussion and analysis, budgetary comparison schedules for the General Fund, Measure V, Measure G and Special Revenue Funds – Housing and Urban Development Fund and Development Fees Fund, schedule of funding progress for other post employment benefits, claims development for Internal Services Funds, pension schedule of changes in net pension liability and related ratios, and related pension schedule of plan contributions, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements and the General, Measure V & Measure G Funds combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor and the General, Measure V & Measure G Funds combining 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 and the General, Measure V & Measure G Funds combining statements financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

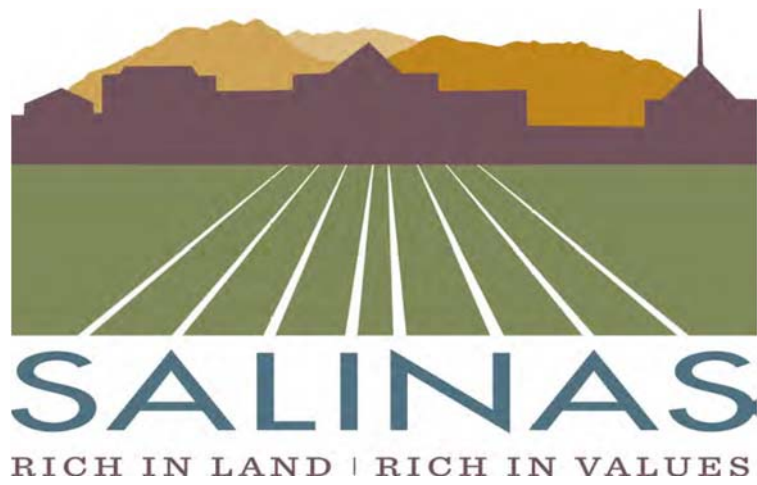
The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Salinas, California's internal control over financial reporting and compliance.

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

McGilloway, Ray, Brown & Kaufman
Salinas, California
March 21, 2017



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CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2016

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, 2016. 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, 2016, the City's net position (excess of assets over liabilities) was \$156.6 million. Of this amount, \$284.1 million are invested in capital assets and restricted assets, which is offset by a deficit of \$127.5 million classified as unrestricted assets.
- During the fiscal year ended June 30, 2016, the City's total net position increased by \$14.8 million. This change primarily results from the first full year of the Measure G transactions and use tax.
- During the fiscal year fund balances increased \$2.6 million to \$79.5 million for governmental funds, of which \$77.8 million is either nonspendable, restricted, committed, or assigned and thus unavailable.
- During the fiscal year the General Fund, Measure V, and Measure G fund balance increased \$15.2 million to \$33.3 million of which \$30.2 million is either nonspendable, restricted, committed, or assigned. Unassigned General Fund, Measure V & Measure G Fund fund balance was \$3.0 million.
- The City's total liabilities increased by \$21.3 million during the current fiscal year. Governmental Activities increased by \$17.9 million and Business-type Activities increased \$3.3 million. The long-term debt increased \$18 million as a result of increases in Net Pension Liability of \$21.7 million coupled with a decrease of \$3.6 million from regularly scheduled debt service repayments in both Governmental and Business-type Activities.
- The City's capital assets, net of depreciation, increased \$16.7 million to \$319.6 million.

B. OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2016

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, 2016

Fund Financial Statements

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

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

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

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

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

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

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2016

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

Required Supplementary Information

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

Other Supplementary Information

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

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Position

Net position is a good indicator of the City's financial position. During this fiscal year, the net position of the City increased \$14.8 million (10.4%) over the prior year from \$141.8 to \$156.6 million.

At June 30, 2016, the largest portion of net position (150.5%) 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.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2016

The following is the Condensed Statement of Net Position for the fiscal years ended June 30, 2016 and 2015:

City of Salinas							
Condensed Statements of Net Position							
June 30, 2016							
	Governmental Activities		Business-type Activities		Total		Percent
	2016	2015	2016	2015	2016	2015	of Total
Assets:							
Current assets	\$ 106,049,329	\$ 86,503,477	\$ 15,464,097	\$ 10,863,435	\$ 121,513,426	\$ 97,366,912	26.2 %
Other assets	20,981,642	39,355,949	2,048,086	2,908,348	23,029,728	42,264,297	5.0 %
Capital assets, net	190,320,369	172,551,548	129,283,182	130,343,824	319,603,551	302,895,372	68.9 %
Total assets	317,351,340	298,410,974	146,795,365	144,115,607	464,146,705	442,526,581	100.1 %
Deferred outflows of resources							
Related to pensions	17,500,331	10,951,364	188,738	163,475	17,689,069	11,114,839	95.4 %
Reacquisition costs	464,549	312,794	397,018	393,411	861,567	706,205	4.6 %
Total deferred outflows of resources	17,964,880	11,264,158	585,756	556,886	18,550,636	11,821,044	100.0 %
Liabilities:							
Current liabilities	8,782,937	12,243,040	1,580,907	1,025,636	10,363,844	13,268,676	3.3 %
Other liabilities	44,622,047	42,698,545	4,210,000	-	48,832,047	42,698,545	15.7 %
LTD - due in one year	4,900,637	4,126,334	1,810,817	1,339,460	6,711,454	5,465,794	2.2 %
Long-term liabilities	201,542,504	182,867,058	42,669,113	44,554,189	244,211,617	227,421,247	78.7 %
Total liabilities	259,848,125	241,934,977	50,270,837	46,919,285	310,118,962	288,854,262	99.9 %
Deferred outflows of resources							
Related to pensions	15,731,600	23,306,419	269,093	380,038	16,000,693	23,686,457	100.0 %
Total deferred outflows of resources	15,731,600	23,306,419	269,093	380,038	16,000,693	23,686,457	100.0 %
Net Position:							
Net investment in Capital Assets	149,110,836	129,351,447	86,565,608	86,052,822	235,676,444	215,404,269	150.5 %
Restricted	44,746,885	56,799,569	3,696,823	7,840,011	48,443,708	64,639,580	30.9 %
Unrestricted	(134,121,226)	(141,717,280)	6,578,760	3,480,337	(127,542,466)	(138,236,943)	(81.5) %
Total Net Position	\$ 59,736,495	\$ 44,433,736	\$ 96,841,191	\$ 97,373,170	\$ 156,577,686	\$ 141,806,906	99.9 %

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2016

Statement of Activities

The following is the Condensed Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2016 and 2015:

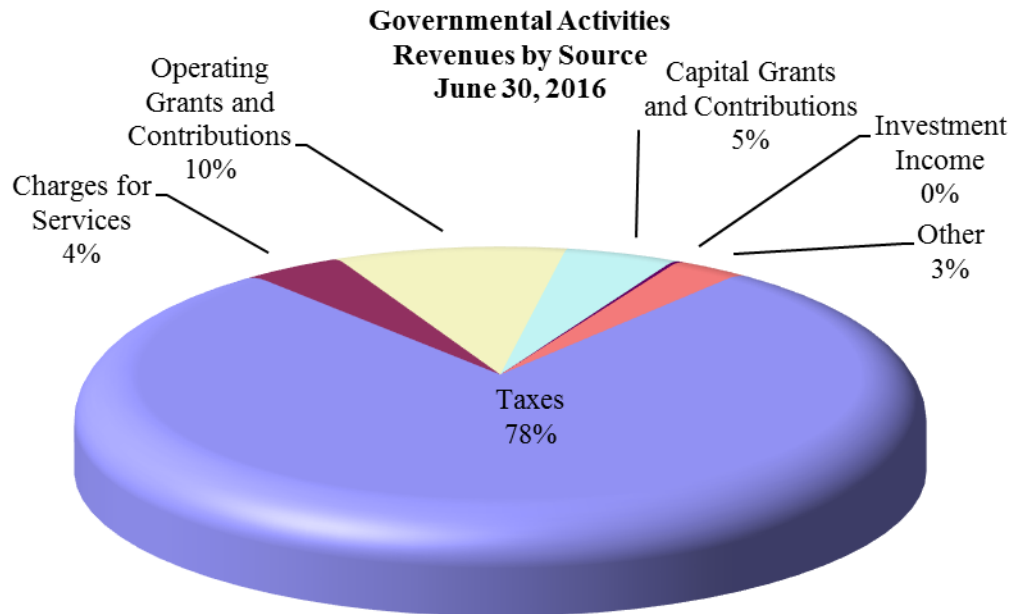
City of Salinas						
Condensed Statement of Activities and Changes in Net Position						
For the Fiscal Year Ended June 30, 2016						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services	\$ 6,142,234	\$ 5,591,738	\$ 8,163,370	\$ 7,873,379	\$ 14,305,604	\$ 13,465,117
Operating Grants & Contributions	14,755,844	15,492,374	187,300	666,321	14,943,144	16,158,695
Capital Grants & Contributions	7,157,468	8,020,484	2,608,336	2,713,634	9,765,804	10,734,118
General Revenues:						
Taxes	115,991,939	91,510,000	-	-	115,991,939	91,510,000
Licenses & Permits	1,591,305	1,469,919	-	-	1,591,305	1,469,919
Fines & Forfeitures	60,235	289,055	-	-	60,235	289,055
Grants & Contributions						
not Restricted	62,425	64,142	-	-	62,425	64,142
Unrestricted Investment Earnings	304,982	137,041	106,627	71,326	411,609	208,367
Rental income	380,900	340,695	-	-	380,900	340,695
Gain (Loss) on Disposal of Assets	2,239,354	(55,044)	-	-	2,239,354	(55,044)
Loan Proceeds	-	21,908,000	-	-	-	21,908,000
Loans Receivable Forgiven	-	-	-	-	-	-
Housing loan repayment from/to						
Successor Agency	(191,154)	646,438	-	-	(191,154)	646,438
Miscellaneous	329,155	223,105	-	-	329,155	223,105
Total Revenues	148,824,687	145,637,947	11,065,633	11,324,660	159,890,320	156,962,607
Expenses						
General Government	19,490,202	19,802,892	1,964,512	1,889,261	21,454,714	21,692,153
Public Safety	62,638,325	84,980,933	-	-	62,638,325	84,980,933
Public Works	27,404,431	26,516,376	11,007,083	10,441,791	38,411,514	36,958,167
Recreation	2,855,704	3,842,926	891,129	869,640	3,746,833	4,712,566
Library	4,501,230	4,285,395	-	-	4,501,230	4,285,395
Interest	1,486,654	1,742,682	-	-	1,486,654	1,742,682
Total Expenses	118,376,546	141,171,204	13,862,724	13,200,692	132,239,270	154,371,896
Increase (decrease) in Net Position						
before Contributions and						
Transfers	30,448,141	4,466,743	(2,797,091)	(1,876,032)	27,651,050	2,590,711
Contributions	-	-	950,535	1,169,706	950,535	1,169,706
Issuance cost of refinancing	-	-	-	-	-	-
Transfers	(1,290,241)	(1,903,952)	1,314,577	730,203	24,336	(1,173,749)
	(1,290,241)	(1,903,952)	2,265,112	1,899,909	974,871	(4,043)
Increase (decrease) in Net Position	29,157,900	2,562,791	(531,979)	23,877	28,625,921	2,586,668
Net Position - Beginning of Year	44,433,736	184,174,797	97,373,170	99,327,740	141,806,906	283,502,537
Prior Period Adjustment	(13,855,141)	(142,303,852)	-	(1,978,447)	(13,855,141)	(144,282,299)
Net Position -						
Beginning of Year as restated	30,578,595	41,870,945	97,373,170	97,349,293	127,951,765	139,220,238
Net Position - Ending	\$ 59,736,495	\$ 44,433,736	\$ 96,841,191	\$ 97,373,170	\$ 156,577,686	\$ 141,806,906

Total revenues increased from the prior year by \$2.9 million, or 1.9% and total expenditures decreased by \$16.1 million from prior year, or 10.4%. Further analysis is provided within the governmental and business-type activities sections.

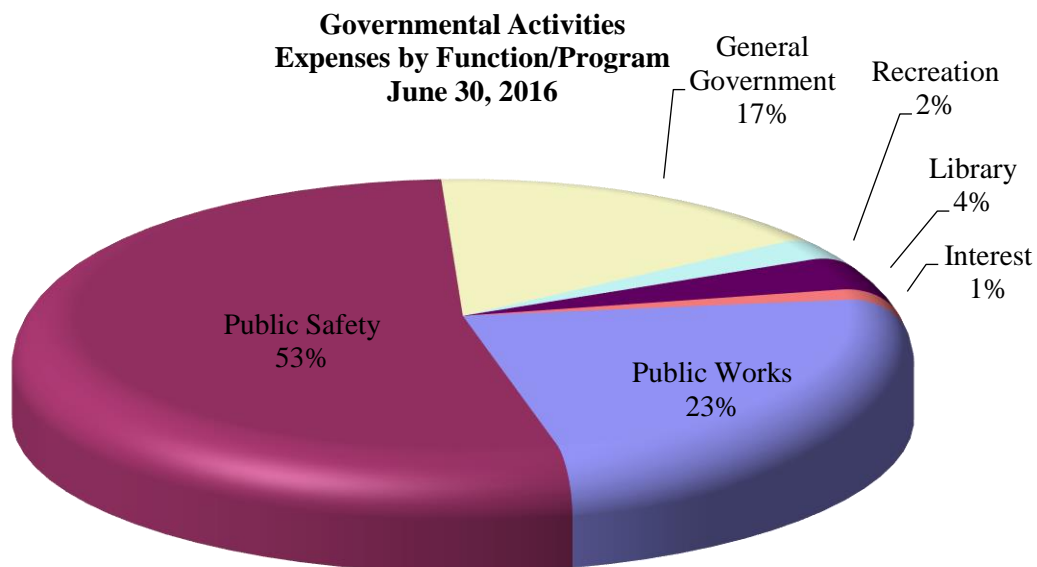
CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2016

Governmental Activities

Governmental activities resources total \$148.8 million. The City's governmental activities increased net position by \$29.2 million. The following charts highlight the sources of revenues and purpose of expenses:



Total expenses for governmental activities, excluding transfers and contributions, were \$118.4 million including interest on long-term debt of \$1.5 million. Total expenditures that were funded by tax revenues, investment income and other general revenues were \$116.9 million.



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2016

Functional expenses for the year ended June 30, 2016 were as follows:

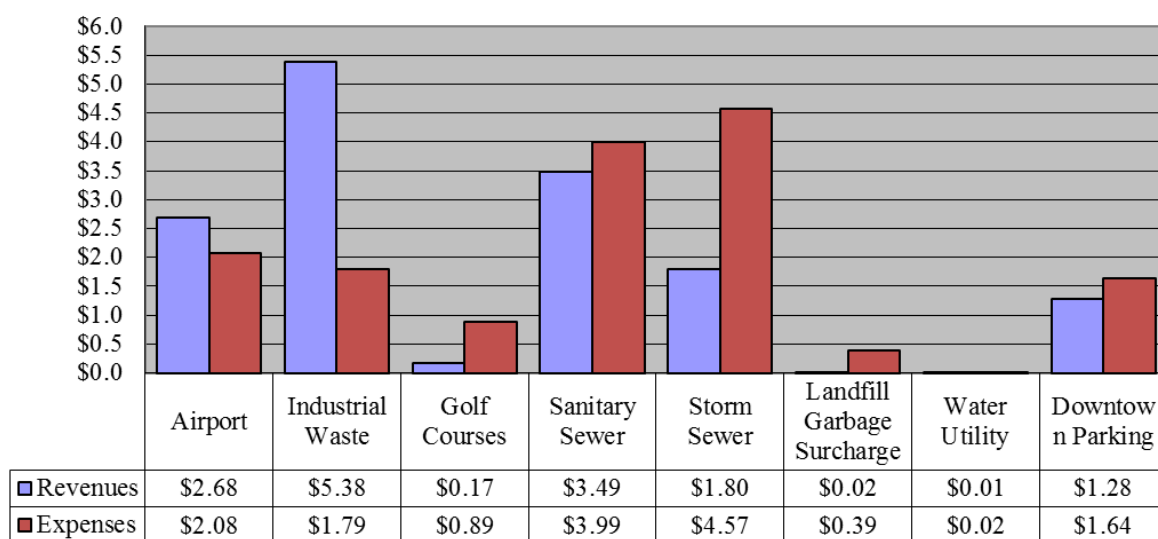
	Total Cost of Services	Percent	Net Cost of Services	Percentage
General government	\$ 19,490,202	16.5 %	\$ 10,490,317	11.6 %
Public safety	62,638,325	52.9 %	54,464,917	60.3 %
Public works	27,404,431	23.2 %	17,413,222	19.3 %
Recreation	2,855,704	2.4 %	2,523,212	2.8 %
Library	4,501,230	3.8 %	3,942,678	4.4 %
Interest	1,486,654	1.3 %	1,486,654	1.6 %
Total	<u>\$ 118,376,546</u>	<u>100 %</u>	<u>\$ 90,321,000</u>	<u>100 %</u>

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 \$90.3 million.

Business-Type Activities

The City's business-type activities net position was \$96.8 million, a slight decrease of \$0.5 million from the prior fiscal year. Total revenues for business-type activities were \$11.1 million. The largest program revenues were charges for services of \$8.1 million. Other program revenues included operating/capital grants and contributions of \$2.8 million. Total expenses for the business-type activities were \$13.9 million during FY 2015-16.

**Business -Type Activities
Revenues, Expenses (in millions)
June 30, 2016**



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2016

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 \$79.5 million. Of the total fund balance, \$10.7 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, \$37.2 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 \$15.9 million was restricted for future development, \$5.3 million for maintenance districts, \$1.3 million for street repairs, \$1.6 million for aviation projects, \$6.6 million for debt service, and \$2.1 million for public safety purposes. The remainder of the restrictions in the amount of \$2.5 million is restricted for various purposes as listed in the Fund Balance footnote. Committed fund balance totaled \$14.8 million and 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 \$2.0 million committed fund balance is committed for capital projects. Assigned fund balance totaled \$15.0 million. The remaining fund balance of \$1.7 million is unassigned and mainly includes the unassigned fund balance of the Measure V Fund of \$4.7 million and the General Fund of \$4.6 million.

The General Fund is the chief operating fund of the City. The General, Measure V and Measure G Funds' fund balance increased by \$15.2 million in FY 2015-16 to \$33.3 million, of which \$4.2 million was nonspendable and indicates the resources are nonspendable inventory and advances and are not anticipated to be liquidated in the near-term. The \$12.8 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 \$13.2 million and have been allocated by the City Council for specific capital and operational needs. The remaining fund balance of \$3.0 million is unassigned.

Proprietary Funds

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

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2016

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended General, Measure V, and Measure G Fund budget, including transfers in and advances, totaled \$122.9 million.

Significant Appropriations Increases/Decreases

Appropriations during the year were adjusted upward by \$18.3 million, of which, \$15.6 million were related to transfers for capital projects and \$2.7 million in operational changes. Estimated revenue was adjusted upward by \$1.1 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, 2016 and 2015:

City of Salinas' Capital Assets						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 22,227,843	\$ 22,769,197	\$ 3,632,339	\$ 3,632,339	\$ 25,860,182	\$ 26,401,536
Buildings	47,231,737	47,181,218	27,266,967	27,231,159	74,498,704	74,412,377
Improvements	14,055,003	13,959,337	16,661,965	16,183,015	30,716,968	30,142,352
Equipment	33,681,561	29,369,357	8,589,068	7,647,612	42,270,629	37,016,969
Infrastructure	236,461,068	231,208,257	236,689,232	222,230,857	473,150,300	453,439,114
Construction in Progress	31,292,127	14,354,532	5,822,746	16,557,938	37,114,873	30,912,470
	384,949,339	358,841,898	298,662,317	293,482,920	683,611,656	652,324,818
Accumulated Depreciation	(194,628,970)	(186,290,350)	(169,379,135)	(163,139,096)	(364,008,105)	(349,429,446)
	<u>\$ 190,320,369</u>	<u>\$ 172,551,548</u>	<u>\$ 129,283,182</u>	<u>\$ 130,343,824</u>	<u>\$ 319,603,551</u>	<u>\$ 302,895,372</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, 2016, net capital assets of the Governmental Activities totaled \$190.3 million and the net capital assets of the Business-type Activities totaled \$129.3 million. During FY 2002-03, American Appraisal Associates were hired to conduct an inventory and valuation of all the City's capital assets. Finance Department staff maintains and updates the Capital Assets inventory by recording all assets acquired or retired at the end of every fiscal year and performs rotating spot inventories each year. The City has elected to report and depreciate all infrastructures.

Governmental activities acquired \$26.1 million of capital assets during the year. The acquisitions include \$16.9 million in construction in progress, \$5.2 million in infrastructure improvements, \$4.3 million in machinery and equipment, \$0.1 million in buildings and improvements and a decrease in land by \$0.5 million.

Overall, Business-type Activities had a net decline in capital assets by \$1.1 million. The City acquired \$3.4 million of capital assets during the year. The acquisitions mainly include \$2.1 million in construction in progress, \$1.9 million in infrastructure improvements, and \$0.9 million in machinery and equipment.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2016

Long-Term Obligations

As of June 30, 2016, the City had \$250.9 million in long-term debt.

City of Salinas' Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2016	2016	2015
Annual Leave	\$ 9,385,555	\$ 9,801,634	\$ 294,444	\$ 247,384	\$ 9,679,999	\$ 10,049,018
Estimated Insurance Claims	2,713,590	3,135,878	-	-	2,713,590	3,135,878
New York Life Net Pension Obligation	-	25,921	-	-	-	25,921
Capital Leases	28,479,082	27,734,363	12,663,862	12,915,781	41,142,944	40,650,144
Loans and Notes	-	-	4,000,000	4,019,295	4,000,000	4,019,295
Revenue Bonds	-	-	16,600,000	16,950,000	16,600,000	16,950,000
Certificates of Participation	7,035,000	8,215,000	8,945,000	9,880,000	15,980,000	18,095,000
Assessment District Bonds	6,160,000	7,120,000	-	-	6,160,000	7,120,000
Unamortized Bond Premium	-	-	138,154	148,782	138,154	148,782
Unamortized Bond Discount	-	(90,273)	-	(45,669)	-	(135,942)
Subtotal	53,773,227	55,942,523	42,641,460	44,115,573	96,414,687	100,058,096
Net Pension Liability	152,669,914	131,050,869	1,838,470	1,778,076	154,508,384	132,828,945
Total outstanding debt	\$ 206,443,141	\$ 186,993,392	\$ 44,479,930	\$ 45,893,649	\$ 250,923,071	\$ 232,887,041

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

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For FY 2016-17 and beyond, the City is still faced with the challenges of rising costs and 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 \$23 million a year, which began in April 2015. Furthermore, the City was successful in the passage of Measure H, which modernizes the Utility Users Tax for telecommunications and video services, which could bring in an additional \$1 million a year and will grow over time. Furthermore, the housing market has improved more than expected in FY 2015-16 and FY 2016-17, with assessed values increasing more than 6.49% and 4.60%, respectively.

From an efficiency and reallocation of resources standpoint, the City has been working hard on several fronts to collaboratively and creatively reduce, control costs and strategically realign the allocation of existing resources. The City has implemented priority based budgeting, further expending and deploying economic development efforts, and implementing new technology to improve the workforce efficiency and effectiveness in administrative functions and service delivery and has worked hard on pension reform, reaching a forth tier of reform in the last fiscal year. 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 65 active federal and

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2016

state grants that total over \$45 million and over 50 active collaborative relationships with other organizations that bring millions in resources to the City and service to the community. Given the efforts underway and the improved revenue forecast, the future outlook is very positive.

H. REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



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GOVERNMENT-WIDE FINANCIAL STATEMENTS



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CITY OF SALINAS
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 82,826,068	\$ 13,981,327	\$ 96,807,395
Receivables, net of allowance			
Taxes	18,566,863	-	18,566,863
Accounts	146,606	1,452,671	1,599,277
Accrued interest	970,197	21,512	991,709
Due from outside agencies	5,037,723	-	5,037,723
Due from other funds	718,230	(718,230)	-
Internal balances	4,210,000	(4,210,000)	-
Inventory	16,413	-	16,413
Restricted cash and investments	1,469,744	1,902,100	3,371,844
Assessments receivable	6,160,000	-	6,160,000
Loan receivables, net of allowance	4,351,273	-	4,351,273
Prepaid bond insurance	50,301	154,573	204,874
Land and properties held for resale	2,507,553	-	2,507,553
Capital assets			
Land and nondepreciable assets	53,519,970	9,455,085	62,975,055
Depreciable assets, net of accumulated depreciation	136,800,399	119,828,097	256,628,496
Total assets	317,351,340	141,867,135	459,218,475
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	17,500,331	188,738	17,689,069
Loss on refunding of debt	464,549	397,018	861,567
Total deferred outflows of resources	17,964,880	585,756	18,550,636
Total assets and deferred outflows	335,316,220	142,452,891	477,769,111
LIABILITIES			
Accounts payable	8,523,625	328,056	8,851,681
Accrued interest payable	250,397	508,712	759,109
Prepaid deposits	8,915	25,909	34,824
Unearned revenues	9,456,998	-	9,456,998
Long term liabilities			
Debt due within one year	4,900,637	1,810,817	6,711,454
Debt due in more than one year	48,872,590	40,830,643	89,703,233
Insurance claims payable	25,168,324	-	25,168,324
Net OPEB obligation	9,996,725	-	9,996,725
Net pension liability	152,669,914	1,838,470	154,508,384
Total liabilities	259,848,125	45,342,607	305,190,732
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	15,731,600	269,093	16,000,693
Total deferred inflows of resources	15,731,600	269,093	16,000,693
NET POSITION			
Net investment in capital assets	149,110,836	86,565,608	235,676,444
Restricted for:			
Housing	11,273,949	-	11,273,949
Capital projects	5,981,824	-	5,981,824
Highways and streets	18,217,963	-	18,217,963
Debt service	6,615,127	3,696,823	10,311,950
Special programs	2,658,022	-	2,658,022
Total restricted assets	44,746,885	3,696,823	48,443,708
Unrestricted net position (deficit)	(134,121,226)	6,578,760	(127,542,466)
Total net position	\$ 59,736,495	\$ 96,841,191	\$ 156,577,686

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

FUNCTION/PROGRAM ACTIVITIES	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 19,490,202	\$ 4,486,686	\$ 4,513,199	\$ -	\$ (10,490,317)	\$ -	\$ (10,490,317)
Public safety	62,638,325	1,375,902	6,552,365	245,141	(54,464,917)	-	(54,464,917)
Public works	27,404,431	7,752	3,198,235	6,785,222	(17,413,222)	-	(17,413,222)
Recreation	2,855,704	231,823	42,696	57,973	(2,523,212)	-	(2,523,212)
Library	4,501,230	40,071	449,349	69,132	(3,942,678)	-	(3,942,678)
Interest on long-term debt	1,486,654	-	-	-	(1,486,654)	-	(1,486,654)
Total governmental activities	118,376,546	6,142,234	14,755,844	7,157,468	(90,321,000)	-	(90,321,000)
Business-type activities:							
Airport	1,964,512	1,488,053	27,300	1,161,735	-	712,576	712,576
Industrial waste	1,707,204	2,787,571	-	1,679,492	-	2,759,859	2,759,859
Municipal golf courses	891,129	-	160,000	-	-	(731,129)	(731,129)
Sanitary sewer	3,473,647	3,452,153	-	(232,891)	-	(254,385)	(254,385)
Storm sewer	4,173,856	99,136	-	-	-	(4,074,720)	(4,074,720)
Landfill garbage surcharge	-	-	-	-	-	-	-
Water utility	17,165	6,898	-	-	-	(10,267)	(10,267)
Downtown parking	1,635,211	329,559	-	-	-	(1,305,652)	(1,305,652)
Total business-type activities	13,862,724	8,163,370	187,300	2,608,336	-	(2,903,718)	(2,903,718)
Total primary government	\$ 132,239,270	\$ 14,305,604	\$ 14,943,144	\$ 9,765,804	(90,321,000)	(2,903,718)	(93,224,718)
General revenues and transfers:							
Taxes					115,991,939	-	115,991,939
Licenses, permits, fines and forfeitures					1,651,540	-	1,651,540
Grants and Contributions not Restricted to Specific Programs					62,425	-	62,425
Unrestricted investment earnings					304,982	106,627	411,609
Miscellaneous					329,155	-	329,155
Rental income					380,900	-	380,900
Gain (loss) on disposal of assets					2,239,354	-	2,239,354
Contributions for parking structure debt					-	950,535	950,535
Housing loan repayment to Successor Agency					(191,154)	-	(191,154)
Transfers					(1,290,241)	1,314,577	24,336
Total general revenues and transfers					119,478,900	2,371,739	121,850,639
Change in net position					29,157,900	(531,979)	28,625,921
Net position - beginning of year					44,433,736	97,373,170	141,806,906
Prior period adjustment - Note 21					(13,855,141)		(13,855,141)
Net position - beginning of year, as restated					30,578,595	97,373,170	127,951,765
Net position - end of year					\$ 59,736,495	\$ 96,841,191	\$ 156,577,686

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS



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GOVERNMENTAL FUNDS

GENERAL, MEASURE V, & MEASURE G FUND

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

SPECIAL REVENUE FUNDS

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

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

DEBT SERVICE FUNDS

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

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

CAPITAL PROJECT FUNDS

Capital Projects Funds are used to account for major capital acquisition and construction activities. The following fund has been classified as a major fund:

Special Construction Assistance – This fund accounts for proceeds of long-term borrowings resulting from the sale of Certificates of Participation to finance the acquisition and construction of capital projects.



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CITY OF SALINAS
STATEMENT OF FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General, Measure V, & Measure G	Development Fees	Assessment District Debt Service	Special Construction Assistance	Non-Major Governmental Funds	Total
ASSETS						
Cash and investments	\$ 32,887,811	\$ 15,940,756	\$ 1,485,784	\$ 2,176,035	\$ 20,740,154	\$ 73,230,540
Receivables, net:						
Taxes	18,343,479	-	-	-	-	18,343,479
Accounts	146,606	-	-	-	-	146,606
Accrued interest	76,112	24,758	-	-	859,825	960,695
Assessments	-	-	6,160,000	-	-	6,160,000
Due from outside agencies	75,000	-	-	2,508,249	2,454,474	5,037,723
Due from other funds	3,681,038	-	-	-	1,345,002	5,026,040
Inventory	16,413	-	-	-	-	16,413
Restricted cash and investments	-	-	277,752	-	869,128	1,146,880
Loan receivables	-	-	-	-	4,351,273	4,351,273
Advances to other funds	4,210,000	-	-	-	-	4,210,000
Land and properties held for resale	-	-	-	-	2,507,553	2,507,553
Total assets	<u>\$ 59,436,459</u>	<u>\$ 15,965,514</u>	<u>\$ 7,923,536</u>	<u>\$ 4,684,284</u>	<u>\$ 33,127,409</u>	<u>\$ 121,137,202</u>
LIABILITIES						
Accounts payable	\$ 6,358,165	\$ -	\$ 16,500	\$ 250,609	\$ 1,866,087	\$ 8,491,361
Deposits	8,915	-	-	-	-	8,915
Due to other funds	19,813,674	44,876	-	1,315,652	2,177,621	23,351,823
Unearned revenues	-	-	-	2,366,296	828,881	3,195,177
Total liabilities	<u>26,180,754</u>	<u>44,876</u>	<u>16,500</u>	<u>3,932,557</u>	<u>4,872,589</u>	<u>35,047,276</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - housing loans	-	-	-	-	344,702	344,702
Unavailable revenues - grants	-	-	-	-	101,820	101,820
Unavailable revenues - special assessment receivable	-	-	6,160,000	-	-	6,160,000
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>6,160,000</u>	<u>-</u>	<u>446,522</u>	<u>6,606,522</u>
FUND BALANCE						
Nonspendable	4,226,413	-	-	-	6,514,124	10,740,537
Restricted	-	15,920,638	1,747,036	-	19,569,663	37,237,337
Committed	12,819,700	-	-	-	2,000,000	14,819,700
Assigned	13,169,516	-	-	751,727	1,042,481	14,963,724
Unassigned	3,040,076	-	-	-	(1,317,970)	1,722,106
Total fund balance	<u>33,255,705</u>	<u>15,920,638</u>	<u>1,747,036</u>	<u>751,727</u>	<u>27,808,298</u>	<u>79,483,404</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 59,436,459</u>	<u>\$ 15,965,514</u>	<u>\$ 7,923,536</u>	<u>\$ 4,684,284</u>	<u>\$ 33,127,409</u>	<u>\$ 121,137,202</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, 2016

Total fund balances - total governmental funds (page F-27)	\$ 79,483,404
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.	190,320,369
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.	(250,397)
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.	344,701
Taxes receivable not collectible within sixty days are not available to pay current period expenditures and, therefore, are not reported in the funds.	223,384
Internal service funds are used by management to charge the costs of insurance programs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net position.	3,766,807
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	\$ (9,381,043)
Estimated insurance claims	(2,713,590)
Net pension liability	(152,669,914)
Capital leases	(28,479,082)
Certificates of participation	(7,035,000)
Assessment bonds	<u>(6,160,000)</u>
	(206,438,629)
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.	(9,996,725)
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	514,850
Deferred inflows and outflows	
The deferred outflows below are not current assets or financial resources; and the deferred inflows are not due and payable in the current period, and therefore are not reported in the Governmental Funds	
Deferred outflows	17,500,331
Deferred inflows	<u>(15,731,600)</u>
Net position of governmental activities (page F-21)	<u><u>\$ 59,736,495</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, 2016

	General Measure V, & Measure G	Development Fees	Assessment District Debt Service	Special Construction Assistance	Non-Major Governmental Funds	Total
REVENUES						
Taxes	\$ 115,987,206	\$ -	\$ -	\$ -	\$ 601,633	\$ 116,588,839
Taxes - special assessments	-	-	1,171,683	-	1,661,642	2,833,325
Licenses and permits	1,591,305	-	-	-	-	1,591,305
Intergovernmental	1,201,899	-	-	3,777,930	12,259,625	17,239,454
Charges for services	4,427,695	1,144,892	-	198,457	8,316	5,779,360
Interest	304,982	108,176	-	-	159,071	572,229
Rental income	380,900	-	-	-	194,224	575,124
Fines and forfeits	60,235	-	-	-	414,212	474,447
Developer contributions	-	-	-	521,564	-	521,564
Miscellaneous	329,155	-	-	-	397,193	726,348
Total revenues	<u>124,283,377</u>	<u>1,253,068</u>	<u>1,171,683</u>	<u>4,497,951</u>	<u>15,695,916</u>	<u>146,901,995</u>
EXPENDITURES						
Current:						
General government	18,525,311	-	-	-	1,777,539	20,302,850
Public safety	60,792,599	-	-	-	3,875,422	64,668,021
Public works	11,594,567	-	-	-	1,198,243	12,792,810
Recreation	1,930,449	-	-	-	-	1,930,449
Library	3,977,832	-	-	-	538,500	4,516,332
Capital outlay	1,662,023	174,690	-	20,103,629	15,016,086	36,956,428
Debt service:						
Principal retirement	-	-	960,000	-	8,340,000	9,300,000
Interest and fiscal charges	-	-	410,865	-	1,449,471	1,860,336
Total expenditures	<u>98,482,781</u>	<u>174,690</u>	<u>1,370,865</u>	<u>20,103,629</u>	<u>32,195,261</u>	<u>152,327,226</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>25,800,596</u>	<u>1,078,378</u>	<u>(199,182)</u>	<u>(15,605,678)</u>	<u>(16,499,345)</u>	<u>(5,425,231)</u>
OTHER FINANCING SOURCES (USES)						
Loan proceeds	-	-	-	-	7,035,000	7,035,000
Proceeds from sale of land	-	-	-	-	2,826,837	2,826,837
Housing loan repayment from Successor Agency	-	-	-	-	293,562	293,562
Loan repayment to Successor Agency	-	-	-	-	(484,716)	(484,716)
Operating transfers in	3,907,000	-	-	16,694,323	21,270,325	41,871,648
Operating transfers out	(14,551,850)	(690,529)	-	(1,365,249)	(26,897,261)	(43,504,889)
Total other financing sources (uses)	<u>(10,644,850)</u>	<u>(690,529)</u>	<u>-</u>	<u>15,329,074</u>	<u>4,043,747</u>	<u>8,037,442</u>
NET CHANGE IN FUND BALANCE	<u>15,155,746</u>	<u>387,849</u>	<u>(199,182)</u>	<u>(276,604)</u>	<u>(12,455,598)</u>	<u>2,612,211</u>
FUND BALANCE, BEGINNING OF YEAR	<u>18,099,959</u>	<u>15,532,789</u>	<u>1,946,218</u>	<u>1,028,331</u>	<u>40,263,896</u>	<u>76,871,193</u>
FUND BALANCE, END OF YEAR	<u>\$ 33,255,705</u>	<u>\$ 15,920,638</u>	<u>\$ 1,747,036</u>	<u>\$ 751,727</u>	<u>\$ 27,808,298</u>	<u>\$ 79,483,404</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, 2016

Net change in fund balance - total governmental funds (page F-29)	\$ 2,612,211
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.	17,768,821
Net increase (decrease) in taxes receivable not collectible within sixty days.	4,732
Unearned revenues of new housing loans are reported in the statement of net position.	1,899,427
Principal payments on housing loans are reported in the statement of net position.	(130,239)
Reporting of loan receivables at realizable value requires an allowance to be made.	(1,452,822)
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	\$ 842,882
New York Life pension obligation	25,921
Capital leases	(744,720)
Certificates of participation	1,180,000
Assessment district 1915 act bonds	960,000
	2,264,083
Net Other Post Employment Benefits (OPEB) expenses are recognized in government-wide statements. The net OPEB obligation is the cumulative difference between annual OPEB costs and contributions made to the plan.	(1,135,185)
Pension expense does not require the use of current financial resources and therefore is not presented as an expenditure in the governmental funds.	6,359,883
Governmental funds report the effect of bond insurance costs when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net current period change in unamortized bond insurance cost.	(5,051)
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.	373,682
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.	598,358
Change in net position of governmental activities (page F-22)	\$ 29,157,900

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.

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



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CITY OF SALINAS
STATEMENT OF FUND NET POSITION (DEFICITS)
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-type Activity - Enterprise Funds									Governmental Activity
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Downtown Parking District	Totals	Internal Service Funds
ASSETS										
Current Assets:										
Cash and investments	\$ 624,466	\$ 5,215,560	\$ 419,361	\$ 4,736,485	\$ 510,220	\$ 2,430,891	\$ 44,117	\$ 227	\$ 13,981,327	\$ 9,595,528
Receivables, net										
Accounts	82,333	434,465	16,667	780,641	-	-	6,899	131,666	1,452,671	-
Accrued interest	1,188	8,330	-	7,661	452	3,881	-	-	21,512	9,502
Prepaid bond insurance	-	-	-	-	-	-	-	8,587	8,587	-
Due from general fund	-	-	-	-	-	-	-	-	-	19,044,013
Total current assets	707,987	5,658,355	436,028	5,524,787	510,672	2,434,772	51,016	140,480	15,464,097	28,649,043
Noncurrent assets:										
Restricted cash and investments	-	-	344,066	1,558,034	-	-	-	-	1,902,100	322,864
Prepaid bond insurance, long term	-	-	-	-	-	-	-	145,986	145,986	-
Capital assets										
Land and nondepreciable assets	6,400,107	1,739,254	-	1,254,598	54,426	-	-	6,700	9,455,085	-
Depreciable assets, net accumulated depreciation	11,944,875	13,413,180	2,459,547	36,579,828	44,637,219	-	77,007	10,716,441	119,828,097	-
Net capital assets	18,344,982	15,152,434	2,459,547	37,834,426	44,691,645	-	77,007	10,723,141	129,283,182	-
Total noncurrent assets	18,344,982	15,152,434	2,803,613	39,392,460	44,691,645	-	77,007	10,869,127	131,331,268	322,864
Total assets	19,052,969	20,810,789	3,239,641	44,917,247	45,202,317	2,434,772	128,023	11,009,607	146,795,365	28,971,907
DEFERRED OUTFLOWS OF RESOURCES										
Pension contributions	42,691	33,703	-	53,925	47,185	-	-	11,234	188,738	-
Loss on refunding of debt	-	-	337,003	60,015	-	-	-	-	397,018	-
Total deferred outflows of resources	42,691	33,703	337,003	113,940	47,185	-	-	11,234	585,756	-
Total assets and deferred outflows	19,095,660	20,844,492	3,576,644	45,031,187	45,249,502	2,434,772	128,023	11,020,841	147,381,121	28,971,907
LIABILITIES										
Current Liabilities:										
Accounts payable	51,282	151,708	-	43,079	60,459	-	-	21,528	328,056	32,263
Deposits	25,909	-	-	-	-	-	-	-	25,909	-
Due to other funds	-	80	-	81,491	21,744	-	-	614,915	718,230	-
Insurance claims payable	-	-	-	-	-	-	-	-	-	25,168,324
Interest payable	973	33,038	38,691	273,320	2,092	-	-	160,598	508,712	-
Long term debt - due within one year	43,507	381,465	405,000	385,657	119,887	-	-	475,301	1,810,817	903
Total current liabilities	121,671	566,291	443,691	783,547	204,182	-	-	1,272,342	3,391,724	25,201,490
Noncurrent Liabilities:										
Advance from general fund	-	-	1,950,000	-	-	-	-	2,260,000	4,210,000	-
Long term debt - due in more than one year	179,782	3,635,862	8,540,000	16,427,637	356,158	-	-	11,691,204	40,830,643	3,610
Net pension liability	415,844	328,300	-	525,275	459,618	-	-	109,433	1,838,470	-
Total noncurrent liabilities	595,626	3,964,162	10,490,000	16,952,912	815,776	-	-	14,060,637	46,879,113	3,610
Total liabilities	717,297	4,530,453	10,933,691	17,736,459	1,019,958	-	-	15,332,979	50,270,837	25,205,100
DEFERRED INFLOWS OF RESOURCES										
Pension investment earnings	60,867	48,052	-	76,884	67,273	-	-	16,017	269,093	-
Total deferred inflows	60,867	48,052	-	76,884	67,273	-	-	16,017	269,093	-
NET POSITION										
Invested in capital assets	18,198,690	11,119,396	(6,524,144)	20,961,106	44,321,010	-	77,007	(1,587,457)	86,565,608	-
Restricted	10,000	1,646,874	344,066	1,572,081	23,331	-	-	100,471	3,696,823	322,864
Unrestricted	108,806	3,499,717	(1,176,969)	4,684,657	(182,070)	2,434,772	51,016	(2,841,169)	6,578,760	3,443,943
Total net position (deficit)	\$ 18,317,496	\$ 16,265,987	\$ (7,357,047)	\$ 27,217,844	\$ 44,162,271	\$ 2,434,772	\$ 128,023	\$ (4,328,155)	\$ 96,841,191	\$ 3,766,807

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, 2016

	Business-type Activity - Enterprise Fund								Governmental Activity
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Downtown Parking District	Internal Service Funds
OPERATING REVENUES:									
Charges for services									
Fees	\$ -	\$ 2,787,571	\$ -	\$ 3,452,153	\$ 99,136	\$ -	\$ 6,898	\$ -	\$ 7,639,120
Licenses and permits	64,636	-	-	-	-	-	-	329,559	-
Rental income	1,423,417	-	160,000	-	-	-	-	-	-
Total operating revenues	1,488,053	2,787,571	160,000	3,452,153	99,136	-	6,898	329,559	7,639,120
OPERATING EXPENSES:									
Personnel services	657,872	381,582	-	890,473	1,134,418	-	-	129,245	257,752
Pension expense	(17,149)	(13,537)	-	(21,662)	(18,954)	-	-	(4,512)	-
Administration	168,184	190,362	-	168,502	197,448	-	956	70,881	-
Contractual services	188,154	64,127	79,031	21,504	66,497	-	5,942	312,284	1,216,129
Supplies	73,069	12,223	-	82,659	117,129	-	-	8,494	4,724
Insurance	25,750	18,500	-	44,800	25,900	-	-	-	571,741
Insurance claims	-	-	-	-	-	-	-	-	4,680,409
Fees and permits (taxes)	42,600	10,126	-	-	-	-	-	3,601	-
Utilities	120,762	680,545	-	108,903	999	-	-	36,167	151
Depreciation	682,882	276,020	549,467	1,505,638	2,637,132	-	10,267	578,632	-
Amortization	-	-	70,223	4,617	-	-	-	8,587	-
Other	19,083	7,440	-	3,397	6,160	-	-	-	693,601
Total operating expenses	1,961,207	1,627,388	698,721	2,808,831	4,166,729	-	17,165	1,143,379	7,424,507
Operating income (loss)	(473,154)	1,160,183	(538,721)	643,322	(4,067,593)	-	(10,267)	(813,820)	214,613
NONOPERATING REVENUES (EXPENSES)									
Investment income	5,473	33,334	12,166	35,346	2,493	17,815	-	-	40,746
Interest expense	(3,305)	(79,816)	(145,236)	(664,816)	(4,418)	-	-	(491,832)	-
Issuance cost of refinancing	-	-	(47,172)	-	-	-	-	-	-
Other nonoperating revenues (expenses)	27,300	-	-	-	(2,709)	-	-	-	-
Total nonoperating revenues (expenses)	29,468	(46,482)	(180,242)	(629,470)	(4,634)	17,815	-	(491,832)	40,746
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(443,686)	1,113,701	(718,963)	13,852	(4,072,227)	17,815	(10,267)	(1,305,652)	255,359
Contributed assets	1,161,735	1,679,492	-	(232,891)	-	-	-	-	-
Contribution for parking structure debt	-	-	-	-	-	-	-	950,535	-
Transfers in	-	876,190	-	-	1,700,000	-	-	-	343,000
Transfers out	(112,502)	(87,419)	(305)	(280,325)	(395,962)	(385,100)	-	-	-
CHANGE IN NET POSITION (DEFICIT)	605,547	3,581,964	(719,268)	(499,364)	(2,768,189)	(367,285)	(10,267)	(355,117)	598,359
NET POSITION (DEFICIT), BEGINNING OF YEAR	17,711,949	12,684,023	(6,637,779)	27,717,208	46,930,460	2,802,057	138,290	(3,973,038)	3,168,448
NET POSITION (DEFICIT), END OF YEAR	\$ 18,317,496	\$ 16,265,987	\$ (7,357,047)	\$ 27,217,844	\$ 44,162,271	\$ 2,434,772	\$ 128,023	\$ (4,328,155)	\$ 3,766,807

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, 2016**

	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
Cash flows from operating activities:										
Receipts from customers and users	\$ 1,472,697	\$ 2,669,244	\$ 160,000	\$ 2,915,809	\$ 99,136	\$ -	\$ 7,779	\$ 213,855	\$ 7,538,520	\$ 103,945
Receipts from interfund services provided	-	-	-	-	-	-	-	-	-	6,617,036
Payments to suppliers	(617,193)	(1,093,702)	(80,185)	(425,774)	(387,656)	-	(7,331)	(464,378)	(3,076,219)	(2,691,073)
Payments to employees	(654,908)	(373,577)	-	(892,294)	(1,138,534)	-	-	(135,472)	(3,194,785)	(253,237)
Payments to claimants	-	-	-	-	-	-	-	-	-	(3,462,631)
Net cash provided (used) by operating activities	200,596	1,201,965	79,815	1,597,741	(1,427,054)	-	448	(385,995)	1,267,516	314,040
Cash flows from non-capital financing activities:										
Other non-operating revenue (expenses)	-	-	(47,172)	-	(2,709)	-	-	-	(49,881)	-
Deposits	(3,450)	-	-	-	-	-	-	-	(3,450)	-
Advances due to general fund	-	-	-	-	-	-	-	272,329	272,329	-
Advances received from general fund	-	-	450,000	-	-	-	-	175,000	625,000	-
Contribution from Successor Agency	-	-	-	-	-	-	-	950,535	950,535	-
Operating transfers in	-	876,190	-	-	1,700,000	-	-	-	2,576,190	343,000
Operating transfers out	(112,502)	(87,419)	(305)	(280,325)	(395,962)	(385,100)	-	-	(1,261,613)	-
Net cash provided by (used for)										
Non-capital financing activities	(115,952)	788,771	402,523	(280,325)	1,301,329	(385,100)	-	1,397,864	3,109,110	343,000
Cash flows from capital and related financing activities:										
Acquisition of capital assets	(113,551)	(1,407,867)	-	(1,982,798)	(22,395)	-	-	(46,021)	(3,572,632)	-
Net proceeds from capital debt	-	-	(540,000)	-	-	-	-	-	(540,000)	-
Principal paid on capital debt	(27,360)	-	(395,000)	(350,000)	(104,883)	-	-	(472,295)	(1,349,538)	-
Interest paid on capital debt	(3,488)	(54,117)	(176,747)	(680,883)	(4,203)	-	-	(497,825)	(1,417,263)	-
Net cash provided (used) by capital and related financing activities	(144,399)	(1,461,984)	(1,111,747)	(3,013,681)	(131,481)	-	-	(1,016,141)	(6,879,433)	-
Cash flows from investing activities:										
Interest received	3,082	15,737	12,320	19,815	1,777	10,548	-	-	63,279	40,746
Increase (decrease) in fair value of investments	1,940	13,812	-	12,950	688	6,196	-	-	35,586	(4,463)
Transfers (to) from restricted cash	-	1,864,761	581,651	1,946,281	-	-	-	2,616	4,395,309	17,694
Net cash provided by investing activities	5,022	1,894,310	593,971	1,979,046	2,465	16,744	-	2,616	4,494,174	53,977
Net increase (decrease) in cash and cash equivalents	(54,733)	2,423,062	(35,438)	282,781	(254,741)	(368,356)	448	(1,656)	1,991,367	711,017
Cash and cash equivalents at beginning of year	679,199	2,792,498	454,799	4,453,704	764,961	2,799,247	43,669	1,883	11,989,960	8,884,511
Cash and cash equivalents at end of year	\$ 624,466	\$ 5,215,560	\$ 419,361	\$ 4,736,485	\$ 510,220	\$ 2,430,891	\$ 44,117	\$ 227	\$ 13,981,327	\$ 9,595,528

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, 2016

	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)	\$ (445,854)	\$ 1,160,183	\$ (538,721)	\$ 643,322	\$ (4,067,593)	\$ -	\$ (10,267)	\$ (813,820)	\$ (4,072,750)	\$ 214,613
Adjustments to reconcile net income to net cash provided by operating activities:										
Depreciation	682,882	276,020	549,467	1,505,638	2,637,132	-	10,267	578,632	6,240,038	-
Amortization	-	-	70,223	4,617	-	-	-	8,587	83,427	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:										
(Increase) decrease in accounts receivable	(42,656)	(118,327)	-	(536,344)	-	-	881	(115,704)	(812,150)	-
(Increase) decrease in due from general fund	-	-	-	-	-	-	-	-	-	(918,139)
(Increase) decrease in deferred outflows - pension	(5,715)	(4,511)	-	(7,218)	(6,316)	-	-	(1,503)	(25,263)	-
Increase (decrease) in accounts payable	3,142	(101,937)	(1,154)	(14,471)	9,309	-	(433)	(36,751)	(142,295)	(67,171)
Increase (decrease) in insurance claims	-	-	-	-	-	-	-	-	-	1,080,224
Increase (decrease) in accrued leave	20,231	(437)	-	16,641	13,052	-	-	(2,428)	47,059	4,513
Increase (decrease) in net pension liability	13,660	10,786	-	17,254	15,099	-	-	3,595	60,394	-
Increase (decrease) in deferred inflows - pension	(25,094)	(19,812)	-	(31,698)	(27,737)	-	-	(6,604)	(110,945)	-
Total adjustments to net income	646,450	41,782	618,536	954,419	2,640,539	-	10,715	427,824	5,340,265	99,427
Net cash provided by operating activities	\$ 200,596	\$ 1,201,965	\$ 79,815	\$ 1,597,741	\$ (1,427,054)	\$ -	\$ 448	\$ (385,996)	\$ 1,267,515	\$ 314,040

The accompanying notes are an integral part of this statement.

FIDUCIARY FUNDS

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

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

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

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



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CITY OF SALINAS
STATEMENT OF NET POSITION (DEFICIT)
FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Trust Fund	Pension Trust Fund	Agency Funds
ASSETS			
Cash and investments	\$ 4,290,441	\$ 12,770,647	\$ 457,159
Cash and investments held by fiscal agent	1,594,946	-	-
Receivables			
Accounts	5,142	-	108,383
Interest	602	3,646	201
Loans and notes receivable	184,100	-	-
Due from outside agencies	-	-	5,539
Capital assets, net of accumulated depreciation	151,946	-	-
	<u>6,227,177</u>	<u>12,774,293</u>	<u>\$ 571,282</u>
Total assets			
LIABILITIES			
Accounts payable	66,485	6,643	\$ 175,542
Interest payable	681,819	-	-
Accrued liabilities	-	-	37,127
Deposits	442	-	358,613
Long-term liabilities			
Due within one year	332,449	-	-
Due in more than one year	3,322,534	-	-
	<u>4,403,729</u>	<u>6,643</u>	<u>\$ 571,282</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Future ROPS	<u>2,209,096</u>	<u>-</u>	
Total deferred inflows of resources	<u>2,209,096</u>	<u>-</u>	
NET POSITION (DEFICIT)			
Held in trust for pension benefits and other purposes	<u>\$ (385,648)</u>	<u>\$ 12,767,650</u>	

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF CHANGES IN NET POSITION (DEFICIT)
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Private Purpose Trust Fund	Pension Trust Fund
ADDITIONS		
Taxes	\$ 2,531,152	\$ -
Rental income	24,480	-
Miscellaneous	559	30,365
	<u>2,556,191</u>	<u>30,365</u>
Total taxes, rental, and miscellaneous income		
Contributions		
Plan members	-	161,097
Private donations	2,743,632	-
	<u>2,743,632</u>	<u>161,097</u>
Total contributions		
Investment earnings		
Interest	67,714	438,030
	<u>67,714</u>	<u>438,030</u>
Net investment earnings		
Transfers in	428,770	288,948
	<u>428,770</u>	<u>288,948</u>
Total additions	<u>5,796,307</u>	<u>918,440</u>
DEDUCTIONS		
Expenses	2,870,362	-
Benefit payments	-	1,540,670
Payments on behalf of trustees	1,405,874	-
Contribution to other agencies	-	-
Transfers out	1,403,641	288,948
	<u>1,403,641</u>	<u>288,948</u>
Total deductions	<u>5,679,877</u>	<u>1,829,618</u>
CHANGE IN NET POSITION (DEFICIT)	116,430	(911,178)
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>(502,078)</u>	<u>13,678,828</u>
END OF YEAR	<u><u>\$ (385,648)</u></u>	<u><u>\$ 12,767,650</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS



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CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

A. Reporting Entity

Description of the Reporting Entity

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

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

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

Blended Component Units

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

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

- April 19, 1994 - to issue a site lease to finance the expansion of the industrial waste facility.
- September 17, 1996 - to issue Central City Revitalization Project Tax Allocation Bonds, Series A 1996.
- March 25, 1997 - issue Variable Rate Lease Revenue Bonds, Series A and B 1997.
- October 24, 1997 - to issue Certificates of Participation, Series A 1997.
- February 25, 1999 - to issue Certificates of Participation, Series A 1999.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

- 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.
- September 1, 2015 – to issue Refunding Certificates of Participation Series 2015 A and B for refunding of Certificates of Participation Series 2005 A and B.

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

Other Organizations

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

B. Financial Statement Presentation

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

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 are presented (Governmental, Proprietary and Fiduciary). The emphasis of the fund financial statements are on major governmental and enterprise funds of the City and are reported separately in the accompanying financial statements. All remaining governmental funds are separately aggregated and reported as non-major 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, Measure V, & Measure G – This fund is the primary operating fund of the City. It accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General, Measure V, & Measure G 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 - 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.
- Special Construction Assistance – This fund accounts for proceeds of long-term borrowings resulting from the sale of Certificates of Participation to finance the acquisition and construction of capital projects.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The City reports the following major enterprise funds:

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

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

C. Measurement Focus and Basis of Accounting

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

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

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

Governmental funds are reported using the current financial resources measurement focus. This focus is on the determination of, and changes in financial resources, and generally only current assets and current liabilities are included in the balance sheet. These funds use the modified accrual basis of accounting, whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. For this purpose, the City considers revenues as available if they are collected within sixty days of the end 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 the 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 accruals. Such accruals have been recognized as revenues in the current period. All other revenue items are considered to be 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 operation. The principal operating revenues of the City's enterprise funds and internal service funds are charges

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. New Accounting Pronouncements

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

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The provisions in Statement 72 are effective for fiscal years beginning after June 15, 2015. The Statement was implemented effective July 1, 2015.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement established requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statements 67 and 68 for pension plans and pensions that are within their respective scopes. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015, except for the certain provisions, which are effective for fiscal years beginning after June 15, 2016. The applicable provisions were implemented effective July 1, 2015.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

GASB Statement No. 76 – In June 2015, GASB issues Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions in Statement 76 are effective for fiscal years beginning after June 15, 2015. This Statement was implemented effective July 1, 2015 and did not have a material impact to the financial statements.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement establishes criteria for an external investment pool to qualify for making the election to measure all its investments at amortized cost for financial reporting purposes. The Statement establishes additional note disclosure requirements for qualifying external investment pools that require to measure all their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Both the qualifying external investment pools and their participants are required to disclose information about any limitations or restrictions on participant withdrawals. The provisions in Statement 79 are effective for fiscal years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. This Statement was implemented effective July 1, 2015 and did not have a material impact to the financial statements.

The City has not determined the effects on the financial statements for the following GASB Statements, and is currently analyzing its accounting and financial reporting practices to determine the potential impact:

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple - Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended*, Statement 43, and Statement No. 50, *Pension Disclosures*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. The provisions in Statement 77 are effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 78 – In December 2015, GASB issued Statement No 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends the scope and applicability of GASB Statement No. 68 to exclude certain types of cost-sharing multiple-employer plans. The provisions in Statement 78 are effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The provisions in Statement 80 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – an Amendment of GASB Statement No. 67, No. 68, and No. 73*. The objective of the Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement 82 are effective for fiscal years beginning after June 15, 2016.

E. Fair Value Measurement

As of July 1, 2015 the City retrospectively applied GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: level 1 inputs are quoted prices in active markets for identical assets, level 2 inputs are significant other observable inputs, and level 3 inputs are significant unobservable inputs.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

F. 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, Measure V & G
- Lighting, Landscape and Maintenance District
- Local Public Safety
- Development Fees
- Gas Tax
- Emergency Medical Services
- Asset Seizure
- SRA Public Improvement Grant
- Affordable Housing
- Energy Improvement Lease
- Assessment District Reserve
- Special Aviation
- Assessment District Project
- Airport
- Industrial Waste
- Municipal Golf Courses
- Sanitary Sewer
- Storm Sewer
- Landfill Garbage Surcharge
- Certificate of Participation (2002)
- COP 1999 & COP 2004 Consolidation (2014)
- SRA Public Improvement
- Internal Service Self Insurance
- Sunrise House Agency Fund
- Pension Trust Fund
- Successor Agency Trust Fund

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

G. 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 value is not readily available.

The City valued its investments in LAIF as of June 30, 2016, 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 in nonparticipating interest earning contracts (certificate of deposits) are reported at cost, and all other investments are reported at fair value. Fair value is defined as the amount the City could reasonably expect to receive for an investment in a current sale between a willing buyer and seller and is generally measured by quoted market prices.

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

H. 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

I. 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.

J. 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.

K. 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.

L. Interfund-fund Transactions

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

M. Inventory of Supplies

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

N. 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.

O. 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.

P. 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, 2016

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

Q. 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.

R. Deferred Outflows/Inflows of Resources

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

- Losses on refunding are reported as deferred outflows in the government-wide financial statements.
- Deferred outflows of resources related to pensions are reported in the government-wide financial statements as described further in Note 14.

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

S. 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.

T. Public Employees Retirement System (CalPERS)

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

U. 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.

V. Claims and Judgments

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

W. Long-Term Debt

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

X. Net Position

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

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

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Y. Fund Balance

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

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

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.

Z. 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).

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

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

AA. 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, 2016 is based on the claim manager’s estimate of probable losses plus an amount estimated for incurred but not reported claims. An Internal Service Fund is used to account for the collection of premiums from various City departments related to workers’ compensation claims and general claims liabilities. Premiums are established based on historical claims experience. Additionally, the City contracts with third party administrators for claims management.

BB. Use of Estimates

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, Measure V & Measure G Fund, Special Revenue Funds and Capital Projects Funds.

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

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

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

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

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

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

B. Deficit Fund Balance

At June 30, 2016, the following funds had a deficit fund balance or deficit net position:

Major Funds

Business-type Activities

Municipal Golf Courses Fund	\$ 7,357,047
Downtown Parking District Fund	4,328,155

Enterprise Funds – Municipal Golf Courses Fund

The deficit net asset balance of \$7,357,047 is a result of the long-term bonds payable for the 2015A Certificates of Participation and the 2008 Certificates of Participation amounting to \$4,405,000 and \$4,540,000, respectively, exceeding the related assets. This deficit will continue to decline over time as the bonds are paid back.

Enterprise Funds – Downtown Parking District Fund

The deficit net position in the Downtown Parking District Fund of \$4,328,155 is a result of the long-term lease payable amounting to \$12,150,000. This deficit will continue to decline over time as the bonds are paid back.

3. Debt Compliance:

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

4. Cash and Investments:

The City's cash and investments at June 30, 2016 are included in the accompanying basic financial statements as follows:

	Government-Wide Statement of Net Position			Fund Financials	
	Governmental	Business-Type		Fiduciary Funds	
	Activities	Activities	Total	Statement of	Total
				Net Position	
Cash and Investments	\$ 82,826,068	\$ 13,981,327	\$ 96,807,395	\$ 17,518,247	\$ 114,325,642
Restricted Cash and Investments	1,469,744	1,902,100	3,371,844	1,594,946	4,966,790
Total Cash and Investments	<u>\$ 84,295,812</u>	<u>\$ 15,883,427</u>	<u>\$ 100,179,239</u>	<u>\$ 19,113,193</u>	<u>\$ 119,292,432</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Cash and investments at June 30, 2016 consisted of the following:

Cash	
Demand accounts at banks	\$ 2,246,929
Petty cash and revolving fund	15,145
	<hr/> 2,262,074
Investments	
State local agency investment fund (LAIF)	84,081,626
Money market	1,251,769
Investments held in trust by fiscal agent	19,733,381
Insurance reserves	322,864
Deferred compensation	
Cash in state local agency investment fund (LAIF)	1,172,217
Trust deeds and properties	10,468,501
	<hr/> 117,030,358
Total cash and investments	<hr/> <u>\$ 119,292,432</u>

Deposits

At June 30, 2016, the carrying amount of the City's deposits was \$2,246,929. The bank balance was \$4,715,413. The difference is due to outstanding checks and deposits in transit. All bank balances are insured or collateralized.

Investments

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Investment income from cash and investments held by fiscal agents are credited directly to the related funds.

The City is a voluntary participant in the California Local Agency Investment Fund ("LAIF") that is governed by the California Government Code under the oversight of the Local Investment Advisory Board ("Board"). The Board consists of five members as designated by state statute. The fair value of the City's investment in the LAIF pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF, for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the City's position in the LAIF pool.

At June 30, 2016, the City's pooled and fiscal agent investments in LAIF were \$85,253,843. The average life of investments was 167 days at June 30, 2016. The total amount invested by all public agencies in LAIF at June 30, 2016 was approximately \$21.7 billion. LAIF is part of the State's Pooled Money Investment Account (PMIA), and had approximately \$77.7 billion at June 30, 2016. Of that amount, 85.26% was invested in Treasuries, Certificates of Deposits/Bank Notes, Time Deposits, and Commercial Paper, 13.99% in agencies, and 0.75% in loans and mortgages.

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

As of June 30, 2016, the City had the following investment and maturities:

	Maturities			Total
	0-12 months	1-5 years	over 5 years	
Local Agency				
Investment Fund	\$ 85,253,843	\$ -	\$ -	\$ 85,253,843
Money Market	1,251,769	-	-	1,251,769
Investment Agreements	1,228,549	9,977,743	8,527,089	19,733,381
Insurance Reserves	322,864	-	-	322,864
Trust Deeds-Def Comp	-	10,468,501	-	10,468,501
Total	<u>\$ 88,057,025</u>	<u>\$ 20,446,244</u>	<u>\$ 8,527,089</u>	<u>\$ 117,030,358</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016 had an average life of 167 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:

	<u>Fair Value</u>	<u>S&P</u>	<u>Moodys</u>	<u>% of Total</u>
Local Agency Investment Fund	\$ 85,253,843	NR	NR	72.84%
Money Market				
Rabobank	1,251,769	A+	Aa2	1.07%
Investment Agreements				
Fed PRM Obl	14,249,113	AAAm	Aaa-mf	12.18%
Capital GTY	1	NR	NR	0.00%
Wells Fargo Trsry Plus MMkt	619,478	AAAm	Aaa-mf	0.53%
Westdeutsche Bank	975,467	NR	Aa1	0.83%
Deutsche Bank Trust Co. Americas	3,885,244	BBB+	A2	3.32%
Rabobank	2	A+	Aa2	0.00%
Ambac Assurance Corporation	2	NR	NR	0.00%
Western Alliance Bank	4,074	BBB-	NR	0.00%
Insurance Reserves	322,864	NR	NR	0.28%
Trust Deeds-Def Comp	10,468,501	NR	NR	8.95%
Total	<u>\$ 117,030,358</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).

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

Fair Value Measurement and Application

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used, need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgment by the City's management. City management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management's perceived risk of that investment.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals in governmental investment pools, such as LAIF, are made on the basis of \$1 and not fair value. Accordingly, the City's measured fair value of its proportionate share in these types of investments is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input. Non-negotiable FDIC-insured bank certificates of deposit are priced at par.

The following is a description of the valuation methods and assumptions used by the City to estimate the fair value of its investments:

- When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy.
- The City held one type of investment that is measured using Level 3 inputs, Trust Deeds. The City administers a Trust Deposit Fund that includes a Deferred Compensation Plan funded solely by the voluntary salary reductions. The Trust Deed Program is managed on a cash basis with interest posted when received and expenditures posted when paid. Trust Deed notes secured by property taken back in foreclosure and held for resale, are valued by independent real estate professionals (market approach), and trust deed notes are valued at their present value (income approach). The valuations are considered Level 3. The value of properties held for resale are reduced for cost of sales. The notes (loans) are valued based on amounts investors would likely pay for notes with interest rates ranging from 6% to 11% discounted to provide loan to values ranging from 70% to 50% depending on property type and condition, borrowers payment history, and term remaining on note.

There have been no changes in the methods and assumptions used at June 30, 2016. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. City management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The City had the following recurring fair value measurements as of June 30, 2016:

Investment Type	Total	Level 1	Level 2	Level 3
Investment Agreements				
Bond Mutual Fund	\$ 14,249,113	\$ 14,249,113	\$ -	\$ -
Mutual Funds	623,557	623,557	-	-
Equities	975,467	975,467	-	-
Trust Deeds-Def Comp	10,468,501	-	-	10,468,501
	<u>26,316,638</u>	<u>\$ 15,848,137</u>	<u>\$ -</u>	<u>\$ 10,468,501</u>
<u>Investments Not Measured at Fair Value</u>				
Local Agency Investment Fund	85,253,843			
Money Market Funds				
Deutsche Bank Trust Company Americas	3,885,244			
Rabobank	1,251,769			
Insurance Reserves	322,864			
Total Investments	<u>\$ 117,030,358</u>			

5. Restricted Assets:

Cash and investments of \$3,371,844 are recorded as restricted assets at June 30, 2016 as follows:

Debt Service Fund:		
Debt Service Fund - restricted to cover expenses of debt		\$ 1,146,880
Enterprise Fund:		
Restricted to cover expenses of debt service		
Golf Courses Fund	\$ 344,066	
Sanitary Sewer	<u>1,558,034</u>	1,902,100
Internal Service Fund:		
Restricted for liability expenses and workers compensation		<u>322,864</u>
Total Restricted Assets		<u>\$ 3,371,844</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6. Taxes Receivable:

Taxes receivable recorded in the General, Measure G & V Fund of \$18,343,479 represent amounts due for the quarter ended June 30, 2016 for the following taxpayer – assessed taxes:

Sales Tax	\$ 5,253,804
Transaction and Use Tax	6,648,102
In-lieu Sales Tax	3,384,159
Utility Users Tax	1,364,816
Franchise Tax	799,256
Transient Occupancy Tax	813,196
Other Taxes	47,340
Property Transfer Tax	32,806
Total	<u>\$ 18,343,479</u>

7. Assessment Receivable:

Debt Service Fund – Assessments receivable recorded in the Assessment District Debt Service Fund of \$6,160,000 at June 30, 2016, will be collected from property owners to retire outstanding bond principal issued for improvements in special assessment districts. Cash and investments at June 30, 2016 of \$1,763,536 are available to make bond and interest payments of \$1,312,863 that are due on September 1, 2017.

Assessment receivables in the amount of \$5,160,000 are not expected to be collected within the subsequent year.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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	563,017	-	-	563,017
HOME Investment Program	178,675	-	-	178,675
Emergency Shelter Grant	156,731	-	-	156,731
U.S. Department of Justice	278,026	-	-	278,026
California Highway Users Tax	-	229,289	-	229,289
California Office of Traffic Safety(US DOT)	-	492	-	492
Cable Franchise	-	-	48,716	48,716
California Emergency Management Agency	-	166,319	-	166,319
County of Monterey	-	-	151,394	151,394
Data Ticket	-	-	13,319	13,319
U.S. Department of Transportation	74,688	-	-	74,688
U.S. Department of Homeland Security	501,493	-	-	501,493
	<u>1,752,630</u>	<u>396,100</u>	<u>213,429</u>	<u>2,362,159</u>
Capital Projects Funds:				
Federal Aviation Administration	92,315	-	-	92,315
Federal ATP Grant	65,459	-	-	65,459
Federal HSIP	122,817	-	-	122,817
RSTP	-	1,030,607	-	1,030,607
State Water Grant	-	13,000	-	13,000
Strategic Growth Council	-	236,777	-	236,777
County of Monterey	-	-	52,662	52,662
Developers	-	-	986,927	986,927
	<u>280,591</u>	<u>1,280,384</u>	<u>1,039,589</u>	<u>2,600,564</u>
Primary Government Totals	<u>\$2,033,221</u>	<u>\$1,676,484</u>	<u>\$1,328,018</u>	<u>\$5,037,723</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

9. Interfund Transactions:

Interfund Receivables/Payables (Due to/Due from) – The composition of interfund balances as of June 30, 2016 was as follows:

Due From:	Due To				
	Governmental Activities				Total
	Comm Dev				
	General	Act of 1974	Capital Projects	Internal Service	
Primary Government					
Governmental Activities:					
Major Funds:					
General, Measure G & V	\$ -	\$ 100,000	\$ 669,661	\$ 19,044,013	\$ 19,813,674
Development Fee	7,527	-	37,349	-	44,876
Special Construction Assistance	1,315,652	-	-	-	1,315,652
Non-Major Funds:					
Emergency Medical Services	-	-	3,448	-	3,448
Lighting, Landscape & Maintenance	97,900	-	65,349	-	163,249
Local Public Safety	-	-	-	-	-
Comm Dev Act of 1974	699,544	-	7,740	-	707,284
Gas Tax	17,353	-	349,650	-	367,003
Traffic Safety	-	-	-	-	-
SRA Project	-	-	-	-	-
SRA Housing Fund	-	-	-	-	-
Recreation Parks Fund	-	-	7,370	-	7,370
Debt Service	63,235	-	1,120	-	64,355
Construction Assist	-	-	-	-	-
Assessment Districts	-	-	-	-	-
Grants	864,912	-	-	-	864,912
Total Governmental Activities	3,066,123	100,000	1,141,687	19,044,013	23,351,823
Business Type Activities:					
Airport	-	-	-	-	-
Industrial Waste	-	-	80	-	80
Sanitary Sewer	-	-	81,491	-	81,491
Storm Sewer	-	-	21,744	-	21,744
Downtown Parking District	614,915	-	-	-	614,915
Total Business Type Activities	614,915	-	103,315	-	718,230
Total Primary Government	3,681,038	100,000	1,245,002	19,044,013	24,070,053
Expendable Trust Funds:					
Trust Deposits	-	-	-	-	-
Total Expendable Trust Funds	-	-	-	-	-
	\$ 3,681,038	\$ 100,000	\$ 1,245,002	\$ 19,044,013	\$ 24,070,053

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016 was as follows:

	Operating Transfers In	Operating Transfers Out	Transfers For:
General Fund	\$ 3,907,000	\$ 14,551,850	Capital projects, debt service, & other operating costs
Special Revenue Funds:			
Emergency Medical Services	640,000	40,423	Capital projects & operating costs
Lighting, Landscape & Maintenance	-	78,942	Capital projects
Housing and Urban Development	22,966	967,791	Capital projects
Gas Tax	71,019	4,022,780	Capital projects & street maintenance
Traffic Safety	11,106	485,000	Capital projects
Vehicle Abatement Program	50,000	-	Capital projects
Development Fee	-	690,529	Capital projects
Recreation Parks	-	22,715	Capital projects
Grants	2	2,159,650	Grant projects
	<u>795,093</u>	<u>8,467,830</u>	
Debt Service Funds:			
COPS 2005B	-	80,349	Debt Service
COPS 2002	-	2,335,682	Debt Service
2014 COP Consolidation	2,524,215	63,112	Debt Service
Energy Improvement Lease	2,351,748	16,640,817	Debt Service
2015 Refunding COP 2005B	978,744	-	Debt Service
	<u>5,854,707</u>	<u>19,119,960</u>	
Capital Projects Funds:			
Construction Assistance	16,694,323	1,365,249	Capital projects
Capital Project	14,620,525	-	Capital projects
	<u>31,314,848</u>	<u>1,365,249</u>	
Total Governmental Activities	<u>41,871,648</u>	<u>43,504,889</u>	
Enterprise Funds:			
Airport	-	112,502	Capital projects & debt service
Industrial Waste	876,190	87,419	Capital projects & debt service
Municipal Golf Courses Fund	-	305	Capital projects
Sanitary Sewer	-	280,325	Capital projects
Storm Sewer	1,700,000	395,962	Capital projects & operating costs
Solid Waste	-	385,100	Debt service
Downtown Parking District	-	-	Debt service
Internal Service Funds:			
General Liability-Self Insurance	343,000	-	Operating costs
Total Business Type Activities	<u>2,919,190</u>	<u>1,261,613</u>	
Total Governmental & Business Activities	<u>44,790,838</u>	<u>44,766,502</u>	
Expendable Trust Fund:			
Agency	41,988	73,679	Debt service
Trust Deposits	7,355	-	Community Center & Sherwood Hall
Total Expendable Trust Fund	<u>49,343</u>	<u>73,679</u>	
	<u>\$44,840,181</u>	<u>\$44,840,181</u>	

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Internal Balances - The composition of advances to/from other funds as of June 30, 2016 was as follows:

<u>Advances From:</u>	<u>Advances To</u> <u>Governmental Activities</u> <u>General</u>
Business Type Activities:	
Golf Course	\$ 1,950,000
Downtown Parking	2,260,000
Total Business Type Activities	4,210,000
Total Primary Government	<u>\$ 4,210,000</u>

10. Loans Receivable, Net of Allowance:

At June 30, 2016, receivables of the City's major individual funds and non-major funds taken in aggregate, including the applicable allowance for uncollectible accounts are as follows:

<u>Type of Loan</u>	<u>CDBG</u>	<u>Low & Moderate Income Housing Asset</u>	<u>Total Governmental Activities</u>	<u>Fiduciary Funds</u>
Housing Program Developer, rehabilitation, second mortgage and relocation loans	\$ -	\$ -	\$ -	\$ -
Loans funded by federal grants	18,333,060	-	18,333,060	-
Economic development real estate developer and other loans	-	10,646,571	10,646,571	184,100
Less: Allowance for Uncollectibles	<u>(17,988,358)</u>	<u>(6,640,000)</u>	<u>(24,628,358)</u>	<u>-</u>
Total loans, net	<u>\$ 344,702</u>	<u>\$ 4,006,571</u>	<u>\$ 4,351,273</u>	<u>\$ 184,100</u>

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

Typical loans and related terms are summarized as follows:

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

11. Land and Properties Held for Resale:

Land and properties held for resale consisted of the following at June 30, 2016:

<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
	<u>500,431</u>
<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
	<u>1,157,122</u>
Total Land and Properties Held for Resale	<u>\$ 2,507,553</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

12. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Adjustments/ Retirements	Balance June 30, 2016
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 22,769,197	\$ 29,000	\$ (570,354)	\$ 22,227,843
Construction in progress	14,354,532	20,439,211	(3,501,616)	31,292,127
Total assets not being depreciated	37,123,729	20,468,211	(4,071,970)	53,519,970
Capital assets, being depreciated:				
Buildings and improvements	47,181,218	50,519	-	47,231,737
Improvements other than buildings	13,959,337	35,827	59,839	14,055,003
Machinery and equipment	29,369,357	4,920,694	(608,490)	33,681,561
Infrastructure	231,208,257	1,811,034	3,441,777	236,461,068
Total assets being depreciated	321,718,169	6,818,074	2,893,126	331,429,369
Less accumulated depreciation	(186,290,350)	(8,929,981)	591,361	(194,628,970)
Total capital assets being depreciated, net	135,427,819	(2,111,907)	3,484,487	136,800,399
Governmental Activities capital assets, net	<u>\$ 172,551,548</u>	<u>\$ 18,356,304</u>	<u>\$ (587,483)</u>	<u>\$ 190,320,369</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 3,632,339	\$ -	\$ -	\$ 3,632,339
Construction in progress	16,557,938	2,144,529	(12,879,721)	5,822,746
Total assets not being depreciated	20,190,277	2,144,529	(12,879,721)	9,455,085
Capital assets, being depreciated:				
Buildings and improvements	27,231,159	35,808	-	27,266,967
Improvements other than buildings	16,183,015	145,637	333,313	16,661,965
Machinery and equipment	7,647,612	941,456	-	8,589,068
Infrastructure	222,230,857	1,911,966	12,546,408	236,689,231
Total assets being depreciated	273,292,643	3,034,867	12,879,721	289,207,231
Less accumulated depreciation	(163,139,096)	(6,240,038)	-	(169,379,134)
Total capital assets being depreciated, net	110,153,547	(3,205,171)	12,879,721	119,828,097
Business-type Activities capital assets, net	<u>\$ 130,343,824</u>	<u>\$ (1,060,642)</u>	<u>\$ -</u>	<u>\$ 129,283,182</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Governmental activities:	
General government	\$ 259,136
Police	812,441
Fire	770,909
Public works, including infrastructure assets	5,999,363
Recreation and parks	966,764
Library	121,368
Total depreciation expense - governmental activities	<u>\$ 8,929,981</u>
Business-type activities:	
Airport	\$ 682,882
Industrial waste	276,020
Municipal golf courses	549,467
Sanitary sewer	1,505,638
Storm sewer	2,637,132
Water utility	10,267
Preferential parking	2,735
Downtown parking	575,897
Total depreciation expense - business-type activities	<u>\$ 6,240,038</u>

13. Deferred Compensation Plan:

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

International City Manager's Association (ICMA) Retirement Corporation

The International City Manager's Association Retirement, Inc., Plan had 302 participants and a balance of \$28,189,480 at June 30, 2016. All employees are eligible to participate through voluntary salary deduction. Some management employees participated in lieu of participation in the New York Life Retirement Program until June 19, 1995 when a qualified 401(a) retirement program was established. These assets are not reported on the City's financial statements at June 30, 2016 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 (notes). 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 311 participants and a balance of \$10,468,501 in net assets at June 30, 2016. 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, 2016.

The Trust Deed Program is managed on a cash basis with interest posted when received and expenditures posted when paid. Interest and expenditures are allocated to participants based on month end cash balances. Trust deed notes secured by property taken back in foreclosure, are reevaluated based on the current market value of the property. When the value of property taken back in foreclosure is less than the note secured by that property, the note is written-down to current market value (less foreclosure and sales expenses) of the property. Gains are recognized only when properties are sold. Gains or losses are allocated to plan participants based on month end cash balances.

As of June 30, 2016, pursuant to GASB 72, properties held for resale were valued by independent real estate professionals (market approach) and trust deed notes were valued at their present value (income approach). The valuations are considered Level 3. The value of properties held for resale are reduced for cost of sales. The notes (loans) are valued based on amounts investors would likely pay for notes with interest rates ranging from 6% to 11% discounted to provide loan to values ranging from 70% to 50% depending on property type and condition, borrowers payment history and term remaining on note. The change in net realizable values are reflected in the Statement of Changes in Net Position – Fiduciary Funds (page F-40).

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Central Coast Federal Credit Union (CCFCU)

This third deferred compensation plan was established in August 1993 with Central Coast Federal Credit Union. The plan funds are backed by the full faith and credit of the U.S. Government and are also insured by the National Credit Union Administration (NCUA), an agency of the federal government for up to \$250,000. Central Coast collateralizes any amounts invested in their savings accounts in excess of NCUA insurance limits in accordance with applicable law. As of June 30, 2016 there were 83 participants with a balance of \$4,906,663. 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 with Mass Mutual Financial Group. This retirement savings plan enables employees to defer a portion of their current compensation for payment at a later date, generally retirement. Salary deferrals (or contributions) are voluntary, and are made through the ease of payroll deductions. Mass Mutual offers a variety of investment vehicles that vary in risk, term and return to the investment. These investment options are offered through a group variable annuity contract. There were 36 participants with a balance of \$3,084,222 at June 30, 2016. 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:

I. Defined Benefit Pension Plans

The City of Salinas provides defined benefit retirement program benefits through the California Public Employees' Retirement System (CalPERS) and New York Life. As of June 30, 2016, the City was contributing to agent multiple-employer defined benefit pension plans and cost-sharing multiple-employer defined benefit pension plans through CalPERS, and was also contributing to a single-employer defined benefit pension plan through New York Life.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The City's net pension liability as of June 30, 2016 is as follows (recorded as of the measurement date of June 30, 2015):

Net Pension Liability	Governmental Activities	Business-type Activities	Total Net Pension Liability
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 20,048,051	\$ 1,838,470	\$ 21,886,521
Agent Multiple-Employer Safety-Police	73,022,414	-	73,022,414
Cost Sharing Multiple-Employer			
Safety - Fire (Tier 1 & Tier 2)	44,177,449	-	44,177,449
New York Life - Single Employer	15,422,000	-	15,422,000
Total net pension liability	<u>\$152,669,914</u>	<u>\$ 1,838,470</u>	<u>\$ 154,508,384</u>

The City's deferred outflows of resources related to pensions as of June 30, 2016 is as follows (recorded as of the measurement date of June 30, 2015):

Deferred Outflows of Resources	Governmental Activities	Business-type Activities	Total Deferred Outflows
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 2,447,080	\$ 188,738	\$ 2,635,818
Agent Multiple-Employer Safety-Police	6,462,584	-	6,462,584
Cost Sharing Multiple-Employer			
Safety - Fire (Tier 1 & Tier 2)	7,840,667	-	7,840,667
New York Life - Single Employer	750,000	-	750,000
Total net pension liability	<u>\$ 17,500,331</u>	<u>\$ 188,738</u>	<u>\$ 17,689,069</u>

The City's deferred inflows of resources related to pensions as of June 30, 2016 is as follows (recorded as of the measurement date of June 30, 2015):

Deferred Inflows of Resources	Governmental Activities	Business-type Activities	Total Deferred Inflows
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 2,934,404	\$ 269,093	\$ 3,203,497
Agent Multiple-Employer Safety-Police	8,708,111	-	8,708,111
Cost Sharing Multiple-Employer			
Safety - Fire (Tier 1 & Tier 2)	4,089,085	-	4,089,085
New York Life - Single Employer	-	-	-
Total net pension liability	<u>\$ 15,731,600</u>	<u>\$ 269,093</u>	<u>\$ 16,000,693</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The City's total pension expenses for the fiscal year 2015-16, including employee contributions, normal costs and annual amortization of prior service is as follows:

Pension Expense	Governmental Activities	Business-type Activities	Total Pension Expense
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 1,231,391	\$ 112,922	\$ 1,344,313
Agent Multiple-Employer Safety-Police	3,632,023	-	3,632,023
Cost Sharing Multiple-Employer			
Safety - Fire (Tier 1 & Tier 2)	2,497,121	-	2,497,121
New York Life - Single Employer	1,029,000	-	1,029,000
Total net pension liability	\$ 8,389,535	\$ 112,922	\$ 8,502,457

A. California Public Employees Retirement System

Agent Multiple-Employer Defined Benefit Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City of Salinas' separate Safety (police) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The City's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	*Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.984%
Required employer contribution rates	15.957%	15.957%
	Police	
	*Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	50	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.027%
Required employer contribution rates	40.235%	40.235%

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

Employees Covered – As of June 30, 2014 (valuation date), the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Police
Inactive employees or beneficiaries currently receiving benefits	108	222
Inactive employees entitled to but not yet receiving benefits	89	62
Active employees	245	139
Total	442	423

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annual on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.65% Net of Investment and Administrative Expenses; includes inflation
Mortality (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2014 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and requirement rates. The Experience Study report can be found on CalPERS' website under Forms and Publications.

Change of Assumption – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50% (net of administrative expense in 2014) to 7.65% as of June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate - The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculations is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flow were developed assuming that both members and employers will make their required contributions on time and as schedule in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	-0.55	-1.05
Total	100%		

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

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Agent Multiple-Employer Defined Benefit Plan - Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2014 (MD)	\$ 88,037,048	\$ 66,869,484	\$ 21,167,564
Changes Recognized for the Measurement Period:			
Service Cost	2,197,484	-	2,197,484
Interest on Total Pension Liability	6,445,778	-	6,445,778
Changes of Benefit Terms	-	-	-
Changes of Assumptions	(1,686,636)	-	(1,686,636)
Differences between Expected and Actual Experience	(1,789,044)	-	(1,789,044)
Plan to Plan Resource Movement	-	-	-
Contributions - Employer	-	2,037,528	(2,037,528)
Contributions - Employees	-	987,786	(987,786)
Net Investment Income	-	1,500,373	(1,500,373)
Benefit Payments, including			
Refunds of Employee Contributions	(2,803,130)	(2,803,130)	-
Administrative Expense	-	(77,059)	77,059
Net Changes during 2014-15	2,364,452	1,645,498	718,954
Balance at: 6/30/2015 (MD)	\$ 90,401,500	\$ 68,514,982	\$ 21,886,518

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2014 (MD)	\$ 242,083,519	\$ 170,366,925	\$ 71,716,594
Changes Recognized for the Measurement Period:			
Service Cost	4,440,981	-	4,440,981
Interest on Total Pension Liability	17,475,350	-	17,475,350
Changes of Benefit Terms	-	-	-
Changes of Assumptions	(4,436,648)	-	(4,436,648)
Differences between Expected and Actual Experience	(5,739,808)	-	(5,739,808)
Plan to Plan Resource Movement	-	-	-
Contributions - Employer	-	5,540,793	(5,540,793)
Contributions - Employees	-	1,350,215	(1,350,215)
Net Investment Income	-	3,733,737	(3,733,737)
Benefit Payments, including			
Refunds of Employee Contributions	(11,383,179)	(11,383,179)	-
Administrative Expense	-	(190,690)	190,690
Net Changes during 2014-15	356,696	(949,124)	1,305,820
Balance at: 6/30/2015 (MD)	\$ 242,440,215	\$ 169,417,801	\$ 73,022,414
Totals of Both Miscellaneous and Safety Plans	\$ 332,841,715	\$ 237,932,783	\$ 94,908,932

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Miscellaneous	Police	Total
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability	\$ 34,977,541	\$ 106,841,114	\$ 141,818,655
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$ 21,886,518	\$ 73,022,414	\$ 94,908,932
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$ 11,109,655	\$ 45,405,960	\$ 56,515,615

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

Amortization of Deferred Outflows and Deferred Inflows of Resources – Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

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

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

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

Deferred outflows of resources and deferred inflows of resources relating to Differences between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the miscellaneous and safety (police) plans for the June 30, 2015 measurement date are 4.5 years and 3.4 years, respectively, which was obtained by dividing the total service years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

retirees have remaining service lifetimes equal to zero. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

– As of the start of the measurement period (July 1, 2014), the NPL is \$92,884,158.

For the measurement period ending June 30, 2015 (the measurement date), the City of Salinas recognized a pension expense of \$4,863,414 for the miscellaneous and safety (police) plans.

For the measurement period ending June 30, 2015 (the measurement date), the City of Salinas reports other amounts for the miscellaneous and safety (police) plans as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Plan Contributions Subsequent to Measurement Date	\$ 9,098,402	\$ -
Differences between Expected and Actual Experience	-	5,443,108
Changes of Assumptions	-	4,443,580
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	2,024,920
	<u>\$ 9,098,402</u>	<u>\$ 11,911,608</u>

\$9,098,402 reported as deferred outflows of resources to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

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

Measurement Period Ended June 30:	Deferred (Inflows) of Resources
2016	\$ (5,288,139)
2017	(5,288,139)
2018	(3,492,292)
2019	2,156,962
2020	-
Thereafter	-
Total	<u>\$ (11,911,608)</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Cost-Sharing Multiple Employer Defined Benefit Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety risk pool (Fire Tier 1 & Tier 2), cost-sharing multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment.

The City’s plans provisions and benefits in effect at June 30, 2016, are summarized as follows:

Hire Date	Fire Tier 1	
	*Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	50	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%
Required employer contribution rates	54.240%	12.250%

Hire Date	Fire Tier 2	
	*Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 55	2.5% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	55	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%
Required employer contribution rates	17.295%	12.250%

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City's contribution for the safety plan were as follows:

	Fiscal Year Paid		
	2015/16	2014/15	2013/14
Safety Plan (Fire)	\$ 4,732,754	\$ 3,811,507	\$ 4,188,401
Total Contributions	<u>\$ 4,732,754</u>	<u>\$ 3,811,507</u>	<u>\$ 4,188,401</u>

Pension Liabilities, Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions – As of June 30, 2016, the City reported net pension liabilities for its proportionate share of the net pension liability as of June 30, 2016 and 2015 were as follows:

	Proportionate Share of Net Pension Liability/(Asset)	
	June 30, 2016	June 30, 2015
Safety Plan (Fire)	\$ 44,177,449	\$ 39,944,786
Total Net Pension Liability	<u>\$ 44,177,449</u>	<u>\$ 39,944,786</u>

The City of Salinas' net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using the standard update procedures. The City of Salinas' proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions for all participating employers actuarially determined.

The City's proportionate share of the net pension liability as of June 30, 2016 and 2015 were as follows:

	Percentage Share of Risk Pool		Change: Increase/(Decrease)
	6/30/2016	6/30/2015	
Measurement Date	6/30/2015	6/30/2014	
Percentage of Risk Pool NPL	1.072153%	1.064917%	0.007236%
Percentage of Plan (PERF C) NPL	0.643619%	0.641945%	0.001674%

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

For the year ended June 30, 2016 (measurement date June 30, 2015), the City of Salinas recognized a pension expense of \$2,497,122 for the safety plan.

As of June 30, 2016 the City of Salinas reports deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 500,650
Changes of Assumptions	-	2,302,674
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	-	1,167,010
Change in Employer's Proportion	2,319,650	118,751
Differences between the Employer's		
Contributions and the Employer's		
Proportionate Share of Contributions	788,263	-
Pension Contributions Subsequent to		
Measurement Date	4,732,754	-
Total	<u>\$ 7,840,667</u>	<u>\$ 4,089,085</u>

\$4,732,754 reported as deferred outflows of resources to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

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

Measurement Period Ended June 30:	Deferred (Inflows) of Resources
2016	\$ (709,580)
2017	(760,305)
2018	(943,867)
2019	1,432,580
2020	-
Thereafter	<u>-</u>
Total	<u>\$ (981,172)</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability determined in the June 30, 2014 actuarial accounting valuation. The June 30, 2015 total pension liability were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.65% Net of Investment and Administrative Expenses; includes inflation
Mortality (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2014 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and requirement rates. The Experience Study report can be found on CalPERS' website under Forms and Publications.

Change of Assumption – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50% (net of administrative expense in 2014) to 7.65% as of June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate - The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculations is not necessary. The long term expected discount rate of 7.65%

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flow were developed assuming that both members and employers will make their required contributions on time and as schedule in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	-0.55	-1.05
Total	100%		

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

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

Amortization of Deferred Outflows and Deferred Inflows of Resources – Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

The Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference between Projected and Actual Investments Earning on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference between Projected and Actual Investment Earnings on unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the Plan for the June 30, 2015 measurement date is 3.8 years, which was obtained by dividing the total service years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to zero. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Sensitivity of Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the proportionate share of the net pension liability of the City's Plan as of the Measurement Date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65) than the current rate:

	Measurement Date June 30, 2015		
	Discount Rate		
	6.65%	7.65%	8.65%
Safety Plan's (Fire Tire 1 & 2)	(1% Decrease)	(Current Rate)	(1% Increase)
Net Pension Liability	\$ 64,430,297	\$ 44,177,449	\$ 27,570,486

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Pension Plan Fiduciary Net Positions – Detailed information about each plan’s fiduciary net position is available in the separately issued CalPERS financial report.

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

B. New York Life Retirement Plan

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

The City has an agreement with New York Life to hold and invest plan assets of the Retirement Plan, which covers employees other than Police and Fire. New York Life holds assets in NYL Fixed Dollar Account, NYL Mainstay Total Return Bond Fund, and NYL Guaranteed Annuity Contracts.

New York Life Guaranteed Annuity Contracts in the amount of \$5,928,093 are allocated insurance contracts set up to pay benefits and accordingly are excluded from the total pension liability, and are not reported in the City’s financial statements.

Employees Covered – As of September 1, 2015 (valuation date), the following employees were covered by the benefit terms for the single-employer defined benefit pension plan:

Inactive employees or beneficiaries currently receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>24</u>
Total	<u><u>83</u></u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Benefits - 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 their 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.

Pension Liabilities, Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions – As of June 30, 2016 (Measurement Date - August 31, 2015), the City reported net pension liability as follows:

	Fiscal Year Ended June 30	
	2016	2015
Measurement Date	8/31/2015	8/31/2014
Total Pension Liability (TPL)	\$ 18,969,000	\$ 20,996,000
Fiduciary Net Position (FNP)	3,547,000	5,454,000
Net Pension Liability (NPL)	<u>\$ 15,422,000</u>	<u>\$ 15,542,000</u>
Funded Status (FNP/TPL)	18.7%	26.0%

The City's net pension liability is measured as of August 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 1, 2015.

For the year ended June 30, 2016 (measurement date August 31, 2015), the City of Salinas recognized a pension expense of \$1,029,000.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

As of June 30, 2016 the City of Salinas reports deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	191,000	-
Plan Contributions Subsequent to Measurement Date	559,000	-
	<u>\$ 750,000</u>	<u>\$ -</u>

\$559,000 reported as deferred outflows of resources to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

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

Fiscal Year Ended June 30:	Deferred (Inflows) of Resources
2017	\$ 48,000
2018	48,000
2019	48,000
2020	47,000
2021	-
Thereafter	<u>-</u>
Total	<u>\$ 191,000</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ended August 31, 2015 (the measurement date), the total pension liability was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	September 1, 2015
Measurement Date	August 31, 2015
Contribution Policy	City contributes full ADC
Actuarial Assumptions	
Discount Rate	3.40% at August 31, 2015 3.40% at August 31, 2014 Discount rate based on expected long-term rate of return on investments Lower rate than Bond Buyer 20-Bond GO Index as of the Measurement Date
Inflation	2.25% per annum
Salary Increases	2.25% per annum
COLA	1.75% per annum
Investment Rate of Return	3.40% per annum
Mortality, Disability, Termination	CalPERS 1997-2011 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-14,
Retirement	Age Rate 55-56 10% 57-59 20% 60 70% 61-64 30% 65+ 100%
Benefit Form	Disability - Annuity for all participants Lump sum for all other participants, valued using UP-1984 Mortality Table with 1.50% interest rate

Discount Rate – The discount rate used to measure the total pension liability was 3.40%. The discount rate of 3.40% is based on the expected rate of return which is lower than the 20 year municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City of Salinas contribution will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. The City's annual contributions will be adjusted to keep the plan solvent.

Investments are with New York Life invested 99% in their Main Stay Total Return Bond Fund and 1% is in the fixed income fund with an expected rate of return of 3.4%. The rate of return was calculated based on an assumed 1.15% real rate of return with a 2.25% general inflation factor.

Changes in Net Pension Liability – The following tables show the changes in the net pension liability for the City's Single-Employer Pension Plan recognized over the measurement period:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 8/31/14 (MD)	\$ 20,996,000	\$ 5,454,000	\$ 15,542,000
Changes Recognized for the Measurement Period:			
Service Cost	436,000	-	436,000
Interest	676,000	-	676,000
Changes of Benefit Terms	-	-	-
Changes of Assumptions	-	-	-
Differences between Expected and Actual Experience	-	-	-
Contributions - Employer	-	1,340,000	(1,340,000)
Contributions - Employees	-	77,000	(77,000)
Net Investment Income	-	(85,000)	85,000
Benefit Payments, including refunds	(3,139,000)	(3,139,000)	-
Administrative Expense	-	(100,000)	100,000
Net Changes	(2,027,000)	(1,907,000)	(120,000)
Balance at: 8/31/15 (MD)	\$ 18,969,000	\$ 3,547,000	\$ 15,422,000

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 3.40 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.40 percent) or 1 percentage-point higher (4.40 percent) than the current rate:

	Measurement Date August 31, 2015		
	Discount		
	2.40% (1% Decrease)	3.40% (Current Rate)	4.40% (1% Increase)
Net Pension Liability	\$ 16,517,000	\$ 15,422,000	\$ 14,475,000

Pension Plan Fiduciary Net Position- Detailed information about the pension plan's fiduciary net position as of August 31, 2015 is as follows:

New York Life	
Assets	
New York Life Fixed Dollar Account	\$ 22,000
New York Life Main Stay Total Return Bond Fund	3,668,000
Total investments	3,690,000
Liabilities	
Accrued expenses	143,000
Fiduciary Net Position	\$ 3,547,000

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

C. ICMA Retirement Corporation Defined Contribution Plan

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

During the fiscal year 2015-16, the City's contribution to this plan was \$58,068, while the employees had a mandatory contribution of 4.5% of their salary or \$5,942.

Significant Accounting Policies

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

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

Retirement Buyback Program

During Fiscal Year 1995-96, the City established a deferred compensation retirement buyback program for Department Directors where the City contributes a flat dollar amount based on tenure with the City. The 401(a) Money Purchase Retirement Plan is administered by the ICMA Retirement Corporation. The program requires employee-matching contributions for every dollar contributed by the City. At June 30, 2016, there were 6 participants in this program and the City's annual contribution was \$47,855 while the employees had an equal mandatory matching contribution of \$47,855.

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 (\$100 per month in 2015).

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Membership of the plan consisted of the following at June 30, 2015, the date of the applicable actuarial valuation:

	<u>Miscellaneous</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Active plan members				
Count	254	91	148	493
Average age	48.1	39.6	39.3	43.9
Average service	11.5	10.3	11.4	11.3
Average PERS service	12.5	11	12.7	12.3
Average PERS pay	\$ 61,200	\$ 101,500	\$ 104,900	\$ 81,800
Total PERS payroll (millions)	\$ 15.6	\$ 9.2	\$ 15.5	\$ 40.3
Retirees				
Count	102	119	153	374
Average age	68	66.6	64.8	66.2
Average retirement age	61.1	54.7	54.0	57.1
Currently receiving \$100 monthly benefit	-	36	35	71

Funding Policy- The City's policy approved by Council on May 20, 2008, established a contribution of \$100,000 during fiscal year 2007-08, increasing by \$25,000 per year until reaching \$250,000 and \$250,000 annually thereafter to the CERBT (CalPERS OPEB) trust account. The amounts of annual appropriations for contributions to CERBT are subject to budget constraints. Additionally, the City will continue paying the portion of the retiree premiums outside of the trust (Pay-as-you-go approach). During FY 2009-10 and FY 2010-11, the City opted not to fund the Post Employment Benefit cost for the those two years in accordance with established policy, but resumed payments as planned with a contribution of \$150,000 during fiscal year 2011-12; \$175,000 in fiscal year 2012-13, \$200,000 in fiscal year 2013-14, \$225,000 in fiscal year 2014-15, and \$250,000 in fiscal year 2015-16. After recognizing contributions, administrative fees and accruing earning and losses experienced in the Trust Plan, the City shows an ending balance of \$1,477,687 at June 30, 2016.

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, 2016

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

	<u>June 30, 2016</u>
Annual required contribution (ARC)	\$ 2,155,000
Interest on net OPEB obligation	422,000
Adjustment to annual required contribution	<u>(783,000)</u>
Annual OPEB cost (expense)	<u>1,794,000</u>
Contributions made to CERBT Trust	(250,000)
Contributions under "pay-as-you-go"	
Payment to Retirees	(79,210)
Payment to CalPERS	(138,605)
Implied Subsidy Adjustment	<u>(191,000)</u>
Subtotal	<u>(658,815)</u>
Change in net OPEB obligation	1,135,185
Net OPEB obligation - beginning of the year	<u>8,861,540</u>
Net OPEB obligation - end of the year	<u><u>\$ 9,996,725</u></u>

At June 30, 2016, the City recorded net OPEB obligations totaling \$9,996,725 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 2016 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
2014	\$ 1,411,000	\$ 419,453	29.7%	\$ 7,817,714
2015	1,540,000	496,174	32.2%	8,861,540
2016	1,794,000	658,815	36.7%	9,996,725

Funded Status and Progress- The 2015-16 Annual Required Contribution included the normal cost at \$1,007,000 plus a 30-year amortization of the Unfunded Actuarial Accrued Liability (UAAL) of \$1,148,000, for a total Annual Required Contribution of \$2,155,000 representing 4.8% of the annual payroll. The estimated covered payroll (annual payroll of active employees covered by the plan) was \$45.1 million.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amount determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

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

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

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

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

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

The assumption includes also the "Implied Subsidy" factor for the Fire Safety Medical Plan. GASB 45 generally requires recognition of retiree healthcare obligation when retirees participate in the active medical plan and are charged a composite rate based on active and retiree experience. This obligation, referred to as the implied subsidy, is based on the difference between the per capita cost and the premium charged. The implied subsidy represents \$191,000 of the total Annual Required Contribution of \$2,155,000.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016 is dependent on future developments, City management has determined the desired reserve level for each self-insurance program as follows and believes the estimates are adequate to cover such losses.

- Worker's Compensation insurance liability of \$24,548,243 includes \$19,638,594 for claims incurred but not paid and \$4,909,649 for claims incurred but not reported which is based on expected claims and past claims history. At June 30, 2016, Worker's Compensation Insurance liability of \$24,548,243 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, 2016 is \$21,834,653 and is reported in the Internal Service Fund; \$2,713,590 of this is treated as long-term debt.
- General liability insurance liability at June 30, 2016 of \$3,333,671 that is reported in the Internal Service Fund includes \$2,622,048 for claims incurred but not paid and \$711,623 for claims incurred but not reported which is based on expected claims and past claims history. Unreserved retained earnings is \$163,211 at June 30, 2016 and is short the City's goal of reserving three times the self-insured retention plus full funding of all past claims history. The City's self-insured retention is \$1,000,000.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Changes to the claims liability for fiscal year ended June 30, 2016 are as follows:

	Workers Compensation	General Liability
Beginning balance of claims liability	\$ 23,752,753	\$ 3,471,225
Less beginning provision for incurred but not reported claims	(4,750,551)	(659,448)
Beginning provisions for incurred but not paid claims	19,002,202	2,811,777
Increase (decrease) in claims incurred and reported	4,161,366	1,142,440
Claims expenses paid	(3,524,974)	(1,332,169)
Ending balance provision for incurred but not paid claims	19,638,594	2,622,048
Provisions for incurred but not reported claims	4,909,649	711,623
Ending balance of claims liability	<u>\$ 24,548,243</u>	<u>\$ 3,333,671</u>

17. Lease Obligations:

Operating Leases as Lessee

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

Governmental Activities – The City has ongoing commitments under operating lease agreements for business equipment, and office facilities necessary for City operations, which expire at various dates through 2021. Each governmental fund includes the expenditures related to such lease agreements. There are both cancelable and non-cancelable lease agreements. Rental expenditures reported by the General Fund and other governmental funds under these operating lease agreements for the fiscal year ended June 30, 2016 amounted to \$574,289.

The future minimum lease payments anticipated under the existing lease commitments as of June 30, 2016 are as follows:

Year Ended June 30,	
2017	\$ 424,591
2018	404,296
2019	166,095
2020	123,700
2021	111,838
	<u>\$ 1,230,520</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

18. Long Term Debt:

The following is a summary of Long Term Debt transactions for the fiscal year ended June 30, 2016:

	June 30, 2015	Increases	Decreases	June 30, 2016	Due Within One Year
Governmental Activities:					
Annual Leave	\$ 9,801,634	\$ 1,189,829	\$ 1,605,908	\$ 9,385,555	\$ 1,876,208
Estimated Insurance claims	3,135,878	-	422,288	2,713,590	-
Net Pension Obligation	25,921	-	25,921	-	-
Capital Leases	27,734,362	1,628,839	884,119	28,479,082	1,499,429
Certificates of Participation					
Series B-2005	8,215,000	-	8,215,000	-	-
Series B-2015	-	7,035,000	-	7,035,000	525,000
Total Certificates	8,215,000	7,035,000	8,215,000	7,035,000	525,000
Assessment District 1915 Act Bonds	7,120,000	-	960,000	6,160,000	1,000,000
Bond Discount					
Series B-2005	(90,272)	-	(90,272)	-	-
Total Bond Discounts	(90,272)	-	(90,272)	-	-
Governmental Activities	55,942,523	9,853,668	12,022,964	53,773,227	4,900,637
Business-type Activities					
Annual Leave	247,384	49,924	2,864	294,444	59,791
Capital Leases:					
Monterey Parking Garage 2014	12,603,000	-	453,000	12,150,000	472,000
Street Sweeper	140,102	333,325	104,885	368,542	98,387
Fire Engine	172,680	-	27,360	145,320	27,913
Total Leases	12,915,782	333,325	585,245	12,663,862	598,300
HUD Section 108 Loan	4,000,000	-	-	4,000,000	378,000
State of CA- Parking Garage Lighting	19,295	-	19,295	-	-
Bonds Payable:					
Sanitary Sewer Revenue Bonds - 2012	16,950,000	-	350,000	16,600,000	360,000
Certificates of Participation					
Series A-2005	5,300,000	-	5,300,000	-	-
Series A-2015	-	4,405,000	-	4,405,000	355,000
Series A-2008	4,580,000	-	40,000	4,540,000	50,000
Total Bonds Payable	9,880,000	4,405,000	5,340,000	8,945,000	405,000
Subtotal	44,012,461	4,788,249	6,297,404	42,503,306	1,801,091
Bond Premium - Sanitary Sewer	148,782	-	10,628	138,154	10,628
Bond Discount - Municipal Golf	(45,669)	-	(45,669)	-	-
Business-type Activities	44,115,574	4,788,249	6,262,363	42,641,460	1,811,719
Total Long-Term Liability	\$100,058,097	\$ 14,641,917	\$ 18,285,327	\$ 96,414,687	\$ 6,712,356

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The annual requirements to amortize capital leases, loans and notes, certificates of participation and bonds outstanding as of June 30, 2016 by activity are as follows:

Year Ended June 30,	Governmental-Wide Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 3,024,429	\$ 1,357,683	\$ 1,741,300	\$ 1,538,495
2018	3,252,023	1,238,323	1,814,748	1,486,181
2019	3,076,740	1,122,604	1,833,762	1,432,542
2020	3,220,030	1,009,821	1,909,919	1,378,106
2021	3,219,355	916,159	3,934,133	1,427,327
2022 - 2026	12,751,886	3,057,565	8,207,000	5,463,698
2027 - 2031	10,208,723	1,323,840	8,148,000	3,910,840
2032 - 2036	2,920,896	89,248	7,495,000	2,248,116
2037 - 2041	-	-	5,195,000	961,744
2042 - 2046	-	-	1,930,000	82,875
	<u>\$ 41,674,082</u>	<u>\$ 10,115,243</u>	<u>\$ 42,208,862</u>	<u>\$ 19,929,924</u>

The debt for the State of California – annual leave and estimated insurance claims do not have amortization schedules and are therefore not included in the above schedule.

Accrued Annual Leave – Accrued leave is reported on the Government-Wide Statements for Governmental Activities in Long-Term Debt 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, 2016 the liability for all compensated absences totaled \$9,717,127. It includes \$9,694,080 of annual leave and \$23,047 of sick leave.

Accrued annual leave are reported on the financial statements in the following funds:

	June 30, 2015	Increases	Decreases	June 30, 2016	Due Within One Year
Governmental Activities					
General Fund	\$ 8,720,520	\$ 673,136	\$ 1,402,335	\$ 7,991,321	\$ 1,597,495
Measure V	925,957	78,072	174,808	829,221	165,764
Special Revenue Funds	155,157	384,304	-	539,461	107,840
Debt Service Funds	-	49,804	28,765	21,039	4,206
Internal Service Funds	-	4,513	-	4,513	903
	<u>\$ 9,801,634</u>	<u>\$ 1,189,829</u>	<u>\$ 1,605,908</u>	<u>\$ 9,385,555</u>	<u>\$ 1,876,209</u>
Business-type Activities					
Enterprise Funds	\$ 247,384	\$ 49,924	\$ 2,864	\$ 294,444	\$ 59,791
Fiduciary Activities					
Agency Funds	\$ 58,296	\$ 11,057	\$ 32,225	\$ 37,128	\$ 10,245

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Estimated Insurance Claims – At June 30, 2016, the estimated insurance claims liability recorded in the Internal Service Funds is as follows:

Worker's Compensation	\$ 21,834,653
General Liability	<u>3,333,671</u>
Total	<u><u>\$ 25,168,324</u></u>

An additional \$2,713,590 of Worker's Compensation claims liability is reported in the Long-Term Debt under estimated insurance claims.

Governmental Type Activities

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,499,429	\$ 873,476	\$ 2,372,905
2018	1,707,023	822,967	2,529,990
2019	1,686,740	771,050	2,457,790
2020	1,765,030	718,493	2,483,523
2021	1,974,355	681,405	2,655,760
2022 - 2026	7,826,886	2,554,787	10,381,673
2027 - 2031	9,098,723	1,298,793	10,397,516
2032 - 2036	<u>2,920,896</u>	<u>89,248</u>	<u>3,010,144</u>
	<u><u>\$ 28,479,082</u></u>	<u><u>\$ 7,810,219</u></u>	<u><u>\$ 36,289,301</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 \$858,840 is recorded as Governmental Activities at June 30, 2016.

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 201,918	\$ 35,298	\$ 237,216
2018	210,216	27,000	237,216
2019	218,856	18,360	237,216
2020	<u>227,850</u>	<u>9,365</u>	<u>237,215</u>
	<u><u>\$ 858,840</u></u>	<u><u>\$ 90,023</u></u>	<u><u>\$ 948,863</u></u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 \$306,233 is recorded as Governmental Activities at June 30, 2016.

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 202,632	\$ 7,679	\$ 210,311
2018	103,601	1,554	105,155
	<u>\$ 306,233</u>	<u>\$ 9,233</u>	<u>\$ 315,466</u>

Quantum Pumper Fire Engine & Rosenbauer Airwolf

On January 21, 2014, the City, using lease purchase financing, purchased a Quantum Pumper fire engine, \$536,653, and a Rosenbauer Airwolf fire engine, \$398,997, for a total of \$935,650. The City will make seven annual payments of \$144,680, beginning on March 1, 2015 and ending March 1, 2021 at 2.02% interest. The Rosenbauer Airwolf fire engine debt is funded 50% by the Airport Fund; see capital leases for Business-type Activities. Debt payable of \$536,229 is recorded as Governmental Activities at June 30, 2016.

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 103,000	\$ 10,832	\$ 113,832
2018	105,080	8,752	113,832
2019	107,203	6,629	113,832
2020	109,368	4,464	113,832
2021	111,578	2,254	113,832
	<u>\$ 536,229</u>	<u>\$ 32,931</u>	<u>\$ 569,160</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Quantum Tiller Ladder Truck

On January 21, 2014, the City, using lease purchase financing, purchased a Quantum Tiller Ladder Truck for a total of \$1,087,053. The City will make ten annual payments of \$124,848, beginning on March 17, 2015 and ending March 17, 2024 at 2.60% interest. Debt payable of \$891,372 is recorded as Government Activities at June 30, 2016.

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 101,672	\$ 23,176	\$ 124,848
2018	104,316	20,532	124,848
2019	107,028	17,820	124,848
2020	109,811	15,037	124,848
2021	468,545	30,846	499,391
	<u>\$ 891,372</u>	<u>\$ 107,411</u>	<u>\$ 998,783</u>

Pierce Pumper & Tiller

On March 6, 2015, the City, using lease purchase financing, purchased a Pierce Pumper and Tiller for a total of \$1,628,839. The City will make ten annual payments of \$209,261, beginning on March 6, 2016 and ending March 6, 2025 at 2.51% interest. Debt payable of \$1,460,408 is recorded as Government activities at June 30, 2016.

Debt service requirements to maturity for the Pierce Pumper & Tiller are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 172,652	\$ 36,609	\$ 209,261
2018	176,980	32,281	209,261
2019	181,417	27,844	209,261
2020	185,964	23,597	209,561
2021	190,626	18,635	209,261
2022 - 2026	552,769	31,921	584,690
	<u>\$ 1,460,408</u>	<u>\$ 170,887</u>	<u>\$ 1,631,295</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2014 Lease/Purchase Agreement

The City of Salinas 2014 Lease/Purchase Agreement was issued by the Salinas Facilities Financing Authority on January 29, 2014. The financing was issued to refund the Animal Shelter COP Series A-1999 (\$2,812,000) and the Monterey Street Parking Structure COP Series A-2004 (\$13,253,000). The Animal Shelter portion of the financing was issued for 19 years (ending September 1, 2032), at an average interest rate of 4.02%. Maximum annual debt service is \$278,646. Debt payable of \$2,518,000 is recorded as Governmental Activities at June 30, 2016. Debt service requirements to maturity for 2014 Lease/Purchase Agreement are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 133,000	\$ 98,550	\$ 231,550
2018	137,000	93,124	230,124
2019	145,000	87,455	232,455
2020	145,000	81,626	226,626
2021	153,000	75,636	228,636
2022 - 2026	985,000	278,928	1,263,928
2027 - 2031	820,000	138,248	958,248
	<u>\$ 2,518,000</u>	<u>\$ 853,567</u>	<u>\$ 3,371,567</u>

Energy Improvement Lease

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

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 584,555	\$ 661,332	\$ 1,245,887
2018	869,830	639,724	1,509,554
2019	927,236	612,942	1,540,178
2020	987,037	584,404	1,571,441
2021	1,050,606	554,034	1,604,640
2022 - 2026	6,289,117	2,243,938	8,533,055
2027 - 2031	8,278,723	1,160,545	9,439,268
2032 - 2036	2,920,896	89,248	3,010,144
	<u>\$ 21,908,000</u>	<u>\$ 6,546,167</u>	<u>\$ 28,454,167</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Certificates of Participation Bonds

Series A-1997 (Refunded by Series B-2005 in 2005 and refunded by Series B-2015 in 2015)

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

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

On September 1, 2015, the City issued Refunding Certificates of Participation Series 2015, in the amount of \$11,440,000 at a 2.53% interest rate, to refund the outstanding portion of the 2005A Certificates of Participation (Twin Creeks) and the 2005B Certificates of Participation (Capital Improvements). Bond started September 1, 2015 and will end after 12 years on September 1, 2027.

The current refunding of the Certificates of Participation Series 2005-A (Business-type Activity) and 2005-B (Governmental Activity) reduced total debt service payments over the next 13 years by \$3,184,743. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,200,896.

The annual debt service requirements to maturity for the certificates are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 525,000	\$ 171,344	\$ 696,344
2018	540,000	157,872	697,872
2019	555,000	144,020	699,020
2020	570,000	129,789	699,789
2021	585,000	115,178	700,178
2022 - 2026	3,150,000	343,448	3,493,448
2027 - 2031	1,110,000	25,047	1,135,047
	<u>\$ 7,035,000</u>	<u>\$ 1,086,698</u>	<u>\$ 8,121,698</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Assessment Districts Bonds

At June 30, 2016, outstanding Assessment District Bonds totaled \$6,160,000. 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 \$2,384,352 at June 30, 2016.

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,000,000	\$ 312,863	\$ 1,312,863
2018	1,005,000	257,484	1,262,484
2019	835,000	207,534	1,042,534
2020	885,000	161,539	1,046,539
2021	660,000	119,576	779,576
2022 - 2026	1,775,000	159,330	1,934,330
	<u>\$ 6,160,000</u>	<u>\$ 1,218,326</u>	<u>\$ 7,378,326</u>

Business-Type Activities

Capital Leases – Annual debt service requirements to maturity for the capital lease for Business-Type Activities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 598,300	\$ 492,578	\$ 1,090,878
2018	621,748	469,755	1,091,503
2019	594,762	446,048	1,040,810
2020	619,919	422,889	1,042,808
2021	639,133	398,866	1,037,999
2022 - 2026	3,122,000	1,623,437	4,745,437
2027 - 2031	3,798,000	930,469	4,728,469
2032 - 2036	2,670,000	163,735	2,833,735
	<u>\$ 12,663,862</u>	<u>\$ 4,947,777</u>	<u>\$ 17,611,639</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2014 Lease/Purchase Agreement

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

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 472,000	\$ 478,943	\$ 950,943
2018	492,000	459,567	951,567
2019	511,000	439,405	950,405
2020	534,000	418,402	952,402
2021	551,000	396,593	947,593
2022 - 2026	3,122,000	1,623,437	4,745,437
2027 - 2031	3,798,000	930,469	4,728,469
2032 - 2036	2,670,000	163,735	2,833,735
	<u>\$ 12,150,000</u>	<u>\$ 4,910,551</u>	<u>\$ 17,060,551</u>

Street Sweepers

On January 17, 2013 the City, using lease purchase financing, purchased a street sweeper. The City of Salinas will make five annual payments of \$49,530 at 3.00% interest. Debt payable of \$94,775 is recorded in the Storm Sewer Enterprise Fund at June 30, 2016. On May 23, 2016 the City, using lease purchase financing, purchased another street sweeper. The City of Salinas will make six annual payments of \$59,557 at 2.87% interest. Debt payable of \$273,767 is recorded in the Storm Sewer Enterprise Fund at June 30, 2016.

Debt service requirements to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 98,387	\$ 10,700	\$ 109,087
2018	101,271	7,816	109,087
2019	54,710	4,847	59,557
2020	56,280	3,277	59,557
2021	57,894	1,662	59,556
	<u>\$ 368,542</u>	<u>\$ 28,302</u>	<u>\$ 396,844</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fire Engine

On January 21, 2014, the City, using lease purchase financing, purchased a Rosenbauer Airwolf fire engine for \$398,997. The fire engine debt is funded 50% by the Airport Fund; see capital leases for governmental type activities for the remaining 50% under *Quantum Pumper Fire Engine & Rosenbauer Airwolf*. The City will make seven annual payments of \$30,849 for the portion associated to business-type activities, beginning on March 1, 2015 and ending on March 1, 2021 at 2.02% interest. Debt payable of \$145,320 is recorded in the Airport Fund at June 30, 2016.

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 27,913	\$ 2,935	\$ 30,848
2018	28,477	2,372	30,849
2019	29,052	1,796	30,848
2020	29,639	1,210	30,849
2021	30,239	611	30,850
	<u>\$ 145,320</u>	<u>\$ 8,924</u>	<u>\$ 154,244</u>

HUD Section 108 Loan

On March 28, 2015, the City entered into a contract for Loan Guarantee Assistance with the Housing and Urban Development Department (HUD), pursuant to which the City will derive funds for the purposes permitted under the agreement, and will execute one or more City Notes in the maximum aggregate principal amount of up to \$9,390,000. During the fiscal year, the City executed a note numbered as B-12-MC-06-0005 (Community and Economic Development Fund – Industrial Waste Water Conveyance System Project) in the principal amount of \$4,000,000. The City of Salinas has pledged current and future Community Development Block Grants (CDBG) funds as principal security for the loan. The loan carries a variable interest rate of 20 points (0.2%) above the applicable LIBOR rate. As of June 30, 2016, \$4,000,000 of the loan balance is outstanding.

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 378,000	\$ 78,605	\$ 456,605
2018	393,000	75,209	468,209
2019	409,000	70,662	479,662
2020	425,000	63,947	488,947
2021	2,395,000	165,007	2,560,007
	<u>\$ 4,000,000</u>	<u>\$ 453,430</u>	<u>\$ 4,453,430</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Bonds Payable

Certificates of Participation, Series A-1999 – Golf Courses (Portion Refunded by Series A-2005 in 2005 and refunded again by Series A-2015)

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

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

On September 14, 2005, the Salinas Public Financing Authority issued City of Salinas Refunding Certificates of Participation Series 2005A, in the amount of \$8,005,000, to refund the portion of the 1999 Certificates attributed to Twin Creeks. Refunding Certificates Series 2005A were issued for 24 years at 4.22%, and were secured by a lien on Twin Creeks golf course. 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.

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 2015-16 to offset the reduced amount of the sublease to the First Tee of Monterey County.

On September 1, 2015, the City issued Refunding Certificates of Participation Series 2015, in the amount of \$11,440,000 at a 2.53% interest rate, to refund the outstanding portion of the 2005A Certificates of Participation (Twin Creeks) and the 2005B Certificates of Participation (Capital Improvements). Bond started September 1, 2015 and will end after 12 years on September 1, 2027.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The current refunding of the Certificates of Participation Series 2005-A (Business-type Activity) and 2005-B (Governmental Activity) reduced total debt service payments over the next 13 years by \$3,184,743. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,200,896.

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 355,000	\$ 106,956	\$ 461,956
2018	360,000	97,911	457,911
2019	370,000	88,676	458,676
2020	380,000	79,189	459,189
2021	390,000	69,448	459,448
2022 - 2026	2,100,000	192,280	2,292,280
2027 - 2031	450,000	5,693	455,693
	<u>\$ 4,405,000</u>	<u>\$ 640,153</u>	<u>\$ 5,045,153</u>

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

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

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 50,000	\$ 204,300	\$ 254,300
2018	60,000	202,050	262,050
2019	70,000	199,350	269,350
2020	80,000	196,200	276,200
2021	90,000	192,600	282,600
2022 - 2026	660,000	890,100	1,550,100
2027 - 2031	1,090,000	704,250	1,794,250
2032 - 2036	1,420,000	426,825	1,846,825
2037 - 2041	1,020,000	93,150	1,113,150
	<u>\$ 4,540,000</u>	<u>\$ 3,108,825</u>	<u>\$ 7,648,825</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Series 2012 – Sanitary Sewer Revenue Bonds

On February 8, 2012, the City of Salinas issued Sanitary Sewer System Revenue Bonds, Series 2012 in the amount of \$17,995,000 to provide funds for the current refunding of the City's Sanitary Sewer System Revenue Bonds, Series 1998 and to finance capital replacement of existing sewer mains and other sewer related capital replacement. Maximum annual debt service is \$1,022,406, including interest ranging from 1.0% to 4.4% for 30 years. The City is authorized under Chapter 36, Article II, Division 5 of the Salinas City Code, to levy a sewer fee for the purpose of paying sanitary sewer related expenses of the City. On January 10, 2012, the City Council approved adjustments to wastewater collection fees effective February 1, 2012 to reflect the cost of wastewater conveyance through the Enterprise and an amount to cover debt service. The fee is billed by the Monterey Regional Water Pollution Control Agency. Debt payable of \$16,600,000 is recorded in the Sanitary Sewer Enterprise Fund at June 30, 2016.

Debt service requirements and maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 360,000	\$ 656,056	\$ 1,016,056
2018	380,000	641,256	1,021,256
2019	390,000	627,806	1,017,806
2020	405,000	615,881	1,020,881
2021	420,000	601,406	1,021,406
2022 - 2026	2,325,000	2,757,881	5,082,881
2027 - 2031	2,810,000	2,270,428	5,080,428
2032 - 2036	3,405,000	1,657,556	5,062,556
2037 - 2041	4,175,000	868,594	5,043,594
2042 - 2046	1,930,000	82,875	2,012,875
	<u>\$ 16,600,000</u>	<u>\$ 10,779,739</u>	<u>\$ 27,379,739</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, 2016 the total conduit debt outstanding related to these bonds is \$4,240,000.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

charitable support for the County's residents. As of June 30, 2016, total conduit debt outstanding related to the Economic Development Revenue Bonds is \$15,860,000.

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

19. Restricted Net Position:

The government-wide statement of net position reports \$44,746,885 of restricted net position, of which enabling legislation restricts \$1,572,081 represented by the net position held at the Sanitary Sewer Fund.

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

Governmental funds report unearned revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period (unavailable). Unearned revenues are those where assets recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenues are stated at \$9,456,998, net of allowance in the Government-Wide Statements and \$9,801,699 in the Fund statements, consisting of \$3,195,177 of unearned revenues and \$6,606,522 of deferred inflows of resources. These are not available resources.

Unearned revenues, net of allowance of \$9,801,699 at June 30, 2016 consist of the following:

Governmental Activities:

Major funds:

Assessment district debt service	
Assessment receivable	\$ 6,160,000

Non-major funds:

Housing and urban development	
Housing rehab loans	1,521,337
First time homebuyers loans	1,377,232
CDBG/home program deferred inflows or resources	15,434,491
Subtotal	18,333,060
Less: allowance for doubtful accounts	(17,988,358)
Total housing and urban development	344,702
Grants	101,820
Special revenue and capital projects unearned revenue	3,195,177
Total governmental activities	<u>\$ 9,801,699</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

21. Prior Period Adjustment:

For the fiscal year ended June 30, 2015, the City implemented the provisions of GASB No. 68 - *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. During the implementation process, differences between the actual employer contributions and the proportionate share of employer contributions to the Safety Risk Pool – Fire, a Cost-Sharing Multiple Employer Defined Pension Plan, for the measurement period between July 1, 2013 and June 30, 2014 for were inadvertently expensed in the fiscal year ended June 30, 2015. A prior period adjustment in the amount of \$894,859 was recorded to correct beginning deferred outflows of resources related to pensions and unrestricted net position.

For the fiscal year ended June 30, 2016, the City implemented Government Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. As part of the implementation, a prior period adjustment totaling \$14,750,000 was recorded to decrease unrestricted net position and to include the net pension liability and deferred outflows of resources related to the New York Life Retirement Plan, a Single Employer Defined Benefit Pension Plan. As a result, in accordance with the pronouncement, the beginning net position of the Governmental Activities has been restated.

Beginning net position and deferred inflows of resources of the Governmental Activities were adjusted as follows:

Governmental Activities	Prior Period Adjustment	Deferred Outflows of Resources	Net Pension Liability
Cost-Sharing Multiple Employer Defined Benefit Pension Plan - Safety Risk Pool - Fire	\$ (894,859)	\$ 894,859	\$ -
Single Employer Defined Benefit Pension Plan - New York Life Retirement Plan	<u>(14,750,000)</u>	<u>792,000</u>	<u>13,958,000</u>
Total prior period adjustment	<u><u>\$ (15,644,859)</u></u>	<u><u>\$ 1,686,859</u></u>	<u><u>\$ 13,958,000</u></u>

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fund balance for governmental funds as of June 30, 2016 consists of the following:

	General, Measure V, & Measure G	Development Fees	Assessment District Debt Service	Special Construction Assistance	Other Nonmajor Governmental Funds	Total
Nonspendable:						
Inventory	\$ 16,413	\$ -	\$ -	\$ -	\$ -	\$ 16,413
Loans & Notes Receivable	-	-	-	-	4,006,571	4,006,571
Advances	4,210,000	-	-	-	-	4,210,000
Land Held for Resale	-	-	-	-	2,507,553	2,507,553
	<u>4,226,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,514,124</u>	<u>10,740,537</u>
Restricted for:						
Public Safety	-	-	-	-	2,131,766	2,131,766
Future Development	-	15,920,638	-	-	-	15,920,638
Maintenance District	-	-	-	-	5,315,941	5,315,941
Recreation Parks	-	-	-	-	46,459	46,459
Community Development	-	-	-	-	1,661,456	1,661,456
Franchise-Cable	-	-	-	-	445,198	445,198
Street Repairs	-	-	-	-	1,304,216	1,304,216
Grants	-	-	-	-	1,617,337	1,617,337
Low/Moderate Housing	-	-	-	-	575,239	575,239
Capital Projects-Airport	-	-	-	-	1,603,960	1,603,960
Debt Service	-	-	1,747,036	-	4,868,091	6,615,127
	<u>-</u>	<u>15,920,638</u>	<u>1,747,036</u>	<u>-</u>	<u>19,569,663</u>	<u>37,237,337</u>
Committed for:						
Capital Projects	<u>12,819,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>14,819,700</u>
Assigned for:						
Other Purposes	462,779	-	-	-	-	462,779
Carryover Appropriations	12,706,737	-	-	-	-	12,706,737
Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>751,727</u>	<u>1,042,481</u>	<u>1,794,208</u>
	<u>13,169,516</u>	<u>-</u>	<u>-</u>	<u>751,727</u>	<u>1,042,481</u>	<u>14,963,724</u>
Unassigned:						
Operations-Reserve	8,384,300	-	-	-	-	8,384,300
Other-Accruals	76,112	-	-	-	-	76,112
Other Unassigned	<u>(5,420,336)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,317,970)</u>	<u>(6,738,306)</u>
	<u>3,040,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,317,970)</u>	<u>1,722,106</u>
Total Fund Balances	<u>\$ 33,255,705</u>	<u>\$ 15,920,638</u>	<u>\$ 1,747,036</u>	<u>\$ 751,727</u>	<u>\$ 27,808,298</u>	<u>\$ 79,483,404</u>

23. Encumbrance:

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

As of June 30, 2016, total governmental fund encumbrance balances for the City are as follows:

General Fund, Measure V, & Measure G	\$ 2,714,700
Development Fees	295,757
Special Construction Assistance	2,932,228
Nonmajor governmental funds	5,132,236
	<u>\$ 11,074,921</u>

24. Joint Venture – Salinas Valley Solid Waste Authority:

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

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

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

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016 consisted of the following:

Cash and investments	\$ 2,289,797
Restricted cash and investments	<u>1,594,946</u>
Total Cash and Investments	<u><u>\$ 3,884,743</u></u>

Cash and investments of \$1,594,946 recorded as restricted assets are restricted to cover debt service. These funds are held by the City's fiscal agent.

Capital Assets – The following is a summary of the Agency's capital assets at June 30, 2016:

	Balance June 30, 2015	Additions	Adjustments/ Retirements	Balance June 30, 2016
Fiduciary Activities				
Capital assets, not being depreciated				
Land	\$ 149,270	\$ -	\$ -	\$ 149,270
Total assets not being depreciated	<u>149,270</u>	<u>-</u>	<u>-</u>	<u>149,270</u>
Capital assets, being depreciated				
Improvements other than buildings	17,840	-	-	17,840
Total assets being depreciated	<u>17,840</u>	<u>-</u>	<u>-</u>	<u>17,840</u>
Less accumulated depreciation	(13,380)	(1,784)	-	(15,164)
Total capital assets being depreciated, net	<u>4,460</u>	<u>(1,784)</u>	<u>-</u>	<u>2,676</u>
Fiduciary Activities capital assets, net	<u><u>\$ 153,730</u></u>	<u><u>\$ (1,784)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 151,946</u></u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Long Term Debt – The following is a summary of the long term debt at June 30, 2016:

	June 30, 2015	Increases	Decreases	June 30, 2016	Due Within One Year
Fiduciary-type Activities					
Loans and Notes Payable:					
Homeless Shelter	\$ 157,500	\$ -	\$ -	\$ 157,500	\$ -
Total Loans & Notes Payable	157,500	-	-	157,500	-
Tax Allocation Refunding Bonds:					
Series A-1996	2,270,000	-	(95,000)	2,175,000	100,000
Series A-1992	1,652,441	-	(258,609)	1,393,832	241,368
Total Bonds Payable	3,922,441	-	(353,609)	3,568,832	341,368
Subtotal	4,079,941	-	(353,609)	3,726,332	341,368
Unamortized Bond Discount	(80,268)	-	8,919	(71,349)	(8,919)
Fiduciary-type Activities	<u>\$ 3,999,673</u>	<u>\$ -</u>	<u>\$ (344,690)</u>	<u>\$ 3,654,983</u>	<u>\$ 332,449</u>

The annual requirements to amortize loans and notes and bonds outstanding as of June 30, 2016 by activity are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 341,368	\$ 1,090,415	\$ 1,431,783
2018	326,117	1,102,700	1,428,817
2019	320,866	1,109,164	1,430,030
2020	312,604	1,119,148	1,431,752
2021	309,342	1,123,234	1,432,576
2022 - 2026	1,958,535	2,298,439	4,256,974
2027 - 2031	-	-	-
2032 - 2042	157,500	-	157,500
	<u>\$ 3,726,332</u>	<u>\$ 7,843,100</u>	<u>\$ 11,569,432</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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 costs.

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

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

Tax Allocation Bonds

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

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

Year Ended June 30,	TAB Series A-1996		TAB Series A-1992	
	Principal	Interest	Principal	Interest
2017	\$ 100,000	\$ 116,875	\$ 241,368	\$ 973,540
2018	100,000	111,375	226,117	991,325
2019	110,000	105,600	210,866	1,003,564
2020	115,000	99,413	197,604	1,019,735
2021	125,000	92,813	184,342	1,030,421
2021 - 2024	1,625,000	201,712	333,535	2,096,727
	<u>\$ 2,175,000</u>	<u>\$ 727,788</u>	<u>\$ 1,393,832</u>	<u>\$ 7,115,312</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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Unamortized Bond Discount

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

The following is a summary of the 1996 Tax Allocation Revenue Bonds unamortized discount at June 30, 2016:

	June 30, 2015	Increases	Decreases	June 30, 2016
Tax Allocation Bond, Series A-1996	\$ 80,268	\$ -	\$ (8,919)	\$ 71,349

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

27. Subsequent Events:

Refinancing of Assessment District Bonds – On August 1, 2016, the City finalized the refinancing of the Assessment District debt and realized savings for each property owner of the following:

- 1998 AD 98-1 – Bella Vista III Refunding
- 2000 AD 96-2 – Acacia Park Refunding
- 2002 RADA – Bella Vista Refunding
- 2002 RADB – Bella Vista Refunding

The districts were consolidated into one district, Reassessment District No. 2016.

The refinancing was funded through a direct private placement with City National Bank for \$4,555,000. By refunding the four bonds, approximately \$315,000 is expected in net present value savings or nearly 7% of the bonds being refunded. This represents approximately \$168,000 in average annual savings when comparing the old debt service with the new debt service.

The City has evaluated subsequent events through March 21, 2017, the date these financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY
INFORMATION**



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CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2016

BUDGETING

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

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

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

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

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

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

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

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2016

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

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

BUDGETARY INFORMATION

The adopted FY 2015-16 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 (2016-17) 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 May 26, 2015, 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 2015-16 Annual Operating Budgets on June 9, 2015. A major update to the CIP was made during FY 2015-16 for the current fiscal year through fiscal year 2020-21. Capital project budget is updated annually with major revisions occurring every two years. During FY 2015-16, a major update took place because of the availability of the new Transaction and Sales Tax (Measure G) that brought over \$15.7 million dollars in capital projects.

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2016

Annual budgets are prepared for General Governmental 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 \$656,878,000 were identified for the six (6) year period from July 1, 2015, to June 30, 2021. The required investments range from deferred maintenance needs of existing facilities (e.g. fire station repairs) or major street and roads reconstruction/improvements, 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 \$1.1 million and over \$15.7 million funded by the newly generated Sales and Transactions Tax (Measure G). 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 \$70 thousand for the Steinbeck and Chavez Libraries Roof Repairs.

GENERAL FUND

The General Fund fund balance increased \$5,508,428 to \$12,478,531, of which \$4,226,413 is Non-spendable, \$812,400 is committed, \$2,875,138 is assigned and \$4,564,580 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 \$4,226,413 includes Inventory (\$16,413) and Advances (\$4,210,000). Committed funds balance of \$812,400 is designated for future Capital Projects. Carryover Appropriations of \$2,413,202 and other purposes are under the \$2,875,138 Assigned fund balance category.

The General Fund unassigned fund balance of \$4,564,580 is made up of \$5,730,000 in Operations Reserve and (\$1,165,420) of future funds required to meet the fund balance reserves at June 30, 2016.

MEASURE V

Measure V is a general tax (discretionary) and is reported as part of the General Fund. The Measure V fund balance increased \$494,603 to \$6,249,907, of which \$1,170,000 is committed to future Capital Projects, \$408,366 is assigned and \$4,671,541 is unassigned.

Of the \$4,671,541 Measure V unassigned fund balance, \$894,300 is reserved for operations, and \$3,777,241 in unassigned fund balances. Measure V reserves have been set-aside by Council for specific purposes.

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2016

MEASURE G

Measure G is a general tax (discretionary) and is reported as part of the General Fund. The Measure G fund balance increased \$9,152,715 to \$14,527,267, of which \$10,837,300 is committed for future capital projects, \$9,866,012 is assigned for carryover appropriations and (\$6,196,045) is unassigned.

The Measure G Fund unassigned fund balance of (\$6,196,045) is made up of a modest reserve for operations of \$1,760,000 and (\$7,956,045) of future funds required to meet the fund balance reserves at June 30, 2016.

BUDGETARY RESULTS RECONCILED TO GAAP

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

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

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2016

BUDGET REVISIONS

The following is a summary of the actions taken after the approval on February 9, 2016 of the mid-year adjustments to the fiscal year 2015-16 budget:

- General Fund adjusted upwards its revenue estimate for Sales Tax and Vehicle License Fee In-Lieu by \$1,369,500. This increase coupled with the carry-over of prior fiscal year of \$3,750,000 created an availability of funds of \$5,119,500 to fund budget needs and one-time infrastructure investments. The budget was also adjusted \$2,155,900 by increasing appropriations as follows: \$96,500 for Public Safety initiatives; \$298,000 for Economic Development initiatives; \$1,041,600 for Administrative initiatives; \$200,000 for Building Improvements and Equipment; \$199,800 for Public Works related initiatives and \$320,000 for Elections and Charter Review costs. This action included the increase of the General Fund Operation Reserve by \$700,000, created a Structural Deficit Contingency Reserve in the amount of \$500,000, and a new reserve for the New York Life Retirement Plan in the amount of \$1,500,000. The Capital Project budget was increased in the same action by \$478,700. Projects funded by General Fund included Inclusionary Housing, City Hall Office Improvements, Forbes Sponsorship and SVG Partners and THRIVE Accelerator for Economic Development initiatives.
- Measure V budget was also amended at the mid-year point on February 9, 2016 when its estimated revenue and appropriations budget was increased \$241,500 to increase funding of Library operations (\$83,500) coupled with an increase in capital projects funding in the amount of \$135,000.
- Measure G estimated revenues were decreased by \$456,000 coupled with an increase in funds availability resulting from FY 2014-15 carryover of \$391,000 for a net reduction of \$65,000. To adjust the budget accordingly on the appropriation side, the budget was reduced \$3,243,100 in several departments' salary and benefit accounts in recognition of unfilled vacant positions savings. This reduction coupled with increases in other appropriation categories of the operational budget of \$1,468,100 and additional funding of capital improvement projects in the amount of \$1,710,000.

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



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CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND, MEASURE V, & MEASURE G
FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2015	\$ 18,099,959	\$ 18,099,959	\$ 18,099,959	\$ -
Resources (inflows):				
Taxes	111,311,000	112,371,500	115,987,206	3,615,706
Licenses and Permits	1,138,400	1,138,400	1,591,305	452,905
Intergovernmental	460,400	460,400	1,201,899	741,499
Charges for Services	4,348,500	4,348,500	4,427,695	79,195
Interest	130,000	130,000	304,982	174,982
Rental Income	294,800	294,800	380,900	86,100
Fines and forfeits	88,400	88,400	60,235	(28,165)
Miscellaneous	136,500	136,500	329,155	192,655
Operating Transfers In	3,907,000	3,907,000	3,907,000	-
Total Resources	<u>121,815,000</u>	<u>122,875,500</u>	<u>128,190,377</u>	<u>5,314,877</u>
Charges to Appropriations (outflows):				
General Government	19,804,000	19,256,968	18,525,311	731,657
Public Safety	62,330,600	63,733,470	60,792,599	2,940,871
Public Works	11,844,800	12,210,871	11,594,567	616,304
Recreation	2,413,600	2,385,198	1,930,449	454,749
Library	4,774,700	4,707,933	3,977,832	730,101
Capital Outlay	304,000	1,869,887	1,662,023	207,864
Transfers Out	15,724,700	31,371,335	14,551,850	16,819,485
Total Charges to Appropriations	<u>117,196,400</u>	<u>135,535,662</u>	<u>113,034,631</u>	<u>22,501,031</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>4,618,600</u>	<u>(12,660,162)</u>	<u>15,155,746</u>	<u>27,815,908</u>
Fund Balance, June 30, 2016	<u>\$ 22,718,559</u>	<u>\$ 5,439,797</u>	<u>\$ 33,255,705</u>	<u>\$ 27,815,908</u>

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
MEASURE V FUND
FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget
Fund Balance, July 1, 2015	\$ 5,755,304	\$ 5,755,304	\$ 5,755,304	\$ -
Resources (inflows):				
Taxes	11,241,000	11,388,000	11,569,533	181,533
Interest	10,000	10,000	32,655	22,655
Miscellaneous	-	-	486	486
Transfers In	655,000	655,000	655,000	-
Total Resources	11,906,000	12,053,000	12,257,674	204,674
Charges to Appropriations (outflows):				
General Government	865,400	865,400	895,415	(30,015)
Public Safety	3,592,700	3,534,168	3,663,583	(129,415)
Public Works	982,800	982,800	1,046,449	(63,649)
Recreation	950,800	969,347	896,265	73,082
Library	4,774,700	4,707,933	3,977,832	730,101
Capital Outlay	12,000	183,039	140,650	42,389
Transfers Out	1,810,000	1,551,447	1,142,877	408,570
Total Charges to Appropriations	12,988,400	12,794,134	11,763,071	1,031,063
Excess of Resources Over (Under)				
Charges to Appropriations	(1,082,400)	(741,134)	494,603	1,235,737
Fund Balance, June 30, 2016	\$ 4,672,904	\$ 5,014,170	\$ 6,249,907	\$ 1,235,737

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
MEASURE G FUND
FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget
Fund Balance, July 1, 2015	\$ 5,374,552	\$ 5,374,552	\$ 5,374,552	\$ -
Resources (inflows):				
Taxes	22,000,000	21,544,000	23,082,954	1,538,954
Interest	20,000	20,000	73,288	53,288
Miscellaneous	500	500	150	(350)
Total Resources	22,020,500	21,564,500	23,156,392	1,591,892
Charges to Appropriations (outflows):				
General Government	1,037,900	1,104,000	614,332	489,668
Public Safety	4,096,200	3,926,867	2,370,174	1,556,693
Public Works	1,258,000	1,358,000	1,181,835	176,165
Recreation	665,500	608,860	267,741	341,119
Library	-	-	-	-
Capital Outlay	80,000	1,030,573	976,604	53,969
Transfers Out	13,102,300	20,508,200	8,592,991	11,915,209
Total Charges to Appropriations	20,239,900	28,536,500	14,003,677	14,532,823
Excess of Resources Over (Under)				
Charges to Appropriations	1,780,600	(6,972,000)	9,152,715	16,124,715
Fund Balance, June 30, 2016	\$ 7,155,152	\$ (1,597,448)	\$ 14,527,267	\$ 16,124,715

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
HOUSING AND URBAN DEVELOPMENT FUND
FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget
Fund Balance, July 1, 2015	\$ (407,560)	\$ (407,560)	\$ (407,560)	\$ -
Resources (inflows):				
Intergovernmental	4,064,200	4,064,200	3,032,415	(1,031,785)
Interest	-	-	179	179
Miscellaneous	217,500	217,500	297,759	80,259
Transfers In	-	-	22,966	22,966
Total Resources	4,281,700	4,281,700	3,353,319	(928,381)
Charges to Appropriations (outflows):				
General Government	2,931,000	6,062,308	1,460,525	(4,601,783)
Public Works	-	115,039	115,039	-
Transfers Out	-	2,162,840	967,791	(1,195,049)
Total Charges to Appropriations	2,931,000	8,340,187	2,543,355	(5,796,832)
Excess of Resources Over (Under)				
Charges to Appropriations	1,350,700	(4,058,487)	809,964	4,868,451
Fund Balance, June 30, 2016	\$ 943,140	\$ (4,466,047)	\$ 402,404	\$ 4,868,451

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT FEES FUND
FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget
Fund Balance, July 1, 2015	\$ 15,532,789	\$ 15,532,789	\$ 15,532,789	\$ -
Resources (inflows):				
Charges for Services	388,000	388,000	1,144,892	756,892
Interest	66,500	66,500	108,176	41,676
Total Resources	454,500	454,500	1,253,068	798,568
Charges to Appropriations (outflows):				
Capital Outlay	-	-	174,690	(174,690)
Transfers Out	-	14,729,311	690,529	14,038,782
Total Charges to Appropriations	-	14,729,311	865,219	13,864,092
Excess of Resources Over (Under)				
Charges to Appropriations	454,500	(14,274,811)	387,849	14,662,660
Fund Balance, June 30, 2016	\$ 15,987,289	\$ 1,257,978	\$ 15,920,638	\$ 14,662,660

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
LAST THREE YEARS

Actuarial Valuation Date	Present Value of Benefits	Unfunded Actuarial Accrued Liability	Annual Required Contribution (ARC)	Covered Payroll	ARC as a Percentage Payroll
06/30/15	\$ 30,968,000	\$ 18,498,000	\$ 2,155,000	\$ 45,104,000	4.8%
06/30/14	\$ 24,464,000	\$ 14,233,000	\$ 1,992,000	\$ 43,684,000	4.6%
06/30/13	\$ 24,464,000	\$ 14,233,000	\$ 1,823,000	\$ 42,039,000	4.3%

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
CLAIMS DEVELOPMENT
INTERNAL SERVICE FUNDS-GENERAL LIABILITY INSURANCE
LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net earned required contribution and investment revenues	\$ 1,182,409	\$ 892,752	\$ 935,129	\$ 1,343,428	\$ 814,131	\$ 910,555	\$ 952,735	\$ 971,785	\$ 1,892,297	\$ 1,019,378
Unallocated expenses	376,213	370,771	371,076	348,331	315,065	350,753	338,630	353,537	334,291	339,171
Estimated incurred claims and expenses, end of policy year	30,502	56,732	238,703	39,595	102,556	83,079	522,131	161,668	965,536	234,565
Paid Claims as of:										
End of policy year	17,711	24,230	43,408	5,487	14,877	7,665	30,214	18,140	55,188	116,262
One year later	138,651	156,683	391,628	150,457	93,839	245,112	172,798	635,352	282,538	
Two years later	320,071	360,609	497,350	789,862	190,588	466,599	375,290	842,560		
Three years later	447,569	1,193,165	1,537,770	1,307,381	224,592	983,571	1,021,746			
Four years later	452,506	159,784	1,539,402	1,466,325	224,959	1,081,157				
Five years later	498,439	161,663	1,539,402	1,467,548	224,959					
Six years later	511,036	161,993	1,539,402	1,515,447						
Seven years later	511,036	162,286	1,539,402							
Eight years later	511,036	164,553								
Nine years later	511,036									
Reestimated incurred claims and expenses:										
End of policy year	30,502	56,732	238,703	39,595	102,556	83,079	522,131	161,668	965,536	234,565
One year later	297,814	753,135	527,836	280,903	174,137	870,512	638,797	2,233,535	865,213	
Two years later	443,240	753,718	570,697	1,463,367	219,220	942,962	1,085,173	2,280,849		
Three years later	498,386	1,193,165	1,546,208	1,580,287	225,383	1,371,990	1,046,887			
Four years later	452,506	186,210	1,539,402	1,552,896	224,959	1,439,018				
Five years later	498,439	206,010	1,539,402	1,548,767	224,959					
Six years later	513,439	216,010	1,539,402	1,563,767						
Seven years later	511,036	216,010	1,539,402							
Eight years later	511,036	216,010								
Nine years later	511,036									
Increase/(Decrease) in estimated incurred claims and expenses										
End of policy year	480,534	159,278	1,300,699	1,524,172	122,403	1,355,939	524,756	2,119,181	(100,323)	-

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
CLAIMS DEVELOPMENT
INTERNAL SERVICE FUNDS-WORKERS COMPENSATION INSURANCE
LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net earned required contribution and investment revenues	\$ 3,164,817	\$ 3,057,272	\$ 2,043,505	\$ 4,505,413	\$ 5,353,747	\$ 9,173,838	\$ 7,472,705	\$ 4,377,425	\$ 6,130,921	\$ 13,748,053
Unallocated expenses	262,483	285,455	214,582	249,818	285,858	292,754	323,122	360,203	335,408	471,472
Estimated incurred claims and expenses, end of policy year	985,428	830,790	1,039,527	1,460,583	937,398	1,720,157	2,243,630	1,666,909	1,432,029	813,874
Paid claims (cumulative) as of:										
End of policy year	368,902	286,530	423,304	660,835	403,754	533,708	646,857	950,284	334,254	333,561
One year later	770,525	976,701	1,344,588	2,113,115	1,308,910	1,864,818	1,634,364	1,371,978	1,597,521	
Two years later	916,943	1,224,838	1,637,077	2,835,706	1,711,483	2,854,520	1,959,739	1,927,023		
Three years later	1,038,220	1,542,842	1,940,235	3,543,291	1,962,598	3,136,125	2,340,805			
Four years later	1,117,251	1,732,246	2,090,155	4,112,174	2,198,461	3,456,515				
Five years later	1,208,982	1,852,584	2,188,846	4,292,478	2,297,187					
Six years later	1,246,725	1,974,390	2,277,738	4,469,158						
Seven years later	1,257,411	2,037,189	2,341,544							
Eight years later	1,263,553	2,124,708								
Nine years later	1,270,710									
Reestimated incurred claims and expenses:										
End of policy year	985,428	830,790	1,039,527	1,460,583	937,398	1,720,157	2,243,630	1,666,909	1,432,029	813,874
One year later	1,250,090	1,794,518	2,429,854	3,280,511	2,328,492	4,335,777	3,285,111	2,218,693	2,641,671	
Two years later	1,128,907	1,826,991	2,697,846	5,310,361	2,538,085	4,746,128	3,764,688	3,204,843		
Three years later	1,201,945	2,392,497	3,355,273	5,982,979	2,654,485	4,801,869	4,196,279			
Four years later	1,295,130	2,690,591	3,098,511	5,975,348	2,883,206	4,995,945				
Five years later	1,484,666	2,540,276	3,081,380	6,094,953	3,103,844					
Six years later	1,460,589	2,665,192	3,249,970	6,265,087						
Seven years later	1,455,769	3,097,014	3,317,548							
Eight years later	1,456,300	3,170,548								
Nine years later	1,411,432									
Increase/(Decrease) in estimated incurred claims and expenses										
End of policy year	426,004	2,339,758	2,278,021	4,804,504	2,166,446	3,275,788	1,952,649	1,537,934	1,209,642	-

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CITY'S NET PENSION LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
LAST 10 FISCAL YEARS[^]

Fiscal Year	2015-16		2014-15	
	Miscellaneous	Police	Miscellaneous	Police
TOTAL PENSION LIABILITY				
Service Cost	\$ 2,197,484	\$ 4,440,981	\$ 2,331,545	\$ 4,932,982
Interest on Total Pension Liability	6,445,778	17,475,350	6,154,034	17,097,550
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	(1,789,044)	(5,739,808)	-	-
Changes of Assumptions	(1,686,636)	(4,436,648)	-	-
Benefit Payments, Including Refunds of Employee Contributions	(2,803,130)	(11,383,179)	(2,673,091)	(10,895,705)
Net Change in Total Pension Liability	2,364,452	356,696	5,812,488	11,134,827
Total Pension Liability - Beginning	88,037,048	242,083,519	82,224,560	230,948,692
Total Pension Liability - Ending (a)	\$ 90,401,500	\$ 242,440,215	\$ 88,037,048	\$ 242,083,519
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	2,037,528	5,540,793	2,010,590	5,285,903
Contributions - Employee	987,786	1,350,215	959,420	1,375,826
Net Investment Income	1,500,373	3,733,737	9,911,526	25,664,291
Benefit Payments, Including Refunds of Employee Contributions	(2,803,130)	(11,383,179)	(2,673,091)	(10,895,705)
Administrative Expense	(77,059)	(190,690)	-	-
Net Change in Fiduciary Net Position	1,645,498	(949,124)	10,208,445	21,430,315
Plan Fiduciary Net Position - Beginning	66,869,484	170,366,925	56,661,039	148,936,610
Plan Fiduciary Net Position - Ending (b)	\$ 68,514,982	\$ 169,417,801	\$ 66,869,484	\$ 170,366,925
Plan Net Pension Liability/(Asset) - Ending (a)-(b)	<u>\$ 21,886,518</u>	<u>\$ 73,022,414</u>	<u>\$ 21,167,564</u>	<u>\$ 71,716,594</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.79%	69.88%	75.96%	70.38%
Covered Employee Payroll*	\$ 15,513,480	\$ 15,494,316	\$ 15,831,777	\$ 16,589,818
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	141.08%	471.29%	133.70%	432.29%

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes in Assumptions: The discount rate was changed from 7.5% (net of administrative expense) to 7.65%

* For the year ending on the measurement date

[^] Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN
SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS AND NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
LAST 10 FISCAL YEARS[^]

Fiscal Year	2015-16		2014-15	
	Miscellaneous	Police	Miscellaneous	Police
Actuarially Determined Contribution	\$ 2,635,818	\$ 6,462,584	\$ 2,037,528	\$ 5,540,793
Contributions in Relation to the Actuarially Determined Contribution	2,635,818	6,462,584	2,037,528	5,540,793
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll*	\$ 16,519,247	\$ 16,062,098	\$ 13,444,769	\$ 14,664,280
Contributions as a Percentage of Covered-Employee Payroll	15.96%	40.23%	15.15%	37.78%

Notes to Schedules

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year 2015-16 were from the June 30, 2013 Valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2012 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

[^]Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown

* For the year ending on the measurement date

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
COST -SHARING SAFETY MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE PLAN'S (PERF C)
NET PENSION LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
LAST 10 FISCAL YEARS^

Fiscal Year	Fire (Tier 1 & Tier 2)	
	2015-16	2014-15
City's Proportion of the Net Pension Liability	0.64362%	0.64195%
City's Proportionate Share of the Net Pension Liability	\$ 44,177,449	\$ 39,944,785
City's Covered - Employee Payroll*	9,158,594	9,531,935
City's Proportionate Share of the Net Pension Liability as a percentage of Covered Payroll	482.36%	419.06%
Plan's Fiduciary Net Position as a percentage of the Plan's Total Pension Liability	78.40%	79.82%

Notes to Schedule of City's Proportionate Share of The Plan's (PERF C)
Net Pension Liability and Related Ratios

Benefit Changes: There were no changes to benefit terms.

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

^Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown

* For the year ending on the measurement date

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN
SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS AND NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
LAST 10 FISCAL YEARS^

Fiscal Year	Fire (Tier 1 & Tier 2)	
	2015-16	2014-15
Actuarially Determined Contribution	\$ 4,732,759	\$ 3,811,507
Contributions in Relation to the Actuarially Determined Contribution	4,732,759	3,811,507
Contribution Deficiency (Excess)	\$ -	\$ -
City's Covered-Employee Payroll*	\$ 9,436,688	\$ 9,158,594
Contributions as a Percentage of Covered-Employee Payroll	50.15%	41.62%

Notes to the Schedule:

Actuarial Methods and Assumptions

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS employed an amortization and smoothing policy that pays for all gains and losses over a fixed 30-year period with the increases or decreases in rate spread directly over a 5-year period. The new amortization and smoothing policy is used in this valuation.

A change in the calculation of termination with vested benefits liability was made this year to better reflect the retirement experience. After termination with vested benefits, a miscellaneous member is assumed to retire at age 59 and a safety member at age 54 rather than at earliest retirement age. The higher benefit factors at these ages results in a higher liability and an increase in normal cost.

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

*For the fiscal year ending on the date shown

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
SINGLE - EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CITY'S NET PENSION LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
LAST 10 FISCAL YEARS[^]

Fiscal Year	2015-16
CHANGE IN TOTAL PENSION LIABILITY	
Service Cost	\$ 436,000
Interest Cost	676,000
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(3,139,000)
Net Change in Total Pension Liability	(2,027,000)
Total Pension Liability - Beginning	20,996,000
Total Pension Liability - Ending (a)	\$ 18,969,000
CHANGE IN PLAN FIDUCIARY NET POSITION	
Contributions - Employer	1,340,000
Contributions - Employee	77,000
Net Investment Income	(85,000)
Benefit Payments, Including Refunds of Employee Contributions	(3,139,000)
Administrative Expense	(100,000)
Net Change in Fiduciary Net Position	(1,907,000)
Plan Fiduciary Net Position - Beginning	5,454,000
Plan Fiduciary Net Position - Ending (b)	\$ 3,547,000
Plan Net Pension Liability/(Asset) - Ending (a)-(b)	\$ 15,422,000
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	18.70%
Covered Employee Payroll*	\$ 1,738,432
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	887.12%

Notes to schedule of Changes in Net Pension Liability and Related Ratios:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after September 1, 2015 valuation date.

Changes in Assumptions: No change in assumptions

* For the year ending on the measurement date

[^] Fiscal year 2016 was the 1st year of implementation, therefore only one year is shown.

**CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
SINGLE-EMPLOYER DEFINED BENEFIT PLAN
SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS AND NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
LAST 10 FISCAL YEARS^**

Fiscal Year	2015-16
Actuarially Determined Contribution	\$ 1,520,000
Contributions in Relation to the Actuarially Determined Contribution	1,107,000
Contribution Deficiency (Excess)	\$ 413,000
City's Covered-Employee Payroll*	\$ 1,872,220
Contributions as a Percentage of Covered-Employee Payroll	59.13%

^Fiscal year 2016 was the 1st year of implementation, therefore only one year is shown.

*For the fiscal year ending on the date shown

Notes to Schedules

Actuarial Methods and Assumptions:

Valuation Date	September 1, 2015
Actuarial Cost Method	Individual Aggregate Cost Method
Amortization Method/Period	N/A
Asset Valuation Method	Cash value as reported by New York Life Investment New York Life
Discount Rate	5.00%
Salary Increases	2.00% per annum
Mortality	2015 IRS Combined Mortality Table for males and females
Payment Form	All Participants Assumed to elect lump sum at retirement, termination, or disability. Lump sums valued using UP 84 Unisex Mortality table and 1.25% interest

SUPPLEMENTARY INFORMATION



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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for specified purposes. The Special Revenue Funds used by the City in this report are as follows:

Emergency Medical Services Fund - This fund accounts for monies received from County Service Area (CSA) 74. Funds are used to purchase emergency medical and safety equipment under the capital improvement program.

Asset Seizure - This fund accounts for the proceeds from sale of assets seized primarily from illegal narcotics activity. These funds are used for law enforcement.

Lighting, Landscape and Maintenance District - This fund accounts for monies received from the various maintenance districts throughout the City. Funds are used to pay for the lighting and landscape maintenance of the respective districts.

Local Public Safety Fund - This fund accounts for monies received from federal and state grants, which are expended to enhance law enforcement services.

Housing and Urban Development Grant - This fund accounts for the use of community development block grant funds received from the federal government. Other revenues in this fund include repayments of commercial and residential loans and rental income from City property. Funds are used for programs or projects that increase affordable housing and benefit people with special needs such as senior and handicapped citizens.

Gas Tax - This fund accounts for gas tax revenues received from State apportionments of gasoline taxes. Expenditures are restricted to street maintenance and street improvements. No expenditures are made directly from this fund, but transfers are made to the General Fund for street maintenance and engineering salaries and to the Capital Projects Fund for street improvements based on actual expenditures.

Traffic Safety - This fund accounts for revenues derived from traffic violations whose use is restricted by State statute for traffic safety and street maintenance purposes. No expenditures are made directly from this fund, but transfers are made to the General Fund for traffic safety expenditures and street maintenance.

Vehicle Abatement - This fund accounts for monies allocated by the State to fund the vehicle abatement program.

Recreation Parks Fund - This fund accounts for revenues received from an admission fee charge that is imposed to events held at the Salinas Sports Complex (Rodeo Grounds stadium). Funds are designated for Parks and Recreation activities.

Cable - This fund accounts for revenues received for public, educational and governmental (PEG) fees from video service providers. Its use is restricted to provide non-commercial public, educational and government channels.

Grants Fund - This fund accounts for various minor grants received for purposes ranging from library to police operations.

SRA Public Improvement Grant - This fund accounts for the use of monies received from proceeds of the land sale located in Main Street where the “Taylor Farms” headquarters is constructed and other properties held for re-sale.

Affordable Housing Fund - These funds are used to improve and increase the supply of low income housing within the City.

CITY OF SALINAS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Emergency Medical Services	Asset Seizure	Lighting, Landscape and Maintenance District	Local Public Safety	Housing and Urban Development Grant	Gas Tax	Traffic Safety	Vehicle Abatement	Recreation Parks	Cable	Grants	SRA Public Impvt Grant	Affordable Housing	Total
ASSETS														
Cash and investments	\$ 1,127,944	\$ 94,848	\$ 5,529,522	\$ 508,279	\$ 303,158	\$ 1,439,103	\$ -	\$ 336,032	\$ 53,930	\$ 396,482	\$ 202,026	\$ 1,525,264	\$ 1,229,804	\$ 12,746,392
Receivables, net:														
Accrued interest	1,572	218	9,015	468	-	2,827	-	-	-	-	-	2,442	830,872	847,414
Due from outside agencies	-	-	-	34,285	898,423	229,289	55,032	-	-	48,716	1,096,414	-	-	2,362,159
Due from other funds	-	-	-	-	100,000	-	-	-	-	-	-	-	-	100,000
Loan receivables	-	-	-	-	344,702	-	-	-	-	-	-	-	4,006,571	4,351,273
Land and properties held for resale	-	-	-	-	-	-	-	-	-	-	-	850,000	1,657,553	2,507,553
Total assets	<u>\$ 1,129,516</u>	<u>\$ 95,066</u>	<u>\$ 5,538,537</u>	<u>\$ 543,032</u>	<u>\$ 1,646,283</u>	<u>\$ 1,671,219</u>	<u>\$ 55,032</u>	<u>\$ 336,032</u>	<u>\$ 53,930</u>	<u>\$ 445,198</u>	<u>\$ 1,298,440</u>	<u>\$ 2,377,706</u>	<u>\$ 7,724,800</u>	<u>\$ 22,914,791</u>
LIABILITIES														
Accounts payable	\$ 18,267	\$ -	\$ 59,347	\$ -	\$ 191,893	\$ -	\$ -	\$ 5,197	\$ 101	\$ -	\$ 242,077	\$ -	\$ 5,833	\$ 522,715
Due to other funds	3,448	-	163,249	-	707,284	367,003	-	-	7,370	-	864,912	-	-	2,113,266
Unearned revenues	-	-	-	-	-	-	-	-	-	-	-	-	828,881	828,881
Total liabilities	<u>21,715</u>	<u>-</u>	<u>222,596</u>	<u>-</u>	<u>899,177</u>	<u>367,003</u>	<u>-</u>	<u>5,197</u>	<u>7,471</u>	<u>-</u>	<u>1,106,989</u>	<u>-</u>	<u>834,714</u>	<u>3,464,862</u>
DEFERRED INFLOWS OF RESOURCES														
Unavailable revenues - housing loans	-	-	-	-	344,702	-	-	-	-	-	-	-	-	344,702
Unavailable revenues - grants	-	-	-	-	-	-	-	-	-	-	101,820	-	-	101,820
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,820</u>	<u>-</u>	<u>-</u>	<u>446,522</u>
FUND BALANCE														
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	850,000	5,664,124	6,514,124
Restricted	1,107,801	95,066	5,315,941	543,032	1,661,456	1,304,216	55,032	330,835	46,459	445,198	89,631	1,527,706	575,239	13,097,612
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	650,723	650,723
Unassigned	-	-	-	-	(1,259,052)	-	-	-	-	-	-	-	-	(1,259,052)
Total fund balances	<u>1,107,801</u>	<u>95,066</u>	<u>5,315,941</u>	<u>543,032</u>	<u>402,404</u>	<u>1,304,216</u>	<u>55,032</u>	<u>330,835</u>	<u>46,459</u>	<u>445,198</u>	<u>89,631</u>	<u>2,377,706</u>	<u>6,890,086</u>	<u>19,003,407</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,129,516</u>	<u>\$ 95,066</u>	<u>\$ 5,538,537</u>	<u>\$ 543,032</u>	<u>\$ 1,646,283</u>	<u>\$ 1,671,219</u>	<u>\$ 55,032</u>	<u>\$ 336,032</u>	<u>\$ 53,930</u>	<u>\$ 445,198</u>	<u>\$ 1,298,440</u>	<u>\$ 2,377,706</u>	<u>\$ 7,724,800</u>	<u>\$ 22,914,791</u>

CITY OF SALINAS, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ -	\$ -	\$ -	\$ 415,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,003	\$ -	\$ -	\$ -	\$ 601,633
Taxes - special assessment	-	-	1,661,642	-	-	-	-	-	-	-	-	-	-	1,661,642
Intergovernmental	131,275	10,472	-	322,185	3,032,415	3,025,982	-	131,605	-	-	5,384,831	-	-	12,038,765
Charges for services	-	-	-	-	-	-	-	-	-	-	5,563	-	-	5,563
Interest	6,757	751	37,565	1,787	179	12,725	-	-	-	-	-	10,671	8,137	78,572
Rental income	-	-	-	-	-	159,528	-	-	34,696	-	-	-	-	194,224
Fines and forfeits	-	-	-	-	-	-	414,212	-	-	-	-	-	-	414,212
Miscellaneous	-	-	15,332	-	297,759	-	-	-	-	-	-	-	84,102	397,193
Total revenues	138,032	11,223	1,714,539	739,602	3,330,353	3,198,235	414,212	131,605	34,696	186,003	5,390,394	10,671	92,239	15,391,804
EXPENDITURES														
Current:														
General government	-	-	36,300	-	1,460,525	-	-	-	-	123,996	40,955	-	115,763	1,777,539
Public safety	606,743	20,000	-	600,000	-	-	-	115,779	22,421	-	2,510,479	-	-	3,875,422
Public works	-	-	1,083,204	-	115,039	-	-	-	-	-	-	-	-	1,198,243
Library	-	-	-	-	-	-	-	-	-	-	538,500	-	-	538,500
Capital outlay	-	-	-	-	-	-	-	-	-	2,835	51,181	-	-	54,016
Total expenditures	606,743	20,000	1,119,504	600,000	1,575,564	-	-	115,779	22,421	126,831	3,141,115	-	115,763	7,443,720
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(468,711)	(8,777)	595,035	139,602	1,754,789	3,198,235	414,212	15,826	12,275	59,172	2,249,279	10,671	(23,524)	7,948,084
OTHER FINANCING SOURCES (USES)														
Housing Loan Repayment from Successor Agency	-	-	-	-	-	-	-	-	-	-	-	-	293,562	293,562
Operating transfers in	640,000	-	-	-	22,966	71,019	11,106	50,000	-	-	2	-	-	795,093
Operating transfers out	(40,423)	-	(78,942)	-	(967,791)	(4,022,780)	(485,000)	-	(22,715)	-	(2,159,650)	-	-	(7,777,301)
Total other financing sources (uses)	599,577	-	(78,942)	-	(944,825)	(3,951,761)	(473,894)	50,000	(22,715)	-	(2,159,648)	-	293,562	(6,688,646)
NET CHANGE IN FUND BALANCES	130,866	(8,777)	516,093	139,602	809,964	(753,526)	(59,682)	65,826	(10,440)	59,172	89,631	10,671	270,038	1,259,438
FUND BALANCES, BEGINNING OF YEAR	976,935	103,843	4,799,848	403,430	(407,560)	2,057,742	114,714	265,009	56,899	386,026	-	2,367,035	6,620,048	17,743,969
FUND BALANCES, END OF YEAR	\$ 1,107,801	\$ 95,066	\$ 5,315,941	\$ 543,032	\$ 402,404	\$ 1,304,216	\$ 55,032	\$ 330,835	\$ 46,459	\$ 445,198	\$ 89,631	\$ 2,377,706	\$ 6,890,086	\$ 19,003,407

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:

Certificates of Participation (2005B) Fund - This fund is used to accumulate funds for the payment of principal and interest on the 2005B Certificates of Participation. Proceeds were used to refund the Certificates of Participation 1997. The proceeds from the Certificates of Participation 1997 were used for capital improvements and to refund the Salinas Public Financing Authority's Variable Rate Lease Revenue Bonds that were used to purchase the 65 W. Alisal building. Debt service is financed from installment payments from the Salinas Valley Solid Waste Authority (SVSWA) for the purchase of Crazy Horse Landfill and a lease on the 65 W. Alisal Building.

Certificates of Participation (2002) Fund - This fund is used to accumulate funds for the payment of principal and interest on the 2002 Certificates of Participation. Proceeds were used to finance the acquisition by the Salinas Redevelopment Agency of a leasehold interest in the Steinbeck Center site. Debt service is financed from the Steinbeck Center's annual lease payments.

COP 1999 & COP 2004 Consolidation (2014) - 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 for the Animal Shelter is used to finance the City's General Fund.

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

Assessment District Administration Fund - This fund accounts for the cost of administering the City's 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.

Assessment District Reserve Fund - This fund accounts for the reserves on outstanding assessment districts bonds.



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**CITY OF SALINAS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2016**

	Certificates of Participation (2005 B)	Certificates of Participation (2002)	COP 1999 & COP 2004 Consolidation (2014)	Energy Improvement Lease	COP 2005 A & COP 2005 B 2015 Refunding	Assessment District Administration	Assessment District Reserve	Totals
ASSETS								
Cash and investments	\$ -	\$ -	\$ 2,364,063	\$ 29,920	\$ 80,563	\$ -	\$ 1,520,621	\$ 3,995,167
Receivables:								
Accrued interest	-	-	4,600	1,472	134	-	3,027	9,233
Restricted cash and investments	-	-	4,074	-	4,350	-	860,704	869,128
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,372,737</u>	<u>\$ 31,392</u>	<u>\$ 85,047</u>	<u>\$ -</u>	<u>\$ 2,384,352</u>	<u>\$ 4,873,528</u>
LIABILITIES								
Due to other funds	\$ -	\$ -	\$ 1,120	\$ -	\$ 4,317	\$ 58,918	\$ -	\$ 64,355
Total liabilities	<u>-</u>	<u>-</u>	<u>1,120</u>	<u>-</u>	<u>4,317</u>	<u>58,918</u>	<u>-</u>	<u>64,355</u>
FUND BALANCE								
Restricted	-	-	2,371,617	31,392	80,730	-	2,384,352	4,868,091
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,918)</u>	<u>-</u>	<u>(58,918)</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>2,371,617</u>	<u>31,392</u>	<u>80,730</u>	<u>(58,918)</u>	<u>2,384,352</u>	<u>4,809,173</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,372,737</u>	<u>\$ 31,392</u>	<u>\$ 85,047</u>	<u>\$ -</u>	<u>\$ 2,384,352</u>	<u>\$ 4,873,528</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Certificates of Participation (2005 B)	Certificates of Participation (2002)	COP 1999 & COP 2004 Consolidation (2014)	Energy Improvement Lease	COP 2005 A & COP 2005 B 2015 Refunding	Assessment District Administration	Assessment District Reserve	Totals
REVENUES								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,753	\$ -	\$ 2,753
Interest	1,305	6,212	13,133	31,392	381	-	14,170	66,593
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	1,305	6,212	13,133	31,392	381	2,753	14,170	69,346
EXPENDITURES								
Debt service:								
Principal retirement	460,000	-	125,000	-	7,755,000	-	-	8,340,000
Interest and fiscal charges	168,191	12,651	103,735	986,499	178,395	-	-	1,449,471
Total expenditures	628,191	12,651	228,735	986,499	7,933,395	-	-	9,789,471
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(626,886)	(6,439)	(215,602)	(955,107)	(7,933,014)	2,753	14,170	(9,720,125)
OTHER FINANCING SOURCES (USES)								
Loan proceeds	-	-	-	-	7,035,000	-	-	7,035,000
Proceeds from sale of land	-	2,826,837	-	-	-	-	-	2,826,837
Loan repayment to Successor Agency	-	(484,716)	-	-	-	-	-	(484,716)
Operating transfers in	-	-	2,524,215	2,351,748	978,744	-	-	5,854,707
Operating transfers out	(80,349)	(2,335,682)	(63,112)	(16,640,817)	-	-	-	(19,119,960)
Total other financing sources (uses)	(80,349)	6,439	2,461,103	(14,289,069)	8,013,744	-	-	(3,888,132)
NET CHANGE IN FUND BALANCES	(707,235)	-	2,245,501	(15,244,176)	80,730	2,753	14,170	(13,608,257)
FUND BALANCES, BEGINNING OF YEAR	707,235	-	126,116	15,275,568	-	(61,671)	2,370,182	18,417,430
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ 2,371,617	\$ 31,392	\$ 80,730	\$ (58,918)	\$ 2,384,352	\$ 4,809,173

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

Capital Projects Funds are used to account for major capital acquisition and construction activities. The Capital Projects Funds used by the City in this report are as follows:

Special Aviation Fund - This fund accounts for federal and state airport grants. Funds are used to reimburse the Capital Projects Fund for airport capital expenditures.

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.

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



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**CITY OF SALINAS
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2016**

	Special Aviation	Assessment District Project	Capital Projects	Totals
ASSETS				
Cash and investments	\$ 1,607,456	\$ 391,139	\$ 2,000,000	\$ 3,998,595
Receivables, net				
Accrued interest	2,559	619	-	3,178
Due from outside agencies	92,315	-	-	92,315
Due from other funds	-	-	1,245,002	1,245,002
Total assets	<u>\$ 1,702,330</u>	<u>\$ 391,758</u>	<u>\$ 3,245,002</u>	<u>\$ 5,339,090</u>
LIABILITIES				
Accounts payable	<u>\$ 98,370</u>	<u>\$ -</u>	<u>\$ 1,245,002</u>	<u>\$ 1,343,372</u>
Total liabilities	<u>98,370</u>	<u>-</u>	<u>1,245,002</u>	<u>1,343,372</u>
FUND BALANCE				
Restricted	1,603,960	-	-	1,603,960
Committed	-	-	2,000,000	2,000,000
Assigned	-	391,758	-	391,758
Total fund balance	<u>1,603,960</u>	<u>391,758</u>	<u>2,000,000</u>	<u>3,995,718</u>
Total liabilities and fund balances	<u>\$ 1,702,330</u>	<u>\$ 391,758</u>	<u>\$ 3,245,002</u>	<u>\$ 5,339,090</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Aviation	Assessment District Project	Capital Projects	Totals
REVENUES				
Intergovernmental	\$ 220,860	\$ -	\$ -	\$ 220,860
Interest	11,199	2,707	-	13,906
Total revenues	232,059	2,707	-	234,766
EXPENDITURES				
Capital outlay	341,545	-	14,620,525	14,962,070
Total expenditures	341,545	-	14,620,525	14,962,070
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(109,486)	2,707	(14,620,525)	(14,727,304)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	14,620,525	14,620,525
Total other financing sources (uses)	-	-	14,620,525	14,620,525
NET CHANGE IN FUND BALANCES	(109,486)	2,707	-	(106,779)
FUND BALANCES, BEGINNING OF YEAR	1,713,446	389,051	2,000,000	4,102,497
FUND BALANCES, END OF YEAR	\$ 1,603,960	\$ 391,758	\$ 2,000,000	\$ 3,995,718

INTERNAL SERVICE FUNDS

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

Risk Management Fund - This fund is used to account for the City's risk management program which administers employee benefits and the Internal Service Funds insurance programs.

General Insurance Fund - This fund is used to account for city-wide safety programs, employee assistance programs, unemployment claims, biennial physical exams, and insurance for property, fine arts, and reimbursable damages.

Workers Compensation Fund - This fund is used to account for the City's self-insured workers compensation program.

General Liability Fund - This fund is used to account for the City's self-insured general liability insurance program.



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CITY OF SALINAS
COMBINING STATEMENT OF FUND NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016

	Risk Management	General Insurance	Workers Compensation	General Liability	Total
ASSETS					
Current Assets:					
Cash and investments	\$ 892,294	\$ 2,728,022	\$ 2,534,858	\$ 3,440,354	\$ 9,595,528
Receivables					
Accrued interest	-	-	4,383	5,119	9,502
Due from general fund	-	-	19,044,013	-	19,044,013
Total current assets	<u>892,294</u>	<u>2,728,022</u>	<u>21,583,254</u>	<u>3,445,473</u>	<u>28,649,043</u>
Noncurrent Assets:					
Restricted cash and investments	-	-	255,223	67,641	322,864
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>255,223</u>	<u>67,641</u>	<u>322,864</u>
Total assets	<u>892,294</u>	<u>2,728,022</u>	<u>21,838,477</u>	<u>3,513,114</u>	<u>28,971,907</u>
LIABILITIES					
Current liabilities:					
Accounts payable	-	12,207	3,824	16,232	32,263
Insurance claims payable	-	-	21,834,653	3,333,671	25,168,324
Long term debt - due within one year	<u>903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>903</u>
Total current liabilities	<u>903</u>	<u>12,207</u>	<u>21,838,477</u>	<u>3,349,903</u>	<u>25,201,490</u>
Noncurrent liabilities:					
Long term debt - due in more than one year	<u>3,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,610</u>
Total noncurrent liabilities	<u>3,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,610</u>
Total liabilities	<u>4,513</u>	<u>12,207</u>	<u>21,838,477</u>	<u>3,349,903</u>	<u>25,205,100</u>
NET POSITION					
Restricted	-	-	255,223	67,641	322,864
Unrestricted	<u>887,781</u>	<u>2,715,815</u>	<u>(255,223)</u>	<u>95,570</u>	<u>3,443,943</u>
Total net position	<u>\$ 887,781</u>	<u>\$ 2,715,815</u>	<u>\$ -</u>	<u>\$ 163,211</u>	<u>\$ 3,766,807</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Risk Management	General Insurance	Workers Compensation	General Liability	Total
OPERATING REVENUES					
Charges for services	\$ 350,240	\$ 1,014,288	\$ 5,278,034	\$ 996,558	\$ 7,639,120
Total operating revenues	350,240	1,014,288	5,278,034	996,558	7,639,120
OPERATING EXPENSES					
Personnel services	37,042	-	80,215	140,495	257,752
Contractual services	-	8,832	-	1,207,297	1,216,129
Supplies	4,724	-	-	-	4,724
Insurance	-	232,570	-	339,171	571,741
Insurance claims	-	-	4,680,409	-	4,680,409
Utilities	151	-	-	-	151
Other	3,687	154,578	535,336	-	693,601
Total operating expenses	45,604	395,980	5,295,960	1,686,963	7,424,507
OPERATING INCOME (LOSS)	304,636	618,308	(17,926)	(690,405)	214,613
NONOPERATING REVENUES (EXPENSES)					
Investment income	-	-	17,926	22,820	40,746
Total nonoperating revenues (expenses)	-	-	17,926	22,820	40,746
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	304,636	618,308	-	(667,585)	255,359
Transfers in	-	-	-	343,000	343,000
CHANGE IN NET POSITION	304,636	618,308	-	(324,585)	598,359
NET POSITION, BEGINNING OF YEAR	583,145	2,097,507	-	487,796	3,168,448
NET POSITION, END OF YEAR	\$ 887,781	\$ 2,715,815	\$ -	\$ 163,211	\$ 3,766,807

CITY OF SALINAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Risk Management Fund	General Insurance Fund	Workers Compensation Fund	General Liability Fund	Totals
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 240	\$ 10,312	\$ 46,835	\$ 46,558	\$ 103,945
Receipts from interfund services provided	350,000	1,003,976	4,313,060	950,000	6,617,036
Payments to Suppliers	(14,842)	(407,211)	(597,680)	(1,671,340)	(2,691,073)
Payments to Employees	(32,528)	-	(80,215)	(140,494)	(253,237)
Payments to Claimants	-	-	(3,462,631)	-	(3,462,631)
Net Cash Provided (Used) by Operating Activities	302,870	607,077	219,369	(815,276)	314,040
Cash Flows from Non-Capital Financing Activities:					
Operating Transfers In	-	-	-	343,000	343,000
Net Cash Provided by (Used for) Non-Capital Financing Activities	-	-	-	343,000	343,000
Cash Flows from Investing Activities:					
Interest received	-	-	17,926	22,820	40,746
(Decrease) in fair value of investments	-	-	(3,101)	(1,362)	(4,463)
Transfer (to) from restricted cash	-	-	80,307	(62,613)	17,694
Net Cash Provided by (Used for) Investing Activities	-	-	95,132	(41,155)	53,977
Net Increase (Decrease) in Cash and Cash Equivalents	302,870	607,077	314,501	(513,431)	711,017
Cash and Cash Equivalents - Beginning of Year	589,424	2,120,945	2,220,357	3,953,785	8,884,511
Cash and Cash Equivalents - End of Year	\$ 892,294	\$ 2,728,022	\$ 2,534,858	\$ 3,440,354	\$ 9,595,528

CITY OF SALINAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	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)	\$ 304,636	\$ 618,308	\$ (17,926)	\$ (690,405)	\$ 214,613
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:					
(Increase) decrease in due from general fund	-	-	(918,139)	-	(918,139)
Increase (decrease) in accounts payable	(6,279)	(11,231)	(62,344)	12,683	(67,171)
Increase (decrease) in insurance claims	-	-	1,217,778	(137,554)	1,080,224
Increase (decrease) in accrued leave	4,513	-	-	-	4,513
Total Adjustments to Net Income	(1,766)	(11,231)	237,295	(124,871)	99,427
Net Cash Provided (Used) by Operating Activities	<u>\$ 302,870</u>	<u>\$ 607,077</u>	<u>\$ 219,369</u>	<u>\$ (815,276)</u>	<u>\$ 314,040</u>

Fiduciary Funds

PRIVATE-PURPOSE TRUST FUNDS

The private-purpose trust funds accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and other trust arrangement not properly reported in a pension trust.

Successor Agency - RORF - This fund accounts for all the financial activities of the Redevelopment Obligation Retirement Fund (RORF) related to the former Redevelopment Project Area in accordance with AB 1x26 and AB 1484 which unwind the Redevelopment Agency of the City of Salinas.

Administration – This fund accounts for the administrative activities of the Successor Agency to the former Salinas Redevelopment Agency which was dissolved on February 1, 2012 in accordance with AB 1x26 (enacted June 28, 2011).

Other Private Purpose Trust Funds – These funds are used to account for other trust arrangements not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments. The City accounts for the following trust funds: Community Center, Monterey Regional Water Pollution Control Agency (MRWPCA) Fees, Sales Tax, Payroll Taxes, Developer Deposits, Evidence Room, Construction Bonds, Monterey County Tourism Improvement District, Leadership Salinas, and miscellaneous.



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CITY OF SALINAS
COMBINING STATEMENT OF NET POSITION (DEFICIT)
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2016

	Successor Agency Trust			Other	
	Redevelopment Obligation Retirement Fund	Administration	Total Sucessor Agency Trust	Private Purpose Trust	Total
ASSETS					
Cash and investments	\$ 2,027,890	\$ 261,907	\$ 2,289,797	\$ 2,000,644	\$ 4,290,441
Cash and investments held by fiscal agent	1,594,946	-	1,594,946	-	1,594,946
Receivables					
Accounts	-	-	-	5,142	5,142
Interest	602	-	602	-	602
Loans and notes receivable	184,100	-	184,100	-	184,100
Capital assets, net of accumulated depreciation	151,946	-	151,946	-	151,946
Total assets	3,959,484	261,907	4,221,391	2,005,786	6,227,177
LIABILITIES					
Accounts payable	-	4,763	4,763	61,722	66,485
Interest payable	681,819	-	681,819	-	681,819
Deposits	-	-	-	442	442
Long term debt					
Due within one year	332,449	-	332,449	-	332,449
Due in more than one year	3,322,534	-	3,322,534	-	3,322,534
Total liabilities	4,336,802	4,763	4,341,565	62,164	4,403,729
DEFERRED INFLOWS OF RESOURCES					
Future ROPS	2,084,096	125,000	2,209,096	-	2,209,096
Total deferred inflows of resources	2,084,096	125,000	2,209,096	-	2,209,096
NET POSITION (DEFICIT)					
Held in trust for benefits and other purposes	\$ (2,461,414)	\$ 132,144	\$ (2,329,270)	\$ 1,943,622	\$ (385,648)

CITY OF SALINAS
COMBINING STATEMENT OF CHANGES IN NET POSITION (DEFICIT)
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Successor Agency Trust			Other Private Purpose Trust	
	Redevelopment Obligation Retirement Fund	Administration	Total Sucessor Agency Trust		Total
ADDITIONS					
Taxes	\$ 2,406,152	\$ 125,000	\$ 2,531,152	\$ -	\$ 2,531,152
Rental income	24,480	-	24,480	-	24,480
Miscellaneous	232	327	559	-	559
Total taxes, rental, and miscellaneous income	2,430,864	125,327	2,556,191	-	2,556,191
Contributions					
Private contributions	-	-	-	2,743,632	2,743,632
Total contributions	-	-	-	2,743,632	2,743,632
Investment earnings					
Interest	67,714	-	67,714	-	67,714
Net investment earnings	67,714	-	67,714	-	67,714
Transfers In	7,355	234,405	241,760	187,010	428,770
Total additions	2,505,933	359,732	2,865,665	2,930,642	5,796,307
DEDUCTIONS					
Expenses	2,656,245	214,117	2,870,362	-	2,870,362
Payments on behalf of trustees	-	-	-	1,405,874	1,405,874
Contribution to other agencies	-	-	-	-	-
Transfers out	1,184,940	-	1,184,940	218,701	1,403,641
Total deductions	3,841,185	214,117	4,055,302	1,624,575	5,679,877
CHANGE IN NET POSITION (DEFICIT)	(1,335,252)	145,615	(1,189,637)	1,306,067	116,430
NET POSITION (DEFICIT), BEGINNING OF YEAR	(1,126,162)	(13,471)	(1,139,633)	637,555	(502,078)
END OF YEAR	<u>\$ (2,461,414)</u>	<u>\$ 132,144</u>	<u>\$ (2,329,270)</u>	<u>\$ 1,943,622</u>	<u>\$ (385,648)</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.

Business Improvements District Fund - This fund accounts for the business license surcharged assessment imposed on Alisal businesses, and are used to promote and revitalize the business district. Expenditures are determined by the districts' Board of Directors and approved by the City Council.

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.

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.

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.

Downtown Community Benefit District - This fund accounts for the property assessment generated revenues imposed on the Downtown Community Benefit District. The concept is that eventually the Downtown Community Benefit District will grow and receive revenues from multiple sources within a defined boundary that can among other things, including entrepreneurial activities, special mandate, are not be excluded, and no exemptions for not-for-profit entities are being considered. It can be governed by a 501(c)3 non-profit corporation, merging the existing energies in Downtown into just one organization, rather than the 501(c)6 BID and the OSA Foundation. It can receive grants and donations, and merge these with more assessments that are powerful.



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CITY OF SALINAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Business Improvement District				
ASSETS				
Cash and investments	\$ 4,166	\$ 167,960	\$ 164,626	\$ 7,500
Total assets	<u>\$ 4,166</u>	<u>\$ 167,960</u>	<u>\$ 164,626</u>	<u>\$ 7,500</u>
LIABILITIES				
Deposits	\$ 4,166	\$ 167,960	\$ 164,626	\$ 7,500
Total liabilities	<u>\$ 4,166</u>	<u>\$ 167,960</u>	<u>\$ 164,626</u>	<u>\$ 7,500</u>
Sunrise House				
ASSETS				
Cash and investments	\$ 209,592	\$ 722,950	\$ 834,362	\$ 98,180
Receivables				
Accrued interest	217	201	217	201
Due from other agencies	2,500	5,539	2,500	5,539
Total assets	<u>\$ 212,309</u>	<u>\$ 728,690</u>	<u>\$ 837,079</u>	<u>\$ 103,920</u>
LIABILITIES				
Accounts payable	\$ 42,226	\$ 39,867	\$ 42,226	\$ 39,867
Accrued liabilities	26,071	37,127	26,071	37,127
Deposits	144,012	725,973	843,059	26,926
Total liabilities	<u>\$ 212,309</u>	<u>\$ 802,967</u>	<u>\$ 911,356</u>	<u>\$ 103,920</u>
Economic Development				
ASSETS				
Cash and investments	\$ 138,814	\$ 5,058	\$ 32,288	\$ 111,584
Total assets	<u>\$ 138,814</u>	<u>\$ 5,058</u>	<u>\$ 32,288</u>	<u>\$ 111,584</u>
LIABILITIES				
Accounts payable	\$ 63	-	\$ 63	\$ -
Accrued liabilities	32,225	-	32,225	-
Deposits	106,526	5,058	-	111,584
Total liabilities	<u>\$ 138,814</u>	<u>\$ 5,058</u>	<u>\$ 32,288</u>	<u>\$ 111,584</u>
Salinas Valley Enterprise Zone				
ASSETS				
Cash and investments	\$ 412,366	\$ -	\$ 284,009	\$ 128,357
Total assets	<u>\$ 412,366</u>	<u>\$ -</u>	<u>\$ 284,009</u>	<u>\$ 128,357</u>
LIABILITIES				
Accounts payable	\$ 16,611	\$ 6,671	\$ 16,611	\$ 6,671
Deposits	395,755	-	274,069	121,686
Total liabilities	<u>\$ 412,366</u>	<u>\$ 6,671</u>	<u>\$ 290,680</u>	<u>\$ 128,357</u>

CITY OF SALINAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Retiree Health Insurance				
ASSETS				
Cash and investments	\$ 109,068	\$ 216,491	\$ 220,193	\$ 105,366
Receivables				
Accounts	113,927	108,383	113,927	108,383
Total assets	<u>\$ 222,995</u>	<u>\$ 324,874</u>	<u>\$ 334,120</u>	<u>\$ 213,749</u>
LIABILITIES				
Accounts payable	\$ 120,587	\$ 129,004	\$ 120,587	\$ 129,004
Deposits	102,408	210,947	228,610	84,745
Total liabilities	<u>\$ 222,995</u>	<u>\$ 339,951</u>	<u>\$ 349,197</u>	<u>\$ 213,749</u>
Cafeteria Plan				
ASSETS				
Cash and investments	\$ 1	\$ 79,644	\$ 79,644	\$ 1
Total assets	<u>\$ 1</u>	<u>\$ 79,644</u>	<u>\$ 79,644</u>	<u>\$ 1</u>
LIABILITIES				
Deposits	\$ 1	\$ 79,644	\$ 79,644	\$ 1
Total liabilities	<u>\$ 1</u>	<u>\$ 79,644</u>	<u>\$ 79,644</u>	<u>\$ 1</u>
Downtown Community Benefit District				
ASSETS				
Cash and investments	\$ -	\$ 350,816	\$ 344,645	\$ 6,171
Total assets	<u>\$ -</u>	<u>\$ 350,816</u>	<u>\$ 344,645</u>	<u>\$ 6,171</u>
LIABILITIES				
Deposits	\$ -	\$ 350,816	\$ 344,645	\$ 6,171
Total liabilities	<u>\$ -</u>	<u>\$ 350,816</u>	<u>\$ 344,645</u>	<u>\$ 6,171</u>
Total - All Agency Funds				
ASSETS				
Cash and investments	\$ 874,007	\$ 1,542,919	\$ 1,959,767	\$ 457,159
Receivables				
Accounts	113,927	108,383	113,927	108,383
Accrued interest	217	201	217	201
Due from other agencies	2,500	5,539	2,500	5,539
Total assets	<u>\$ 990,651</u>	<u>\$ 1,657,042</u>	<u>\$ 2,076,411</u>	<u>\$ 571,282</u>
LIABILITIES				
Accounts payable	\$ 179,487	\$ 175,542	\$ 179,487	\$ 175,542
Accrued liabilities	58,296	37,127	58,296	37,127
Deposits	752,868	1,540,398	1,934,653	358,613
Total liabilities	<u>\$ 990,651</u>	<u>\$ 1,753,067</u>	<u>\$ 2,172,436</u>	<u>\$ 571,282</u>

**GENERAL,
MEASURE V,
& MEASURE G FUNDS**



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CITY OF SALINAS
COMBINING BALANCE SHEET
GENERAL, MEASURE V, & MEASURE G FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Measure V</u>	<u>Measure G</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 17,458,425	\$ 4,521,367	\$ 10,908,019	\$ 32,887,811
Receivables, net:				
Taxes	11,695,377	2,204,068	4,444,034	18,343,479
Accounts	146,606	-	-	146,606
Accrued interest	50,251	7,511	18,350	76,112
Due from outside agencies	75,000	-	-	75,000
Due from other funds	3,681,038	-	-	3,681,038
Inventory	16,413	-	-	16,413
Advances to other funds	4,210,000	-	-	4,210,000
Total assets	<u>\$ 37,333,110</u>	<u>\$ 6,732,946</u>	<u>\$ 15,370,403</u>	<u>\$ 59,436,459</u>
LIABILITIES				
Accounts payable	\$ 5,616,269	\$ 449,846	\$ 292,050	\$ 6,358,165
Deposits	8,915	-	-	8,915
Due to other funds	19,229,395	33,193	551,086	19,813,674
Total liabilities	<u>24,854,579</u>	<u>483,039</u>	<u>843,136</u>	<u>26,180,754</u>
FUND BALANCE				
Nonspendable	4,226,413	-	-	4,226,413
Committed	812,400	1,170,000	10,837,300	12,819,700
Assigned	2,875,138	408,366	9,886,012	13,169,516
Unassigned	4,564,580	4,671,541	(6,196,045)	3,040,076
Total fund balance	<u>12,478,531</u>	<u>6,249,907</u>	<u>14,527,267</u>	<u>33,255,705</u>
Total liabilities and fund balance	<u>\$ 37,333,110</u>	<u>\$ 6,732,946</u>	<u>\$ 15,370,403</u>	<u>\$ 59,436,459</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL, MEASURE V, & MEASURE G FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Measure V</u>	<u>Measure G</u>	<u>Total</u>
REVENUES				
Taxes	\$ 81,334,719	\$ 11,569,533	\$ 23,082,954	\$ 115,987,206
Licenses and permits	1,591,305	-	-	1,591,305
Intergovernmental	1,201,899	-	-	1,201,899
Charges for services	4,427,695	-	-	4,427,695
Interest	199,039	32,655	73,288	304,982
Rental income	380,900	-	-	380,900
Fines and forfeits	60,235	-	-	60,235
Miscellaneous	328,519	486	150	329,155
Total revenues	<u>89,524,311</u>	<u>11,602,674</u>	<u>23,156,392</u>	<u>124,283,377</u>
EXPENDITURES				
Current:				
General government	17,015,564	895,415	614,332	18,525,311
Public safety	54,758,842	3,663,583	2,370,174	60,792,599
Public works	9,366,283	1,046,449	1,181,835	11,594,567
Recreation	766,443	896,265	267,741	1,930,449
Library	-	3,977,832	-	3,977,832
Capital outlay	544,769	140,650	976,604	1,662,023
Total expenditures	<u>82,451,901</u>	<u>10,620,194</u>	<u>5,410,686</u>	<u>98,482,781</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,072,410</u>	<u>982,480</u>	<u>17,745,706</u>	<u>25,800,596</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,252,000	655,000	-	3,907,000
Operating transfers out	(4,815,982)	(1,142,877)	(8,592,991)	(14,551,850)
Total other financing sources (uses)	<u>(1,563,982)</u>	<u>(487,877)</u>	<u>(8,592,991)</u>	<u>(10,644,850)</u>
NET CHANGE IN FUND BALANCE	<u>5,508,428</u>	<u>494,603</u>	<u>9,152,715</u>	<u>15,155,746</u>
FUND BALANCE, BEGINNING OF YEAR	<u>6,970,103</u>	<u>5,755,304</u>	<u>5,374,552</u>	<u>18,099,959</u>
FUND BALANCE, END OF YEAR	<u>\$ 12,478,531</u>	<u>\$ 6,249,907</u>	<u>\$ 14,527,267</u>	<u>\$ 33,255,705</u>



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