

City of Salinas
California



Basic Financial Statements
Fiscal Year Ended June 30, 2010

Basic Financial Statements

Fiscal Year Ended June 30, 2010



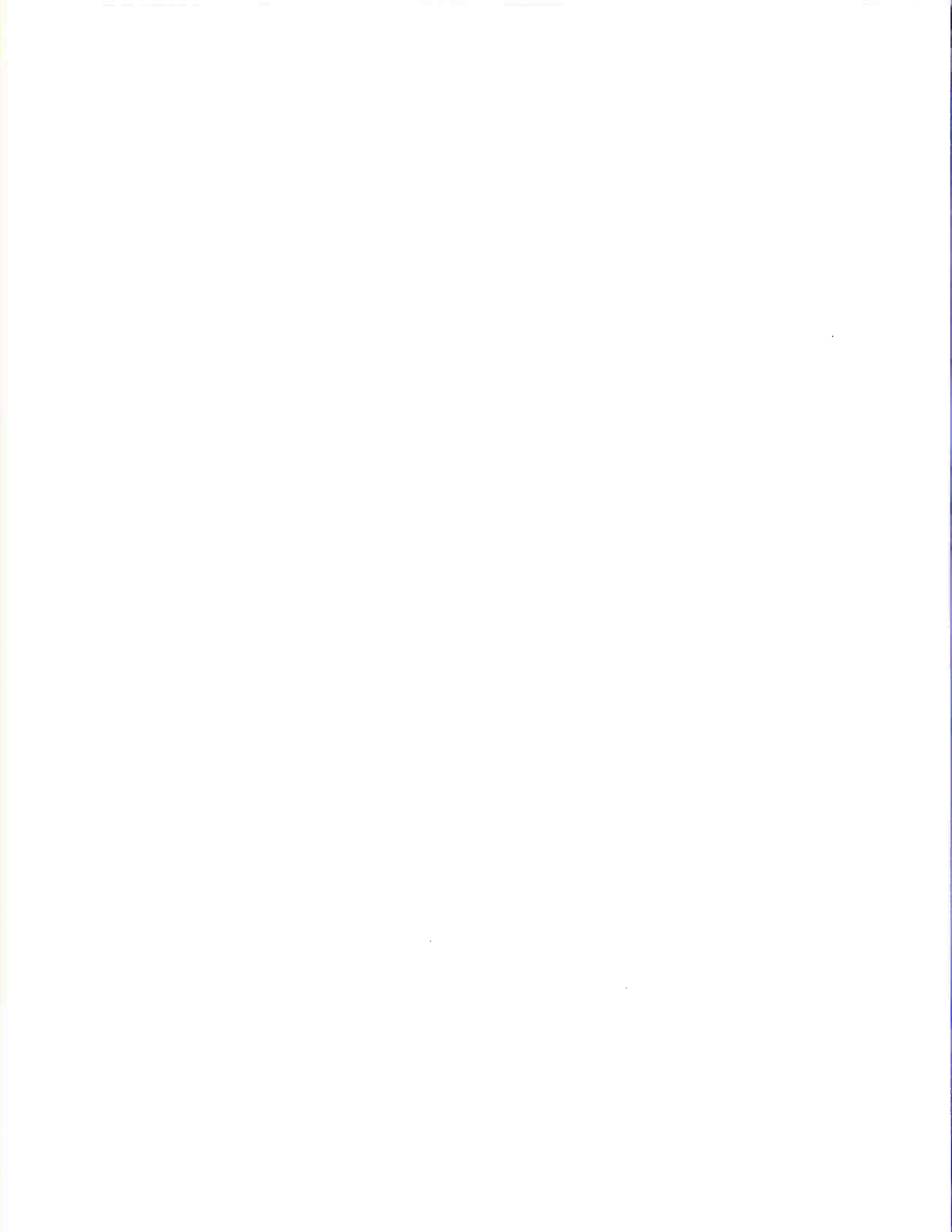
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City of Salinas

Finance Department • 200 Lincoln Avenue • Salinas, California 93901-2639 • (831) 758-7317

March 1, 2010

***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, 2010. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and are audited in accordance with generally accepted auditing standards.

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

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

McGilloway, Ray, Brown & Kaufman, a firm of certified public accountants have audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2010, 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 unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2010, 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, we have included the City's component unit, the Salinas Redevelopment Agency, because the City Council has financial accountability for this entity. Please refer to the Notes to Financial Statements for a more detailed discussion of the component units. There are no other governmental units over which the City Council has financial accountability.

The City of Salinas acts as fiscal agent for Sunrise House and the Second Chance Youth Program. Therefore, the financial information of these agencies is included in the Fiduciary Funds in the accompanying financial statements.

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

The City of Salinas is the county seat of Monterey County, and is located in the Central Coast region of California, 17 miles inland from the Monterey Bay, 325 miles north of Los Angeles and 106 miles south of San Francisco. Salinas is a charter city providing all typical City services: Public safety- police and fire, Public Works-maintenance services (streets, lighting, signals, facilities, parks and trees), development and permit services, current and advanced planning and traffic and facilities engineering, Library, Recreation and General administrative services. Business-type City services include: a Municipal Airport, Industrial Waste system, Golf (two municipal golf courses), Sanitary Sewer and Storm Drain systems, Water Utility and a Downtown Parking District. The State Department of Finance reports the City's population at 156,516, as of January 1, 2010. The City FY 2010-11 budget includes 542 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 at 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 well-equipped, fully staffed Police Department and receives additional support, as required, from the Monterey County Sheriff's Office and other regional, state and federal agencies as required.

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

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

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

- Equal Opportunity Commission
- Airport Commission
- Recreation-Parks Commission
- Library Commission
- Traffic and Transportation Commission
- Planning Commission
- Youth Commission
- Measure V Committee

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

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

FINANCIAL INFORMATION

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

Single Audit

As a recipient of Federal, State and County financial assistance, the City is responsible for providing assurance that adequate internal controls are in place to ensure compliance with applicable laws and regulations relating to these award programs. Internal controls are subject to periodic evaluation by management, the Office of the City Auditor, 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, 2010 and to provide a financial analysis of City performance.

Capital Assets and Depreciation

As of June 30, 2010, capital assets, including infrastructure assets, of the City of Salinas totaled \$588.5 million; accumulated depreciation totaled \$282.0 million, with the difference providing net capital assets of \$306.5 million. Net capital assets of the City's governmental activities

(general government) are \$169.2 million and net capital assets for the City's business-type activities (enterprise funds) are \$137.3 million.

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

During FY 2009-10, depreciation expense on capital assets of the City's governmental activities (general government) was \$8.3 million and depreciation expense on capital assets of the City's business-type activities (enterprise funds) was \$6.0 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, 2010, the City had \$93.6 million in long-term debt. Long-term debt includes liabilities for annual leave, long-term portion of Worker's Compensation claims payable, capital leases and notes and bonds payable. While the General Fund guarantees most of the City's long-term debt, other funds, agencies or property owners make the majority of principal and interest payments. Examples of other funds, agencies or property owners include, the Industrial Waste Fund, Golf Courses Fund, the Steinbeck Center, the Sanitary Sewer Fund, Salinas Redevelopment Agency property tax increments, payments from the Salinas Valley Solid Waste Authority for the installment sale of Crazy Horse landfill and payments from property owners who are included in the City's various assessment districts.

Please refer to the Note 19 for a complete discussion of the City's Long-term Debt.

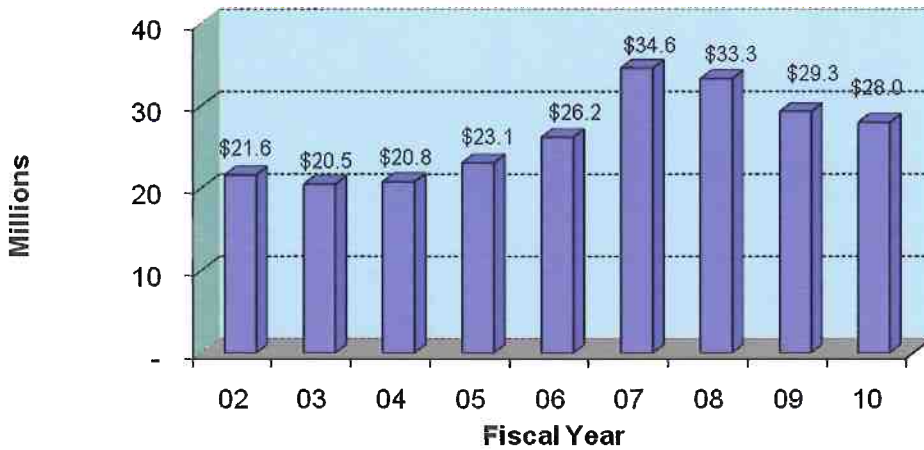
Fund Financial Statements-General Governmental Revenues

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, 2010, total revenues for general governmental functions totaled \$111,686,078, a decrease of 1.6% over the previous fiscal year.

Sales Tax

Although the City has a well-diversified economy and sales tax base, Sales tax receipts decreased for the third consecutive year. The Sales tax decreased \$1.4 million from FY 2008-09. This decline is expected to continue into FY 2010-11 as consumers continue to spend less. Sales Tax was still the largest single category of revenue this fiscal year producing 17.1% of the combined governmental fund type revenues. Transactions and Use Tax (Measure V) represents 7.9% of the combined governmental fund type revenues. Measure V transactions and use tax is a general tax and is reported as part of the General Fund. Combined, sales tax and transactions and use tax revenue total \$27,999,763 or 36.6% of General and Measure V Fund revenues.

**CITY OF SALINAS
SALES AND MEASURE V TAX**



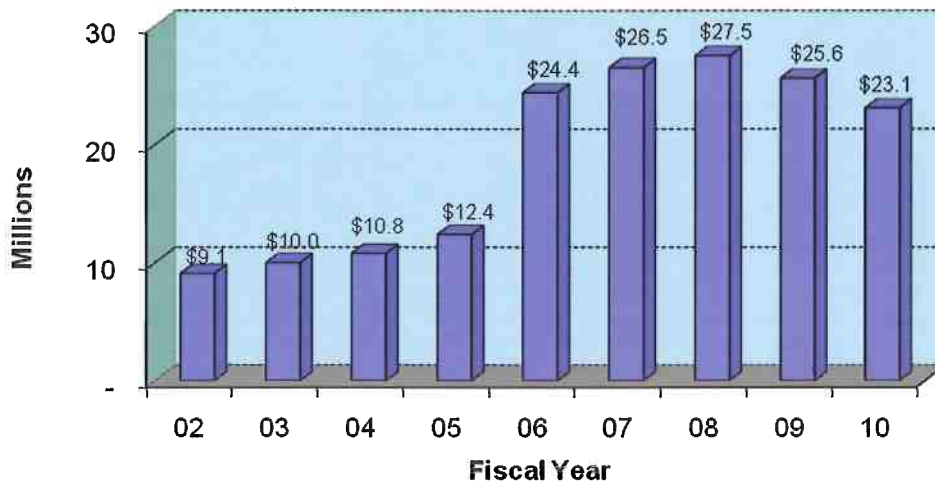
The sales tax and in-lieu sales tax receivable due from the State of California for FY 2009-10 totaled \$3,867,674 and is recorded as revenue for the year ended June 30, 2010.

On November 8, 2005, the voters of Salinas approved Measure V, a 0.50% transactions and use tax. Measure V is a general tax and is reported as part of the General Fund, although the tax is accounted for in a separate sub-fund of the General Fund.

Property Tax

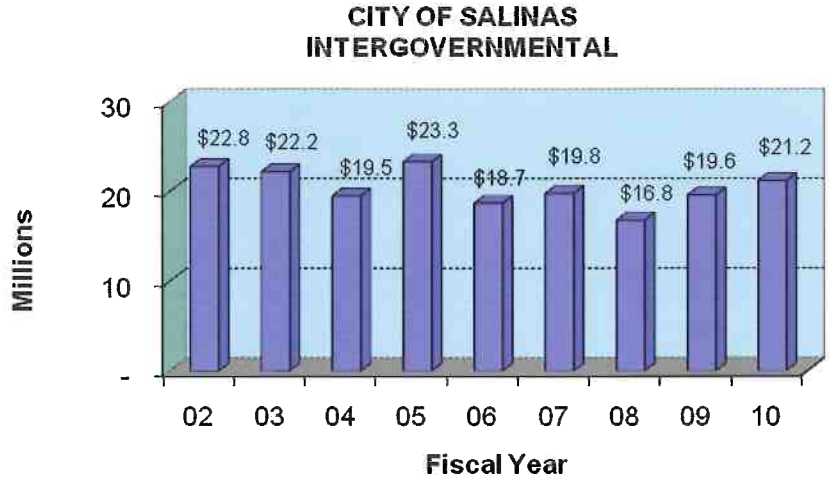
Property Tax revenue was the second largest source of revenue during this fiscal year, producing 30.2% of General and Measure V Fund revenues. Property Tax revenue includes Property Tax-In-Lieu of VLF (2/3 of vehicle license fees) of \$10,150,136 that is now determined by the City's growth in assessed property values.

**CITY OF SALINAS
PROPERTY TAX**



Intergovernmental

Intergovernmental revenue was the third largest single category of revenue during the fiscal year producing 18.9% 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.



Other Taxes

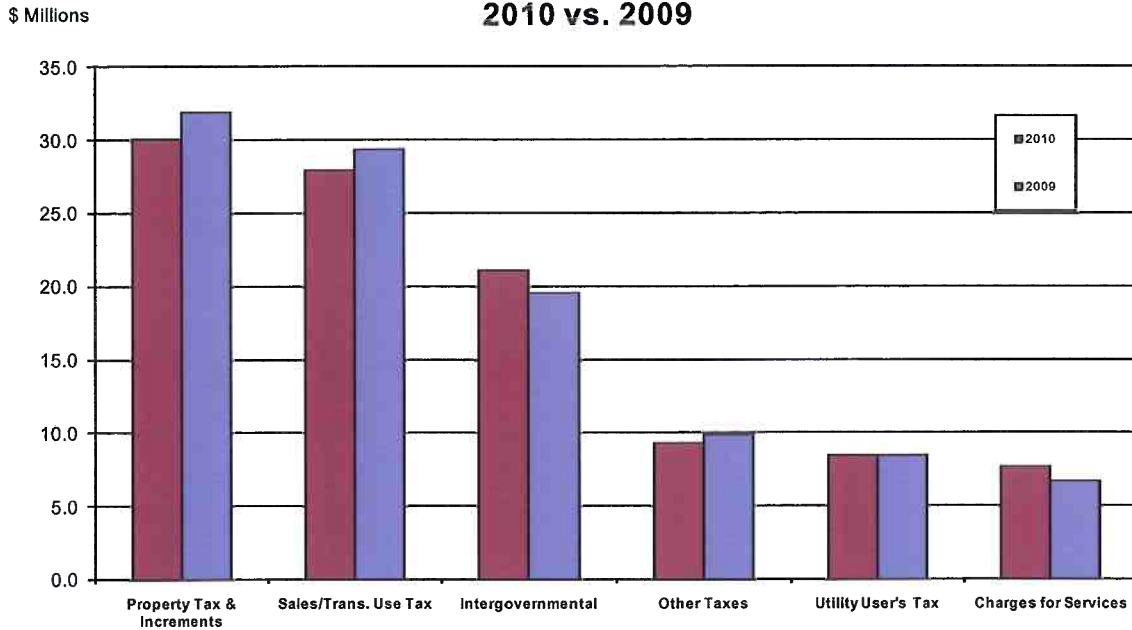
Other Taxes produced 16.0% of the combined governmental fund type revenues. Other Taxes include utility user’s tax, business license tax and franchise fees among others.

Taxes receivable total \$7,170,206 for the year ended June 30, 2010 and are further explained in Note 5 to the financial statements.

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

Source of Revenues	2010 Amounts	Percent of Total	2009 Amounts	2009 vs. 2010 Increase/(Decrease)	
				Dollars	Percent
Assessment District:					
Taxes	\$ 3,308,766	2.96%	\$ 3,354,483	\$ (45,717)	-1.36%
Property Tax	23,090,276	20.67%	25,539,640	(2,449,364)	-9.59%
Property Tax Increment	7,020,824	6.29%	6,402,803	618,021	9.65%
Sales/Transaction & Use Tax	27,999,763	25.07%	29,383,399	(1,383,636)	-4.71%
Intergovernmental	21,157,465	18.94%	19,596,433	1,561,032	7.97%
Other Taxes	9,336,055	8.36%	9,912,676	(576,621)	-5.82%
Utility User's Tax	8,494,725	7.61%	8,488,643	6,082	0.07%
Charges for Service	7,711,811	6.90%	6,745,068	966,743	14.33%
Interest	661,439	0.59%	1,536,602	(875,163)	-56.95%
Growth/Dev Fees	1,127,512	1.01%	922,691	204,821	22.20%
Miscellaneous	603,571	0.54%	677,202	(73,631)	-10.87%
Fines/Forfeitures	718,214	0.64%	810,740	(92,526)	-11.41%
Developer Contributions	435,576	0.39%	81,725	353,851	432.98%
License & Permits	20,081	0.02%	24,090	(4,009)	-16.64%
TOTAL	\$ 111,686,078	99.99%	\$ 113,476,195	\$ (1,790,117)	-1.58%

General Government Top Six Revenues 2010 vs. 2009



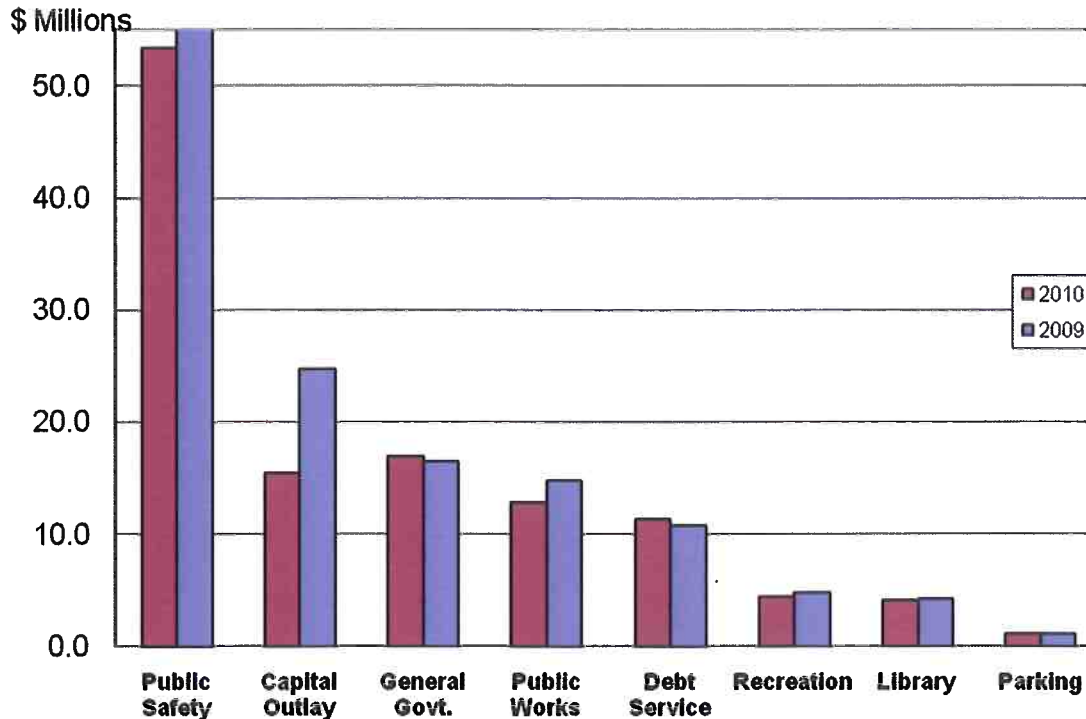
Fund Financial Statements-General Governmental Expenditures

Expenditures for governmental operations during the fiscal year ended June 30, 2010, were \$119,642,405 a decrease of 6.2% in operations and a net decrease of 11.1% in total expenditures over the previous year.

Changes in expenditures by major function are as follows:

Function	2010	Percent of Total	2009	2009 vs. 2010 Increase/(Decrease)	
				Dollars	Percent
General Government	\$ 16,997,192	14.2%	\$ 16,428,857	\$ 568,335	3.5%
Public Safety	53,440,957	44.6%	57,714,155	(4,273,198)	-7.4%
Public Works	12,821,310	10.7%	14,795,430	(1,974,120)	-13.3%
Recreation	4,481,664	3.7%	4,828,635	(346,971)	-7.2%
Library	4,067,137	3.4%	4,249,009	(181,872)	-4.3%
Parking Structure Debt	1,088,700	0.9%	1,050,000	38,700	3.7%
Subtotal Operations	92,896,960	77.5%	99,066,086	(6,169,126)	-6.2%
Capital Outlay	15,478,549	12.9%	24,778,199	(9,299,650)	-37.5%
Debt Service:					
Principal	4,331,672	3.6%	6,870,243	(2,538,571)	-37.0%
Interest	2,665,113	2.2%	2,672,257	(7,144)	-0.3%
Suspension of Housing-Set Aside	940,000	0.8%	115,566	824,434	0%
SERAF	2,230,576	1.9%		2,230,576	
Pass thru Tax	1,099,535	0.9%	1,040,812	58,723	5.6%
Total	\$ 119,642,405	99.8%	\$ 134,543,163	\$ (14,900,758)	-11.1%

General Government Expenditures 2010 vs. 2009



Operating Expenditures decreased by \$6,169,126 or 6.2% from \$99,066,086 in FY 2008-09 to \$92,896,960 in FY 2009-10.

Every expenditures category increased in comparison to the previous year as a result of higher employee costs.

Principal and interest payments decreased \$1,662,558 mainly due to the repayment from the Sunset Avenue Area Loan Advance for operations and the recognition of debt related to the Steinbeck Center.

Capital Outlay (Project) expenditures decreased \$9,299,650 or 37.5% from \$24,778,199 in FY 2008-09 to \$15,478,549 in FY 2009-10. With the economic downturn, \$4.7 million of planned General Fund, Measure V and Gas Tax capital projects were cancelled. Project cancelled included the purchase of police and fire vehicles, facility improvements, street overlays and median repairs, sidewalk repairs, and other needed infrastructure improvements. General Fund and Measure V capital projects expenditures during FY 2009-10 were limited to required payments (lease payments, computer replacements copier rentals, etc.) and use of restricted funds as follows: 1) General and Measure V Fund investments of \$1.2 million; 2) Block Grant investments of \$2.8 million for projects such as street and pedestrian lights, ADA modifications and a neighborhood stabilization program; 3) Development Impact Fee investments of \$1.4 million including storm drain, library, park, and traffic improvements ; 4) Gas Tax investments of \$1.3 million for street maintenance, traffic signals and NPDES storm drain projects; 5) Federal and State Grants of \$7.7 million including aviation and transportation grants and developer paid investments. The balance of capital projects expenditures of \$1.1 million were paid by the Redevelopment Agency, Enterprise Funds and public safety grants.

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 Downtown Parking District and the Crazy Horse Landfill Fund (which is used to account for the proceeds of the installment sale of the landfill to the Salinas Valley Solid Waste Authority).

The Enterprise Funds net assets totals \$108,830,606 at June 30, 2010.

Internal Service Funds

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

At June 30, 2010, the Internal Service Funds liabilities for estimated claims payable totaled \$9,580,301, with \$8,531,032 representing Worker's Compensation and \$1,049,269 representing General Liability.

Total Worker's Compensation insurance claims liabilities are \$10,901,491 at June 30, 2010. A portion of the liability is reported in the Internal Service Fund (\$8,531,032) and a portion is treated as long-term debt (\$2,370,459). The long-term debt portion represents future obligations of the Worker's Compensation Plan.

Fiduciary Funds

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

Private Purpose Trust Funds include net assets (deposits) of \$926,784 held by the City for Community Center and Sherwood Hall activities, MRWPCA Fees, Sales Tax, Payroll Taxes, Deposits, Construction Bonds and the like.

Pension Trust Funds held by the City of \$26,146,815 are employee deferred compensation funds.

Agency Funds are assets held by the City for Sunrise House, Second Chance Youth Program, Sherwood Hall Box Office, Employee Cafeteria Plan and Retired Employees Health Insurance Program. Agency assets held by the City total \$748,035.

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 (55.75% of investment at FMV) are invested in the State's Local Agency Investment Fund (LAIF). LAIF yielded average returns of 2.32% for fiscal year ended June 30, 2010.

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, 2010 is as follows:

Balance at cost - June 30, 2010	\$ 46,574,335
Unrealized Gain	<u>76,558</u>
Balance at fair value - June 30, 2010	<u>\$ 46,650,893</u>

Please refer to the Notes to Basic Financial Statements for a complete discussion of the City's Cash and Investments.

Property Assessment

Assessed valuation of citywide taxable properties declined \$600 million to \$8,361,701,633 representing a decrease of 6.75% over FY 2009-10.

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

	Before Redevelopment Increment	After Redevelopment Increment	Percent Change
2010-11	\$ 8,361,701,633	\$ 7,473,844,928	-6.36%
2009-10	8,966,761,801	7,981,760,147	-12.85%
2008-09	10,102,973,741	9,158,540,984	-6.07%
2007-08	10,645,974,648	9,750,295,032	7.05%
2006-07	9,926,023,729	9,107,918,547	9.66%
2005-06	8,806,009,783	8,305,434,488	12.64%
2004-05	7,799,653,100	7,373,407,370	10.98%
2003-04	7,045,521,979	6,643,698,145	5.71%
2002-03	6,590,542,785	6,284,551,441	10.31%
2001-02	5,989,470,269	5,697,145,117	9.08%
2000-01	5,488,912,290	5,222,902,081	9.39%
1999-00	5,029,395,502	4,774,694,999	7.08%

Source: Monterey County Tax Rate Book.

Significant Events and Accomplishments

Highlights of City departmental activities and accomplishments during the past year include the following:

Police Department

- Reduction of homicide rate 48% and crimes of violence rate by 13%
- Improved outreach into the community
- Reorganized due to significant personnel cutbacks without drastically reducing service
- Attracted significant federal and state resources to assist with public safety
- Implemented innovative strategies for violent crime suppression and intervention including Ceasefire strategy and Narcotics and Violent Crime Task Force

Fire Department

- Fire protection at 95% property saved value - \$54 million
- Completed Mobile Command & Communications Vehicle funded through a \$1.35 million State Homeland Security Grant
- Residents toured all six fire stations during Fire Prevention Week
- Recognized by the American Heart Association in cardiac intervention techniques
- Hosted 11 in-house State Fire Marshall certification classes

Library Department

- 563,238 visitors to three branch libraries and bookmobile
- Literacy Programs including 300 tutors and volunteers
- Ten Library Grants –totaling \$500,000
- New popular collections added
- Cesar Chavez Library Expansion – construction plans completed
- Technology innovation projects

Park & Community Services

- Armory State legislation allows for the facility to be used for public recreational uses, without the original requirement as a police station
- The Aquatic Center, Community Center and Firehouse Recreation Center were leased to third-party community groups
- Republic Services Solid Waste Franchise Agreement extended an additional ten years, additional franchise revenue, compressed natural gas garbage trucks, and bulky waste pick up
- Rancho Cielo Youth Program sidewalk agreement: provided for youth to assist with sidewalk repairs
- Renegotiated the California Rodeo Association lease which allows for the future planned conversion of the Municipal Stadium ball field into a football/soccer complex
- Youth Advisory Commission Ordinance changed allowing direct appointment by the mayor and six council members.

Community Development Department

- East Market Street utility undergrounding, pedestrian street lights, and landscape improvements
- Chinatown Revitalization Plan

- La Paz Park lighting improvements
- City-assisted Housing Developments – Sunflower Gardens and La Gloria Senior Apartments

Economic Development

- Retail Expansion
 1. Wal-Mart expansion into vacant Home Depot and reopening of Westridge Wal-Mart stores
 2. New Gold Star Motors GM/Buick auto sales facilities construction completed.
 3. J.C. Penney's \$4.5 million renovation completed
 4. Building plans completed for a new Lowe's Home Improvement Center
 5. Building plans completed for a new 105 room Hampton Inn & Suites lodging facility
- Job Creation and Retention
 1. Issuance of job vouchers resulting in \$4 million saved through tax credits
 2. Wal-Mart expansion added at least 150 new jobs
- Economic Diversification.
 1. Uni-Kool Agricultural Industrial Park Annexation added 257 acres to City
 2. Green Vehicles manufacturing facility at the Firestone Business Park
 3. Economic Development Incentive Policy

City Attorney's Office / Legal Department

- Leadership in community safety efforts to address youth and gang violence issues
- Support of Community & Economic Development Projects including contractual agreement for the Uni-Kool Agricultural Industrial Park, Green Vehicles Manufacturing, Lowe's, Soccer Complex and Armory Legislation
- City Code ordinance amendments including Taxicabs, Solid Waste, Historic Resources Board, and Residential Parking Program
- Full service coverage and litigation of varied legal matters for the City

Finance and Information Systems Department

- Delivered balanced FY 2010-11 budget
- Closed FY 2009-10 with \$1.4 million carryover
- Implemented Salinas Valley Memorial Hospital parking program
- Mobile Trakit System for Fire Inspectors
- General Mapping/Inventories/Applications
 1. Enterprise Zone
 2. Redevelopment Agency Expansion
 3. Salinas/Castroville Corridor Update
 4. Outfall/Storm drains

Labor Relations

All employee groups have approved Memorandum of Understandings (MOUs) with the City. Police Management Association (PMA) and Salinas Police Officers Association (SPOA) MOUs will expire December 31, 2011. Fire Supervisors Association (FSA) and International Association of Firefighters (IAFF) MOUs will expire June 30, 2011. All other non-safety groups' contracts will expire December 31, 2013.

Effective July 1, 2009, employee bargaining groups agreed to the following two-year concessions: non-safety employee groups deferred two four-percent salary adjustments scheduled to take place December 2009 and January 2011 for two-years and a 10% reduction in pay with corresponding reduced hours (furlough); Police Management and Salinas Police Officers Associations agreed to deferred a 5% salary adjustment scheduled to take place April 2009 to July 1, 2011 and a contribution of 2.5% of salary toward City paid health insurance premiums until July 1, 2011; Fire Supervisors Association agreed to a contribution of 7.5% of salary toward City paid health insurance premiums until July 1, 2011; International Association of Firefighters agreed to a 4.5% pay reduction and a contribution of 3.0% of salary toward City paid health insurance premiums until July 1, 2011; and the Executive Group agreed to a contribution of 10% of salary toward City paid health insurance premiums until July 1, 2011.

Most of the negotiated two-year concessions sunset July 1, 2011 with an estimated annual cost in FY 2011-12 of \$2.9 million. The non-safety employee furlough program does not have a sunset. Due to the current economic conditions, additional concessions will be required to balance the FY 2011-12 budget.

Economic Condition and Fiscal Outlook

FY 2008-09 and FY 2009-10 was an extraordinary period of economic turmoil for the country, including the City. The City's General Fund revenues have declined over 15% including property tax, sales tax, Measure V transactions and use tax, investment earnings and other revenues. Employee benefit costs continue to increase. The City's FY 2009-10 and FY 2010-11 budgets incorporated budget balancing solutions totaling \$31.8 million (36.5%) including new revenues, budget reductions and employee concessions. The budget process over the last two years included over forty public/community meetings, reviews by two public budget review committees, and an organizational assessment by Avery and Associates. The City's FY 2010-11 budget is balanced to resources.

Most economists believe the recession is over. One indication that revenue declines will flatten are sales tax receipts. The City receives 1.5% of the 8.75% sales and use tax collected on retail sales. One-percent (1%) of the sales tax is credited to the General Fund and the one half-percent (0.5%) use tax is credited to the Measure V Fund.

After eleven consecutive quarter declines that began in April 2007, sales tax is showing modest growth. Two major business groups showing improvement are Autos/Transportation (+7%) and Fuel/Service Stations (+23%). Declines continue in Building/Construction (-2%) and Business/Industry (-8%). Sales tax results in the first three quarters in 2010 are as follows:

- January through March 2010 +3.75%
- April through June 2010 +9.33%
- July through September 2010 +2.8%

The amount of property tax the City receives is determined based on growth and declines in property values. The City's property assessed values have declined for three consecutive years; FY 2008-09 through FY 2010-11. The Monterey County assessor believes that property assessed values will flatten in FY 2011-12.

Even with signs that the economy is improving, the City's FY 2011-12 General Fund Budget shortfall is projected at \$7 million. Cost increases contributing to the shortfall are:

- Employee concession/deferred salary increases that sunset July 1, 2011 - \$2.9 million
- CalPERS retirement costs - \$1.8 million
- Amounts required to fund current worker's compensation claims - \$1.5 million
- Health insurance costs - \$750,000
- Equipment lease associated with the Federally mandated New Generation radio system - \$500,000

The \$7 million shortfall estimate assumes that City revenue stabilizes and/or improves. Assumptions anticipate that property tax will stabilize and sales and MV taxes will begin to enjoy modest growth.

To address the projected FY 2011-12 shortfall, the Avery and Associates Organizational Assessment Report recommends; "In the short-term, the City will need to negotiate salary and benefit reductions as one of the few remaining areas for cost reduction." To that end, on February 1, 2011 the City Council directed staff to:

- Work with labor organizations to attempt to achieve additional fairly distributed salary and benefit reductions by all employee groups.

Without additional significant employee concessions, major service reductions and layoffs will be required to balance the FY 2011-12 Budget.

Acknowledgements

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

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

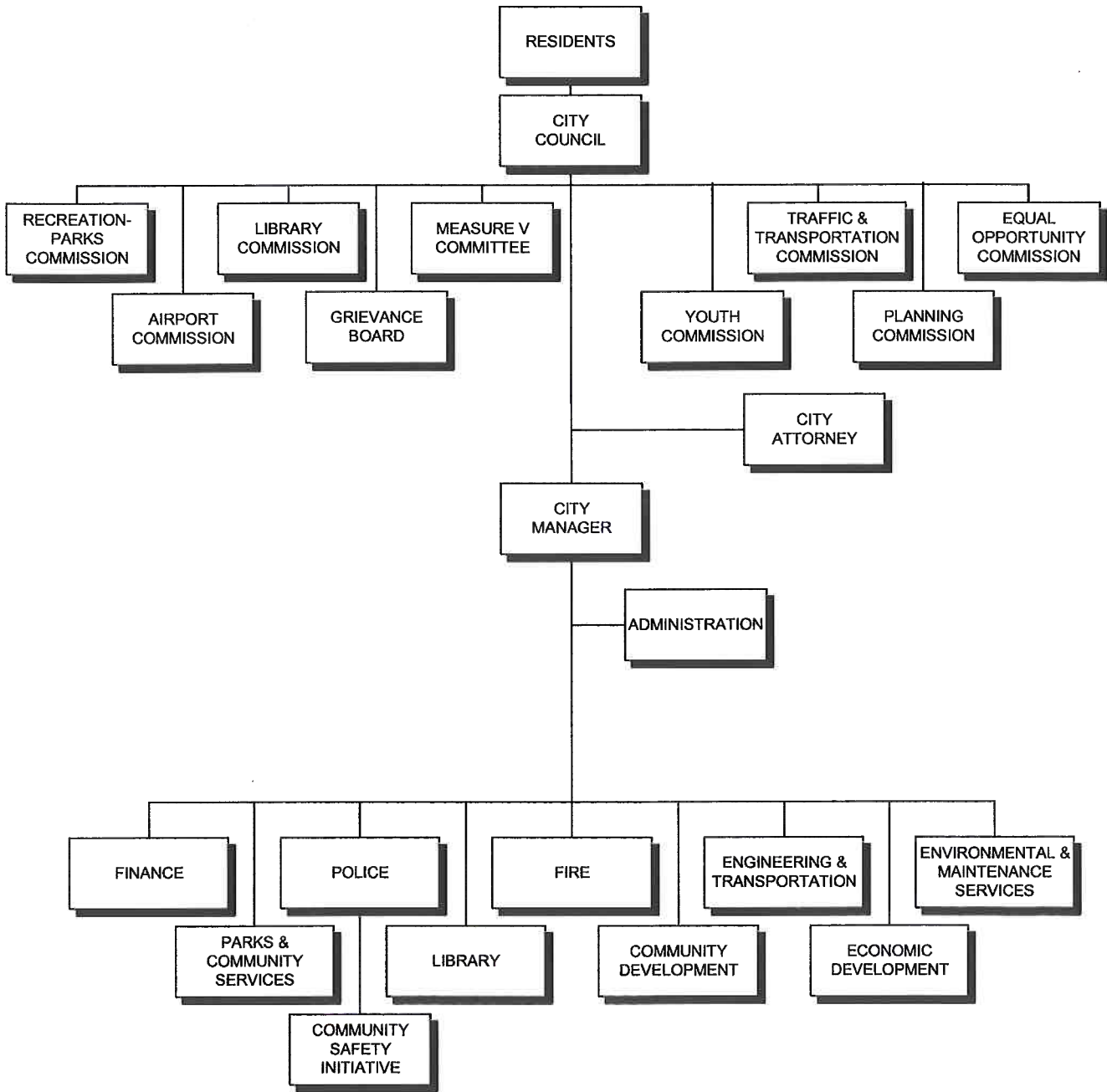
Respectfully submitted,



Tom L. Kever
Director of Finance

City of Salinas

Organization Chart



City of Salinas

List of Principal Officials



Dennis Donohue
Mayor

Sergio Sanchez
Councilmember
District 1

Gloria De La Rosa
Councilmember
District 4

Tony Barrera
Councilmember
District 2

Steven Villegas
Councilmember
District 5

Janet Barnes
Councilmember
District 3

Jyl Lutes
Councilmember
District 6

Artie Fields
City Manager

Vanessa Vallarta
City Attorney

Jeffrey Weir
Economic Development Director

Rob Russell
Engineering/Transportation Director

Louis Fetherolf
Police Chief

Kim Raddatz
Fire Chief

Tom Kever
Director of Finance

Alan Stumpf
Community Development Director

Jim Pia
Parks/Community Service Director

Elizabeth Martinez
Library Director



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McGILLOWAY, RAY, BROWN & KAUFMAN

Accountants & Consultants

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Monterey, CA 93940-5301
831-373-3337 Fax 831-373-3437
Toll Free 866-373-2511

379 West Market Street
Salinas, CA 93901
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INDEPENDENT AUDITOR'S REPORT

The Honorable Major and City Council
City of Salinas, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Salinas, California (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages F-3 through F-14, the budgetary comparison information on pages R-2 through R-9, the Schedule of Funding Progress – Retirement Programs on pages R-12 through R-14, be presented to supplement the basic financial statements. Such

F-1

Daniel M. McGilloway, Jr., CPA, CVA, Gerald C. Ray, CPA, Clyde W. Brown, CPA, Patricia M. Kaufman, CPA,
Larry W. Rollins, CPA, Helen Grace H. Rodriguez, CPA, CFE

Reginald F. Pires, CPA, Sarita C. Shannon, CPA, Helen Rodriguez, CPA, Nancy Rimberg, CPA, Deborah Horwith, CPA

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2011, 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 grants 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 the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion or provide any assurance on it.

Mc Gilloway, Ray, Brown & Kaufman

March 1, 2011

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2010

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, 2010. 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, 2010, the City's net assets (excess of assets over liabilities) were \$305.9 million. Of this amount, \$8.5 million are unrestricted assets.
- During the fiscal year ended June 30, 2010, the City's total net assets decreased by \$5.1 million. This change results from a decrease of \$3.5 million in governmental activities net assets and a decrease of \$1.6 million in business-type activities net assets.
- During the fiscal year governmental funds fund balances decreased \$6.7 million to \$67.2 million, of which \$51.1 million is reserved and thus unavailable.
- During the fiscal year the General Fund and Measure V fund balance decreased \$7.5 million (8.9% of operating expenditures) to \$10.6 million of which \$3.6 million is reserved. Unreserved General Fund and Measure V fund balance of \$7.0 million includes designated funds (\$5.5 million) and undesignated (carryover) funds (\$1.5 million).
- The City's total long-term liabilities decreased by \$4.5 million during the current fiscal year. The decrease is the result of regularly schedule debt service repayments in both governmental and business-type activities.
- The City's capital assets, net of depreciation, decreased \$3.8 to \$306.5 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. The Salinas Redevelopment Agency (Agency) is a component unit of the City, and for practical purposes is a, department of the City and has been included in the basic financial statements as an integral part of the primary government using the blended method.

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

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.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2010

B. OVERVIEW OF FINANCIAL STATEMENTS: (Continued)

The *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets* 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 Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets 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 Assets* presents information showing how the City's net assets changed during the year. All changes in net assets 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 Assets and the Statement of Activities and Changes in Net Assets, we separate the City activities as follows:

- *Governmental Activities*—All of the City's basic services are reported in this category, including general government, public safety, community development, public works, recreation, and library. Property taxes, sales taxes, user fees, interest income, franchise fees, state grants and federal grants finance these activities. The City's insurance programs (health, worker's compensation, liability and property damage) are accounted for in internal service funds, but are reported as part of governmental activities since these programs are used primarily for governmental activities.
- *Business-Type Activities*—The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Industrial Wastewater System, Airport, Golf Courses, Sanitary Sewer, Hitchcock Water Utility, Storm Sewer, Landfill and Parking District activities are reported as business-type activities.

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.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2010

B. OVERVIEW OF FINANCIAL STATEMENTS: (Continued)

However, unlike the Government-Wide Financial Statements, Governmental Funds Financial Statements focus on current financial resources, which emphasize near-term inflows and outflows of expendable resources as well as balances of expendable resources at the end of the fiscal year. This information is essential in evaluating the City's near-term financial requirements.

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

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

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

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 Assets. 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.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2010

B. OVERVIEW OF FINANCIAL STATEMENTS: (Continued)

Required Supplementary Information

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

Other Supplementary Information

Combining statements for non-major governmental funds, internal service funds, fiduciary funds and general and Measure V funds are presented immediately following the Required Supplementary Information as supplementary information.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Assets

Net assets are a good indicator of the City's financial position. During this fiscal year, net assets of the City were \$305.9 million, which is a decrease of \$5.7 million (1.8%) from the prior year.

At June 30, 2010, the largest portion of net assets (74.0%) 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, 2010

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS:(Continued)

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2010 and 2009.

**City of Salinas
Condensed Statements of Net Assets
June 30, 2010**

	Governmental Activities		Business-type Activities		Total		Percent of Total
	2010	2009	2010	2009	2010	2009	
Assets:							
Current Assets	\$ 78,218,580	\$ 83,696,017	\$ 12,051,610	\$ 11,871,338	\$ 90,270,190	\$ 95,567,355	20.2 %
Other Assets	48,730,241	46,241,573	1,052,279	1,322,154	49,782,520	47,563,727	11.1 %
Capital Assets, Net	169,178,948	170,300,091	137,278,524	139,950,363	306,457,472	310,250,454	68.7 %
Total Assets	296,127,769	300,237,681	150,382,413	153,143,855	446,510,182	453,381,536	100.0 %
Liabilities:							
Current Liabilities	9,852,823	10,074,254	1,054,409	1,034,201	10,907,232	11,108,455	7.8 %
Other Liabilities	36,274,649	32,960,217	-	-	36,274,649	32,960,217	25.8 %
LTD - Annual Leave	-	-	-	-	-	-	-
LTD - Due in one year	5,430,999	5,588,721	1,297,271	1,190,254	6,728,270	6,778,975	4.8 %
Long-term Liabilities	47,477,696	50,500,924	39,200,127	40,473,951	86,677,823	90,974,875	61.6 %
Total Liabilities	99,036,167	99,124,116	41,551,807	42,698,406	140,587,974	141,822,522	100.0 %
Net Assets:							
Invested in Capital Assets,							
Net of Related Debt	129,206,081	127,173,880	97,075,754	98,553,667	226,281,835	225,727,547	74.0 %
Restricted	67,245,546	65,445,351	3,858,161	2,871,048	71,103,707	68,316,399	23.2 %
Unrestricted	639,975	8,494,334	7,896,691	9,020,734	8,536,666	17,515,068	2.8 %
Total Net Assets	\$ 197,091,602	\$ 201,113,565	\$ 108,830,606	\$ 110,445,449	\$ 305,922,208	\$ 311,559,014	100.0 %

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2010

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS:(Continued)

Statement of Activities

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2010 and 2009:

	City of Salinas Condensed Statement of Activities and Changes in Net Assets For the Fiscal Year Ended June 30, 2010					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,529,914	\$ 6,583,907	\$ 5,711,403	\$ 5,776,904	\$ 13,241,317	\$ 12,360,811
Operating Grants & Contributions	14,015,119	12,261,460	635,729	591,989	14,650,848	12,853,449
Capital Grants & Contributions	13,417,024	13,580,524	3,124,044	1,014,929	16,541,068	14,595,453
General Revenues:						
Taxes	76,028,496	79,939,018	-	-	76,028,496	79,939,018
Licenses & Permits	20,081	24,090	-	-	20,081	24,090
Grants & Contributions						
not Restricted	462,267	449,809	-	-	462,267	449,809
Unrestricted Investment Earnings	716,373	672,387	336,239	419,483	1,052,612	1,091,870
Gain (Loss) on Disposal of Assets	(1,088,700)	77,600	-	-	(1,088,700)	77,600
Land Deeded and Sales Proceeds	-	-	-	-	-	-
Loans Receivable Forgiven	(796,000)	(36,000)	-	-	(796,000)	(36,000)
General Fund Advance Forgiven	-	-	-	-	-	-
Miscellaneous	285,161	242,683	-	-	285,161	242,683
Total Revenues	110,589,735	113,795,478	9,807,415	7,803,305	120,397,150	121,598,783
Expenses						
General Government	17,492,884	13,124,888	1,595,672	1,593,205	19,088,556	14,718,093
Public Safety	55,123,842	60,968,393	-	-	55,123,842	60,968,393
Public Works	27,097,425	30,763,773	9,987,169	10,264,996	37,084,594	41,028,769
Recreation	5,230,367	5,714,713	981,779	1,548,245	6,212,146	7,262,958
Library	4,243,845	4,551,007	-	-	4,243,845	4,551,007
Interest	2,663,169	2,635,153	-	-	2,663,169	2,635,153
Total Expenses	111,851,532	117,757,927	12,564,620	13,406,446	124,416,152	131,164,373
Increase in Net Assets before Transfers	(1,261,797)	(3,962,449)	(2,757,205)	(5,603,141)	(4,019,002)	(9,565,590)
Transfers	(53,662)	694,072	53,662	(694,072)	-	-
Increase in Net Assets	(1,315,459)	(3,268,377)	(2,703,543)	(6,297,213)	(4,019,002)	(9,565,590)
Net Assets - Beginning of Year	201,113,565	205,431,942	110,445,449	115,692,662	311,559,014	321,124,604
Prior Period Adjustment	(475,928)	-	-	-	(475,928)	-
Net Asset - Beginning of Year as restated	200,637,637	205,431,942	110,445,449	115,692,662	311,083,086	321,124,604
Transfer Parking Net Assets to Business-type Activities	(2,230,576)	(1,050,000)	1,088,700	1,050,000	(1,141,876)	-
Net Assets - Ending	\$ 197,091,602	\$ 201,113,565	\$ 108,830,606	\$ 110,445,449	\$ 305,922,208	\$ 311,559,014

CITY OF SALINAS
 Management's Discussion and Analysis
 Fiscal Year ended June 30, 2010

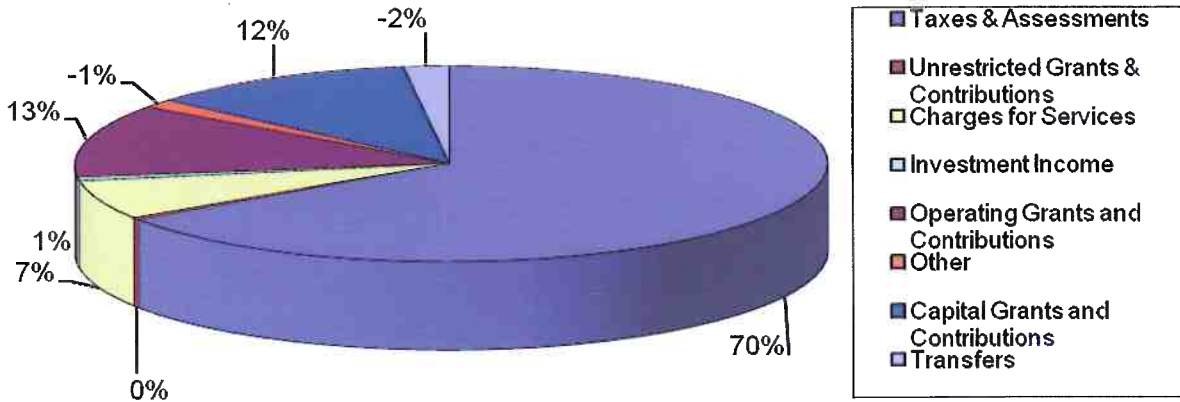
C. GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)

Total revenues decreased \$1.2 million and total expenditures decreased \$6.7 million. Further analysis is provided within the governmental and business-type activities sections.

Governmental Activities

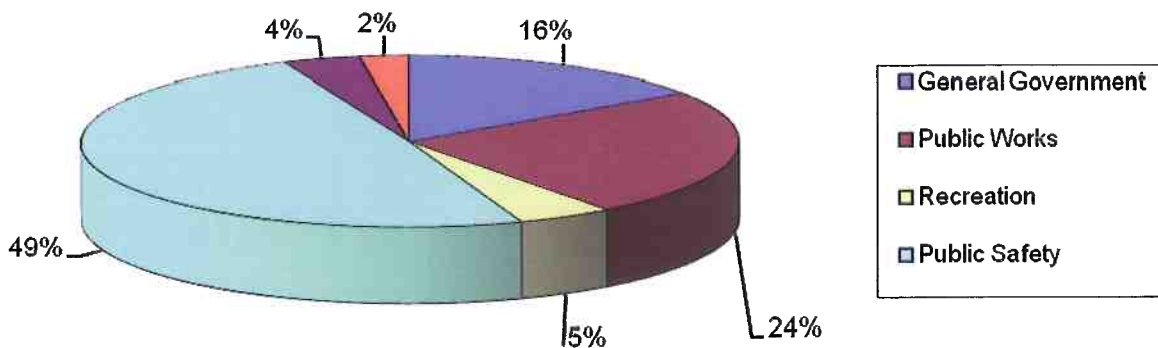
Governmental activities resources total \$108.3 million including revenues of \$110.6 million and transfers-out of \$2.3 million. The City's governmental activities decreased net assets by \$3.5 million. The following charts highlight the sources of revenues and purpose of expenses:

**Governmental Activities
 Revenues by Source
 June 30, 2010**



Total expenses for governmental activities were \$111.9 million including interest on long-term debt of \$2.7 million. Total expenditures that were funded by tax revenues, investment income and other general revenues were \$76.7 million.

**Governmental Activities
 Expenses by Function/Program
 June 30, 2010**



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2010

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)

Functional expenses for the year ended June 30, 2010 were as follows:

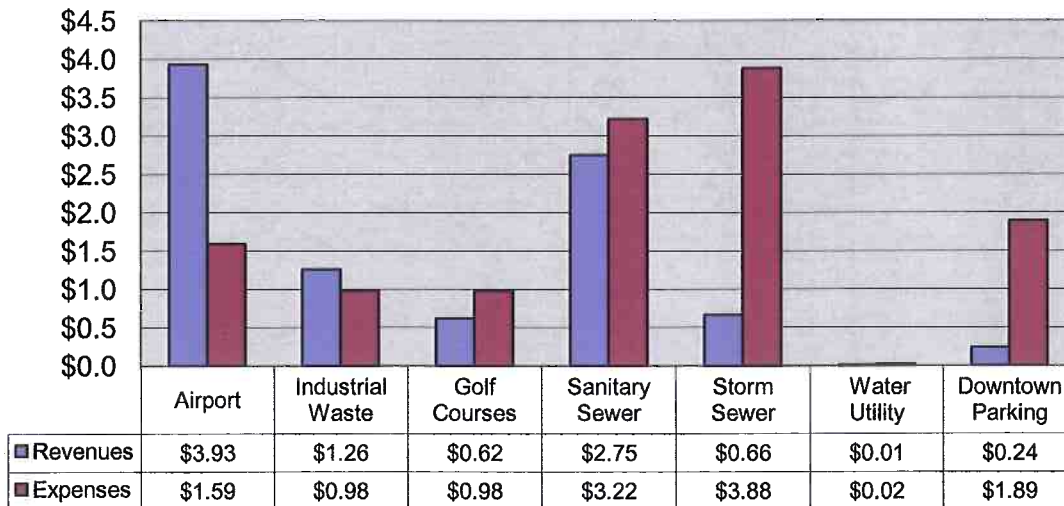
	Total Cost of		Net Cost of	
	Services	Percent	Services	Percentage
	2010	2010	2010	2010
Public Safety	\$ 55,123,842	49.3%	\$ 52,212,498	68.0 %
Public Works	27,097,425	24.2%	8,757,343	11.3 %
General Government	17,492,884	15.6%	5,176,064	6.7 %
Recreation	5,230,367	4.7%	4,399,374	5.7 %
Library	4,243,845	3.8%	3,537,659	4.6 %
Interest on long term debt	2,663,169	2.4%	2,663,169	3.5 %
Total	\$111,851,532	100 %	\$ 76,746,107	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 \$76.7 million.

Business Type Activities

The City's business-type activities net assets were \$108.8 million, a decrease of \$1.6 million from the prior fiscal year. Total program revenues for business-type activities were \$9.5 million. The largest program revenues were charges for services of \$5.7 million. Other program revenues included operating/capital grants and contributions of \$3.8 million. Total expenses for the business-type activities were \$12.6 million during FY 2009-10.

**Business Type Activities
Revenues, Expenses (in millions)
June 30, 2010**



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2010

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.

As of the end of current fiscal year, the City's governmental funds reported combined ending fund balances of \$67.2 million. Of this amount, \$51.1 million is reserved to indicate that it is not available for appropriation because it has already been committed for various purposes as shown in the Governmental Funds Balance Sheet. Unreserved fund balances total \$16.1 million, and are available for spending. Unreserved fund balances include General/Measure V Fund of \$6.9 million, Special Revenue Funds of \$6.1 million and Capital Projects Funds of \$3.1 million.

The General Fund is the chief operating fund of the City. The General Fund fund balance decreased by \$6.7 million in FY 2009-10 to \$6.8 million, of which \$3.6 million is reserved, \$0.5 million is undesignated and \$2.7 million is designated for subsequent years' expenditures. The designated fund balance of \$2.6 million includes taxes receivable, accounts receivable, interest receivable and other accrued resources, less long-term liabilities. These funds are designated for future year budgets: when the funds are available for expenditure or when the long-term liabilities become payable.

The General Fund undesignated fund balance of \$0.5 million is available for allocation and expenditure at June 30, 2010. General Fund reserves available for expenditure at June 30, 2010 total \$0.4 million, with no operating reserve, and the capital projects reserve of \$0.4 million.

The Measure V fund records the transactions related to the half-cent transaction and use tax approved by the voters on November 8, 2005. The Measure V fund balance decreased by \$0.8 million in FY 2009-10 to \$3.7 million, of which \$0.9 million is undesignated and \$2.8 million is designated for subsequent years' expenditures.

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, 2010

E. GENERAL FUND BUDGETARY HIGHLIGHTS:

The final amended General Fund and Measure V budget, including transfers out and advances, totaled \$91.7 million.

Significant Appropriations Increases/Decreases:

General Fund reserves available for expenditure at June 30, 2010 is \$3.6 million, inclusive of a capital projects reserve \$0.4 million and no operating reserve. The Unreserved General Fund balance available for expenditure at June 30, 2010 is \$6.8 million including \$2.7 million of designated funds and \$0.5 million of undesignated funds. The City's budget projections assume the \$3.6 million reserves and the \$6.8 million of unreserved funds will be mostly exhausted as expenses will exceed revenues during the fiscal year ended June 30, 2011.

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, 2010 and 2009.

City of Salinas' Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 22,674,022	\$ 22,674,022	\$ 3,632,339	\$ 3,629,739	\$ 26,306,361	\$ 26,303,761
Buildings	29,929,046	30,000,867	27,042,814	27,042,814	56,971,860	57,043,681
Improvements	11,436,201	11,224,091	15,202,866	15,202,866	26,639,067	26,426,957
Equipment	23,453,512	23,061,444	6,956,848	6,784,836	30,410,360	29,846,280
Infrastructure	216,988,020	211,272,792	213,474,411	213,284,032	430,462,431	424,556,824
Construction in Progress	13,322,533	12,470,550	4,368,980	1,370,220	17,691,513	13,840,770
	<u>317,803,334</u>	<u>310,703,766</u>	<u>270,678,258</u>	<u>267,314,507</u>	<u>588,481,592</u>	<u>578,018,273</u>
Accumulated Depreciation	<u>(148,624,386)</u>	<u>(140,403,675)</u>	<u>(133,399,734)</u>	<u>(127,364,144)</u>	<u>(282,024,120)</u>	<u>(267,767,819)</u>
	<u>\$ 169,178,948</u>	<u>\$ 170,300,091</u>	<u>\$ 137,278,524</u>	<u>\$ 139,950,363</u>	<u>\$ 306,457,472</u>	<u>\$ 310,250,454</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, 2010, net capital assets of the governmental activities totaled \$169.2 million and the net capital assets of the business-type activities totaled \$137.3 million. During FY 2002-03, American Appraisal Associates were hired to conduct an inventory and valuation of all the City's capital assets. Finance' staff maintains and updates the Capital Assets inventory by recording all assets acquired or retired at the end of every fiscal year.

The City has elected to report and depreciate all infrastructures.

Governmental activities acquired \$7.1 million of capital assets during the year. The acquisitions include \$5.7 million in infrastructure improvements, \$0.9 million in construction in progress, \$0.4 million in machinery and equipment and \$0.1 million in improvements, buildings and land.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2010

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS: (Continued)

Business-type activities acquired \$3.4 million of capital assets during the year. The Federal Aviation contributed \$2.6 million to the Airport Fund while the Airport itself dedicated \$0.1 million for Airport buildings and construction in progress. Other additions of capital assets were routine replacements of current capital assets.

Long-Term Obligations

As of June 30, 2010, the City had \$93,605,837 in long-term debt composed of \$93,530,956 from governmental and business-type activities, and \$199,744 from fiduciary annual leave.

City of Salinas' Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Annual Leave	\$ 9,029,483	\$ 9,049,424	\$ 292,671	\$ 267,509	\$ 9,322,154	\$ 9,316,933
Estimated Insurance Claims	2,370,459	2,136,493	-	-	2,370,459	2,136,493
Net Pension Obligation	38,914	45,297	-	-	38,914	45,297
Capital Leases	911,720	1,115,502	684,727	816,696	1,596,447	1,932,198
Loans and Notes	391,308	471,184	-	-	391,308	471,184
Revenue Bonds	-	-	12,440,000	12,830,000	12,440,000	12,830,000
Tax Allocation Bonds	7,631,674	8,403,470	-	-	7,631,674	8,403,470
Certificates of Participation	13,630,000	14,110,000	27,080,000	27,750,000	40,710,000	41,860,000
Assessment District Bonds	19,030,000	21,120,000	-	-	19,030,000	21,120,000
	<u>\$ 53,033,558</u>	<u>\$ 56,451,370</u>	<u>\$ 40,497,398</u>	<u>\$ 41,664,205</u>	<u>\$ 93,530,956</u>	<u>\$ 98,115,575</u>

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

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET:

On June 8, 2010, the City Council was presented and reviewed a recommended two-year operating budget (FY 2010-11 and FY 2011-12) for the City of Salinas and Salinas Redevelopment Agency. The Salinas City Council and Salinas Redevelopment Agency unanimously adopted FY 2010-11 Annual Operating Budgets on that day. An updated Six-Year Capital Improvement Budget for FY 2010-11 was also adopted on June 8, 2010. The FY 2010-11 combined General Fund/Measure V appropriations of \$77,009,500 were balanced to estimated revenues. FY 2009-10 and FY 2010-11 budget balancing solutions totaled \$31.8 million including eliminating 20% of the City's workforce (137 positions), employee concessions and new resources.

Balancing the 2nd year (FY 2011-12) of the City's two-year budget cycle will be difficult. A budget shortfall (combined General Fund and Measure V) of at least \$7 million is projected. Employee concessions that began on July 1, 2009 end during FY 2011-12. Budget savings from these concessions totaled \$12 million over the two-year period (FY 2009-10 & 2010-11).

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2010

G. *ECONOMIC FACTORS AND NEXT YEAR'S BUDGET: (Continued)*

Concessions included pay reductions, furloughs, contributions to health insurance benefits, and salary adjustment deferrals. Deferred salary adjustments that sunset July 1, 2011 will cost \$2.9 million in FY 2011-12 and \$3.7 million in FY 2012-13. Other employee benefit cost increases (health, retirement, and workers compensation) will increase FY 2011-12 budget shortfall to over \$7 million. The \$7 million shortfall estimate assumes that City revenue stabilizes and/or improves. Assumptions anticipate that property tax will stabilize and sales and Measure V taxes will begin to enjoy modest growth.

To address the projected FY 2011-12 shortfall, on February 1, 2010, the City Council directed City staff to:

- Work with labor organizations to attempt to achieve additional fairly distributed salary and benefit reductions by all employee groups.

Without additional significant employee concessions, major service reductions and layoffs will be required to balance the FY 2011-12 Budget.

See Note 27, Subsequent Events for a more detailed discussion of the City's current budget balancing plan.

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 ASSETS
JUNE 30, 2010

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$ 56,518,479	\$ 4,248,928	\$ 60,767,407
Receivables, net			
Taxes	8,484,891		8,484,891
Accounts receivable	77,079	392,111	469,190
Accrued interest	633,792	4,074	637,866
Due from other agencies	8,724,800	3,615,786	12,340,586
Due from other agencies	68,893	(67,450)	1,443
Restricted cash and investments	3,710,646	3,858,161	7,568,807
Long-term internal balances	1,335,000	(1,335,000)	-
Assessments receivable	17,000,000		17,000,000
Loans receivable	23,031,434		23,031,434
Inventory	17,245		17,245
Deferred charges	2,297,081	2,387,279	4,684,360
Capital Assets			
Land and nondepreciable assets	35,996,555	8,001,319	43,997,874
Depreciable assets, net of accumulated depreciation	133,182,393	129,277,205	262,459,598
Land held for resale	5,049,481		5,049,481
Total assets	<u>296,127,769</u>	<u>150,382,413</u>	<u>446,510,182</u>
LIABILITIES			
Accounts payable	9,003,402	372,443	9,375,845
Prepaid deposits		28,036	28,036
Accrued interest payable	849,421	653,930	1,503,351
Deferred revenues	22,706,509		22,706,509
Long term liabilities			
Insurance claims payable	9,580,301		9,580,301
Net OPEB obligation	3,987,839		3,987,839
Debt due within one year	5,430,999	1,297,271	6,728,270
Debt due in more than one year	47,477,696	39,200,127	86,677,823
Total liabilities	<u>99,036,167</u>	<u>41,551,807</u>	<u>140,587,974</u>
NET ASSETS			
Invested in capital assets, net of related debt	129,206,081	97,075,754	226,281,835
Restricted for:			
Housing	26,624,969		26,624,969
Capital Projects	12,017,100		12,017,100
Highways and Streets	17,219,761		17,219,761
Debt Service	10,397,809	3,858,161	14,255,970
Special Programs	985,907		985,907
Total restricted assets	<u>67,245,546</u>	<u>3,858,161</u>	<u>71,103,707</u>
Unrestricted	<u>639,975</u>	<u>7,896,691</u>	<u>8,536,666</u>
Total net assets	<u>\$ 197,091,602</u>	<u>\$ 108,830,606</u>	<u>\$ 305,922,208</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2010

FUNCTION/PROGRAM ACTIVITIES	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General Government	\$ 17,492,884	\$ 5,515,989	\$ 6,660,058	\$ 5,472	\$ (5,311,365)	\$	\$ (5,311,365)
Public Safety	55,123,842	1,350,608	1,533,761	21,147	(52,218,326)		(52,218,326)
Public Works	27,097,425	17,499	5,050,873	13,270,242	(8,758,811)		(8,758,811)
Recreation	5,230,367	616,531	172,794	41,300	(4,399,742)		(4,399,742)
Library	4,243,845	29,287	597,633	78,863	(3,538,062)		(3,538,062)
Interest on long-term debt	2,663,169				(2,663,169)		(2,663,169)
Total governmental activities	111,851,532	7,529,914	14,015,119	13,417,024	(76,889,475)		(76,889,475)
Business-Type Activities:							
Airport	1,595,672	1,107,115	16,874	2,806,532		2,334,849	2,334,849
Industrial Waste	979,148	1,259,466				280,318	280,318
Golf Courses	981,779	0	618,750			(363,029)	(363,029)
Sanitary Sewer	3,223,911	2,556,919		190,379		(476,613)	(476,613)
Storm Sewer	3,877,592	539,675		127,133		(3,210,784)	(3,210,784)
Water Utility	18,652	7,904	105			(10,748)	(10,748)
Downtown Parking	1,887,866	240,324				(1,647,437)	(1,647,437)
Total Business-Type Activities	12,564,620	5,711,403	635,729	3,124,044		(3,093,444)	(3,093,444)
Total Primary Government	\$ 124,416,152	\$ 13,241,317	\$ 14,650,848	\$ 16,541,068	(76,889,475)	(3,093,444)	(79,982,919)
General Revenues and Transfers:							
Taxes					76,028,496		76,028,496
Licenses and Permits					20,081		20,081
Grants and Contributions not Restricted to Specific Programs					462,267		462,267
Unrestricted Investment Earnings					716,373	336,239	1,052,612
Miscellaneous					285,161		285,161
Gain (Loss) on Disposal of Assets/Debt					(1,088,700)		(1,088,700)
Loans Receivable Forgiven					(36,000)		(36,000)
Loans Receivable Forgiven					180,000		180,000
Transfer of Assets to Parking District					(940,000)		(940,000)
Transfers					(2,230,576)	1,088,700	(1,141,876)
Total General Revenues and Transfers					(53,662)	53,662	
Change in Net Assets					73,343,440	1,478,601	74,822,041
Net Assets - Beginning of Year					(3,546,035)	(1,614,843)	(5,160,878)
Prior period adjustment - note					201,113,565	110,445,449	311,559,014
Net Assets - Beginning of Year, as restated					(475,928)	-	(475,928)
Net Assets - End of Year					200,637,637	110,445,449	311,083,086
Net Assets - End of Year					\$ 197,091,602	\$ 108,830,606	\$ 305,922,208

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund is always classified as a major fund. It accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General Fund supports 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 Special Revenue funds have been classified as major funds:

Community Development Block Grant Fund (Housing and Urban Development)

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.

Development Fees Fund

By Resolution 3823 (N.C.S.), subdividers and developers of property are required to pay established fees covering traffic impact, annexation, use of existing or new sewers, storm drains, park facilities, library facilities and street trees.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Special Construction Assistance

The proceeds of long-term borrowings resulting from the sale of Certificates of Participation to finance the acquisition and construction of capital projects are reported under this fund.

Capital Projects Fund

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

DEBT SERVICE FUNDS

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

Assessment District Debt Service Fund

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

CITY OF SALINAS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General and Measure V	Housing & Urban Development	Development Fees	Construction Assistance	Assessment District Debt Service	Other Governmental Funds	Total
ASSETS							
Cash and investments	\$ 7,542,658	\$ 245,058	\$ 18,300,283	\$ 2,533,139	\$ 3,025,353	\$ 16,233,285	\$ 47,879,776
Receivables, net:							
Taxes	7,170,206	-	-	-	-	14,300	7,170,206
Accounts	62,204	-	-	-	-	591,736	76,504
Accrued interest	17,803	43	17,651	-	-	-	627,233
Assessments	-	-	-	3,291,956	17,000,000	-	17,000,000
Due from other agencies	10,490	2,211,015	-	-	-	3,211,339	8,724,800
Due from other funds	3,187,146	-	-	-	-	1,502,209	4,689,355
Advances to other funds:	1,335,000	-	-	476,271	-	940,000	2,275,000
Restricted cash and investments	232,007	-	-	-	-	2,665,049	3,373,327
Loans receivable	29,800	13,259,854	-	-	-	9,741,780	23,031,434
Inventory	17,245	-	-	-	-	3,448,830	17,245
Land held for resale	-	1,600,651	-	-	-	-	5,049,481
Total assets	\$ 19,604,559	\$ 17,316,621	\$ 18,317,934	\$ 6,301,366	\$ 20,025,353	\$ 38,348,528	\$ 119,914,361
LIABILITIES							
Accounts payable	\$ 6,284,135	\$ 169,884	\$ -	\$ 355,235	\$ 8,104	\$ 2,104,213	\$ 8,921,571
Due to other funds	2,769,412	2,044,248	47,570	1,184,496	-	1,304,264	7,349,990
Advances from other funds	-	-	-	-	-	940,000	940,000
Deferred revenue	-	13,259,854	-	3,772,875	17,000,000	1,512,213	35,544,942
Total liabilities	\$ 9,053,547	\$ 15,473,986	\$ 47,570	\$ 5,312,606	\$ 17,008,104	\$ 5,860,690	\$ 52,756,503
FUND BALANCE							
Reserved for:							
Capital projects	382,400	-	-	-	-	674,964	382,400
Encumbrances	336,149	752,252	153,657	2,244,812	-	9,438,053	4,161,834
Advances and loans	1,364,800	-	-	-	-	-	10,802,853
Inventory	17,245	-	-	-	-	-	17,245
Carry over appropriations	1,514,414	-	18,116,707	-	-	1,942,217	1,514,414
Future budgets	-	-	-	-	-	3,448,830	20,058,924
Land held for resale	-	-	-	-	-	298,300	3,448,830
Plaza Grande operations	-	-	-	-	-	7,380,560	298,300
Debt service	-	-	-	-	3,017,249	-	10,397,809
Unreserved, reported in:							
General fund	6,936,004	1,090,383	-	-	-	4,961,104	6,936,004
Special revenue funds	-	-	-	-	-	4,343,810	6,051,487
Capital projects fund	-	-	-	(1,256,052)	-	-	3,087,758
Total fund balance	\$ 10,551,012	\$ 1,842,635	\$ 18,270,364	\$ 988,760	\$ 3,017,249	\$ 32,487,838	\$ 67,157,858
Total liabilities and fund balances	\$ 19,604,559	\$ 17,316,621	\$ 18,317,934	\$ 6,301,366	\$ 20,025,353	\$ 38,348,528	\$ 119,914,361

The accompanying notes are an integral part of this statement.
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CITY OF SALINAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT WIDE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total fund balances - total governmental funds (page 23)		\$ 67,157,858
Amounts reported for governmental activities in the statement of net assets 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.		169,178,948
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.		(849,421)
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 assets.		12,838,433
Taxes receivable not collectible within sixty days are not available to pay current period expenditures and, therefore, are not reported in the funds.		1,314,685
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 assets		2,050,552
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet as follows:		
Annual leave	\$ (9,029,483)	
Estimated insurance claims	(2,370,459)	
Net pension obligation	(38,914)	
Capital leases	(911,720)	
Loans and notes payable	(391,308)	
Certificated of participations	(13,630,000)	
Tax allocation bonds	(7,631,674)	
Assessment bonds	(19,030,000)	
Unamortized bond discount	<u>124,863</u>	(52,908,695)
The other post employment benefit (OPEB) obligation is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(3,987,839)
Deferred charges for bond issuance costs are not reported in the governmental funds balance sheet.		<u>2,297,081</u>
Net Assets of governmental activities (page 19)		<u><u>\$ 197,091,602</u></u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2010

	General and Measure V	Housing & Urban Development	Development Fees	Construction Assistance	Assessment District Debt Service	Other Governmental Funds	Total
REVENUES							
Taxes	\$ 68,920,819	\$ -	\$ -	\$ -	\$ -	\$ 7,020,824	\$ 75,941,643
Taxes - special assessments	-	-	-	-	3,308,766	-	3,308,766
Licenses and permits	20,081	-	-	-	-	-	20,081
Intergovernmental	1,193,311	5,991,416	-	5,617,074	-	8,315,562	21,117,363
Charges for services	5,835,158	-	1,127,512	-	-	1,872,416	8,835,086
Interest	178,477	882	229,052	(2,362)	-	255,389	661,438
Rental income	-	-	-	-	-	56,312	56,312
Fines and forfeits	-	-	-	435,576	-	718,214	718,214
Developer contributions	-	-	-	-	-	-	435,576
Miscellaneous	253,349	187,918	-	-	-	150,332	591,599
Total revenues	76,401,195	6,180,216	1,356,564	6,050,288	3,308,766	18,389,049	111,686,078
EXPENDITURES							
Current:							
General government	13,261,690	3,259,250	-	-	-	476,251	16,997,191
Public safety	50,922,958	-	-	-	-	2,518,000	53,440,958
Public works	12,821,310	-	-	-	-	-	12,821,310
Recreation	3,219,845	-	-	-	-	1,261,819	4,481,664
Library	3,523,821	-	-	-	-	543,316	4,067,137
Parking structure debt	-	-	-	-	-	1,088,700	1,088,700
Capital outlay	18,711	-	356,041	5,331,944	-	9,771,853	15,478,549
Debt service:							
Principal retirement	-	-	-	-	2,090,000	2,236,672	4,326,672
Interest and fiscal shares	-	-	-	-	1,120,639	1,549,474	2,670,113
Steinbeck Center debt	-	-	-	-	-	-	-
Suspension of housing set-aside	-	-	-	-	-	940,000	940,000
SERAF	-	-	-	-	-	2,230,576	2,230,576
Pass through tax	-	-	-	-	-	1,099,535	1,099,535
Total expenditures	83,768,335	3,259,250	356,041	5,331,944	3,210,639	23,716,196	119,642,405
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,367,140)	2,920,966	1,000,523	718,344	98,127	(5,327,147)	(7,956,327)
OTHER FINANCING SOURCES (USES)							
Loan proceeds	-	-	-	-	-	910,000	910,000
Loans receivable forgiven	-	-	-	-	-	180,000	180,000
Advance from SRA to Steinbeck	-	-	-	-	-	(36,000)	(36,000)
Operating transfers in	2,150,000	3,961	-	-	-	8,075,088	10,229,049
Operating transfers out	(2,277,403)	(1,308,574)	(1,053,455)	-	-	(5,434,774)	(10,074,206)
Total other financing sources (uses)	(127,403)	(1,304,613)	(1,053,455)	-	-	3,694,314	1,208,843
NET CHANGE IN FUND BALANCES	(7,494,543)	1,616,353	(52,932)	718,344	98,127	(1,632,833)	(6,747,484)
FUND BALANCES, BEGINNING OF YEAR	18,045,555	226,282	18,323,296	270,416	2,919,122	34,120,671	73,905,342
FUND BALANCES, END OF YEAR	10,551,012	1,842,635	18,270,364	988,760	3,017,249	32,487,838	67,157,858

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE
GOVERNMENT WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 25) \$ (6,747,484)

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. (1,121,144)

Net increase (decrease) in taxes receivable not collectible within sixty days. 704,874

Deferred revenues of new housing loans are reported in the statement of net assets. 1,178,157

Deferred revenues of principal payments are reported in the statement of net assets. (125,022)

Issuance of long-term debt including capital advances, compensating advances, and leases provides current financial resources to governmental funds, while the repayment of the principal of long-debt consumes the current financial resources in governmental funds. Neither transaction has any affect on net assets. Also, governmental funds report the affect 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 affect of these differences in the treatment of long-term and related items.

Increase in benefits' liability	(105,956)	
Net pension obligation	6,383	
Capital leases	203,782	
Loans & notes payable	79,876	
Certificates of participation	480,000	
Bonds payable	771,796	
Assessment district 1915 act bonds	2,090,000	
Amortization expense for bond discount	<u>(8,919)</u>	3,516,962

Net Other Post Employment Benefits (OPEB) expenses are recognized in Government-Wide Statements. The Net OPEB Obligation is the cumulative difference between annual OPEB costs and contributions made to the plan. (1,243,642)

Governmental funds report the affect of issuance costs and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net current period change in deferred charges for bond affect of the bond issuance costs on bonds. (142,813)

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 10,863

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 assets. 423,214

Change in net assets of governmental activities (page 20) \$ (3,546,035)

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 from a surcharge on 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 9% 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. This project started in September 2003, after the well shaft had collapsed and emergency repairs were required. 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.

CITY OF SALINAS
STATEMENT OF FUND NET ASSETS (DEFICITS)
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-type Activities - Enterprise Funds										Governmental Activity	
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Sewer	Landfill Garbage Surcharge	Water Utility	Downtown Parking District	Totals	Internal Service		
ASSETS												
Current assets:												
Cash and investments	\$ 383,588	\$ 1,307,992	\$ 423,692	\$ 1,147,675	\$ 739,110	\$ -	\$ 43,761	\$ 203,110	\$ 4,248,928	\$ 8,638,703		
Restricted cash and investments	-	-	959,305	1,750,116	-	-	-	1,148,740	3,858,161	337,319		
Receivables												
Accounts receivable	74,371	101,818	-	175,521	34,728	-	5,673	-	392,111	575		
Accrued interest	525	1,118	-	1,460	916	-	-	55	4,074	6,559		
Deferred charges	-	12,382	1,314,366	187,633	-	-	-	872,898	2,587,279	-		
Due from general fund	-	-	-	-	-	-	-	-	-	2,729,527		
Total current assets	458,484	1,423,310	2,697,363	3,262,405	774,754	-	49,434	2,224,803	10,890,553	11,712,683		
Noncurrent assets:												
Due from other agencies	-	-	-	-	-	3,615,786	-	-	3,615,786	-		
Capital assets	5,996,906	949,784	-	959,335	88,594	-	-	6,700	8,001,319	-		
Nondepreciable												
Depreciable buildings, property, and infrastructure, net	8,213,803	4,486,027	5,651,858	38,419,115	58,469,176	-	138,613	13,898,613	129,277,205	-		
Net capital assets	14,210,709	5,435,811	5,651,858	39,378,450	58,557,770	-	138,613	13,905,313	137,278,524	-		
Total noncurrent assets	14,210,709	5,435,811	5,651,858	39,378,450	58,557,770	3,615,786	138,613	13,905,313	140,894,310	-		
Total assets	14,669,193	6,859,121	8,349,221	42,640,855	59,332,524	3,615,786	188,047	16,130,116	151,784,863	11,712,683		
LIABILITIES												
Current liabilities:												
Accounts payable	44,411	114,362	1,315	84,090	66,809	-	1,129	60,327	372,443	81,832		
Deposits	28,036	-	-	-	-	-	-	-	28,036	-		
Due to other funds	20,571	6,955	-	26,585	13,339	-	-	-	67,450	-		
Insurance claims payable	-	-	-	-	-	-	-	-	-	-		
Interest payable	-	7,654	158,247	254,066	4,500	-	-	229,463	653,930	9,580,299		
Long term debt - due within one year	28,430	70,000	300,000	410,000	40,307	-	-	390,000	1,238,737	-		
Total current liabilities	121,448	198,971	459,562	774,741	124,955	-	1,129	679,790	2,360,596	9,662,131		
Noncurrent Liabilities:												
Accrued leave	27,784	20,207	-	99,261	120,960	-	-	24,459	292,671	7,743		
Advance from general fund	-	-	150,000	-	-	-	-	1,185,000	1,335,000	-		
Long term debt - due in more than one year	139,055	345,000	11,270,000	12,030,000	61,935	-	-	15,120,000	38,965,990	-		
Total noncurrent liabilities	166,839	365,207	11,420,000	12,129,261	182,895	-	-	16,329,459	40,593,661	7,743		
Total liabilities	288,287	564,178	11,879,562	12,904,002	307,850	-	1,129	17,009,249	42,954,257	9,669,874		
Net Assets:												
Invested in capital assets, net of related debt	14,043,224	5,020,811	(5,916,185)	26,938,450	58,455,528	-	138,613	(1,604,687)	97,075,754	-		
Restricted	-	-	959,305	1,750,116	-	-	-	1,148,740	3,858,161	337,319		
Unrestricted	337,682	1,274,132	1,426,539	1,048,287	569,146	3,615,786	48,305	(423,186)	7,896,691	1,705,490		
Total net assets (deficits)	\$ 14,380,906	\$ 6,294,943	\$ (3,530,341)	\$ 29,736,853	\$ 59,024,674	\$ 3,615,786	\$ 186,918	\$ (879,133)	\$ 108,830,606	\$ 2,042,809		

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS (DEFICITS)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds										Governmental Activity	
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Downtown Parking District	Totals	Internal Service		
OPERATING REVENUES:												
Charges for services	\$ 1,107,115	\$ 1,259,466	\$ -	\$ 2,556,919	\$ 539,675	\$ -	\$ 7,904	\$ 240,324	\$ 5,711,403	\$ 6,557,450	\$ 6,557,450	
Total operating revenues	1,107,115	1,259,466	-	2,556,919	539,675	-	7,904	240,324	5,711,403	6,557,450	6,557,450	
Operating Expenses:												
Personnel services	405,591	273,015	-	706,701	910,745	-	-	141,287	2,437,339	319,290	319,290	
Administration	172,795	84,881	-	113,222	130,464	-	976	58,244	560,582	-	-	
Contractual services	168,373	145,362	44,672	33,508	63,763	-	7,408	316,924	780,010	394,904	394,904	
Supplies	60,220	20,494	-	92,051	108,830	-	-	11,512	293,107	1,298	1,298	
Insurance	21,127	11,300	-	31,530	17,200	-	-	-	81,157	762,868	762,868	
Insurance claims	-	-	-	-	-	-	-	-	-	-	-	
Fees and permits (taxes)	43,056	10,186	-	-	-	-	-	-	53,242	-	-	
Utilities	93,186	210,436	-	156,112	3,110	-	-	39,062	501,906	-	-	
Depreciation	613,978	173,277	559,413	1,456,461	2,643,268	-	10,268	578,925	6,035,590	-	-	
Amortization	-	2,476	71,153	9,875	-	-	-	36,371	119,875	-	-	
Land rent	-	-	-	-	-	-	-	-	-	-	-	
Other	17,346	15,356	4,689	5,467	1,907	-	-	6,044	50,809	701	701	
Total operating expenses	1,595,672	946,783	679,927	2,604,927	3,879,287	-	18,652	1,188,369	10,913,617	6,233,176	6,233,176	
Operating income (loss)	(488,557)	312,683	(679,927)	(48,008)	(3,339,612)	-	(10,748)	(948,045)	(5,202,214)	324,274	324,274	
NONOPERATING REVENUES (EXPENSES)												
Investment income	6,107	12,156	3,057	12,620	10,077	291,609	-	613	336,239	91,197	91,197	
Interest expense	-	(32,365)	(301,852)	(618,984)	1,696	-	-	(699,497)	(1,651,002)	-	-	
Other nonoperating revenues (expenses)	16,874	-	618,750	-	-	-	-	105	635,729	-	-	
Total nonoperating revenues (expenses)	22,981	(20,209)	319,955	(606,364)	11,773	291,609	-	(698,779)	(679,034)	91,197	91,197	
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS												
Contributed assets	(465,576)	292,474	(359,972)	(654,372)	(3,327,839)	291,609	(10,748)	(1,646,824)	(5,881,248)	415,471	415,471	
Contribution to parking from SRA	2,806,532	-	-	190,379	127,132	-	-	-	3,124,043	-	-	
Transfers in	13,474	-	-	-	670,400	-	-	1,088,700	1,088,700	-	-	
Transfers out	(10,072)	(49,380)	-	(132,790)	(46,373)	(385,097)	-	(6,500)	(630,212)	-	-	
CHANGE IN NET ASSETS												
NET ASSETS, BEGINNING OF YEAR	2,344,358	243,094	(359,972)	(596,783)	(2,576,680)	(93,488)	(10,748)	(564,624)	(1,614,843)	415,471	415,471	
NET ASSETS, END OF YEAR	12,036,548	6,051,849	(3,170,369)	30,333,636	61,601,354	3,709,274	197,666	(314,509)	110,445,449	1,627,338	1,627,338	
NET ASSETS, END OF YEAR	\$ 14,380,906	\$ 6,294,943	\$ (3,530,341)	\$ 29,736,853	\$ 59,024,674	\$ 3,615,786	\$ 186,918	\$ (879,133)	\$ 108,830,606	\$ 2,042,809	\$ 2,042,809	

The accompanying notes are an integral part of this statement.
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CITY OF SALINAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds					Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds	
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Downtown Parking District	Totals			
Cash Flows from Operating Activities:												
Receipts from Customer and Users	\$ 1,099,592	\$ 1,250,386	\$ 95,833	\$ 2,917,052	\$ 540,938	\$ -	\$ 7,754	\$ 293,593	\$ 6,205,148	\$ 305,776		
Receipts from interfund services provided	-	-	-	-	-	-	-	-	-	-	4,399,946	
Payments to Suppliers	(574,915)	(540,735)	(119,449)	(448,807)	(357,318)	-	(9,110)	(468,844)	(2,519,178)	(1,163,455)		
Payments to Employees	(389,885)	(278,368)	-	(663,687)	(868,668)	-	-	(118,487)	(2,319,095)	(318,328)		
Payments to Claimants	-	-	-	-	-	-	-	-	-	(4,204,609)		
Net Cash Provided (Used) by Operating Activities	134,792	431,283	(23,616)	1,804,558	(685,048)	-	(1,356)	(293,738)	1,566,875	(980,670)		
Cash Flows from Non-Capital Financing Activities:												
Other Non-Operating Revenue	16,874	-	618,750	-	-	-	-	105	635,729	-		
Deposits	22,518	-	-	-	-	-	-	-	22,518	-		
Advance Received from General Fund	-	-	150,000	-	-	-	-	-	150,000	-		
Payment on Advance from General Fund	-	-	-	-	-	-	-	-	-	-		
Contribution from SRA	-	-	-	-	-	-	-	-	-	-		
Operating Transfers In	13,474	-	-	-	670,400	-	-	1,088,700	1,772,574	-		
Operating Transfers Out	(10,072)	(49,380)	-	(132,790)	(46,373)	(385,097)	-	(6,500)	(630,212)	-		
Net Cash Provided by (Used for)	42,794	(49,380)	768,750	(132,790)	624,027	(385,097)	-	1,082,505	1,950,609	-		
Cash Flows from Capital and Related Financing Activities:												
Acquisition of Capital Assets	(194,064)	(127,593)	-	(26,965)	(81,142)	-	-	(36)	(429,800)	-		
Proceeds from Capital Debt	-	-	-	-	-	93,488	-	-	93,488	-		
Deferred Bond Issuance Costs	-	2,476	71,153	9,875	-	-	-	36,371	119,875	-		
Capital Contributions (from developers/other funds)	-	-	-	-	127,133	-	-	-	127,133	-		
Capital Grants Received	-	-	-	-	-	-	-	-	-	-		
Capital Lease Payment, including interest	-	-	-	-	-	-	-	-	-	-		
Principal paid on Capital Debt	-	(65,000)	(290,000)	(390,000)	(38,538)	-	-	(380,000)	(1,163,538)	-		
Interest paid on Capital Debt	-	(33,563)	(304,713)	(627,010)	-	-	-	(702,620)	(1,667,906)	-		
Net Cash Provided (Used) by Capital and Related Financing Activities	(194,064)	(223,680)	(523,560)	(1,034,100)	7,453	93,488	-	(1,046,285)	(2,920,748)	-		
Cash Flows from Investing Activities:												
Interest Received	6,871	15,176	4,219	14,298	11,203	291,609	-	791	344,167	118,144		
Increase (Decrease) in Fair Value of Investments	185	54	-	622	372	-	-	(4)	1,229	(1,925)		
Transfer (to) from Restricted Cash	-	-	(257,680)	(718,639)	-	-	-	555	(975,764)	(261,003)		
Net Cash Provided by Investing Activities	7,056	15,230	(253,461)	(703,719)	11,575	291,609	-	1,342	(630,368)	(144,784)		
Net Increase (Decrease) in Cash and Cash Equivalents	(9,422)	173,453	(31,887)	(66,051)	(41,993)	-	(1,356)	(256,376)	(233,632)	(1,125,454)		
Cash and Cash Equivalents at Beginning of Year	393,010	1,134,539	455,579	1,213,726	781,103	-	45,117	459,486	4,482,560	9,343,457		
Cash and Cash Equivalents at End of Year	\$ 383,588	\$ 1,307,992	\$ 423,692	\$ 1,147,675	\$ 739,110	\$ -	\$ 43,761	\$ 203,110	\$ 4,248,928	\$ 8,218,003		

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, 2010

	Business-type Activities - Enterprise Funds				Business-type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Downtown Parking District		
\$	(488,557)	\$ 312,683	\$ (679,927)	\$ (48,008)	\$ (3,339,613)	\$ -	\$ (10,748)	\$ (948,045)	\$ (5,202,215)	\$ 324,274
Depreciation	613,978	173,277	559,413	1,456,461	2,643,269	-	10,268	578,925	6,035,591	-
(Increase) Decrease in Accounts Receivable	(7,523)	(9,080)	95,833	360,133	1,263	-	(150)	53,269	493,745	-
(Increase) Decrease in Prepaid Insurance	-	-	-	-	-	-	-	-	-	-
(Increase) Decrease in Due from General Fund	-	-	-	-	-	-	-	-	-	(2,038,058)
Increase (Decrease) in Accounts Payable	5,595	(28,123)	1,065	25,113	(3,537)	-	(726)	15,205	14,592	6,596
Increase (Decrease) in Insurance Claims	-	-	-	-	-	-	-	-	-	724,584
Increase (Decrease) in Accrued Leave	11,299	(17,474)	-	10,859	13,570	-	-	6,908	25,162	1,609
Loss-Disposed Assets	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Restricted Cash	-	-	(257,680)	(718,639)	-	-	-	555	(975,764)	261,003
Transfer to Restricted Cash	-	-	-	-	-	-	-	-	-	(261,003)
Total Adjustments to Net Income	623,349	118,600	398,631	1,133,927	2,654,565	-	9,392	654,862	5,593,326	(1,305,269)
Net Cash Provided by Operating Activities	\$ 134,792	\$ 431,283	\$ (281,296)	\$ 1,085,919	\$ (685,048)	\$ -	\$ (1,356)	\$ (293,183)	\$ 391,111	\$ (980,995)

Reconciliation of operating income to net cash provided (used) by operating activities:
Operating Income (Loss)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:

Total Adjustments to Net Income

Net Cash Provided by Operating Activities

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. The City accounts for the following trust funds: Community Center, Sherwood Hall, Monterey Regional Water Pollution Control Agency (MRWPCA) Fees, Sales Tax, Payroll Taxes, Developer Deposits, Construction Bonds, Golf Courses Merchandise Sales, Peacebuilders, "Rally Salinas" Library donations and Miscellaneous.

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. The City accounts for the following agency funds: Sherwood Hall Box Office, Sunrise House, Second Chance Youth Program, Cafeteria Plan, Retirees Health Insurance and Business Improvement District.

CITY OF SALINAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Private Purpose Trust	Pension Trust	Agency	Total
ASSETS				
Cash and Investments	\$ 1,094,445	\$ 26,161,318	\$ 487,494	\$ 27,743,257
Cash and Investments Restricted	10,734	-	-	10,734
Accounts Receivable	31,308	-	108,537	139,845
Interest Receivable	-	159	189	348
Due from Other Agencies	-	-	151,815	151,815
Total Assets	1,136,487	26,161,477	748,035	28,045,999
LIABILITIES				
Accounts Payable	183,606	14,662	275,756	474,024
Accrued Leave	-	-	74,347	74,347
Due to Outside Agencies	24,654	-	10,490	35,144
Due to Other Funds	1,443	-	-	1,443
Deferred Revenues	-	-	(24,722)	(24,722)
Total Liabilities	209,703	14,662	335,871	560,236
NET ASSETS				
Held in trust for pension benefits and other purposes	\$ 926,784	\$ 26,146,815	\$ 412,164	\$ 27,485,763

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSEST
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Private Purpose Trust	Pension Trust	Total
ADDITIONS			
Contributions			
Plan members	\$ -	\$ 827,939	\$ 827,939
Private donations	2,577,964	-	2,577,964
Total contributions	<u>2,577,964</u>	<u>827,939</u>	<u>3,405,903</u>
Investment earnings			
Interest	291	840,247	840,538
Net investment earnings	<u>291</u>	<u>840,247</u>	<u>840,538</u>
Total additions	<u>2,578,255</u>	<u>1,668,186</u>	<u>4,246,441</u>
Deductions:			
Benefit payments	-	3,513,224	3,513,224
Payments on behalf of trustees	2,955,954	-	2,955,954
Total deductions	<u>2,955,954</u>	<u>3,513,224</u>	<u>6,469,178</u>
CHANGE IN NET ASSETS	(377,699)	(1,845,038)	(2,222,737)
NET ASSETS			
BEGINNING OF THE YEAR	1,324,334	33,068,868	34,393,202
Prior period adjustment	(19,851)	(5,077,015)	(5,096,866)
Restated net assets, beginning	<u>1,304,483</u>	<u>27,991,853</u>	<u>29,296,336</u>
END OF YEAR	<u>\$ 926,784</u>	<u>\$ 26,146,815</u>	<u>\$ 27,073,599</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

A. Reporting Entity

Description of the Reporting Entity

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

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

Blended Component Units

City of Salinas Redevelopment Agency – The City of Salinas Redevelopment Agency (the Agency) was created by the City Council with the authority and responsibility for redeveloping and upgrading blighted areas of the City. The Agency is financed by property tax increments according to the State Community Redevelopment Law. The Agency's purpose is to eliminate blighted areas by encouraging the development of residential, including low and moderate-income housing, commercial and industrial facilities. The Redevelopment Agency is a legal separate entity; however, the City Council has appointed its members to serve as the governing board of the Agency, and is fully accountable for its fiscal matters. The City Council, acting as an Agency Board, appoints the Agency Executive Director, Legal Counsel, and Treasurer. In the attached statements, the Agency is presented in the Special Revenue, Debt Service and Capital Projects Funds and Capital Assets. A separate Annual Financial Report of the Salinas Redevelopment Agency is published and is available from the Agency Treasurer at the Agency's Finance Department located at 200 Lincoln Avenue, Salinas, CA 93901.

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 Agency. It was established to refund Central City Revitalization Project tax allocation bonds. The Authority was used on April 19, 1994 to issue a site lease to finance the expansion of the industrial waste facility, on September 17, 1996 to issued Central City Revitalization Project Tax Allocation Bonds, Series A 1996, on March 25, 1997 to issue Variable Rate Lease Revenue Bonds, Series A and B 1997, on October 24, 1997 to issue Certificates of Participation, Series A 1997 on February 25, 1999 to issue Certificates of Participation, Series A 1999, on December 17, 2003 to issue Certificates of Participation, Series A 2004, on September 1, 2005 to issue Refunding Certification of Participation, Series 2005 A and B, and on August 21, 2008 to issue

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

variable rate taxable refunding Certificates of Participation Series 2008. The Authority is reported in Debt Service and Enterprise Funds. A financial report is not issued by the Authority.

Other Organizations

The City of Salinas acts as fiscal agent for Sunrise House and Second Chance Youth Program; therefore, financial information for these agencies are included in the accompanying financial statements as fiduciary fund types.

B. Basis of Accounting and Measurement Focus

Basis of Presentation

The accompanying financial statements have been prepared assuming the City will continue as a going concern. For each of the last several years, the City's General Fund has struggled to balance its revenues and expenditures, and it has attempted to balance its deficit spending through the sale of surplus assets, reduction in employee compensation packages and reductions in workforce. Additionally, the economic downturn has had a dramatic negative impact to the City's revenues. For the long term, the City believes additional revenues will be generated by new development; however, during this year; the City will address the growing structural deficit by prioritizing service levels, optimizing cost recovery and reviewing all opportunities to increase revenues. The City believes that success in increasing revenues and controlling cost is achievable, and that available cash and cash equivalents will provide adequate liquidity to fund the City's operations through at least June 30, 2011. The financial statements do not include any adjustments to reflect the future effects in the recoverability and classification of assets or the amounts and classification of liabilities that might result from the possible inability of the City to continue as a going concern.

Government-Wide Financial Statements - The statement of net assets and 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. Governmental activities, which are normally supported by taxes and inter-governmental revenues, are reported separately from business type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the 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 program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

Fund Financial Statements – The fund financial statements provide information about the City’s funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise of assets, liabilities, fund equity, revenues, expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis of the fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

- General Fund - is the general operating fund of the City. It accounts for all financial resources traditionally associated with governments, which are not required to be accounted for in another fund. The General Fund supports essential City services such as police and fire protection, street maintenance, libraries, and parks and open space maintenance.
- Community Development Block Grant Fund (Housing and Urban Development) -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 citizens and handicapped citizens.
- Special Construction Assistance - The proceeds of long-term borrowings resulting from the sale of Certificates of Participation to finance the acquisition and construction of capital projects are reported under this fund.
- Assessment District 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.
- 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, 2010

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

- 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 9% 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. This project started in September, 2003, after the well shaft had collapsed and emergency repairs were required. 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.

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).

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 generally are 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 assets. When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

The government-wide, proprietary and private-purpose trust fund financial statements are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. Operating statements of these funds present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

- Government-wide financial statements are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.
- Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. The City considers property taxes as available if they are levied and collected within 60 days after year-end. The availability period for all other revenues susceptible to accrual is also 60 days. Revenues considered susceptible to accrual include property taxes, sales tax, licenses, interest and rentals, charges for services and intergovernmental revenues. All other revenues are recognized only when the cash receipts are collected. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences and claims which are recognized when due.
- Proprietary funds, private purpose and pension trust funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Water, sewer and refuse collection service revenues earned at June 30, but unbilled, are recognized.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water, sewer and refuse collection, and service support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

C. Budgeting

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

The City Manager may transfer budget appropriations between departments and Department Directors may transfer appropriations between programs and accounts within their individual

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

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 purchase commitments have been established for accounting purposes and the fund balance is reserved for the total lease commitment consistent with budget policies.

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

Expenditures may not legally exceed budgeted appropriations at the government level. Budgeted amounts shown are as originally adopted or as amended by the City Council during the year. During the year, several supplementary appropriations were necessary.

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.

D. Interest Earnings

Interest received on time deposits and investments is prorated to the following funds generally based on their month end cash balance. Interest earned by other funds under this method is allocated to the General Fund.

- General Fund
- Airport Fund
- Industrial Waste Fund
- Asset Seizure Fund
- Local Public Safety Fund
- Community Development Act of 1974 Fund
- Lighting, Landscape and Maintenance District Funds
- Storm Sewer Fund
- Sanitary Sewer Fund
- Development Fee Fund
- Special Gas Tax Improvement Fund
- Special Aviation Fund

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

- Certificates of Participation Debt Service Funds
- Internal Service Self Insurance Funds
- Downtown Parking District Fund
- Agency Funds
- Deferred Compensation Fund
- Assessment District Funds
- Central City Revitalization Project, Debt Service and Housing Funds
- Sunset Avenue Merged SRA Project, Debt Service and Housing Funds

E. 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.

F. Investments held in Local Agency Investment Fund

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

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

The City valued its investments in LAIF as of June 30, 2010, 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.

G. Other Investments

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This Statement requires governmental entities to report investments at fair value in the statement

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

of net assets or balance sheet and to recognize the corresponding change in fair value of investments in the year in which the change occurred.

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

H. Deferred Compensation

The Deferred Compensation Plan is invested in deeds of trust secured by real or personal property and in real estate holdings. The trust deeds are considered nonparticipating interest earning investments and are reported at cost. Due to the economic and real estate downturn on October 28, 2010, the trust deeds were valued by an independent real estate professional and the real estate holdings and loans have been revalued to current real estate market values, see note number 27 on Subsequent Events.

I 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.

J. Property Tax

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

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	January 1	January 1
Lien/Levy dates	January 1	January 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10, April 10	August 31

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

Property tax revenues are recognized when levied provided the measurement and availability criteria have been met.

Property tax revenue is recorded when it becomes measurable and available. Available means when due, or past due and receivable within the current period and collected no longer than sixty (60) days after the close of the current period. The City has elected not to participate in the "Teeter Plan" offered by the County, thereby retaining the right to any interest and penalties collected on the related delinquent taxes.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

Property Tax Levy, Collection and Maximum Rates - The State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount for debt or assessments has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be increased no more than two percent per year unless the property is sold, transferred or improved. The State Legislature has determined the method of distribution of receipts from a one percent tax levy among the counties, cities, school districts and other districts.

K. Interfund-fund Balances/Internal Balances

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans and residual balances outstanding in the fund financial statements are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., 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". Advances to other funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are 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.

All other outstanding balances between funds are reported as due to and due from other funds. These are generally repaid within the following fiscal year.

L. Inventory of Supplies

Inventory is valued at average cost, which approximates cost as determined on a first-in-first-out basis. Inventory in the General Fund consists of expendable supplies held for consumption by all departments of the City. The cost is recorded as an expenditure or expense in the appropriate fund at the time individual inventory items are withdrawn for use (consumption method). The General Fund inventory amount is equally offset by a fund balance reservation, which indicates that it does not constitute expendable available financial resources.

M. Land Held for Resale

The Salinas Redevelopment Agency has acquired land as part of its primary purpose to develop blighted properties. The Salinas Redevelopment Agency records these parcels as land held for resale in its financial statements. The property is being carried in the Salinas Redevelopment Agency Capital Projects Funds and Special Revenue Funds at the lower of cost or market, but no

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

greater than the net realizable value. In addition, funds have been restricted for future capital improvements by city resolution.

N. Restricted Assets

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, funds have been restricted for future capital improvements by City resolution.

O. Capital Assets

Capital Assets, which include land, buildings, improvements, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or, for donated assets, at their fair market value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated assets are valued at their estimated fair value on the date donated. City policy has set the capitalization thresholds for reporting capital assets at the following:

General Capital Assets	\$	5,000
Infrastructure Capital Assets	\$	150,000

For all exhaustible capital assets, depreciation is recorded on a straight-line method (with half-year conversion applied to the first year of acquisition) over the useful lives of the assets as follows:

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

P. Encumbrances

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

Q. Compensated Absences

It is the policy of the City to permit employees to accumulate earned by unused vacation and sick benefit leave. Vested or accumulated annual leave for all regular City employees and paid time-off for management employees is reported as long-term liability in the governmental activities of the Government-Wide Financial Statements and as current liability in the business-type activities of the Government-Wide Financial Statements.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

Employees are eligible to receive their entire unused annual leave balance upon termination, or can elect to be paid annually for a maximum of fifteen days of annual leave, depending on years of service. The City also pays all City employees twenty percent of their sick leave balances upon normal (not early or disability) retirement or ten percent for other than a normal retirement.

R. Claims and Judgments

Claims and judgments are recognized as expenditures when it is probable that the liability has been incurred and the amount of the loss can be reasonably estimated. The City performs an actuarial study of claims and judgments to determine liabilities on a biannual basis. This liability is recorded in the internal service fund that accounts for the City's self insurance activities.

S. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financed obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements

The government fund financial statements do not represent long-term debt. Long-Term Debt is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

T. Net Assets and Fund Equity

Government-Wide Financial Statements

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws/regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

Fund Financial Statements

Fund Equity – Reservations and designations of fund balances of governmental funds and restricted net assets of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or to identify the portion of the fund equity not available for future expenditures.

Reserved Fund Balance – Reserved fund balance indicates that portion of fund equity, which has been legally segregated for specific purposes.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

Unreserved Fund Balance – Unreserved fund balance indicates that portion of fund equity which is available for budgeting in future periods, although a portion of these funds may be designated by City Council in multi-year budgets or may not be available in the current period because of accrual transactions.

U. Fund Balances – Reservations and Designations

In the Fund Financial Statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

V. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenditures and expenses. Actual results could differ from these estimates and assumptions.

2. Stewardship, Compliance and Accountability:

At June 30, 2010, the following funds had a deficit fund:

Enterprise Funds – Municipal Golf Courses Fund \$3,530,341.

The deficit net assets in Municipal Golf Courses Fund of \$3,530,341 represents the amount of debt issued for the purchase of capital assets that exceed the value of those capital assets net of accumulated depreciation. Fairways Golf Course continues under a twenty-year private management agreement with Sierra Golf Management. Twin Creeks Golf Course continues under the sub-lease agreement with the Future Citizens Foundation, dba The First Tee of Monterey County to operate and manage the Golf Course.

Enterprise Funds – Downtown Parking District Fund \$879,133.

The deficit fund equity in the Downtown Parking District Fund of \$879,133 represents the amount of debt issued for the construction of the Parking Structure that exceed the value of the capital assets net of accumulated depreciation.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

3. Cash and Investments

The City's cash and investment at June 30, 2010 are included in the accompanying basic financial statements as follows:

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments	\$ 56,518,479	\$ 4,248,928	\$ 60,767,407	\$ 27,753,991	\$ 88,521,398
Restricted Cash and Investments	<u>3,710,646</u>	<u>3,858,161</u>	<u>7,568,807</u>	-	<u>7,568,807</u>
Total Cash and Investments	<u>\$ 60,229,125</u>	<u>\$ 8,107,089</u>	<u>\$ 68,336,214</u>	<u>\$ 27,753,991</u>	<u>\$ 96,090,205</u>

Cash and Investments at June 30, 2010 consisted of the following:

Cash	
Demand Accounts at Banks	\$ 2,669,797
Petty Cash and Revolving Fund	15,000
	<u>2,684,797</u>
Investments	
State Local Agency Investment Fund	46,005,705
Certificates of Deposits	95,735
Money Market	12,971,769
Investments held in trust by Fiscal Agent	7,601,555
OPEB	232,007
Insurance Reserves	337,319
	<u>67,244,090</u>
Deferred Compensation	
Cash in State Local Agency Investment Fund	645,188
Trust Deeds	25,516,130
	<u>26,161,318</u>
Total Cash Investments	<u>\$ 96,090,205</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

3. Cash and Investments: (Continued)

The City's investment policy also governs the investment of all funds including those of the Salinas Redevelopment Agency. The City's investment policy conforms to California Government Code. The investment of bond proceeds is governed by the specific Indenture of Trust. The investment policy is reviewed annually. The City of Salinas follows the practice of pooling cash and investments of all funds including Agency funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Earnings from these investments are allocated quarterly to each fund based on average monthly cash balances.

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

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

As of June 30, 2010, the City's investment in LAIF was \$46,650,893, which has a weighted average maturity of 203 days. The total amount invested by all public agencies in LAIF at that date is approximately \$23.3 billion. The City's proportionate share of structured notes and asset-backed securities held by the LAIF was \$645,188 or 1.40% of the City's investment in LAIF.

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

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

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

3. Cash and Investments: (Continued)

Deposits

At June 30, 2010, the carrying amount of the City's deposits was \$2,557,420. The bank balance was \$3,445,739. The difference is due to outstanding checks and deposits in transit. All bank balances are insured or collateralized.

The City has waived collateral requirements for deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

Investments

As of June 30, 2010 the City had the following investment and maturities:

	<u>Cost</u>	<u>Fair Value</u>	<u>0-12 months</u>	<u>1-5 years</u>	<u>over 5 years</u>
Local Agency					
Investment Fund	\$ 45,929,347	\$ 46,005,705	\$ 46,005,705	\$ -	\$ -
Money Market	12,971,769	12,971,769	12,971,769	-	-
Certificates of Deposits	95,735	95,735	95,735	-	-
Investment Agreements	7,601,555	7,601,555	-	-	7,601,555
Insurance Reserves	337,319	337,319	337,319	-	-
OPEB	232,007	232,007	232,007	-	-
Trust Deeds-Def Comp	26,161,120	26,161,318	-	26,161,318	-
Total	<u>\$ 93,328,852</u>	<u>\$ 93,405,408</u>	<u>\$ 59,642,535</u>	<u>\$ 26,161,318</u>	<u>\$ 7,601,555</u>

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses arising 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, 2010 had an average life of 203 days, it was presented as an investment with a maturity of 0-6 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

3. Cash and Investments: (Continued)

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

	<u>Fair Value</u>	<u>S&P</u>	<u>Moodys</u>	<u>% of Total</u>
Local Agency Investment Fund	\$46,005,705	NR	NR	49.26%
Money Market				
Rabobank	11,970,574	AAA/Negative/A-1+	Aaa/P-1B+	12.82%
First Financial Equity Corp	1,001,195	BBB-	Baa3	1.07%
Certificates of Deposits				
Rabobank	10,735	AAA/Negative/A-1+	Aaa/P-1B+	.
Pinnacle Bank	85,000	NR	NR	0.09%
Investment Agreements				
Fed PRM Obl	6,036,725	AAAm	Aaa	6.46%
Wells Fargo	95,028	AAAm	Aaa	0.10%
Westdeutsche Bank	1,469,802	BBB+	A3	1.57%
Insurance Reserves	337,319	NR	NR	0.36%
OPEB	232,007	NR	NR	0.25%
Trust Deeds-Def Comp	<u>26,161,318</u>	NR	NR	<u>28.01%</u>
Total	<u>\$93,405,408</u>			<u>100.00%</u>

Concentration of Credit Risk

The Local Agency Investment Fund, representing 49.25% of the portfolio, and the Trust Deed, representing 28.01% of the portfolio are not considered a concentrated risk.

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) or collateralized with pledge securities held in the trust department of the financial institution in the City's name.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

4. Restricted Assets:

Cash and investments of \$7,568,808 are recorded as restricted assets at June 30, 2010 as follows:

General Fund: Restricted for OPEB	\$	232,007
Construction Assistance:		
Restricted for the construction of the Monterey Street Parking and for COP 2005B Projects		476,271
Debt Service Fund:		
Debt Service Fund - restricted to cover expenses of debt service		2,665,049
Enterprise Fund:		
Restricted to cover expenses of debt service		
Golf Courses Fund	\$	959,305
Sanitary Sewer		1,750,116
Downtown Parking District	1,148,740	3,858,161
<hr style="width: 100%;"/>		
Internal Service Fund:		
Restricted for liability expenses and workers compensation claims		337,319
<hr style="width: 100%;"/>		
Total Restricted Assets	\$	<u><u>7,568,807</u></u>

5. Taxes Receivable:

Taxes receivable recorded in the General Funds of \$7,170,206 represent amounts due for the quarter ending June 30, 2010 for the following taxpayer – assessed taxes:

Sales Tax	\$	2,775,889
Transaction and Use Tax		1,697,573
In-lieu Sales Tax		1,091,785
Utility Users Tax		789,863
Franchise Tax		368,532
Transient Occupancy Tax		355,730
Other Taxes		40,860
Property Transfer Tax		49,974
<hr style="width: 100%;"/>		
Total	\$	<u><u>7,170,206</u></u>

6. Assessment Receivable:

Debt Service Fund – Assessments receivable recorded in the Assessment District Debt Service Fund of \$17,000,000 at June 30, 2010, will be collected from property owners to retire outstanding bond principal issued for improvements in special assessment districts. Cash and investments at June 30, 2010 of \$3,025,353 are available to make bond and interest payments of \$3,012,117 that are due on September 1, 2010.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

7. Due From Other Agencies:

Due from other agencies consists of the following:

	Federal	State	Other	Total
Government Activities:				
Second Chance	\$ -	\$ -	\$ 10,490	\$ 10,490
Special Revenue Funds:				
Dept. of Housing & Urban Development:				
CDBG Improvement Program	758,882			758,882
CDBG Recovery Program (ARRA)	221,241			221,241
HOME Investment Program	33,810			33,810
Emergency Shelter Grant	52,666			52,666
Homelessness Prevention (ARRA)	32,988			32,988
Neighborhood Stabilization Program (ARRA)	1,111,428			1,111,428
US Department of Justice	202,898			202,898
US Department of Justice (ARRA)	605,566			605,566
National Highway Traffic Safety	59,995			59,995
California Dept of Motor Vehicles		87,069		87,069
California Highway Users Tax		214,686		214,686
Gang Reduction, Interv. and Prevent.		186,810		186,810
California Office of Traffic Safety(US DOT)		44,343		44,343
California Literacy Services		8,604		8,604
Firefighter Assistance Grant	74,560			74,560
National Leadership Grant	24,350			24,350
Weed and Seed Program	43,684			43,684
County of Monterey			140,549	140,549
	<u>3,222,068</u>	<u>541,512</u>	<u>140,549</u>	<u>3,904,129</u>
Capital Projects Funds:				
Federal Aviation Administration	1,518,224			1,518,224
Federal Highway Administration	26,481			26,481
Federal Economic Stimulus	689,578			689,578
CA Dept.of Transportation		1,492,637		1,492,637
Monterey County			124,751	124,751
Developers			958,510	958,510
	<u>2,324,283</u>	<u>1,492,637</u>	<u>1,234,300</u>	<u>4,810,181</u>
Total Government Activities	<u>5,546,351</u>	<u>2,034,149</u>	<u>1,385,339</u>	<u>8,724,800</u>
Business-Type Activities:				
Enterprise Funds:				
Salinas Valley Solid Waste Authority	-	-	3,615,786	3,615,786
Trust and Agency Funds:				
Sunrise House:				
Salinas Union High School District			26,230	26,230
Second Chance Youth Program:				
Macys			50	50
County of Monterey			22,907	22,907
Harden Foundation			25,000	25,000
CalGRIP SOS			22,857	22,857
City of Salinas			54,770	54,770
	<u>-</u>	<u>-</u>	<u>151,814</u>	<u>151,814</u>
Primary Government Totals	<u>\$ 5,546,351</u>	<u>\$ 2,034,149</u>	<u>\$ 5,152,939</u>	<u>\$ 12,492,400</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

8. Interfund Transactions:

Interfund Receivables/Payables (Due to/Due from) – The composition of interfund balances as of June 30, 2010 was as follows:

<u>Due From:</u>	Due To			Total
	General	Capital Projects	Internal Service	
Primary Government				
Governmental Activities:				
Major Funds:				
General Fund	\$ -	\$ 39,451	\$ 2,729,527	\$ 2,768,978
Measure V	-	433	-	433
Comm Dev Act of 1974 Fund	1,695,402	348,846	-	2,044,248
Development Fee Fund	1,700	45,870	-	47,570
Special Construction Assist Fund	708,225	476,271	-	1,184,496
Non-Major Funds:				
Emergency Medical Services	-	403	-	403
Lighting, Landscape & Maintenance	24,295	-	-	24,295
Local Public Safety Fund	635,217	396,069	-	1,031,286
Recreation Parks Fund	-	14,047	-	14,047
Gas Tax Fund	-	113,369	-	113,369
Debt Service	11,010	-	-	11,010
Grants Fund	109,854	-	-	109,854
Total Governmental Activities	3,185,703	1,434,759	2,729,527	7,349,989
Business Type Activities:				
Airport Fund	-	20,571	-	20,571
Industrial Waste	-	6,955	-	6,955
Sanitary Sewer Fund	-	26,585	-	26,585
Storm Sewer Fund	-	13,339	-	13,339
	-	67,450	-	67,450
Total Primary Government	3,185,703	1,502,209	2,729,527	7,417,439
Expendable Trust Funds:				
Trust Deposit Funds	1,443	-	-	1,443
Business Imp District	-	-	-	-
Second Chance	-	-	-	-
Total Expendable Trust Funds	1,443	-	-	1,443
	\$ 3,187,146	\$ 1,502,209	\$ 2,729,527	\$ 7,418,882

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

8. Interfund Transactions: (Continued)

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, 2010 was as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 2,150,000	\$ 2,277,403
Special Revenue Funds:		
EMS	522,500	10,392
Local Public Safety Fund	83,518	713,505
Community Development Act of 1974 Fund	3,961	1,308,574
Vehicle Abatement Program	50,000	-
Development Fee Fund	-	1,053,455
Gas Tax Fund	-	3,213,109
Traffic Safety Fund	-	800,000
Recreation Parks Fund	-	35,482
Grants Fund	82,098	18,702
Central City Housing Fund	273,731	240,058
Sunset Avenue Merged Housing Fund	129,795	
	<u>1,145,603</u>	<u>7,393,277</u>
Debt Service Funds:		
COPS 2005B	765,097	-
COPS 1999	84,000	-
Central City Debt Service Fund	240,058	273,731
Sunset Avenue Merged Debt Service Fund	-	129,795
	<u>1,089,155</u>	<u>403,526</u>
Capital Projects Funds:		
Sunset Avenue	-	-
Capital Project Fund	5,844,291	-
	<u>5,844,291</u>	<u>-</u>
Total Governmental Activities	<u>10,229,049</u>	<u>10,074,206</u>
Enterprise Funds:		
Airport Fund	13,474	10,072
Industrial Waste Fund	-	49,380
Sanitary Sewer Fund	-	132,790
Storm Sewer Fund	670,400	46,373
Solid Waste Fund	-	385,097
Downtown Parking District Fund	-	6,500
Total Business Type Activities	<u>683,874</u>	<u>630,212</u>
Total Governmental & Business Activities	<u>10,912,923</u>	<u>10,704,418</u>
Expendable Trust Fund:		
Trust Deposits Fund	40,179	248,684
Total Expendable Trust Fund	<u>40,179</u>	<u>248,684</u>
	<u>\$ 10,953,102</u>	<u>\$ 10,953,102</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

8. Interfund Transactions: (Continued)

Advances to/from other funds

An advance of \$150,000 from the General Fund to the Municipal Golf Course fund was made during fiscal year 2009-10. The advance offset the bond payment deficit.

The total advances made from the General Fund to the Downtown Parking District fund totaled \$1,185,000. The advance offset the operating deficit experienced while the Downtown Parking Management Plan was designed and implemented.

This advance is recorded in the General Fund – Advances to Other Funds and in the Enterprise Fund – Advances from General Fund for the year ended June 30, 2010.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

9. Loans Receivable:

At June 30, 2010, the Government-Wide and Fund Financial Statements show the City had \$23,031,434 in long-term loans receivable, summarized as follows:

<u>Loan Type</u>	<u>Rate</u>	<u>Balance June 30, 2009</u>	<u>New Loans</u>	<u>Principal Payments</u>	<u>Balance June 30, 2010</u>
<u>General Fund</u>					
First Time Homebuyers	3.00%	\$ 29,800	\$ -	\$ -	\$ 29,800
<u>Special Revenue Funds</u>					
Deferred Housing Rehabilitation	3.00%	1,890,981	193,157	(49,825)	2,034,313
Direct Housing Rehabilitation	8.00%	272,332	85,000	(33,196)	324,136
First Time Homebuyers	3.00%	1,735,000	-	(75,000)	1,660,000
Sherwood Seniors Village	3.00%	2,550,000	-	-	2,550,000
Wesley Oaks	3.00%	970,353	-	-	970,353
Gateway Apartments	3.00%	704,346	-	-	704,346
Small Business Loans	various	43,837	-	-	43,837
Plaza House	0.00%	95,370	-	-	95,370
La Gloria Apartments	3.00%	425,000	320,000	-	745,000
Los Padres Apartment	3.00%	300,000	-	-	300,000
Circle of Friends	1.00%	75,000	-	-	75,000
Tynan Village	1.00%	2,600,000	-	-	2,600,000
Sun Street	1.00%	420,000	80,000	-	500,000
Green Gold Inn	0.00%	157,500	-	-	157,500
Tresor Apartments	3.00%	-	500,000	-	500,000
		<u>12,239,719</u>	<u>1,178,157</u>	<u>(158,021)</u>	<u>13,259,855</u>
<u>Central City Project Fund</u>					
Unreinforced Masonry	0.00%	295,516	-	(75,505)	220,011
<u>Central City Debt Service Fund</u>					
Steinbeck Center Debt	1.00%	-	303,727	-	303,727
<u>Central City Housing Fund</u>					
First Time Homebuyers	various	1,210,500	-	(51,000)	1,159,500
Housing Assistance	various	167,981	17,019	(10,702)	174,298
Gateway Apartments	3.00%	1,590,000	-	-	1,590,000
Tynan Village	3.00%	1,275,000	-	-	1,275,000
Tresor Apartments	3.00%	-	360,000	-	360,000
La Gloria Apartments	3.00%	-	396,541	-	396,541
		<u>4,243,481</u>	<u>773,560</u>	<u>(61,702)</u>	<u>4,955,339</u>
<u>Sunset Avenue Housing Fund</u>					
Los Padres Apartment	3.00%	1,500,000	-	-	1,500,000
First Time Homebuyers	3.00%	95,000	-	-	95,000
Sherwood Village	0.00%	300,000	-	-	300,000
Tynan Village	3.00%	725,000	-	-	725,000
La Gloria Apartments	0.00%	-	368,829	-	368,829
Sunflower Gardens	3.00%	403,883	596,117	-	1,000,000
Down payment Assistance	3.50%	224,500	-	-	224,500
		<u>3,248,383</u>	<u>964,946</u>	<u>-</u>	<u>4,213,329</u>
<u>Sunset Avenue Merged Project Fund</u>					
Small Business Loans	0.00%	62,685	-	(13,311)	49,374
		<u>\$ 20,119,584</u>	<u>\$ 3,220,390</u>	<u>\$ (308,539)</u>	<u>\$ 23,031,435</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

9. Loans Receivable: (Continued)

Following are the details on the loans receivable at June 30, 2010:

General Fund

\$29,800 - First time homebuyers loans with three percent interest forgiven if owner occupied for thirty years, which are due upon transfer of property title.

Special Revenue Funds

Loans recorded in the CDBG under Title I of the Housing and Community Development Act and HOME under Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990 are:

\$2,034,312 - Deferred housing rehabilitation loans at three percent simple interest are reviewed for extension every five years, and are due upon transfer of property title.

\$324,136 - Direct housing rehabilitation loans at five to eight percent interest amortized over fifteen years, and due upon transfer of property title.

\$1,660,000 - First time homebuyers loans with three percent simple interest forgiven if owner occupied for thirty years, are due upon transfer of property title.

Deferred payment loan to Community Housing Improvement Systems and Planning Association Inc. (CHISPA) for:

- \$2,550,000 - Sherwood Seniors Village, bearing simple interest at an annual rate of three percent (3%) for 30 years. Interest charges will accrue beginning July 1, 2006; repayment of principal and interest is due no later than July 1, 2036. CHISPA assigned loan to Sherwood Village L.P., a California limited partnership.
- \$970,353 - Wesley Oaks subdivision, bearing simple interest at an annual rate of three percent (3%). Interest charges will accrue beginning October 1, 2008; repayment of principal and interest is due in full no later than September 30, 2015.

\$43,837 - Small business loans with various terms.

\$704,346 - Deferred payment loan to Salinas Gateway, L.P. for the development of the Gateway Apartments located at 39 West Market bearing simple interest at three percent (3%) annually. Repayment in full due by June 30, 2028.

\$95,370 - Plaza House loan for costs related to the interior replacement and improvements of the property located at 30 E. Market Street.

\$745,000 - Deferred payment loan for the acquisition of La Gloria Apartments located at 531-539 E. Market Street. Loan bears a simple annual interest rate of three percent (3%) for 30 years. Interest charges will accrue beginning July 1, 2009. Repayment of principal and interest is due in full no later than December 31, 2029.

\$75,000 - Acquisition of 7 Spoleto Circle by Children's Circle of Friends, a foster case housing. Deferred payment loan bearing simple interest at an annual rate of one percent (1%) for 30 years.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

9. Loans Receivable: (Continued)

Interest charges began accruing July 1, 2007. Repayment of principal and interest is due in full no later than December 31, 2024.

\$300,000 – Deferred payment loan for the acquisition of Los Padres Apartments located at 1260 John Street. Loan bears a compounded annual interest rate of three percent (3%) for 55 years. No payment shall be due for the first 10 years. Repayment of principal and interest is due in full no later than June 1, 2058.

\$2,600,000 - Loan to Tynan Affordable Housing Limited Partnership for construction of Tynan Village; a mixed income apartment project for low and very low income households. The loan is secured by a deed of trust and bears an annual interest of one percent for 55 years. Interest charges began accruing on July 1, 2007. Repayment of principal and interest is due in full no later than June 30, 2062.

\$500,000 - Deferred payment loan bearing simple interest at an annual rate of three percent (1%) for 55 ½ years. Loan is for the acquisition of complex at Sun Street by Interim Inc Sunflower Housing Corp. Interest charges will accrue from the date of acquisition or upon full repayment of CalHFA MSA loan.

\$157,500 - Loan to the Salinas Redevelopment Agency for the purchase of the Green Gold Inn Homeless Shelter at no interest, due transfer of property title or cessation of homeless center and one half to be forgiven in ten years (2005).

\$500,000 - Deferred payment loan for the acquisition of the Tresor Apartments located at 1041 Buckhorn Drive. Loan bears a simple annual interest rate of three percent (3%) for 40 years. Interest charges will accrue beginning January 1, 2010. Repayment of principal and interest is due in full no later than June 30, 2050.

Central City Project Fund

\$220,011 — 26 Unreinforced Masonry Loans for engineering and retrofitting of downtown buildings to meet City code earthquake requirements. Loans are interest free for 25 years due and payable upon transfer or sale of property. 16 loans have no payments due until the end of the 25 year term. 10 loans have monthly payments amortized over 25 years.

Central City Debt Service Fund

\$303,727 - Loan to Steinbeck Center for debt service on Certificates of Participation. On June 15, 2010 the Agency Board authorized a loan up to \$484,716 with simple interest at the LAIF rate not to exceed 1%, due in full on July 1, 2018.

Central City Housing Fund

\$80,000 - Six First Time Homebuyer Loans at 3% interest for 30 years due and payable upon transfer or sale of property. If owner occupies property for 30 years, the 3% interest is forgiven.

\$54,000 - Six First Time Homebuyer Loans at 6% interest for 10 years due and payable upon transfer or sale of property. No payments due if owner occupies property for 10 years. Beginning the sixth year, the Agency will forgive 20% of the full amount of principal and interest until the entire note is forgiven at the end of 10 years.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

9. Loans Receivable: (Continued)

\$29,650 - Housing Construction Loan at 6% amortized over 30 years due and payable upon transfer or sale of property.

\$128,082 - Housing Construction Loan at 5% amortized over 20 years due and payable upon transfer or sale of property.

\$16,566 - Housing Rehab Loan at 2.75%/LAIF rate amortized over 15 years due and payable upon transfer or sale of property.

\$775,500 - Loan to CHISPA to provide down payment assistance loans to farm worker families. Loans bear interest at 3.5% annually, are subordinate to the primary mortgage, and are due upon transfer of title. If owner occupies property for 45 years, the 3.5% interest is forgiven.

\$250,000 - Loan made during May 2003 to the Plaza Grande for a 92-unit very low-income residential project. Loan bears no interest and requires no payments until due in forty years.

\$1,590,000 - Loan to Salinas Gateway LP for land acquisition and construction of Gateway Apartments. The loan is secured by a deed of trust and bears interest at 3%. The terms of the loan call for annual repayments equal to 50% of the residual receipts (rents less operating expenses) commencing on May 1st following the issuance of a certificate of occupancy.

\$1,275,000 - Loan to Tynan Affordable Housing Limited Partnership for construction of Tynan Village. The loan is secured by a deed of trust and bears interest at 3%. The terms of the loan call for annual repayments equal to a 1/3 pro rata share of 50% of the residual receipts (rents less operating expenses) commencing in December 2018.

\$360,000 - Loan to Salinas Pacific Associates Limited Partnership for construction of Tresor Apartments authorized on December 15, 2009 for \$400,000. The loan is secured by a deed of trust and bears 3% simple interest for 60 years. The terms of the loan call for annual repayments equal to 13% of the residual receipts (rents less operating expenses) commencing May 1, after Certificate of Occupancy is issued or May 1, 2012.

\$396,541 - Loan to CHISPA for construction of La Gloria Apartments authorized on July 28, 2009 for \$434,000 as part of a larger loan for \$830,000. Loan is secured by a deed of trust, bears no interest for 60 years from February 1, 2010 or 55 years from when Certificate of Occupancy is issued, whichever is later. Due in full upon transfer, default, or end of term.

Sunset Avenue Merged Housing Fund

\$1,500,000 - Loan to KDF Communities, LLC to purchase, rehabilitate and convert the 219-unit Los Padres Apartment complex to affordable housing. Loan is at 3% interest for 55 years and was originated on June 1, 2003. No payments are due for first 10 years. The next 5 years require payments of \$10,000, \$20,000, \$30,000, and \$40,000, respectively. Years 15 through 30 require annual payment of \$50,000. Beginning in 2034 the remaining balance and any accrued interest is fully amortized in annual payments through the end of the loan. The loan is secured by a deed of trust in second lien position.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

9. Loans Receivable: (Continued)

\$95,000 - Five First Time Homebuyer Loans at 3% interest for 30 years due and payable upon transfer or sale of property. If owner occupies property for 30 years the 3% interest is forgiven.

\$300,000 - Loan made during May 2005 to CHISPA for Los Abuelitos Senior Housing Project no interest for 55 years.

\$725,000 - Loan to Tynan Affordable Housing Limited Partnership for construction of Tynan Village. The loan is secured by a deed of trust and bears interest at 3%. The terms of the loan call for annual repayments equal to a 1/3 pro rata share of 50% of the residual receipts (rents less operating expenses) commencing in December 2018.

\$368,829 - Loan to CHISPA for construction of La Gloria Apartments authorized on July 28, 2009 for \$396,000 as part of a larger loan for \$830,000. Loan is secured by a deed of trust, bears no interest for 60 years from February 1, 2010 or 55 years from when Certificate of Occupancy is issued, whichever is later. Due in full upon transfer, default, or end of term.

\$1,000,000 - Loan to Interim Inc. for the acquisition and reconstruction of Sunflower Gardens. The loan bears-deferred simple interest at 3%, is due in 55 years, and is secured by a deed of trust. \$403,883 was loaned during the fiscal year ended June 30, 2009 and \$596,117 was loaned during fiscal year ended June 30, 2010.

\$224,500 - Loan to CHISPA to provide down payment assistance loans to farm worker families. Loans bear interest at 3.5% annually, are subordinate to the primary mortgage, and are due upon transfer of title. If owner occupies property for 45 years, the 3.5% interest is forgiven.

Sunset Avenue Merqed Project Fund

\$49,374 - Sixteen interest free Emergency Small Business Loans due in 10 years.

No allowance for doubtful accounts is presented in the accompanying financial statements as management considers all receivables to be collectible.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

10. Land Held for Resale:

Land held for resale consisted of the following at June 30, 2010:

General Fund

1514 Verona Ct.	\$ 228,435
1521 Canelli Ct.	265,787
1689 Seville St.	109,839
1989 Delancey Dr.	248,264
1905 Brandbury St	225,098
1941 Gladstone Way	281,862
975 Logfellow Drive	241,366
	1,600,651

Central City Project Fund

111 Main St – Parking lot – future hotel Site	393,560
117 Main St – Alley by Steinbeck	24,445
150 Main St – Vacant lot – future hotel site	523,272
	941,277

Central City Low and Moderate Income Housing Fund

17 & 19 Soledad Street	370,693
9 & 11 Soledad Street	129,738
	500,431

Sunset Avenue Merged Project Fund

137, 145 & 151 Division Street	850,000

Sunset Avenue Merged Low and Moderate Income Housing Fund

115 Division Street	335,947
123 Division Street	300,000
923 E. Market Street	521,175
	1,157,122

Total Land Held for Resale	\$ 5,049,481
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CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

11. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Additions	Adjustments/ Retirements	Balance June 30, 2010
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 22,674,022	\$ -	\$ -	\$ 22,674,022
Construction in progress	12,470,550	2,335,757	(1,483,774)	13,322,533
Total assets not being depreciated	<u>35,144,572</u>	<u>2,335,757</u>	<u>(1,483,774)</u>	<u>35,996,555</u>
Capital assets, being depreciated:				
Buildings and improvements	30,000,867	-	(71,821)	29,929,046
Improvements other than buildings	11,224,091	140,289	71,821	11,436,201
Machinery and equipment	23,061,444	471,260	(79,192)	23,453,512
Infrastructure	211,272,792	4,231,454	1,483,774	216,988,020
Total assets being depreciated	<u>275,559,194</u>	<u>4,843,003</u>	<u>1,404,582</u>	<u>281,806,779</u>
Less accumulated depreciation:	<u>(140,403,675)</u>	<u>(8,278,507)</u>	<u>57,796</u>	<u>(148,624,386)</u>
Total capital assets being depreciated, net	<u>135,155,519</u>	<u>(3,435,504)</u>	<u>1,462,378</u>	<u>133,182,393</u>
Governmental Activities capital assets, net	<u>\$ 170,300,091</u>	<u>\$ (1,099,747)</u>	<u>\$ (21,396)</u>	<u>\$ 169,178,948</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 3,629,739	\$ 2,600	\$ -	\$ 3,632,339
Construction in progress	1,370,220	2,998,760	-	4,368,980
Total assets not being depreciated	<u>4,999,959</u>	<u>3,001,360</u>	<u>-</u>	<u>8,001,319</u>
Capital assets, being depreciated:				
Buildings and improvements	27,042,814	-	-	27,042,814
Improvements other than buildings	15,202,866	-	-	15,202,866
Machinery and equipment	6,784,836	172,012	-	6,956,848
Infrastructure	213,284,032	190,379	-	213,474,411
Total assets being depreciated	<u>262,314,548</u>	<u>362,391</u>	<u>-</u>	<u>262,676,939</u>
Less accumulated depreciation:	<u>(127,364,144)</u>	<u>(6,035,590)</u>	<u>-</u>	<u>(133,399,734)</u>
Total capital assets being depreciated, net	<u>134,950,404</u>	<u>(5,673,199)</u>	<u>-</u>	<u>129,277,205</u>
Business-type Activities capital assets, net	<u>\$ 139,950,363</u>	<u>\$ (2,671,839)</u>	<u>\$ -</u>	<u>\$ 137,278,524</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

11. Capital Assets: (Continued)

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

Governmental Activities:

General Government	\$ 313,709
Police	913,188
Fire	423,085
Public Works, including infrastructure assets	5,782,169
Recreation and Parks	727,054
Library	119,302
	119,302
Total depreciation expense - Governmental Activities	\$ 8,278,507

Business-type Activities:

Airport	\$ 613,978
Industrial Waste	173,277
Golf Courses	559,413
Sanitary Sewer	1,456,461
Storm Sewer	2,643,268
Water Utility	10,268
Downtown Parking	578,925
	578,925
Total depreciation expense - Business-type Activities	\$ 6,035,590

12. Contingent Assets:

The City has made land acquisition advances totaling \$682,904 to the Community Housing Improvement Systems and Planning Association, Inc. The City holds two promissory notes for 17 years, non-interest bearing, deferred payment notes in the amounts of \$334,362 and \$348,542. All principal and other amounts are due and payable no later than September 30, 2013. The notes are secured by deeds of trust.

13. Deferred Revenues:

Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period (unavailable). Deferred revenues are those where assets recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenues are stated at \$22,706,509 in the Government-Wide Statements and \$35,544,942 in the Fund statements. The difference of \$12,838,433 represents long-term loans in the Special Revenue Funds recorded as deferred revenue. These are not available resources.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

13. Deferred Revenues: (Continued)

Deferred revenues of \$35,544,942 at June 30, 2010 consists of the following:

Governmental Activities:

Major Funds:

Community Development Act of 1974 Fund

Housing Rehab Loans	\$ 2,448,448
First Time Homebuyers Loans	1,570,000
Salinas Redevelopment Agency Loan	157,500
Small Business Loans	43,837
CDBG/Home Program Deferred Revenue	9,040,069
	13,259,854

Construction Assistance

3,772,875

Assessment District Debt Service Fund Assessment Receivable

17,000,000

Non-Major Funds:

Special Revenue and Capital Projects grants, advances

1,512,213

Total Governmental Activities

\$ 35,544,942

14. 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, Hartford Insurance, 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 differ each year, based on changes in the consumer price index.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

14. Deferred Compensation Plan: (Continued)

International City Manager's Association (ICMA)

The International City Manager's Association Retirement, Inc., Plan had 388 participants and a balance of \$15,526,625 at June 30, 2010. 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, 2010 pursuant to the Employer Trust established by the City with ICMA Retirement Corporation during November 1997.

Trust Deed Program

The City administers a Trust Deposit Fund that includes a deferred compensation plan funded solely by the voluntary salary reductions. The goal of the Trust Deed program is to invest participants funds in short-term deeds of trust. This investment option is administered within the City of Salinas by the City's appointed administrator of the Deferred Compensation Plan. Loans are based on equity after obtaining a fee appraisal. All property is physically inspected and the loan package is reviewed and approved/disapproved by a Deferred Compensation Committee. All employees are eligible to participate. The Plan had 497 participants and a balance of \$26,026,257 in net assets at June 30, 2010. 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, 2010.

Central Coast Federal Credit Union (CCFCU)

This third deferred compensation plan was established in August 1993. The plan funds are backed by the full faith and credit of the U.S. Government and are also insured by the National Credit Union Administration (NCUA), an agency of the federal government for up to \$100,000. Central Coast collateralizes any amounts invested in their savings accounts in excess of NCUA insurance limits in accordance with applicable law. There were 56 participants with a balance at June 30, 2010 is \$3,914,853. All employees are eligible to participate through voluntary salary deductions. The assets for this plan are not reported on the City's financial statements.

Hartford Life Insurance

This fourth Deferred Compensation plan was established in September 2000. This retirement savings plan enables employees to defer a portion of their current compensation for payment at later date, generally retirement. Salary deferrals (or contributions) are voluntary, and are made through the ease of payroll deduction. Hartford offers a variety of investment vehicles that vary in risks, term and return to the investment. These investment options are offered through a group variable annuity contract. There were 41 participants with a balance at June 30, 2010 of \$1,945,343. All employees are eligible to participate through voluntary salary deductions. The assets for this plan are not reported on the City's financial statements.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

15. Retirement Programs:

As of June 30, 2010, the city was contributing to three employee retirement programs. Total pension expenses for the fiscal year were \$14,103,668, including employee contributions, normal costs and annual amortization of prior service costs.

Public Employees Retirement System

Plan Description – The City of Salinas’ defined benefit pension plans, Safety Fire Plan, Safety Police Plan and Miscellaneous Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. The Fire Safety Plan is required to participate in a risk pool since there were less than one hundred active members in at least one valuation since June 30, 2003. A menu of benefit provisions as well as other requirements is established by state statutes within the Public Employees’ Retirement Law. The City of Salinas selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office – 400 Q Street – Sacramento, CA 95811.

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

Under the authority of approved legislation, the CalPERS Board of administration created a Risk pooling system for plans with less than 100 participants. The Fire Public Safety Group qualified under the guidelines to be moved into the new risk pool. Risk pooling consists of pooling assets and liabilities from several employers to produce a large risk sharing pool that will dramatically reduce or eliminate the large fluctuations in the employer’s contribution rate caused by unexpected demographic events. Supplementary information includes the Fire Public Safety Group risk pool history as available from CalPERS.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

15. Retirement Programs: (Continued)

Funding Policy – Active plan members are required to contribute 9% (7% for miscellaneous employees) of their annual covered salary. The City of Salinas is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009/10 was 36.038% for firefighters, 25.944% for police officers and 11.5% for miscellaneous employees of their annual covered payroll. The Miscellaneous Employee group rate was amended (from its original 9.93% in July 2009) as of January 25, 2010, after the voluntary transfer of thirty-five employees participating in the local system retirement plan that has a higher employer cost. The contribution requirements of the plan members are established by State statute and CalPERS actuarially determines the employer contribution rate annually.

Annual Pension Cost – For fiscal year 2009-10, the City of Salinas' annual pension cost of \$12,779,887 was equal to the City's required and actual contributions. The City of Salinas actually contributed \$9,152,114 while the employees contributed \$3,627,773. The required contribution for fiscal year 2009/10 was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumption included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.25% to 13.15% for safety members (3.25% to 14.45% for miscellaneous members), and (c) 3.25% payroll growth. Both (a) and (b) include an inflation component of 3%. CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of assumed future payroll on a closed basis. During FY 2009-10 the City exercised the pre-payment option offered by CalPERS by making a lump sum payment. The Employer Contribution was reduced by a half year interest credit at the 7.75% actuarial assumed interest rate (resulting in an approximate 3.66% discount).

THREE YEAR TREND INFORMATION

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009-10	\$ 12,779,887	100%	\$ -
2008-09	14,238,804	100%	-
2007-08	13,149,123	100%	-

The Annual Pension Cost represents the contribution rate as determined by CalPERS for the period of July 1, 2009 to June 30, 2010 multiplied by the payroll of covered employees that was actually paid during the same period.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

15. Retirement Programs: (Continued)

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liability for benefits. The reference to the schedule of funding progress presented as RSI does not represent or imply incorporation of the schedule of funding progress into notes to the basic financial statements.

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

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

The City of Salinas has an agreement with New York Life Insurance Company to hold and invest plan assets of the Retirement Plan, which covers employees other than Police and Fire. During FY 2009-10 the City allowed employees participating in this retirement plan to transfer to CalPERS retirement plan. Twenty-eight active participants and three terminated vested participants opted to transfer on January 25, 2010 with all their corresponding assets accumulated throughout their years of participation. The City transferred \$2,093,869 representing employee contributions and \$3,800,000 representing the employer portion of benefits accrued by these participants. At June 30, 2010, there are thirty-three employees left in this closed plan after transfers and retirements. The total covered payroll for employees participating in the Plan for fiscal year ended June 30, 2010 is \$2,361,367.

Miscellaneous personnel benefits vest after five years of service. The vested benefit would be in the form of a pension beginning after attaining age 60 equal to the benefits accrued at time of termination, or for a reduced amount if an election is made to have payments commence before attaining the normal retirement age of 60. City employees who retire at or after age of 60 with five years of credited service are entitled to an annual retirement benefit payable: monthly, as a straight line annuity, as a ten year certain and life annuity, or as a lump sum, in an amount equal to 2% of the average earnings paid to the employee during the twelve consecutive months of service with the City during which his earnings were highest, multiplied by the number of years and completed months of plan participation.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

15. Retirement Programs: (Continued)

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.

Annual Pension Cost – The annual pension cost is actuarially determined by the valuation based on a plan year that starts on September 1st and ends on August 31st. The required actuarially determined City contribution for the period ending in August 31, 2010 was \$807,865. During fiscal year 2009-10, the City contributed \$807,865 to the New York Life retirement plan, while the employees contributed \$123,369. The City also contributed \$36,832 on behalf of employees represented by SEIU Blue Collar.

The Net Pension Obligation as determined by the Actuarial valuation of September 1, 2009 is \$38,914 and is included in the General Long Term Debt.

The plan used the frozen initial liability (frozen entry age) actuarial cost method under which the unfunded actuarial accrued liability is not explicitly determined each year until September 2005. Effective with the September 1, 2005 actuarial valuation, the plan uses the entry age normal cost funding method under which the unfunded actuarial accrued liability is explicitly determined each year. As of September 1, 2005, the unfunded actuarial accrued liability was redetermined to be \$12,127,776 based on the market of plan assets and plan accrued liabilities as of September 1, 2005 and the plan's funding contribution was then calculated based on a 30-year amortization of the redetermined unfunded actuarial accrued liability. The actuarial assumptions include (a) 7.0% investment return (net of administrative expenses) (b) projected salary increases of 3.0% per year and (c) projected cost of living adjustment of 2%. The actuarial liability represents the actuarial present value of all benefits accrued as of the valuation date, based on service and salary at that date.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

15. Retirement Programs: (Continued)

THREE YEAR TREND INFORMATION

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 1,545,142	52.28%	\$ 38,914
2008	1,358,413	114.22%	45,297
2007	1,303,107	100.48%	51,663

The Annual Pension Cost represents the contribution rate as determined by the New York Life actuary for the period of July 1, 2009 to June 30, 2010 multiplied by the payroll of covered employees that was actually paid during the same period. The City made the recommended minimum employer contribution (30 year amortization of unfunded liabilities) of \$807,865 during fiscal year 2009-10. The reduction in the City's minimum contribution reflects the transfer of 31 vested New York Life participants to CalPERS.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liability for benefits. The reference to the schedule of funding progress presented as RSI does not represent or imply incorporation of the schedule of funding progress into notes to the basic financial statements.

ICMA Retirement Corporation Defined Contribution Plan

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

During the fiscal year 2009-10, the City's contribution to this plan was \$201,526, while the employees had a mandatory contribution of 4.5% of their salary or \$29,804. Since June 29, 1998, participants are required to contribute 4.5% of their compensation to the plan.

On January 25, 2010, seven of the eight remaining participants in this closed plan opted to transfer their accrued benefits to the CalPERS retirement program. The balance in their individual accounts totaling \$2,328,060 was subsequently transferred to CalPERS pension plan.

Significant Accounting Policies

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

15. Retirement Programs: (Continued)

Method Used to Value Investments – Participants direct their investments, without restriction, among various investments options available under the ICMA 401(a) Plan. Plan investments are reported at fair market value. At June 30, 2010, the total Plan Assets totaling \$420,757 consisted of \$356,828 of earnings and employer contributions, \$61,640 of employee mandatory contributions, \$2,289 rollover from another qualified plan. Earnings include dividends, interest, and realized and unrealized gains and losses.

Retirement Buyback Program

During Fiscal Year 1995-96, the City established a deferred compensation retirement buyback program for Department Directors where the City contributes a flat dollar amount based on tenure with the City. The 401(a) Money Purchase Retirement Plan is administered by the ICMA Retirement Corporation. The program requires employee-matching contributions for every dollar contributed by the City. At June 30, 2010, there were 7 participants in this program and the City's annual contribution was \$62,193 while the employees had an equal mandatory matching contribution of \$62,193.

16. Post Employment Benefits:

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

Post Employment Benefits Eligibility: The City provides postretirement healthcare benefits to eligible employees who retire directly from the City. The City pays 25% of retiree and spouse health insurance premium up to \$100 per month for safety retirees (Police and Fire). The payment is made until Medicare eligibility, but no more than 10 years for non-supervisory Police retirees. For Miscellaneous employees and all non-IAFF (Firefighters) safety employees, the City pays the PEMHCA "unequal method" monthly benefit to retirees (52.50 per month in 2010).

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

16. Post Employment Benefits: (continued)

Membership of the plan consisted of the following at June 30, 2008, the date of the latest actuarial valuation:

	Miscellaneous	Fire	Police	Total
Active plan members				
Count	353	86	176	615
Average Age	45.5	40.5	38.1	42.7
Average Service	10.1	9.6	8.8	9.7
Average PERS Pay	\$ 55,821	\$ 89,115	\$ 99,081	\$ 72,857
Total PERS Payroll (millions)	\$ 19.7	\$ 7.7	\$ 17.4	\$ 44.8
Retirees				
Count	71	79	111	261
Average Age	66.8	63.5	61.5	63.5
Average Retirement Age	60.2	52.0	51.0	53.8
Currently Receiving \$100 Monthly Benefit	-	34	28	62

Funding Policy- The City's policy approved by Council on May 20, 2008, established a contribution of \$100,000 during fiscal year 2007-08, increasing by \$25,000 per year until reaching \$250,000 and \$250,000 annually thereafter to the CERBT (CalPERS OPEB) trust account. The amount of annual appropriations for contributions to CERBT are subject to budget constraints. Additionally, the City will continue paying the portion of the retiree premiums outside of the trust (Pay-as-you-go approach). During FY 2009-10 the City opted not to fund the Post Employment Benefit cost for the year in accordance with established policy. After recognizing administrative fees and accruing earning and losses experienced in the Trust Plan, the City shows an ending balance of \$232,007 at June 30, 2010.

Annual OPEB Cost and Net OPEB Obligation-The City's annual other post employment benefit (OPEB) cost (Expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities not to exceed thirty years.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

16. Post Employment Benefits: (continued)

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

Annual Required Contribution	\$ 1,353,000
Interest on Net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,353,000
Contributions made to CERBT Trust	-
Contributions under "pay-as-you-go"	
Payment to Retirees	(66,173)
Payment to CalPERS	(43,185)
Increase in net OPEB obligation	1,243,642
Net OPEB obligation - beginning of the year	2,744,197
Net OPEB obligation - end of the year	\$ 3,987,839

At June 30, 2010, the City recorded net OPEB obligations totaling \$3,987,839 in the government-wide financial statements.

The City's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for 2010 and two preceding years were as follows:

Year Ended	Annual	Percentage of	Net OPEB
<u>June 30,</u>	<u>OPEB Cost</u>	<u>Cost Contributed</u>	<u>Obligation</u>
2010	\$ 1,353,000	8.1%	\$ 3,987,839
2009	1,643,000	14.5%	2,744,197
2008	1,591,000	12.5%	1,391,462

Funded Status and Progress—As of June 30, 2008, the most recent valuation date, the plan was 100% unfunded. The 2009-10 Annual Required Contribution included the normal cost at \$910,000 plus a 30-year amortization of the Unfunded Actuarial Accrued Liability (UAAL) of \$443,000, for a total Annual Required Contribution of \$1,353,000 representing 2.9% of the annual payroll. The estimated covered payroll (annual payroll of active employees covered by the plan) was \$46.6 million.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

16. Post Employment Benefits: (continued)

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

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

The unfunded actuarial accrued liability was amortized over a fixed 30-year period as a level percentage of payroll beginning with the 2007-08 fiscal year. The Plan is assumed to be ongoing for cost purposes. This does not imply that an obligation to continue the Plan exists.

The discount rate applied was 4.5% for the portion of the Annual Required Contribution (ARC) not funded and 7.75% for the portion of the ARC funded.

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

The assumption includes also the "Implied Subsidy" factor for the Fire Safety Medical Plan. GASB 45 generally requires recognition of retiree healthcare obligation when retirees participate in the active medical plan and are charged a composite rate based on active and retiree experience. This obligation, referred to as the implied subsidy, is based on the difference between the per capita cost and the premium charged. The implied subsidy represents \$406,000 of the total Annual Required Contribution of \$1,353,000.

17. Self Insurance:

The City has a self-insurance program and carries excess insurance for catastrophic losses. Markel American Insurance Company provides general liability coverage up to a maximum of \$10,000,000 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, 2010 is dependent on future developments, City management has determined the desired reserve level for each self-insurance program as follows and believes the estimates are adequate to cover such losses.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

17. Self Insurance: (Continued)

- Worker's Compensation insurance liability of \$10,901,491 includes \$8,721,193 for claims incurred but not paid and \$2,180,298 for claims incurred but not reported which is based on expected claims and past claims history as recommended by the City's risk management consultant. At June 30, 2010, Worker's Compensation Insurance liability of \$10,901,491 is reported on the statement of net assets. 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, 2010 is \$8,531,032 and is reported in the Internal Service Fund; \$2,370,459 of this is treated as long-term debt.
- General liability insurance liability at June 30, 2010 of \$1,049,269 includes \$622,703 for claims incurred but not paid and \$409,050 for claims incurred but not reported which is based on expected claims and past claims history. Unreserved retained earnings is \$426,566 at June 30, 2010 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.

The following table represents reconciliation of the changes in total claims liability.

	<u>Workers Compensation</u>	<u>General Liability</u>
Beginning balance of claims liability	\$ 9,668,244	\$ 1,323,966
Less beginning provision for incurred but not reported claims	<u>(1,933,649)</u>	<u>(409,050)</u>
Beginning provisions for incurred but not paid claims	7,734,595	914,916
Increase (decrease) in claims incurred and reported	4,220,029	574,111
Claims expenses paid	<u>(3,233,431)</u>	<u>(866,324)</u>
Ending balance provision for incurred but not paid claims	8,721,193	622,703
Provisions for incurred but not reported claims	<u>2,180,298</u>	<u>426,566</u>
Ending balance of claims liability	<u>\$ 10,901,491</u>	<u>\$ 1,049,269</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

18. Lease Obligations:

The City has commitments under various long-term operating lease agreements. Future minimum lease payments are approximately as follows:

Year Ended <u>June 30,</u>	
2010	\$ 315,786
2011	254,576
2012	<u>248,314</u>
	<u>\$ 818,676</u>

Police – Lease of office space at 261 Lincoln Avenue. The lease provides for an initial term of five years with an option to extend for an additional five years and will increase based on the change in the CIP with a floor of three percent and a ceiling of seven percent. Total cost for the lease was \$15,564 for the year ended June 30, 2010.

Redevelopment Agency – The Agency leases office facilities at 159 Main Street under a five-year lease with an option to extend for five years. Total cost for the lease was \$48,635 for the year ended June 30, 2010.

Community Development Block Grant – Office space at 200 Lincoln Ave was leased by the City of Salinas to the Community Development Block Grant program. Total cost of the lease for the year ended June 30, 2010 was \$19,000.

Police – Office space lease at 100 West Alisal Street, Steinbeck Post Office is currently on a month-to-month lease. Rent at \$2,000 per month. Cost of the lease was \$27,425 for year ended June 30, 2010.

Police/Fire – The 10 year lease of 801 Abbott Place will provide a facility for firefighters training, space for police storage and for maintenance equipment. Rent at \$15,125 per month. Total cost of the lease for the year ended June 30, 2010 was \$160,125.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

19. Long Term Debt:

The following is a summary of Long Term Debt transactions for the fiscal year ended June 30, 2010:

	<u>June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>	<u>Due Within One Year</u>
Governmental Activities:					
Annual Leave	\$ 9,157,493	\$ 239,978	\$ 367,988	\$ 9,029,483	\$ 1,805,896
Estimated Insurance claims	2,136,493	233,966	-	2,370,459	-
Net Pension Obligation	45,297	-	6,383	38,914	9,729
Capital Leases	1,115,502	-	203,782	911,720	213,014
Loans and Notes Payable:					
Homeless Shelter	157,500	-	-	157,500	
Breadbox Gym Note Payable	127,117	-	38,404	88,713	42,244
Church Purchase Note Payable	186,567	-	41,472	145,095	38,929
Total Loans & Notes Payable	471,184	-	79,876	391,308	81,173
Certificates of Participation					
Series B-2005	10,655,000	-	375,000	10,280,000	390,000
Series A-1999	990,000	-	40,000	950,000	40,000
Series A-2002	2,465,000	-	65,000	2,400,000	65,000
Total Certificates	14,110,000	-	480,000	13,630,000	495,000
Tax Allocation Refunding Bonds:					
Series A-1996	5,765,000	-	610,000	5,155,000	645,000
Series A-1992	2,638,470	-	161,796	2,476,674	151,187
Total Bonds Payable	8,403,470	-	771,796	7,631,674	796,187
Assessment District 1915 Act Bonds	21,120,000	-	2,090,000	19,030,000	2,030,000
Unamortized Bond Discount	(133,782)	8,919		(124,863)	
Government Activities	56,425,657	482,863	3,999,825	52,908,695	5,430,999
Business-type Activities					
Annual Leave	267,509	25,162		292,671	58,534
Capital Leases:					
Street Sweeper	140,781	-	38,539	102,242	40,307
Industrial Waste Lease	480,000	-	65,000	415,000	70,000
Airport Fuel Facility Lease	195,915	-	28,430	167,485	28,430
Total Leases	816,696	-	131,969	684,727	138,737
Bonds Payable:					
Sanitary Sewer Revenue Bonds	12,830,000	-	390,000	12,440,000	410,000
Certificates of Participation					
Series A-2004	15,890,000	-	380,000	15,510,000	390,000
Series A-2005	7,200,000	-	290,000	6,910,000	300,000
Series 2008	4,660,000	-	-	4,660,000	-
Total Bonds Payable	40,580,000	-	1,060,000	39,520,000	1,100,000
Business-type Activities	41,664,205	25,162	1,191,969	40,497,398	1,297,271
Fiduciary Activities					
Annual Leave	59,597	14,750	-	74,347	14,869
Total Long-Term Liability	<u>\$ 98,149,459</u>	<u>\$ 522,775</u>	<u>\$ 5,191,794</u>	<u>\$ 93,480,440</u>	<u>\$ 6,743,139</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

19. Long Term Debt: (Continued)

The annual requirements to amortize capital leases, loans and notes, certificates of participation and bonds outstanding as of June 30, 2010 by activity are as follows:

Year Ended June 30,	Governmental-Wide Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 3,615,374	\$ 2,225,492	\$ 1,238,737	\$ 1,807,844
2012	3,771,272	2,050,778	1,300,587	1,758,767
2013	4,102,678	1,862,328	1,333,208	1,705,005
2014	4,268,925	1,663,161	1,378,430	1,648,562
2015	3,651,513	2,019,904	1,438,430	1,588,519
2016-2020	9,514,564	8,883,456	7,610,335	6,996,241
2021-2025	8,507,876	5,045,676	9,675,000	5,057,518
2026-2030	3,665,000	451,331	9,650,000	2,596,796
2031-2035	340,000	25,751	5,250,000	868,263
2036-2039	157,500	-	1,330,000	153,000
	<u>\$ 41,594,702</u>	<u>\$ 24,227,877</u>	<u>\$ 40,204,727</u>	<u>\$ 24,180,515</u>

The debt for annual leave, estimated insurance claims and net pension obligation does not have an amortization schedule and is therefore not included in the above schedules.

Accrued Annual Leave

Accrued leave for governmental activities is reported in Long-Term Debt on the Government-Wide Statements and in current liabilities for business-type activities. The cost of Annual Leave accumulated at fiscal year end is recorded as a current liability within Proprietary and Fiduciary Funds. At June 30, 2010 the liability for all compensated absences totaled \$9,396,501. It includes \$9,382,394 in annual leave and \$14,107 in sick leave. These amounts are reported on the financial statements in the following funds:

	June 30, 2009	Increases	Decreases	June 30, 2010	Due Within One Year
Governmental Activities					
General Fund	\$ 8,476,060	\$ -	\$ 355,479	\$ 8,120,581	\$ 1,624,116
Measure V	510,858	202,738	-	713,596	142,719
Special Revenue Funds	153,165	35,168	12,509	175,824	35,165
Debt Service Funds	11,276	463	-	11,739	2,348
Internal Service Funds	6,134	1,609	-	7,743	1,549
	<u>\$ 9,157,493</u>	<u>\$ 239,978</u>	<u>\$ 367,988</u>	<u>\$ 9,029,483</u>	<u>\$ 1,805,897</u>
Business-type Activities					
Enterprise Funds	\$ 267,509	\$ 25,162	\$ -	\$ 292,671	\$ 58,534
Fiduciary Activities					
Agency Funds	\$ 59,597	\$ 14,750	\$ -	\$ 74,347	\$ 14,869

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

19. Long Term Debt: (Continued)

Estimated Insurance Claims

At June 30, 2010, the estimated insurance claims liability recorded in the Internal Service Funds is as follows:

Worker's Compensation	\$	8,531,030
General Liability		1,049,269
Total		\$ 9,580,299

An additional \$2,370,459 of Worker's Compensation claims liability is reported in the Long-Term Debt under estimated insurance claims.

Net Pension Obligation

At June 30, 2010, a negative Net Pension Obligation of \$38,914 is reported as determined by the September 1, 2009 actuarial valuation of the New York Life retirement plan.

Governmental Type Activities

Capital Leases

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

Year Ended June 30,	Principal	Interest	Total
2011	\$ 213,014	\$ 41,301	\$ 254,315
2012	222,663	31,651	254,314
2013	232,750	21,565	254,315
2014	243,293	11,021	254,314
	\$ 911,720	\$ 105,538	\$ 1,017,258

Loans and Notes Payable

Homeless Shelter Loan – Green Gold Inn

On March 7, 1995, the Salinas Redevelopment Agency – Central Agency Revitalization Project entered into a funding agreement and received a loan from the City of Salinas Community Development Block Grant Fund for the acquisition of property, Green gold Inn at 28-32 Soledad Street, to establish a homeless center/shelter. The Agency agreed that the property would be used solely for a homeless center/shelter for a period not less than ten years. If the Agency or the organization holding title to the property disposes of the property or alters the use of the property prior to expiration of the ten year period, the Agency will reimburse the City the full amount of the current fair market value less improvement costs. Upon completion of the ten-year period, on half of the debt, \$157,500 was forgiven. Upon cessation of the homeless center/shelter operations, the City will be reimbursed the fair market value of the property less the portion of the loan paid and improvement cost.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

19. Long Term Debt: (Continued)

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

Year Ended June 30,	Principal	Interest	Total
2036-2039	\$ 157,500.00	\$ -	\$ 157,500.00

Breadbox Gym Note Payable

On August 9, 1991, the Salinas Redevelopment Agency entered into an installment purchase agreement with Franklin C. & Dorothy G. Walt Trust for the purchase of property at 745 N. Sanborn Rd. The property is used for the Breadbox recreation facility. The property was purchased for \$487,200 with \$52,024 down and a promissory note of \$435,176 secured by a first deed of trust with annual payments of \$51,116, at an annual rate of 10.0% for 20 years, expiring August 9, 2011. Debt service payments are made from the Sunset Avenue Merged Project tax increments.

The annual debt service requirements for the Breadbox Gym note payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 42,244	\$ 8,871	\$ 51,115
2012	46,469	4,646	51,115
	<u>\$ 88,713</u>	<u>\$ 13,517</u>	<u>\$ 102,230</u>

Church of the Nazarene Note Payable

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

19. Long Term Debt: (Continued)

The annual debt service requirements for the Church of the Nazarene note payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 38,929	\$ 7,724	\$ 46,653
2012	40,900	4,803	45,703
2013	42,971	2,732	45,703
2014	22,295	557	22,852
	<u>\$ 145,095</u>	<u>\$ 15,816</u>	<u>\$ 160,911</u>

Certificates of Participation Bonds

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

On October 24, 1997, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation (Certificates) Series A-1997 totaling \$11,960,000. The purpose of this financing was to raise money for capital improvement projects, \$8,000,000 and 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 of \$10,785,000 were secured by a lien on City owned assets based on the following appraised values; City Hall (\$3,820,000); Public Safety Building (\$1,990,000); Steinbeck Library (\$2,350,000) and 65 W. Alisal Building (\$2,805,000).

On September 14, 2005, the Salinas Public Financing Authority issued City of Salinas Refunding Certificates of Participation Series 2005B (1997 Capital Improvement Projects). The Refunding Certificates were issued to refund Series A-1997 Certificates. Series 2005B Refunding Certificates were issued in the amount of \$11,705,000 for 24 years at 4.22%. Maximum annual debt service is \$795,705. The net value savings of the refunding was \$517,645. The Refunding Certificates are secured by a lien on the Salinas Community Center with an appraised value of \$13,415,000. With these refunding liens removed from the City's Public Safety Building, 65 West Alisal Building and Steinbeck Library. Refunding Certificates 2005B are rated Aaa (insured by Ambac) with an underlying AAAM rating from Standard and Poor's. In conjunction with this refunding, Standard and Poor's affirmed the City's issuer's credit rating of A+.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

19. Long Term Debt: (Continued)

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

Year Ended June 30,	Principal	Interest	Total
2011	\$ 390,000	\$ 401,330	\$ 791,330
2012	395,000	387,593	782,593
2013	415,000	373,418	788,418
2014	425,000	358,717	783,717
2015	440,000	343,580	783,580
2016-2020	2,455,000	1,461,277	3,916,277
2021-2025	2,945,000	930,063	3,875,063
2026-2030	2,815,000	252,737	3,067,737
	<u>\$ 10,280,000</u>	<u>\$ 4,508,715</u>	<u>\$ 14,788,715</u>

Series A-1999 – Animal Shelter

The City of Salinas Certificates of Participation (Certificates) Series 1999 were issued by the Salinas Public Financing Authority on March 16, 1999 in the amount of \$14,315,000. The Certificates were issued to complete an animal shelter (\$1,250,338) and golf course improvements (\$13,064,662). The outstanding Certificates of \$12,920,000 were secured by a lien on City owned assets based on the following appraised values; Salinas Community Center (\$9,840,000) and Twin Creeks Golf Course (\$4,800,000).

On September 14, 2005, the Salinas Public Financing Authority issued \$8,005,000 of City of Salinas Refunding Certificates of Participation Series 2005A (Twin Creeks Golf Course). The Refunding Certificates were issued to refund the portion of Series A-1999 Certificates attributed to Twin Creeks Golf Course (\$7,210,000). The outstanding balance at June 30, 2010 of \$6,910,000 is reported in the Golf Course Enterprise Fund.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

19. Long Term Debt: (Continued)

Debt service requirements to maturity are as follow:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 40,000	\$ 45,550	\$ 85,550
2012	45,000	43,722	88,722
2013	45,000	41,765	86,765
2014	45,000	39,763	84,763
2015	50,000	37,500	87,500
2016-2020	280,000	147,500	427,500
2021-2025	360,000	68,000	428,000
2026-2030	85,000	2,125	87,125
	<u>\$ 950,000</u>	<u>\$ 425,925</u>	<u>\$ 1,375,925</u>

Series A-2002 – Steinbeck Center

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

The outstanding Certificates of \$2,465,000 are secured by the City taking possession of the Steinbeck Center building pursuant to a ground lease, if the Steinbeck Center defaults on its lease payments. In case of default by the Steinbeck Center, the City would become responsible for the payments on the Certificates.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

19. Long Term Debt: (Continued)

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

Year Ended June 30,	Principal	Interest	Total
2011	\$ 65,000	\$ 115,989	\$ 180,989
2012	70,000	113,389	183,389
2013	70,000	110,589	180,589
2014	75,000	107,614	182,614
2015	75,000	104,426	179,426
2016-2020	440,000	466,567	906,567
2021-2025	555,000	348,750	903,750
2026-2030	710,000	194,750	904,750
2031-2035	340,000	25,751	365,751
	<u>\$ 2,400,000</u>	<u>\$ 1,587,825</u>	<u>\$ 3,987,825</u>

Tax Allocation Bonds

On August 28, 1996, the Agency issued \$11,145,000 of Tax Allocation Bonds Series A-1996. On October 27, 1992, the 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 will be repaid from property taxes levied within the Salinas Redevelopment Agency Central City Revitalization Project.

The annual debt service requirements for the bonds at June 30, 2010 are as follows:

Year Ended June 30,	TAB Series A-1996		TAB Series A-1992	
	Principal	Interest	Principal	Interest
2011	\$ 645,000	\$ 265,788	\$ 151,187	\$ 356,822
2012	680,000	229,350	141,240	366,413
2013	715,000	190,988	131,957	375,374
2014	755,000	150,563	123,337	383,891
2015	90,000	127,325	276,513	939,889
2016-2020	520,000	555,504	1,134,564	4,946,459
2021-2025	1,750,000	294,527	517,876	3,127,148
	<u>\$ 5,155,000</u>	<u>\$ 1,814,045</u>	<u>\$ 2,476,674</u>	<u>\$ 10,495,996</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

19. Long Term Debt: (Continued)

The Series A-1996 bond issue has a term bond of \$4,510,000 that matures on November 1, 2023. Debt service payments beginning in fiscal year 2011-2012 are deposits into a sinking fund. The term bonds are subject to redemption prior to maturity from the sinking fund installments on each November 1 on and after November 1, 2011 without premium according to a specified schedule, which is used in these debt service requirements. The Series A-1992 bond issue has a term bond of \$2,638,475 that matures on November 1, 2022. Debt service payments beginning in fiscal year 2009-2010 are deposits into a sinking fund. The term bonds are subject to redemption prior to maturity from the sinking fund installments on each November 1 on and after November 1, 2009 without premium according to a specified schedule that is used in these debt service requirements.

Assessment Districts Bonds

At June 30, 2010, outstanding Assessment District Bonds totaled \$19,030,000. 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.

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

Year Ended June 30,	Principal	Interest	Total
2011	\$ 2,030,000	\$ 982,117	\$ 3,012,117
2012	2,130,000	869,211	2,999,211
2013	2,450,000	745,897	3,195,897
2014	2,580,000	611,035	3,191,035
2015	2,720,000	467,184	3,187,184
2016-2020	4,685,000	1,306,149	5,991,149
2021-2025	2,380,000	277,188	2,657,188
2026-2030	55,000	1,719	56,719
	<u>\$ 19,030,000</u>	<u>\$ 5,260,500</u>	<u>\$ 24,290,500</u>

Business-Type Activities

Capital Leases

Street Sweepers

The City, using lease purchase financing, purchased another street sweeper on June 12, 2007. The City of Salinas will make five annual payments of \$45,000 and a sixth remaining payment of \$20,686. Debt payable of \$102,242 for all sweepers is recorded in the Storm Sewer Enterprise Fund at June 30, 2010.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

19. Long Term Debt: (Continued)

Debt service requirements to maturity is as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 40,307	\$ 4,693	\$ 45,000
2012	42,157	2,843	45,000
2013	19,778	908	20,686
	<u>\$ 102,242</u>	<u>\$ 8,444</u>	<u>\$ 110,686</u>

Bonds Payable

Industrial Waste Lease

On May 1, 1994, the City sold a lease in the amount of \$1,050,000 to finance the construction of the industrial waste facility expansion. This is a twenty-year lease at 7.5% interest per annum. Annual lease payments are secured by the City's obligation to make lease payments from any lawful available source of funds and by the pledge of net revenues of the City's Industrial Waste System. Debt payable of \$415,000 is recorded in the Industrial Waste Enterprise Fund at June 30, 2010.

Debt service requirements to maturity is as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 70,000	\$ 28,500	\$ 98,500
2012	75,000	23,062	98,062
2013	85,000	17,063	102,063
2014	90,000	10,500	100,500
2015	95,000	3,562	98,562
	<u>\$ 415,000</u>	<u>\$ 82,687</u>	<u>\$ 497,687</u>

Airport Fuel Facility Lease

On December 12, 2007 the City Council entered into a lease agreement with Central Coast Aviation Services, Inc. to purchase a Fuel Facility at the Salinas Municipal Airport. The agreed total cost for the facility is \$415,924. The City acquired its ownership interest in the fuel facility subject to the City's obligation to reimburse Central Coast for the costs of construction and installation of \$250,000 and to credit the total amount of rent due under the Fuel Facility and Offices Leases for a ten year period. The rent credits for the fiscal year ending June 30, 2010 of \$28,430 have been applied to the obligation leaving an outstanding balance of \$167,485 as of June 30, 2010.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

19. Long Term Debt: (Continued)

Debt service requirements to maturity is as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 28,430	\$ -	\$ 28,430
2012	28,430	-	28,430
2013	28,430	-	28,430
2014	28,430	-	28,430
2015	28,430	-	28,430
2016-2020	25,335	-	25,335
	<u>\$ 167,485</u>	<u>\$ -</u>	<u>\$ 167,485</u>

Series 1998 – Sanitary Sewer Revenue Bonds

On July 30, 1998, the City of Salinas issued Sanitary Sewer System Revenue Bonds, Series 1998 in the amount of \$16,000,000 to finance capital replacement of existing sewer mains and other sewer related capital replacement. Maximum annual debt service is \$1,047,890, including interest at 5.14% 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. In May 1998, the fee was increased from 15% to 35% of the sewer service charge levied by the Monterey Regional Water Pollution Control Agency. The additional 20% fee generates about \$1,200,000 annually to pay debt service on the Sanitary Sewer System Revenue Bonds.

Debt payable of \$12,440,000 is recorded in the Sanitary Sewer Enterprise Fund at June 30, 2010.

Debt service requirements and maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 410,000	\$ 607,933	\$ 1,017,933
2012	430,000	588,607	1,018,607
2013	450,000	567,585	1,017,585
2014	470,000	545,280	1,015,280
2015	495,000	521,625	1,016,625
2016-2020	2,870,000	2,201,250	5,071,250
2021-2025	3,665,000	1,388,375	5,053,375
2026-2030	3,650,000	376,250	4,026,250
	<u>\$ 12,440,000</u>	<u>\$ 6,796,905</u>	<u>\$ 19,236,905</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

19. Long Term Debt: (Continued)

Certificates of Participation, Series A-1999 – Golf Courses (Portion Refunded by Series A-2005)
On March 16, 1999, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation (Certificates) Series A-1999 totaling \$14,315,000. A portion of the Certificates was allocated for the construction of an animal shelter, \$1,250,338, and the balance of the Certificates, \$13,064,662 was allocated for construction of the new Twin Creeks (9-hole) Golf Course, \$8,221,604 and the renovation of Fairways Golf Course, \$4,843,058.

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

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

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

Year Ended June 30,	Principal	Interest	Total
2011	\$ 300,000	\$ 264,608	\$ 564,608
2012	310,000	253,933	563,933
2013	320,000	242,908	562,908
2014	335,000	231,445	566,445
2015	345,000	219,545	564,545
2016-2020	1,910,000	898,341	2,808,341
2021-2025	2,320,000	481,530	2,801,530
2026-2030	1,070,000	47,053	1,117,053
	<u>\$ 6,910,000</u>	<u>\$ 2,639,363</u>	<u>\$ 9,549,363</u>

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

19. Long Term Debt: (Continued)

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

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

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

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

Year Ended June 30,	Principal	Interest	Total
2011	\$ -	\$ 209,700	\$ 209,700
2012	10,000	209,700	219,700
2013	15,000	209,250	224,250
2014	25,000	208,575	233,575
2015	30,000	207,450	237,450
2016-2020	300,000	1,008,000	1,308,000
2021-2025	585,000	916,425	1,501,425
2026-2030	1,005,000	749,475	1,754,475
2031-2035	1,360,000	488,025	1,848,025
2036-2039	1,330,000	153,000	1,483,000
	<u>\$ 4,660,000</u>	<u>\$ 4,359,600</u>	<u>\$ 9,019,600</u>

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

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

19. Long Term Debt: (Continued)

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

Year Ended June 30,	Principal	Interest	Total
2011	\$ 390,000	\$ 692,410	\$ 1,082,410
2012	405,000	680,622	1,085,622
2013	415,000	667,291	1,082,291
2014	430,000	652,762	1,082,762
2015	445,000	636,337	1,081,337
2016-2020	2,505,000	2,888,650	5,393,650
2021-2025	3,105,000	2,271,188	5,376,188
2026-2030	3,925,000	1,424,018	5,349,018
2031-2035	3,890,000	380,238	4,270,238
	<u>\$ 15,510,000</u>	<u>\$ 10,293,516</u>	<u>\$ 25,803,516</u>

The Salinas Redevelopment Agency paid \$1,088,700 of fiscal year 200-10 debt service. Beginning in fiscal year 2007-08, maximum annual debt service payments are \$1,091,950. At June 30, 2010, the Salinas Redevelopment Agency has reserved \$1,135,000 of fund balance for the purpose of making debt service payments. Pursuant to a reimbursement agreement, the Salinas Redevelopment Agency (Central City Project) is responsible for the debt service.

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, 2010 the total conduit debt outstanding related to these bonds is \$5,015,000.

In June 14, 2007, the City of Salinas issued Economics 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 it's space in the building and to generate charitable support for the County's residents.

As of June 30, 2010, total conduit debt outstanding related to the Economic Development Revenue Bonds is \$19,020,000.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

20. Legal Liability on Assessment Bonds Payable:

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 foreclose on the delinquent property owner. As of June 30, 2010, assessment bonds outstanding are \$19,030,000. The Assessment District Reserve Fund balance is \$3,017,249 at June 30, 2010.

21. Restricted Net Assets:

The government-wide statement of net assets reports \$71,103,707 of restricted net assets, of which enabling legislation restricts \$1,750,116 represented by the net assets held at the Sanitary Sewer Fund. The assets are the result of a surcharge fee imposed on sanitary sewer users for the payment of operating expenses and debt service payments.

22. 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 supply agreements with each Member of the Authority. Each has committed to deliver waste generated within its boundaries to 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 period of 15 years (2012) from the date of the Authority Agreements, may be terminated under specific terms of withdrawal, which includes a majority vote of the board. Repayment of all outstanding debt and funding of closure and post closure and site remediation costs must be provided for upon withdrawal from or termination of the Authority. The members have made no equity contributions, or have sold their interest in their assets to the Authority, and there is no explicit, measurable equity interest in this joint venture.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

22. Joint Venture – Salinas Valley Solid Waste Authority: (Continued)

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 is available from the Authority Treasurer at the Authority’s Finance Department located at 128 Sun Street, Suite 101, Salinas, CA 93901.

23. 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, except as otherwise noted.

Commitment to Other Taxing Agencies – The Salinas Redevelopment Agency settled legal action with other taxing agencies over division of incremental tax revenue resulting from amendment of Buena Vista and Sunset Avenue Redevelopment Projects. Under the amended and restated terms of the agreement, Amended Plans adopted by Ordinance No. 2130 on April 9, 1991, payments due are contingent upon the amount of tax increment monies available and the cumulative amounts expended by the Merged Redevelopment Project. Statutory pass through payments for the Sunset Avenue Project total \$843,246 for fiscal year ending June 30, 2010.

Pass through payments per agreements from the original project plan and amended project plan are estimated according to the following schedule:

Due in the year ended June 30,	Amount	Due in the year ended June 30,	Amount
2011	\$ 906,676	2016	\$ 1,044,940
2012	933,239	2017	1,074,405
2013	960,472	2018	1,104,268
2014	988,080	2019	1,134,732
2015	1,016,167		

Adoption of Debt Incurrence Time Limit Deletion – On August 17, 2004 the City Council approved an ordinance deleting the debt incurrence time limit from the Redevelopment Plan, thus allowing the Agency to incur debt past the current time limits of January 1, 2004 in the Central City and Buena Vista Plan area and past July 7, 2007 in the Sunset Avenue Plan Area. This action requires the Agency to make statutory pass-through payments pursuant to Health and Safety Code Section 33607.7 to each affected taxing entity with which the Agency does not already have a pre-1994 pass-through agreement required pursuant to this amendment. Statutory pass-through payments totaled \$256,289 for fiscal year ending June 30, 2010.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

23. Commitments and Contingent Liabilities: (Continued)

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

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

Commitment to Monterey Street Parking Structure – In November 2001, the City Council and the Agency entered into a Disposition and Development Agreement (DDA) with Maya Cinema Holding Company LLC for the development of a 14-Screen, 2,916-seat multiplex movie theater complex in the 100 block of Main Street. To serve this and other developments within the 100 blocks, the DDA committed the City/Agency to construct a five-level, 435-space public parking structure on the corner of Monterey Street and Market Street adjacent to the National Steinbeck Center and the Maya Cineplex Theater. The public parking garage opened in June 2005, while the Maya Cinemas Multiplex was completed and opened during July 2005.

On December 17, 2003 the Salinas Public Financing Authority issued \$16,630,000 in City of Salinas Certificates of Participation (COP), Series A of 2004, to finance the acquisition and construction of the public parking garage known as the Monterey Street Parking Structure. The City anticipates making lease payments from parking fee revenues generated from the project and other general fund revenues. To the extent parking fee revenue is insufficient, the Agency has, pursuant to a reimbursement agreement by and between the Agency and the City, agreed to reimburse the City for any debt service shortfalls with respect to the Certificates. The City anticipates that tax increment revenues contributed by the Agency, together with parking revenues, will be sufficient to pay the debt service with respect to the Certificates, however, such revenues are not pledged to the payment of debt service, and no assurance can be given that parking revenues will be sufficient to pay for debt service with respect to the Certificates.

The Agency paid \$1,088,700 of fiscal year 2009-10 debt service. Beginning in fiscal year 2007-08, maximum annual debt service payments are \$1,091,950. At June 30, 2010, the Agency has reserved \$1,135,000 of fund balance for the purpose of making debt service payments.

The Certificates have an insured rating of “AAA/Negative” from Standard and Poors (S&P) and an insured rating of “Aa3” from Moody’s Investors Service.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

23. Commitments and Contingent Liabilities: (Continued)

On July 24, 2009, the State Legislature passed Assembly Bill (AB) X4 26, which required redevelopment agencies statewide to deposit a total of \$2.1 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.1 billion is scheduled to occur over two years, \$1.7 billion in fiscal year 2009-2010 and \$350,000,000 in fiscal year 2010-2011. The SERAF is to be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift was \$2,230,576 in fiscal year 2009-10 and a required payment of \$458,794 to the County of Monterey is scheduled in fiscal year 2010-11.

On August 24, 2010, the Agency approved a \$700,000 increase for the loan to Salinas Gateway Limited Partnership for construction of Gate Apartments in FY 2011-12. These funds will come from the affordable housing set-aside funds received in FY 2011-12.

On August 24, 2010, the Agency approved a \$535,000 construction loan to the Housing Authority of the County of Monterey for the construction of Laguna Haciendas Apartments. These funds will be provided by reducing the Chinatown Housing budget.

The California Redevelopment Association (CRA) continues to be actively engaged in litigation in the Third District Court of Appeal in order to invalidate AB X4 26 and reverse the transfer made in FY 2009-10. A decision is expected from the court in May 2011.

24. Proposition 1A Borrowing by the State of California:

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was \$601,604.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

24. Proposition 1A Borrowing by the State of California: (Continued)

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and, accordingly, property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

25. New GASB Pronouncements:

The City adopted the following Governmental Accounting Standards Board (GASB) Statements for the fiscal year ended June 30, 2010:

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The adoption of this guidance did not have a material impact on the City's financial position as of June 30, 2010.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. The Statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. Application of this Statement is effective for the City's fiscal year ending June 30, 2010. The adoption of this guidance did not have an impact on the City's financial position as of June 30, 2010.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following Governmental Accounting Standards Board (GASB) Statements:

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

25. New GASB Pronouncements: (Continued)

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective to this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Application of this Statement is effective for the City's fiscal year ending June 30, 2011.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this statement are effective for years beginning after June 15, 2010.

26. Prior Period Adjustment:

Change in Method of Accounting for Pension Trust Funds

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As required by Federal regulations, these plan assets are held in trust for the exclusive benefit of participants and their beneficiaries.

The City has accounted for the deferred compensation assets held by third party trust administrators, Hartford Retirement Plan Solutions and Central Coast Federal Credit Union as part of the City of Salinas fiduciary funds, pension trust fund. It has been determined that the City of Salinas has little administrative involvement and they do not perform the investing function for these plans. The City has no fiduciary relationship with these trusts. As a result, in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the assets of these trusts should not be included in the fiduciary funds of the City of Salinas. The balance of beginning net assets for the Pension Trust Funds for the year ending June 30, 2009 has been adjusted to reflect the retroactive application of this new method of accounting. The effect of the change decreased beginning net assets for the pension trust fund by \$5,077,015, the assets that are being held at Hartford Retirement Plan, \$1,645,855 and Central Coast Federal Credit Union, \$3,431,160.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

26. Prior Period Adjustment: (Continued)

Government-Wide Statements

Two adjustments to long-term debt to the Government Wide Statement of Activities were incurred. The first adjustment was to correct the Statement of Net Assets, long term debt. The footnote in the prior year was correct but the Statement of Net Assets did not report \$367,859 in long term liabilities that were reported in the footnotes. The second adjustment was to correct the accrued leave for the blended component unit, Salinas Redevelopment Agency. In the prior year the accrued leave was understated by \$108,069. The total adjustment to long term debt was \$475,928. The impact of the prior period adjustment on the Statement of Activities is as follows:

	Government Activities
Beginning net assets	\$ 201,113,565
Prior period adjustment	(475,928)
Beginning net assets, as restated	\$ 200,637,637

27. Subsequent Events:

The City has evaluated subsequent events through March 1, 2011, the date these financial statements were available to be issued.

Trust Deposit Fund - The City administers a Trust Deposit Fund that includes a second deferred compensation plan funded solely by the voluntary salary reductions. All employees are eligible to participate. The plan invests in real estate loans secured by first and second trust deeds. The plan has \$26,026,257 in net assets at June 30, 2010. June 30, 2010 plan assets reflect a market value adjustment made on March 31, 2009. On March 31, 2009, the plans' net assets and all plan participant account balance were reduced 20%. 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, 2010.

Real estate values have declined 50% to 75% in Monterey County since October 2008. The Deferred Compensation Committee (comprised of one representative from each City collective bargaining group) used real estate professionals to revalue the trust deed plan assets. Based on these appraisals and valuations, on October 31, 2010, trust deed plan assets (loans and real estate holdings) and plan participant account balances were reduced an additional 28%. The plan has \$18,648,886 in net assets at October 31, 2010.

Avery Associates long-term budget balancing recommendations - On November 16, 2010, the City Council received a report from Avery Associates consultants recommending long-term budget balancing and organizational strategies for inclusion in future budgets. The report recommendations included the following:

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

27. Subsequent Events: (Continued)

- Increase General Fund Reserves and invest in four critical areas: Economic Development, Training, Information Systems and Neighborhood Services/Volunteerism.
- Complete five-year forecasts and implement other necessary budget balancing strategies.
- Explore a variety of contract service opportunities.
- Create a revamped Community Development Department, a new Community Services Department with Neighborhood Services, an office of Economic Development and Redevelopment, a Deputy Manager position and re-title the Finance Department to Administrative Services.
- Adopt a series of governance policies for setting organizational priorities, restructuring Council committees, boards and commissions and establishing departmental performance measures including citizen surveys.
- Approve economic priorities for agriculture and retail, business retention and expansion and expanded tourism.
- Approve a variety of policy and structural changes to improve the effectiveness of current youth gang violence efforts.

Staff is in the process of implementing these initiatives.

Budget Balancing Efforts - On June 30, 2009, the City Council directed staff to develop a General Fund/Measure V budget balancing plan for FY 2010-11. Beginning in July 2009, declining revenues, budget reductions and revenue alternatives were the subject of intense scrutiny by the public, City Council and City staff. Budget discussions included: five City Council meetings: the "Budget Congress" that involved the City Council and all City commissions and committees: two Measure V Committee meetings: three City Council district community meetings; two City Council Workshops, and over twenty-five City Council Finance Committee meetings. Additionally, City Council and City staff met with and provided detailed responses to two independent resident committees: an Independent Budget Advisory Committee and the "Blue Ribbon" Community Budget Review Committee. City employee input was solicited at employee briefings and union leadership meetings.

On June 8, 2010, the City Council approved the FY 2010-11 Annual Operating and Capital Budgets. The budget was balanced to resources including the following budget balancing solutions:

- Negotiated a revised solid waste collection franchise agreement with City hauler that provided \$1.3 million in new General Fund revenue,
- Utilize Community Oriented Policing Services (COPS) grant to minimize police officer layoffs,
- Lease-out City facilities including the Community Center/Sherwood Hall, the Municipal Pool and the Firehouse Recreation Center,
- City employee concessions ranging from 7.5% to 18%,
- Budget reductions ranging from 52% in Parks and Community Services to 11% in the Fire Department, including the elimination 95 positions.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

27. Subsequent Events: (Continued)

FY 2009-10 and FY 2010-11 budget balancing solutions totaled \$31.8 million including eliminating 20% of the City's workforce (137 positions), employee concessions and new resources.

Balancing the 2nd year (FY 2011-12) of the City's two-year budget cycle will be difficult. A budget shortfall (combined General Fund and Measure V) of at least \$7 million is projected. Employee concessions that began on July 1, 2009 end during FY 2011-12. Budget savings from these concessions totaled \$12 million over the two-year period (FY 2009-10 & 2010-11). Concessions included pay reductions, furloughs, contributions to health insurance benefits, and salary adjustment deferrals. Deferred salary adjustments that sunset July 1, 2011 will cost \$2.9 million in FY 2011-12 and \$3.7 million in FY 2012-13. Other employee benefit cost increases (health, retirement, and workers compensation) will increase FY 2011-12 budget shortfall to over \$7 million. The \$7 million shortfall estimate assumes that City revenue stabilizes and/or improves. Assumptions anticipate that property tax will stabilize and sales and Measure V taxes will begin to enjoy modest growth.

To address the projected FY 2011-12 shortfall, on February 1, 2010, the City Council directed City staff to:

- Work with labor organizations to attempt to achieve additional fairly distributed salary and benefit reductions by all employee groups.

Without additional significant employee concessions, major service reductions and layoffs will be required to balance the FY 2011-12 Budget.

Amendment to the Solid Waste Collection Franchise Agreement - On October 19, 2010, the Council approved an amendment to the franchise agreement with Allied Waste Services dba Republic Waste Services. With this amendment the franchise fee was modified from 20% to 26% effective November 1, 2010. The negotiations to increase the franchise fee were an integral part of the City's budget balancing solutions. The amendment will enable the continuation of the City's Street Sweeping Program, Graffiti Abatement Program in addition to one Code Enforcement Officer Position.

November 2010 Propositions impacting Local Government - The following propositions were approved by California voters in the November election ballot. These initiatives will have a significant impact in the way Local governments manage their revenues.

Proposition 22. On November 2, 2010, Proposition 22, "Local Taxpayer, Public Safety, and Transportation Act of 2010," passed by 61%. This measure protects local funds used for local services, transit and redevelopment projects by prohibiting the state from taking or borrowing these funds. Funds protected include City gas tax, property tax, vehicle license fees, and Redevelopment Agency property tax increment. Locally imposed revenues are now protected including sales tax, Measure V tax, business licenses and utility user's tax. It is unclear how the Governor's proposed FY 2011-12 budget presently complies with the requirements of Proposition 22 and legal challenges will likely follow any further take aways by the State.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

27. Subsequent Events: (Continued)

Proposition 26. Requires that certain state and local fees be approved by two-thirds vote. Fees include those that address adverse impacts on society or the environment caused by the fee-payer business. Initiative constitutional amendment. The definition of taxes would be broadened to include many payments currently considered to be fees or charges. As a result, more state and local proposals to increase revenues would require approval by two-thirds of each house of the Legislature or by local voters.

Fiscal Year 2010 State Budget Impacts - The FY 2010-11 State Budget was passed by the Legislature on October 8, 2010. Overall, cities will be minimally impacted by the FY 2010-11 state budget. The Legislative Analyst Office estimates that well over two-thirds of the Legislature's FY 2010-11 budget solutions are one-time or temporary in nature. This means that California will continue to face sizable annual budget problems in FY 2011-12 and beyond.

Intention to Issue Qualified energy Conservation Bonds - On July 2010, the City Council affirmed its intention of issuing Qualified Energy Conservation Bonds in an amount not to exceed \$1,490,000 to fund qualified energy-related projects like replacement of the Community Center's cooling system, replacing street lights with LED low watt fixtures among other projects identified in the Energy Efficiency Conservation Strategy.

Purchase of Two New Fire Engines - On September 2010, the City Council approved a nine-year lease-purchase agreement for the purchase of two new fire pumpers for \$1,050,000 to be paid by a new Fire Mitigation Fee designated for fire apparatus/equipment replacement implemented in early October. In addition to the equipment purchase, the City Council approved an addendum to the 2006 Master Lease-Purchase Agreement modifying its terms and conditions. The total amount financed (including the two new fire engines and the 2006 Master Lease-Purchase refinancing) is \$1,754,967.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF SALINAS
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Budgetary Policy and Control
Budgetary Information
Fiscal Year Ended June 30, 2010

BUDGETING

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

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

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

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

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

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

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

On November 8, 2005, the voters of Salinas approved Measure V, a 0.50% transactions and use tax. Measure V is a general tax and is reported as part of the General Fund. The tax was effective April 1, 2005 and the tax will sunset in ten (10) years. The Measure V

CITY OF SALINAS
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Fiscal Year Ended June 30, 2010

Oversight Committee is a fundamental provision of the voter-approved tax. The Mayor and City Council each annually appoints one member of the public to serve

on the Oversight Committee. The committee has two (2) major responsibilities recommending the specific uses of Measure V funds to the City Council and overseeing the use of Measure V funds to assure consistency with the voter approved tax and the appropriated use of Measure V funds.

BUDGETARY INFORMATION

The adopted FY 2009-10 budget represents the financial and organizational plan by which the policies and programs approved by the City Council will be implemented. It includes: (1) the programs, projects, services and activities to be provided during the fiscal year; (2) estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget for a second fiscal year (2010-11) plan is also presented for planning purpose only. *The City's goals and objectives session are:*

- Economic Vitality – develop, enhance, and protect an expanded local economic base
- Salinas as a City of Peace
- Image of the Community
- Consistent Community Outreach and Engagement

On June 30, 2009, the City Council was presented and reviewed a two (2) year operating budget with staff recommending approval of a one (1) year operating budget for the City of Salinas and Salinas Redevelopment Agency. The Salinas City Council and Salinas Redevelopment Agency adopted FY 2009-10 Annual Operating Budgets on June 30, 2009. A major revision to the CIP was made during FY 2009-10 for the current fiscal year through fiscal year 2014-15. The Capital Improvement Budget is generally updated every two years.

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

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

Capital project budget is updated annually with major revisions occurring every two years. Major revisions to the CIP were made during FY 2009-10 through FY 2014-15. Potential investments of \$577,401,974 were identified for the six (6) year period from July 1, 2009, to June 30, 2015. The required investments range from deferred maintenance needs of existing facilities (e.g. fire station repairs) to the construction of long overdue new and expanded facilities (e.g. a new police facility and the expansion of Chavez Library) necessary to continue providing basic services to the residents of

CITY OF SALINAS
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Budgetary Information
Fiscal Year Ended June 30, 2010

Salinas. The CIP projects were funded from a variety of sources, including very modest General Fund investments. Due to the economic downturn and the requirement to balance the two-year General Fund and Measure V Operating Budgets, almost \$3,100,000 of capital projects were reduced or cancelled.

GENERAL FUND

The General Fund fund balance decreased \$6,719,446 to \$6,810,765, of which \$3,614,779 is reserved and \$3,195,986 is unreserved.

The General Fund unreserved fund balance of \$3,195,986 includes designated funds of \$2,665,696 and undesignated funds of \$530,290. The designated fund balance of \$3,614,779 includes taxes receivable, accounts receivable, interest receivable and other accrued resources, less long-term liabilities. These funds are designated for future year budgets, when the funds are available for expenditure or when the long-term liabilities become payable.

The General Fund undesignated fund balance of \$530,290 is available for allocation and expenditure at June 30, 2010. General Fund resources available for expenditure at June 30, 2010 total \$912,690, including the capital projects reserve of \$382,400 and the undesignated fund balance of \$530,290. General Fund reserves have been set-aside by Council for specific purposes.

After the allocation of the June 30, 2010 budget carryover, General Fund reserves available for expenditure at June 30, 2010 are \$912,690, inclusive of a capital projects reserve for projects budgeted in both FY 2009-10 and FY 2010-11 of \$382,400.

MEASURE V

Measure V is a general tax and is reported as part of the General Fund. The Measure V fund balance decreased \$775,097 to \$3,740,247, of which \$229 is reserved and \$3,740,018 is unreserved.

Of the \$3,740,018 Measure V unreserved fund balance, \$2,797,032 is designated. The designated fund balance includes taxes receivable and interest receivable. These funds are designated for future year budgets, when the funds are available for expenditure. Measure V undesignated fund balance is \$942,986.

Measure V reserved fund balance at June 30, 2010 totals \$229 and represents the reserves for encumbrances. Measure V reserves have been set-aside by Council for specific purposes.

BUDGETARY RESULTS RECONCILED TO GAAP

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

CITY OF SALINAS
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Fiscal Year Ended June 30, 2010

- 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 value of investments included in the City's GAAP basis amounts, for which no formal budgets are prepared, are excluded from the budgetary basis financial statements.
- Certain grant revenues received in advance are recognized on the budgetary basis financial statements, but are deferred and not recognized as revenue on the GAAP basis financial statements. This process normally creates a variance in recognized revenue from the prior year to the current year.

BUDGET REVISIONS

The following is a summary of the actions taken after the approval of the Fiscal year 2009-10 budget:

- General Fund Budget was balanced with the use of \$1.03 million of reserves.
- Further declines in sales tax and property tax revenues (\$3.7 million) accelerated the use of General Fund Reserves.
- During October 2009, \$642,100 of capital projects Funding by Measure V and General Fund were reduced.
- The City received a Firefighter Assistance Grant in August 2009 that required a 20% match (\$24,400) special amendment to the General Fund budget .

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

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Comparison Schedule
General Fund and Measure V
Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2009	\$ 18,045,556	\$ 18,045,556	\$ 18,045,555	\$ (1)
Resources (inflows):				
Taxes:				
Sales	13,975,000	14,250,000	14,702,795	452,795
In-lieu Sales	5,300,000	4,260,000	4,477,385	217,385
Transactions and Use	8,900,000	8,400,000	8,819,583	419,583
Property	13,870,000	12,478,000	12,940,140	462,140
Property-Vehicle License Fees	10,925,000	10,150,000	10,150,136	136
Utility	8,800,000	8,425,000	8,494,725	69,725
Business License	4,300,000	4,150,000	4,047,751	(102,249)
Franchise	3,936,800	3,831,400	3,876,235	44,835
Other	1,750,000	1,535,000	1,412,069	(122,931)
Licenses and Permits	34,000	32,000	20,081	(11,919)
Intergovernmental	1,087,300	1,221,700	1,193,311	(28,389)
Charges for Services	5,357,300	5,684,100	5,835,158	151,058
Interest	575,000	200,000	178,477	(21,523)
Miscellaneous	201,200	206,200	253,349	47,149
Operating Transfers In	2,100,000	2,100,000	2,150,000	50,000
Total Resources	<u>81,111,600</u>	<u>76,923,400</u>	<u>78,551,195</u>	<u>1,627,795</u>
Charges to Appropriations (outflows):				
General Government	11,159,106	11,159,106	13,261,690	(2,102,584)
Public Safety	51,210,749	51,186,384	50,922,958	263,426
Public Works	14,284,539	14,284,539	12,821,310	1,463,229
Recreation	3,812,700	3,812,700	3,219,845	592,855
Library	4,010,200	4,010,200	3,523,821	486,379
Capital Outlay	25,000	25,000	18,711	6,289
General Fund Advance Forgiven				
Transfers Out	7,905,342	7,246,755	2,277,403	4,969,352
Total Charges to Appropriations	<u>92,407,636</u>	<u>91,724,684</u>	<u>86,045,738</u>	<u>5,678,946</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(11,296,036)</u>	<u>(14,801,284)</u>	<u>(7,494,543)</u>	<u>7,306,741</u>
Fund Balance, June 30, 2010	<u>\$ 6,749,520</u>	<u>\$ 3,244,272</u>	<u>\$ 10,551,012</u>	<u>\$ 7,306,740</u>

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Required Supplementary Information
Budgetary Policy and Control
Budgetary Comparison Schedule
Measure V Fund
Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2009	\$ 4,515,343	\$ 4,515,343	\$ 4,515,343	\$ -
Resources (inflows):				
Taxes:				
Transaction and Use Tax	8,900,000	8,400,000	8,819,583	419,583
Interest	75,000	50,000	45,777	(4,223)
Miscellaneous			4,813	4,813
Total Resources	<u>8,975,000</u>	<u>8,450,000</u>	<u>8,870,173</u>	<u>420,173</u>
Charges to Appropriations (outflows):				
General Government	502,010	502,010	600,857	(98,847)
Public Safety	3,050,900	3,050,900	2,817,700	233,200
Public Works	1,205,400	1,205,400	1,215,968	(10,568)
Recreation	1,162,800	1,162,800	869,734	293,066
Library	4,001,315	4,001,315	3,523,821	477,494
Capital Outlay	9,375	9,375	9,119	256
Transfers Out	1,734,527	1,695,827	608,070	1,087,757
Total Charges to Appropriations	<u>11,666,327</u>	<u>11,627,627</u>	<u>9,645,269</u>	<u>1,982,358</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(2,691,327)</u>	<u>(3,177,627)</u>	<u>(775,096)</u>	<u>2,402,531</u>
Fund Balance, June 30, 2010	<u>\$ 1,824,016</u>	<u>\$ 1,337,716</u>	<u>\$ 3,740,247</u>	<u>\$ 2,402,531</u>

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Comparison Schedule
Housing and Urban Development Fund
Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2009	\$ 226,282	\$ 226,282	\$ 226,282	\$ -
Resources (inflows):				
Intergovernmental	4,530,900	8,999,624	5,991,416	(3,008,208)
Interest	-	1,500	882	(618)
Miscellaneous	72,500	69,500	187,918	118,418
Total Resources	<u>4,603,400</u>	<u>9,070,624</u>	<u>6,180,216</u>	<u>(2,890,408)</u>
Charges to Appropriations (outflows):				
General Government	3,629,050	6,003,574	3,259,250	2,744,324
Transfers Out	1,844,125	4,370,291	1,304,613	3,065,678
Total Charges to Appropriations	<u>5,473,175</u>	<u>10,373,865</u>	<u>4,563,863</u>	<u>5,810,002</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(869,775)</u>	<u>(1,303,241)</u>	<u>1,616,353</u>	<u>2,919,594</u>
Fund Balance, June 30, 2010	<u>\$ (643,493)</u>	<u>\$ (1,076,959)</u>	<u>\$ 1,842,635</u>	<u>\$ 2,919,594</u>

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Comparison Schedule
Development Fees Fund
Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2009	\$ 18,323,296	\$ 18,323,296	\$ 18,323,296	\$ -
Resources (inflows):				
Charges for Services	766,000	310,000	1,127,512	817,512
Interest	208,000	70,000	229,052	159,052
Total Resources	<u>974,000</u>	<u>380,000</u>	<u>1,356,564</u>	<u>976,564</u>
Charges to Appropriations (outflows):				
Transfers Out	16,217,034	16,835,547	1,409,496	15,426,051
Total Charges to Appropriations	<u>16,217,034</u>	<u>16,835,547</u>	<u>1,409,496</u>	<u>15,426,051</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(15,243,034)</u>	<u>(16,455,547)</u>	<u>(52,932)</u>	<u>16,402,615</u>
Fund Balance, June 30, 2010	<u>\$ 3,080,262</u>	<u>\$ 1,867,749</u>	<u>\$ 18,270,364</u>	<u>\$ 16,402,615</u>



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**SCHEDULE OF
FUNDING PROGRESS
RETIREMENT PROGRAMS**

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

ACTUARIAL VALUATION DATE	ENTRY AGE NORMAL ACCRUED LIABILITY	ACTUARIAL ASSET VALUE	UNFUNDED		ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
			ACTUARIAL ACCRUED LIABILITY	FUNDED RATIO		
06/30/08						
Safety Fire	* \$ 8,700,467,733	\$ 7,464,927,716	\$ 1,235,540,017	85.8%	\$ 914,840,596	135.1%
Safety Police	160,300,646	131,867,507	28,433,139	82.3%	18,354,677	154.9%
Miscellaneous	37,113,044	31,072,634	6,040,410	83.7%	15,305,551	39.5%
06/30/07						
Safety Fire	* 7,986,055,176	6,826,599,459	1,159,455,717	85.5%	831,607,658	139.4%
Safety Police	145,056,902	122,292,310	22,764,592	84.3%	15,326,560	148.5%
Miscellaneous	32,643,889	27,097,605	5,546,284	83.0%	12,982,187	42.7%
06/30/06						
Safety Fire	* 7,278,049,834	6,102,615,567	1,175,434,267	83.8%	754,730,438	155.7%
Safety Police	135,391,829	112,424,701	22,967,128	83.0%	14,036,339	163.6%
Miscellaneous	29,280,508	23,606,229	5,674,279	80.6%	10,614,334	53.5%

* As of July 1, 2005 the California Public Employees' Retirement System required the City to pool all of its assets and liabilities of the Fire Safety Group into the newly created risk pool for Public Safety. The data shown above reflects the new pooled report format including the assets and liabilities of other agencies required to participate in the risk pool. More specific information can be found on Note #15 of the notes to the Financial Statements.

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Unamortized Portion of Initial Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Unfunded Frozen Actuarial Accrued Liability (UFAAL) *</u>	<u>Covered Payroll</u>	<u>IUAAL as a Percentage of covered Payroll (b/d)</u>	<u>UFAAL as a Percentage of Covered Payroll (c/d)</u>
09/01/09	\$ 21,262,681	\$ 11,715,017	\$ 13,996,664	\$ 4,304,535	272.2%	325.2%
09/01/08	19,439,416	12,114,163	12,114,163	4,173,341	290.3%	290.3%
09/01/07	19,185,746	10,403,408	10,403,408	4,482,434	232.1%	232.1%

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

* Includes the unamortized initial unfunded actuarial accrued liability re-established 9/1/83 plus the unamortized portion of other bases established for changes in plan provisions and changes in actuarial assumptions.

CITY OF SALINAS
Schedule of Funding Progress
For Other Post Employment Benefits (OPEB)
Last Three Years

Actuarial Valuation Date	Present Value of Benefits	Unfunded Actuarial Accrued Liability	Annual Required Contribution (ARC)	Covered Payroll	ARC as a Percentage Payroll
06/30/08	\$ 18,532,000	\$ 9,278,000	\$ 1,353,000	\$ 46,635,000	2.9%
06/30/07	23,904,000	13,954,000	1,591,000	37,850,000	4.2%
06/30/06	23,904,000	13,954,000	1,591,000	37,850,000	4.2%

**CLAIMS DEVELOPMENT
SELF INSURANCE
PROGRAMS**

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
--	------	------	------	------	------	------	------	------	------	------

Net earned required contribution and investment revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
----------------------------------------------------------	----	----	----	----	----	----	----	----	----	----

Unallocated expenses		22,821	79,270							
----------------------	--	--------	--------	--	--	--	--	--	--	--

Estimated incurred claims and expenses, end of policy year

Paid Claims as of:

- End of policy year
- One year later
- Two years later
- Three years later
- Four years later
- Five years later
- Six years later
- Seven years later
- Eight years later
- Nine years later

Reestimated incurred claims and expenses:

- End of policy year
- One year later
- Two years later
- Three years later
- Four years later
- Five years later
- Six years later
- Seven years later
- Eight years later
- Nine years later

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net earned required contribution and investment revenues	\$ 4,761,826	\$ 1,147,873	\$ 4,475,047	\$ 4,149,058	\$ 3,505,072	\$ 2,778,669	\$ 3,164,817	\$ 3,057,272	\$ 2,043,505	\$ 4,505,413
Unallocated expenses	280,917	213,935	238,297	298,405	190,140	333,401	262,483	285,455	214,582	249,818
Estimated incurred claims and expenses, end of policy year	1,437,162	803,863	1,638,917	884,881	365,761	573,047	985,428	830,790	1,039,527	1,460,583
Paid Claims as of:										
End of policy year	531,327	337,595	523,536	381,349	86,965	172,929	368,902	286,530	423,304	660,835
One year later	967,462	955,731	1,445,346	646,877	598,110	442,713	770,525	976,701	1,344,588	
Two years later	1,525,619	1,285,960	1,315,046	1,258,171	930,440	564,497	916,943	1,224,838		
Three years later	2,182,978	1,639,282	2,234,558	1,364,326	1,179,374	670,100	1,038,220			
Four years later	2,199,416	1,908,898	2,447,722	1,492,652	1,432,898					
Five years later	2,657,619	2,092,574	2,520,320	1,591,470	1,653,743					
Six years later	2,745,688	2,208,878	2,593,256	1,720,342						
Seven years later	2,892,935	2,125,698	2,646,378							
Eight years later	3,003,853	2,425,573								
Nine years later	3,151,138									
Reestimated incurred claims and expenses:										
End of policy year	1,437,162	803,863	1,638,917	884,881	365,761	573,047	985,428	830,790	1,039,527	1,460,583
One year later	1,701,099	1,733,044	2,795,346	1,417,837	1,474,307	808,841	1,250,090	1,794,518	2,429,854	
Two years later	2,525,806	1,982,692	2,376,572	2,001,544	1,648,658	928,207	1,128,907	1,826,991		
Three years later	3,313,828	2,336,243	2,955,286	2,030,432	1,686,940	872,237	1,201,945			
Four years later	3,142,608	2,664,479	3,069,088	1,929,366	1,914,075	958,367				
Five years later	3,466,913	2,848,147	3,099,424	1,942,370	2,142,933					
Six years later	3,521,841	2,997,310	2,895,825	1,915,988						
Seven years later	3,754,996	2,893,110	2,868,174							
Eight years later	3,557,950	2,996,383								
Nine years later	3,522,291									

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net earned required contribution and investment revenues	\$ 632,196	\$ 849,782	\$ 522,712	\$ 497,091	\$ 792,050	\$ 1,070,533	\$ 1,182,409	\$ 892,752	\$ 935,129	\$ 1,343,428
Unallocated expenses	267,154	352,255	408,817	416,248	381,750	395,222	376,213	370,771	371,076	348,331
Estimated incurred claims and expenses, end of policy year	157,251	495,393	13,564	18,734	87,777	32,657	30,502	56,732	238,703	39,595
Paid Claims as of:										
End of policy year	2,211	13,724	9,381	12,823	27,599	7,560	17,711	24,230	43,408	5,487
One year later	77,900	55,162	34,073	86,364	174,067	185,850	138,651	156,683	391,628	
Two years later	48,917	75,637	384,408	103,591	627,037	186,424	320,071	360,609		
Three years later	48,917	200,433	438,986	143,679	831,228	186,424	447,569			
Four years later	3,762	576,931	439,507	197,741	953,978	186,424				
Five years later	3,762	587,953	439,507	226,482	953,978					
Six years later	3,762	587,953	439,507	226,482						
Seven years later	3,762	587,953	439,507							
Eight years later	3,762	638,895								
Nine years later	3,762									
Reestimated incurred claims and expenses:										
End of policy year	157,251	495,393	13,564	18,734	87,777	32,657	30,502	56,732	238,703	39,595
One year later	96,693	600,238	315,468	90,628	332,764	189,355	297,814	753,135	527,836	
Two years later	60,293	625,823	428,290	125,215	666,564	186,424	443,240	753,718		
Three years later	48,917	722,874	459,677	150,214	852,482	186,424	498,386			
Four years later	3,762	576,931	439,507	203,005	953,978	186,424				
Five years later	3,762	597,355	439,507	226,482	953,978					
Six years later	3,762	587,953	439,507	226,482						
Seven years later	3,762	587,953	439,507							
Eight years later	3,762	647,355								
Nine years later	3,762									

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.

Housing Fund - This fund accounts for funds designated by City Council to be used for housing activities.

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

Central City Housing Fund - This fund accounts for the redevelopment requirement to set aside 20% of available tax increments received by the Salinas Redevelopment Agency from properties within the Central City Project area. These funds are used to improve and increase the supply of low and moderate income housing within the City.

NON-MAJOR GOVERNMENTAL FUNDS

Sunset Avenue Merged Housing Fund - This fund accounts for the required 20% set-aside of tax increments received by the Salinas Redevelopment Agency from properties within the Sunset Avenue Merged Housing Project. These funds are used to improve and increase the supply of low and moderate income housing within the City.

DEBT SERVICE FUNDS

Debt Service Funds are used for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on general long-term debt. The debt service funds include the following debt issuances:

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

Assessment District Administration Fund - This fund accounts for the cost of administering the City's 18 assessment district bonds used to finance improvements within those districts. Funding is provided by an assessment equal to 5% of the assessment amount with a maximum \$16 levy per parcel per bond.

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

Certificates of Participation (1999) Fund - This fund is used to accumulate funds for the payment of principal and interest on the portion of the 1999 Certificates of Participation that were used to finance the construction of the City Animal Shelter. Debt service is used to finance the City's General Fund. A portion of the 1999 Certificates of Participation were used to finance Golf Course improvements and is reported in the Enterprise Funds.

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

Certificates of Participation (2004) Fund - This fund is used to accumulate funds for the payment of principal and interest on the 2004 Certificates of Participation. Proceeds were used to provide funding to finance the cost of acquisition and construction of a five-level, 452-space public parking structure. Debt Service is to be funded by paid parking throughout the downtown area. Pursuant to a reimbursement agreement, the Salinas Redevelopment Agency is responsible for the debt service. As with any City sponsored debt, the City's General Fund is pledged to make the bond payments if the Agency is financially unable to make the bond payments.

NON-MAJOR GOVERNMENTAL FUNDS

Central City Debt Service Fund - This fund is used to accumulate funds for the payment of principal and interest on the SRA's Tax Allocation Bonds Series A-1992 and Series B-1996 issued to complete project improvements in the Central City revitalization project area. Additionally, funds are also used to re-pay the City for loan advances. Debt service is financed from tax increments.

Sunset Avenue Merged Debt Service Fund - This fund is used to accumulate funds for the payment of principal and interest on the City's loan and a State Department of Commerce loan. Debt service is financed from tax increments.

CAPITAL PROJECTS FUNDS

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

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

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.

Central City Project Fund - This fund accounts for financial resources for Central City Project Area Redevelopment Agency projects.

Sunset Avenue Merged Project Fund - This fund accounts for financial resources for Sunset Avenue Merged Project Area Redevelopment Agency projects.



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CITY OF SALINAS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Emergency Medical Services	Asset Seizure	Lighting, Landscape and Maintenance District	Local Public Safety	Gas Tax	Traffic Safety	Vehicle Abatement	Recreation Parks	Housing Trust	Cable	Grants	Redevelopment Agency			Total
												Central City Housing	Sumset Avenue Merged Housing		
ASSETS															
Cash and investments	\$ 298,184	\$ 12,650	\$ 3,314,145	\$ 138,417	\$ 1,926,126	\$ 20,308	\$ 121,671	\$ 233,856	\$ 199,734	\$ 48,827	\$ 77,166	\$ 1,260,744	\$ 103,421	\$ 7,755,249	
Receivables, net:															
Taxes	-	-	-	-	12,300	-	-	-	-	-	-	-	-	12,300	
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Accrued interest	-	-	3,133	-	1,906	-	-	-	-	-	-	176,704	397,793	579,536	
Assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due from other agencies	-	-	-	1,166,596	214,686	87,068	-	-	-	43,096	181,669	-	-	1,693,115	
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Advances to other funds	-	-	-	-	-	-	-	-	-	-	-	450,000	490,000	940,000	
Restricted cash and investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	4,955,339	4,213,329	9,168,668	
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Land held for resale	-	-	-	-	-	-	-	-	-	-	-	500,431	1,157,122	1,657,553	
Total Assets	\$ 298,184	\$ 12,650	\$ 3,317,278	\$ 1,305,013	\$ 2,155,018	\$ 107,376	\$ 121,671	\$ 233,856	\$ 199,734	\$ 91,923	\$ 258,835	\$ 7,343,218	\$ 6,361,665	\$ 21,806,421	
LIABILITIES															
Accounts payable	\$ 17,292	\$ 2,435	\$ 46,426	\$ 64,664	\$ -	\$ -	\$ 5,637	\$ -	\$ -	\$ -	\$ 90,608	\$ 239,302	\$ 9,467	\$ 475,831	
Due to other funds	403	-	24,295	1,031,286	113,369	-	-	14,047	-	-	109,854	-	-	1,293,254	
Deferred revenues	-	-	-	-	-	-	-	-	-	-	-	625,049	887,164	1,512,213	
Total Liabilities	17,695	2,435	70,721	1,095,950	113,369	-	5,637	14,047	-	-	200,462	864,351	896,631	3,281,298	
FUND BALANCE															
Reserved	454	-	-	60,821	1,191,147	-	-	-	-	-	309,305	6,478,867	5,465,034	13,505,628	
Unreserved	280,035	10,215	3,246,557	148,242	850,502	107,376	116,034	219,809	199,734	91,923	(250,932)	-	-	5,019,495	
Total fund balances	280,489	10,215	3,246,557	209,063	2,041,649	107,376	116,034	219,809	199,734	91,923	58,373	6,478,867	5,465,034	18,525,123	
Total liabilities and fund balance	\$ 298,184	\$ 12,650	\$ 3,317,278	\$ 1,305,013	\$ 2,155,018	\$ 107,376	\$ 121,671	\$ 233,856	\$ 199,734	\$ 91,923	\$ 258,835	\$ 7,343,218	\$ 6,361,665	\$ 21,806,421	

CITY OF SALINAS, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Emergency Medical Services	Asset Seizure	Lighting, Landscape and Maintenance District	Local Public Safety	Gas Tax	Traffic Safety	Vehicle Abatement	Recreation Parks	Housing Trust	Cable	Grants	Redevelopment Agency			Total
												Central City Housing	Sunset Avenue Merged Housing		
REVENUES															
Taxes	\$ -	\$ -	\$ -	\$ 303,195	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,195
Intergovernmental	18,000	-	-	2,180,027	2,536,266	-	111,220	-	-	-	792,243	-	-	-	5,637,756
Charges for services	-	-	1,660,325	-	-	-	-	-	-	141,113	-	-	-	-	1,817,041
Interest	-	16	34,431	-	27,501	-	-	-	-	-	-	-	-	7,543	92,687
Rental income	-	-	-	-	-	-	-	-	-	-	-	-	-	24,500	24,500
Fines and forfeits	-	25,262	-	-	-	692,952	-	-	-	-	-	-	-	-	718,214
Miscellaneous	-	-	-	-	-	-	-	26,605	-	-	-	-	-	-	26,605
Total Revenues	18,000	25,278	1,694,756	2,483,222	2,563,767	692,952	111,220	26,605	-	141,113	792,243	38,799	32,043	-	8,619,998
EXPENDITURES															
Current:															
General government	-	-	-	-	-	-	-	-	-	182,341	-	152,898	141,012	-	476,251
Public safety	423,993	21,543	-	1,813,719	-	-	135,075	-	-	-	123,670	-	-	-	2,518,000
Recreation	-	-	1,122,975	-	-	-	-	-	-	-	138,844	-	-	-	1,261,819
Library	-	-	-	-	-	-	-	-	-	-	543,316	-	-	-	543,316
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	1,722	1,151	-	2,873
Total expenditures	423,993	21,543	1,122,975	1,813,719	-	-	135,075	-	-	182,341	805,830	154,620	142,163	-	4,802,259
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(405,993)	3,735	571,781	669,503	2,563,767	692,952	(23,855)	26,605	-	(41,228)	(13,587)	(115,821)	(110,120)	-	3,817,739
OTHER FINANCING SOURCES (USES)															
Advance from SRA to Steinbeck	-	-	-	-	-	-	-	-	-	-	-	(36,000)	-	-	(36,000)
Operating transfers in	522,500	-	-	83,518	-	-	50,000	-	-	-	82,098	273,731	129,795	-	1,141,642
Operating transfers out	(10,392)	-	-	(713,505)	(3,213,109)	(800,000)	-	(35,482)	-	-	(18,702)	(240,058)	-	-	(5,031,248)
Total other financing sources (uses)	512,108	-	-	(629,987)	(3,213,109)	(800,000)	50,000	(35,482)	-	-	63,396	(2,327)	129,795	-	(3,925,606)
NET CHANGE IN FUND BALANCES	106,115	3,735	571,781	39,516	(649,342)	(107,048)	26,145	(8,877)	-	(41,228)	49,809	(118,148)	19,675	-	(107,867)
FUND BALANCES, BEGINNING OF YEAR	174,374	6,480	2,674,776	169,547	2,690,991	214,424	89,889	228,686	199,734	133,151	8,564	6,597,015	5,445,359	-	18,632,990
FUND BALANCES, END OF YEAR	\$ 280,489	\$ 10,215	\$ 3,246,557	\$ 209,063	\$ 2,041,649	\$ 107,376	\$ 116,034	\$ 219,809	\$ 199,734	\$ 91,923	\$ 58,373	\$ 6,478,867	\$ 5,465,034	\$ -	\$ 18,525,123

CITY OF SALINAS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2010

	Assessment District Reserve	Assessment District Administration	Certificates of Participation (2005 B)	Certificates of Participation (1999)	Certificates of Participation (2002)	Redevelopment Agency			Total
						Central City Debt Service	Sunset Avenue Merged Debt Service		
ASSETS									
Cash and investments	\$ 3,101,309	\$ 65,495	\$ 38,555	\$ -	\$ -	\$ 1,348,282	\$ 1,051,640	\$ 5,605,281	
Receivables:									
Accrued interest	2,144	-	-	1,472	3,453	-	1,649	8,718	
Restricted cash and investments	-	-	803,304	103,894	193,021	1,564,830	-	2,665,049	
Loans receivable	-	-	-	-	-	303,727	-	303,727	
Total assets	\$ 3,103,453	\$ 65,495	\$ 841,859	\$ 105,366	\$ 196,474	\$ 3,216,839	\$ 1,053,289	\$ 8,582,775	
LIABILITIES									
Accounts payable	\$ -	\$ 7,220	\$ 471	\$ 97	\$ 2,720	\$ 2,621	\$ 238,076	\$ 251,205	
Due to other funds	-	-	-	-	11,010	-	-	11,010	
Advance from other funds	-	-	-	-	-	450,000	490,000	940,000	
Deferred revenues	-	-	-	-	-	-	-	-	
Total liabilities		7,220	471	97	13,730	452,621	728,076	1,202,215	
FUND BALANCE									
Reserved	3,103,453	58,275	841,388	105,269	182,744	2,764,218	325,213	7,380,560	
Unreserved	-	-	-	-	-	-	-	-	
Total fund balance	3,103,453	58,275	841,388	105,269	182,744	2,764,218	325,213	7,380,560	
Total liabilities and fund balance	\$ 3,103,453	\$ 65,495	\$ 841,859	\$ 105,366	\$ 196,474	\$ 3,216,839	\$ 1,053,289	\$ 8,582,775	

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Assessment District Reserve	Assessment District Administration	Certificates of Participation (2005 B)	Certificates of Participation (1999)	Certificates of Participation (2002)	Redevelopment Agency			Total
						Central City Debt Service	Sunset Avenue Merged Debt Service		
REVENUES									
Taxes	\$ -	\$ -	-	-	\$ -	\$ -	\$ 3,098,973	\$ 6,717,629	
Charges for services	-	55,375	-	-	-	-	-	55,375	
Interest	27,315	-	241	2,188	10,015	66,009	16,181	121,949	
Miscellaneous	-	-	-	-	-	123,727	-	123,727	
Total Revenues	27,315	55,375	241	2,188	10,015	3,808,392	3,115,154	7,018,680	
EXPENDITURES									
Current:									
Parking structure debt	-	-	-	-	-	1,088,700	-	1,088,700	
Capital outlay	-	-	-	-	-	-	-	-	
Debt service:									
Principal retirement	-	-	375,000	40,000	60,000	773,796	908,000	2,156,796	
Interest and fiscal charges	-	55,133	417,674	48,097	260,112	704,578	41,825	1,527,419	
Steinbeck center debt	-	-	-	-	-	-	-	-	
Suspension of housing set-aside	-	-	-	-	-	450,000	490,000	940,000	
SERAF	-	-	-	-	-	891,000	1,339,576	2,230,576	
Pass through tax	-	-	-	-	-	256,289	843,246	1,099,535	
Total expenditures	-	55,133	792,674	88,097	320,112	4,164,363	3,622,647	9,043,026	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	27,315	242	(792,433)	(85,909)	(310,097)	(355,971)	(507,493)	(2,024,346)	
OTHER FINANCING SOURCES (USES)									
Loans receivable forgiven	-	-	-	-	180,000	-	-	180,000	
Operating transfers in	-	-	765,097	84,000	-	240,058	-	1,089,155	
Operating transfers out	-	-	-	-	-	(273,731)	(129,795)	(403,526)	
Total other financing sources (uses)	-	-	765,097	84,000	180,000	(33,673)	(129,795)	865,629	
NET CHANGE IN FUND BALANCES	27,315	242	(27,336)	(1,909)	(130,097)	(389,644)	(637,288)	(1,158,717)	
FUND BALANCES, BEGINNING OF YEAR	3,076,138	58,033	868,724	107,178	312,841	3,153,862	962,501	8,539,277	
FUND BALANCES, END OF YEAR	\$ 3,103,453	\$ 58,275	\$ 841,388	\$ 105,269	\$ 182,744	\$ 2,764,218	\$ 325,213	\$ 7,380,560	

**CITY OF SALINAS
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2010**

	Special Aviation	Assessment Capital Project	District Project	Redevelopment Agency		Total
				Central City Project	Sunset Avenue Merged Project	
ASSETS						
Cash and investments	\$ 900,383	\$ 1,523,729	\$ 380,640	\$ 14,017	\$ 53,986	\$ 2,872,755
Receivables, net						
Accounts receivable	-	-	-	-	2,000	2,000
Accrued interest	1,307	-	361	1,814	-	3,482
Due from other agencies	1,518,224	-	-	-	-	1,518,224
Due from other funds	-	1,502,209	-	-	-	1,502,209
Loans receivable	-	-	-	220,011	49,374	269,385
Land held for resale	-	-	-	941,277	850,000	1,791,277
Total assets	\$ 2,419,914	\$ 3,025,938	\$ 381,001	\$ 1,177,119	\$ 955,360	\$ 7,959,332
LIABILITIES						
Accounts payable	\$ 287,595	\$ 1,025,938	\$ -	\$ 10,236	\$ 53,408	\$ 1,377,177
Total liabilities	287,595	1,025,938	-	10,236	53,408	1,377,177
FUND BALANCE						
Reserved	169,510	-	-	1,166,883	901,952	2,238,345
Unreserved	1,962,809	2,000,000	381,001	-	-	4,343,810
Total fund balance	2,132,319	2,000,000	381,001	1,166,883	901,952	6,582,155
Total liabilities and fund balances	\$ 2,419,914	\$ 3,025,938	\$ 381,001	\$ 1,177,119	\$ 955,360	\$ 7,959,332

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Special Aviation	Capital Project	Assessment District Project	Redevelopment Agency		Totals
				Central City Project	Sunset Avenue Merged Project	
REVENUES						
Intergovernmental	\$ 2,677,806	\$ -	\$ -	\$ -	\$ -	\$ 2,677,806
Interest	18,907	-	4,693	17,153	-	40,753
Rental income	-	-	-	-	31,812	31,812
Total Revenues	<u>2,696,713</u>	<u>-</u>	<u>4,693</u>	<u>17,153</u>	<u>31,812</u>	<u>2,750,371</u>
EXPENDITURES						
Capital outlay	2,642,246	5,844,291	-	429,453	852,990	9,768,980
Debt service:						
Principal retirement	-	-	-	-	79,876	79,876
Interest and fiscal charges	-	-	-	-	22,055	22,055
Total expenditures	<u>2,642,246</u>	<u>5,844,291</u>	<u>-</u>	<u>429,453</u>	<u>954,921</u>	<u>9,870,911</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>54,467</u>	<u>(5,844,291)</u>	<u>4,693</u>	<u>(412,300)</u>	<u>(923,109)</u>	<u>(7,120,540)</u>
OTHER FINANCING SOURCES (USES)						
Loan proceeds	-	-	-	2,000	908,000	910,000
Operating transfers in	-	5,844,291	-	-	-	5,844,291
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>5,844,291</u>	<u>-</u>	<u>2,000</u>	<u>908,000</u>	<u>6,754,291</u>
NET CHANGE IN FUND BALANCES	<u>54,467</u>	<u>-</u>	<u>4,693</u>	<u>(410,300)</u>	<u>(15,109)</u>	<u>(366,249)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,077,852</u>	<u>2,000,000</u>	<u>376,308</u>	<u>1,577,183</u>	<u>917,061</u>	<u>6,948,404</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,132,319</u>	<u>\$ 2,000,000</u>	<u>\$ 381,001</u>	<u>\$ 1,166,883</u>	<u>\$ 901,952</u>	<u>\$ 6,582,155</u>

INTERNAL SERVICE FUNDS

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

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

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

Health Insurance Fund - This fund is used to account for administration of the City's health insurance programs.

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

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

CITY OF SALINAS
COMBINING STATEMENT OF FUND NET ASSETS
INTERNAL SERVICE FUND
JUNE 30, 2010

	<u>Risk Management</u>	<u>General Insurance</u>	<u>Workers Compensation</u>	<u>General Liability</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and Investments	\$ 75,405	\$ 427,421	\$ 5,595,467	\$ 2,540,410	\$ 8,638,703
Restricted cash and investments	-	-	265,880	71,439	337,319
Receivables					
Accounts receivable	-	575	-	-	575
Accrued interest	-	-	4,666	1,893	6,559
Due from general fund	-	-	2,729,527	-	2,729,527
Total assets	<u>75,405</u>	<u>427,996</u>	<u>8,595,540</u>	<u>2,613,742</u>	<u>11,712,683</u>
LIABILITIES					
Current liabilities:					
Accounts payable	6,432	10,890	64,510	-	81,832
Insurance claims payable	-	-	8,531,030	1,049,269	9,580,299
Total current liabilities	<u>6,432</u>	<u>10,890</u>	<u>8,595,540</u>	<u>1,049,269</u>	<u>9,662,131</u>
Noncurrent liabilities:					
Accrued leave	<u>7,743</u>	-	-	-	<u>7,743</u>
Total noncurrent liabilities	<u>7,743</u>	-	-	-	<u>7,743</u>
Total liabilities	<u>14,175</u>	<u>10,890</u>	<u>8,595,540</u>	<u>1,049,269</u>	<u>9,669,874</u>
Net Assets:					
Restricted	-	-	265,880	71,439	337,319
Unrestricted	<u>61,230</u>	<u>417,106</u>	<u>(265,880)</u>	<u>1,493,034</u>	<u>1,705,490</u>
Total net assets	<u>\$ 61,230</u>	<u>\$ 417,106</u>	<u>\$ -</u>	<u>\$ 1,564,473</u>	<u>\$ 2,042,809</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Risk Management</u>	<u>General Insurance</u>	<u>Workers Compensation</u>	<u>General Liability</u>	<u>Total</u>
OPERATING REVENUES:					
Charges for services	\$ 275,000	\$ 524,806	\$ 4,438,004	\$ 1,319,640	\$ 6,557,450
Total operating revenues	<u>275,000</u>	<u>524,806</u>	<u>4,438,004</u>	<u>1,319,640</u>	<u>6,557,450</u>
OPERATING EXPENSES:					
Personnel services	319,290	-	-	-	319,290
Contractual services	7	95,969	249,818	49,110	394,904
Supplies	1,298	-	-	-	1,298
Insurance	-	295,016	168,631	299,221	762,868
Insurance claims	-	75,524	4,086,964	591,627	4,754,115
Other	701	-	-	-	701
Total operating expenses	<u>321,296</u>	<u>466,509</u>	<u>4,505,413</u>	<u>939,958</u>	<u>6,233,176</u>
OPERATING INCOME (LOSS)	<u>(46,296)</u>	<u>58,297</u>	<u>(67,409)</u>	<u>379,682</u>	<u>324,274</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	-	-	67,409	23,788	91,197
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>67,409</u>	<u>23,788</u>	<u>91,197</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(46,296)</u>	<u>58,297</u>	<u>-</u>	<u>403,470</u>	<u>415,471</u>
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
CHANGE IN NET ASSETS	<u>(46,296)</u>	<u>58,297</u>	<u>-</u>	<u>403,470</u>	<u>415,471</u>
NET ASSETS, BEGINNING OF YEAR	<u>107,526</u>	<u>358,809</u>	<u>-</u>	<u>1,161,003</u>	<u>1,627,338</u>
NET ASSETS, END OF YEAR	<u>\$ 61,230</u>	<u>\$ 417,106</u>	<u>\$ -</u>	<u>\$ 1,564,473</u>	<u>\$ 2,042,809</u>

CITY OF SALINAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Risk Management Fund	General Insurance Fund	Workers Compensation Fund	General Liability Fund	Totals
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$	\$ 50,132	\$ 186,004	\$ 69,640	\$ 305,776
Receipts from interfund services provided	275,000	475,000	2,399,946	1,250,000	4,399,946
Payments to Suppliers	(2,081)	(394,594)	(418,449)	(348,331)	(1,163,455)
Payments to Employees	(318,328)	-	-	-	(318,328)
Payments to Claimants	-	(104,853)	(3,233,432)	(866,324)	(4,204,609)
Net Cash Provided (Used) by Operating Activities	<u>(45,409)</u>	<u>25,685</u>	<u>(1,065,931)</u>	<u>104,985</u>	<u>(980,670)</u>
Cash Flows from Non-Capital Financing Activities:					
Operating Transfers In	-	-	-	-	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:					
Interest Received	-	-	88,383	29,761	118,144
(Decrease) in Fair Value of Investments	-	-	(1,808)	(117)	(1,925)
Transfer (to) from Restricted Cash	-	-	(209,612)	(51,391)	(261,003)
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>	<u>(123,037)</u>	<u>(21,747)</u>	<u>(144,784)</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(45,409)	25,685	(1,188,968)	83,238	(1,125,454)
Cash and Cash Equivalents - Beginning of Year	<u>120,814</u>	<u>401,736</u>	<u>6,784,435</u>	<u>2,457,172</u>	<u>9,764,157</u>
Cash and Cash Equivalents - End of Year	<u>\$ 75,405</u>	<u>\$ 427,421</u>	<u>\$ 5,595,467</u>	<u>\$ 2,540,410</u>	<u>\$ 8,638,703</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.

Sherwood Hall Box Office - This fund is used to account for ticket sales for events held at Sherwood Hall Community Center. When the cost of the event is determined, the deposit account is cleared by paying all parties involved.

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.

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

Cafeteria Plan - This fund is used to account for the City's Cafeteria Plan for unreimbursed medical and dependent care payments (Flexible Spending Account) operated under Section 125 of the Internal Revenue Code. Pre-tax monies are deducted from employees in accordance with their Salary Redirection Agreements and used to reimburse employees for qualified unreimbursed medical and dependent care expenses after obtaining approval from the City's cafeteria plan administrator.

Retiree Health Insurance - This fund is used to account for monies collected from retired employees to pay for their health insurance premiums.

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

Payroll Deposits Fund - This fund is used to account for payroll tax and deferred compensation employee payroll deductions. These funds are transmitted for deposit with the appropriate agencies.

CITY OF SALINAS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 JUNE 30, 2010

	Sherwood Hall Box Office	Sunrise House	Economic Development	Second Chance Youth Program	Cafeteria Plan	Retiree Health Insurance	Business Improvement District	Totals
ASSETS								
Cash and investments	\$ 36,781	\$ 214,312	\$ 91,076	\$ -	\$ 92,377	\$ 1	\$ 52,710	\$ 487,257
Restricted cash and investments	-	237	-	-	-	-	-	237
Receivables								
Accounts receivable	-	-	-	-	108,537	-	-	108,537
Accrued interest	-	189	-	-	-	-	-	189
Due from other agencies	-	26,230	-	125,585	-	-	-	151,815
Total assets	\$ 36,781	\$ 240,968	\$ 91,076	\$ 125,585	\$ 200,914	\$ 1	\$ 52,710	\$ 748,035
LIABILITIES								
Accounts payable	\$ 29,627	\$ 25,036	\$ 14,385	\$ 23,449	\$ 133,259	\$ -	\$ 50,000	\$ 275,756
Accrued leave	-	5,805	55,679	12,863	-	-	-	74,347
Due to outside agencies	-	-	-	10,490	-	-	-	10,490
Deferred revenues	-	-	-	-	(24,722)	-	-	(24,722)
Total liabilities	29,627	30,841	70,064	46,802	108,537	-	50,000	335,871
NET ASSETS								
Held in trust for pension benefits and other purposes	\$ 7,154	\$ 210,127	\$ 21,012	\$ 78,783	\$ 92,377	\$ 1	\$ 2,710	\$ 412,164

**GENERAL
and
MEASURE V FUNDS**

**CITY OF SALINAS
COMBINING BALANCE SHEET
GENERAL AND MEASURE V FUNDS
JUNE 30, 2010**

	<u>General</u>	<u>Measure V</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 4,955,178	\$ 2,587,480	\$ 7,542,658
Receivables, net:			
Taxes	5,472,633	1,697,573	7,170,206
Accounts	58,018	4,186	62,204
Accrued interest	14,468	3,335	17,803
Due from other agencies	10,490		10,490
Due from other funds	3,187,146		3,187,146
Advances to other funds	1,335,000		1,335,000
Restricted cash and investments	232,007		232,007
Loans receivable	29,800		29,800
Inventory	17,245		17,245
	<u>\$ 15,311,985</u>	<u>\$ 4,292,574</u>	<u>\$ 19,604,559</u>
LIABILITIES			
Accounts payable	\$ 5,732,241	\$ 551,894	\$ 6,284,135
Due to other funds	2,768,979	433	2,769,412
	<u>8,501,220</u>	<u>552,327</u>	<u>9,053,547</u>
FUND BALANCE			
Reserved	3,614,779	229	3,615,008
Unreserved, reported in:			
Designated	2,665,696	2,797,032	5,462,728
Undesignated	530,290	942,986	1,473,276
	<u>6,810,765</u>	<u>3,740,247</u>	<u>10,551,012</u>
	<u>\$ 15,311,985</u>	<u>\$ 4,292,574</u>	<u>\$ 19,604,559</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL AND MEASURE V FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Measure V</u>	<u>Total</u>
REVENUES			
Taxes	\$ 60,101,236	\$ 8,819,583	\$ 68,920,819
Taxes - special assessments		-	-
Licenses and permits	20,081	-	20,081
Intergovernmental	1,193,311	-	1,193,311
Charges for services	5,835,158	-	5,835,158
Interest	132,700	45,777	178,477
Rental income	-	-	-
Fines and forfeits	-	-	-
Developer contributions	-	-	-
Miscellaneous	248,536	4,813	253,349
Total revenues	<u>67,531,022</u>	<u>8,870,173</u>	<u>76,401,195</u>
EXPENDITURES			
Current:			
General government	12,660,832	600,858	13,261,690
Public safety	48,105,258	2,817,700	50,922,958
Public works	11,605,342	1,215,968	12,821,310
Recreation	2,350,111	869,734	3,219,845
Library	-	3,523,821	3,523,821
Parking structure debt	-	-	-
Capital outlay	9,592	9,119	18,711
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Steinbeck Center debt	-	-	-
Suspension of housing set-aside	-	-	-
SERAF	-	-	-
Pass through tax	-	-	-
Total expenditures	<u>74,731,135</u>	<u>9,037,200</u>	<u>83,768,335</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,200,113)</u>	<u>(167,027)</u>	<u>(7,367,140)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Loans receivable forgiven	-	-	-
Advance from SRA to Steinbeck	-	-	-
Operating transfers in	2,150,000	-	2,150,000
Operating transfers out	(1,669,333)	(608,070)	(2,277,403)
Total other financing sources (uses)	<u>480,667</u>	<u>(608,070)</u>	<u>(127,403)</u>
NET CHANGE IN FUND BALANCES	(6,719,446)	(775,097)	(7,494,543)
FUND BALANCES, BEGINNING OF YEAR	<u>13,530,211</u>	<u>4,515,344</u>	<u>18,045,555</u>
FUND BALANCES, END OF YEAR	<u>\$ 6,810,765</u>	<u>\$ 3,740,247</u>	<u>\$ 10,551,012</u>



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