

City of Salinas California



Basic Financial Statements

Fiscal Year Ended June 30, 2018

Basic Financial Statements

Fiscal Year Ended June 30, 2018



PREPARED BY
THE FINANCE DEPARTMENT

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City of Salinas

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December 4, 2018

***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, 2018. 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 residents 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, 2018, 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, 2018, 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’s service as fiscal agent has ended during the year.

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 161,784 as of January 1, 2018. The City FY 2018-19 budget includes 609 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 (BevMo), Kohl'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:

- Airport Commission
- Library and Community Services Commission
- Traffic and Transportation Commission
- Planning Commission
- Measure G Oversight Committee
- Measure E Oversight Committee

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

- Police Community Advisory Committee
- Animal Services Committee
- Design Review Board
- Board of Appeals
- Grievance Advisory Board
- Finance Committee
- Historical Resources 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, 2018 and to provide a financial analysis of City performance.

Capital Assets and Depreciation

As of June 30, 2018, capital assets, including infrastructure assets, of the City of Salinas totaled \$781.3 million; accumulated depreciation totaled \$384.1 million, with the difference providing net capital assets of \$391.5 million. Net capital assets of the City's governmental activities (general government) are \$269.7 million and net capital assets for the City's business-type activities (enterprise funds) are \$121.8 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 2017-18, depreciation expense on capital assets of the City's governmental activities (general government) was \$9.7 million and depreciation expense on capital assets of the City's business-type activities (enterprise funds) was \$6.5 million. Depreciation expense represents the amount at which assets are being used-up annually. Due to budget constraints over the years, the City has been unable to invest in the maintenance of capital assets at anywhere near the annual depreciation amount.

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

Long-term Debt Payable

At June 30, 2018, the City had \$357.2 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, and net pension liability. 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, 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

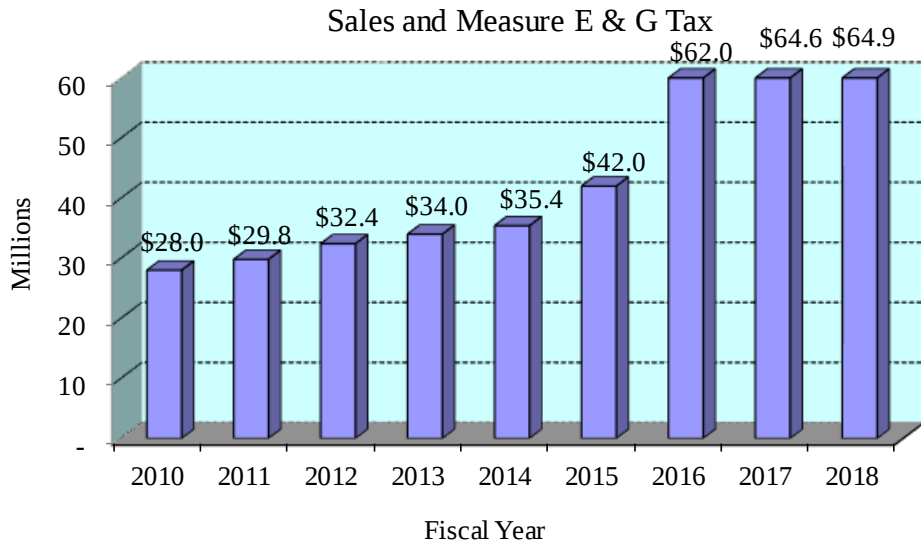
The current governmental operations of the City are accounted for in the General, Special Revenue, Debt Service, and Capital Project Funds. For the fiscal year ended June 30, 2018, total revenues for general governmental functions totaled \$161.2 million, an increase of 7.9% over the previous fiscal year.

Sales Tax

The City has a well-diversified economy and sales tax base. Sales tax receipts increased for the seventh year after the three consecutive years of significant declines. The sales and transaction and use tax increased \$0.3 million, or 0.5% from FY 2016-17. Sales tax was still the largest single category of revenue this fiscal year producing 17.2% of the combined governmental fund type revenues. Transactions and Use Tax (Measure E and G) represents 22.9% of the combined governmental fund type revenues. Measure E 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 \$64.9 million or 40.1% of the combined governmental fund type revenues.

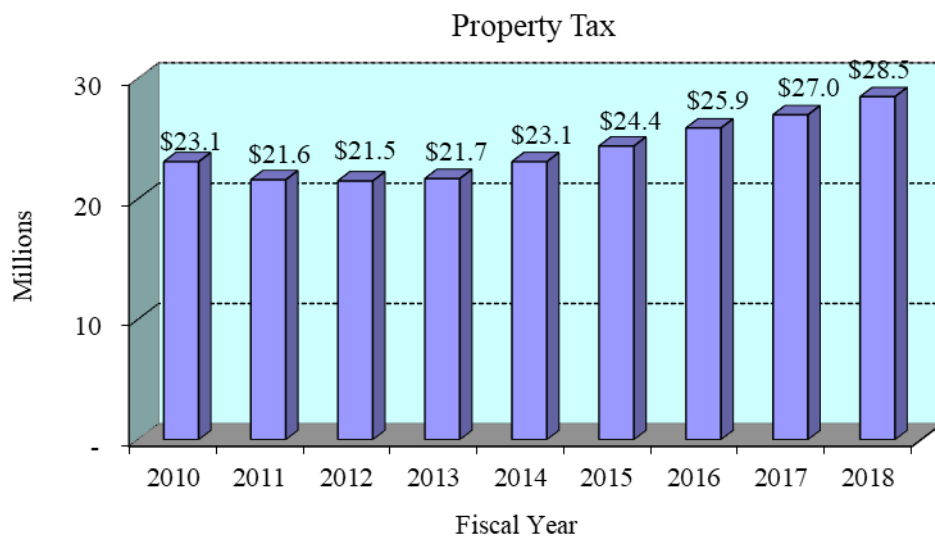
On November 8, 2005, the voters of Salinas approved Measure V, a 0.50% transactions and use tax. On November 6, 2012, the voters of Salinas approved to extend the 0.50% transaction and use tax with no sunset (Measure E). Measure E is a general tax and is reported as part of the General Fund, although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

On November 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

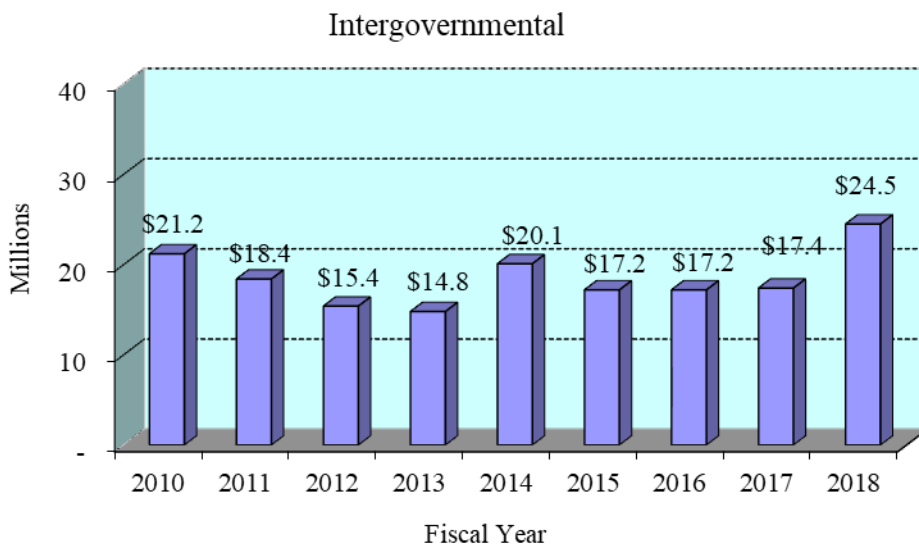
Property tax revenue was the second largest source of revenue during this fiscal year, producing 17.6% of the combined governmental fund type revenues. Property tax revenue includes Property tax-in-lieu of vehicle license fees (2/3 of VLF) of \$12.4 million that is now determined by the City's growth in assessed property values. Property tax experienced a low in 2012 of \$21.5 million and is now \$28.5 million, which is more than a full recovery to the high of \$27.5 million in 2009.



Intergovernmental

Intergovernmental revenue was the third largest single category of revenue during the fiscal year producing 11.2% 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 five years ago. Intergovernmental revenue had a

significant increase from the prior year by \$7.1 million, or 40.6%, mainly from Measure X, a regional revenue measure focused on streets improvements.



Utility User's Tax and Other Taxes

Utility user's tax and other taxes produced 15.4% of the combined governmental fund type revenues. Other taxes include business license tax and franchise fees, among others. Utility user's tax increased by \$0.9 million, or 7.7%. Other taxes decreased by \$0.1 million, or 0.8% from the prior year.

Taxes receivable total \$14.2 million for the year ended June 30, 2018 and are further explained in Note 6 to the financial statements.

Assessment District Taxes

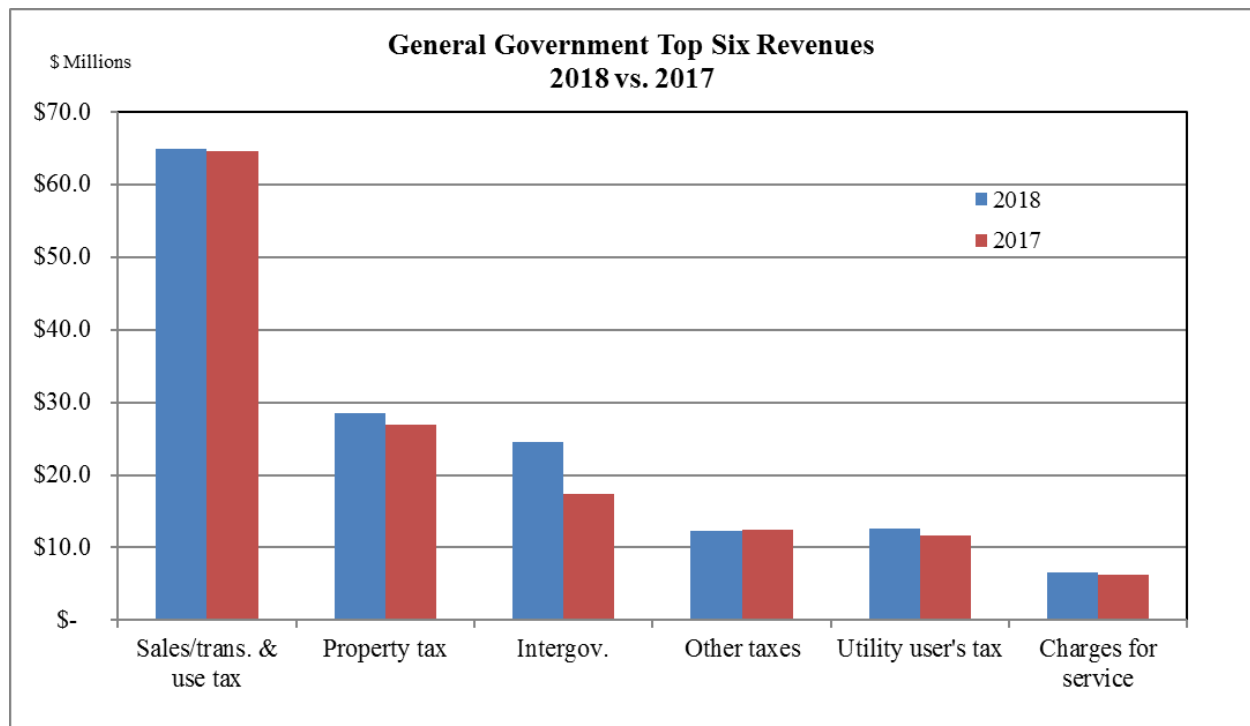
The Assessment District Debt Service Fund taxes remained unchanged from the prior year at \$2.5 million.

Charges for Services

The Charges for Services revenue increased by \$0.2 million, or 2.6% as a result of increased development.

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

Source of Revenues	2018 Amounts	Percent of Total	2017 Amounts	2018 vs. 2017 Increase/(decrease)	
				Dollars	Percent
Assessment districts:					
Taxes	\$ 2,514,982	1.6%	\$ 2,483,106	\$ 31,876	1.3%
Property tax	28,499,277	17.6%	26,987,393	1,511,884	5.6%
Sales/transaction & use tax	64,924,869	40.1%	64,579,520	345,349	0.5%
Utility user's tax	12,562,782	7.8%	11,669,515	893,267	7.7%
Other taxes	12,274,654	7.6%	12,375,204	(100,550)	-0.8%
License & permits	6,357,723	3.9%	6,642,397	(284,674)	-4.3%
Intergovernmental	24,531,643	15.2%	17,441,983	7,089,660	40.6%
Charges for service	6,507,589	4.0%	6,340,509	167,080	2.6%
Interest	1,044,105	0.6%	509,019	535,086	105.1%
Rental income	608,312	0.4%	512,490	95,822	18.7%
Fines/forfeitures	847,826	0.5%	792,725	55,101	7.0%
Contributions	110,014	0.1%	695,701	(585,687)	-84.2%
Miscellaneous	1,014,416	0.6%	1,175,378	(160,962)	-13.7%
TOTAL	\$ 161,798,192	100.0%	\$ 152,204,940	\$ 9,593,252	6.3%

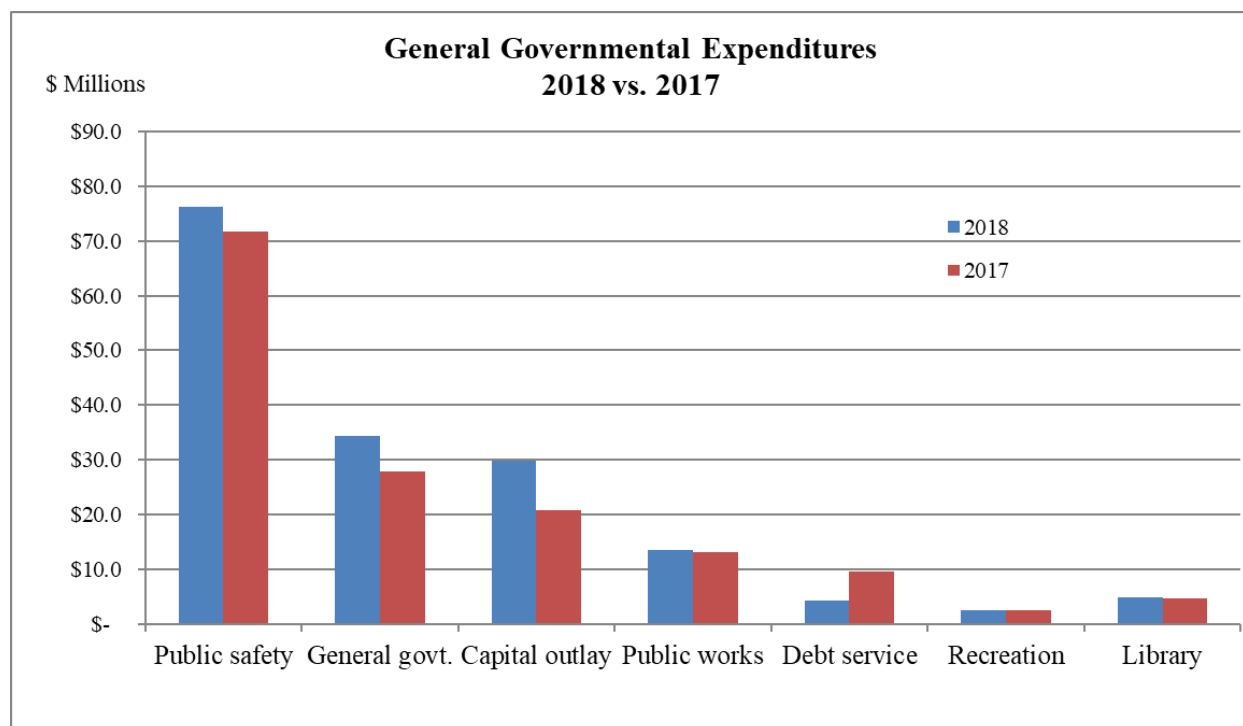


Fund Financial Statements-General Governmental Expenditures

Expenditures for governmental operations during the fiscal year ended June 30, 2018 were \$165.6 million, a net increase of 10.1% in total expenditures over the previous year.

Changes in expenditures by major function are as follows:

Function	2018	Percent of Total	2017	2018 vs. 2017 Increase/(decrease)	
				Dollars	Percent
General government	\$ 34,303,909	20.7%	\$ 27,936,383	\$ 6,367,526	22.8%
Public safety	76,243,153	46.0%	71,730,386	4,512,767	6.3%
Public works	13,512,685	8.2%	13,118,008	394,677	3.0%
Recreation	2,566,808	1.6%	2,471,488	95,320	3.9%
Library	4,805,647	2.9%	4,643,159	162,488	3.5%
Subtotal operations	131,432,202	79.4%	119,899,424	11,532,778	9.6%
Capital outlay	29,816,713	18.0%	20,867,874	8,948,839	42.9%
Debt service:					
Principal	3,232,023	2.0%	7,979,428	(4,747,405)	-59.5%
Interest	1,094,547	0.7%	1,659,842	(565,295)	-34.1%
Total	<u>\$ 165,575,485</u>	<u>100.0%</u>	<u>\$ 150,406,568</u>	<u>\$ 15,168,917</u>	<u>10.1%</u>



Operating expenditures increased by \$11.5 million or 9.6% from \$119.9 million in FY 2016-17 to \$131.4 million in FY 2017-18.

General Government increased by \$6.3 million, or 22.8%. This increase was from the City making a one-time \$11.3 million payment to PERS at the end of the fiscal year to pay down the UAL. Had this payment not been made, General Government would have shown a decrease of \$5.0 million. This decrease was mainly from a one-time \$1.6 million expenditure for the 2017 Winter Storm disaster cost that was included in the prior year General Government and from the Permit Services division being moved out of General Government to an Enterprise Fund (\$1.5 million). Public Safety increased by \$4.5 million, or 6.3%, Public Works increased during the year by \$0.3 million, or 3.0%, Recreation increased by \$0.1 million, or 3.9%, and Library expenditures have increased slightly by \$0.2 million, or 3.5%.

Principal and interest payments decreased by \$5.3 million from paying off certain debt through refinancing in the prior year and lowering the normally scheduled debt service payments.

Capital Outlay (Project) expenditures increased \$8.9 million or 42.9% from \$20.9 million in FY 2016-17 to \$29.8 million in FY 2017-18. The main reason for the increase is from spending more Measure G and E funding on the new Police Services Headquarters and El Gabilan Library projects. During the year, there were 152 capital projects worked on. The largest project was the Police Services Headquarters project that continued from the prior year with \$7.6 million spent in 2018. The second largest project was \$3.0 million spent on the Sanborn/US 101 improvements. The third and fourth largest projects were \$2.3 and \$1.6 million on the El Gabilan Library and the city-wide sidewalk and drainage repair project, respectively.

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, Permit Services 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 \$90.4 million at June 30, 2018.

Internal Service Funds

Internal Service Funds are used to account for the City's fleet maintenance program and 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) Workers' Compensation self-insurance program; and 3) General Liability self-insurance program.

At June 30, 2018, the Internal Service Funds liabilities for estimated claims payable totaled \$23.2 million, with \$21.4 million representing Workers' Compensation and \$1.8 million representing General Liability.

Total Workers' Compensation insurance claims liabilities are \$23.9 million at June 30, 2018. A portion of the liability is reported in the Internal Service Fund (\$21.4 million) and a portion is treated as long-term debt (\$2.5 million). The long-term debt portion represents future obligations of the Workers' 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, Pension Trust Funds and Agency Funds.

Private Purpose Trust Funds include a net position of \$1.3 million held by the City, which has improved by \$0.7 million from the prior year. Of the net position, a net deficit of \$1.1 million is held by the City for the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and a net position of \$2.3 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 \$10.1 million are employee deferred compensation funds.

Agency Funds are assets held by the City for Business Improvement District, Economic Development, Salinas Valley Enterprise Zone, Employee Cafeteria Plan and Retired Employees Health Insurance Program. Agency assets held by the City total \$0.4 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 (70.7% of investment at FMV) are invested in the State's Local Agency Investment Fund (LAIF). LAIF yielded average returns of 1.420% for fiscal year ended June 30, 2018 and grew from 1.070% to 1.900% during the fiscal year.

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, 2018 is as follows:

Balance at cost - June 30, 2018	\$ 90,301,527
Unrealized gain	<u>160,823</u>
Balance at fair value - June 30, 2018	<u><u>\$ 90,462,350</u></u>

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

Property Assessment

Assessed valuation of citywide taxable properties increased \$448.1 million to \$11,460 million representing an increase of 5.0% over FY 2017-18. Last year, the Assessed value exceeds the assessed value high of \$10,645 million in FY 2007-08.

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

<u>Fiscal year</u>	<u>Before Redevelopment Increment</u>	<u>After Redevelopment Increment</u>	<u>Percent Change</u>
2018-19	\$ 11,460,172,316	\$ 10,577,591,282	5.02%
2017-18	10,912,115,449	10,071,741,861	4.70%
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%

Significant Events and Accomplishments

Through the leadership of the City Council and the City Manager, the city continues to produce amazing accomplishments. 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
 - ✓ Adopted Economic Development Element as eighth General Plan element and certified associated Final Environmental Impact Report.
 - ✓ Continued implementation of the Economic Development Element.
 - Formed five working groups comprised of residents, stakeholders and technical experts to develop Alisal Vibrancy Plan (AVP) content related to Housing, Health and Safety, Economic Development, Art, Youth and Open Space and Transportation and Mobility.
 - Conducted four community workshops to engage the community in the AVP process including discussions on existing conditions, vision, and design of commercial corridors.
 - Secured four VISTA volunteers to support AVP engagement, plan, and projects.
 - ✓ Provided Small Business Support.
 - Conducted three 10 session workshop series for microbusiness owners that resulted in 48 graduates, five new businesses and 1 business expansion.
 - Provided 215 hours of individual technical support and assisted deli bakery with lease and financing to open a 2nd location in the long-time vacant Tynan Village retail space.
 - Exceeded Grow Salinas Fund goal of \$2.2M in small business lending. Leveraged initial seed funding (\$550,000) at a ratio of \$4.94:\$1.
 - ✓ Continued implementation of Salinas Downtown Vibrancy Plan.
 - Commenced implementation of recommended actions in the Downtown Housing Market Assessment to amend code requirements to facilitate housing development.
- Advanced Planning Division
 - ✓ Prepared Farmworker Housing Study and Action Plan for the Salinas Valley and Pajaro Valley:
 - Coordinated and provided support to a bi-county, 28-member oversight committee and three subcommittees; consisting of 20+ meetings.
 - Oversaw the survey of 400 farmworkers.
 - Organized and conducted a regional forum, attended by over 200 persons.

- ✓ Completed Housing Element Annual Progress Report for 2017 to the State of California.
- ✓ Initiated Vision Salinas (General Plan Update Visioning and Major Planning Effort Coordination).
 - Coordinated 24 interdepartmental meetings to ensure an integrated public outreach process.
 - Conducted visioning activities at six community events to engage the public in the Salinas Vision process.
 - Conducted three facilitator trainings for staff and the public to improve communication skills and ensure effective public outreach.
 - Created and maintained the Vision Salinas website and a new City Instagram account with over 800+ followers to engage and inform the public.
 - Drafted Guiding Principles to inform the update of the General Plan and the preparation of the other planning documents.
- ✓ Continued Processing of the West Area Specific Plan and EIR with approximately 4,300 residential units, 500,000 sq. ft. of mixed-use commercial, schools, and parks and open space.
- ✓ Continued processing of the Central Area Specific Plan and EIR with approximately 3,800 units, 200,000 sq. ft. mixed-use commercial, schools, and parks and open space.
- Current Planning & Permit Services Divisions
 - ✓ Issued 1,835 permits with a valuation over \$65 million in 2017.
 - ✓ Offered counter service from 8:00 am – 5:00 pm, Monday – Friday serving 12,800 customers.
 - ✓ Achieved full cost recovery for the Permit Services Division.
 - ✓ Completed plan and permit reviews and inspections within allotted timeframe, 665 “over-the-counter” reviews, 2,017 total reviews at an average time of 4-5 calendar days.
 - ✓ Conducted all inspections via electronic devices.
 - ✓ Amended the Zoning Code to facilitate economic development and market rate housing.
 - ✓ Approved Phase 5A of the Monte Bella Development resulting in the construction of 89 homes.
 - ✓ Released a draft EIR and Specific Plan for the Salinas Travel Center.
- Code Enforcement Division
 - ✓ Addressed 2,150 code complaints with approximately 500 of those cases relating to life safety concerns.
 - ✓ Initiated a Proactive Code Enforcement Program (P.A.C.E.) in District 3 to conduct pass by blight inspections of approximately 1,500 residences over the course of a 10-week program.
 - ✓ Facilitated the issuance of 250 permits to correct code violations.

- ✓ Worked collaboratively with the Legal Department on multiple receivership cases including completion of the rehabilitation and sale of one of the worst properties in the City; continued receivership of two properties; and initiation of receivership proceedings on two new properties. The City has been able to obtain full cost recovery for staff time associated with these cases.
- ✓ Implemented body cameras for the safety of code enforcement officers and the community.
- Housing & Community Development Division
 - ✓ Completed the City's Action Plan for FY 18-19 and CAPER for FY 17-18 for the City's federal HUD funding (CDBG, HOME, & ESG).
 - ✓ Funded 22 public services agencies to provide critical programming to youth, seniors, and homeless.
 - ✓ Cleared contaminated sites for the Moon Gate Plaza project, and broke ground for the construction of a mixed-use building, with 90-units of affordable housing.
 - ✓ Worked with the County of Monterey to open a temporary warming shelter and initiated an agreement to work on a permanent shelter at 1220 Natividad.
 - ✓ Coordinated with Public Works and Library and Community Services to provide additional funding to Sherwood Recreation Center to complete necessary renovations to open the building.

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.
- Economic Development Element. Supported Community Development with certification of the environmental impact report for the Economic Development Element which was approved by the City Council in December 2017.

Police Department

- Used creative staffing allocations to attempt to reduce overtime costs.
- Provided overtime patrols to the Old Town and Chinatown 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
 - ✓ Completion of Main Street Master Plan and preparation of construction documents.
 - ✓ Completion of Downtown Complete Streets Design by Summer 2018.
 - ✓ Started East Alisal Street Transportation Planning Process.
- Support development of Salinas Gateway project.

- Support modifications to Northridge Mall.
- Provide engineering and street maintenance support for various City special events.

Assessments and Maintenance Districts

- Met with various district groups throughout the year to address common concerns.
- Responded to citizen inquiries and attended property owner meetings.
- Kept 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 26,000 volunteer service hours.
- Provided adult learner instruction to 499 students (including computer literacy, basic literacy or high school equivalency). More than 130 adults passed part or all of their GED because of the Library.
- More than 700 children recorded reading for 15 days or more over the summer and attendance for the Summer Reading preprogram was 3,400. 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).
- Celebrated one-year anniversary of successful partnership and teen programming with the Digital NEST. Digital Nest programming supports classes at the John Steinbeck and Cesar Chavez Libraries.
- Launched a Kindermobile (dedicated Bookmobile for kindergartners) in January 2018 that visited every kindergarten class in Salinas and circulated 5,000 age appropriate books during the Spring semester.

Enterprise Operations

- Provided economic role and benefit of the airport for the Salinas Economic Development Element.
- Provide parking services in support of the Downtown Vibrancy Plan.
- Provide parking support for other commercial areas in Salinas.
- Develop parking strategies in support of encouraging housing development in downtown.

❖ **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 SAFER Grant with a total value of \$2,269,314. This will fund six firefighter positions for three years starting February 2018. Personnel savings to the city after matching funds are contributed is \$1,399,409. The six firefighters funded by the grant are currently in the recruit training academy and are expected to graduate and be on the line by July 2018.
- State Homeland Security Grant (SHSG) – \$160,000 was received from various DHS funding sources to equip, support and sustain the department’s HazMat Team. Thanks to this funding, our HazMat Team received Type I Certification from the State of California Office of Emergency Services.
- California Department of Transportation (Cal-DOT) - \$150,000 has been received as part of the \$1,200,000 Cal-DOT grant for training and backfill costs for 10 personnel to upgrade to Hazardous Materials Specialist continuing the support of our Type I HazMat program. This grant is in partnership with the Seaside Fire Department to support enhanced response capabilities and safety components for Crude by Rail (CBR) Incidents in the City of Salinas and greater Monterey County.
- Assistance to Firefighters Grant (AFG) - The fire department has applied for two separate Assistance to Firefighters grants during this fiscal year. Both are regional grants with the Monterey Fire Department. One is a grant to send three firefighters from the Salinas Fire Department through paramedic training. The grant would include all tuition and backfill costs. The second grant is to replace all mobile and portable radios, as the current radios have reached end of service. The value of both grants total more than \$1,200,000.

- **Firefighter Academies** – The Fire Department A recruit fire academy starting in March 2018 with 10 recruits, three of which are paramedics. These new recruits will graduate and receive their Station assignments effective July 16, 2018. The fire department is actively recruiting additional firefighters and paramedics with a focus on a more diversified hiring model. We are entering the 2018-2019 FY with several firefighter openings that we are working to fill as rapidly as possible.

- **Haz/Mat Response Program** – the Salinas Fire Department HazMat Team has been certified as a Type I hazardous materials team by the State of California. This enables the team to respond and mitigate both accidental and intentional releases of hazardous materials. The team is available as a statewide asset if needed for these types of emergencies. The Fire Department also completed an agreement with San Benito County to be their contracted HazMat Response Team. Establishing this agreement positions us as a regional asset to open more grant opportunities for sustaining this critical program. We continue in our agreement with Monterey

County for HazMat Response. This agreement brings in approximately \$150,000 annually to fund the personnel costs associated with the team.

- **Battalion Chief and Fire Captain Promotional Exams** – The Fire Department promoted the following personnel in the 17/18 Budget: One (1) battalion chief, two (2) fire captains, and two (2) fire engineers.
- **Apparatus Purchases** – The Replacement engine for Fire Station 4 on Williams Road is being constructed and we expect delivery in July 2018. We have also purchased three (3) utility pickup trucks to replaced aging utility vehicles that no longer meet the mission of the department.
- **Fire Prevention Division** – This Division was able to roll-out an updated fee ordinance and automated billing and collection program to help improve compliance with over 600 annual false alarm responses, and greatly improve the consistency in false alarm cost recovery. In addition, the Division has actively participated in joint inspection efforts by the Office of the City Attorney and Code Enforcement to reduce hazards posed by abandoned structures throughout the City.

The Fire Prevention Division was able staff all vacant full-time positions, permanently staff a full-time Fire Prevention Office Technician, and purchase three new replacement vehicles. With limited full-time staffing for the entire FY, the Prevention Division managed to complete over 1,600 inspections and over 60 plan reviews, and is currently working to establish a business inspection program with new part-time staff positions classified as Fire Prevention Aides.

City Attorney's Department

- **Assisted in Management of Homelessness.** Continued support to City departments in their efforts to address the homeless encampments on public and private property; implementation and enforcement of City ordinance regulating the use of public property. Revised Municipal Code provisions related to camping and storage of personal belongings on City property.
- **Implemented New Code Enforcement Strategy.** Successfully implemented civil action (Receivership actions) against negligent property owners whose properties were not kept in a clean and safe condition, with full recovery of all costs and fees.
- **Police Station Project.** Supported the Public Works Department's efforts to gain control of properties necessary for the development of the project; efforts to identify a project team to develop the project. Assisted in the preparation of pre-development agreement and lease for the public safety facility.

Library and Community Services

- Implemented a weekly Saturday Night Teen Program that logged over 2,603 visits and 1,576 unduplicated participants in order to reduce violence and provide positive alternatives for youth.
- Over 296,000 residents visited recreation centers and 3,850 youth ages 5-18 participated in various sports programs.
- Conducted 7 community clean ups and issued 126 special event permits.

- The Library's Youth Services division continues to expand programming to offer programs seven days a week.
- Implemented the first Youth and Government Institute with 28 High School youth participants.
- Implemented the Building Strong Neighborhood Meeting Series connecting residents to services provided by the Salinas Police Department, Code Enforcement and Public Works.

Public Works Department

- Continued work with Monterey County Health Department to develop Traffic Safety education programs.
- Continued homeless encampment cleanups, and responded to health concerns related to the spread of Hepatitis A.
- Initiated a re-forestation program following the storms of 2017.

Assessments and Maintenance Districts

- Removed graffiti within 24-hours; removed homeless encampments monthly.
- Removed overgrowth from creek beds reducing impacts from potential flooding and wild fires.
- Responded to concerns related to traffic and security as soon as possible.

Enterprise Operations

- Hosted 2017 California International Airshow.
- Opened new Airport Restaurant – the Flying Artichoke.
- Provide Parking enforcement support for Code enforcement activities.
- Provide Parking enforcement support for traffic safety at school locations.

❖ **Effective, Sustainable Government**

Administration Department

- Continued dialogue with City leaders, site selectors and major business corporations in preparation and planning for the 4th annual Forbes AgTech Summit sponsored by the City.
- Continued Council and community engagement regarding City services, fiscal management, and implementation of the strategic plan goals and objectives for 2017-19.
- Continue to work with local service providers and County officials to mitigate homeless encampments, construction of a permanent shelter, and solidify housing and commercial development in the Chinatown area.
- Continued oversight of the Economic Development Element Plan and the integration of the Housing element, Downtown Vibrancy, Chinatown Vibrancy, and the Alisal Vibrancy to the General Plan.
- Continues to lead the efforts between the City and County animal shelter consolidated services.
- Participating in multijurisdictional efforts toward the development of clean energy electricity generation.
- Managed and implemented SalinasConnect (QAlert) service request management system city-wide.
- Ongoing management of the City Council, Measure E, and Measure G agenda process.
- Continue to inventory and destroy City records pursuant to the Records Retention Policy; and is in the process of updating the City's record retention schedule and policy.
- Continues to process Republic Services low-income senior discounts.
- 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 and 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.
- **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 (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. Collaborated with defense counsel on "batch closure" of potentially high-exposure claims to reduce the City's outstanding liability.
- **Boards, Commissions, Committees.** Ordinance adopted by Council updating the City Code re the requirements and the compositions of the City's commissions, committees, and boards; a Resolution establishing uniform Bylaws for the City's commissions, committees, and boards.
- **In-House Management of Civil Litigation.** Nearly all new civil litigation matters are now handled in-house by the Assistant City Attorney.
- **Cost Recovery.** Implemented an effective cost-recovery system to maximize recovery of monies owed to the City.

Finance Department

- Coordinated \$72 million bond issue financing plan to build the new Police Services Headquarters and the new expanded El Gabilan Branch Library.
- Coordinated \$33 million bond issue financing plan to leverage the new Measure X revenue for street maintenance and improvements.
- Develop and implement a PERS Advance Funding Plan and sustainability plan.
- Worked with City Manager to initiate, manage and implement Police and Fire Overtime and Service Call Study.
- Successfully moved cashiering/revenue division from City Hall to the Permit Center to improve customer service.
- Strategically and collaboratively worked with departments and City Manager to balance the FY 2017-18 budget.
- Lead RFP, selection and managed FIA for the future growth area

- Initiated and managed Indirect Cost Allocation Plan Proposal.
- Successfully and jointly worked with Economic Development Manager to apply for NRN grant and worked with NRN consultant to develop 10-year financial forecast model.
- A new data backup solution was implemented to better support the data recovery needs of the City.
- New physical security measures have been installed in our data center.
- Partnering with Departments to help them achieve efficiencies related to technology and other related areas.
- In-sourced the Help Desk function from a “vendor on premises” setup to having City technicians.
- New Wi-Fi is fully deployed and adding new devices as-needed.
- Continue to manage, facilitate and support the Measure E 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

- Developing Sustainable Citywide Parking Management Program.
- Strategic Implementation of Parking Enforcement to continue covering costs while supporting the City’s economic and safety objectives.
- Utilized Geographic Information Systems (GIS) for spatial analysis. Spatial analysis lets staff evaluate suitability and capability, estimate, predict, interpret and understand data. This capability is delivered to all City Departments to provide new perspectives to data driven decision-making.
- Implemented innovative and emerging technology solutions to increase efficiency and effectiveness of City services.

Assessments and Maintenance Districts

- Managed district budgets with positive fund balances at year-end and built reserves.
- Implemented water conservation techniques in compliance with State water reduction mandates.

Library and Community Services

- Continued to explore methods where Library and Recreation services can collaborate to provide increased programming opportunities.
- Implemented a bi-weekly recreation newsletter to highlight and promote recreation programming with a distribution of over 570 residents.

Enterprise Operations

- Continued support of the Airport Commission.
- Updated Airport Rates and Fees Schedule.
- Continued development of sustainable City Parking programs.
- Creation of the Parking Enterprise.

❖ **Excellent Infrastructure**

Library and Community Services

- Completed Phase I and initiated Phase II of the Old Muni Pool Retrofit Project which will allow for additional venues for recreation and meeting space.
- Through Federal and State Grants, implemented new Internet services within the Library that significantly increased bandwidth for customers.
- Began the Design Development phase for the El Gabilan Branch Library.
- Repurposed the basement of the John Steinbeck Library to support more classroom and was awarded a state grant in the amount of \$29,000 to equip the space with critical technology.
- Continued to work with soccer organizations and implement monthly volunteer work days at the Constitution Soccer Complex to partner for success and maintenance of fields.
- Continued work on a Master Plan for parks, recreation and library facilities with the intention of bringing the plan to the City Council for adoption in the summer of 2018.

Public Works Department

- Completed the Pavement Management System analysis.
- Bonded Measure X funds for street improvements.
- Completed East Market Street Safe Routes to School Improvements.
- Completed Design of North Sanborn Road Safety Improvements (Awarded Fall 2017).
- Completed the Edwards St. Traffic Signal.
- Designing Boronda Road Improvements which provides increase capacity to four lanes and 5 new roundabouts at key intersections.

Assessments and Maintenance Districts

- Implemented traffic calming for Monte Bella.
- Painted curbs and replaced signs as needed.

Enterprise Operations

- Completed Airport Layout Plan and Narrative Report.
- Completed preventative maintenance inspection on all City owned Aircraft Hangars.
- Completed Airport Pavement Maintenance and Management Program.

❖ **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.

City Attorney's Department

- **Arts Ordinance/Public Art Program.** Presented for adoption by the City Council an ordinance implementing a public arts program and associated policies and procedures.

Public Works Department

- Completed the pre-development work for both the Salinas Public Safety Services Headquarters and new El Gabilan Library.
- Traffic Calming Improvements at Tyler/Iris and Laurel Heights neighborhoods. Currently constructing traffic calming projects at Ambrose Drive and Riker Street neighborhoods.

Library and Community Services

- Provided over 15,200 meals to youth and seniors at seven locations through the Summer Lunch/Snack Program and Firehouse Senior Program.
- Continued the Library's Paletero Program where Library staff walk high need areas in Salinas with an ice cream cart, but instead of ice cream, the library delivers a mobile Wi-Fi station, books and services.
- Expanded Library Adult Programming to include more book clubs, a First Friday Art Talk to coincide with the City's Friday Art Walk, a book fair that featured local artists and hosted hundreds of Salinas residents.

- The library introduced more technology assistance for adults by training tech savvy teens to provide personalized tutoring for adults.
- Purchased a movie license allowing the public viewing of educational and entertaining movies for all ages at the Hebbbron Family Center, Bread Box Recreation Center and the Firehouse Recreation Center.

Labor Relations

All employee groups have approved Memorandum of Understandings (MOUs) with the City. SPOA's MOU will expire December 31, 2018. Fire Supervisors Association (FSA) and the International Association of Firefighters (IAFF) MOU's expire December 31, 2019. All of the non-safety groups have contracts that expire December 31, 2019 or shortly thereafter.

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, Elizabeth Mariano and Accounting Manager, Mary Lagasca, 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 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.

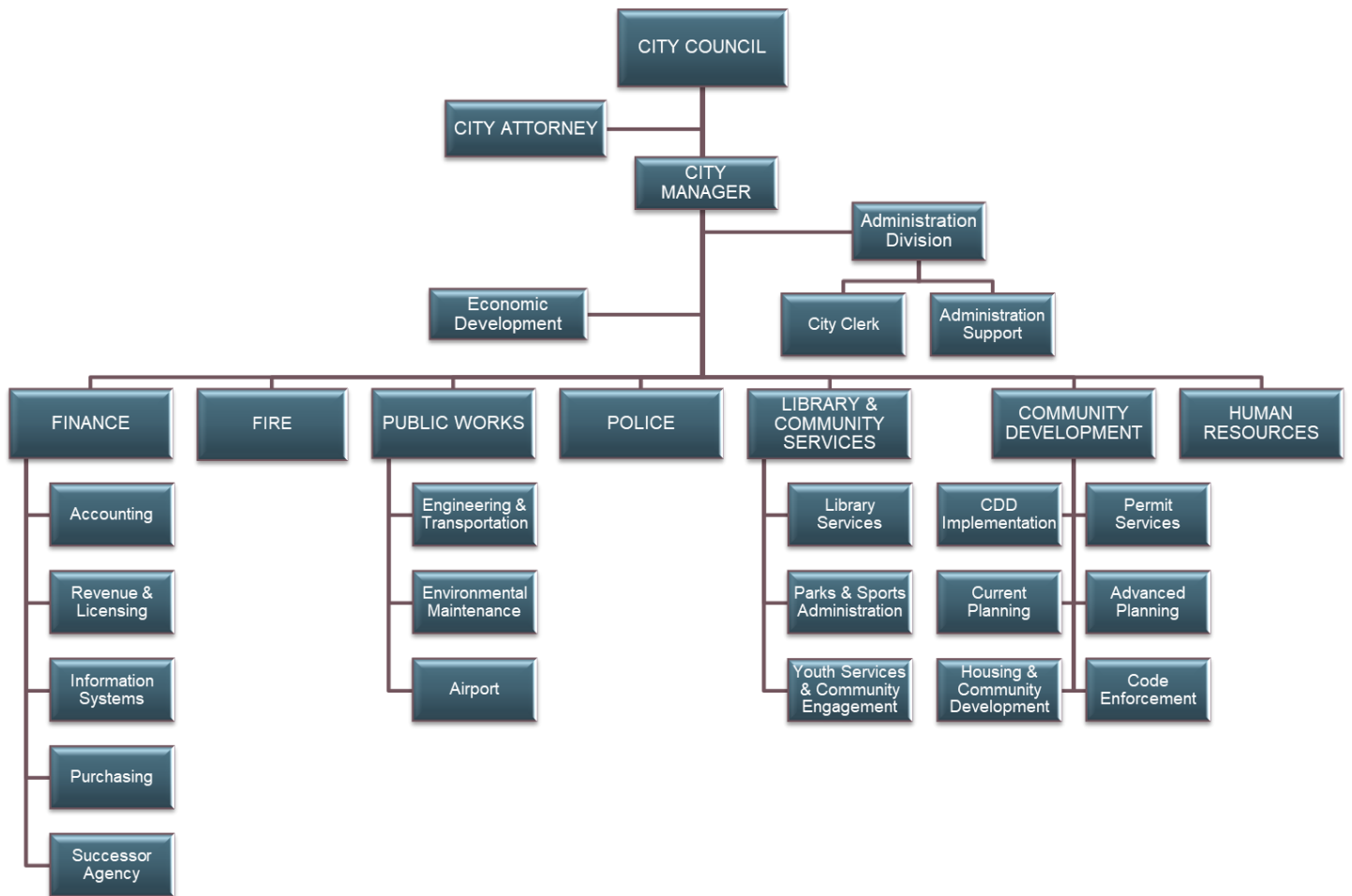
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible, sustainable and progressive manner.

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

David Jacobs

Public Works Director

Cary Ann Siegried

Library and Community
Services Director

Megan Hunter

Community
Development Director

Adele Fresé

Chief of Police

Jeffrey Johnson

Fire Chief

Matt N. Pressey, CPA

Finance Director



McGilloway | Ray
Brown | Kaufman
ACCOUNTANTS AND CONSULTANTS

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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, 2018, 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 | Devvyn MacBeth, CPA | Smriti Shrestha, CPA | Deanna Thomas, 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, 2018, 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

Implementation of New Accounting Standard

The City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – an Amendment of GASB Statement No. 45*, during the year ended June 30, 2018. GASB Statement No. 75 expands disclosures related to other post-employment benefit and requires the Authority to report the net other post-employment benefit liability in the statement of net position. The adoption of this statement reduced net position by \$8,815,624 as of July 1, 2017 as disclosed in Note 21. 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, schedule of funding progress for other post-employment benefits, claims development for internal services funds, and employee retirement pension benefits information (collectively, the required supplementary information), 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 E & 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 E & 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 E & 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 December 3, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Salinas, California's internal control over financial reporting and compliance.



McGilloway, Ray, Brown & Kaufman
Salinas, California
December 3, 2018



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CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2018

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, 2018. 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, 2018, the City's net position (excess of assets over liabilities) was \$165.1 million. Of this amount, \$291.0 million are invested in capital assets and restricted assets, which is offset by a deficit of \$125.9 million classified as unrestricted assets.
- During the fiscal year ended June 30, 2018, the City's total net position increased by \$6.5 million excluding a prior period adjustment of -\$8.8 million. This change primarily results from improved sales tax, Measure G transactions and use tax, property tax and operating grants and contributions.
- During the fiscal year fund balances decreased \$7.8 million to \$75.6 million for governmental funds, of which \$75.4 million is either nonspendable, restricted, committed, or assigned and thus unavailable.
- During the fiscal year the General Fund, Measure E, and Measure G fund balance decreased \$8.9 million to \$33.9 million of which \$24.1 million is either nonspendable, restricted, committed, or assigned. Unassigned General Fund, Measure E & Measure G Fund fund balance was \$9.8 million.
- The City's total liabilities increased by \$95.8 million during the current fiscal year. Governmental Activities increased by \$94.2 million and Business-type Activities increased \$1.6 million. The long-term debt increased \$109.5 million as a result of increases in Capital Leases of \$67.0 million for the Police Services Headquarters and the El Gabilan Library, increase in the Net OPEB Liability of \$20.0 million, and increases in Net Pension Liability of \$24.4 million, coupled with a decrease of \$3.3 million from regularly scheduled debt service repayments in both Governmental and Business-type Activities.
- The City's capital assets, net of depreciation, increased \$74.8 million to \$391.5 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, 2018

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, Permit Service, Landfill and Parking District activities are reported as business-type activities.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2018

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 E and Measure G Funds, Development Fees Special Revenue Fund, and the Special Construction Assistance Special Revenue 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, Permit Services 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, 2018

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 E 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 E 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 decreased \$2.3 million (1.4%) over the prior year from \$167.4 to \$165.1 million.

At June 30, 2018, the largest portion of net position (148.9%) consists of the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related outstanding debt used for such acquisition. The City uses these capital assets to provide services to residents. The capital assets of the City are not sources of income for repayment of debt as most assets are not revenue generating and generally are not liquidated to repay debt. Debt service payments are funded from other resources available to the City.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2018

The following is the Condensed Statement of Net Position for the fiscal years ended June 30, 2018 and 2017:

City of Salinas
Condensed Statements of Net Position
June 30, 2018

	Governmental Activities		Business-type Activities		Total		Percent
	2018	2017	2018	2017	2018	2017	of Total
Assets:							
Current assets	\$ 98,156,161	\$ 114,000,883	\$ 17,708,341	\$ 14,617,668	\$ 115,864,502	\$ 128,618,551	21.6 %
Other assets	27,175,325	21,505,869	2,061,035	2,048,639	29,236,360	23,554,508	5.5 %
Capital assets, net	269,661,526	190,113,171	121,813,303	126,582,426	391,474,829	316,695,597	73.0 %
Total assets	394,993,012	325,619,923	141,582,679	143,248,733	536,575,691	468,868,656	100.0 %
Deferred outflows of resources							
Related to pensions	60,675,953	39,944,008	1,311,507	854,673	61,987,460	40,798,681	99.0 %
Reacquisition costs	306,223	430,526	317,438	357,228	623,661	787,754	1.0 %
Total deferred outflows of resources	60,982,176	40,374,534	1,628,945	1,211,901	62,611,121	41,586,435	100.0 %
Liabilities:							
Current liabilities	11,769,309	9,938,859	2,432,182	1,715,092	14,201,491	11,653,951	3.3 %
Other liabilities	48,508,990	46,499,077	5,460,000	4,835,000	53,968,990	51,334,077	12.7 %
LTD - due in one year	5,401,725	5,219,754	1,992,240	1,940,849	7,393,965	7,160,603	1.7 %
Long-term liabilities	308,348,661	218,194,344	42,642,522	42,394,973	350,991,183	260,589,317	82.3 %
Total liabilities	374,028,685	279,852,034	52,526,944	50,885,914	426,555,629	330,737,948	100.0 %
Deferred inflows of resources							
Related to pensions	7,164,607	11,964,549	315,025	326,758	7,479,632	12,291,307	99.7 %
Loss on refunding of debt	24,042	27,442	-	-	24,042	27,442	0.3 %
Total deferred inflows of resources	7,188,649	11,991,991	315,025	326,758	7,503,674	12,318,749	0.3 %
Net Position:							
Net investment in Capital Assets	165,269,307	151,863,517	80,551,269	83,466,219	245,820,576	235,329,736	148.9 %
Restricted	43,285,333	38,505,368	1,932,223	3,018,809	45,217,556	41,524,177	27.4 %
Unrestricted	(133,796,786)	(116,218,453)	7,886,163	6,762,934	(125,910,623)	(109,455,519)	(76.3)%
Total Net Position	\$ 74,757,854	\$ 74,150,432	\$ 90,369,655	\$ 93,247,962	\$ 165,127,509	\$ 167,398,394	100.0 %

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2018

Statement of Activities

The following is the Condensed Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2018 and 2017:

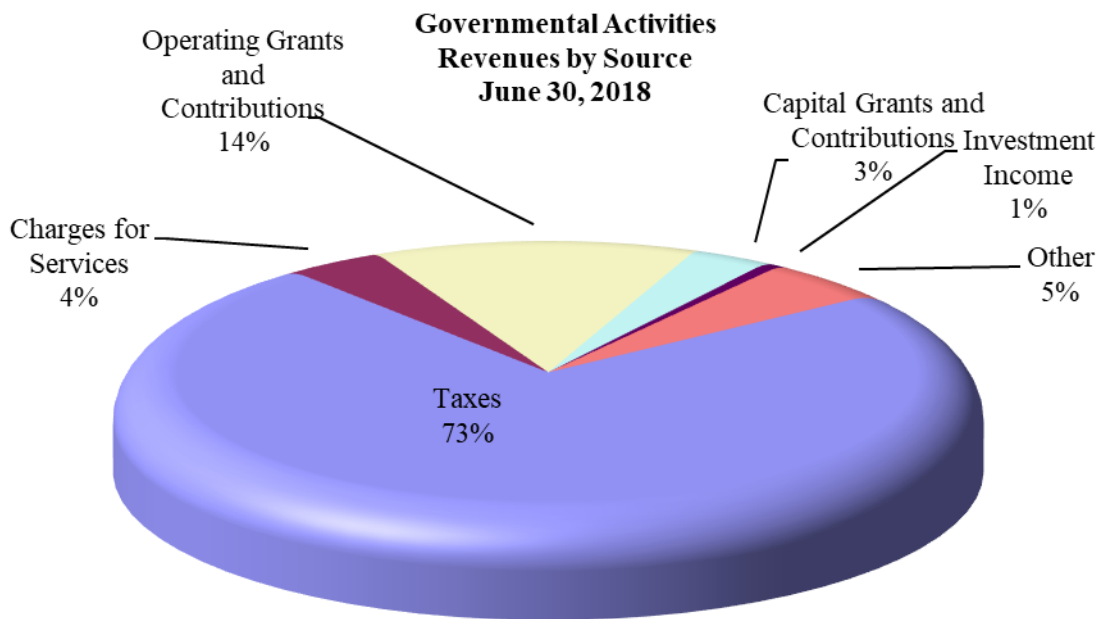
City of Salinas Condensed Statement of Activities and Changes in Net Position For the Fiscal Year Ended June 30, 2018						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for Services	\$ 6,507,589	\$ 6,340,509	\$ 11,888,945	\$ 8,241,172	\$ 18,396,534	\$ 14,581,681
Operating Grants & Contributions	21,825,112	13,251,022	23,552	18,077	21,848,664	13,269,099
Capital Grants & Contributions	5,331,524	7,369,772	623,485	1,052,268	5,955,009	8,422,040
General Revenues:						
Taxes	118,247,128	115,611,633	-	-	118,247,128	115,611,633
Licenses, permits, fines and forfeitures	7,205,531	7,435,123	-	-	7,205,531	7,435,123
Grants & Contributions not Restricted	-	-	-	-	-	-
Unrestricted Investment Earnings	1,044,105	509,020	157,966	67,261	1,202,071	576,281
Rental income	608,312	512,490	-	-	608,312	512,490
Gain (Loss) on Disposal of Assets	(270,444)	377,969	(18,843)	-	(289,287)	377,969
Housing loan repayment from/to Successor Agency	-	-	-	-	-	-
Miscellaneous	662,979	993,236	-	-	662,979	993,236
Total Revenues	161,161,836	152,400,774	12,675,105	9,378,778	173,836,941	161,779,552
Expenses						
General Government	37,568,079	28,007,928	2,056,622	1,932,622	39,624,701	29,940,550
Public Safety	74,400,990	69,742,395	-	-	74,400,990	69,742,395
Public Works	29,659,857	30,243,094	14,483,319	12,063,763	44,143,176	42,306,857
Recreation	3,137,839	2,798,786	742,738	782,086	3,880,577	3,580,872
Library	5,091,740	4,567,668	-	-	5,091,740	4,567,668
Interest	1,103,866	1,639,707	-	-	1,103,866	1,639,707
Total Expenses	150,962,371	136,999,578	17,282,679	14,778,471	168,245,050	151,778,049
Increase (decrease) in Net Position before Contributions and Transfers	10,199,465	15,401,196	(4,607,574)	(5,399,693)	5,591,891	10,001,503
Contributions	-	-	951,566	950,943	951,566	950,943
Transfers	(1,898,829)	(855,521)	1,900,111	855,521	1,282	-
	(1,898,829)	(855,521)	2,851,677	1,806,464	952,848	950,943
Increase (decrease) in Net Position	8,300,636	14,545,675	(1,755,897)	(3,593,229)	6,544,739	10,952,446
Net Position - Beginning of Year	74,150,432	59,736,495	93,247,962	96,841,191	167,398,394	156,577,686
Prior Period Adjustment	(7,693,214)	(131,738)	(1,122,410)	-	(8,815,624)	(131,738)
Net Position - Beginning of Year as restated	66,457,218	59,604,757	92,125,552	96,841,191	158,582,770	156,445,948
Net Position - Ending	\$ 74,757,854	\$ 74,150,432	\$ 90,369,655	\$ 93,247,962	\$ 165,127,509	\$ 167,398,394

Total revenues increased from the prior year by \$12.1 million, or 7.5% and total expenditures increased by \$16.5 million from prior year, or 10.8%. Further analysis is provided within the governmental and business-type activities sections.

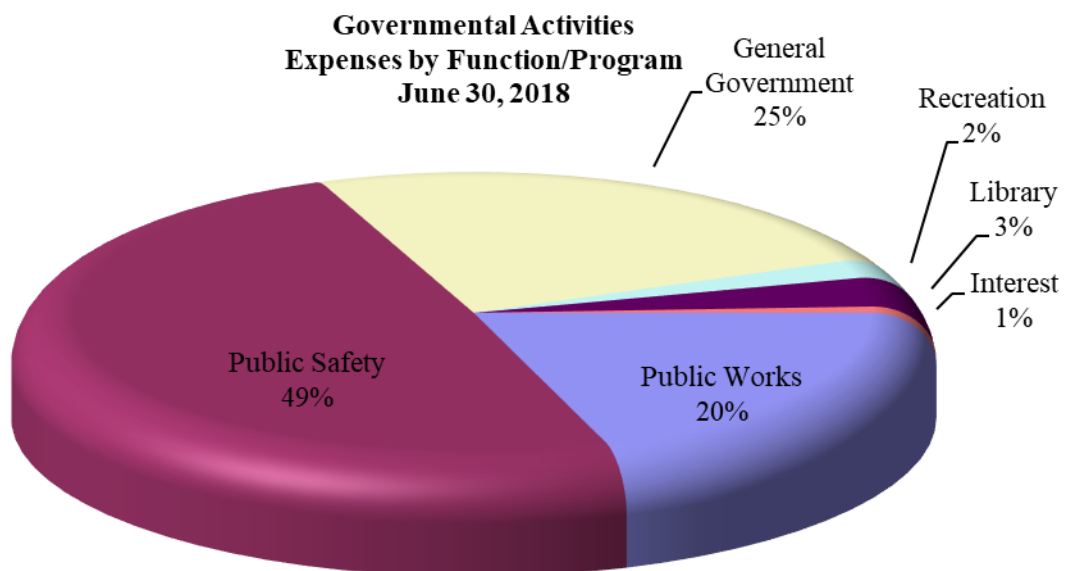
CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2018

Governmental Activities

Governmental activities resources total \$161.2 million. The City's governmental activities increased net position by \$8.3 million. The following charts highlight the sources of revenues and purpose of expenses:



Total expenses for governmental activities, excluding transfers and contributions, were \$151.0 million including interest on long-term debt of \$1.1 million. Total expenditures that were funded by tax revenues, investment income and other general revenues were \$117.3 million.



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2018

Functional expenses for the year ended June 30, 2018 were as follows:

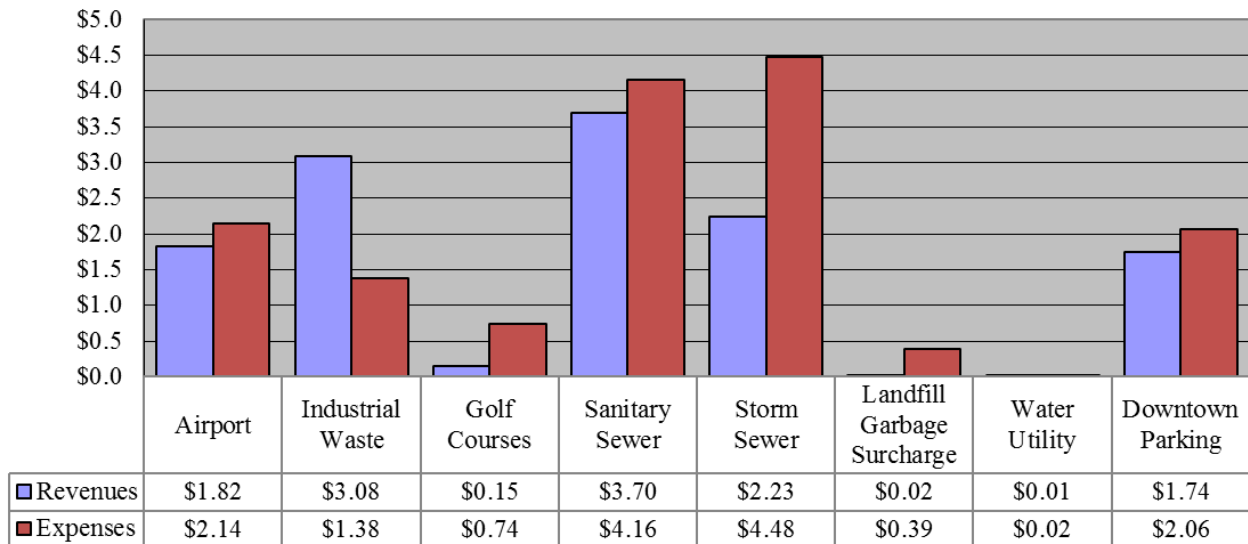
	Total Cost of Services	Percent	Net Cost of Services	Percentage
General government	\$ 37,568,079	24.9 %	\$ 15,576,829	13.3 %
Public safety	74,400,990	49.3 %	65,552,658	55.9 %
Public works	29,659,857	19.6 %	27,431,103	23.4 %
Recreation	3,137,839	2.1 %	2,873,180	2.4 %
Library	5,091,740	3.4 %	4,760,510	4.1 %
Interest	1,103,866	0.7 %	1,103,866	0.9 %
Total	\$ 150,962,371	100 %	\$ 117,298,146	100 %

Public safety continues to be the single highest expense for the City followed by public works. Net cost of services, after subtracting fees and grant revenues total \$117.3 million.

Business-Type Activities

The City's business-type activities net position was \$90.4 million, a decrease of \$2.9 million from the prior fiscal year. Total revenues for business-type activities were \$12.7 million. The largest program revenues were charges for services of \$11.9 million. Other program revenues included operating/capital grants and contributions of \$0.6 million. Total expenses for the business-type activities were \$17.3 million during FY 2017-18.

**Business -Type Activities
Revenues, Expenses (in millions)
June 30, 2018**



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2018

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 the current fiscal year, the City's governmental funds reported combined ending fund balances of \$75.7 million. Of the total fund balance, \$9.5 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, \$40.2 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 \$14.5 million was restricted for future development, \$5.7 million for maintenance districts, \$6.9 million for street repairs and improvements, \$1.8 million for aviation projects, \$4.7 million for debt service, and \$2.1 million for public safety purposes. The remainder of the restrictions in the amount of \$4.5 million is restricted for various purposes as listed in the Fund Balance footnote. Committed fund balance totaled \$13.6 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 \$13.6 million committed fund balance is committed for capital projects. Assigned fund balance totaled \$12.2 million and represents informal assignments made by the City. The remaining fund balance of \$0.2 million is unassigned and mainly includes the unassigned fund balance of the Measure E Fund of \$6.2 million, Measure G Fund of \$3.7 million, net of the \$9.5 million deficit in Special Construction Assistance Fund.

The General Fund is the chief operating fund of the City. The General, Measure E and Measure G Funds' fund balance decreased by \$9.0 million in FY 2017-18 to \$33.9 million, of which \$6.9 million was nonspendable and indicates the resources are nonspendable inventory and advances and are not anticipated to be liquidated in the near-term. The \$5.0 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 \$12.2 million and has been allocated by the City Council for specific capital and operational needs. The remaining fund balance of \$9.8 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, 2018

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended General, Measure E, and Measure G Fund revenue budget, including transfers in, totaled \$131.4 million and the expenditure budget totaled \$164.0 million including transfers out. Transfers out are budgeted mostly for capital projects and the funds are already on-hand. Transfers out to the Capital Projects Fund will occur over multiple years.

Significant Appropriations Increases/Decreases

Appropriations during the year were adjusted upward by \$30.4 million, of which \$17.8 million were related to transfers for capital projects and \$12.6 million in operational changes including a one-time payment to PERS. Estimated revenue was adjusted upward by \$0.1 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, 2018 and 2017:

	City of Salinas' Capital Assets					
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 25,230,652	\$ 22,227,843	\$ 3,632,339	\$ 3,632,339	\$ 28,862,991	\$ 25,860,182
Buildings	45,286,961	47,273,125	27,266,967	27,266,967	72,553,928	74,540,092
Improvements	15,720,822	14,247,936	21,130,339	20,141,206	36,851,161	34,389,142
Equipment	32,376,660	32,739,759	7,925,352	8,662,506	40,302,012	41,402,265
Infrastructure	239,494,655	237,281,227	236,689,231	236,689,231	476,183,886	473,970,458
Construction in Progress	120,078,338	36,811,730	6,426,682	5,747,764	126,505,020	42,559,494
	478,188,088	390,581,620	303,070,910	302,140,013	781,258,998	692,721,633
Accumulated Depreciation	(208,526,562)	(200,468,449)	(181,257,607)	(175,557,587)	(389,784,169)	(376,026,036)
	<u>\$ 269,661,526</u>	<u>\$ 190,113,171</u>	<u>\$ 121,813,303</u>	<u>\$ 126,582,426</u>	<u>\$ 391,474,829</u>	<u>\$ 316,695,597</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, 2018, net capital assets of the Governmental Activities totaled \$269.7 million and the net capital assets of the Business-type Activities totaled \$121.8 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 \$91.6 million of capital assets during the year. The acquisitions include \$85.0 million in construction in progress, \$1.2 million in infrastructure improvements, and \$1.0 million in machinery.

Overall, Business-type Activities had a net decline in capital assets by \$4.8 million. The City acquired \$1.7 million of capital assets during the year. The acquisitions mainly include \$1.4 million in construction in progress, and \$0.3 million in improvements other than building.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2018

Long-Term Obligations

As of June 30, 2018, the City had \$357.3 million in long-term debt.

City of Salinas' Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Annual Leave	\$ 11,211,936	\$ 9,938,652	\$ 480,397	\$ 324,994	\$ 11,692,333	\$ 10,263,646
Estimated Insurance Claims	2,474,609	3,043,305	-	-	2,474,609	3,043,305
New York Life Net Pension Obligation	-	-	-	-	-	-
Capital Leases	94,647,219	26,979,654	11,716,319	12,388,540	106,363,538	39,368,194
Loans and Notes	-	-	3,229,000	3,622,000	3,229,000	3,622,000
Revenue Bonds	-	-	15,860,000	16,240,000	15,860,000	16,240,000
Certificates of Participation	5,970,000	6,510,000	8,120,000	8,540,000	14,090,000	15,050,000
Assessment District Bonds	3,775,000	4,760,000	-	-	3,775,000	4,760,000
Unamortized Bond Premium	-	-	116,900	127,526	116,900	127,526
Unamortized Bond Discount	-	-	-	-	-	-
Subtotal	118,078,764	51,231,611	39,522,616	41,243,060	157,601,380	92,474,671
Net OPEB Liability	18,840,804	-	1,135,196	-	19,976,000	-
Net Pension Liability	195,671,622	172,182,487	3,976,950	3,092,762	199,648,572	175,275,249
Total outstanding debt	\$ 332,591,190	\$ 223,414,098	\$ 44,634,762	\$ 44,335,822	\$ 377,225,952	\$ 267,749,920

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 2018-19 and beyond, fiscal sustainability is the overarching focus for the City. The City is still faced with the challenges of rising costs of wages, retirement, health insurance, and workers' compensation at a faster pace than the City's anticipated revenue. With the Cal PERS Board approval to reduce the discount rate in December 2016, the City's cost will increase by \$13.9 million over the next seven years beginning in FY 2018-19. This growth in cost alone will be more than the growth in revenue. To address this challenge, the City is working on the following:

- Developed and implemented a plan to pay down the City's Unfunded Actuarial Liability
 - City made first \$11.3 million payment to PERS in June 2018
- Create a Pension Rate Stabilization Program
 - City Council approved establishing a 115 Trust for pensions
- Change the service delivery method of certain public services
 - City hired the Center for Public Safety Management (CPSM) and completed study of Police and Fire overtime and service delivery and is in the process of implementing recommendations

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2018

- Undertake appropriate methods to get City employees to pay a larger portion of annual pension contribution
- Managing vacancies – City held 34 positions vacant as part of the FY 2018-19 budget
- Comprehensive Fiscal Study – City was one in five Cities to be awarded \$300,000 to conduct a study of operations including a 10 year financial model and recommendations
 - City is currently in the process of implementing the recommendations

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 38 active federal and state grants that total over \$34.5 million and over 50 active collaborative relationships with other organizations that bring millions in resources to the City and service to the community.

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, 2018

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and investments	\$ 88,295,204	\$ 15,243,087	\$ 103,538,291
Receivables, net of allowance			
Taxes	14,200,791	-	14,200,791
Accounts	125,363	2,391,842	2,517,205
Accrued interest	1,457,131	64,825	1,521,956
Due from outside agencies	7,476,766	-	7,476,766
Due from other funds	1,139,386	(1,139,386)	-
Internal balances	5,460,000	(5,460,000)	-
Inventory	13,604	-	13,604
Restricted cash and investments	604,055	1,932,223	2,536,278
Prepaid bond insurance	-	137,399	137,399
Assessments receivable	3,775,000	-	3,775,000
Loan receivables, net of allowance	276,633	-	276,633
Land and properties held for resale	2,507,553	-	2,507,553
Capital assets			
Land and nondepreciable assets	145,308,990	10,059,021	155,368,011
Depreciable assets, net of accumulated depreciation	124,352,536	111,754,282	236,106,818
Total assets	394,993,012	134,983,293	529,976,305
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	59,577,157	1,245,303	60,822,460
Related to OPEB	1,098,796	66,204	1,165,000
Loss on refunding of debt	306,223	317,438	623,661
Total deferred outflows of resources	60,982,176	1,628,945	62,611,121
Total assets and deferred outflows	455,975,188	136,612,238	592,587,426
LIABILITIES			
Accounts payable	11,505,631	753,375	12,259,006
Accrued interest payable	239,582	480,234	719,816
Prepaid deposits	24,096	59,187	83,283
Unearned revenues	6,508,191	-	6,508,191
Long term liabilities			
Debt due within one year	5,401,725	1,992,240	7,393,965
Debt due in more than one year	112,677,039	37,530,376	150,207,415
Insurance claims payable	23,159,995	-	23,159,995
Net OPEB Liability	18,840,804	1,135,196	19,976,000
Net pension liability	195,671,622	3,976,950	199,648,572
Total liabilities	374,028,685	45,927,558	419,956,243
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	5,628,180	222,452	5,850,632
Related to OPEB	1,536,427	92,573	1,629,000
Loss on refunding of debt	24,042	-	24,042
Total deferred inflows of resources	7,188,649	315,025	7,503,674
NET POSITION			
Net investment in capital assets	165,269,307	80,551,269	245,820,576
Restricted for:			
Housing	5,614,036	-	5,614,036
Capital projects	1,840,218	-	1,840,218
Highways and streets	27,089,452	-	27,089,452
Debt service	4,669,079	1,932,223	6,601,302
Special programs	4,072,548	-	4,072,548
Total restricted assets	43,285,333	1,932,223	45,217,556
Unrestricted net position (deficit)	(133,796,786)	7,886,163	(125,910,623)
Total net position	\$ 74,757,854	\$ 90,369,655	\$ 165,127,509

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ 37,568,079	\$ 4,054,640	\$ 14,480,538	\$ 3,456,072	\$ (15,576,829)	\$ -	\$ (15,576,829)
Public safety	74,400,990	1,874,092	6,974,240	-	(65,552,658)	-	(65,552,658)
Public works	29,659,857	283,915	69,387	1,875,452	(27,431,103)	-	(27,431,103)
Recreation	3,137,839	264,659	-	-	(2,873,180)	-	(2,873,180)
Library	5,091,740	30,283	300,947	-	(4,760,510)	-	(4,760,510)
Interest on long-term debt	1,103,866	-	-	-	(1,103,866)	-	(1,103,866)
Total governmental activities	150,962,371	6,507,589	21,825,112	5,331,524	(117,298,146)	-	(117,298,146)
Business-type activities:							
Airport	2,056,622	1,524,946	23,552	267,471	-	(240,653)	(240,653)
Industrial waste	1,262,760	3,025,803	-	-	-	1,763,043	1,763,043
Municipal golf courses	742,738	143,333	-	-	-	(599,405)	(599,405)
Sanitary sewer	3,801,346	3,637,031	-	-	-	(164,315)	(164,315)
Storm sewer	4,365,062	3,710	-	274,547	-	(4,086,805)	(4,086,805)
Landfill garbage surcharge	-	-	-	-	-	-	-
Water utility	21,839	6,108	-	-	-	(15,731)	(15,731)
Downtown parking	2,024,524	519,456	-	-	-	(1,505,068)	(1,505,068)
Permit services	3,007,788	3,028,558	-	81,467	-	102,237	102,237
Total business-type activities	17,282,679	11,888,945	23,552	623,485	-	(4,746,697)	(4,746,697)
Total primary government	\$ 168,245,050	\$ 18,396,534	\$ 21,848,664	\$ 5,955,009	(117,298,146)	(4,746,697)	(122,044,843)
General revenues and transfers:							
Property taxes					28,499,277	-	28,499,277
Sales taxes					64,924,869	-	64,924,869
Utility user tax					21,483,401	-	21,483,401
Transient occupancy tax					2,917,997	-	2,917,997
Other taxes					421,584	-	421,584
Licenses, permits, fines and forfeitures					7,205,531	-	7,205,531
Unrestricted investment earnings					1,045,387	157,966	1,203,353
Miscellaneous					662,979	-	662,979
Rental income					608,312	-	608,312
Gain (loss) on disposal of assets					(270,444)	(18,843)	(289,287)
Contributions for parking structure debt					-	951,566	951,566
Transfers					(1,900,111)	1,900,111	-
Total general revenues and transfers					125,598,782	2,990,800	128,589,582
Change in net position					8,300,636	(1,755,897)	6,544,739
Net position - beginning of year					74,150,432	93,247,962	167,398,394
Prior period adjustment - Note 21					(7,693,214)	(1,122,410)	(8,815,624)
Net position - beginning of year, as restated					66,457,218	92,125,552	158,582,770
Net position - end of year					\$ 74,757,854	\$ 90,369,655	\$ 165,127,509

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS



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GOVERNMENTAL FUNDS

GENERAL, MEASURE E, & MEASURE G FUND

The General, Measure E, & 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 E, & 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.

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, 2018

	General, Measure E, & Measure G	Development Fees	Special Construction Assistance	Non-Major Governmental Funds	Total
ASSETS					
Cash and investments	\$ 29,515,119	\$ 14,877,854	\$ 3,199,543	\$ 26,633,248	\$ 74,225,764
Receivables, net:					
Taxes	14,251,235	-	-	-	14,251,235
Accounts	117,063	-	8,300	-	125,363
Accrued interest	280,943	66,384	-	1,076,251	1,423,578
Assessments	-	-	-	3,775,000	3,775,000
Due from outside agencies	1,475,000	-	2,415,184	3,586,582	7,476,766
Due from other funds	8,557,042	-	-	2,514,195	11,071,237
Inventory	13,604	-	-	-	13,604
Restricted cash and investments	-	-	-	138,738	138,738
Loan receivables	-	-	-	276,633	276,633
Advances to other funds	5,460,000	-	-	-	5,460,000
Land and properties held for resale	-	-	-	2,507,553	2,507,553
Total assets	<u>\$ 59,670,006</u>	<u>\$ 14,944,238</u>	<u>\$ 5,623,027</u>	<u>\$ 40,508,200</u>	<u>\$ 120,745,471</u>
LIABILITIES					
Accounts payable	\$ 7,014,344	\$ -	\$ 1,089,473	\$ 3,258,785	\$ 11,362,602
Deposits	24,096	-	-	-	24,096
Due to other funds	18,718,225	460,833	5,771,761	1,729,961	26,680,780
Unearned revenues	-	-	1,873,405	976,713	2,850,118
Total liabilities	<u>25,756,665</u>	<u>460,833</u>	<u>8,734,639</u>	<u>5,965,459</u>	<u>40,917,596</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - housing loans	-	-	-	276,633	276,633
Unavailable revenues - grants	-	-	-	125,879	125,879
Unavailable revenues - special assessment receivable	-	-	-	3,775,000	3,775,000
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,177,512</u>	<u>4,177,512</u>
FUND BALANCE					
Nonspendable	6,948,604	-	-	2,524,124	9,472,728
Restricted	-	14,483,405	-	25,758,365	40,241,770
Committed	5,038,675	-	6,420,797	2,096,007	13,555,479
Assigned	12,161,256	-	-	-	12,161,256
Unassigned	9,764,806	-	(9,532,409)	(13,267)	219,130
Total fund balance	<u>33,913,341</u>	<u>14,483,405</u>	<u>(3,111,612)</u>	<u>30,365,229</u>	<u>75,650,363</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 59,670,006</u>	<u>\$ 14,944,238</u>	<u>\$ 5,623,027</u>	<u>\$ 40,508,200</u>	<u>\$ 120,745,471</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, 2018

Total fund balances - total governmental funds (page F-27)		\$ 75,650,363
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.		269,661,526
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.		(239,582)
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.		519,439
Taxes receivable not collectible within sixty days are not available to pay current period expenditures and, therefore, are not reported in the funds.		(50,444)
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.		6,887,304
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	\$ (11,086,755)	
Estimated insurance claims	(2,474,609)	
Net pension liability	(194,729,733)	
Net OPEB liability	(18,545,574)	
Capital leases	(94,647,219)	
Certificates of participation	(5,970,000)	
Assessment bonds	<u>(3,775,000)</u>	(331,228,890)
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		60,670,026
Deferred inflows		<u>(7,111,888)</u>
Net position of governmental activities (page F-21)		<u><u>\$ 74,757,854</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, 2018

	General Measure E, & Measure G	Development Fees	Special Construction Assistance	Non-Major Governmental Funds	Total
REVENUES					
Taxes	\$ 117,813,701	\$ -	\$ -	\$ 447,881	\$ 118,261,582
Taxes - special assessments	-	-	-	2,514,982	2,514,982
Licenses and permits	6,357,723	-	-	-	6,357,723
Intergovernmental	1,222,994	-	3,456,072	19,852,577	24,531,643
Charges for services	5,075,630	1,035,696	307,298	88,965	6,507,589
Interest	649,803	176,744	-	218,840	1,045,387
Rental income	378,022	-	-	230,290	608,312
Fines and forfeits	377,759	-	-	470,067	847,826
Developer contributions	-	-	10,401	-	10,401
Contributions	-	-	-	99,613	99,613
Miscellaneous	541,203	-	-	473,213	1,014,416
Total revenues	132,416,835	1,212,440	3,773,771	24,396,428	161,799,474
EXPENDITURES					
Current:					
General government	30,460,954	-	-	3,842,955	34,303,909
Public safety	72,386,055	-	-	3,857,098	76,243,153
Public works	11,698,252	274,546	-	1,539,887	13,512,685
Recreation	2,566,808	-	-	-	2,566,808
Library	4,577,667	-	-	227,980	4,805,647
Capital outlay	901,328	-	8,032,238	20,883,147	29,816,713
Debt service:					
Principal retirement	-	-	-	3,232,023	3,232,023
Interest and fiscal charges	-	-	-	1,094,547	1,094,547
Total expenditures	122,591,064	274,546	8,032,238	34,677,637	165,575,485
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,825,771	937,894	(4,258,467)	(10,281,209)	(3,776,011)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	3,871,130	-	-	22,356,215	26,227,345
Operating transfers out	(22,677,235)	(1,723,092)	-	(5,828,799)	(30,229,126)
Total other financing sources (uses)	(18,806,105)	(1,723,092)	-	16,527,416	(4,001,781)
NET CHANGE IN FUND BALANCE	(8,980,334)	(785,198)	(4,258,467)	6,246,207	(7,777,792)
FUND BALANCE, BEGINNING OF YEAR	42,893,675	15,268,603	1,146,855	24,119,022	83,428,155
FUND BALANCES, END OF YEAR	\$ 33,913,341	\$ 14,483,405	\$ (3,111,612)	\$ 30,365,229	\$ 75,650,363

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, 2018

Net change in fund balance - total governmental funds (page F-29)	\$ (7,777,792)
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.	10,536,272
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations).	(362,504)
Net increase (decrease) in taxes receivable not collectible within sixty days.	(14,454)
Unearned revenues of new housing loans are reported in the statement of net position.	(257,458)
Principal payments on housing loans are reported in the statement of net position.	(259,375)
Reporting of loan receivables at realizable value requires an allowance to be made.	(89,057)
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	\$ (680,493)
Capital leases	1,707,024
Certificates of participation	540,000
Assessment district 1915 act bonds	985,000
	2,551,531
Pension expense and OPEB expense do not require the use of current financial resources and therefore is not presented as an expenditure in the governmental funds.	1,827,198
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.	(120,902)
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.	(9,320)
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.	2,276,497
Change in net position of governmental activities (page F-22)	\$ 8,300,636

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.

Permit Services Fund – This fund is used to account for the revenues and expenditures associated with providing permitting services to the community.



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CITY OF SALINAS
STATEMENT OF FUND NET POSITION (DEFICITS)
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-type Activity - Enterprise Funds					
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge
ASSETS						
Current Assets:						
Cash and investments	\$ 773,952	\$ 5,084,292	\$ 365,966	\$ 5,042,959	\$ 105,244	\$ 1,687,261
Receivables, net						
Accounts	104,979	1,245,909	-	760,777	-	-
Accrued interest	3,561	21,868	-	23,927	-	7,512
Prepaid bond insurance	-	-	-	-	-	-
Due from general fund	-	-	-	-	-	-
Total current assets	<u>882,492</u>	<u>6,352,069</u>	<u>365,966</u>	<u>5,827,663</u>	<u>105,244</u>	<u>1,694,773</u>
Noncurrent assets:						
Restricted cash and investments	-	-	340,873	1,591,350	-	-
Prepaid bond insurance, long term	-	-	-	-	-	-
Capital assets						
Land and nondepreciable assets	2,986,104	4,151,557	-	2,127,812	786,848	-
Depreciable assets, net accumulated depreciation	14,917,468	12,665,637	1,462,060	33,557,032	39,515,353	-
Net capital assets	<u>17,903,572</u>	<u>16,817,194</u>	<u>1,462,060</u>	<u>35,684,844</u>	<u>40,302,201</u>	<u>-</u>
Total noncurrent assets	<u>17,903,572</u>	<u>16,817,194</u>	<u>1,802,933</u>	<u>37,276,194</u>	<u>40,302,201</u>	<u>-</u>
Total assets	<u>18,786,064</u>	<u>23,169,263</u>	<u>2,168,899</u>	<u>43,103,857</u>	<u>40,407,445</u>	<u>1,694,773</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	163,856	65,540	-	360,482	294,944	-
Related to OPEB	8,114	6,713	-	15,090	14,419	-
Loss on refunding of debt	-	-	266,657	50,781	-	-
Total deferred outflows of resources	<u>171,970</u>	<u>72,253</u>	<u>266,657</u>	<u>426,353</u>	<u>309,363</u>	<u>-</u>
Total assets and deferred outflows	<u>18,958,034</u>	<u>23,241,516</u>	<u>2,435,556</u>	<u>43,530,210</u>	<u>40,716,808</u>	<u>1,694,773</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	77,656	340,281	250	51,913	57,886	-
Deposits	59,187	-	-	-	-	-
Due to other funds	-	894	-	8,949	3,720	-
Insurance claims payable	-	-	-	-	-	-
Interest payable	596	30,204	38,628	260,814	2,136	-
Long term debt - due within one year	46,302	414,799	440,000	418,466	126,693	-
Total current liabilities	<u>183,741</u>	<u>786,178</u>	<u>478,878</u>	<u>740,142</u>	<u>190,435</u>	<u>-</u>
Noncurrent Liabilities:						
Advance from general fund	-	-	2,850,000	-	-	-
Long term debt - due in more than one year	128,879	2,843,197	7,680,000	15,647,624	415,755	-
Net pension liability	523,285	209,304	-	1,151,220	941,920	-
Net OPEB liability	139,123	115,100	-	258,749	247,243	-
Total noncurrent liabilities	<u>791,287</u>	<u>3,167,601</u>	<u>10,530,000</u>	<u>17,057,593</u>	<u>1,604,918</u>	<u>-</u>
Total liabilities	<u>975,028</u>	<u>3,953,779</u>	<u>11,008,878</u>	<u>17,797,735</u>	<u>1,795,353</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	29,271	11,707	-	64,393	52,686	-
Related to OPEB	11,345	9,386	-	21,100	20,162	-
Total deferred inflows	<u>40,616</u>	<u>21,093</u>	<u>-</u>	<u>85,493</u>	<u>72,848</u>	<u>-</u>
NET POSITION						
Invested in capital assets	17,814,047	13,148,990	(7,136,568)	19,174,030	39,752,194	-
Restricted	-	-	340,873	1,591,350	-	-
Unrestricted	128,343	6,117,654	(1,777,627)	4,881,602	(903,587)	1,694,773
Total net position (deficit)	<u>\$ 17,942,390</u>	<u>\$ 19,266,644</u>	<u>\$ (8,573,322)</u>	<u>\$ 25,646,982</u>	<u>\$ 38,848,607</u>	<u>\$ 1,694,773</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF FUND NET POSITION (DEFICITS)
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-type Activity - Enterprise Funds				Governmental Activity
	Water Utility	Downtown Parking District	Permit Services	Totals	Internal Service Funds
ASSETS					
Current Assets:					
Cash and investments	\$ 38,113	\$ 280,938	\$ 1,864,362	\$ 15,243,087	\$ 14,069,440
Receivables, net					
Accounts	8,962	271,161	54	2,391,842	-
Accrued interest	-	-	7,957	64,825	33,553
Prepaid bond insurance	-	8,587	-	8,587	-
Due from general fund	-	-	-	-	16,748,929
Total current assets	<u>47,075</u>	<u>560,686</u>	<u>1,872,373</u>	<u>17,708,341</u>	<u>30,851,922</u>
Noncurrent assets:					
Restricted cash and investments	-	-	-	1,932,223	465,317
Prepaid bond insurance, long term	-	128,812	-	128,812	-
Capital assets					
Land and nondepreciable assets	-	6,700	-	10,059,021	-
Depreciable assets, net accumulated depreciation	56,918	9,539,430	40,384	111,754,282	-
Net capital assets	<u>56,918</u>	<u>9,546,130</u>	<u>40,384</u>	<u>121,813,303</u>	<u>-</u>
Total noncurrent assets	<u>56,918</u>	<u>9,674,942</u>	<u>40,384</u>	<u>123,874,338</u>	<u>465,317</u>
Total assets	<u>103,993</u>	<u>10,235,628</u>	<u>1,912,757</u>	<u>141,582,679</u>	<u>31,317,239</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	-	32,769	327,712	1,245,303	294,932
Related to OPEB	-	2,267	19,601	66,204	17,218
Loss on refunding of debt	-	-	-	317,438	-
Total deferred outflows of resources	<u>-</u>	<u>35,036</u>	<u>347,313</u>	<u>1,628,945</u>	<u>312,150</u>
Total assets and deferred outflows	<u>103,993</u>	<u>10,270,664</u>	<u>2,260,070</u>	<u>143,211,624</u>	<u>31,629,389</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	1,747	120,039	103,603	753,375	143,029
Deposits	-	-	-	59,187	-
Due to other funds	-	1,125,193	630	1,139,386	-
Insurance claims payable	-	-	-	-	23,159,995
Interest payable	-	147,856	-	480,234	-
Long term debt - due within one year	-	514,709	31,271	1,992,240	25,036
Total current liabilities	<u>1,747</u>	<u>1,907,797</u>	<u>135,504</u>	<u>4,424,422</u>	<u>23,328,060</u>
Noncurrent Liabilities:					
Advance from general fund	-	2,610,000	-	5,460,000	-
Long term debt - due in more than one year	-	10,689,836	125,085	37,530,376	100,145
Net pension liability	-	104,651	1,046,570	3,976,950	941,889
Net OPEB liability	-	38,863	336,118	1,135,196	295,230
Total noncurrent liabilities	<u>-</u>	<u>13,443,350</u>	<u>1,507,773</u>	<u>48,102,522</u>	<u>1,337,264</u>
Total liabilities	<u>1,747</u>	<u>15,351,147</u>	<u>1,643,277</u>	<u>52,526,944</u>	<u>24,665,324</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	-	5,855	58,540	222,452	52,686
Related to OPEB	-	3,169	27,411	92,573	24,075
Total deferred inflows	<u>-</u>	<u>9,024</u>	<u>85,951</u>	<u>315,025</u>	<u>76,761</u>
NET POSITION					
Invested in capital assets	56,918	(2,298,726)	40,384	80,551,269	-
Restricted	-	-	-	1,932,223	465,317
Unrestricted	45,328	(2,790,781)	490,458	7,886,163	6,421,987
Total net position (deficit)	<u>\$ 102,246</u>	<u>\$ (5,089,507)</u>	<u>\$ 530,842</u>	<u>\$ 90,369,655</u>	<u>\$ 6,887,304</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICITS)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activity - Enterprise Fund					
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge
OPERATING REVENUES:						
Charges for services						
Fees	\$ 30,910	\$ 3,025,803	\$ -	\$ 3,637,031	\$ 3,710	\$ -
Licenses and permits	91,744	-	-	-	-	-
Rental income	1,402,292	-	143,333	-	-	-
Total operating revenues	<u>1,524,946</u>	<u>3,025,803</u>	<u>143,333</u>	<u>3,637,031</u>	<u>3,710</u>	<u>-</u>
OPERATING EXPENSES:						
Personnel services	626,515	116,056	-	1,172,444	1,114,852	-
Administration	157,567	98,333	-	215,033	233,375	-
Contractual services	173,340	115,446	73,802	34,851	48,326	-
Supplies	57,177	36,062	-	114,453	199,105	-
Insurance	20,000	18,500	-	44,800	25,900	-
Insurance claims	-	-	-	-	-	-
Fees and permits (taxes)	44,618	10,559	-	-	-	-
Utilities	86,461	414,327	-	78,735	5,744	-
Depreciation	844,192	371,478	468,996	1,487,480	2,713,690	-
Amortization	-	-	35,173	4,617	-	-
Other	44,570	8,294	-	13,934	7,511	-
Total operating expenses	<u>2,054,440</u>	<u>1,189,055</u>	<u>577,971</u>	<u>3,166,347</u>	<u>4,348,503</u>	<u>-</u>
Operating income (loss)	<u>(529,494)</u>	<u>1,836,748</u>	<u>(434,638)</u>	<u>470,684</u>	<u>(4,344,793)</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	8,038	52,076	3,882	59,683	60	20,242
Interest expense	(2,182)	(73,705)	(164,767)	(634,999)	(16,559)	-
Gain (loss) on disposition of fixed assets	-	-	-	(18,843)	-	-
Other nonoperating revenues (expenses)	23,552	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>29,408</u>	<u>(21,629)</u>	<u>(160,885)</u>	<u>(594,159)</u>	<u>(16,499)</u>	<u>20,242</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(500,086)</u>	<u>1,815,119</u>	<u>(595,523)</u>	<u>(123,475)</u>	<u>(4,361,292)</u>	<u>20,242</u>
Contributed assets	267,471	-	-	-	274,547	-
Contribution for parking structure debt	-	-	-	-	-	-
Transfers in	-	-	-	-	1,953,250	-
Transfers out	(84,232)	(116,024)	-	(335,190)	(116,145)	(385,100)
CHANGE IN NET POSITION (DEFICIT)	<u>(316,847)</u>	<u>1,699,095</u>	<u>(595,523)</u>	<u>(458,665)</u>	<u>(2,249,640)</u>	<u>(364,858)</u>
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>18,396,793</u>	<u>17,681,352</u>	<u>(7,977,799)</u>	<u>26,361,482</u>	<u>41,342,705</u>	<u>2,059,631</u>
Prior Period Adjustment - Note 21	<u>(137,556)</u>	<u>(113,803)</u>	<u>-</u>	<u>(255,835)</u>	<u>(244,458)</u>	<u>-</u>
NET POSITION (DEFICIT), BEGINNING OF YEAR - AS RESTATED	<u>18,259,237</u>	<u>17,567,549</u>	<u>(7,977,799)</u>	<u>26,105,647</u>	<u>41,098,247</u>	<u>2,059,631</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ 17,942,390</u>	<u>\$ 19,266,644</u>	<u>\$ (8,573,322)</u>	<u>\$ 25,646,982</u>	<u>\$ 38,848,607</u>	<u>\$ 1,694,773</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICITS)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activity - Enterprise Fund				Governmental Activity
	Water Utility	Downtown Parking District	Permit Services	Totals	Internal Service Funds
OPERATING REVENUES:					
Charges for services					
Fees	\$ 6,108	\$ 258,926	\$ 1,679,718	\$ 8,642,206	\$ 7,906,865
Licenses and permits	-	260,530	1,348,840	1,701,114	-
Rental income	-	-	-	1,545,625	-
Total operating revenues	6,108	519,456	3,028,558	11,888,945	7,906,865
OPERATING EXPENSES:					
Personnel services	-	156,992	2,241,586	5,428,445	1,176,997
Administration	1,475	118,161	249,700	1,073,644	-
Contractual services	7,488	631,582	420,704	1,505,539	384,696
Supplies	2,832	22,749	16,142	448,520	431,588
Insurance	-	-	-	109,200	613,197
Insurance claims	-	-	-	-	3,966,529
Fees and permits (taxes)	-	3,609	-	58,786	-
Utilities	-	35,090	7,696	628,053	-
Depreciation	10,044	588,276	41,083	6,525,239	-
Amortization	-	8,587	-	48,377	-
Other	-	2,000	30,877	107,186	1,234,219
Total operating expenses	21,839	1,567,046	3,007,788	15,932,989	7,807,226
Operating income (loss)	(15,731)	(1,047,590)	20,770	(4,044,044)	99,639
NONOPERATING REVENUES (EXPENSES)					
Investment income	-	-	13,985	157,966	75,188
Interest expense	-	(453,063)	-	(1,345,275)	-
Gain (loss) on disposition of fixed assets	-	-	-	(18,843)	-
Other nonoperating revenues (expenses)	-	(4,415)	-	19,137	-
Total nonoperating revenues (expenses)	-	(457,478)	13,985	(1,187,015)	75,188
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(15,731)	(1,505,068)	34,755	(5,231,059)	174,827
Contributed assets	-	-	81,467	623,485	-
Contribution for parking structure debt	-	951,566	-	951,566	-
Transfers in	-	269,400	782,705	3,005,355	2,101,670
Transfers out	-	(32,800)	(35,753)	(1,105,244)	-
CHANGE IN NET POSITION (DEFICIT)	(15,731)	(316,902)	863,174	(1,755,897)	2,276,497
NET POSITION (DEFICIT), BEGINNING OF YEAR	117,977	(4,734,179)	-	93,247,962	4,902,711
Prior Period Adjustment - Note 21	-	(38,426)	(332,332)	(1,122,410)	(291,904)
NET POSITION (DEFICIT), BEGINNING OF YEAR - AS RESTATED	117,977	(4,772,605)	(332,332)	92,125,552	4,610,807
NET POSITION (DEFICIT), END OF YEAR	<u>\$ 102,246</u>	<u>\$ (5,089,507)</u>	<u>\$ 530,842</u>	<u>\$ 90,369,655</u>	<u>\$ 6,887,304</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds					
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge
Cash flows from operating activities:						
Receipts from customers and users	\$ 1,535,228	\$ 2,047,898	\$ 160,000	\$ 3,541,754	\$ 3,710	\$ -
Receipts from interfund services provided	-	-	-	-	-	-
Payments to suppliers	(546,259)	(449,736)	(73,552)	(498,821)	(516,691)	-
Payments to employees	(657,737)	(305,166)	-	(1,153,473)	(1,272,535)	-
Payments to claimants	-	-	-	-	-	-
Net cash provided (used) by operating activities	<u>331,232</u>	<u>1,292,996</u>	<u>86,448</u>	<u>1,889,460</u>	<u>(1,785,516)</u>	<u>-</u>
Cash flows from non-capital financing activities:						
Deposits	24,659	-	-	-	-	-
Advances due to general fund	-	-	-	-	-	-
Advances received from general fund	-	-	450,000	-	-	-
Contribution from Successor Agency	-	-	-	-	-	-
Operating transfers in	-	-	-	-	1,953,250	-
Operating transfers out	<u>(84,232)</u>	<u>(116,024)</u>	<u>-</u>	<u>(335,190)</u>	<u>(116,145)</u>	<u>(385,100)</u>
Net cash provided by (used for)						
Non-capital financing activities	<u>(59,573)</u>	<u>(116,024)</u>	<u>450,000</u>	<u>(335,190)</u>	<u>1,837,105</u>	<u>(385,100)</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(63,647)	(215,820)	-	(864,827)	(214,599)	-
Principal paid on capital debt	-	(393,000)	(420,000)	(380,000)	-	-
Interest paid on capital debt	<u>(2,372)</u>	<u>(75,209)</u>	<u>(159,830)</u>	<u>(651,883)</u>	<u>(15,731)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(66,019)</u>	<u>(684,029)</u>	<u>(579,830)</u>	<u>(1,896,710)</u>	<u>(230,330)</u>	<u>-</u>
Cash flows from investing activities:						
Interest received	7,882	52,043	3,882	78,854	403	21,277
Increase (decrease) in fair value of investments	(2,135)	(12,931)	-	(33,454)	64	(4,247)
Proceeds from sale of assets	-	-	-	2,110	-	-
Transfers (to) from restricted cash	-	-	503	(21,486)	-	-
Net cash provided by investing activities	<u>5,747</u>	<u>39,112</u>	<u>4,385</u>	<u>26,024</u>	<u>467</u>	<u>17,030</u>
Net increase (decrease) in cash and cash equivalents	211,387	532,055	(38,997)	(316,416)	(178,274)	(368,070)
Cash and cash equivalents at beginning of year	562,565	4,552,237	404,963	5,359,375	283,518	2,055,331
Cash and cash equivalents at end of year	<u>\$ 773,952</u>	<u>\$ 5,084,292</u>	<u>\$ 365,966</u>	<u>\$ 5,042,959</u>	<u>\$ 105,244</u>	<u>\$ 1,687,261</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Downtown Parking District	Permit Services	Totals	
Cash flows from operating activities:					
Receipts from customers and users	\$ 5,974	\$ 511,914	\$ 3,028,504	\$ 10,834,982	\$ 235,139
Receipts from interfund services provided	-	-	-	-	8,278,829
Payments to suppliers	(11,300)	(726,713)	(652,696)	(3,475,768)	(3,137,412)
Payments to employees	-	(152,115)	(1,265,056)	(4,806,082)	(1,156,240)
Payments to claimants	-	-	-	-	(3,395,002)
Net cash provided (used) by operating activities	(5,326)	(366,914)	1,110,752	2,553,132	825,314
Cash flows from non-capital financing activities:					
Deposits	-	-	-	24,659	-
Advances due to general fund	-	227,454	-	227,454	-
Advances received from general fund	-	175,000	-	625,000	-
Contribution from Sucessor Agency	-	951,566	-	951,566	-
Operating transfers in	-	269,400	782,705	3,005,355	2,101,670
Operating transfers out	-	(32,800)	(35,753)	(1,105,244)	-
Net cash provided by (used for)					
Non-capital financing activities	-	1,590,620	746,952	3,728,790	2,101,670
Cash flows from capital and related financing activities:					
Acquisition of capital assets	-	-	630	(1,358,263)	-
Principal paid on capital debt	-	(492,000)	-	(1,685,000)	-
Interest paid on capital debt	-	(459,566)	-	(1,364,591)	-
Net cash provided (used) by capital and related financing activities	-	(951,566)	630	(4,407,854)	-
Cash flows from investing activities:					
Interest received	-	-	11,239	175,580	75,188
Increase (decrease) in fair value of investments	-	-	(5,211)	(57,914)	(19,534)
Transfers (to) from restricted cash	-	-	-	2,110	-
Transfers (to) from restricted cash	-	-	-	(20,983)	72,424
Net cash provided by investing activities	-	-	6,028	98,793	128,078
Net increase (decrease) in cash and cash equivalents	(5,326)	272,140	1,864,362	1,972,861	3,055,062
Cash and cash equivalents at beginning of year	43,439	8,798	-	13,270,226	11,014,378
Cash and cash equivalents at end of year	\$ 38,113	\$ 280,938	\$ 1,864,362	\$ 15,243,087	\$ 14,069,440

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, 2018

	Business-type Activities - Enterprise Funds					
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (505,942)	\$ 1,836,748	\$ (434,638)	\$ 470,684	\$ (4,344,793)	\$ -
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation	844,192	371,478	468,996	1,487,480	2,713,690	-
Amortization	-	-	35,173	4,617	-	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:						
(Increase) decrease in accounts receivable	(13,270)	(977,905)	16,667	(95,277)	-	-
(Increase) decrease in due from general fund	-	-	-	-	-	-
(Increase) decrease in deferred outflows - pension	(21,411)	52,930	-	(75,591)	(10,053)	-
(Increase) decrease in deferred outflows - OPEB	(376)	(312)	-	(699)	(668)	-
Increase (decrease) in accounts payable	36,990	252,181	250	6,297	7,951	-
Increase (decrease) in insurance claims	-	-	-	-	-	-
Increase (decrease) in accrued leave	3,239	6,577	-	6,551	(15,605)	-
Increase (decrease) in net pension liability	7,825	(219,397)	-	120,301	(89,001)	-
Increase (decrease) in net OPEB liability	(6,171)	(5,104)	-	(11,477)	(10,966)	-
Increase (decrease) in deferred inflows - pension	(25,189)	(33,586)	-	(44,526)	(56,233)	-
Increase (decrease) in deferred inflows - OPEB	11,345	9,386	-	21,100	20,162	-
Total adjustments to net income	837,174	(543,752)	521,086	1,418,776	2,559,277	-
Net cash provided by operating activities	<u>\$ 331,232</u>	<u>\$ 1,292,996</u>	<u>\$ 86,448</u>	<u>\$ 1,889,460</u>	<u>\$ (1,785,516)</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds				Governmental
	Water Utility	Downtown Parking District	Permit Services	Totals	Activities - Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (15,731)	\$ (1,052,005)	\$ 20,770	\$ (4,024,907)	\$ 99,639
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation	10,044	588,276	41,083	6,525,239	-
Amortization	-	8,587	-	48,377	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
(Increase) decrease in accounts receivable	(133)	(7,542)	(54)	(1,077,514)	-
(Increase) decrease in due from general fund	-	-	-	-	607,105
(Increase) decrease in deferred outflows - pension	-	(8,793)	(327,712)	(390,630)	(57,289)
(Increase) decrease in deferred outflows - OPEB	-	(106)	(907)	(3,068)	(798)
Increase (decrease) in accounts payable	494	90,360	103,603	498,126	13,895
Increase (decrease) in insurance claims	-	-	-	-	83,919
Increase (decrease) in accrued leave	-	(1,714)	156,356	155,404	24,095
Increase (decrease) in net pension liability	-	17,890	1,046,570	884,188	81,938
Increase (decrease) in net OPEB liability	-	(1,724)	(14,908)	(50,350)	(13,094)
Increase (decrease) in deferred inflows - pension	-	(3,312)	58,540	(104,306)	(38,171)
Increase (decrease) in deferred inflows - OPEB	-	3,169	27,411	92,573	24,075
Total adjustments to net income	10,405	685,091	1,089,982	6,578,039	725,675
Net cash provided by operating activities	<u>\$ (5,326)</u>	<u>\$ (366,914)</u>	<u>\$ 1,110,752</u>	<u>\$ 2,553,132</u>	<u>\$ 825,314</u>

The accompanying notes are an integral part of this statement.

FIDUCIARY FUNDS

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

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

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

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



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CITY OF SALINAS
STATEMENT OF NET POSITION (DEFICIT)
FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trust Fund	Pension Trust Fund	Agency Funds
ASSETS			
Cash and investments	\$ 4,692,822	\$ 10,919,992	\$ 269,527
Cash and investments held by fiscal agent	1,704,203	-	-
Receivables			
Accounts	459,889	-	131,994
Interest	9,403	18,363	-
Loans and notes receivable	183,900	-	-
Due from outside agencies	16,312	-	-
Capital assets, net of accumulated depreciation	149,270	-	-
	<u>7,215,799</u>	<u>10,938,355</u>	<u>\$ 401,521</u>
LIABILITIES			
Accounts payable	96,475	-	\$ 183,667
Interest payable	680,337	-	-
Deposits	1,337	-	217,854
Long-term liabilities			
Due within one year	311,947	-	-
Due in more than one year	2,693,388	-	-
	<u>3,783,484</u>	<u>-</u>	<u>\$ 401,521</u>
DEFERRED INFLOWS OF RESOURCES			
Future ROPS	2,168,943	-	
	<u>2,168,943</u>	<u>-</u>	
NET POSITION			
Held in trust for pension benefits and other purposes	<u>\$ 1,263,372</u>	<u>\$ 10,938,355</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, 2018

	Private Purpose Trust Fund	Pension Trust Fund
ADDITIONS		
Taxes	\$ 4,465,171	\$ -
Miscellaneous	-	25,603
Total taxes, rental, and miscellaneous income	4,465,171	25,603
Contributions		
Plan members	-	100,605
Private donations	2,244,898	-
Total contributions	2,244,898	100,605
Investment earnings		
Interest	91,154	317,556
Gain on sale of investments	-	541,831
Net investment earnings	91,154	859,387
Total additions	6,801,223	985,595
DEDUCTIONS		
Expenses	1,652,839	998,553
Benefit payments	-	1,023,577
Payments on behalf of trustees	1,771,718	-
Contribution to other agencies	2,679,239	-
Total deductions	6,103,796	2,022,130
CHANGE IN NET POSITION (DEFICIT)	697,427	(1,036,535)
NET POSITION (DEFICIT), BEGINNING OF YEAR	565,945	11,974,890
END OF YEAR	<u>\$ 1,263,372</u>	<u>\$ 10,938,355</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, 2018

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, 2018

- 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.
- July 28, 2016 – to refinance Assessment District bonds through a direct private placement.

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.

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 E) 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, 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 E, & 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 E, & 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.
- 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.

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

- 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.
- Downtown 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.
- Permit Services Fund - This fund is used to account for the revenues and expenditures associated with providing permitting services to the community.

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, 2018

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, 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 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. 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 were effective for fiscal years beginning after June 15, 2017. The City has implemented this statement effective July 1, 2017; see Note 21 for effect of implementation.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement were effective for periods beginning after December 15, 2016. This statement had no effect on these financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits, OPEB). The provisions of this Statement were effective for periods beginning after June 15, 2017. This statement had no effect on these financial statements.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This statement had no effect on these financial statements.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City has early implemented the requirements of GASB 89 and applied the change prospectively. This statement did not have a material effect on these 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. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87 – In June 2017, GASB issued Statement No 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 90 – In April 2018, GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

E. Fair Value Measurement

The City applies GASB Statement No. 72, *Fair Value Measurement and Application* 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, 2018

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 E & G
- Development Fees
- Emergency Medical Services
- Asset Seizure
- Lighting, Landscape and Maintenance District
- Municipal Art
- Measure X
- SB1
- Local Public Safety
- Gas Tax
- SRA Public Improvement Grant
- Affordable Housing
- COP 1999 & COP 2004 Consolidation (2014)
- Energy Improvement Lease
- COP 2005 A & B 2015 Refunding
- Assessment District Reserve
- Special Aviation
- Assessment District Project
- Airport
- Industrial Waste
- Municipal Golf Courses
- Sanitary Sewer
- Storm Sewer
- Permit Services
- Landfill Garbage Surcharge
- Internal Service Funds
- Pension Trust Fund
- Successor Agency Trust Fund

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018, 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, 2018

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, 2018

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 \$10,000 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 acquisition value, market based entry price at the time of contribution. 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, 2018

Buildings, improvements, infrastructure, vehicles and equipment, and furniture and fixtures are depreciated using the straight-line method (depreciation is calculated starting with the month following the date the asset was placed in service) 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 of resources 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.
- Deferred outflows of resources related to OPEB are reported in the government-wide financial statements as described further in Note 15.

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.
- Gains on refunding are reported as deferred inflows of resources in the government-wide financial statements.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

- Deferred inflows of resources related to pensions are reported in the government wide financial statements as described further in Note 14.
- Deferred inflows of resources related to OPEB are reported in the government wide financial statements as described further in Note 15.

S. Compensated Absences

Vacation, 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, 2018

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, 2018

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 E, & 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, 2018

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, 2018 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, 2018

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 E & 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, 2018

B. Deficit Fund Balance

At June 30, 2018, the following funds had a deficit fund balance or deficit net position:

Major Funds

Governmental Activities

Special Construction Assistance	\$ 3,111,612
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Business-type Activities

Municipal Golf Courses Fund	\$ 8,573,322
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Downtown Parking District Fund	\$ 5,089,507
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Non-Major Funds

Governmental Activities

Debt Service Funds

Assessment District Administration	\$ 13,267
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Special Construction Assistance

The deficit net asset balance of \$3,111,612 is a result of the bond funds not yet received as of June 30, 2018. This deficit will decline once bond funds are received as other financing sources.

Enterprise Funds – Municipal Golf Courses Fund

The deficit net asset balance of \$8,573,322 is a result of the long-term bonds payable for the 2015A Certificates of Participation and the 2008 Certificates of Participation amounting to \$3,690,000 and \$4,430,000, 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 \$5,089,507 is a result of the long-term lease payable amounting to \$11,186,000. This deficit will continue to decline over time as the bonds are paid back.

3. Debt Compliance:

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

4. Cash and Investments:

The City's cash and investments at June 30, 2018 are included in the accompanying basic financial statements as follows:

	<u>Government-Wide Statement of Net Position</u>			<u>Fund Financials</u>	
	<u>Governmental</u>	<u>Business-Type</u>		<u>Fiduciary Funds</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Statement of</u>	<u>Total</u>
				<u>Net Position</u>	
Cash and Investments	\$ 88,295,204	\$ 15,243,087	\$ 103,538,291	\$ 15,882,341	\$ 119,420,632
Restricted Cash and Investments	604,055	1,932,223	2,536,278	1,704,203	4,240,481
Total Cash and Investments	<u>\$ 88,899,259</u>	<u>\$ 17,175,310</u>	<u>\$ 106,074,569</u>	<u>\$ 17,586,544</u>	<u>\$ 123,661,113</u>

Cash and investments at June 30, 2018 consisted of the following:

Cash	
Demand accounts at banks	\$ 4,461,757
Money market	2,960,184
Deposits held in trust by fiscal agent	365,815
Money market held in trust by fiscal agent	3,245,722
Petty cash and revolving fund	15,000
	<u>11,048,478</u>
Investments	
State local agency investment fund (LAIF)	87,471,097
Investments held in trust by fiscal agent	15,537,084
Deferred compensation	
State local agency investment fund (LAIF)	2,661,299
Trust deeds and properties	6,943,155
	<u>112,612,635</u>
Total cash and investments	<u>\$ 123,661,113</u>

Deposits

At June 30, 2018, the carrying amount of the City's deposits was \$4,461,757. The bank balance was \$8,138,619. The difference is due to outstanding checks and deposits in transit. All bank balances are insured or collateralized.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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 participates in the California Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. At June 30, 2018, the total fair value amount invested by all public agencies in LAIF is \$88.9 billion managed by the State Treasurer. Of that amount, 2.67% is invested in medium-term and short-term structured notes and asset-back securities. No amounts were invested in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

As of June 30, 2018, the City had the following investment and maturities:

	Maturities			Total
	0-12 months	1-5 years	over 5 years	
Local Agency				
Investment Fund	\$ 90,132,396	\$ -	\$ -	\$ 90,132,396
Investment Agreements	-	14,561,617	975,467	15,537,084
Trust Deeds-Def Comp	-	6,943,155	-	6,943,155
Total	<u>\$ 90,132,396</u>	<u>\$ 21,504,772</u>	<u>\$ 975,467</u>	<u>\$ 112,612,635</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018 had an average life of 193 days, it was presented as an investment with a maturity of 0-12 months. However, LAIF allows the City to make withdrawals of any amount within 24 hours. Information about the sensitivity of the fair values of the City investments to market interest rate fluctuations is provided by the preceding table that shows the distribution of the City's investment by maturity.

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

	Fair Value	S&P	Moodys	% of Total
Demand accounts at banks	\$ 4,461,757	NR	NR	3.60%
Money Market at Rabobank	2,960,184	A-1	Aa3	2.39%
Deposits held in trust by fiscal agent	365,815	BBB+	A2	0.30%
Money Market held in trust by fiscal agent				
Fidelity Investment MM Gov	1,584,695	AAAm	Aaa-mf	1.28%
Wells Fargo	241,992	A-	Aa1	0.20%
Rabobank	2	A-1	Aa3	0.00%
Capital GTY	1	NR	NR	0.00%
Belmont Bank	239,387	NR	NR	0.19%
Celtic Bank	239,496	NR	NR	0.19%
Wilmington	230,000	AAAm	Aa3	0.19%
Third Fed Savings	244,832	A+	Aa3	0.20%
Insurance Reserves	465,317	NR	NR	0.38%
Petty cash and revolving fund	15,000	NR	NR	0.01%
Local Agency Investment Fund	90,132,396	NR	NR	72.90%
Investment Agreements				
Fed Home Loan Mortgage	3,950,960	AA+	Aaa	3.19%
Municipal bonds	242,813	AA	NR	0.20%
	998,380	A-	A2	0.81%
Corporate bonds	245,244	A-	Aa1	0.20%
	1,981,660	AA-	A1	1.60%
	993,910	AA-	A1	0.80%
	982,440	AA+	Aaa	0.79%
	975,970	AA	NR	0.79%
Westdeutsche Bank	975,467	NR	NR	0.79%
Certificates of deposit	4,190,240	NR	NR	3.39%
Trust Deeds-Def Comp	6,943,155	NR	NR	5.61%
Total	<u>\$ 123,661,113</u>			<u>100.00%</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Concentration of Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy limits safekeeping of investments to third-party custody.

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

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 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 process 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, 2018. 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, 2018

The City had the following recurring fair value measurements as of June 30, 2018:

Investment Type	Total	Level 1	Level 2	Level 3
Investment Agreements				
Bonds	\$ 10,371,377	\$10,371,377	\$ -	\$ -
Certificates of deposit	4,190,240	-	4,190,240	-
Equities	975,467	975,467	-	-
Trust Deeds-Def Comp	6,943,155	-	-	6,943,155
	22,480,239	<u>\$11,346,844</u>	<u>\$ 4,190,240</u>	<u>\$ 6,943,155</u>
<u>Investments Not Measured at Fair Value</u>				
Demand accounts at banks	4,461,757			
Deposits held in trust by fiscal agent	365,815			
Money Market Funds				
Rabobank	2,960,184			
Fidelity Investment MM Gov	1,584,695			
Wells Fargo	241,992			
Rabobank	2			
Capital GTY	1			
Belmont Bank	239,387			
Celtic Bank	239,496			
Wilmington	230,000			
Third Fed Savings	244,832			
Insurance Reserves	465,317			
Petty cash and revolving fund	15,000			
Local Agency Investment Fund	90,132,396			
Total Investments	<u>\$ 123,661,113</u>			

5. Restricted Assets:

Cash and investments of \$2,536,278 are recorded as restricted assets at June 30, 2018 as follows:

Assessment District Debt Service:

 Debt Service Fund - restricted to cover expenses of debt \$ 138,738

Enterprise Fund:

 Restricted to cover expenses of debt service

 Golf Courses Fund \$ 340,873

 Sanitary Sewer 1,591,350 1,932,223

Internal Service Fund:

 Restricted for liability expenses and workers 465,317

Total Restricted Assets \$ 2,536,278

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

6. Taxes Receivable:

Taxes receivable recorded in the General, Measure G & E Fund of \$14,251,235 represent amounts due for the quarter ended June 30, 2018 for the following taxpayer – assessed taxes:

Sales Tax	\$ 4,721,507
Measure E Transaction and Use Tax	2,071,349
Measure G Transaction and Use Tax	4,211,113
Utility Users Tax	1,293,491
Franchise Tax	785,514
Transient Occupancy Tax	808,373
Other Taxes	267,355
Property Transfer Tax	92,533
Total	<u>\$ 14,251,235</u>

7. Assessment Receivable:

Debt Service Fund – Assessments receivable recorded in the Assessment District Debt Service Fund of \$3,775,000 at June 30, 2018, will be collected from property owners to retire outstanding bond principal issued for improvements in special assessment districts. Cash and investments at June 30, 2018 of \$3,020,277 are available to make bond and interest payments of \$887,992 that are due on September 1, 2018.

Assessment receivables in the amount of \$2,970,000 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, 2018

8. Due From Outside Agencies:

Due from outside agencies consists of the following:

	Federal	State	Other	Total
Governmental Activities:				
General Fund:				
Welcome Center	\$ -	\$ -	\$ 75,000	\$ 75,000
Salinas Public Facilities, Inc.	-	-	1,400,000	1,400,000
	-	-	1,475,000	1,475,000
Special Revenue Funds:				
Dept. of Housing & Urban Development:				
CDBG Improvement Program	899,089	-	-	899,089
HOME Investment Program	185,181	-	-	185,181
Emergency Shelter Grant	437,709	-	-	437,709
Bringing Back the Wildlife	-	13,064	-	13,064
Cable Franchise	-	-	44,049	44,049
County of Monterey	-	-	1,069,535	1,069,535
Other Air District	-	-	2,500	2,500
Federal Emergency Management Agency	133,348	-	-	133,348
SB1 Road Maintenance & Rehab	-	344,353	-	344,353
State & Community Highway	9,671	241,848	-	251,519
U.S. Department of Justice	139,245	-	-	139,245
U.S. Drug Enforcement	20,707	-	-	20,707
	1,824,950	599,265	1,116,084	3,540,299
Capital Projects Funds:				
Airport AIP	-	6,402	-	6,402
California Office of Emergency Services	-	90,969	-	90,969
Developers	-	-	1,076,873	1,076,873
Federal ATP Grant	393,576	-	-	393,576
Federal Aviation Administration	46,283	-	-	46,283
Federal Emergency Management Agency	360,427	-	-	360,427
Federal Highway Administration	96,132	-	-	96,132
RSTP	-	10,051	-	10,051
State Dept. of Forestry & Fire	-	113	-	113
State Water Grant	-	15,020	-	15,020
Strategic Growth Council	-	65,638	-	65,638
Trade Corridor Improvement Fund	-	174,453	-	174,453
U.S. Department of Transportation	125,530	-	-	125,530
	1,021,948	362,646	1,076,873	2,461,467
Primary Government Totals	\$2,846,898	\$ 961,911	\$3,667,957	\$7,476,766

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

9. Interfund Transactions:

Interfund Receivables/Payables (Due to/Due from) – The composition of interfund balances as of June 30, 2018 was as follows:

	Due To			
	Governmental Activities			
Due From:	General	Capital Projects	Internal Service	Total
Primary Government				
Governmental Activities:				
Major Funds:				
General, Measure G & E	\$ -	\$ 1,969,296	\$ 16,748,929	\$ 18,718,225
Development Fee	269	460,564	-	460,833
Special Construction Assistance	5,771,761	-	-	5,771,761
Non-Major Funds:				
Emergency Medical Services	-	5,354	-	5,354
Lighting, Landscape & Maintenance	39,500	-	-	39,500
Measure X Transport Safety & Inv Plan	-	8,562	-	8,562
Comm Dev Act of 1974	1,235,612	37,759	-	1,273,371
Gas Tax	38,350	17,100	-	55,450
Recreation Parks Fund	-	1,367	-	1,367
Grants	333,090	-	-	333,090
Assessment District Administration	13,267	-	-	13,267
Total Governmental Activities	7,431,849	2,500,002	16,748,929	26,680,780
Business Type Activities:				
Industrial Waste	-	894	-	894
Sanitary Sewer	-	8,949	-	8,949
Storm Sewer	-	3,720	-	3,720
Downtown Parking District	1,125,193	-	-	1,125,193
Permit Services	-	630	-	630
Total Business Type Activities	1,125,193	14,193	-	1,139,386
Total Primary Government	8,557,042	2,514,195	16,748,929	27,820,166
	\$ 8,557,042	\$ 2,514,195	\$ 16,748,929	\$ 27,820,166

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018 was as follows:

	Operating Transfers In	Operating Transfers Out	Transfers For:
General Fund	\$ 3,871,130	\$22,677,235	Capital projects, debt service, & other operating costs
Special Revenue Funds:			
Emergency Medical Services	640,000	24,462	Capital projects & operating costs
Lighting, Landscape & Maintenance	-	354,928	Capital projects & debt service
Gas Tax	-	3,072,008	Capital projects & street maintenance
Traffic Safety	-	533,282	Operating costs
Vehicle Abatement Program	50,000	-	Operating costs
Development Fee	-	1,723,092	Capital projects
Recreation Parks	-	15,349	Capital projects
Measue X Transport Safety & Inv Plan	-	741,183	Capital projects
Housing and Urban Development	-	584,184	Grant projects
Grants	-	6,298	Grant projects
	<u>690,000</u>	<u>7,054,786</u>	
Debt Service Funds:			
2014 COP Consolidation	-	45,421	Debt Service
Energy Improvement Lease	1,508,273	-	Debt Service
2015 Refunding COP 2005B	697,872	-	Debt Service
Assessment District	451,684	-	Debt Service
Assessment District Reserve	-	451,684	Debt Service
	<u>2,657,829</u>	<u>497,105</u>	
Capital Projects Funds:			
Capital Project	19,008,386	-	Capital projects
	<u>19,008,386</u>	<u>-</u>	
Internal Service Funds:			
General Liability-Self Insurance	350,300	-	Operating costs
Fleet Maintenance	1,751,370	-	Operating costs
	<u>2,101,670</u>	<u>-</u>	
Total Governmental Activities	<u>28,329,015</u>	<u>30,229,126</u>	
Enterprise Funds:			
Airport	-	84,232	Capital projects & debt service
Industrial Waste	-	116,024	Capital projects & debt service
Sanitary Sewer	-	335,190	Capital projects
Storm Sewer	1,953,250	116,145	Capital projects & operating costs
Solid Waste	-	385,100	Debt service
Downtown Parking District	269,400	32,800	Debt service
Permit Services	782,705	35,753	Capital projects
Total Business Type Activities	<u>3,005,355</u>	<u>1,105,244</u>	
Total Governmental & Business Activities	<u>31,334,370</u>	<u>31,334,370</u>	
	<u>\$31,334,370</u>	<u>\$31,334,370</u>	

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Internal Balances - The composition of advances to/from other funds as of June 30, 2018 was as follows:

<u>Advances From:</u>	<u>Advances To</u>
	<u>Governmental Activities</u>
	<u>General</u>
Business Type Activities:	
Golf Course	\$ 2,850,000
Downtown Parking	2,610,000
Total Business Type Activities	5,460,000
Total Primary Government	<u>\$ 5,460,000</u>

10. Loans Receivable, Net of Allowance:

At June 30, 2018, 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:

Type of Loan	CDBG	Low & Moderate Income Housing Asset	Total Governmental Activities	Fiduciary Funds
Housing Program Developer, rehabilitation, second mortgage and relocation loans	\$ -	\$ -	\$ -	\$ -
Loans funded by federal grants	19,776,369	-	19,776,369	-
Economic development real estate developer and other loans	-	11,594,369	11,594,369	183,900
Less: Allowance for Uncollectibles	<u>(19,516,307)</u>	<u>(11,577,798)</u>	<u>(31,094,105)</u>	-
Total loans, net	<u>\$ 260,062</u>	<u>\$ 16,571</u>	<u>\$ 276,633</u>	<u>\$ 183,900</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:

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

CITY OF SALINAS
Notes to Basic Financial Statements
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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, 2018:

<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><u>\$ 2,507,553</u></u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

12. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Adjustments/ Retirements	Balance June 30, 2018
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 22,227,843	\$ 3,600,000	\$ (597,191)	\$ 25,230,652
Construction in progress	36,811,730	84,966,702	(1,700,094)	120,078,338
Total assets not being depreciated	59,039,573	88,566,702	(2,297,285)	145,308,990
Capital assets, being depreciated:				
Buildings and improvements	47,273,125	19,917	(2,006,081)	45,286,961
Improvements other than buildings	14,247,936	802,617	670,269	15,720,822
Machinery and equipment	32,739,759	1,028,428	(1,391,527)	32,376,660
Infrastructure	237,281,227	1,183,602	1,029,826	239,494,655
Total assets being depreciated	331,542,047	3,034,564	(1,697,513)	332,879,098
Less accumulated depreciation	(200,468,449)	(9,690,405)	1,632,292	(208,526,562)
Total capital assets being depreciated, net	131,073,598	(6,655,841)	(65,221)	124,352,536
Governmental Activities capital assets, net	<u>\$190,113,171</u>	<u>\$ 81,910,861</u>	<u>\$ (2,362,506)</u>	<u>\$269,661,526</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 3,632,339	\$ -	\$ -	\$ 3,632,339
Construction in progress	5,747,764	1,401,643	(722,725)	6,426,682
Total assets not being depreciated	9,380,103	1,401,643	(722,725)	10,059,021
Capital assets, being depreciated:				
Buildings and improvements	27,266,967	-	-	27,266,967
Improvements other than buildings	20,141,206	266,408	722,725	21,130,339
Machinery and equipment	8,662,506	27,552	(764,706)	7,925,352
Infrastructure	236,689,231	-	-	236,689,231
Total assets being depreciated	292,759,910	293,960	(41,981)	293,011,889
Less accumulated depreciation	(175,557,587)	(6,525,239)	825,219	(181,257,607)
Total capital assets being depreciated, net	117,202,323	(6,231,279)	783,238	111,754,282
Business-type Activities capital assets, net	<u>\$126,582,426</u>	<u>\$ (4,829,636)</u>	<u>\$ 60,513</u>	<u>\$121,813,303</u>

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

Governmental activities:	
General government	\$ 988,880
Police	1,157,312
Fire	813,817
Public works, including infrastructure assets	6,119,748
Recreation and parks	488,351
Library	<u>122,297</u>
Total depreciation expense - governmental activities	<u>\$ 9,690,405</u>
Business-type activities:	
Airport	\$ 844,192
Industrial waste	371,478
Municipal golf courses	468,996
Sanitary sewer	1,487,480
Storm sewer	2,713,690
Water utility	10,044
Downtown parking	588,276
Permit Services	<u>41,083</u>
Total depreciation expense - business-type activities	<u>\$ 6,525,239</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, 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
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For the Fiscal Year Ended June 30, 2018

International City Manager's Association (ICMA) Retirement Corporation

The International City Manager's Association Retirement, Inc., Plan had 354 participants and a balance of \$37,075,614 at June 30, 2018. 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, 2018 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 306 participants and a balance of \$10,938,355 in net assets at June 30, 2018. 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, 2018.

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, 2018, 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-44).

CITY OF SALINAS
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For the Fiscal Year Ended June 30, 2018

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, 2018 there were 80 participants with a balance of \$5,658,377. 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 34 participants with a balance of \$3,084,245 at June 30, 2018. 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, 2018, 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.

The City's net pension liability as of June 30, 2018 is as follows (recorded as of the measurement date of June 30, 2017 and August 31, 2017):

Net Pension Liability	Governmental Activities	Business-type Activities	Total Net Pension Liability
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 26,268,999	\$ 3,976,950	\$ 30,245,949
Agent Multiple-Employer Safety-Police	94,755,029	-	94,755,029
Cost Sharing Multiple-Employer			
Safety - Fire (Tier 1 & Tier 2)	57,529,594	-	57,529,594
New York Life - Single Employer	17,118,000	-	17,118,000
Total net pension liability	<u>\$195,671,622</u>	<u>\$ 3,976,950</u>	<u>\$ 199,648,572</u>

CITY OF SALINAS
Notes to Basic Financial Statements
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The City's deferred outflows of resources related to pensions as of June 30, 2018 is as follows (recorded as of the measurement date of June 30, 2017 and August 31, 2017):

Deferred Outflows of Resources	Governmental Activities	Business-type Activities	Total Deferred Outflows
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 8,225,597	\$ 1,245,303	\$ 9,470,900
Agent Multiple-Employer Safety-Police	21,882,580	-	21,882,580
Cost Sharing Multiple-Employer			
Safety - Fire (Tier 1 & Tier 2)	28,165,980	-	28,165,980
New York Life - Single Employer	1,303,000	-	1,303,000
Total net pension liability	<u>\$ 59,577,157</u>	<u>\$ 1,245,303</u>	<u>\$ 60,822,460</u>

The City's deferred inflows of resources related to pensions as of June 30, 2018 is as follows (recorded as of the measurement date of June 30, 2017 and August 31, 2017):

Deferred Inflows of Resources	Governmental Activities	Business-type Activities	Total Deferred Inflows
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 1,469,348	\$ 222,452	\$ 1,691,800
Agent Multiple-Employer Safety-Police	3,174,682	-	3,174,682
Cost Sharing Multiple-Employer			
Safety - Fire (Tier 1 & Tier 2)	984,150	-	984,150
New York Life - Single Employer	-	-	-
Total net pension liability	<u>\$ 5,628,180</u>	<u>\$ 222,452</u>	<u>\$ 5,850,632</u>

The City's total pension expenses for the fiscal year 2017-2018, 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	\$ 915,500	\$ 389,252	\$ 1,304,752
Agent Multiple-Employer Safety-Police	3,272,873	-	3,272,873
Cost Sharing Multiple-Employer			
Safety - Fire (Tier 1 & Tier 2)	(7,996,755)	-	(7,996,755)
New York Life - Single Employer	1,328,000	-	1,328,000
Total net pension liability	<u>\$ (2,480,382)</u>	<u>\$ 389,252</u>	<u>\$ (2,091,130)</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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.

The City’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	<u>*Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
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%	6.250%
Required employer contribution rates	17.697%	15.712%

	Police	
	<u>*Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire Date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	50	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	12.000%
Required employer contribution rates	48.024%	39.853%

**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.*

CITY OF SALINAS
Notes to Basic Financial Statements
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Employees Covered – As of June 30, 2016 (valuation date), the following employees were covered by the benefit terms for each Plan:

	Miscellaneous Plan	Police Plan
Inactive employees or beneficiaries currently receiving benefits	133	229
Inactive employees entitled to, but not yet receiving benefits	216	107
Active employees	282	140

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 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, 2017 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Investment and Administrative Expenses; includes inflation
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

CITY OF SALINAS
Notes to Basic Financial Statements
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All other actuarial assumptions used in the June 30, 2016 valuations were based on the results of a 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 – In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

Discount Rate - The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculations is not necessary. The long term expected discount rate of 7.15% 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.

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.

CITY OF SALINAS
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For the Fiscal Year Ended June 30, 2018

The following table 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 Debt Securities	20.0%	0.99%	2.43%
Inflation Assets	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	1.0%	-0.55%	-1.05%
Total	<u>100.0%</u>		

(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.

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:

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For the Fiscal Year Ended June 30, 2018

Agent Multiple-Employer Defined Benefit Plan - Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2016 (MD)	<u>\$ 95,225,794</u>	<u>\$ 69,707,967</u>	<u>\$ 25,517,827</u>
Changes Recognized for the Measurement Period:			
Service Cost	2,873,548	-	2,873,548
Interest on Total Pension Liability	7,282,974	-	7,282,974
Changes of Benefit Terms	-	-	-
Changes of Assumptions	6,388,079	-	6,388,079
Differences between Expected and Actual Experience	489,759	-	489,759
Plan to Plan Resource Movement	-	-	-
Contributions - Employer	-	3,232,477	(3,232,477)
Contributions - Employees	-	1,331,850	(1,331,850)
Net Investment Income	-	7,844,830	(7,844,830)
Benefit Payments, including			
Refunds of Employee Contributions	(3,361,268)	(3,361,268)	-
Administrative Expense	<u>-</u>	<u>(102,919)</u>	<u>102,919</u>
Net Changes during 2016-17	<u>13,673,092</u>	<u>8,944,970</u>	<u>4,728,122</u>
Balance at: 6/30/2017 (MD)	<u><u>\$ 108,898,886</u></u>	<u><u>\$ 78,652,937</u></u>	<u><u>\$ 30,245,949</u></u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2016 (MD)	<u>\$ 248,645,813</u>	<u>\$ 166,218,290</u>	<u>\$ 82,427,523</u>
Changes Recognized for the Measurement Period:			
Service Cost	5,171,913	-	5,171,913
Interest on Total Pension Liability	18,658,643	-	18,658,643
Changes of Benefit Terms	-	-	-
Changes of Assumptions	16,117,523	-	16,117,523
Differences between Expected and Actual Experience	(2,807)	-	(2,807)
Plan to Plan Resource Movement	-	-	-
Contributions - Employer	-	7,798,560	(7,798,560)
Contributions - Employees	-	1,625,541	(1,625,541)
Net Investment Income	-	18,439,075	(18,439,075)
Benefit Payments, including			
Refunds of Employee Contributions	(12,772,896)	(12,772,896)	-
Administrative Expense	-	(245,410)	245,410
Net Changes during 2016-17	<u>27,172,376</u>	<u>14,844,870</u>	<u>12,327,506</u>
Balance at: 6/30/2017 (MD)	<u>\$ 275,818,189</u>	<u>\$ 181,063,160</u>	<u>\$ 94,755,029</u>
Totals of Both Miscellaneous and Safety Plans	<u>\$ 384,717,075</u>	<u>\$ 259,716,097</u>	<u>\$ 125,000,978</u>

CITY OF SALINAS
Notes to Basic Financial Statements
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Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Miscellaneous	Police	Total
1% Decrease	6.15%	6.16%	6.16%
Net Pension Liability	\$ 46,047,771	\$ 134,029,469	\$ 180,077,240
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 30,245,949	\$ 94,755,029	\$ 125,000,978
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 17,241,233	\$ 62,766,734	\$ 80,007,967

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, 2017 measurement date are 4.5 and 3.2 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 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.

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Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions
– As of the start of the measurement period (July 1, 2016), the NPL is \$107,945,350.

For the measurement period ending June 30, 2017 (the measurement date), the City of Salinas recognized a pension expense of \$4,577,625 for the miscellaneous and safety (police) plans.

For the measurement period ending June 30, 2017 (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	\$ 11,394,409	\$ -
Differences between Expected and Actual Experience	380,924	3,782,310
Changes of Assumptions	16,049,303	1,084,172
Net Difference between Projected and Actual Earnings on Pension Plan Investments	3,528,844	-
	<u>\$ 31,353,480</u>	<u>\$ 4,866,482</u>

\$11,394,409 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, 2019.

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
2018	\$ 14,543,579
2019	9,147,049
2020	3,937,145
2021	(1,140,775)
2022	-
Thereafter	-
Total	<u>\$ 26,486,998</u>

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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, 2018, 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	70.587%	12.729%

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	18.566%	12.086%

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

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

CITY OF SALINAS
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For the Fiscal Year Ended June 30, 2018

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 2017/18	Measurement Date 2017/16	Valuation Date 2015/16
Safety Plan (Fire)	\$ 16,741,091	\$ 5,132,440	\$ 4,732,754
Total Contributions	<u>\$ 16,741,091</u>	<u>\$ 5,132,440</u>	<u>\$ 4,732,754</u>

Pension Liabilities, Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions – As of June 30, 2018, the City reported net pension liabilities for its proportionate share of the net pension liability as of June 30, 2018 and 2017 were as follows:

	Proportionate Share of Net Pension Liability/(Asset)	
	June 30, 2018	June 30, 2017
Safety Plan (Fire)	\$ 57,529,594	\$ 51,951,899
Total Net Pension Liability	<u>\$ 57,529,594</u>	<u>\$ 51,951,899</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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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, 2018 and 2017 were as follows:

	Percentage Share of Risk Pool		Change:
Fiscal Year	6/30/2018	6/30/2017	Increase/(Decrease)
Measurement Date	6/30/2017	6/30/2016	
Percentage of Plan (PERF C) NPL	0.580096%	0.600385%	-0.020289%

For the year ended June 30, 2018 (measurement date June 30, 2017), the City of Salinas recognized a pension benefit of \$7,996,755 for the Safety Plan (Fire).

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As of June 30, 2018 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	\$ 493,003	\$ 128,540
Changes of Assumptions	7,149,784	548,550
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	1,558,933	-
Change in Employer's Proportion	662,757	307,060
Differences between the Employer's		
Contributions and the Employer's		
Proportionate Share of Contributions	1,560,412	-
Pension Contributions Subsequent to		
Measurement Date	16,741,091	-
Total	<u>\$ 28,165,980</u>	<u>\$ 984,150</u>

\$16,741,091 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, 2019.

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
2018	\$ 3,244,855
2019	5,034,977
2020	3,073,094
2021	(912,187)
2022	-
Thereafter	<u>-</u>
Total	<u>\$ 10,440,739</u>

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Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (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 April 2014 CalPERS Experience Study and Review of Actuarial Assumptions report (based on CalPERS demographic data from 1997 to 2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>.

Other significant actuarial assumptions used in the June 30, 2016, valuations were based on the results of the actuarial experience study for the period from 1997 to 2011.

Change of Assumption – In Fiscal Year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent. Deferred outflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represent the unamortized portion of this assumption change.

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on CalPERS' website at <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

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

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

The expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017.

Amortization of Deferred Outflows and Deferred Inflows of Resources – 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 Investment Earnings on Pension Plan Investments is amortized over the remaining amortization periods. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

Deferred Outflows of Resources and Deferred Inflows of Resources relating to Differences Between Expected and Actual Experience and Changes of Assumptions are amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for PERF C for the June 30, 2017 measurement date is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of all active employees) by 130,595 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. 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 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15) than the current rate:

Measurement Date June 30, 2017			
	Discount Rate		
	6.15%	7.15%	8.15%
Safety Plan (Fire)	(1% Decrease)	(Current Rate)	(1% Increase)
Net Pension Liability	\$ 81,149,518	\$ 57,529,594	\$ 38,221,485

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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 \$5,921,050 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, 2017 (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	48
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>18</u>
Total	<u><u>78</u></u>

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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, 2018 (Measurement Date - August 31, 2017), the City reported net pension liability as follows:

Measurement Date	8/31/2017	8/31/2016
Total Pension Liability (TPL)	\$ 19,778,000	\$ 20,404,000
Fiduciary Net Position (FNP)	2,660,000	5,026,000
Net Pension Liability (NPL)	<u>\$ 17,118,000</u>	<u>\$ 15,378,000</u>
Funded Status (FNP/TPL)	13.4%	24.6%

The City's net pension liability is measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 1, 2017.

For the year ended June 30, 2018 (measurement date August 31, 2017), the City of Salinas recognized a pension expense of \$1,328,000.

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As of June 30, 2018 the City of Salinas reports deferred outflow and deferred inflow of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	697,000	-
Plan Contributions Subsequent to Measurement Date	606,000	-
	<u>\$ 1,303,000</u>	<u>\$ -</u>

\$606,000 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, 2019.

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

<u>Fiscal Year Ended June 30:</u>	<u>Deferred (Inflows) of Resources</u>
2019	\$ 201,000
2020	200,000
2021	154,000
2022	142,000
2023	-
Thereafter	<u>-</u>
Total	<u>\$ 697,000</u>

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Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ended August 31, 2017 (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, 2017	
Measurement Date	August 31, 2017	
Contribution Policy	City contributes full ADC	
Actuarial Assumptions		
Discount Rate	3.40% at August 31, 2017 2.84% at August 31, 2016 Discount rate lower of (1) expected long-term rate of return on investments, and (2) Bond Buyer 20- Bond GO Index as of Measurement Date	
Long-Term Expected Rate of Return on Investments	3.40%	
General Inflation	2.25% per annum	
Salary Increases	2.25% per annum	
COLA	1.75% per annum	
New York Life Guaranteed Annuity Contract	Value of payments expected to be made under contract excluded from TPL (contract assets not included in Fiduciary Net Position)	
Mortality, Disability, Termination	CalPERS 1997-2015 Experience Study	
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2017	
Retirement	Age	Rate
	55-56	10%
	57-59	20%
	60	70%
	61-64	30%
	65+	100%
Benefit Form	Disability - Annuity for all particiapants Lump sum for all other particiapants, valued using UP-1984 Mortality Table with 1.00% interest rate	

Discount Rate – The discount rate used to measure the total pension liability was 3.40%. The discount rate 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.

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.

CITY OF SALINAS
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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.

Change of Assumption – The discount rate was updated since the last measurement date August 31, 2016 from 2.84% to 3.40%. Mortality, termination, and disability rates were updated from the CalPERS 1997-2011 experience study to the CalPERS 1997-2015 experience study. Mortality improvements were updated from modified scale MP-2014 to MP-2017. Interest rate for lump sum was updated from 1.50% to 1.00%.

Change of Benefit Terms – There were no changes in benefit terms since the last measurement date August 31, 2016.

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: 8/31/16 (MD)	\$ 20,404,000	\$ 5,026,000	\$ 15,378,000
Changes Recognized for the Measurement Period:			
Service Cost	279,000	-	279,000
Interest	537,000	-	537,000
Changes of Benefit Terms	-	-	-
Changes of Assumptions	(106,000)	-	(106,000)
Differences between Expected and Actual Experience	2,172,000	-	2,172,000
Contributions - Employer	-	1,654,000	(1,654,000)
Contributions - Employees	-	69,000	(69,000)
Net Investment Income	-	(506,000)	506,000
Benefit Payments, including refunds	(3,508,000)	(3,508,000)	-
Administrative Expense	-	(75,000)	75,000
Net Changes	(626,000)	(2,366,000)	1,740,000
Balance at: 8/31/17 (MD)	\$ 19,778,000	\$ 2,660,000	\$ 17,118,000

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2017		
	Discount		
	2.40% (1% Decrease)	3.40% (Current Rate)	4.40% (1% Increase)
Net Pension Liability	\$ 18,201,000	\$ 17,118,000	\$ 16,177,000

Pension Plan Fiduciary Net Position- Detailed information about the pension plan's fiduciary net position as of August 31, 2017 is as follows:

New York Life	
Assets	
New York Life Fixed Dollar Account	\$ 382,265
New York Life Main Stay Total Return Bond Fund	2,601,785
Total investments	2,984,050
Liabilities	
Accrued expenses	324,513
Fiduciary Net Position	\$ 2,659,537

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.

During the fiscal year 2017-18, the City's contribution to this plan was \$42,368, while the employees had a mandatory contribution of 4.5% of their salary or \$5,927.

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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, 2018, there were 5 participants in this program and the City's annual contribution was \$15,127 while the employees had an equal mandatory matching contribution of \$15,127.

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

A. General Information about the OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes.

For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017
GASB Statement No. 75 Implementation Date	June 30, 2018

Plan Description: The City joined the Public Employees' Medical & Hospital Care Act (PEMHCA) in 2000 for Police and Miscellaneous employees, offered through the California Public Employees' Retirement System (CalPERS). It is an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS). The healthcare plan which provides medical insurance benefits to active and eligible retirees and their families in accordance with various labor agreements. Fire employees receive healthcare benefits for active and retiree members from a union sponsored plan.

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OPEB Trust: The City joined The California Employers' Retiree Benefit Trust (CERBT) in 2007 to prefund its OPEB liability. CERBT is an agent multiple-employer defined plan for other post-employment benefits administered by CalPERS. The Plan includes participating employers of the State of California and public agencies. CalPERS is governed by a 13-member Board of Administration (the Board); two elected by CalPERS members, one elected by retired members of CalPERS, two appointed by the Governor, one public representative appointed jointly by the Speaker of the Assembly and Senate Rules Committee, and four ex-officio members: State Treasurer, State Controller, Director of California Department of Human Resources, and Designee of the State Personal Board. The Board is responsible for the management and control of CalPERS, including the exclusive control of the administration and investments of the Plan. The Plan information is as follows:

Fiscal Year End	June 30, 2018
Plan type	Agent Multiple Employer
OPEB trust	Yes
Special funding situations	No
Nonemployer contributing entities	None

Post-Employment Benefits Eligibility: The City provides post-retirement healthcare benefits to eligible employees who retire directly from the City after the age of 50 years (Age 52 for Miscellaneous PEPPRA employees) and with five years of service or disability retirement. For Police and Fire Supervisors, the City pays 25% of retiree and spouse health insurance premium up to \$100 per month plus PEMHCA AB2544 "unequal method" monthly benefit to retirees (\$119.70 per month in 2018). The payment is made until Medicare eligibility, but no more than 10 years for non-supervisory Police retirees. For Miscellaneous employees, the City pays the PEMHCA "unequal method" monthly benefit to retirees (\$119.70 per month in 2018). For IAFF (Fire employee), the City pays 25% of retiree and spouse health insurance premium up to \$100 per month. The payment is made until Medicare eligibility.

Employees Covered: As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the PEMHCA and Union Sponsor Plans:

June 30, 2018 Fiscal Year End June 30, 2017 Measurement Date	Number of Covered Participants
Inactive employees currently receiving benefits	158
Inactive employees entitled to benefits	242
Active employees	550
Total employees	950

Funding Policy and Annual OPEB Contributions and Cost: The City's policy was approved on May 20, 2008 and established a contribution rate that started at \$100,000 and increased over time up to \$250,000 per year and has maintained the \$250,000 level for the past three years. The City intends to continue to fund contribute to the Trust and pay benefits on a pay-as-you-go basis. For

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the fiscal year ended June 30, 2018, the City's cash contributions were \$243,000 in premium payments made on behalf of retirees, \$250,000 payments to the trust, and implied subsidy payments of \$672,000, resulting in total payments of \$1,165,000.

B. Net OPEB Liabilities, Expense, and Deferred Outflows/Inflows of Resources

Net OPEB Liability: As of the June 30, 2017 measurement date, was as follows:

Fiscal Year Ended Measurement Date	6/30/2018 6/30/2017	6/30/2017 6/30/2016
Total OPEB liability (TOL)	\$ 21,875,000	\$ 22,341,000
Fiduciary net position (FNP)	1,899,000	1,479,000
Net OPEB liability (NOL)	\$ 19,976,000	\$ 20,862,000
Funded status (FNP/TOL)	8.7%	6.6%

Actuarial Methods and Assumptions Used to Determine the OPEB Liability: The City's net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following significant actuarial methods and assumptions:

Measurement Date Valuation Date	June 30, 2017 June 30, 2017
Salary increases	Aggregate - 3% Merit - CalPERS 1997-2015 experience study
Medical trend	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Healthcare participation	100% for Safety \$100 benefit 50% for PEMHCA benefit if covered as active 10% for PEMHCA benefit if waived as active
Cap increases	None
Contribution policy	City contributes \$250,000 annually, and pays benefit payments outside of trust.
Discount rate	4.73% at June 30, 2017 4.11% at June 30, 2016
Expected long-term rate of return on investment	6.75%
General inflation	2.75% per annum
Retirement	CalPERS 1997-2015 experience study
Termination	CalPERS 1997-2015 experience study
Disability	CalPERS 1997-2015 experience study
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Projected fully generation with scale MP-2017

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Expected Long Rate of Return: The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class/Strategy	Target Allocation*	Expected Real Rate of Return
Measurement Date	6/30/17	6/30/17
Public equity	57%	4.82%
Fixed income	27%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Assumed long-term rate of inflation		2.75%
Assumed long-term investment expenses		n/a
Expected long-term net rate of return, rounded		6.75%
Discount rate**		
6/30/17		4.73%
6/30/16		4.11%

* Provided by CalPERS' Strategic Asset Allocation Analysis Overview in August 2014 – Strateg

** The fiduciary net position is not projected to be sufficient to make projected benefit payments, the plan assets are expected to be invested using the strategy to achieve the expected return.

Discount Rate: The discount rate used to measure the total OPEB liability was 4.73%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.73%) in measuring the Net OPEB Liability.

	Discount Rate		
	3.73%	4.73%	5.73%
	(1% Decrease)	(Current Rate)	(1% Increase)
Net OPEB liability	\$ 22,933,000	\$ 19,976,000	\$ 17,536,000

Healthcare Trend Sensitivity Analysis: The following presents the net OPEB liability of the City if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	Healthcare Trend Rate		
	(1% Decrease)	(Current Trend)	(1% Increase)
Net OPEB liability	\$ 17,212,000	\$ 19,976,000	\$ 23,435,000

Changes in the OPEB Liability: The changes in the net OPEB liability for the City Plan are as follows:

Changes in Net OPEB Liability	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017 (Measurement Date June 30, 2016)	\$ 22,341,000	\$ 1,479,000	\$ 20,862,000
Changes for the year:			
Service Cost	1,209,000	-	1,209,000
Interest	951,000	-	951,000
Difference between actual and expected experience	-	-	-
Assumptions changes	(1,765,000)	-	(1,765,000)
Contributions - employer*	-	1,111,000	(1,111,000)
Contributions - employee	-	-	-
Net investment income	-	171,000	(171,000)
Benefit payments and refunds*	(861,000)	(861,000)	-
Administrative Expenses	-	(1,000)	1,000
Net Changes	(466,000)	420,000	(886,000)
Balance at June 30, 2018 (Measure Date June 30, 2017)	\$ 21,875,000	\$ 1,899,000	\$ 19,976,000

* Includes \$250 City contribution to trust, and \$226 cash benefit payments and \$635 Implied Subsidy benefit payments (both paid outside of trust).

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Recognition of Deferred Outflows and Deferred Inflows of Resources: To smooth market volatility, gains and losses related to changes in total OPEB liability and fiduciary net position are recognized between 5-9.51 years. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$1,854,000. As of fiscal year ended June 30, 2018, the City reported deferred outflows of resources and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	1,579,000
Net differences between projected and actual earnings on plan investment*	-	50,000
Employer contributions after measurement date**	1,165,000	-
Total	<u>\$ 1,165,000</u>	<u>\$ 1,629,000</u>

* Combine Deferred Inflows and Outflows for footnote disclosure.

** Contributions to trust of \$250 plus \$243 cash benefits and \$672 implied subsidy benefits paid City.

Deferred outflows of resources in the amount of \$1,165,000 related to contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expenses as follows:

Fiscal Year ended June 30:	(Inflows) of Resources
2019	\$ (199,000)
2020	(199,000)
2021	(199,000)
2022	(197,000)
2023	(186,000)
Thereafter	<u>(649,000)</u>
Total	<u>\$ (1,629,000)</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018 is dependent on future developments, City management has determined the desired reserve level for each self-insurance program as follows and believes the estimates are adequate to cover such losses.

- Worker's Compensation insurance liability of \$23,861,251 includes \$19,089,001 for claims incurred but not paid and \$4,772,250 for claims incurred but not reported which is based on expected claims and past claims history. At June 30, 2018, Worker's Compensation Insurance liability of \$23,861,251 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, 2018 is \$21,386,642 and is reported in the Internal Service Fund; \$2,474,609 of this is treated as long-term debt.
- General liability insurance liability at June 30, 2018 of \$1,773,353 that is reported in the Internal Service Fund includes \$872,663 for claims incurred but not paid and \$900,690 for claims incurred but not reported which is based on expected claims and past claims history. Unreserved retained earnings is \$1,627,123 at June 30, 2018 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
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Changes to the claims liability for fiscal year ended June 30, 2018 are as follows:

	<u>Workers Compensation</u>	<u>General Liability</u>
Beginning balance of claims liability	\$ 24,021,081	\$ 2,098,300
Less beginning provision for incurred but not reported claims	<u>(4,804,216)</u>	<u>(773,063)</u>
Beginning provisions for incurred but not paid claims	19,216,865	1,325,237
Increase (decrease) in claims incurred and reported	4,458,018	35,033
Claims expenses paid	<u>(4,585,882)</u>	<u>(487,607)</u>
Ending balance provision for incurred but not paid claims	19,089,001	872,663
Provisions for incurred but not reported claims	<u>4,772,250</u>	<u>900,690</u>
Ending balance of claims liability	<u>\$ 23,861,251</u>	<u>\$ 1,773,353</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 2023. 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, 2018 amounted to \$516,111.

The future minimum lease payments anticipated under the existing lease commitments as of June 30, 2018 are as follows:

<u>Year Ended June 30,</u>	
2019	\$ 440,297
2020	380,898
2021	356,983
2022	154,206
2023	<u>150,028</u>
	<u>\$ 1,482,412</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

18. Long Term Debt:

The following is a summary of Long Term Debt transactions for the fiscal year ended June 30, 2018:

	June 30, 2017	Increases	Decreases	June 30, 2018	Due Within One Year
Governmental Activities:					
Annual Leave	\$ 9,938,652	\$ 2,047,478	\$ 774,194	\$ 11,211,936	\$ 2,242,387
Estimated Insurance claims	3,043,305	2,474,609	3,043,305	2,474,609	-
Capital Leases	26,979,654	69,374,589	1,707,024	94,647,219	1,799,338
Certificates of Participation					
Series B-2015	6,510,000	-	540,000	5,970,000	555,000
	6,510,000	-	540,000	5,970,000	555,000
Assessment District Bonds					
Assessment District 1915 Act Bonds	205,000	-	205,000	-	-
Assessment District 2017 Act Bonds	4,555,000	-	780,000	3,775,000	805,000
Total Assessment District Bonds	4,760,000	-	985,000	3,775,000	805,000
Governmental Activities	51,231,611	73,896,676	7,049,523	118,078,764	5,401,725
Business-type Activities					
Annual Leave	324,994	157,057	1,654	480,397	96,080
Capital Leases:					
Monterey Parking Garage 2014	11,678,000	-	492,000	11,186,000	511,000
Street Sweeper	593,133	-	151,743	441,390	106,481
Fire Engine	117,407	-	28,478	88,929	29,052
Total Leases	12,388,540	-	672,221	11,716,319	646,533
HUD Section 108 Loan	3,622,000	-	393,000	3,229,000	409,000
Bonds Payable:					
Sanitary Sewer Revenue Bonds - 2012	16,240,000	-	380,000	15,860,000	390,000
Certificates of Participation					
Series A-2015	4,050,000	-	360,000	3,690,000	370,000
Series A-2008	4,490,000	-	60,000	4,430,000	70,000
Total Bonds Payable	8,540,000	-	420,000	8,120,000	440,000
Subtotal	41,115,534	157,057	1,866,875	39,405,716	1,981,613
Bond Premium - Sanitary Sewer	127,526	-	10,626	116,900	10,627
Business-type Activities	41,243,060	157,057	1,877,501	39,522,616	1,992,240
Total Long-Term Liability	\$ 92,474,671	\$ 74,053,733	\$ 8,927,024	\$ 157,601,380	\$ 7,393,965

CITY OF SALINAS
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For the Fiscal Year Ended June 30, 2018

The annual requirements to amortize capital leases, loans and notes, certificates of participation and bonds outstanding as of June 30, 2018 by activity are as follows:

Year Ended June 30,	Governmental-Wide Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 3,159,338	\$ 3,741,286	\$ 1,885,533	\$ 1,439,545
2020	3,280,463	3,872,648	1,963,020	1,383,779
2021	5,911,819	3,644,417	2,035,600	1,322,204
2022	6,060,148	3,547,520	2,028,866	1,255,014
2023	6,596,670	3,254,879	2,109,300	1,186,090
2024 - 2028	30,508,561	12,420,647	9,456,000	4,890,587
2029 - 2033	29,395,220	6,073,732	8,388,000	3,255,448
2034 - 2038	9,280,000	2,499,601	6,164,000	1,679,660
2039 - 2043	4,115,000	1,597,022	4,895,000	514,288
2044 - 2048	4,970,000	716,106	-	-
2049 - 2053	1,115,000	21,725	-	-
	<u>\$ 104,392,219</u>	<u>\$ 41,389,583</u>	<u>\$ 38,925,319</u>	<u>\$ 16,926,614</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 and Business-type Activities in Long-Term Debt. The cost of Annual Leave accumulated at fiscal year-end is recorded as a liability within Proprietary and Fiduciary Funds. At June 30, 2018 the liability for all compensated absences totaled \$11,703,797. It includes \$11,318,577 of annual leave and \$385,220 of sick leave.

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

	June 30, 2017	Increases	Decreases	June 30, 2018	Due Within One Year
Governmental Activities					
General Fund	\$ 8,073,323	\$ 1,340,266	\$ 646,162	\$ 8,767,427	\$ 1,753,485
Measure E	770,690	142,860	18,003	895,547	179,109
Measure G	812,645	249,951	8,943	1,053,653	210,731
Special Revenue Funds	180,908	189,221	-	370,129	74,026
Internal Service Funds	101,086	125,180	101,086	125,180	25,036
	<u>\$ 9,938,652</u>	<u>\$ 2,047,478</u>	<u>\$ 774,194</u>	<u>\$ 11,211,936</u>	<u>\$ 2,242,387</u>
Business-type Activities					
Enterprise Funds	<u>\$ 324,994</u>	<u>\$ 157,057</u>	<u>\$ 1,654</u>	<u>\$ 480,397</u>	<u>\$ 96,080</u>
Fiduciary Activities					
Agency Funds	<u>\$ -</u>	<u>\$ 11,464</u>	<u>\$ -</u>	<u>\$ 11,464</u>	<u>\$ 2,293</u>

CITY OF SALINAS
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For the Fiscal Year Ended June 30, 2018

Estimated Insurance Claims – At June 30, 2018, the estimated insurance claims liability recorded in the Internal Service Funds is as follows:

Worker's Compensation	\$ 21,386,642
General Liability	<u>1,773,353</u>
Total	<u><u>\$ 23,159,995</u></u>

An additional \$2,474,609 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>
2019	\$ 1,799,338	\$ 3,514,274	\$ 5,313,612
2020	1,880,463	3,679,534	5,559,997
2021	4,746,819	3,483,024	8,229,843
2022	4,870,148	3,415,497	8,285,645
2023	5,011,670	3,140,366	8,152,036
2024 - 2028	27,463,561	12,237,159	39,700,720
2029 - 2033	29,395,220	6,073,732	35,468,952
2034 - 2038	9,280,000	2,499,601	11,779,601
2039 - 2043	4,115,000	1,597,022	5,712,022
2044 - 2048	4,970,000	716,106	5,686,106
2049 - 2053	<u>1,115,000</u>	<u>21,725</u>	<u>1,136,725</u>
	<u><u>\$ 94,647,219</u></u>	<u><u>\$ 40,378,040</u></u>	<u><u>\$ 135,025,259</u></u>

Pierce Fire Pumper

On October 4, 2011, the City, using lease purchase financing, purchased two Pierce fire pumbers, \$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, 2020 at 4.11% interest. Debt payable of \$446,706 is recorded as Governmental Activities at June 30, 2018.

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>
2019	\$ 218,856	\$ 18,360	\$ 237,216
2020	<u>227,850</u>	<u>9,365</u>	<u>237,215</u>
	<u><u>\$ 446,706</u></u>	<u><u>\$ 27,725</u></u>	<u><u>\$ 474,431</u></u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 \$13,680, 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 \$328,150 is recorded as Governmental Activities at June 30, 2018.

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>
2019	\$ 107,203	\$ 6,629	\$ 113,832
2020	109,368	4,464	113,832
2021	111,579	2,254	113,833
	<u>\$ 328,150</u>	<u>\$ 13,347</u>	<u>\$ 341,497</u>

Quantum Tiller Ladder Truck

On January 21, 2014, the City, using lease purchase financing, purchased a Quantum Tiller Ladder Truck for a total of \$1,087,053. The City will make ten annual payments of \$124,848, beginning on March 17, 2015 and ending March 17, 2024 at 2.60% interest. Debt payable of \$685,384 is recorded as Government Activities at June 30, 2018.

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>
2019	\$ 107,028	\$ 17,820	\$ 124,848
2020	109,811	15,037	124,848
2021	112,666	12,182	124,848
2022	115,595	9,253	124,848
2023	118,600	6,247	124,847
2024 - 2028	121,684	3,164	124,848
	<u>\$ 685,384</u>	<u>\$ 63,703</u>	<u>\$ 749,087</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 \$1,110,776 is recorded as Government activities at June 30, 2018.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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>
2019	\$ 181,417	\$ 27,844	\$ 209,261
2020	185,964	23,297	209,261
2021	190,626	18,635	209,261
2022	195,405	13,856	209,261
2023	116,185	8,958	125,143
2024 - 2028	241,179	9,106	250,285
	<u>\$ 1,110,776</u>	<u>\$ 101,696</u>	<u>\$ 1,212,472</u>

2014 Lease/Purchase Agreement

The City of Salinas 2014 Lease/Purchase Agreement was issued by the Salinas Facilities Financing Authority on January 29, 2014. The financing was issued to refund the Animal Shelter COP Series A-1999 (\$2,812,000) and the Monterey Street Parking Structure COP Series A-2004 (\$13,253,000). The Animal Shelter portion of the financing was issued for 19 years (ending September 1, 2032), at an average interest rate of 4.02%. Maximum annual debt service is \$278,646. Debt payable of \$2,248,000 is recorded as Governmental Activities at June 30, 2018.

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>
2019	\$ 145,000	\$ 87,455	\$ 232,455
2020	145,000	81,626	226,626
2021	153,000	75,636	228,636
2022	161,000	69,325	230,325
2023	163,000	62,813	225,813
2024 - 2028	785,000	212,638	997,638
2029 - 2033	696,000	72,400	768,400
	<u>\$ 2,248,000</u>	<u>\$ 661,893</u>	<u>\$ 2,909,893</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 \$20,453,615 is recorded as Governmental Activities at June 30, 2018.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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>
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	1,116,825	521,700	1,638,525
2023	1,184,506	487,358	1,671,864
2024 - 2028	7,038,185	1,846,133	8,884,318
2029 - 2033	8,149,220	638,541	8,787,761
	<u>\$ 20,453,615</u>	<u>\$ 5,245,112</u>	<u>\$ 25,698,727</u>

Pierce Enforcer Pumper

On October 18, 2017, the City, using lease purchase financing, purchased a Pierce Enforcer Pumper fire engine for a total of \$561,605. The City will make six annual payments of \$101,822, beginning on October 18, 2018 and ending October 18, 2023 at 2.40% interest. Debt payable of \$561,605 is recorded as Governmental Activities on June 30, 2018.

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 88,008	\$ 13,814	\$ 101,822
2020	90,172	11,649	101,821
2021	92,391	9,431	101,822
2022	94,664	7,158	101,822
2023	96,992	4,830	101,822
2024 - 2028	99,378	2,444	101,822
	<u>\$ 561,605</u>	<u>\$ 49,326</u>	<u>\$ 610,931</u>

Altec Aerial Lift

On December 19, 2017, the City, using lease purchase financing, purchased an Altec Aerial Lift Truck for a total of \$157,983. The City will make six annual payments of \$28,903, beginning on December 19, 2018 and ending December 19, 2023. Debt payable of \$157,983 is recorded as Governmental Activities on June 30, 2018.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Debt service requirements to maturity for Altec Aerial Lift are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 24,590	\$ 4,313	\$ 28,903
2020	25,261	3,642	28,903
2021	25,951	2,952	28,903
2022	26,659	2,243	28,902
2023	27,387	1,516	28,903
2024 - 2028	28,135	768	28,903
	<u>\$ 157,983</u>	<u>\$ 15,434</u>	<u>\$ 173,417</u>

Public Safety Building 2018A

The City of Salinas 2018A Capital Lease was issued by Salinas Public Facilities, Inc. in the amount of \$48,825,000 on June 28, 2018. The purpose of this financing was to raise funds for the construction of a new Public Safety Building (Police Department) within City limits. The City will make semi-annual payments beginning on December 1, 2018 and ending December 1, 2034 at an average interest rate of 3.375%. Maximum annual debt service is \$4,799,181. Debt payable of \$48,825,000 is recorded as Governmental Activities on June 30, 2018.

Debt service requirements to maturity for Public Safety Building 2018A are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 1,997,590	\$ 1,997,590
2020	-	2,159,556	2,159,556
2021	2,640,000	2,027,556	4,667,556
2022	2,775,000	2,024,181	4,799,181
2023	2,910,000	1,816,056	4,726,056
2024 - 2028	16,895,000	6,686,656	23,581,656
2029 - 2033	17,745,000	2,442,572	20,187,572
2034 - 2038	5,860,000	197,663	6,057,663
	<u>\$ 48,825,000</u>	<u>\$ 19,351,830</u>	<u>\$ 68,176,830</u>

El Gabilan Library 2018B

The City of Salinas 2018B Capital Lease was issued by Salinas Public Facilities, Inc. in the amount of \$19,830,000 on June 28, 2018. The purpose of this financing was to raise funds for the construction of a new Public Library (El Gabilan) within City limits. The City will make semi-annual payments beginning on December 1, 2018 and ending December 1, 2048 at an average interest rate of 3.900%. Maximum annual debt service is \$1,152,781. Debt payable of \$19,830,000 is recorded as Governmental Activities on June 30, 2018.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Debt service requirements to maturity for El Gabilan Library 2018B are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 727,507	\$ 727,507
2020	-	786,494	786,494
2021	370,000	780,344	1,150,344
2022	385,000	767,781	1,152,781
2023	395,000	752,588	1,147,588
2024 - 2028	2,255,000	3,476,250	5,731,250
2029 - 2033	2,805,000	2,920,219	5,725,219
2034 - 2038	3,420,000	2,301,938	5,721,938
2039 - 2043	4,115,000	1,597,022	5,712,022
2044 - 2048	4,970,000	716,106	5,686,106
2049 - 2053	1,115,000	21,725	1,136,725
	<u>\$ 19,830,000</u>	<u>\$ 14,847,974</u>	<u>\$ 34,677,974</u>

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 payable of \$5,970,000 is recorded as Governmental Activities at June 30, 2018.

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>
2019	\$ 555,000	\$ 144,020	\$ 699,020
2020	570,000	129,789	699,789
2021	585,000	115,178	700,178
2022	600,000	100,188	700,188
2023	615,000	84,818	699,818
2024 - 2028	3,045,000	183,488	3,228,488
2029 - 2033	-	-	-
	<u>\$ 5,970,000</u>	<u>\$ 757,481</u>	<u>\$ 6,727,481</u>

Assessment Districts Bonds

At June 30, 2018, outstanding Assessment District Bonds totaled \$3,775,000. 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 \$1,980,695 at June 30, 2018.

On July 28, 2017 the City issued \$4,555,000 in bonds to refinance the following special assessment district debt:

- 1998 AD 98-1 – Bella Vista III Refunding (\$2,665,000)
- 2000 AD 96-2 – Acacia Park Refunding (\$340,000)
- 2002 RADA – Bella Vista Refunding (\$1,365,000)
- 2002 RADB – Bella Vista Refunding (\$185,000)

The current refunding of the assessment districts debt reduced total debt service payments over the next 9 years by \$937,889. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$318,303.

The refinancing was funded through a direct private placement with City National Bank. Maximum debt service is \$882,065, including interest ranging from 2.3% to 2.7% for 9 years.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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>
2019	\$ 805,000	\$ 82,992	\$ 887,992
2020	830,000	63,325	893,325
2021	580,000	46,215	626,215
2022	590,000	31,835	621,835
2023	970,000	29,695	999,695
	<u>\$ 3,775,000</u>	<u>\$ 254,062</u>	<u>\$ 4,029,062</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>
2019	\$ 646,533	\$ 453,051	\$ 1,099,584
2020	673,020	428,562	1,101,582
2021	693,600	403,174	1,096,774
2022	633,866	376,808	1,010,674
2023	656,300	351,716	1,008,016
2024 - 2028	3,376,000	1,362,418	4,738,418
2029 - 2033	4,113,000	612,507	4,725,507
2049 - 2053	924,000	18,572	942,572
	<u>\$ 11,716,319</u>	<u>\$ 4,006,808</u>	<u>\$ 15,723,127</u>

2014 Lease/Purchase Agreement

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 511,000	\$ 439,405	\$ 950,405
2020	534,000	418,402	952,402
2021	551,000	396,593	947,593
2022	578,000	373,900	951,900
2023	599,000	350,243	949,243
2024 - 2028	3,376,000	1,362,418	4,738,418
2029 - 2033	4,113,000	612,507	4,725,507
2034 - 2038	924,000	18,572	942,572
	<u>\$ 11,186,000</u>	<u>\$ 3,972,040</u>	<u>\$ 15,158,040</u>

Street Sweepers

On May 23, 2016 the City, using lease purchase financing, purchased a street sweeper. The City will make six annual payments of \$59,557 at 2.87% interest. On April 6, 2017 the City, using lease purchase financing, purchased a second street sweeper. The City will make six annual payments of \$58,774 at 2.57% interest. Debt payable of \$441,390 is recorded in the Storm Sewer Enterprise Fund at June 30, 2018.

Debt service requirements to maturity are as follows:

<u>2016 Street Sweeper</u> <u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 54,710	\$ 4,847	\$ 59,557
2020	56,280	3,277	59,557
2021	57,895	1,662	59,557
2022	-	-	-
	<u>\$ 168,885</u>	<u>\$ 9,786</u>	<u>\$ 178,671</u>

<u>2017 Street Sweeper</u> <u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 51,771	\$ 7,003	\$ 58,774
2020	53,102	5,673	58,775
2021	54,466	4,308	58,774
2022	55,866	2,908	58,774
2023	57,300	1,473	58,773
	<u>\$ 272,505</u>	<u>\$ 21,365</u>	<u>\$ 293,870</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 \$88,929 is recorded in the Airport Fund at June 30, 2018.

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 29,052	\$ 1,796	\$ 30,848
2020	29,638	1,210	30,848
2021	30,239	611	30,850
2022	-	-	-
	<u>\$ 88,929</u>	<u>\$ 3,617</u>	<u>\$ 92,546</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, 2018, \$3,229,000 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>
2019	\$ 409,000	\$ 70,662	\$ 479,662
2020	425,000	63,947	488,947
2021	442,000	55,576	497,576
2022	460,000	45,795	505,795
2023	478,000	34,535	512,535
2024 - 2028	1,015,000	29,103	1,044,103
	<u>\$ 3,229,000</u>	<u>\$ 299,618</u>	<u>\$ 3,528,618</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018

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>
2019	\$ 370,000	\$ 88,676	\$ 458,676
2020	380,000	79,189	459,189
2021	390,000	69,448	459,448
2022	400,000	59,455	459,455
2023	410,000	49,209	459,209
2024 - 2028	1,740,000	89,309	1,829,309
	<u>\$ 3,690,000</u>	<u>\$ 435,286</u>	<u>\$ 4,125,286</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>
2019	\$ 70,000	\$ 199,350	\$ 269,350
2020	80,000	196,200	276,200
2021	90,000	192,600	282,600
2022	105,000	188,550	293,550
2023	115,000	183,825	298,825
2024 - 2028	820,000	827,325	1,647,325
2029 - 2033	1,240,000	602,550	1,842,550
2034 - 2038	1,555,000	296,100	1,851,100
2039 - 2043	355,000	15,975	370,975
	<u>\$ 4,430,000</u>	<u>\$ 2,702,475</u>	<u>\$ 7,132,475</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 \$15,860,000 is recorded in the Sanitary Sewer Enterprise Fund at June 30, 2018.

Debt service requirements and maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	430,000	584,406	1,014,406
2023	450,000	566,806	1,016,806
2024 - 2028	2,505,000	2,582,431	5,087,431
2029 - 2033	3,035,000	2,040,391	5,075,391
2034 - 2038	3,685,000	1,364,988	5,049,988
2039 - 2043	4,540,000	498,313	5,038,313
	<u>\$ 15,860,000</u>	<u>\$ 9,482,427</u>	<u>\$ 25,342,427</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, 2018 the total conduit debt outstanding related to these bonds is \$3,880,000.

In June 14, 2007, the City of Salinas issued Economic Development Revenue Bonds, Series 2007A (\$18,655,000 tax exempt) and 2007B (\$1,570,000 taxable) for the acquisition of a building located at 1000 Main Street in Salinas. The building is currently leased in part to the County of Monterey Department of Social Services. The project intends to provide monthly rental at below the market value rates to the County of Monterey, a one million dollar premise improvement allowance to the Department of Social Services to renovate and upgrade its space in the building and to generate charitable support for the County's residents. As of June 30, 2018, total conduit debt outstanding related to the Economic Development Revenue Bonds is \$14,120,000.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 \$45,217,556 of restricted net position, of which enabling legislation restricts \$1,591,350 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 \$6,508,191, net of allowance in the Government-Wide Statements and \$7,027,630 in the Fund statements, consisting of \$2,850,118 of unearned revenues and \$4,177,512 of deferred inflows of resources. These are not available resources.

Unearned revenues, net of allowance of \$7,027,630 at June 30, 2018 consist of the following:

Governmental Activities:

Major funds:

Assessment district debt service	
Assessment receivable	\$ 3,775,000
Capital Projects	
Capital Projects Unearned Revenue	1,873,405

Non-major funds:

Housing and urban development	
Housing rehab loans	1,435,240
First time homebuyers loans	1,317,232
CDBG/home program deferred inflows or resources	17,023,897
Subtotal	19,776,369
Less: allowance for doubtful accounts	(19,516,307)
Total housing and urban development	260,062
Grants	125,879
Special revenue and capital projects unearned revenue	993,284
Total governmental activities	<u>\$ 7,027,630</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

21. Implementation of New Pronouncement:

For the fiscal year ended June 30, 2018, the City implemented the provisions of GASB No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As part of implementing the requirements, prior period adjustments totaling \$8,815,624 were made to decrease the City's beginning net positions as of July 1, 2017.

Beginning net position, Net OPEB Obligation, Net OPEB Liability, and related deferred outflows of resources of the Governmental Activities and Business-type Activities were adjusted as follows:

	Prior Period Adjustment	Deferred Outflows of Resources	Net OPEB Obligation	Net OPEB Liability
Governmental Activities	\$(7,401,310)	\$ 1,031,444	\$(10,935,376)	\$ 19,368,130
Internal Service Funds:	(291,904)	16,420	-	308,324
Business-type Activities				
Airport	(137,556)	7,738	-	145,294
Industrial Waste	(113,803)	6,401	-	120,204
Sanitary Sewer	(255,835)	14,391	-	270,226
Storm Sewer	(244,458)	13,751	-	258,209
Parking District	(38,426)	2,161	-	40,587
Permit Services	(332,332)	18,694	-	351,026
Total Business-type Activities	(1,122,410)	63,136	-	1,185,546
Total prior period adjustments	<u>\$(8,815,624)</u>	<u>\$ 1,111,000</u>	<u>\$(10,935,376)</u>	<u>\$ 20,862,000</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, 2018

Fund balance for governmental funds as of June 30, 2018 consists of the following:

	General, Measure E, & Measure G	Development Fees	Special Construction Assistance	Other Nonmajor Governmental Funds	Total
Nonspendable:					
Inventory	\$ 13,604	\$ -	\$ -	\$ -	\$ 13,604
Due from outside agencies	1,475,000	-	-	-	1,475,000
Advances	5,460,000	-	-	-	5,460,000
Land Held for Resale	-	-	-	2,524,124	2,524,124
	<u>6,948,604</u>	<u>-</u>	<u>-</u>	<u>2,524,124</u>	<u>9,472,728</u>
Restricted for:					
Public Safety	-	-	-	2,086,519	2,086,519
Future Development	-	14,483,405	-	-	14,483,405
Maintenance District	-	-	-	5,670,650	5,670,650
Recreation Parks	-	-	-	40,709	40,709
Community Development	-	-	-	207,508	207,508
Franchise-Cable	-	-	-	468,440	468,440
Street Repairs	-	-	-	6,880,078	6,880,078
Municipal Arts	-	-	-	23,159	23,159
Grants	-	-	-	3,063,025	3,063,025
Low/Moderate Housing	-	-	-	808,980	808,980
Capital Projects-Airport	-	-	-	1,840,218	1,840,218
Debt Service	-	-	-	4,669,079	4,669,079
	<u>-</u>	<u>14,483,405</u>	<u>-</u>	<u>25,758,365</u>	<u>40,241,770</u>
Committed for:					
Capital Projects	<u>5,038,675</u>	<u>-</u>	<u>6,420,797</u>	<u>2,096,007</u>	<u>13,555,479</u>
Assigned for:					
Other Purposes	4,548,552	-	-	-	4,548,552
Carryover Appropriations	<u>7,612,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,612,704</u>
	<u>12,161,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,161,256</u>
Unassigned:					
Operations-Reserve	9,552,000	-	-	-	9,552,000
Other Unassigned	<u>212,806</u>	<u>-</u>	<u>(9,532,409)</u>	<u>(13,267)</u>	<u>(9,332,870)</u>
	<u>9,764,806</u>	<u>-</u>	<u>(9,532,409)</u>	<u>(13,267)</u>	<u>219,130</u>
Total Fund Balances	<u>\$ 33,913,341</u>	<u>\$ 14,483,405</u>	<u>\$ (3,111,612)</u>	<u>\$ 30,365,229</u>	<u>\$ 75,650,363</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, 2018

As of June 30, 2018, total governmental fund encumbrance balances for the City are as follows:

General Fund, Measure E, & Measure G	\$ 6,438,675
Development Fees	544,442
Special Construction Assistance	6,420,797
Nonmajor governmental funds	1,879,875
	<u>\$ 15,283,789</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.

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018 consisted of the following:

Cash and investments	\$ 2,809,238
Restricted cash and investments	<u>1,704,203</u>
Total Cash and Investments	<u><u>\$ 4,513,441</u></u>

Cash and investments of \$1,704,203 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, 2018:

	Balance June 30, 2017	Additions	Adjustments/ Retirements	Balance June 30, 2018
Fiduciary Activities				
Capital assets, not being depreciated				
Land	\$ 149,270	\$ -	\$ -	\$ 149,270
Total assets not being depreciated	<u>149,270</u>	<u>-</u>	<u>-</u>	<u>149,270</u>
Capital assets, being depreciated				
Improvements other than buildings	17,840	-	-	17,840
Total assets being depreciated	<u>17,840</u>	<u>-</u>	<u>-</u>	<u>17,840</u>
Less accumulated depreciation	<u>(16,948)</u>	<u>(892)</u>	<u>-</u>	<u>(17,840)</u>
Total capital assets being depreciated, net	<u>892</u>	<u>(892)</u>	<u>-</u>	<u>-</u>
Fiduciary Activities capital assets, net	<u><u>\$ 150,162</u></u>	<u><u>\$ (892)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 149,270</u></u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Long Term Debt – The following is a summary of the long term debt at June 30, 2018:

	June 30, 2017	Increases	Decreases	June 30, 2018	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	2,075,000	-	(100,000)	1,975,000	110,000
Series A-1992	1,152,464	-	(226,118)	926,346	210,866
Total Bonds Payable	3,227,464	-	(326,118)	2,901,346	320,866
Subtotal	3,384,964	-	(326,118)	3,058,846	320,866
Unamortized Bond Discount	(62,430)	-	8,919	(53,511)	(8,919)
Fiduciary-type Activities	<u>\$ 3,322,534</u>	<u>\$ -</u>	<u>\$ (317,199)</u>	<u>\$ 3,005,335</u>	<u>\$ 311,947</u>

The annual requirements to amortize loans and notes and bonds outstanding as of June 30, 2018 by activity are as follows:

Year Ended June 30,	Principal	Interest	Total
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	302,406	1,128,660	1,431,066
2023	296,128	1,132,380	1,428,508
2024 - 2028	1,360,000	37,400	1,397,400
2029 - 2033	-	-	-
2034 - 2044	157,500	-	157,500
	<u>\$ 3,058,846</u>	<u>\$ 5,649,986</u>	<u>\$ 8,708,832</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.

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For the Fiscal Year Ended June 30, 2018

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,	Principal	Interest	Total
2029-2041	\$ 157,500	\$ -	\$ 157,500

Tax Allocation Bonds

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

The annual debt service requirements for the bonds at June 30, 2018 are as follows:

Year Ended June 30,	TAB Series A-1996		TAB Series A-1992	
	Principal	Interest	Principal	Interest
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
2022	130,000	85,800	172,406	1,042,860
2023	135,000	78,513	161,128	1,053,867
2023 - 2027	1,360,000	37,400	-	-
	<u>\$ 1,975,000</u>	<u>\$ 499,539</u>	<u>\$ 926,346</u>	<u>\$ 5,150,447</u>

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

The Series A-1992 bond issue has a term bond of \$2,638,475 that matures on November 1, 2022. Debt service payments beginning in fiscal year 2009-2010 are deposits into a sinking fund. The term bonds are subject to redemption prior to maturity from the sinking fund installments on each

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 \$53,511 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.

At June 30, 2018 the 1996 Tax Allocation Revenue Bonds unamortized discount was as followed:

	June 30, 2017	Increases	Decreases	June 30, 2018
Tax Allocation Bond, Series A-1996	\$ 62,430	\$ -	\$ (8,919)	\$ 53,511

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

27. Subsequent Events:

On July 18, 2018, the California Statewide Communities Development Authority issued and closed on \$37.5 million of fixed rate Certificate of Participation titled “California Statewide Communities Development Authority Transportation Revenue (Installment Sale) Certificates of Participation, Series 2018B (T.R.I.P. – Total Road Improvement Program)” (2018B COPs). The 2018B COPs were executed and delivered by Wilmington Trust, National Association, as trustee, pursuant to the provisions of a Trust Agreement, dated July 1, 2018, by and among the California Statewide Communities Development Authority (Authority), Wilmington Trust and the City of Salinas (City). The Authority will sell the Projects to the City pursuant to a 2018 Installment Sale Agreement, dated as of July 1, 2018, by and between the Authority and the City. The installment sales payments the City will be making are equal to the debt service on the 2018B COPs. The installment sales payments are secured by and payable from a first lien on all Measure X receipts.

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The 2018B COPs were issued at fixed interest rates ranging from 3.50% to 5.00% with maturity dates ranging from December 1, 2019 to December 1, 2038. These 2018B COPs were issued with a premium of \$3,956,285. The 2018B COPs proceeds of \$41,456,285 were distributed as follows: 1) \$40,673,736 million was transferred to the project fund used to pay road improvements and road maintenance; 2) \$356,250 was used to pay the underwriter's discount 3) \$116,096 was used to pay bond insurance; 4) \$44,704 was used to pay for a surety; and 5) \$265,500 was set aside to pay certain costs of issuance.

The City has evaluated subsequent events through December 3, 2018, the date these financial statements were available to be issued.



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**REQUIRED
SUPPLEMENTARY
INFORMATION**



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CITY OF SALINAS
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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.

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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. Measure V was revised by the voters on November 6, 2012 eliminating a termination date on the imposition of the tax through Measure E. The Measure E 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 E funds to the City Council and overseeing the use of Measure E funds to assure consistency with the voter approved tax and the appropriated use of Measure E 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 2017-18 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 City's goals and objectives identified by the City Council in the Strategic Plan thru 2019 was approved on June 14, 2016, following strategic planning sessions on January 23 and March 1, 2016 and are as follows:

- Economic Development and Prosperity
- Safe Livable Community - Salinas as a City of Peace
- Effective, Sustainable Government
- Excellent Infrastructure
- Quality of Life

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Budgetary Information
Fiscal Year June 30, 2018

On May 30, 2017, the City Council was introduced and reviewed the proposed operating budget for the City of Salinas and Successor Agency. The Salinas City Council adopted FY 2017-18 Annual Operating Budgets on June 20, 2017. An update to the CIP was made during FY 2017-18 for projects with secure funding for the current fiscal year and planned projects for which funding is not yet secured through fiscal year 2022-23. Capital project budget is updated annually.

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 \$320,872,340 were identified for the six (6) year period from July 1, 2017, to June 30, 2023. 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 \$ 739,337, and over \$10.1 million funded by the recently approved Sales and Transactions Tax (Measure G). There is a continuing modest investment of \$0.4 million from the Measure E Fund in towards the construction of a new El Gabilan Library. New this year is \$11,957,000 of Measure X funding, a regional revenue measure passed County-wide and to fund road improvements and maintenance.

GENERAL FUND

The General Fund fund balance decreased \$6,859,127 to \$12,240,317, of which \$5,548,604 is Non-spendable, \$650,461 is committed, \$6,190,321 is assigned and (\$149,069) 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 \$5,548,604 includes Inventory (\$13,604), Due from outside agencies (\$75,000) and Advances (\$5,460,000). Committed funds balance of \$650,461 is designated for future encumbrances. Carryover Appropriations of \$1,641,769 and other purposes are under the \$6,190,321 Assigned fund balance category.

The General Fund unassigned fund balance is made up of \$6,830,000 is reserved for operations coupled with (\$6,979,069) of future funds required to meet the fund balance reserves at June 30, 2018.

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2018

MEASURE E

Measure E is a general tax (discretionary) and is reported as part of the General Fund. The Measure E fund balance decreased \$759,905 to \$6,403,062, of which \$152,884 is committed to future Capital Projects, \$80,214 is assigned and \$6,169,964 is unassigned.

The \$962,000 of Measure E unassigned fund balance is reserved for operations.

MEASURE G

Measure G is a general tax (discretionary) and is reported as part of the General Fund. The Measure G fund balance decreased \$1,361,302 to \$15,269,962, of which \$1,400,000 is Non-spendable, \$4,235,330 is committed for future capital projects, \$5,890,721 is assigned and \$3,743,911 is unassigned.

The Measure G Fund unassigned fund balance of \$1,760,000 represents a modest reserve for operations at June 30, 2018.

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, 2018

BUDGET REVISIONS

The following is a summary of the actions taken after the approval on February 20, 2018 of the mid-year adjustments to the fiscal year 2017-18 budget:

- General Fund adjusted upwards its revenue estimate for cannabis related service fees and legal code enforcement recovery by \$150,000. The operating budget was also increased by \$716,125. The Capital Project budget increased in the same mid-year council action by \$150,000 for the City Cleanup Program (CIP 9068).
- Measure G operating budget was increased by \$26,100 for Seating Unit Repair.

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 E, & MEASURE G
FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2017	\$ 42,893,675	\$ 42,893,675	\$ 42,893,675	\$ -
Resources (inflows):				
Taxes	121,597,300	121,597,300	117,813,701	(3,783,599)
Licenses and Permits	549,400	549,400	6,357,723	5,808,323
Intergovernmental	631,400	631,400	1,222,994	591,594
Charges for Services	3,564,400	3,634,400	5,075,630	1,441,230
Interest	267,000	267,000	649,803	382,803
Rental Income	385,800	385,800	378,022	(7,778)
Fines and forfeits	96,400	96,400	377,759	281,359
Miscellaneous	195,500	195,500	541,203	345,703
Operating Transfers In	4,011,200	4,011,200	3,871,130	(140,070)
Total Resources	<u>131,298,400</u>	<u>131,368,400</u>	<u>136,287,965</u>	<u>4,919,565</u>
Charges to Appropriations (outflows):				
General Government	20,953,273	32,951,973	30,460,954	2,491,019
Public Safety	72,113,104	72,209,926	72,386,055	(176,129)
Public Works	12,569,400	12,649,749	11,698,252	951,497
Recreation	2,890,730	2,832,216	2,566,808	265,408
Library	5,218,140	5,195,850	4,577,667	618,183
Capital Outlay	582,753	1,110,692	901,328	209,364
Transfers Out	19,186,572	37,001,299	22,677,235	14,324,064
Total Charges to Appropriations	<u>133,513,972</u>	<u>163,951,705</u>	<u>145,268,299</u>	<u>18,683,406</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(2,215,572)</u>	<u>(32,583,305)</u>	<u>(8,980,334)</u>	<u>23,602,971</u>
Fund Balance, June 30, 2018	<u>\$ 40,678,103</u>	<u>\$ 10,310,370</u>	<u>\$ 33,913,341</u>	<u>\$ 23,602,971</u>

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
MEASURE E FUND
FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2017	\$ 7,162,967	\$ 7,162,967	\$ 7,162,967	\$ -
Resources (inflows):				
Taxes	12,285,100	12,285,100	12,310,312	25,212
Interest	33,000	33,000	63,648	30,648
Transfers In	682,400	682,400	682,400	-
Total Resources	<u>13,000,500</u>	<u>13,000,500</u>	<u>13,056,360</u>	<u>55,860</u>
Charges to Appropriations (outflows):				
General Government	939,300	886,203	786,086	100,117
Public Safety	3,939,971	3,861,218	3,777,439	83,779
Public Works	1,137,230	1,137,230	796,244	340,986
Recreation	1,072,815	1,069,321	991,969	77,352
Library	5,218,140	5,195,850	4,577,667	618,183
Capital Outlay	42,000	190,077	126,932	63,145
Transfers Out	844,200	2,915,947	2,759,928	156,019
Total Charges to Appropriations	<u>13,193,656</u>	<u>15,255,846</u>	<u>13,816,265</u>	<u>1,439,581</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(193,156)</u>	<u>(2,255,346)</u>	<u>(759,905)</u>	<u>1,495,441</u>
Fund Balance, June 30, 2018	<u>\$ 6,969,811</u>	<u>\$ 4,907,621</u>	<u>\$ 6,403,062</u>	<u>\$ 1,495,441</u>

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
MEASURE G FUND
FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2017	\$ 16,631,264	\$ 16,631,264	\$ 16,631,264	\$ -
Resources (inflows):				
Taxes	24,406,700	24,406,700	24,718,260	311,560
Interest	70,000	70,000	178,280	108,280
Miscellaneous	500	500	10,235	9,735
Total Resources	<u>24,477,200</u>	<u>24,477,200</u>	<u>24,906,775</u>	<u>429,575</u>
Charges to Appropriations (outflows):				
General Government	1,376,590	1,376,590	1,343,028	33,562
Public Safety	8,955,470	8,986,283	8,870,905	115,378
Public Works	1,320,450	1,320,535	1,022,782	297,753
Recreation	896,480	852,872	727,240	125,632
Capital Outlay	163,886	223,031	168,252	54,779
Transfers Out	<u>12,633,893</u>	<u>25,617,942</u>	<u>14,135,870</u>	<u>11,482,072</u>
Total Charges to Appropriations	<u>25,346,769</u>	<u>38,377,253</u>	<u>26,268,077</u>	<u>12,109,176</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(869,569)</u>	<u>(13,900,053)</u>	<u>(1,361,302)</u>	<u>12,538,751</u>
Fund Balance, June 30, 2018	<u>\$ 15,761,695</u>	<u>\$ 2,731,211</u>	<u>\$ 15,269,962</u>	<u>\$ 12,538,751</u>

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT FEES FUND
FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2017	\$ 15,268,603	\$ 15,268,603	\$ 15,268,603	\$ -
Resources (inflows):				
Charges for Services	495,500	495,500	1,035,696	540,196
Interest	70,000	70,000	176,744	106,744
Total Resources	<u>565,500</u>	<u>565,500</u>	<u>1,212,440</u>	<u>646,940</u>
Charges to Appropriations (outflows):				
Public works	565,500	565,500	274,546	290,954
Transfers Out	<u>645,000</u>	<u>14,286,932</u>	<u>1,723,092</u>	<u>12,563,840</u>
Total Charges to Appropriations	<u>645,000</u>	<u>14,286,932</u>	<u>1,997,638</u>	<u>12,289,294</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(79,500)</u>	<u>(13,721,432)</u>	<u>(785,198)</u>	<u>12,936,234</u>
Fund Balance, June 30, 2018	<u>\$ 15,189,103</u>	<u>\$ 1,547,171</u>	<u>\$ 14,483,405</u>	<u>\$ 12,936,234</u>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net earned required contribution and investment revenues	\$ 935,129	\$ 1,343,428	\$ 814,131	\$ 910,555	\$ 952,735	\$ 971,785	\$ 1,892,297	\$ 1,019,378	\$ 1,074,526	\$ 863,563
Unallocated expenses	371,076	348,331	315,065	350,753	338,630	353,537	334,291	339,171	314,127	374,303
Estimated incurred claims and expenses, end of policy year	238,703	39,595	102,556	83,079	522,131	161,668	965,536	234,565	36,271	7,532
Paid Claims as of:										
End of policy year	43,408	5,487	14,877	7,665	30,214	18,140	55,188	116,262	15,603	6,310
One year later	391,628	150,457	93,839	245,112	172,798	635,352	282,538	20,991	227,379	
Two years later	497,350	789,862	190,588	466,599	375,290	842,560	570,687	64,153		
Three years later	1,537,770	1,307,381	224,592	983,571	1,021,746	1,345,021	679,871			
Four years later	1,539,402	1,466,325	224,959	1,081,157	1,133,620	1,635,636				
Five years later	1,539,402	1,467,548	224,959	935,894	1,135,208					
Six years later	1,539,402	1,515,447	721,261	935,894						
Seven years later	1,539,402	787,412	721,261							
Eight years later	1,390,405	787,412								
Nine years later	1,318,282									
Reestimated incurred claims and expenses:										
End of policy year	238,703	39,595	102,556	83,079	522,131	161,668	965,536	234,565	36,271	7,532
One year later	527,836	280,903	174,137	870,512	638,797	2,233,535	865,213	194,433	357,416	
Two years later	570,697	1,463,367	219,220	942,962	1,085,173	2,280,849	1,554,039	79,955		
Three years later	1,546,208	1,580,287	225,383	1,371,990	1,046,887	1,960,665	730,656			
Four years later	1,539,402	1,552,896	224,959	1,439,018	1,549,402	1,748,340				
Five years later	1,539,402	1,548,767	224,959	935,894	1,697,321					
Six years later	1,539,402	1,563,767	752,370	934,894						
Seven years later	1,539,402	787,412	721,261							
Eight years later	1,309,504	787,412								
Nine years later	1,318,282									
Increase/(Decrease) in estimated incurred claims and expenses										
End of policy year	1,079,579	747,817	618,705	851,815	1,175,190	1,586,672	(234,880)	(154,610)	321,145	-

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net earned required contribution and investment revenues	\$ 2,043,505	\$ 4,505,413	\$ 5,353,747	\$ 9,173,838	\$ 7,472,705	\$ 4,377,425	\$ 6,130,921	\$ 13,748,053	\$ 4,743,276	\$ 4,922,253
Unallocated expenses	214,582	249,818	285,858	292,754	323,122	360,203	335,408	471,472	334,542	1,056,134
Estimated incurred claims and expenses, end of policy year	1,039,527	1,460,583	937,398	1,720,157	2,243,630	1,666,909	1,432,029	813,874	953,545	1,284,514
Paid claims (cumulative) as of:										
End of policy year	423,304	660,835	403,754	533,708	646,857	950,284	334,254	333,561	357,390	346,475
One year later	1,344,588	2,113,115	1,308,910	1,864,818	1,634,364	1,371,978	1,597,521	1,061,264	1,070,983	
Two years later	1,637,077	2,835,706	1,711,483	2,854,520	1,959,739	1,927,023	2,162,775	1,602,857		
Three years later	1,940,235	3,543,291	1,962,598	3,136,125	2,340,805	2,409,062	2,554,090			
Four years later	2,090,155	4,112,174	2,198,461	3,456,515	2,907,257	2,621,000				
Five years later	2,188,846	4,292,478	2,297,187	3,656,404	3,137,059					
Six years later	2,277,738	4,469,158	2,499,906	3,941,332						
Seven years later	2,341,544	4,461,874	2,637,234							
Eight years later	2,562,398	4,731,649								
Nine years later	2,591,991									
Reestimated incurred claims and expenses:										
End of policy year	1,039,527	1,460,583	937,398	1,720,157	2,243,630	1,666,909	1,432,029	813,874	953,545	1,284,514
One year later	2,429,854	3,280,511	2,328,492	4,335,777	3,285,111	2,218,693	2,641,671	1,711,199	1,934,390	
Two years later	2,697,846	5,310,361	2,538,085	4,746,128	3,764,688	3,204,843	3,520,776	2,433,616		
Three years later	3,355,273	5,982,979	2,654,485	4,801,869	4,196,279	3,674,042	3,793,217			
Four years later	3,098,511	5,975,348	2,883,206	4,995,945	4,760,993	3,643,183				
Five years later	3,081,380	6,094,953	3,103,844	4,894,789	4,849,355					
Six years later	3,249,970	6,265,087	3,166,662	5,124,129						
Seven years later	3,317,548	5,858,308	3,195,849							
Eight years later	3,413,338	5,984,201								
Nine years later	3,325,249									
Increase/(Decrease) in estimated incurred claims and expenses										
End of policy year	2,285,722	4,523,618	2,258,451	3,403,972	2,605,725	1,976,274	2,361,188	1,619,742	980,845	-

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, 2018
LAST 10 FISCAL YEARS[^]

Fiscal Year	2017-18		2016-17		2015-16		2014-15	
	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police
TOTAL PENSION LIABILITY								
Service Cost	\$ 2,873,548	\$ 5,171,913	\$ 2,135,480	\$ 4,462,598	\$ 2,197,484	\$ 4,440,981	\$ 2,331,545	\$ 4,932,982
Interest on Total Pension Liability	7,282,974	18,658,643	6,801,939	17,933,618	6,445,778	17,475,350	6,154,034	17,097,550
Changes of Benefit Terms	-	-	-	-	-	-	-	-
Difference between Expected and Actual Experience	489,759	(2,807)	(996,921)	(4,299,665)	(1,789,044)	(5,739,808)	-	-
Changes of Assumptions	6,388,079	16,117,523	-	-	(1,686,636)	(4,436,648)	-	-
Benefit Payments, Including Refunds of Employee Contributions	(3,361,268)	(12,772,896)	(3,116,204)	(11,890,953)	(2,803,130)	(11,383,179)	(2,673,091)	(10,895,705)
Net Change in Total Pension Liability	13,673,092	27,172,376	4,824,294	6,205,598	2,364,452	356,696	5,812,488	11,134,827
Total Pension Liability - Beginning	95,225,794	248,645,813	90,401,500	242,440,215	88,037,048	242,083,519	82,224,560	230,948,692
Total Pension Liability - Ending (a)	108,898,886	275,818,189	95,225,794	248,645,813	90,401,500	242,440,215	88,037,048	242,083,519
PLAN FIDUCIARY NET POSITION								
Contributions - Employer	3,232,477	7,798,560	2,635,818	6,462,584	2,037,528	5,540,793	2,010,590	5,285,903
Contributions - Employee	1,331,850	1,625,541	1,339,737	1,512,655	987,786	1,350,215	959,420	1,375,826
Net Investment Income	7,844,830	18,439,075	375,028	800,238	1,500,373	3,733,737	9,911,526	25,664,291
Benefit Payments, Including Refunds of Employee Contributions	(3,361,268)	(12,772,896)	(3,116,204)	(11,890,953)	(2,803,130)	(11,383,179)	(2,673,091)	(10,895,705)
Net Plan to Plan Resource Movement	-	-	365	19,216	-	-	-	-
Administrative Expense	(102,919)	(245,410)	(41,756)	(103,251)	(77,059)	(190,690)	-	-
Net Change in Fiduciary Net Position	8,944,970	14,844,870	1,192,988	(3,199,511)	1,645,498	(949,124)	10,208,445	21,430,315
Plan Fiduciary Net Position - Beginning	69,707,970	166,218,290	68,514,982	169,417,801	66,869,484	170,366,925	56,661,039	148,936,610
Plan Fiduciary Net Position - Ending (b)	78,652,940	181,063,160	69,707,970	166,218,290	68,514,982	169,417,801	66,869,484	170,366,925
Plan Net Pension Liability/(Asset) - Ending (a)-(b)	<u>\$ 30,245,946</u>	<u>\$ 94,755,029</u>	<u>\$ 25,517,824</u>	<u>\$ 82,427,523</u>	<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	72.23%	65.65%	73.20%	66.85%	75.79%	69.88%	75.96%	70.38%
Covered Employee Payroll*	\$ 18,618,295	\$ 16,214,420	\$ 15,300,421	\$ 15,715,033	\$ 15,513,480	\$ 15,494,316	\$ 15,831,777	\$ 16,589,818
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	162.45%	584.39%	166.78%	524.51%	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 the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* For the year ending on the measurement date

[^] Fiscal year 2015 was the 1st year of implementation

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, 2018
LAST 10 FISCAL YEARS^

Fiscal Year	2017-18		2016-17		2015-16		2014-15	
	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police
Actuarially Determined Contribution	\$ 3,133,731	\$ 8,260,675	\$ 3,231,650	\$ 7,799,085	\$ 2,635,818	\$ 6,462,584	\$ 2,037,528	\$ 5,540,793
Contributions in Relation to the Actuarially Determined Contribution	3,133,731	8,260,675	3,231,650	7,799,085	2,635,818	6,462,584	2,037,528	5,540,793
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll*	\$ 20,577,688	\$ 18,758,911	\$ 19,120,162	\$ 17,091,655	\$ 16,519,247	\$ 16,062,098	\$ 13,444,769	\$ 14,664,280
Contributions as a Percentage of Covered-Employee Payroll	15.23%	44.04%	16.90%	45.63%	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 2017-18 were from the June 30, 2015 Valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2015 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2015 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 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

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, 2018
LAST 10 FISCAL YEARS^

Fiscal Year Measurement Date	Fire (Tier 1 & Tier 2)			
	2017-18 06/30/2017	2016-17 06/30/2016	2015-16 06/30/2015	2014-15 06/30/2014
City's Proportion of the Net Pension Liability	0.580096%	0.600385%	0.643619%	0.641945%
City's Proportionate Share of the Net Pension Liability	\$ 57,529,594	\$ 51,951,899	\$ 44,177,449	\$ 39,944,785
City's Covered - Employee Payroll*	9,636,368	9,436,688	9,158,594	9,531,935
City's Proportionate Share of the Net Pension Liability as a percentage of Covered Payroll	597.00%	550.53%	482.36%	419.06%
Plan's Fiduciary Net Position as a percentage of the Plan's Total Pension Liability	73.31%	74.06%	78.40%	79.82%

^Fiscal year 2015 was the 1st year of implementation

* 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, 2018
LAST 10 FISCAL YEARS^

Fiscal Year	Fire (Tier 1 & Tier 2)			
	2017-18	2016-17	2015-16	2014-15
Actuarially Determined Contribution	\$ 5,440,481	\$ 5,132,440	\$ 4,732,759	\$ 3,811,507
Contributions in Relation to the Actuarially Determined Contribution	16,741,091	5,132,440	4,732,759	3,811,507
Contribution Deficiency (Excess)	\$ (11,300,610)	\$ -	\$ -	\$ -
City's Covered-Employee Payroll*	\$ 9,763,022	\$ 9,636,368	\$ 9,436,688	\$ 9,158,594
Contributions as a Percentage of Covered-Employee Payroll	171.47%	53.26%	50.15%	41.62%

^Fiscal year 2015 was the 1st year of implementation

*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, 2018
LAST 10 FISCAL YEARS[^]

Fiscal Year	2017-18	2016-17	2015-16
CHANGE IN TOTAL PENSION LIABILITY			
Service Cost	\$ 279,000	\$ 336,000	\$ 436,000
Interest	537,000	655,000	676,000
Changes of Benefit Terms	-	531,000	-
Difference between Expected and Actual Experience	2,172,000	-	-
Changes of Assumptions	(106,000)	-	-
Benefit Payments, Including Refunds of Employee Contributions	(3,508,000)	(87,000)	(3,139,000)
Net Change in Total Pension Liability	(626,000)	1,435,000	(2,027,000)
Total Pension Liability - Beginning	20,404,000	18,969,000	20,996,000
Total Pension Liability - Ending (a)	19,778,000	20,404,000	18,969,000
CHANGE IN PLAN FIDUCIARY NET POSITION			
Contributions - Employer	1,654,000	1,483,000	1,340,000
Contributions - Employee	69,000	82,000	77,000
Net Investment Income	(506,000)	84,000	(85,000)
Benefit Payments, Including Refunds of Employee Contributions	(3,508,000)	(87,000)	(3,139,000)
Administrative Expense	(75,000)	(83,000)	(100,000)
Net Change in Fiduciary Net Position	(2,366,000)	1,479,000	(1,907,000)
Plan Fiduciary Net Position - Beginning	5,026,000	3,547,000	5,454,000
Plan Fiduciary Net Position - Ending (b)	2,660,000	5,026,000	3,547,000
Plan Net Pension Liability/(Asset) - Ending (a)-(b)	<u><u>\$ 17,118,000</u></u>	<u><u>\$ 15,378,000</u></u>	<u><u>\$ 15,422,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	13.45%	24.63%	18.70%
Covered Employee Payroll*	\$ 1,649,359	\$ 1,461,000	\$ 1,738,432
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	1037.86%	1052.57%	887.12%

* For the year ending on the measurement date

[^] Fiscal year 2016 was the 1st year of implementation

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, 2017 valuation date.

Changes in Assumptions: The discount rate was updated since the last measurement date August 31, 2016 from 2.84% to 3.40%. Mortality, termination, and disability rates were updated from the CalPERS 1997-2011 experience study to the CalPERS 1997-2015 experience study. Mortality improvements were updated from modified scale MP-2014 to MP-2017. Interest rate for lump sum was updated from 1.50% to 1.00%.

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, 2018
LAST 10 FISCAL YEARS[^]

Fiscal Year	2017-18*	2016-17*	2015-16*
Actuarially Determined Contribution	\$ 1,932,000	\$ 1,583,000	\$ 1,520,000
Contributions in Relation to the Actuarially Determined Contribution	1,614,000	1,571,000	1,107,000
Contribution Deficiency (Excess)	<u>\$ 318,000</u>	<u>\$ 12,000</u>	<u>\$ 413,000</u>
City's Covered-Employee Payroll**	\$ 1,693,493	\$ 1,796,000	\$ 1,872,000
Contributions as a Percentage of Covered-Employee Payroll	95.31%	87.47%	59.13%

[^]Fiscal year 2016 was the 1st year of implementation

*Rounded to the nearest thousand of a dollar

**For the fiscal year ending on the date shown

Notes to Schedules

Actuarial Methods and Assumptions:

Valuation Date	September 1, 2017
Actuarial Cost Method	Individual Aggregate Cost Method
Amortization Method/Period	N/A
Asset Valuation Method	Cash value as reported by New York Life Investment Management LLC
Discount Rate	5.00%
Salary Increases	2.00%
Mortality	2017 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 0.75% interest

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY
AND RELATED RATIOS AS OF MEASUREMENT DATE
LAST 10 YEARS[^]

	Fiscal Year End
	06/30/18
Measurement Date	06/30/17
Changes in total OPEB liability	
Service cost	\$ 1,209,000
Interest	951,000
Difference between actual and expected experience	-
Assumption changes	(1,765,000)
Benefit payments including refunds	(861,000)
Changes in benefits terms	-
Net changes in total OPEB liability	<u>(466,000)</u>
Total OPEB liability - beginning of year	22,341,000
Total OPEB liability - end of year	<u><u>\$ 21,875,000</u></u>
Changes in plan fiduciary net position	
Contributions - employer	\$ 1,111,000
Contributions - employee	-
Net investment income	171,000
Benefit payments and refunds	(861,000)
Administrative expenses	(1,000)
Other changes	-
Net changes in plan fiduciary net position	<u>\$ 420,000</u>
Plan fiduciary net position - beginning of year	1,479,000
Plan fiduciary net position - end of year	<u><u>\$ 1,899,000</u></u>
Net OPEB liability	
Total OPEB liability	\$ 21,875,000
Plan fiduciary net position	<u>1,899,000</u>
Net OPEB liability	<u>\$ 19,976,000</u>
Net OPEB liability funded percentage	8.7%
Covered employee payroll *	\$ 48,821,000
Net OPEB liability as a percent of covered-employee payroll	40.9%

[^] Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

* For the year ending on the measurement date.

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
AS OF JUNE 30, 2018
LAST 10 YEARS[^]

Contributions for the fiscal year ended:	06/30/18
Actuarially determined contribution (ADC)	\$ 2,188,000
Contributions in relation to the actuarially determined contribution	1,165,000
Contribution deficiency (excess)	<u>\$ 1,023,000</u>
City's covered-employee payroll *	\$ 51,530,000
Contributions as a percentage of covered-employee payroll	2.3%

[^] Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

* For the fiscal year ended on the date shown.

Significant Actuarial Methods and Assumptions used for Actuarially Determined Contributions:

Valuation date	June 30, 2017
Actuarially determined contribution	2017/18 Fiscal Year
Actuarial cost method	Entry age normal, level percentage of payroll.
Amortization method	Level percentage of payroll.
Remaining amortization method	Approximately 14.5 years remaining as of June 30,
Assets valuation method	Investment gains and losses spread over 5-year rolling
Discount rate	6.75%
General inflation	2.75%
Medical Trend	Non-Medicare – 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
	Medicare – 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Mortality Improvement	Mortality projected fully generational with Scale MP- 2017

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.

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.

Municipal Art - This fund accounts for revenues received from a 0.5% charge on certain City capital improvement projects. Funds are designated for spending on public art to be located in public places throughout the City.

Measure X Transport Safety & Inv Plan Fund - This fund accounts for revenues allocated by TAMC from the transportation sales and use tax. Expenditures are restricted to road improvements, pothole repairs, street and road maintenance, traffic deduction and regional safety, mobility and walkability.

SB1 Road Maintenance & Rehab & SB1 Traffic Congestion Relief - This fund accounts for gas tax revenues received from State apportionments of an increased tax on gasoline and a new vehicle license fee from Senate Bill 1 (SB 1), the Road Repair and Accountability Act of 2017. Expenditures are restricted to street maintenance and street improvements including facilities for bicycles and pedestrians. 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.

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.

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.

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

CITY OF SALINAS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Emergency Medical Services	Asset Seizure	Lighting, Landscape and Maintenance District	Local Public Safety	Gas Tax	Traffic Safety	Vehicle Abatement	Recreation Parks	Cable
ASSETS									
Cash and investments	\$ 825,360	\$ 80,598	\$ 5,765,759	\$ 825,824	\$ 1,621,465	\$ 17,761	\$ 349,159	\$ 42,944	\$ 426,017
Receivables, net:									
Accrued interest	3,116	501	26,321	2,838	9,905	-	-	-	-
Due from outside agencies	-	-	-	-	241,849	37,558	-	-	44,049
Loan receivables	-	-	-	-	-	-	-	-	-
Land and properties held for resale	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 828,476</u>	<u>\$ 81,099</u>	<u>\$ 5,792,080</u>	<u>\$ 828,662</u>	<u>\$ 1,873,219</u>	<u>\$ 55,319</u>	<u>\$ 349,159</u>	<u>\$ 42,944</u>	<u>\$ 470,066</u>
LIABILITIES									
Accounts payable	\$ 43,479	\$ -	\$ 81,930	\$ 1,228	\$ -	\$ -	\$ 6,135	\$ 868	\$ 1,626
Due to other funds	5,354	-	39,500	-	55,450	-	-	1,367	-
Unearned revenues	-	-	-	-	-	-	-	-	-
Total liabilities	<u>48,833</u>	<u>-</u>	<u>121,430</u>	<u>1,228</u>	<u>55,450</u>	<u>-</u>	<u>6,135</u>	<u>2,235</u>	<u>1,626</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenues - housing loans	-	-	-	-	-	-	-	-	-
Unavailable revenues - grants	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	<u>779,643</u>	<u>81,099</u>	<u>5,670,650</u>	<u>827,434</u>	<u>1,817,769</u>	<u>55,319</u>	<u>343,024</u>	<u>40,709</u>	<u>468,440</u>
Total fund balances	<u>779,643</u>	<u>81,099</u>	<u>5,670,650</u>	<u>827,434</u>	<u>1,817,769</u>	<u>55,319</u>	<u>343,024</u>	<u>40,709</u>	<u>468,440</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 828,476</u>	<u>\$ 81,099</u>	<u>\$ 5,792,080</u>	<u>\$ 828,662</u>	<u>\$ 1,873,219</u>	<u>\$ 55,319</u>	<u>\$ 349,159</u>	<u>\$ 42,944</u>	<u>\$ 470,066</u>

CITY OF SALINAS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Municipal Art	Measure X Transport Safety & Inv Plan	SB1 Road Maintenance & Rehab	SB1 Traffic Congestion Relief	SRA Public Impvt Grant	Affordable Housing	Housing and Urban Development Grant	Grants	Total
ASSETS									
Cash and investments	\$ 23,103	\$ 2,958,226	\$ 607,364	\$ 184,700	\$ 1,547,085	\$ 808,815	\$ 207,508	\$ 1,946,873	\$ 18,238,561
Receivables, net:									
Accrued interest	56	1,836	2,059	-	6,900	997,123	-	-	1,050,655
Due from outside agencies	-	972,333	344,353	-	-	-	1,521,979	378,178	3,540,299
Loan receivables	-	-	-	-	-	16,571	260,062	-	276,633
Land and properties held for resale	-	-	-	-	850,000	1,657,553	-	-	2,507,553
Total assets	<u>\$ 23,159</u>	<u>\$ 3,932,395</u>	<u>\$ 953,776</u>	<u>\$ 184,700</u>	<u>\$ 2,403,985</u>	<u>\$ 3,480,062</u>	<u>\$ 1,989,549</u>	<u>\$ 2,325,051</u>	<u>\$ 25,613,701</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,674	\$ 248,608	\$ 357,042	\$ 744,590
Due to other funds	-	8,562	-	-	-	-	1,273,371	333,090	1,716,694
Unearned revenues	-	-	-	-	-	976,713	-	-	976,713
Total liabilities	<u>-</u>	<u>8,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>980,387</u>	<u>1,521,979</u>	<u>690,132</u>	<u>3,437,997</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenues - housing loans	-	-	-	-	-	16,571	260,062	-	276,633
Unavailable revenues - grants	-	-	-	-	-	-	-	125,879	125,879
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,571</u>	<u>260,062</u>	<u>125,879</u>	<u>402,512</u>
FUND BALANCE									
Nonspendable	-	-	-	-	850,000	1,674,124	-	-	2,524,124
Restricted	<u>23,159</u>	<u>3,923,833</u>	<u>953,776</u>	<u>184,700</u>	<u>1,553,985</u>	<u>808,980</u>	<u>207,508</u>	<u>1,509,040</u>	<u>19,249,068</u>
Total fund balances	<u>23,159</u>	<u>3,923,833</u>	<u>953,776</u>	<u>184,700</u>	<u>2,403,985</u>	<u>2,483,104</u>	<u>207,508</u>	<u>1,509,040</u>	<u>21,773,192</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 23,159</u>	<u>\$ 3,932,395</u>	<u>\$ 953,776</u>	<u>\$ 184,700</u>	<u>\$ 2,403,985</u>	<u>\$ 3,480,062</u>	<u>\$ 1,989,549</u>	<u>\$ 2,325,051</u>	<u>\$ 25,613,701</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Emergency Medical Services	Asset Seizure	Lighting, Landscape and Maintenance District	Local Public Safety	Gas Tax	Traffic Safety	Vehicle Abatement	Recreation Parks	Cable
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ 300,978	\$ -	\$ -	\$ -	\$ -	\$ 146,903
Taxes - special assessments	-	-	1,621,667	-	-	-	-	-	-
Intergovernmental	135,938	24,784	7,000	512,950	3,039,393	-	128,428	-	-
Charges for services	-	-	61,429	-	-	-	-	-	-
Interest	9,319	1,452	64,811	7,268	22,998	-	-	-	-
Rental income	-	-	-	-	165,374	-	-	30,424	-
Fines and forfeits	-	-	-	-	-	470,067	-	-	-
Contributions	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	145,257	26,236	1,754,907	821,196	3,227,765	470,067	128,428	30,424	146,903
EXPENDITURES									
Current:									
General government	-	-	43,853	-	-	-	-	-	99,540
Public safety	990,172	18,639	-	905,450	-	-	184,039	23,564	-
Public works	-	-	1,266,295	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-
Capital outlay	10,660	-	-	-	-	-	-	-	46,856
Total expenditures	1,000,832	18,639	1,310,148	905,450	-	-	184,039	23,564	146,396
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(855,575)	7,597	444,759	(84,254)	3,227,765	470,067	(55,611)	6,860	507
OTHER FINANCING SOURCES (USES)									
Operating transfers in	640,000	-	-	-	-	-	50,000	-	-
Operating transfers out	(24,462)	-	(354,928)	-	(3,072,008)	(533,282)	-	(15,349)	-
Total other financing sources (uses)	615,538	-	(354,928)	-	(3,072,008)	(533,282)	50,000	(15,349)	-
NET CHANGE IN FUND BALANCES	(240,037)	7,597	89,831	(84,254)	155,757	(63,215)	(5,611)	(8,489)	507
FUND BALANCES, BEGINNING OF YEAR	1,019,680	73,502	5,580,819	911,688	1,662,012	118,534	348,635	49,198	467,933
FUND BALANCES, END OF YEAR	\$ 779,643	\$ 81,099	\$ 5,670,650	\$ 827,434	\$ 1,817,769	\$ 55,319	\$ 343,024	\$ 40,709	\$ 468,440

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Municipal Art	Measure X Transport Safety & Inv Plan	SB1 Road Maintenance & Rehab	SB1 Traffic Congestion Relief	SRA Public Improvement Grant	Affordable Housing	Housing and Urban Development Grant	Grants	Total
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 447,881
Taxes - special assessments	-	-	-	-	-	-	-	-	1,621,667
Intergovernmental	-	4,887,167	952,002	184,700	-	-	3,771,110	5,965,721	19,609,193
Charges for services	23,139	-	-	-	-	-	-	(11,342)	73,226
Interest	20	634	1,774	-	18,133	10,166	28	-	136,603
Rental income	-	-	-	-	-	-	-	34,492	230,290
Fines and forfeits	-	-	-	-	-	-	-	-	470,067
Contributions	-	-	-	-	-	-	-	99,613	99,613
Miscellaneous	-	-	-	-	-	116,419	356,783	11	473,213
Total revenues	23,159	4,887,801	953,776	184,700	18,133	126,585	4,127,921	6,088,495	23,161,753
EXPENDITURES									
Current:									
General government	-	-	-	-	-	160,176	3,539,386	-	3,842,955
Public safety	-	-	-	-	-	-	-	1,735,234	3,857,098
Public works	-	-	-	-	-	-	-	13,064	1,279,359
Library	-	-	-	-	-	-	-	227,980	227,980
Capital outlay	-	-	-	-	-	-	1,830	2,601,444	2,660,790
Total expenditures	-	-	-	-	-	160,176	3,541,216	4,577,722	11,868,182
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	23,159	4,887,801	953,776	184,700	18,133	(33,591)	586,705	1,510,773	11,293,571
OTHER FINANCING SOURCES (USES)									
Operating transfers in	-	-	-	-	-	-	-	-	690,000
Operating transfers out	-	(741,183)	-	-	-	-	(584,184)	(6,298)	(5,331,694)
Total other financing sources (uses)	-	(741,183)	-	-	-	-	(584,184)	(6,298)	(4,641,694)
NET CHANGE IN FUND BALANCES	23,159	4,146,618	953,776	184,700	18,133	(33,591)	2,521	1,504,475	6,651,877
FUND BALANCES, BEGINNING OF YEAR	-	(222,785)	-	-	2,385,852	2,516,695	204,987	4,565	15,121,315
FUND BALANCES, END OF YEAR	\$ 23,159	\$ 3,923,833	\$ 953,776	\$ 184,700	\$ 2,403,985	\$ 2,483,104	\$ 207,508	\$ 1,509,040	\$ 21,773,192

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:

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%.

Certificates of Participation (2005 A & B) 2015 Refunding 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.

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 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.

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, 2018

	COP 1999 & 2004 Consolidation (2014)	Energy Improvement Lease	COP 2005 A & B 2015 Refunding	Assessment District Administration	Assessment District Debt Service	Assessment District Reserve	Totals
ASSETS							
Cash and investments	\$ 1,571,134	\$ 33,925	\$ 82,379	\$ -	\$ 910,803	\$ 1,970,736	\$ 4,568,977
Receivables:							
Accrued interest	7,067	167	390	-	-	9,959	17,583
Assessments	-	-	-	-	3,775,000	-	3,775,000
Restricted cash and investments	-	-	-	-	138,738	-	138,738
Total assets	<u>\$ 1,578,201</u>	<u>\$ 34,092</u>	<u>\$ 82,769</u>	<u>\$ -</u>	<u>\$ 4,824,541</u>	<u>\$ 1,980,695</u>	<u>\$ 8,500,298</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ 13,267	\$ -	\$ -	\$ 13,267
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,267</u>	<u>-</u>	<u>-</u>	<u>13,267</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - special assessment receivable	-	-	-	-	3,775,000	-	3,775,000
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,775,000</u>	<u>-</u>	<u>3,775,000</u>
FUND BALANCE							
Restricted	1,521,982	34,092	82,769	-	1,049,541	1,980,695	4,669,079
Committed	56,219	-	-	-	-	-	56,219
Unassigned	-	-	-	(13,267)	-	-	(13,267)
Total fund balance	<u>1,578,201</u>	<u>34,092</u>	<u>82,769</u>	<u>(13,267)</u>	<u>1,049,541</u>	<u>1,980,695</u>	<u>4,712,031</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 1,578,201</u>	<u>\$ 34,092</u>	<u>\$ 82,769</u>	<u>\$ -</u>	<u>\$ 4,824,541</u>	<u>\$ 1,980,695</u>	<u>\$ 8,500,298</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	COP 1999 & 2004 Consolidation (2014)	Energy Improvement Lease	COP 2005 A & B 2015 Refunding	Assessment District Administration	Assessment District Debt Service	Assessment District Reserve	Totals
REVENUES							
Taxes - special assessments	\$ -	\$ -	\$ -	\$ -	\$ 893,315	\$ -	\$ 893,315
Charges for services	-	-	-	15,739	-	-	15,739
Interest	19,499	6,551	1,535	-	1,611	31,483	60,679
Total revenues	19,499	6,551	1,535	15,739	894,926	31,483	969,733
EXPENDITURES							
Debt service:							
Principal retirement	137,000	869,830	540,000	-	985,000	-	2,531,830
Interest and fiscal charges	93,123	639,725	157,932	-	113,649	-	1,004,429
Total expenditures	230,123	1,509,555	697,932	-	1,098,649	-	3,536,259
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(210,624)	(1,503,004)	(696,397)	15,739	(203,723)	31,483	(2,566,526)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	1,508,273	697,872	-	451,684	-	2,657,829
Operating transfers out	(45,421)	-	-	-	-	(451,684)	(497,105)
Total other financing sources (uses)	(45,421)	1,508,273	697,872	-	451,684	(451,684)	2,160,724
NET CHANGE IN FUND BALANCES	(256,045)	5,269	1,475	15,739	247,961	(420,201)	(405,802)
FUND BALANCES, BEGINNING OF YEAR	1,834,246	28,823	81,294	(29,006)	801,580	2,400,896	5,117,833
FUND BALANCES, END OF YEAR	\$ 1,578,201	\$ 34,092	\$ 82,769	\$ (13,267)	\$ 1,049,541	\$ 1,980,695	\$ 4,712,031

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, 2018**

	Special Aviation	Assessment District Project	Capital Projects	Totals
ASSETS				
Cash and investments	\$ 1,428,973	\$ 396,737	\$ 2,000,000	\$ 3,825,710
Receivables, net:				
Accrued interest	6,288	1,725	-	8,013
Due from outside agencies	46,283	-	-	46,283
Due from other funds	-	-	2,514,195	2,514,195
Total assets	<u>\$ 1,481,544</u>	<u>\$ 398,462</u>	<u>\$ 4,514,195</u>	<u>\$ 6,394,201</u>
LIABILITIES				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,514,195</u>	<u>\$ 2,514,195</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>2,514,195</u>	<u>2,514,195</u>
FUND BALANCE				
Restricted	1,441,756	398,462	-	1,840,218
Committed	39,788	-	2,000,000	2,039,788
Total fund balance	<u>1,481,544</u>	<u>398,462</u>	<u>2,000,000</u>	<u>3,880,006</u>
Total liabilities and fund balances	<u>\$ 1,481,544</u>	<u>\$ 398,462</u>	<u>\$ 4,514,195</u>	<u>\$ 6,394,201</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Aviation	Assessment District Project	Capital Projects	Totals
REVENUES				
Intergovernmental	\$ 243,384	\$ -	\$ -	\$ 243,384
Interest	16,927	4,631	-	21,558
Total revenues	260,311	4,631	-	264,942
EXPENDITURES				
Current:				
Public works	260,528	-	-	260,528
Capital outlay	4,282	-	18,218,075	18,222,357
Debt service:				
Principal retirement	-	-	700,193	700,193
Interest and fiscal charges	-	-	90,118	90,118
Total expenditures	264,810	-	19,008,386	19,273,196
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,499)	4,631	(19,008,386)	(19,008,254)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	19,008,386	19,008,386
Total other financing sources (uses)	-	-	19,008,386	19,008,386
NET CHANGE IN FUND BALANCE	(4,499)	4,631	-	132
FUND BALANCE, BEGINNING OF YEAR	1,486,043	393,831	2,000,000	3,879,874
FUND BALANCE, END OF YEAR	\$ 1,481,544	\$ 398,462	\$ 2,000,000	\$ 3,880,006

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.

Fleet Maintenance Fund - This fund is used to account for the inspection, maintenance, and repair of all the City's vehicles and equipment.



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CITY OF SALINAS
COMBINING STATEMENT OF FUND NET POSITION (DEFICITS)
INTERNAL SERVICE FUNDS
JUNE 30, 2018

	Risk Management	General Insurance	Workers Compensation	General Liability	Fleet Maintenance	Total
ASSETS						
Current Assets:						
Cash and investments	\$ 1,591,838	\$ 3,794,722	\$ 4,393,950	\$ 3,675,337	\$ 613,593	\$ 14,069,440
Receivables, net						
Accrued interest	-	-	19,976	13,577	-	33,553
Due from general fund	-	-	16,748,929	-	-	16,748,929
Total current assets	1,591,838	3,794,722	21,162,855	3,688,914	613,593	30,851,922
Noncurrent Assets:						
Restricted cash and investments	-	-	315,989	149,328	-	465,317
Total noncurrent assets	-	-	315,989	149,328	-	465,317
Total assets	1,591,838	3,794,722	21,478,844	3,838,242	613,593	31,317,239
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	-	-	32,769	65,539	196,624	294,932
Related to OPEB	-	-	1,465	5,649	10,104	17,218
Total deferred outflows of resources	-	-	34,234	71,188	206,728	312,150
Total assets and deferred outflows	1,591,838	3,794,722	21,513,078	3,909,430	820,321	31,629,389
LIABILITIES						
Current Liabilities:						
Accounts payable	-	9,654	20,251	11,646	101,478	143,029
Insurance claims payable	-	-	21,386,642	1,773,353	-	23,159,995
Long term debt - due within one year	-	-	610	4,442	19,984	25,036
Total current liabilities	-	9,654	21,407,503	1,789,441	121,462	23,328,060
Noncurrent Liabilities:						
Long term debt - due in more than one year	-	-	2,440	17,767	79,938	100,145
Net pension liability	-	-	104,651	209,302	627,936	941,889
Net OPEB liability	-	-	25,114	96,862	173,254	295,230
Total noncurrent liabilities	-	-	132,205	323,931	881,128	1,337,264
Total liabilities	-	9,654	21,539,708	2,113,372	1,002,590	24,665,324
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	-	-	5,855	11,708	35,123	52,686
Related to OPEB	-	-	2,048	7,899	14,128	24,075
Total deferred inflows	-	-	7,903	19,607	49,251	76,761
NET POSITION (DEFICIT)						
Restricted	-	-	315,989	149,328	-	465,317
Unrestricted	1,591,838	3,785,068	(350,522)	1,627,123	(231,520)	6,421,987
Total net position (deficit)	\$ 1,591,838	\$ 3,785,068	\$ (34,533)	\$ 1,776,451	\$ (231,520)	\$ 6,887,304

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICIT)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Risk Management	General Insurance	Workers Compensation	General Liability	Fleet Maintenance	Total
OPERATING REVENUES						
Charges for services	\$ 350,200	\$ 863,563	\$ 4,879,227	\$ 1,813,700	\$ 175	\$ 7,906,865
Total operating revenues	350,200	863,563	4,879,227	1,813,700	175	7,906,865
OPERATING EXPENSES						
Personnel services	(101,086)	-	109,254	392,929	775,900	1,176,997
Contractual services	-	8,000	6,250	141,030	229,416	384,696
Supplies	466	-	-	-	431,122	431,588
Insurance	-	265,517	-	347,680	-	613,197
Insurance claims	-	-	3,803,869	162,660	-	3,966,529
Other	171	263,446	940,630	-	29,972	1,234,219
Total operating expenses	(100,449)	536,963	4,860,003	1,044,299	1,466,410	7,807,226
OPERATING INCOME (LOSS)	450,649	326,600	19,224	769,401	(1,466,235)	99,639
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	-	43,026	32,162	-	75,188
Total nonoperating revenues (expenses)	-	-	43,026	32,162	-	75,188
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	450,649	326,600	62,250	801,563	(1,466,235)	174,827
Transfers in	-	-	-	350,300	1,751,370	2,101,670
CHANGE IN NET POSITION	450,649	326,600	62,250	1,151,863	285,135	2,276,497
NET POSITION, BEGINNING OF YEAR	1,141,189	3,458,468	(71,952)	720,359	(345,353)	4,902,711
Prior Period Adjustment - Note 21	-	-	(24,831)	(95,771)	(171,302)	(291,904)
NET POSITION (DEFICIT), BEGINNING OF YEAR - AS RESTATED	1,141,189	3,458,468	(96,783)	624,588	(516,655)	4,610,807
NET POSITION (DEFICIT), END OF YEAR	<u>\$ 1,591,838</u>	<u>\$ 3,785,068</u>	<u>\$ (34,533)</u>	<u>\$ 1,776,451</u>	<u>\$ (231,520)</u>	<u>\$ 6,887,304</u>

CITY OF SALINAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Risk Management Fund	General Insurance Fund	Workers Compensation Fund	General Liability Fund	Fleet Maintenance Fund	Totals
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 200	\$ 207,333	\$ 27,431	\$ -	\$ 175	\$ 235,139
Receipts from interfund services provided	350,000	656,229	5,458,900	1,813,700	-	8,278,829
Payments to Suppliers	(691)	(542,267)	(982,064)	(976,943)	(635,447)	(3,137,412)
Payments to Employees	-	-	(99,553)	(283,860)	(772,827)	(1,156,240)
Payments to Claimants	-	-	(3,395,002)	-	-	(3,395,002)
Net Cash Provided (Used) by Operating Activities	349,509	321,295	1,009,712	552,897	(1,408,099)	825,314
Cash Flows from Non-Capital Financing Activities:						
Operating Transfers In	-	-	-	350,300	1,751,370	2,101,670
Net Cash Provided by (Used for) Non-Capital Financing Activities	-	-	-	350,300	1,751,370	2,101,670
Cash Flows from Investing Activities:						
Interest received	-	-	43,026	32,162	-	75,188
(Decrease) in fair value of investments	-	-	(12,063)	(7,471)	-	(19,534)
Transfer (to) from restricted cash	-	-	120,917	(48,493)	-	72,424
Net Cash Provided by (Used for) Investing Activities	-	-	151,880	(23,802)	-	128,078
Net Increase (Decrease) in Cash and Cash Equivalents	349,509	321,295	1,161,592	879,395	343,271	3,055,062
Cash and Cash Equivalents - Beginning of Year	1,242,329	3,473,427	3,232,358	2,795,942	270,322	11,014,378
Cash and Cash Equivalents - End of Year	<u><u>\$ 1,591,838</u></u>	<u><u>\$ 3,794,722</u></u>	<u><u>\$ 4,393,950</u></u>	<u><u>\$ 3,675,337</u></u>	<u><u>\$ 613,593</u></u>	<u><u>\$ 14,069,440</u></u>

CITY OF SALINAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Risk Management Fund	General Insurance Fund	Workers Compensation Fund	General Liability Fund	Fleet Maintenance Fund	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 450,649	\$ 326,600	\$ 19,224	\$ 769,401	\$ (1,466,235)	\$ 99,639
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:						
(Increase) decrease in due from general fund	-	-	607,105	-	-	607,105
(Increase) decrease in deferred outflows - pension	-	-	(8,793)	(41,563)	(6,933)	(57,289)
(Increase) decrease in deferred outflows - OPEB	-	-	(68)	(262)	(468)	(798)
Increase (decrease) in accounts payable	(54)	(5,305)	(35,184)	(626)	55,064	13,895
Increase (decrease) in insurance claims	-	-	408,866	(324,947)	-	83,919
Increase (decrease) in accrued leave	(101,086)	-	3,050	22,209	99,922	24,095
Increase (decrease) in Net pension liability	-	-	17,890	122,541	(58,493)	81,938
Increase (decrease) in Net OPEB liability	-	-	(1,114)	(4,296)	(7,684)	(13,094)
Increase (decrease) in deferred inflows - pension	-	-	(3,312)	2,541	(37,400)	(38,171)
Increase (decrease) in deferred inflows - OPEB	-	-	2,048	7,899	14,128	24,075
Total Adjustments to Net Income	(101,140)	(5,305)	990,488	(216,504)	58,136	725,675
Net Cash Provided (Used) by Operating Activities	<u>\$ 349,509</u>	<u>\$ 321,295</u>	<u>\$ 1,009,712</u>	<u>\$ 552,897</u>	<u>\$ (1,408,099)</u>	<u>\$ 825,314</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, 2018

	Successor Agency Trust			Other	
	Redevelopment Obligation Retirement Fund	Administration	Total Sucessor Agency Trust	Private Purpose Trust	Total
ASSETS					
Cash and investments	\$ 2,638,947	\$ 170,291	\$ 2,809,238	\$ 1,883,584	\$ 4,692,822
Cash and investments held by fiscal agent	1,704,203	-	1,704,203	-	1,704,203
Receivables					
Accounts	-	-	-	459,889	459,889
Interest	9,403	-	9,403	-	9,403
Loans and notes receivable	183,900	-	183,900	-	183,900
Due from outside agencies	-	16,312	16,312	-	16,312
Capital assets, net of accumulated depreciation	149,270	-	149,270	-	149,270
Total assets	<u>4,685,723</u>	<u>186,603</u>	<u>4,872,326</u>	<u>2,343,473</u>	<u>7,215,799</u>
LIABILITIES					
Accounts payable	-	4,435	4,435	92,040	96,475
Interest payable	680,337	-	680,337	-	680,337
Deposits	-	-	-	1,337	1,337
Long term debt					
Due within one year	311,947	-	311,947	-	311,947
Due in more than one year	2,693,388	-	2,693,388	-	2,693,388
Total liabilities	<u>3,685,672</u>	<u>4,435</u>	<u>3,690,107</u>	<u>93,377</u>	<u>3,783,484</u>
DEFERRED INFLOWS OF RESOURCES					
Future ROPS	2,119,881	49,062	2,168,943	-	2,168,943
Total deferred inflows of resources	<u>2,119,881</u>	<u>49,062</u>	<u>2,168,943</u>	<u>-</u>	<u>2,168,943</u>
NET POSITION (DEFICIT)					
Held in trust for benefits and other purposes	<u>\$ (1,119,830)</u>	<u>\$ 133,106</u>	<u>\$ (986,724)</u>	<u>\$ 2,250,096</u>	<u>\$ 1,263,372</u>

CITY OF SALINAS
COMBINING STATEMENT OF CHANGES IN NET POSITION (DEFICIT)
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Successor Agency Trust			Other Private Purpose Trust	Total
	Redevelopment Obligation Retirement Fund	Administration	Total Sucessor Agency Trust		
ADDITIONS					
Taxes	\$ 4,215,171	\$ 250,000	\$ 4,465,171	\$ -	\$ 4,465,171
Contributions					
Private contributions	-	-	-	2,244,898	2,244,898
Investment earnings					
Interest	91,154	-	91,154	-	91,154
Total additions	4,306,325	250,000	4,556,325	2,244,898	6,801,223
DEDUCTIONS					
Expenses	1,238,333	174,956	1,413,289	239,550	1,652,839
Payments on behalf of trustees	-	78,789	78,789	1,692,929	1,771,718
Contribution to other agencies	2,677,957	1,282	2,679,239	-	2,679,239
Total deductions	3,916,290	255,027	4,171,317	1,932,479	6,103,796
CHANGE IN NET POSITION (DEFICIT)	390,035	(5,027)	385,008	312,419	697,427
NET POSITION (DEFICIT), BEGINNING OF YEAR	(1,509,865)	138,133	(1,371,732)	1,937,677	565,945
END OF YEAR	<u>\$ (1,119,830)</u>	<u>\$ 133,106</u>	<u>\$ (986,724)</u>	<u>\$ 2,250,096</u>	<u>\$ 1,263,372</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, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Business Improvement District				
ASSETS				
Cash and investments	\$ -	\$ 96,715	\$ 90,672	\$ 6,043
Total assets	<u>\$ -</u>	<u>\$ 96,715</u>	<u>\$ 90,672</u>	<u>\$ 6,043</u>
LIABILITIES				
Deposits	\$ -	\$ 96,715	\$ 90,672	\$ 6,043
Total liabilities	<u>\$ -</u>	<u>\$ 96,715</u>	<u>\$ 90,672</u>	<u>\$ 6,043</u>
Sunrise House				
ASSETS				
Cash and investments	\$ -	\$ 51,867	\$ 51,867	\$ -
Due from other agencies	51,867	-	51,867	-
Total assets	<u>\$ 51,867</u>	<u>\$ 51,867</u>	<u>\$ 103,734</u>	<u>\$ -</u>
LIABILITIES				
Due to outside agencies	\$ 51,867	\$ -	\$ 51,867	\$ -
Total liabilities	<u>\$ 51,867</u>	<u>\$ -</u>	<u>\$ 51,867</u>	<u>\$ -</u>
Economic Development				
ASSETS				
Cash and investments	\$ 116,601	\$ 5,400	\$ 1	\$ 122,000
Total assets	<u>\$ 116,601</u>	<u>\$ 5,400</u>	<u>\$ 1</u>	<u>\$ 122,000</u>
LIABILITIES				
Deposits	\$ 116,601	\$ 5,400	\$ 1	\$ 122,000
Total liabilities	<u>\$ 116,601</u>	<u>\$ 5,400</u>	<u>\$ 1</u>	<u>\$ 122,000</u>
Salinas Valley Enterprise Zone				
ASSETS				
Cash and investments	\$ 107,965	\$ -	\$ 107,965	\$ -
Total assets	<u>\$ 107,965</u>	<u>\$ -</u>	<u>\$ 107,965</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 107,965	\$ -	\$ 107,965	\$ -
Total liabilities	<u>\$ 107,965</u>	<u>\$ -</u>	<u>\$ 107,965</u>	<u>\$ -</u>

CITY OF SALINAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Retiree Health Insurance				
ASSETS				
Cash and investments	\$ 115,692	\$ 248,063	\$ 236,092	\$ 127,663
Receivables				
Accounts	123,940	131,994	123,940	131,994
Total assets	<u>\$ 239,632</u>	<u>\$ 380,057</u>	<u>\$ 360,032</u>	<u>\$ 259,657</u>
LIABILITIES				
Accounts payable	\$ 155,865	\$ 183,667	\$ 155,865	\$ 183,667
Deposits	83,767	411,982	419,759	75,990
Total liabilities	<u>\$ 239,632</u>	<u>\$ 595,649</u>	<u>\$ 575,624</u>	<u>\$ 259,657</u>
Cafeteria Plan				
ASSETS				
Cash and investments	\$ 1	\$ -	\$ -	\$ 1
Total assets	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
LIABILITIES				
Deposits	\$ 1	\$ -	\$ -	\$ 1
Total liabilities	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
Downtown Community Benefit District				
ASSETS				
Cash and investments	\$ 854	\$ 772,008	\$ 759,042	\$ 13,820
Total assets	<u>\$ 854</u>	<u>\$ 772,008</u>	<u>\$ 759,042</u>	<u>\$ 13,820</u>
LIABILITIES				
Deposits	\$ 854	\$ 772,008	\$ 759,042	\$ 13,820
Total liabilities	<u>\$ 854</u>	<u>\$ 772,008</u>	<u>\$ 759,042</u>	<u>\$ 13,820</u>
Total - All Agency Funds				
ASSETS				
Cash and investments	\$ 341,113	\$ 1,174,053	\$ 1,245,639	\$ 269,527
Receivables				
Accounts	123,940	131,994	123,940	131,994
Due from other agencies	51,867	-	51,867	-
Total assets	<u>\$ 516,920</u>	<u>\$ 1,306,047</u>	<u>\$ 1,421,446</u>	<u>\$ 401,521</u>
LIABILITIES				
Accounts payable	\$ 263,830	\$ 183,667	\$ 263,830	\$ 183,667
Deposits	201,223	1,286,105	1,269,474	217,854
Due to outside agencies	51,867	-	51,867	-
Total liabilities	<u>\$ 516,920</u>	<u>\$ 1,469,772</u>	<u>\$ 1,585,171</u>	<u>\$ 401,521</u>

**GENERAL,
MEASURE E,
& MEASURE G FUNDS**



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CITY OF SALINAS
COMBINING BALANCE SHEET
GENERAL, MEASURE E, & MEASURE G FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Measure E</u>	<u>Measure G</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 12,802,990	\$ 4,691,154	\$ 12,020,975	\$ 29,515,119
Receivables, net				
Taxes	7,968,773	2,071,349	4,211,113	14,251,235
Accounts	117,063	-	-	117,063
Accrued interest	188,129	23,593	69,221	280,943
Due from outside agencies	75,000	-	1,400,000	1,475,000
Due from other funds	8,557,042	-	-	8,557,042
Inventory	13,604	-	-	13,604
Advances to other funds	5,460,000	-	-	5,460,000
	<u>\$ 35,182,601</u>	<u>\$ 6,786,096</u>	<u>\$ 17,701,309</u>	<u>\$ 59,670,006</u>
Total assets				
LIABILITIES				
Accounts payable	\$ 6,092,478	\$ 375,434	\$ 546,432	\$ 7,014,344
Deposits	24,096	-	-	24,096
Due to other funds	16,825,710	7,600	1,884,915	18,718,225
	<u>22,942,284</u>	<u>383,034</u>	<u>2,431,347</u>	<u>25,756,665</u>
Total liabilities				
FUND BALANCE				
Nonspendable	5,548,604	-	1,400,000	6,948,604
Committed	650,461	152,884	4,235,330	5,038,675
Assigned	6,190,321	80,214	5,890,721	12,161,256
Unassigned	(149,069)	6,169,964	3,743,911	9,764,806
	<u>12,240,317</u>	<u>6,403,062</u>	<u>15,269,962</u>	<u>33,913,341</u>
Total fund balance				
Total liabilities and fund balance	<u>\$ 35,182,601</u>	<u>\$ 6,786,096</u>	<u>\$ 17,701,309</u>	<u>\$ 59,670,006</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL, MEASURE E, & MEASURE G FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Measure E</u>	<u>Measure G</u>	<u>Total</u>
REVENUES				
Taxes	\$ 80,785,129	\$ 12,310,312	\$ 24,718,260	\$ 117,813,701
Licenses and permits	6,357,723	-	-	6,357,723
Intergovernmental	1,222,994	-	-	1,222,994
Charges for services	5,075,630	-	-	5,075,630
Interest	407,875	63,648	178,280	649,803
Rental income	378,022	-	-	378,022
Fines and forfeits	377,759	-	-	377,759
Miscellaneous	530,968	-	10,235	541,203
Total revenues	<u>95,136,100</u>	<u>12,373,960</u>	<u>24,906,775</u>	<u>132,416,835</u>
EXPENDITURES				
Current:				
General government	28,331,840	786,086	1,343,028	30,460,954
Public safety	59,737,711	3,777,439	8,870,905	72,386,055
Public works	9,879,226	796,244	1,022,782	11,698,252
Recreation	847,599	991,969	727,240	2,566,808
Library	-	4,577,667	-	4,577,667
Capital outlay	606,144	126,932	168,252	901,328
Total expenditures	<u>99,402,520</u>	<u>11,056,337</u>	<u>12,132,207</u>	<u>122,591,064</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,266,420)</u>	<u>1,317,623</u>	<u>12,774,568</u>	<u>9,825,771</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,188,730	682,400	-	3,871,130
Operating transfers out	<u>(5,781,437)</u>	<u>(2,759,928)</u>	<u>(14,135,870)</u>	<u>(22,677,235)</u>
Total other financing sources (uses)	<u>(2,592,707)</u>	<u>(2,077,528)</u>	<u>(14,135,870)</u>	<u>(18,806,105)</u>
NET CHANGE IN FUND BALANCE	<u>(6,859,127)</u>	<u>(759,905)</u>	<u>(1,361,302)</u>	<u>(8,980,334)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>19,099,444</u>	<u>7,162,967</u>	<u>16,631,264</u>	<u>42,893,675</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 12,240,317</u></u>	<u><u>\$ 6,403,062</u></u>	<u><u>\$ 15,269,962</u></u>	<u><u>\$ 33,913,341</u></u>



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