

City of Salinas
California



Basic Financial Statements
Fiscal Year Ended June 30, 2011

Basic Financial Statements

Fiscal Year Ended June 30, 2011



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City of Salinas

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

January 23, 2012

***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, 2011. 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, 2011, 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, 2011, 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 in the county seat of Monterey County, and is located in the Central Coast region of California, 17 miles inland from the Monterey Bay, 325 miles north of Los Angeles and 106 miles south of San Francisco. Salinas is a charter City providing all typical City services: Public safety- police and fire, Public Works-maintenance services (streets, lighting, signals, facilities, parks and trees), development and permit services, current and advanced planning and traffic and facilities engineering, Library, Recreation and General administrative services. Business-type City services include: a Municipal Airport, Industrial Waste system, Golf (two municipal golf courses), Sanitary Sewer and Storm Drain systems, Water Utility and a Parking District. The State Department of Finance reports the City's population at 156,516, as of January 1, 2011. The City FY 2011-12 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, 2011 and to provide a financial analysis of City performance.

Capital Assets and Depreciation

As of June 30, 2011, capital assets, including infrastructure assets, of the City of Salinas totaled \$599.7 million; accumulated depreciation totaled \$295.6 million, with the difference providing net capital assets of \$304.1 million. Net capital assets of the City's governmental activities (general government) are \$169.5 million and net capital assets for the City's business-type activities (enterprise funds) are \$134.6 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 2010-11, depreciation expense on capital assets of the City's governmental activities (general government) was \$8.1 million and depreciation expense on capital assets of the City's business-type activities (enterprise funds) was \$6.1 million. Depreciation expense represents the amount at which assets are being used-up annually. Due to budget constraints over the years, the City has been unable to invest in the maintenance of capital assets at anywhere near the annual depreciation amount.

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

Long-term Debt Payable

At June 30, 2011, the City had \$89.6 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 20 for a complete discussion of the City's Long-term Debt.

Fund Financial Statements-General Governmental Revenues

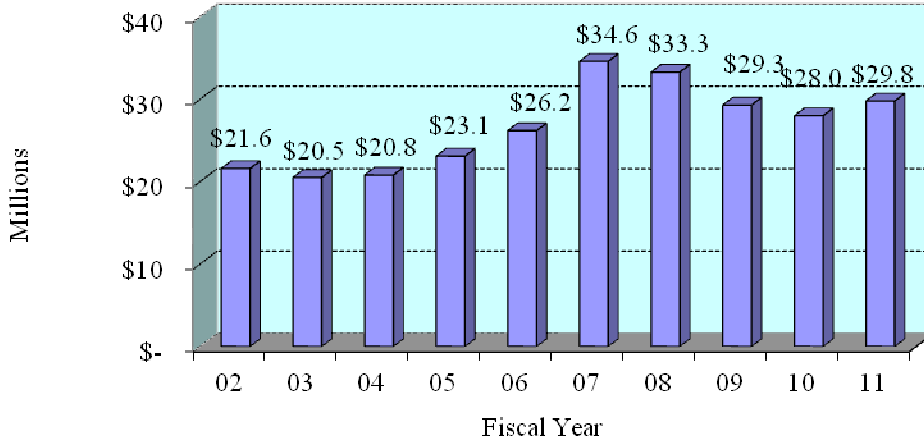
The current governmental operations of the City are accounted for in the General, Special Revenue, Debt Service, and Capital Project Funds. For the fiscal year ended June 30, 2011, total revenues for general governmental functions totaled \$110,940,605, a decrease of 0.7% over the previous fiscal year.

Sales Tax

The City has a well-diversified economy and sales tax base. Sales tax receipts increased for the first year after the three consecutive years of declines. The Sales tax increased \$1.8 million, or 6.4% from FY 2009-10. This growth rate is not expected to continue into FY 2011-12 since the spike is primarily due to the increase in gasoline and auto sales, which will not be sustained at the current levels. Sales Tax was still the largest single category of revenue this fiscal year producing 26.9% of the combined governmental fund type revenues. Transactions and Use Tax (Measure V) represents 8.4% 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 \$29,787,989 or 26.9% of General and Measure V Fund revenues.

Sales and Measure V Tax



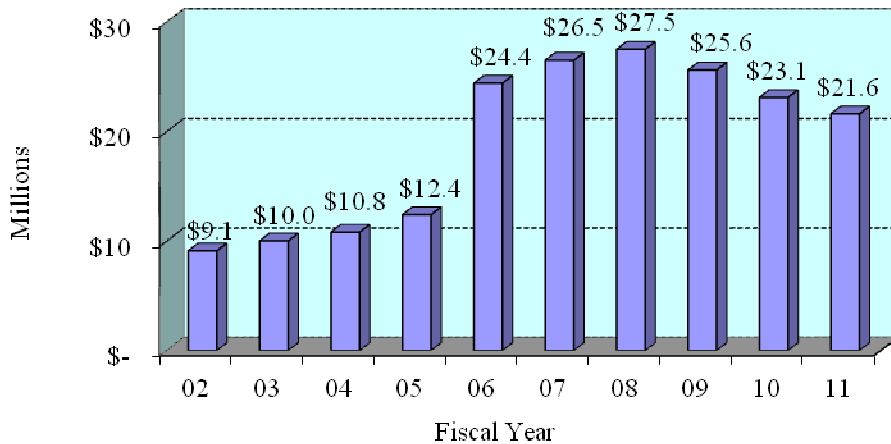
The sales tax and in-lieu sales tax receivable due from the State of California for FY 2010-11 totaled \$4,230,211 and is recorded as revenue for the year ended June 30, 2011.

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

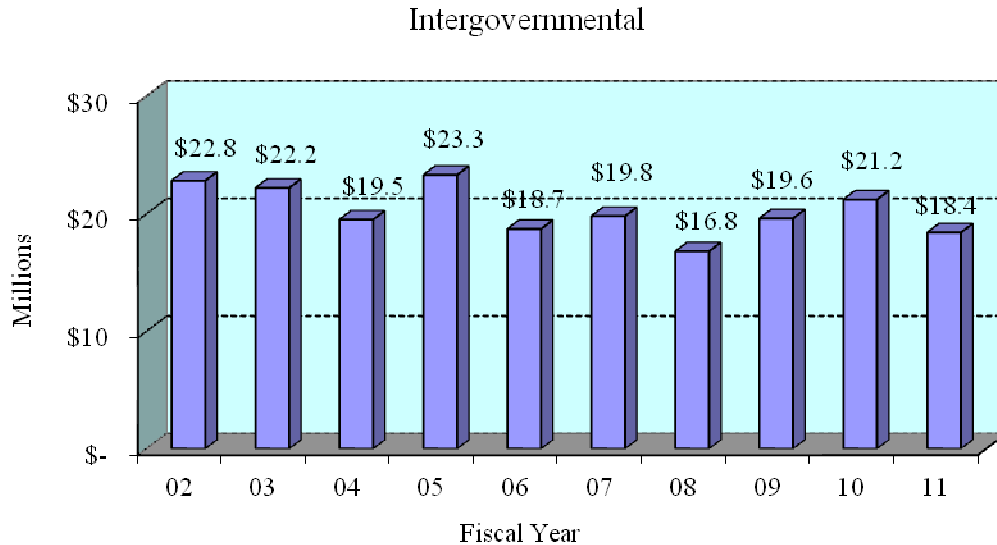
Property Tax revenue was the second largest source of revenue during this fiscal year, producing 19.5% of General and Measure V Fund revenues. Property Tax revenue includes Property Tax-In-lieu of vehicle license fees (2/3 of VLF) of \$9,503,519 that is now determined by the City’s growth in assessed property values.

Property Tax



Intergovernmental

Intergovernmental revenue was the third largest single category of revenue during the fiscal year producing 16.6% 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.



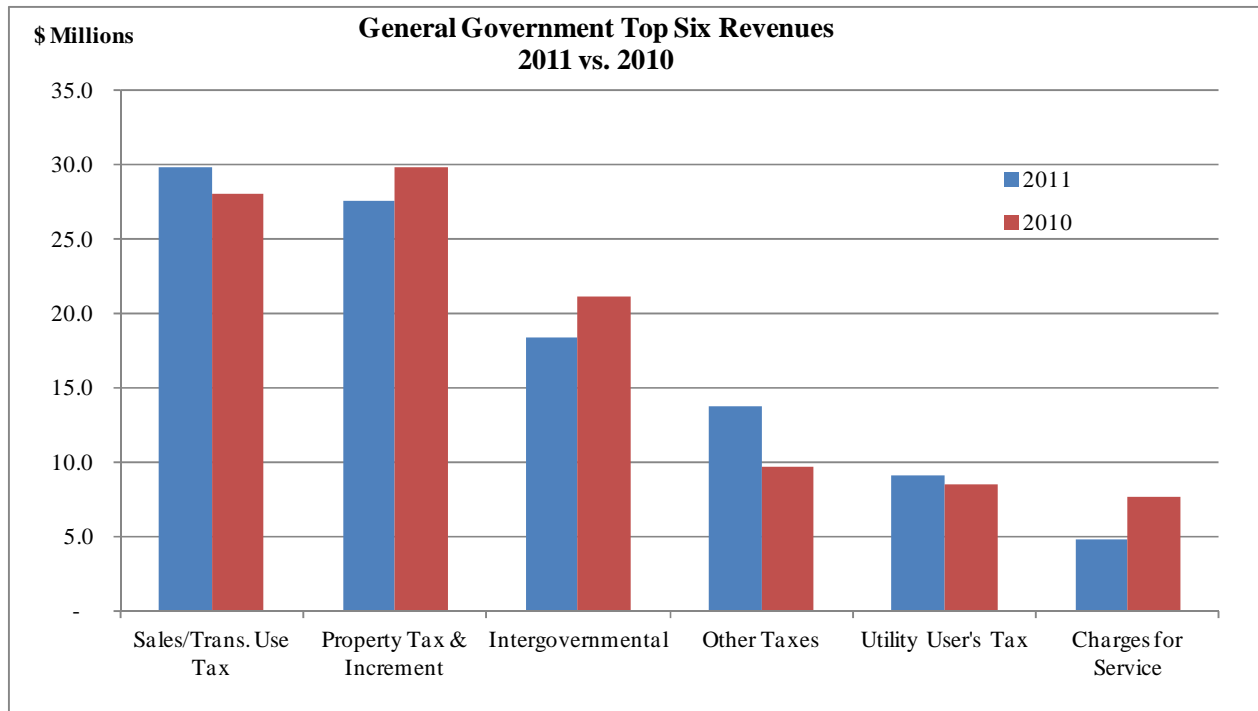
Other Taxes

Other Taxes produced 21.3% 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 \$8,387,921 for the year ended June 30, 2011 and are further explained in Note 6 to the financial statements.

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

Source of Revenues	2011 Amounts	Percent of Total	2010 Amounts	2010 vs. 2011	
				Increase/(Decrease) Dollars	Percent
Assessment District:					
Taxes	\$ 4,717,177	4.3%	\$ 3,308,766	\$ 1,408,411	42.6%
Property Tax	21,635,952	19.5%	23,090,276	(1,454,324)	-6.3%
Property Tax Increment	5,924,838	5.3%	6,717,629	(792,791)	-11.8%
Sales/Transaction & Use Tax	29,787,989	27.0%	27,999,763	1,788,226	6.4%
Utility User's Tax	9,033,972	8.1%	8,494,725	539,247	6.4%
Other Taxes	13,680,210	12.3%	9,639,250	4,040,960	41.9%
License & Permits	898,451	0.8%	20,081	878,370	4374.1%
Intergovernmental	18,413,589	16.6%	21,157,465	(2,743,876)	-13.0%
Charges for Service	4,803,503	4.3%	7,711,811	(2,908,308)	-37.7%
Interest	349,016	0.3%	661,439	(312,423)	-47.2%
Growth/Dev Fees	-	0.0%	1,127,512	(1,127,512)	-100.0%
Fines/Forfeitures	711,717	0.6%	718,214	(6,497)	-0.9%
Developer Contributions	370,013	0.3%	435,576	(65,563)	-15.1%
Miscellaneous	614,178	0.6%	603,571	10,607	1.8%
TOTAL	\$ 110,940,605	100.0%	\$ 111,686,078	\$ (745,473)	-0.7%

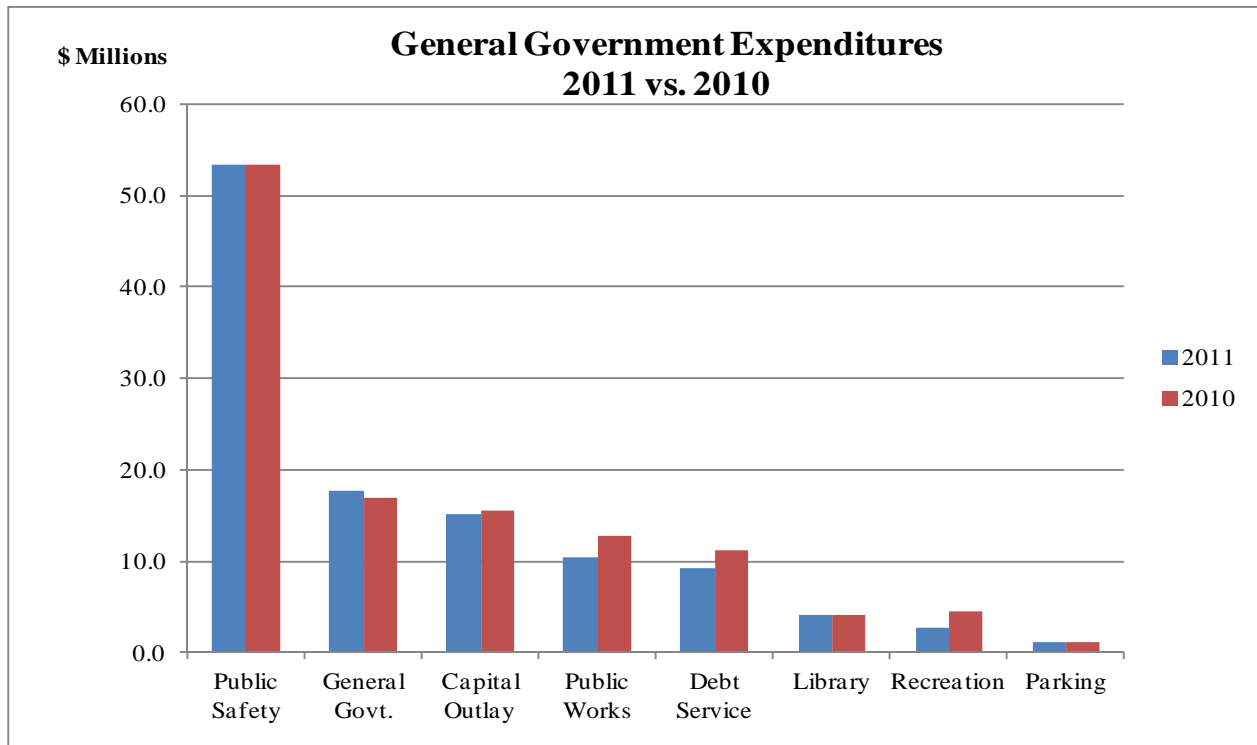


Fund Financial Statements-General Governmental Expenditures

Expenditures for governmental operations during the fiscal year ended June 30, 2011, were \$114,043,067 a net decrease of 4.7% in total expenditures over the previous year.

Changes in expenditures by major function are as follows:

Function	2011	Percent of Total	2010	2010 vs. 2011 Increase/(Decrease)	
				Dollars	Percent
General Government	\$ 17,742,903	15.5%	\$ 16,997,192	\$ 745,711	4.4%
Public Safety	53,459,688	46.8%	53,440,957	18,731	-
Public Works	10,453,797	9.2%	12,821,310	(2,367,513)	-18.5%
Recreation	2,747,255	2.4%	4,481,664	(1,734,409)	-38.7%
Library	4,173,844	3.7%	4,067,137	106,707	2.6%
Parking Structure Debt	1,088,500	1.0%	1,088,700	(200)	-
Subtotal Operations	89,665,987	78.6%	92,896,960	(3,230,973)	-3.5%
Contribution to other Agency	65,000	0.1%	-	65,000	-
Capital Outlay	15,073,310	13.2%	15,478,549	(405,239)	-2.6%
Debt Service:					
Principal	5,462,360	4.8%	4,331,672	1,130,688	26.1%
Interest	2,369,312	2.1%	2,665,113	(295,801)	-11.1%
Suspension of Housing-Set Aside	-	0.0%	940,000	(940,000)	-100.0%
SERAF	459,236	0.4%	2,230,576	(1,771,340)	-79.4%
Pass thru Tax	947,862	0.8%	1,099,535	(151,673)	-13.8%
Total	\$ 114,043,067	100.0%	\$ 119,642,405	\$ (5,599,338)	-4.7%



Operating expenditures decreased by \$3,230,973 or 3.5% from \$92,896,960 in FY 2009-10 to \$89,665,987 in FY 2010-11.

Every expenditures category increased in comparison to the previous year as a result of higher employee costs except for Public Works and Recreation.

Principal and interest payments increased \$834,887 mainly due to the payment on a capital lease for fire equipment.

Capital Outlay (Project) expenditures decreased \$405,239 or 2.6% from \$15,478,549 in FY 2009-10 to \$15,073,310 in FY 2010-11. The four largest projects included \$2,555,591 of Prop. 1B and Prop. 42 funding for the North Main Street Improvements, \$1,746,611 of Federal FAA funding, \$1,065,417 rehabilitating storm sewer lines, and \$850,000 on the East Market Street overlay using CDBG funding.

Business-type Activities-Enterprise Funds

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

The Enterprise Fund's net assets totaled \$107,374,956 at June 30, 2011.

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, 2011, the Internal Service Funds liabilities for estimated claims payable totaled \$11,136,423, with \$10,382,351 representing Worker's Compensation and \$754,072 representing General Liability.

Total Worker's Compensation insurance claims liabilities are \$12,954,399 at June 30, 2011. A portion of the liability is reported in the Internal Service Fund (\$10,382,351) and a portion is treated as long-term debt (\$2,572,048). 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 \$977,528 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 \$17,776,072 are employee deferred compensation funds.

Agency Funds are assets held by the City for Sunrise House, Economic Development, Salinas Valley Enterprise Zone, Second Chance Youth Program, Sherwood Hall Box Office, Employee Cafeteria Plan and Retired Employees Health Insurance Program. Agency assets held by the City total \$689,394.

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 (57.62% of investment at FMV) are invested in the State's Local Agency Investment Fund (LAIF). LAIF yielded average returns of .50% for fiscal year ended June 30, 2011.

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, 2011 is as follows:

Balance at cost - June 30, 2011	\$ 49,106,495
Unrealized Gain	<u>77,415</u>
Balance at fair value - June 30, 2011	<u><u>\$ 49,183,910</u></u>

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

Property Assessment

Assessed valuation of citywide taxable properties declined \$51.2 million to \$8,310,478,479 representing a decrease of 0.6% over FY 2010-11.

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

Fiscal year	Before Redevelopment Increment	After Redevelopment Increment	Percent Change
2011-12	\$ 8,310,478,479	\$ 7,628,550,860	2.07%
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

The City had many accomplishments in the last two years as they have navigated through significant changes and the challenge of re-thinking how City business is done. Through the leadership of the City Council and staff, an amazing amount has been accomplished.

The City Council is committed to three basic initiatives, which guide the activities of each City department. Following is a list of accomplishments during FY 2010-11 for each of the three initiatives:

❖ Economic Development (Prosperity) Initiative

Community and Economic Development Department

- Finalized plan submittals for a new 105 room Hampton Inn & Suites.
- Finalized plan submittals for a new Retail Shopping Center anchored by a Lowe's Home Improvement Facility.

- Salinas Enterprise Zone job vouchers surpass 2,000 - more than doubling last year's activity. Value returned/retained by local businesses approaches \$8,000,000.
- Construction of a new auto dealership sales facilities.
- Renovation of original Wal-Mart and opening of second facility.
- Reduction of General Fund financial support of the Permit Center by approximately \$500,000, due to efficiency improvements and fee increases.
- Amendment of Boronda Crossing Specific Plan to allow major retail use in lieu of auto sales.
- Provided funding for acquisition and rehabilitation of a 40-unit, multi-family rental housing that will provide affordable housing units to extremely low, low, and moderate-income families.
- Supported two City street beautification projects in the East Market retail corridor in an effort to create jobs and stimulate the local economy.
- Executed agreement with Neighborhood Housing Services of Silicon Valley to operate the City's first-time homebuyer program, which will increase homeownership opportunities for moderate and low income households.
- Provide homeownership opportunities for households (up to 120% of Average Median Income) through the Neighborhood Stabilization Program, which will assist neighborhoods with high foreclosure rates.

❖ Youth/Gang Violence Prevention Initiative (Peace)

City Attorney

- Provided dedicated attorney position to assume Community Safety Director duties to lead efforts to address youth and gang violence issues. The new director has completed the Salinas Comprehensive Strategy for Community-wide Violence Reduction, directed dialogue with City residents, and collaborated with Public Safety partners at local, state and national levels.

Police Department

- Reduced gang-related homicide rate by 45% from previous year.
- Furthered our relationship with significant federal and state governmental agencies, securing assistance and assets to combat gangs and violent crime.

❖ Organizational Effectiveness Initiative

Administration

- Staff managed the 2010-11 Layoff process which included 43 employees. This involved ensuring that our agreements with the bargaining units were met, that state and federal law regulating the lay-off process and the administrations of benefits were observed, and that our employees had access to tools helpful in meeting the challenges of being laid off. Staff is repeating this process again for 2011-12, which involves laying off 61 employees. The City implemented a new policy that requires all employees to wear name badges. It is expected that the new name badges will allow the public to better connect with City employees and recognize them as a City resource when they are away from their desks. The City has also commenced training workshops for employees to help them provide excellent customer service to the public.

Community and Economic Development Department

- Restructuring of new Community and Economic Development Department. This realignment brings together the entire development review and approval process together as a united team. The new divisions under the umbrella of Community and Economic Development include: Planning, Permit Center (Permit Administration, Building Division, Engineering Review, and Code Enforcement), Redevelopment Agency, CDBG/Housing, Salinas Valley Enterprise Zone and Economic Development.
- Process review improvements across the board, including reduced review times, across the counter “back checking” and fewer outsourced reviews have lowered time needed for all review categories. Processing times for initial to final reviews have decreased - as an example, a restaurant tenant improvement plan, from nine weeks to four weeks.

Finance Department

- Received the Meritorious Award in Operating Budgeting by the California Society of Municipal Finance Officers.
- Conducted a successful business license audit monitoring program, which generated \$150,000 of additional revenue.
- Implemented a number of information service technology initiatives, such as establishing the foundation for desktop and server virtualization and implementing Council iPads as part of the move toward paperless Council and Commission reports.
- Achieved significant purchasing cost savings on supplies and services, while working on the goal to at least maintain current pricing levels or obtain cost savings.
- Coordinated the Cities Five-Year Financial Forecast to assess the City’s ability to continue current services in light of the worst recession since the Great Depression and to assess the General Fund’s long-term fiscal health.

Fire Department

- The Fire Department received a \$2,891,267 Staffing for Adequate Fire and Emergency Response (SAFER) Grant. This grant will pay the salary and benefits for 12 firefighters for the period of two years.
- Mobile Command/Communications Vehicle (MCCV) - The Fire Department took delivery of a \$1.35 million dollar State Homeland Security funded MCCV. This vehicle is a regional asset that can stand alone as a mobile command center for large incidents and/or disasters, and serve as an emergency operations center and backup 911 communications center.
- Training – The Training Division successfully obtained \$94,000 in State Homeland Security funding for Hazardous Material training for the Fire Department. The funding covered overtime backfill, tuition, and per diem; previously, the City paid for Hazardous Material training.
- CSA 74 – Fire Department personnel worked with first responder agencies and County EMS staff on establishing an agreement that would provide one-time funding of \$553,493 and annual funding of \$104,143 for the City of Salinas. Previously, the City of Salinas received \$18,000 annually.
- Assistance to Firefighters Grant (AFG) – The Fire Department received a \$157,000 AFG Grant for a Live Training Fire System (Fire Flashover Simulators) and training for 12 instructors. This is an 80/20 matching grant.

Library and Community Services

- Literacy programs were attended by hundreds of learners who came to hear author Francisco Jimenez (500), and the Backpack Extravaganza (600), and 300 tutors & volunteers along with staff taught hundreds of residents how to apply for jobs online, create resumes and cover letters, pass the GED, and learn to read. Doctors at Natividad Hospital participated in Prescription for Reading and read to children.
- Nine new grants and the “Cultivating Knowledge: Life & Literature in Salinas,” grant totaled \$500,425 for programs such as (1) Digital Arts Station at Cesar Chavez Library, (2) Homework Center staff funding, (3) Council for the Humanities “Making a Difference in the Community,” (4) Digital Storytelling Station for local stories, and (5) installation of 12 Literary Landmarks in sidewalks and 9 Public Art Boulders with literacy quotes at libraries, parks and the National Steinbeck Center.
- New popular collections include (1) Asian Collection of language materials, (2) Toy Lending Collection, (3) Boys & Girls Club collection, (4) Foundation Grant Collection for nonprofits seeking grants – Salinas is the only site in Monterey County, (5) video histories of local residents sharing stories – Santa Rita Watershed and others, and (6) free e-Book resources.

Police Department

- Reorganized the structure of the Police Department to align resource allocation with mission and dwindling resources.
- Significantly reduced overtime expenditures amidst significant personnel reductions.
- Embarked on a community relations effort in the Alisal to encourage trust in and cooperation with police.

Public Works

- North Main Street Improvements (Bernal Drive to Alvin Drive). The project was funded with \$2.2 million Proposition 1-B and \$0.5 million Prop 42 State funds used to improve a 1.2 mile stretch of road pavement with median island landscaping, ADA compliant pedestrian access ramps, and energy efficient street lighting; and improving an important retail and commercial corridor that supports business and tourism in our community.
- School Traffic Safety Enhancements. The Engineering and Transportation Department completed traffic safety enhancements for major school pedestrian crossings at Washington Junior High School, Loma Vista Elementary School, Los Padres Elementary School, Fremont Elementary School, and Natividad Elementary School. Enhancements include updating school safety signing at these locations and installation of new ladder-type crosswalk markings for better visibility of pedestrian crossing areas. Staff also implemented Streets Smarts traffic safety education at John Steinbeck and New Republic elementary schools.
- Fleet Maintenance – Fleet Maintenance is the internal service division responsible for the inspection, maintenance, and repair of the City’s Public Works fleet, including over 300 vehicles and hundreds of equipment pieces. Accomplishments include doubling the useful life of our street sweepers through a daily inspection and preventive maintenance program to insure that sewer flushing and inspection equipment is available on a 24-hour basis and all paving related equipment is online and ready for use at all times during the year.

- East Market Street Improvements Phase 2 (Sanborn Road to 200 feet west of Carr Avenue). The project was funded with \$1,816,606 (\$400,000 MVT; \$247,308 RSTP; \$850,000 CDBG; and \$300,000 Redevelopment). Work included road reconstruction, landscape bulb-out planters, ADA compliant pedestrian access ramps, and energy efficient street lighting. This work improves safety and an important retail and commercial corridor that support business.

Enterprise Operations

- Completed the Taxiway Bravo Project at the Salinas Municipal Airport. This project was built with \$2.1 Million in federal funds and brings the taxiway into compliance with FAA guidelines while improving access to the runway system for all airport businesses and tenants on the South Side of the airport.
- Successfully develop a street sweeping program that ensures that the City remain in compliance with NPDES regulations.
- Acquired \$3,000,000 in funding from the federal economic development agency to begin upgrades to the Industrial Waste Water treatment plant and conveyance line.

Assessment & Maintenance Districts

- Improved quality and quantity of landscaping and irrigation services and Increased graffiti abatement services in City parks.
- Continued replacement of energy efficient street lights in qualifying districts.

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, 2013. Fire Supervisors Association (FSA) and International Association of Firefighters (IAFF) MOUs will expire December 31, 2013. All other non-safety groups' contracts will expire December 31, 2015.

Effective July 1, 2011, 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 2011 and January 2013 for two-years and a 10% reduction in pay with corresponding reduced hours (furlough); Police Management and Salinas Police Officers Associations agreed to defer a 5% salary adjustment scheduled to take place July 1, 2011, a contribution of 2.5% of salary toward City paid health insurance premiums until July 1, 2013, switch their health insurance to Peace Officers Research Association of California (PORAC), and agreed to the reduction of nine officers by December 2011 through attrition or layoffs if necessary; Fire Supervisors Association agreed to a contribution of 6.0% of salary toward City paid health insurance premiums and the suspension of management leave until December 31, 2013; International Association of Firefighters agreed to a 4.5% pay reduction from suspending holiday pay and a contribution of 4.0% of salary toward City paid health insurance premiums until December 31, 2013; Both Police and Fire units agreed to a second tier PERS plan of 3% at 55; and the Executive Group agreed to a contribution of 13% of salary toward City paid health insurance premiums until July 1, 2013.

Most of the negotiated two-year concessions sunset July 1, 2013 with an estimated annual cost in FY 2011-12 of \$5.7 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 2013-14 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 Acting City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

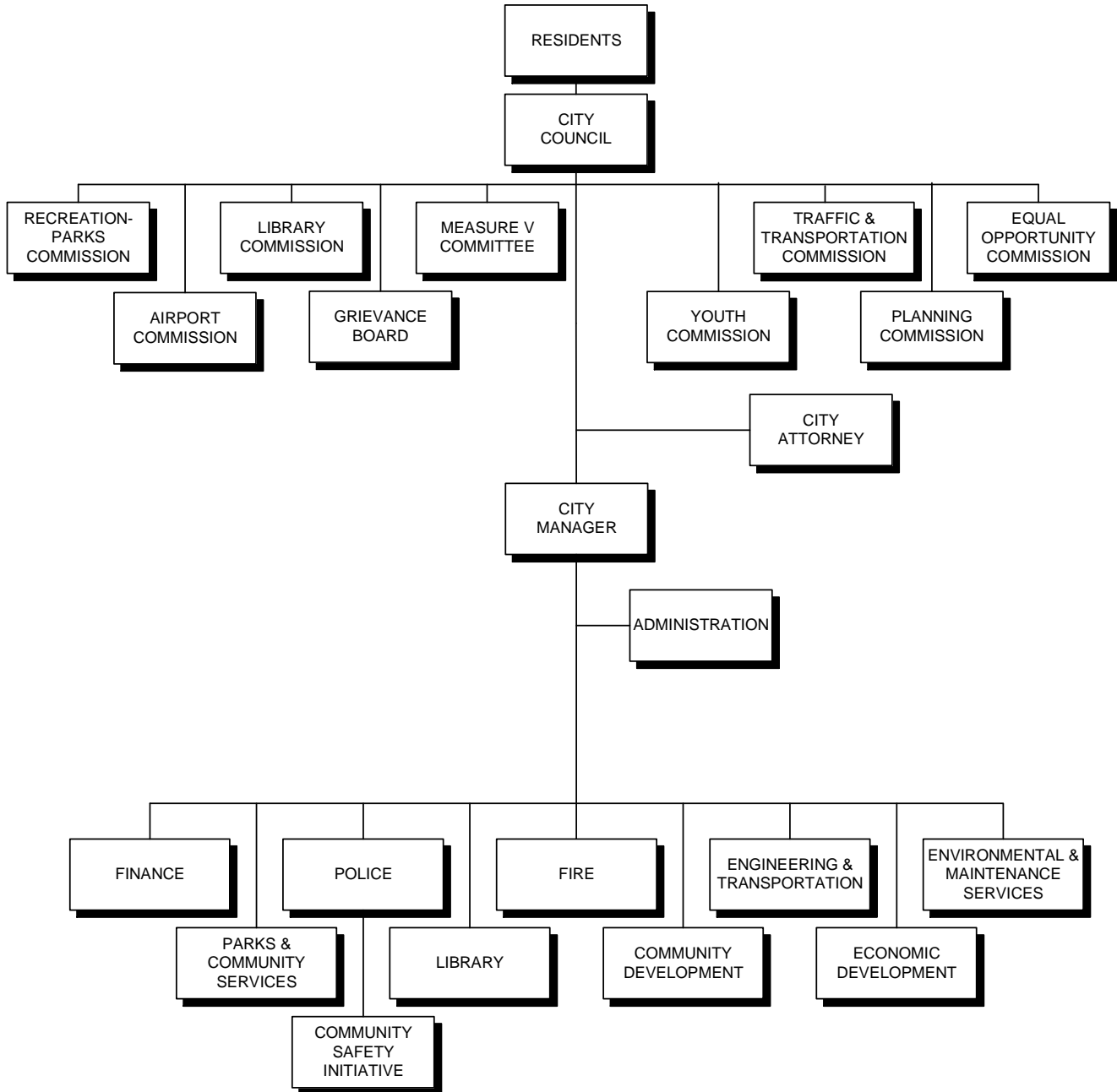
Respectfully submitted,



Matt N. Pressey, CPA
Finance Director

City of Salinas

Organization Chart



City of Salinas

List of Principal Officials



Dennis Donohue
Mayor

Sergio Sanchez
Councilmember
District 1

Gloria De La Rosa
Councilmember
District 4

Tony Barrera
Councilmember
District 2

Kimbley Craig
Councilmember
District 5

Steve McShane
Councilmember
District 3

Jyl Lutes
Councilmember
District 6

Jim Pia
Acting City Manager

Vanessa Vallarta
City Attorney

Jeffrey Weir
Community and Economic
Development Director

Gary Petersen
Public Works Director

Louis Fetherolf
Police Chief

Gregory Glass
Fire Chief

Matt N. Pressey, CPA
Director of Finance

Elizabeth Martinez
Library and Community
Services Director

McGILLOWAY, RAY, BROWN & KAUFMAN

Accountants & Consultants

2511 Garden Road, Suite A180
Monterey, CA 93940-5301
831-373-3337 Fax 831-373-3437
Toll Free 866-373-2511

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Salinas, CA 93901
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Salinas, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salinas, California (City), as of and for the year ended June 30, 2011, 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 of Salinas, California, as of June 30, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2012, 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

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

Sarita C. Shannon, CPA, Nancy Rimberg, CPA, Deanna Lozano, CPA, Whitney Ernest, CPA

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.

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-1 through R-10, the Schedule of Funding Progress – Retirement Programs on pages R-11 through R-14, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally 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.

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 relates 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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.

McGilloway, Roy, Brown & Kaufman

January 23, 2012

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2011

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, 2011. 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, 2011, the City's net assets (excess of assets over liabilities) were \$304.3 million. Of this amount, \$8.5 million are unrestricted assets.
- During the fiscal year ended June 30, 2011, the City's total net assets decreased by \$1.6 million. This change results from an decrease of \$0.1 million in governmental activities net assets and a decrease of \$1.5 million in business-type activities net assets.
- During the fiscal year governmental funds fund balances decreased \$1.9 million to \$65.2 million, of which \$61.3 million is either nonspendable, restricted, committed, or assigned and thus unavailable.
- During the fiscal year the General Fund and Measure V fund balance increased \$0.5 million to \$11.1 million of which \$5.3 million is either nonspendable, restricted, committed, or assigned. Unassigned General Fund and Measure V fund balance was \$5.8 million.
- The City's total long-term liabilities decreased by \$1.3 million during the current fiscal year. The increase of \$2.5 million in insurance claims liabilities and net OPEB obligation was offset by a net decrease of \$3.8 million in long-term debt as result of regularly schedule debt service repayments in both governmental and business-type activities.
- The City's capital assets, net of depreciation, decreased \$2.4 to \$304.1 million.

B. OVERVIEW OF FINANCIAL STATEMENTS

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

The basic financial statements include the City (primary government) and all legally separate entities (component units) for which the government is financially accountable. The Salinas Redevelopment Agency (Agency) is a component unit of the City and, for practical purposes is a department of the City, has been included in the basic financial statements as an integral part of the primary government using the blended method.

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

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, 2011

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, 2011

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, 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 governmental funds.

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

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

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, 2011

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

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 \$304.3 million, which is a decrease of \$1.6 million (0.5%) from the prior year.

At June 30, 2011, the largest portion of net assets (74.8%) 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, 2011

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS:(Continued)

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2011 and 2010:

City of Salinas								
Condensed Statements of Net Assets								
June 30, 2011								
	Governmental Activities		Business-type Activities		Total		Percent of Total	
	2011	2010	2011	2010	2011	2010		
Assets:								
Current Assets	\$ 74,772,774	\$ 78,218,580	\$ 12,205,894	\$ 12,051,610	\$ 86,978,668	\$ 90,270,190	19.8 %	
Other Assets	46,708,005	48,730,241	757,404	1,052,279	47,465,409	49,782,520	10.8 %	
Capital Assets, Net	169,489,027	169,178,948	134,613,309	137,278,524	304,102,336	306,457,472	69.4 %	
Total Assets	290,969,806	296,127,769	147,576,607	150,382,413	438,546,413	446,510,182	100.0 %	
Liabilities:								
Current Liabilities	9,335,499	9,852,823	1,235,661	1,054,409	10,571,160	10,907,232	7.9 %	
Other Liabilities	34,266,184	36,274,649	-	-	34,266,184	36,274,649	25.5 %	
LTD - Due in one year	5,465,577	5,430,999	1,300,587	1,297,271	6,766,164	6,728,270	5.0 %	
Long-term Liabilities	44,927,573	47,477,696	37,665,403	39,200,127	82,592,976	86,677,823	61.6 %	
Total Liabilities	93,994,833	99,036,167	40,201,651	41,551,807	134,196,484	140,587,974	100.0 %	
Net Assets:								
Invested in Capital Assets,								
Net of Related Debt	132,133,772	129,206,081	95,647,319	97,075,754	227,781,091	226,281,835	74.8 %	
Restricted	64,859,794	67,245,546	3,236,018	3,858,161	68,095,812	71,103,707	22.4 %	
Unrestricted	(18,593)	639,975	8,491,619	7,896,691	8,473,026	8,536,666	2.8 %	
Total Net Assets	\$ 196,974,973	\$ 197,091,602	\$ 107,374,956	\$ 108,830,606	\$ 304,349,929	\$ 305,922,208	100.0 %	

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2011

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, 2011 and 2010:

City of Salinas Condensed Statement of Activities and Changes in Net Assets For the Fiscal Year Ended June 30, 2011						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 5,919,765	\$ 7,529,914	\$ 5,942,937	\$ 5,711,403	\$ 11,862,702	\$ 13,241,317
Operating Grants & Contributions	13,458,946	14,015,119	691,173	635,729	14,150,119	14,650,848
Capital Grants & Contributions	9,362,423	13,417,024	3,241,671	3,124,044	12,604,094	16,541,068
General Revenues:						
Taxes	79,321,890	76,028,496	-	-	79,321,890	76,028,496
Licenses & Permits	898,451	20,081	-	-	898,451	20,081
Grants & Contributions not Restricted	832,882	462,267	-	-	832,882	462,267
Unrestricted Investment Earnings	202,512	716,373	300,981	336,239	503,493	1,052,612
Gain (Loss) on Disposal of Assets	-	(1,088,700)	-	-	-	(1,088,700)
Loans Receivable Forgiven	(380,236)	(796,000)	-	-	(380,236)	(796,000)
Miscellaneous	574,951	285,161	-	-	574,951	285,161
Total Revenues	110,191,584	110,589,735	10,176,762	9,807,415	120,368,346	120,397,150
Expenses						
General Government	18,986,318	17,492,884	1,955,936	1,595,672	20,942,254	19,088,556
Public Safety	55,943,707	55,123,842	-	-	55,943,707	55,123,842
Public Works	23,069,652	27,097,425	10,191,932	9,987,169	33,261,584	37,084,594
Recreation	3,572,172	5,230,367	893,397	981,779	4,465,569	6,212,146
Library	4,329,674	4,243,845	-	-	4,329,674	4,243,845
Interest	2,297,837	2,663,169	-	-	2,297,837	2,663,169
Total Expenses	108,199,360	111,851,532	13,041,265	12,564,620	121,240,625	124,416,152
Increase in Net Assets before Transfers	1,992,224	(1,261,797)	(2,864,503)	(2,757,205)	(872,279)	(4,019,002)
Transfers	(1,020,353)	(53,662)	320,353	53,662	(700,000)	-
Increase in Net Assets	971,871	(1,315,459)	(2,544,150)	(2,703,543)	(1,572,279)	(4,019,002)
Net Assets - Beginning of Year	197,091,602	201,113,565	108,830,606	110,445,449	305,922,208	311,559,014
Prior Period Adjustment	-	(475,928)	-	-	-	-
Net Asset - Beginning of Year as restated	197,091,602	200,637,637	108,830,606	110,445,449	305,922,208	311,083,086
Transfer Parking Net Assets to Business-type Activities	(1,088,500)	(2,230,576)	1,088,500	1,088,700	-	(1,141,876)
Net Assets - Ending	\$ 196,974,973	\$ 197,091,602	\$ 107,374,956	\$ 108,830,606	\$ 304,349,929	\$ 305,922,208

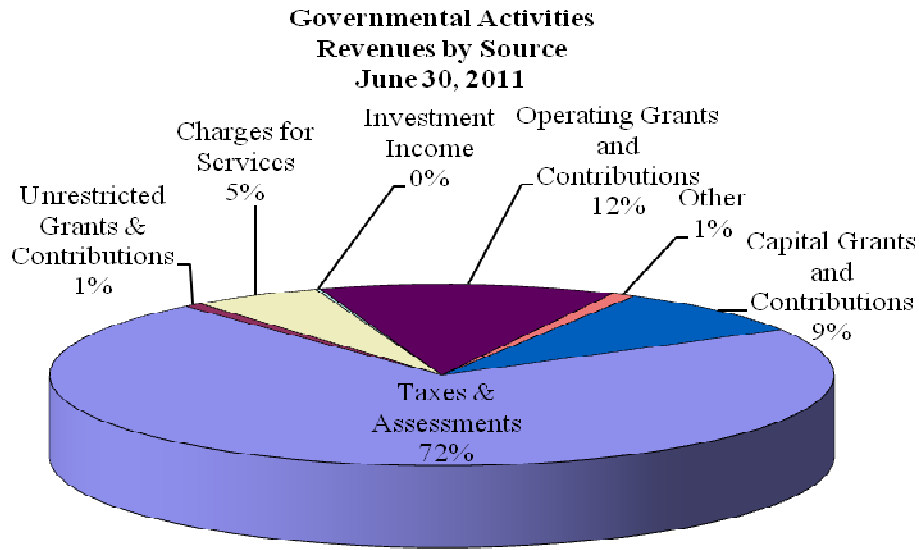
CITY OF SALINAS
 Management's Discussion and Analysis
 Fiscal Year ended June 30, 2011

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)

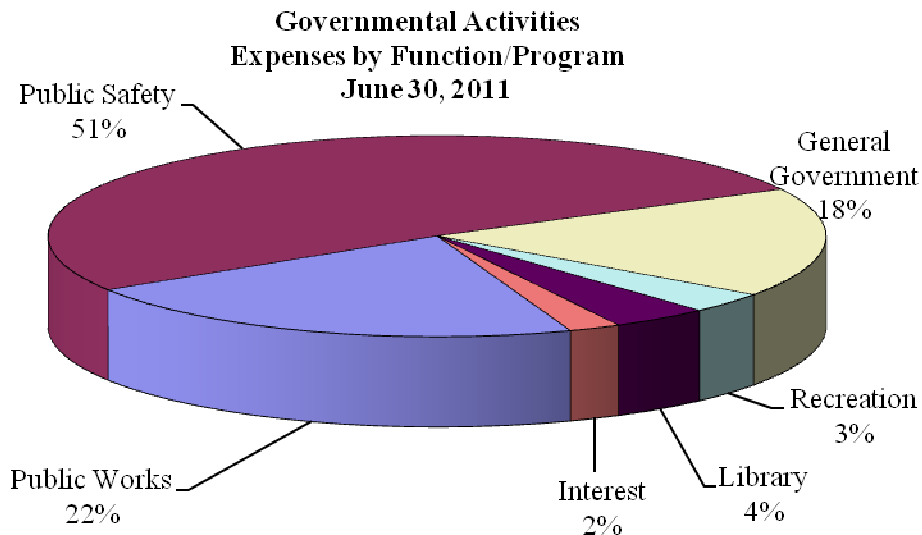
Total revenues remained relatively the same as the prior year and total expenditures decreased \$3.2 million from prior year. Further analysis is provided within the governmental and business-type activities sections.

Governmental Activities

Governmental activities resources total \$110.2 million. The City's governmental activities decreased net assets by \$0.1 million. The following charts highlight the sources of revenues and purpose of expenses:



Total expenses for governmental activities, excluding transfers, were \$108.2 million including interest on long-term debt of \$2.3 million. Total expenditures that were funded by tax revenues, investment income and other general revenues were \$81.5 million.



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2011

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)

Functional expenses for the year ended June 30, 2011 were as follows:

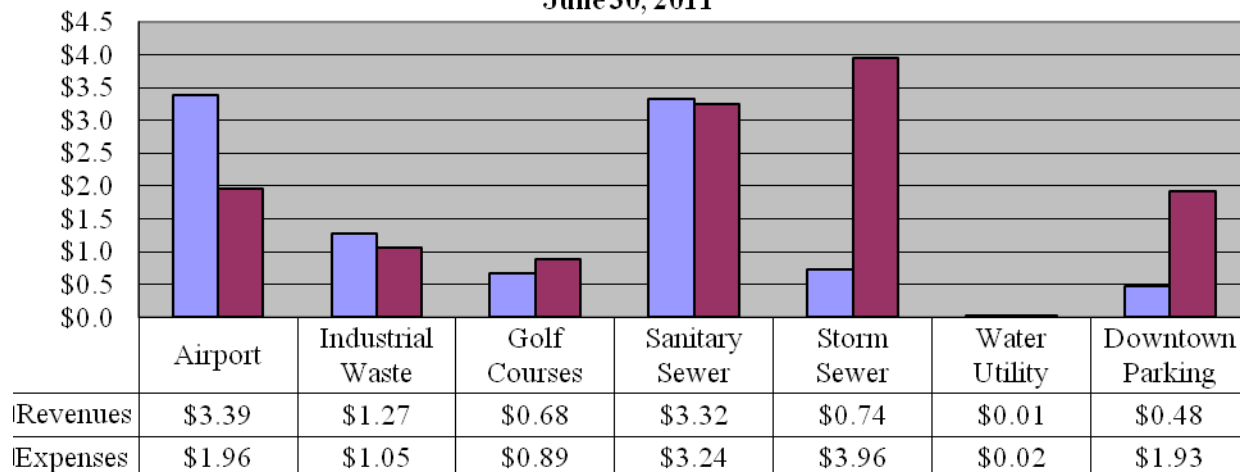
	Total Cost of		Net Cost of	
	Services	Percent	Services	Percentage
	2011	2011	2011	2011
General Government	\$ 18,986,318	17.5%	\$ 10,460,004	13.2 %
Public Safety	55,943,707	51.7%	52,313,100	65.7 %
Public Works	23,069,652	21.3%	7,471,922	9.4 %
Recreation	3,572,172	3.3%	3,221,166	4.1 %
Library	4,329,674	4.0%	3,694,197	4.6 %
Interest	2,297,837	2.1%	2,297,837	2.9 %
Total	\$ 108,199,360	100 %	\$ 79,458,226	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 \$79.4 million.

Business Type Activities

The City's business-type activities net assets were \$107.4 million, a decrease of \$1.5 million from the prior fiscal year. Total program revenues for business-type activities were \$9.9 million. The largest program revenues were charges for services of \$5.9 million. Other program revenues included operating/capital grants and contributions of \$3.9 million. Total expenses for the business-type activities were \$13.0 million during FY 2010-11.

Business Type Activities
Revenues, Expenses (in millions)
June 30, 2011



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2011

D. FUND FINANCIAL STATEMENT ANALYSIS:

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

Governmental Funds

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

As of the end of current fiscal year, the City's governmental funds reported combined ending fund balances of \$65.2 million. Of the total fund balance of \$65.2 million, \$16.4 million was nonspendable and indicates the resources are nonspendable inventory, loans, notes, advances, property held for resale and are not anticipated to be liquidated in the near-term. Of the total fund balance, \$38.4 million was restricted fund balance and indicates the use of resources is constrained by external parties, resource providers, constitutions or enabling legislations. Fund balance of \$16.4 was restricted for future development, \$3.5 million for maintenance districts, \$2.1 million for capital projects related to the airport, \$1.8 million for street repairs, \$9.4 million was restricted for debt service, and \$1.8 million for was restricted for various grant programs. Committed fund balance totaled \$2.9 million are limited to specific purposes as defined in the City Charter or through a formal budgetary action of the City Council occurring through adoption of an ordinance or resolution. The \$2.9 million committed fund balance is committed for capital projects. Assigned fund balance totaled \$3.9 million, of which \$3.8 million was assigned to capital projects. The remaining fund balance of \$3.6 million is unassigned and includes the unassigned fund balance of the General Fund of \$5.8 million and the unassigned fund balance deficit of the Housing and Urban Development Fund, Construction Assistance Fund and the nonmajor governmental funds of \$0.1, \$1.0, and \$1.0, respectively. The unassigned fund balance deficit of the two major funds and the nonmajor governmental funds will be eliminated in future years by the receipt of various grant and tax increment revenues.

The General Fund is the chief operating fund of the City. The General and Measure V Fund's fund balance increased by \$0.5 million in FY 2010-11 to \$11.1 million, of which \$1.6 million was nonspendable and indicates the resources are nonspendable inventory, loans, notes and advances and are not anticipated to be liquidated in the near-term. Of the total General Fund's fund balance, \$0.9 million was committed fund balance and is limited to specific purposes as defined in the City Charter or through a formal budgetary action of the City Council occurring through adoption of an ordinance or resolution. The \$0.9 million committed fund balance is committed for capital projects. Assigned fund balance totaled \$2.8 million, of which \$2.7 million was assigned to capital projects. The remaining fund balance of \$5.8 million is unassigned.

Proprietary Funds

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

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2011

E. GENERAL FUND BUDGETARY HIGHLIGHTS:

The final amended General Fund and Measure V budget, including transfers out and advances, totaled \$84.9 million.

Significant Appropriations Increases/Decreases:

Appropriations during the year totaled \$4.6 million, of which, \$3.6 were related to transfers for capital projects. The Public Safety increased by \$0.5 million and General Government increased by \$0.3 million. Estimated revenue was adjusted upward by \$0.8 million.

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS:

Capital Assets Including Infrastructure

The following is a summary of the City's capital assets as of June 30, 2011 and 2010:

City of Salinas' Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 22,674,022	\$ 22,674,022	\$ 3,632,339	\$ 3,632,339	\$ 26,306,361	\$ 26,306,361
Buildings	40,351,308	29,929,046	27,313,974	27,042,814	67,665,282	56,971,860
Improvements	11,771,556	11,436,201	15,257,221	15,202,866	27,028,777	26,639,067
Equipment	24,093,297	23,453,512	6,913,056	6,956,848	31,006,353	30,410,360
Infrastructure	223,595,092	216,988,020	218,364,631	213,474,411	441,959,723	430,462,431
Construction in Progress	3,187,440	13,322,533	2,581,394	4,368,980	5,768,834	17,691,513
	<u>325,672,715</u>	<u>317,803,334</u>	<u>274,062,615</u>	<u>270,678,258</u>	<u>599,735,330</u>	<u>588,481,592</u>
Accumulated Depreciation	<u>(156,183,688)</u>	<u>(148,624,386)</u>	<u>(139,449,306)</u>	<u>(133,399,734)</u>	<u>(295,632,994)</u>	<u>(282,024,120)</u>
	<u>\$ 169,489,027</u>	<u>\$ 169,178,948</u>	<u>\$ 134,613,309</u>	<u>\$ 137,278,524</u>	<u>\$ 304,102,336</u>	<u>\$ 306,457,472</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, 2011, net capital assets of the governmental activities totaled \$169.5 million and the net capital assets of the business-type activities totaled \$134.6 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 \$8.4 million of capital assets during the year. The acquisitions include \$5.3 million in infrastructure improvements, \$1.7 million in construction in progress, \$1.1 million in machinery and equipment and \$0.3 million in improvements, buildings and land.

Business-type activities acquired \$3.5 million of capital assets during the year. The Airport Fund had \$2.4 million in construction in progress, the Sanitary Sewer and Storm Drain Sewer funds had infrastructure improvements of \$0.6 and \$0.5 million, respectively. Other additions of capital assets were routine replacements of current capital assets.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2011

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

Long-Term Obligations

As of June 30, 2011, the City had \$89,627,021 in long-term debt composed of \$89,560,640 from governmental and business-type activities, and \$66,318 from fiduciary annual leave.

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Annual Leave	\$ 8,787,966	\$ 9,029,483	\$ 286,966	\$ 292,671	\$ 9,074,932	\$ 9,322,154
Estimated Insurance Claims	2,572,048	2,370,459	-	-	2,572,048	2,370,459
Net Pension Obligation	33,024	38,914	-	-	33,024	38,914
Capital Leases	1,754,967	911,720	545,990	684,727	2,300,957	1,596,447
Loans and Notes	310,135	391,308	-	-	310,135	391,308
Revenue Bonds	-	-	12,030,000	12,440,000	12,030,000	12,440,000
Tax Allocation Bonds	6,835,488	7,631,674	-	-	6,835,488	7,631,674
Certificates of Participation	13,135,000	13,630,000	26,390,000	27,080,000	39,525,000	40,710,000
Assessment District Bonds	16,995,000	19,030,000	-	-	16,995,000	19,030,000
Unamortized Bond Discount	(115,944)	(124,863)	-	-	(115,944)	(124,863)
	<u>\$ 50,307,684</u>	<u>\$ 52,908,695</u>	<u>\$ 39,252,956</u>	<u>\$ 40,497,398</u>	<u>\$ 89,560,640</u>	<u>\$ 93,406,093</u>

Further details on the City of Salinas' long-term debt can be found in Note 20 to the financial statements.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET:

While Fiscal Years 08-09 and 09-10 proved to be two of the worse fiscal years in decades in the City of Salinas, FY 10-11 ushered in signs that the economy had hit rock bottom and the City was slowly moving out of its dire economic state of affairs. A major sign of this positive trend was the revenue reports that begin to show sales tax revenues increasing for the last 3 quarters. This was significant because the City had already experienced 11 quarters of sales tax reductions, starting in the second quarter of 2007. In addition, the Monterey County Assessor informed the City that property tax revenue had stabilized after a 23.2% reduction over the last three years. However, employee benefit costs continue to increase and are projected to increase at a faster pace than revenue recovery. Through employee concessions, the City is in a position to stay balanced through the next two years.

Even with signs that the economy is improving, the City's FY 2013-14 General Fund Budget shortfall is projected to return to over \$7 million when the concessions expire. Either the concessions continue or a permanent solution to the structural deficit will be needed.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2011

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

Recently, there have been a significant number of articles throughout the nation focusing on public pensions and their sustainability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. One of the most significant factors used in determining the liability and the funding requirements is the rate of return that investments will yield prior to making payments, known as the discount rate. The City's pension plans utilize a discount rate of 7.75% in determining the pension liability and funding requirements. If it is determined that a lesser rate of return is more appropriate in the future, there may be a significant increase in the liability and the contributions required to meet those obligations. The Governmental Accounting Standards Board also has issued an Exposure Draft related to the accounting and reporting for pensions which is expected to be finalized in 2012. The impact of adopting this accounting standard and the possible required changes to the discount rate used by the City will be evaluated once the official accounting standard is issued.

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, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 56,387,589	\$ 4,472,740	\$ 60,860,329
Receivables, net			
Taxes	9,481,138	-	9,481,138
Accounts	294,620	1,150,724	1,445,344
Accrued interest	818,323	2,692	821,015
Due from other agencies	4,322,267	3,514,756	7,837,023
Due from other funds	81,801	(75,801)	6,000
Restricted cash and investments	3,387,036	3,140,783	6,527,819
Long-term internal balances	1,510,000	(1,510,000)	-
Assessments receivable	14,870,000	-	14,870,000
Loans receivable	23,298,850	-	23,298,850
Inventory	20,202	-	20,202
Deferred charges	2,154,268	2,267,404	4,421,672
Capital Assets			
Land and nondepreciable assets	25,861,462	6,213,733	32,075,195
Depreciable assets, net of accumulated depreciation	143,627,565	128,399,576	272,027,141
Land held for resale	4,854,685	-	4,854,685
Total assets	<u>290,969,806</u>	<u>147,576,607</u>	<u>438,546,413</u>
LIABILITIES			
Accounts payable	8,566,473	313,273	8,879,746
Prepaid deposits		68,796	68,796
Accrued interest payable	769,026	566,626	1,335,652
Deferred revenues	18,241,507	-	18,241,507
Long term liabilities			
Insurance claims payable	11,136,423	-	11,136,423
Net OPEB obligation	4,973,720	-	4,973,720
Debt due within one year	5,465,577	1,356,266	6,821,843
Debt due in more than one year	44,842,107	37,896,690	82,738,797
Total liabilities	<u>93,994,833</u>	<u>40,201,651</u>	<u>134,196,484</u>
NET ASSETS			
Invested in capital assets, net of related debt	132,133,772	95,647,319	227,781,091
Restricted for:			
Housing	29,471,324	-	29,471,324
Capital Projects	7,051,052	-	7,051,052
Highways and Streets	17,302,194	-	17,302,194
Debt Service	9,521,051	3,236,018	12,757,069
Special Programs	1,514,173	-	1,514,173
Total restricted assets	<u>64,859,794</u>	<u>3,236,018</u>	<u>68,095,812</u>
Unrestricted	<u>(18,593)</u>	<u>8,491,619</u>	<u>8,473,026</u>
Total net assets	<u>\$ 196,974,973</u>	<u>\$ 107,374,956</u>	<u>\$ 304,349,929</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2011

FUNCTION/PROGRAM ACTIVITIES	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General Government	\$ 18,986,318	\$ 4,382,062	\$ 4,143,485	\$ 767	\$ (10,460,004)	\$ -	\$ (10,460,004)
Public Safety	55,943,707	1,248,354	2,381,918	335	(52,313,100)	-	(52,313,100)
Public Works	23,069,652	12,120	6,248,977	9,336,633	(7,471,922)	-	(7,471,922)
Recreation	3,572,172	244,972	94,193	11,841	(3,221,166)	-	(3,221,166)
Library	4,329,674	32,257	590,373	12,847	(3,694,197)	-	(3,694,197)
Interest on long-term debt	2,297,837	-	-	-	(2,297,837)	-	(2,297,837)
Total governmental activities	108,199,360	5,919,765	13,458,946	9,362,423	(79,458,226)	-	(79,458,226)
Business-Type Activities:							
Airport	1,955,936	1,196,463	16,038	2,176,254	-	1,432,819	1,432,819
Industrial Waste	1,050,779	1,271,099	-	-	-	220,320	220,320
Golf Courses	893,397	-	675,000	-	-	(218,397)	(218,397)
Sanitary Sewer	3,240,385	2,711,178	57	604,779	-	75,629	75,629
Storm Sewer	3,956,499	277,625	-	460,638	-	(3,218,236)	(3,218,236)
Water Utility	18,039	10,482	-	-	-	(7,557)	(7,557)
Downtown Parking	1,926,230	476,090	78	-	-	(1,450,062)	(1,450,062)
Total Business-Type Activities	13,041,265	5,942,937	691,173	3,241,671	-	(3,165,484)	(3,165,484)
Total Primary Government	\$ 121,240,625	\$ 11,862,702	\$ 14,150,119	\$ 12,604,094	(79,458,226)	(3,165,484)	(82,623,710)
General Revenues and Transfers:							
Taxes					79,321,890	-	79,321,890
Licenses and Permits					898,451	-	898,451
Grants and Contributions not Restricted to Specific Programs					832,882	-	832,882
Unrestricted Investment Earnings					202,512	300,981	503,493
Miscellaneous					574,951	-	574,951
Gain (Loss) on Disposal of Assets/Debt					(1,088,500)	1,088,500	-
Contribution to SUBA and Oldtown from SRA					(65,000)	-	(65,000)
Loans Receivable Forgiven					(36,000)	-	(36,000)
Advance to SRA					180,000	-	180,000
SERAF					(459,236)	-	(459,236)
Transfers					(1,020,353)	320,353	(700,000)
Total General Revenues and Transfers					79,341,597	1,709,834	81,051,431
Change in Net Assets					(116,629)	(1,455,650)	(1,572,279)
Net Assets - Beginning of Year					197,091,602	108,830,606	305,922,208
Net Assets - End of Year					\$ 196,974,973	\$ 107,374,956	\$ 304,349,929

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

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

CAPITAL 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 improvement districts.

**CITY OF SALINAS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General and Measure V</u>	<u>Housing & Urban Development</u>	<u>Development Fees</u>	<u>Construction Assistance</u>	<u>Assessment District Debt Service</u>	<u>Other Non-major Governmental Funds</u>	<u>Total</u>
ASSETS							
Cash and investments	\$ 11,378,862	\$ 622,832	\$ 16,582,897	\$ 66,217	\$ 3,167,666	\$ 17,485,969	\$ 49,304,443
Receivables, net:							
Taxes	8,387,921	-	-	-	-	-	8,387,921
Accounts	71,754	219,265	-	-	-	3,436	294,455
Accrued interest	17,793	21	13,643	-	-	781,445	812,902
Assessments	-	-	-	-	14,870,000	-	14,870,000
Due from other agencies	19,351	1,260,944	-	1,119,355	-	1,922,617	4,322,267
Due from other funds	1,893,074	-	-	-	-	959,885	2,852,959
Advances to other funds	1,510,000	-	-	-	-	940,000	2,450,000
Restricted cash and investments	289,518	-	-	-	-	2,678,478	2,967,996
Loans receivable	29,800	13,307,182	-	-	-	9,961,868	23,298,850
Inventory	20,202	-	-	-	-	-	20,202
Land held for resale		1,405,855	-	-	-	3,448,830	4,854,685
Total assets	<u>\$ 23,618,275</u>	<u>\$ 16,816,099</u>	<u>\$ 16,596,540</u>	<u>\$ 1,185,572</u>	<u>\$ 18,037,666</u>	<u>\$ 38,182,528</u>	<u>\$ 114,436,680</u>
LIABILITIES							
Accounts payable	\$ 6,502,478	\$ 125,993	\$ -	\$ 294,858	\$ -	\$ 1,553,953	\$ 8,477,282
Due to other funds	6,056,417	1,145,883	183,392	283,602	-	989,689	8,658,983
Advances from other funds	-	-	-	-	-	940,000	940,000
Deferred revenue	-	13,307,182	-	1,089,149	14,870,000	1,860,937	31,127,268
Total liabilities	<u>12,558,895</u>	<u>14,579,058</u>	<u>183,392</u>	<u>1,667,609</u>	<u>14,870,000</u>	<u>5,344,579</u>	<u>49,203,533</u>
FUND BALANCE							
Nonspendable	1,560,002	1,405,855	-	-	-	13,410,698	16,376,555
Restricted	-	965,931	16,413,148	-	3,167,666	17,886,789	38,433,534
Committed	898,500	-	-	-	-	2,000,000	2,898,500
Assigned	2,792,369	-	-	525,836	-	556,470	3,874,675
Unassigned	5,808,509	(134,745)	-	(1,007,873)	-	(1,016,008)	3,649,883
Total fund balances	<u>11,059,380</u>	<u>2,237,041</u>	<u>16,413,148</u>	<u>(482,037)</u>	<u>3,167,666</u>	<u>32,837,949</u>	<u>65,233,147</u>
Total liabilities and fund balances	<u>\$ 23,618,275</u>	<u>\$ 16,816,099</u>	<u>\$ 16,596,540</u>	<u>\$ 1,185,572</u>	<u>\$ 18,037,666</u>	<u>\$ 38,182,528</u>	<u>\$ 114,436,680</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT WIDE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total fund balances - total governmental funds (page F-23)		\$ 65,233,147
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.		169,489,027
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.		(769,026)
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.		12,885,761
Taxes receivable not collectible within sixty days are not available to pay current period expenditures and, therefore, are not reported in the funds.		1,093,217
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.		2,169,983
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	\$ (8,787,966)	
Estimated insurance claims	(2,572,048)	
Net pension obligation	(33,024)	
Capital leases	(1,754,967)	
Loans and notes payable	(310,135)	
Certificated of participations	(13,135,000)	
Tax allocation bonds	(6,835,488)	
Assessment bonds	(16,995,000)	
Unamortized bond discount	<u>115,944</u>	(50,307,684)
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.		(4,973,720)
Deferred charges for bond issuance costs are not reported in the governmental funds balance sheet.		<u>2,154,268</u>
Net Assets of governmental activities (page F-19)		<u><u>\$ 196,974,973</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, 2011

	General and Measure V	Housing & Urban Development	Development Fees	Construction Assistance	Assessment District Debt Service	Other Non-major Governmental Funds	Total
REVENUES							
Taxes	\$ 73,618,519	\$ -	\$ -	\$ -	\$ -	\$ 6,444,442	\$ 80,062,961
Taxes - special assessments	-	-	-	-	3,197,657	1,519,520	4,717,177
Licenses and permits	898,451	-	-	-	-	-	898,451
Intergovernmental	1,225,520	3,710,210	-	3,170,534	-	10,038,994	18,145,258
Charges for services	4,318,725	-	313,920	50,982	-	119,876	4,803,503
Interest	129,670	136	81,483	-	-	137,727	349,016
Rental income	75,712	-	-	-	-	231,450	307,162
Fines and forfeits	77,759	-	-	-	-	633,958	711,717
Developer contributions	-	-	-	370,013	-	-	370,013
State grants	-	-	-	-	-	268,331	268,331
Miscellaneous	114,937	170,188	-	-	-	21,891	307,016
Total revenues	<u>80,459,293</u>	<u>3,880,534</u>	<u>395,403</u>	<u>3,591,529</u>	<u>3,197,657</u>	<u>19,416,189</u>	<u>110,940,605</u>
EXPENDITURES							
Current:							
Administration	14,089,799	2,247,370	-	-	-	1,405,734	17,742,903
Public safety	49,255,020	-	-	-	-	4,204,668	53,459,688
Public works	10,396,497	-	-	-	-	57,300	10,453,797
Recreation	1,346,892	-	-	-	-	1,400,363	2,747,255
Library	3,596,483	-	-	-	-	577,361	4,173,844
Contribution to other agency	-	-	-	-	-	65,000	65,000
Capital outlay	120,197	-	1,065,417	5,089,732	-	8,797,964	15,073,310
Debt service:							
Principal retirement	-	-	-	-	2,035,000	3,427,360	5,462,360
Interest and fiscal charges	-	-	-	-	1,012,240	1,357,072	2,369,312
Steinbeck Center debt	-	-	-	-	-	1,088,500	1,088,500
SERAF	-	-	-	-	-	459,236	459,236
Pass through tax	-	-	-	-	-	947,862	947,862
Total expenditures	<u>78,804,888</u>	<u>2,247,370</u>	<u>1,065,417</u>	<u>5,089,732</u>	<u>3,047,240</u>	<u>23,788,420</u>	<u>114,043,067</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,654,405</u>	<u>1,633,164</u>	<u>(670,014)</u>	<u>(1,498,203)</u>	<u>150,417</u>	<u>(4,372,231)</u>	<u>(3,102,462)</u>
OTHER FINANCING SOURCES (USES)							
Loan proceeds	-	-	-	-	-	2,055,000	2,055,000
Loans receivable forgiven	-	-	-	-	-	(36,000)	(36,000)
Advance from SRA	-	-	-	-	-	180,000	180,000
Property transfers	-	-	-	-	-	-	-
Housing grant transfers	-	-	-	-	-	-	-
Operating transfers in	1,845,000	-	210,488	27,406	-	8,879,240	10,962,134
Operating transfers out	(2,991,037)	(1,238,758)	(1,397,690)	-	-	(6,355,898)	(11,983,383)
Total other financing sources (uses)	<u>(1,146,037)</u>	<u>(1,238,758)</u>	<u>(1,187,202)</u>	<u>27,406</u>	<u>-</u>	<u>4,722,342</u>	<u>1,177,751</u>
NET CHANGE IN FUND BALANCES	508,368	394,406	(1,857,216)	(1,470,797)	150,417	350,111	(1,924,711)
FUND BALANCES, BEGINNING OF YEAR	10,551,012	1,842,635	18,270,364	988,760	3,017,249	32,487,838	67,157,858
FUND BALANCES, END OF YEAR	<u>\$ 11,059,380</u>	<u>\$ 2,237,041</u>	<u>\$ 16,413,148</u>	<u>\$ (482,037)</u>	<u>\$ 3,167,666</u>	<u>\$ 32,837,949</u>	<u>\$ 65,233,147</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE
GOVERNMENT WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds (page F-25) \$ (1,924,711)

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. 310,079

Net increase (decrease) in taxes receivable not collectible within sixty days. (221,467)

Deferred revenues of new housing loans are reported in the statement of net assets. 193,750

Deferred revenues of principal payments are reported in the statement of net assets. (146,422)

Issuance of long-term debt including capital advances, compensating absences, and leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources in governmental funds. Neither transaction has any 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 debt and related items:

Increase in benefits' liability	\$ 39,928	
Net pension obligation	5,890	
Capital leases	(843,247)	
Loans and notes payable	81,173	
Certificates of participation	495,000	
Bonds payable	796,186	
Assessment district 1915 act bonds	2,035,000	
Amortization expense for bond discount	<u>(8,919)</u>	2,601,011

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. (985,881)

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. 80,394

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. 119,431

Change in net assets of governmental activities (page F-20) \$ (116,629)

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.

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, 2011

	Business-type Activities - Enterprise Funds								Governmental Activity	
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Parking District	Totals	Internal Service
ASSETS										
Current assets:										
Cash and investments	\$ 196,504	\$ 1,330,660	\$ 438,571	\$ 1,555,484	\$ 779,743	\$ -	\$ 44,020	\$ 127,758	\$ 4,472,740	\$ 7,083,146
Receivables, net										
Accounts	130,940	227,785	25,000	666,897	2,579	-	7,771	89,752	1,150,724	165
Accrued interest	187	1,325	-	977	203	-	-	-	2,692	5,421
Restricted cash and investments	-	-	960,866	1,031,529	-	-	-	1,148,388	3,140,783	419,040
Deferred charges	-	9,906	1,243,213	177,758	-	-	-	836,527	2,267,404	-
Due from general fund	-	-	-	-	-	-	-	-	-	5,887,825
Total current assets	<u>327,631</u>	<u>1,569,676</u>	<u>2,667,650</u>	<u>3,432,645</u>	<u>782,525</u>	<u>-</u>	<u>51,791</u>	<u>2,202,425</u>	<u>11,034,343</u>	<u>13,395,597</u>
Noncurrent assets:										
Due from other agencies	-	-	-	-	-	3,514,756	-	-	3,514,756	-
Capital assets										
Nondepreciable	4,217,138	1,030,560	-	959,335	-	-	-	6,700	6,213,733	-
Depreciable buildings, property, and infrastructure, net	11,554,702	4,313,174	5,094,330	37,579,293	56,377,651	-	128,345	13,352,081	128,399,576	-
Net capital assets	<u>15,771,840</u>	<u>5,343,734</u>	<u>5,094,330</u>	<u>38,538,628</u>	<u>56,377,651</u>	<u>-</u>	<u>128,345</u>	<u>13,358,781</u>	<u>134,613,309</u>	<u>-</u>
Total noncurrent assets	<u>15,771,840</u>	<u>5,343,734</u>	<u>5,094,330</u>	<u>38,538,628</u>	<u>56,377,651</u>	<u>3,514,756</u>	<u>128,345</u>	<u>13,358,781</u>	<u>138,128,065</u>	<u>-</u>
Total assets	<u>16,099,471</u>	<u>6,913,410</u>	<u>7,761,980</u>	<u>41,971,273</u>	<u>57,160,176</u>	<u>3,514,756</u>	<u>180,136</u>	<u>15,561,206</u>	<u>149,162,408</u>	<u>13,395,597</u>
LIABILITIES										
Current liabilities:										
Accounts payable	43,766	84,225	3,357	71,210	78,198	-	775	31,742	313,273	89,191
Deposits	68,796	-	-	-	-	-	-	-	68,796	-
Due to other funds	24,586	6,434	-	35,180	9,601	-	-	-	75,801	-
Insurance claims payable	-	-	-	-	-	-	-	-	-	11,136,423
Interest payable	-	6,363	85,278	246,387	2,726	-	-	225,872	566,626	-
Long term debt - due within one year	26,716	75,000	320,000	430,000	42,157	-	-	405,000	1,298,873	-
Total current liabilities	<u>163,864</u>	<u>172,022</u>	<u>408,635</u>	<u>782,777</u>	<u>132,682</u>	<u>-</u>	<u>775</u>	<u>662,614</u>	<u>2,323,369</u>	<u>11,225,614</u>
Noncurrent Liabilities:										
Accrued leave	24,727	20,974	-	101,588	115,304	-	-	24,373	286,966	-
Advance from general fund	-	-	150,000	-	-	-	-	1,360,000	1,510,000	-
Long term debt - due in more than one year	112,339	270,000	10,950,000	11,600,000	19,778	-	-	14,715,000	37,667,117	-
Total noncurrent liabilities	<u>137,066</u>	<u>290,974</u>	<u>11,100,000</u>	<u>11,701,588</u>	<u>135,082</u>	<u>-</u>	<u>-</u>	<u>16,099,373</u>	<u>39,464,083</u>	<u>-</u>
Total liabilities	<u>300,930</u>	<u>462,996</u>	<u>11,508,635</u>	<u>12,484,365</u>	<u>267,764</u>	<u>-</u>	<u>775</u>	<u>16,761,987</u>	<u>41,787,452</u>	<u>11,225,614</u>
Net Assets:										
Invested in capital assets, net of related debt	15,632,785	4,998,734	(6,175,670)	26,508,628	56,315,716	-	128,345	(1,761,219)	95,647,319	-
Restricted	-	86,999	960,866	1,031,529	8,236	-	-	1,148,388	3,236,018	419,040
Unrestricted	165,756	1,364,681	1,468,149	1,946,751	568,460	3,514,756	51,016	(587,950)	8,491,619	1,750,943
Total net assets (deficits)	<u>\$ 15,798,541</u>	<u>\$ 6,450,414</u>	<u>\$ (3,746,655)</u>	<u>\$ 29,486,908</u>	<u>\$ 56,892,412</u>	<u>\$ 3,514,756</u>	<u>\$ 179,361</u>	<u>\$ (1,200,781)</u>	<u>\$ 107,374,956</u>	<u>\$ 2,169,983</u>

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, 2011

	Business-type Activities - Enterprise Funds								Governmental Activity	
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Parking District	Totals	Internal Service
OPERATING REVENUES:										
Charges for services	\$ 6,041	\$ 1,271,099	\$ -	\$ 2,711,178	\$ 277,625	\$ -	\$ 10,482	\$ -	\$ 4,276,425	\$ 6,825,094
Licenses and permits	70,398	-	-	-	-	-	-	476,090	546,488	-
Rental income	1,120,024	-	-	-	-	-	-	-	1,120,024	-
Total operating revenues	<u>1,196,463</u>	<u>1,271,099</u>	<u>-</u>	<u>2,711,178</u>	<u>277,625</u>	<u>-</u>	<u>10,482</u>	<u>476,090</u>	<u>5,942,937</u>	<u>6,825,094</u>
Operating Expenses:										
Personnel services	509,206	227,951	-	712,154	985,598	-	-	197,898	2,632,807	337,395
Administration	196,839	100,907	-	136,998	142,056	-	867	65,868	643,535	-
Contractual services	160,117	188,370	47,589	25,167	43,809	-	6,904	284,638	756,594	414,872
Supplies	63,334	13,842	-	106,643	122,476	-	-	12,520	318,815	623
Insurance	19,627	11,100	-	25,600	14,900	-	-	-	71,227	886,136
Insurance claims	-	-	-	-	-	-	-	-	-	5,791,608
Fees and permits (taxes)	46,526	10,340	-	-	-	-	-	-	56,866	-
Utilities	99,921	294,225	-	173,239	4,930	-	-	65,695	638,010	-
Bad debt expense	94,185	-	-	-	-	-	-	-	94,185	-
Depreciation	682,366	172,853	557,527	1,444,601	2,640,757	-	10,268	573,877	6,082,249	-
Amortization	-	2,476	71,153	9,875	-	-	-	36,371	119,875	-
Land rent	-	-	-	-	-	-	-	-	-	-
Other	20,356	1,506	8,032	5,854	3,747	-	-	544	40,039	320
Total operating expenses	<u>1,892,477</u>	<u>1,023,570</u>	<u>684,301</u>	<u>2,640,131</u>	<u>3,958,273</u>	<u>-</u>	<u>18,039</u>	<u>1,237,411</u>	<u>11,454,202</u>	<u>7,430,954</u>
Operating income (loss)	<u>(696,014)</u>	<u>247,529</u>	<u>(684,301)</u>	<u>71,047</u>	<u>(3,680,648)</u>	<u>-</u>	<u>(7,557)</u>	<u>(761,321)</u>	<u>(5,511,265)</u>	<u>(605,860)</u>
NONOPERATING REVENUES (EXPENSES)										
Investment income	1,170	6,569	2,083	4,682	2,360	284,067	-	50	300,981	33,034
Interest expense	-	(27,209)	(209,096)	(600,254)	1,774	-	-	(688,819)	(1,523,604)	-
Gain (loss) on disposition of fixed assets	(63,459)	-	-	-	-	-	-	-	(63,459)	-
Other nonoperating revenues (expenses)	16,038	-	675,000	57	-	-	-	78	691,173	-
Total nonoperating revenues(expenses)	<u>(46,251)</u>	<u>(20,640)</u>	<u>467,987</u>	<u>(595,515)</u>	<u>4,134</u>	<u>284,067</u>	<u>-</u>	<u>(688,691)</u>	<u>(594,909)</u>	<u>33,034</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(742,265)</u>	<u>226,889</u>	<u>(216,314)</u>	<u>(524,468)</u>	<u>(3,676,514)</u>	<u>284,067</u>	<u>(7,557)</u>	<u>(1,450,012)</u>	<u>(6,106,174)</u>	<u>(572,826)</u>
Contributed assets	2,176,254	-	-	604,779	460,638	-	-	-	3,241,671	-
Contribution to parking from SRA	-	-	-	-	-	-	-	1,088,500	1,088,500	-
Transfers in	-	-	-	-	1,214,300	-	-	39,864	1,254,164	700,000
Transfers out	(16,354)	(71,418)	-	(330,256)	(130,686)	(385,097)	-	-	(933,811)	-
CHANGE IN NET ASSETS	<u>1,417,635</u>	<u>155,471</u>	<u>(216,314)</u>	<u>(249,945)</u>	<u>(2,132,262)</u>	<u>(101,030)</u>	<u>(7,557)</u>	<u>(321,648)</u>	<u>(1,455,650)</u>	<u>127,174</u>
NET ASSETS, BEGINNING OF YEAR	<u>14,380,906</u>	<u>6,294,943</u>	<u>(3,530,341)</u>	<u>29,736,853</u>	<u>59,024,674</u>	<u>3,615,786</u>	<u>186,918</u>	<u>(879,133)</u>	<u>108,830,606</u>	<u>2,042,809</u>
NET ASSETS, END OF YEAR	<u>\$ 15,798,541</u>	<u>\$ 6,450,414</u>	<u>\$ (3,746,655)</u>	<u>\$ 29,486,908</u>	<u>\$ 56,892,412</u>	<u>\$ 3,514,756</u>	<u>\$ 179,361</u>	<u>\$ (1,200,781)</u>	<u>\$ 107,374,956</u>	<u>\$ 2,169,983</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Parking District	Totals	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities:										
Receipts from customer and users	\$ 1,047,918	\$ 1,145,132	\$ -	\$ 2,219,802	\$ 309,774	\$ -	\$ 8,384	\$ 386,338	\$ 5,117,348	\$ 940,320
Receipts from interfund services provided	-	-	-	-	-	-	-	-	-	3,564,327
Payments to suppliers	(607,778)	(639,589)	(124,733)	(476,673)	(321,854)	-	(8,125)	(483,894)	(2,662,646)	(1,301,861)
Payments to employees	(511,850)	(240,498)	-	(729,410)	(989,929)	-	-	(208,311)	(2,679,998)	(344,632)
Payments to claimants	-	-	-	-	-	-	-	-	-	(5,066,164)
Net Cash Provided (Used) by Operating Activities	<u>(71,710)</u>	<u>265,045</u>	<u>(124,733)</u>	<u>1,013,719</u>	<u>(1,002,009)</u>	<u>-</u>	<u>259</u>	<u>(305,867)</u>	<u>(225,296)</u>	<u>(2,208,010)</u>
Cash Flows from Non-Capital Financing Activities:										
Other non-operating revenue	13,829	-	650,000	57	-	-	-	78	663,964	-
Deposits	40,760	-	-	-	-	-	-	-	40,760	-
Advance received from General Fund	-	-	-	-	-	-	-	175,000	175,000	-
Contribution from SRA	-	-	-	-	-	-	-	1,088,500	1,088,500	-
Operating transfers in	-	-	-	-	1,214,300	-	-	39,864	1,254,164	700,000
Operating transfers out	(16,354)	(71,418)	-	(330,256)	(130,686)	(385,097)	-	-	(933,811)	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>38,235</u>	<u>(71,418)</u>	<u>650,000</u>	<u>(330,199)</u>	<u>1,083,614</u>	<u>(385,097)</u>	<u>-</u>	<u>1,303,442</u>	<u>2,288,577</u>	<u>700,000</u>
Cash Flows from Capital and Related Financing Activities:										
Acquisition of capital assets	(155,117)	(81,297)	-	8,595	(3,738)	-	-	(27,346)	(258,903)	-
Proceeds from capital debt	-	-	-	-	-	101,030	-	-	101,030	-
Deferred bond issuance costs	-	2,476	71,153	9,875	-	-	-	36,371	119,875	-
Principal paid on capital debt	-	(70,000)	(300,000)	(410,000)	(40,307)	-	-	(390,000)	(1,210,307)	-
Interest paid on capital debt	-	(28,500)	(282,065)	(607,933)	-	-	-	(692,410)	(1,610,908)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(155,117)</u>	<u>(177,321)</u>	<u>(510,912)</u>	<u>(999,463)</u>	<u>(44,045)</u>	<u>101,030</u>	<u>-</u>	<u>(1,073,385)</u>	<u>(2,859,213)</u>	<u>-</u>
Cash Flows from Investing Activities:										
Interest received	1,887	5,789	2,084	5,540	3,919	284,067	-	175	303,461	34,318
Increase (decrease) in fair value of investments	(379)	573	-	(375)	(846)	-	-	(69)	(1,096)	(147)
Transfer (to) from restricted cash	-	-	(1,560)	718,587	-	-	-	352	717,379	(81,718)
Net Cash Provided by Investing Activities	<u>1,508</u>	<u>6,362</u>	<u>524</u>	<u>723,752</u>	<u>3,073</u>	<u>284,067</u>	<u>-</u>	<u>458</u>	<u>1,019,744</u>	<u>(47,547)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(187,084)	22,668	14,879	407,809	40,633	-	259	(75,352)	223,812	(1,555,557)
Cash and Cash Equivalents at Beginning of Year	383,588	1,307,992	423,692	1,147,675	739,110	-	43,761	203,110	4,248,928	8,638,703
Cash and Cash Equivalents at End of Year	<u>\$ 196,504</u>	<u>\$ 1,330,660</u>	<u>\$ 438,571</u>	<u>\$ 1,555,484</u>	<u>\$ 779,743</u>	<u>\$ -</u>	<u>\$ 44,020</u>	<u>\$ 127,758</u>	<u>\$ 4,472,740</u>	<u>\$ 7,083,146</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Airport</u>	<u>Industrial Waste</u>	<u>Municipal Golf Courses</u>	<u>Sanitary Sewer</u>	<u>Storm Sewer</u>	<u>Landfill Garbage Surcharge</u>	<u>Water Utility</u>	<u>Parking District</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:										
Operating income (loss)	\$ (696,014)	\$ 247,529	\$ (684,301)	\$ 71,047	\$ (3,680,648)	\$ -	\$ (7,557)	\$ (761,321)	\$ (5,511,265)	\$ (605,860)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:										
Depreciation	682,366	172,853	557,527	1,444,601	2,640,757	-	10,268	573,877	6,082,249	-
(Increase) decrease in accounts receivable	(105,220)	(125,967)	-	(491,376)	32,149	-	(2,098)	(89,752)	(782,264)	128
Increase (decrease) in allowance for bad debt	48,650								48,650	-
(Increase) decrease in Deposits	2,210	-	-	-	-	-	-	-	2,210	-
(Increase) decrease in due from General Fund	-	-	-	-	-	-	-	-	-	(3,158,298)
Increase (decrease) in accounts payable	(645)	(30,137)	2,042	(12,880)	11,389	-	(354)	(28,586)	(59,171)	7,359
Increase (decrease) in insurance claims	-	-	-	-	-	-	-	-	-	1,556,122
Increase (decrease) in accrued leave	(3,057)	767	-	2,327	(5,656)	-	-	(85)	(5,704)	(7,743)
Increase (decrease) in restricted cash	-	-	-	-	-	-	-	-	-	(81,719)
Transfer to restricted cash	-	-	-	-	-	-	-	-	-	81,719
Total adjustments to net income	<u>624,304</u>	<u>17,516</u>	<u>559,569</u>	<u>942,672</u>	<u>2,678,639</u>	<u>-</u>	<u>7,816</u>	<u>455,454</u>	<u>5,285,970</u>	<u>(1,602,432)</u>
Net Cash Provided by Operating Activities	<u>\$ (71,710)</u>	<u>\$ 265,045</u>	<u>\$ (124,732)</u>	<u>\$ 1,013,719</u>	<u>\$ (1,002,009)</u>	<u>\$ -</u>	<u>\$ 259</u>	<u>\$ (305,867)</u>	<u>\$ (225,295)</u>	<u>\$ (2,208,292)</u>

The accompanying notes are an integral part of this statement.

FIDUCIARY FUNDS

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

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

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: Sunrise House, Economic Development, Salinas Valley Enterprise Zone, 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, 2011

	Private Purpose Trust	Pension Trust	Agency	Total
ASSETS				
Cash and investments	\$ 1,025,667	\$ 17,783,915	\$ 727,264	\$ 19,536,846
Cash and investments restricted	10,823	-	-	10,823
Accounts receivable	16,371	-	153,696	170,067
Interest receivable	-	504	234	738
Due from other agencies	-	-	115,571	115,571
	<u>1,052,861</u>	<u>17,784,419</u>	<u>996,765</u>	<u>19,834,045</u>
LIABILITIES				
Accounts payable	69,333	8,347	265,835	343,515
Accrued leave	-	-	66,381	66,381
Due to outside agencies	-	-	19,350	19,350
Due to other funds	6,000	-	-	6,000
Deferred revenues	-	-	(44,195)	(44,195)
	<u>75,333</u>	<u>8,347</u>	<u>307,371</u>	<u>391,051</u>
NET ASSETS				
Held in trust for pension benefits and other purposes	<u>\$ 977,528</u>	<u>\$ 17,776,072</u>	<u>\$ 689,394</u>	<u>\$ 19,442,994</u>

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, 2011

	Private Purpose Trust	Pension Trust	Total
ADDITIONS			
Contributions			
Plan members	\$ -	\$ 532,404	\$ 532,404
Private donations	1,392,296	-	1,392,296
Total contributions	<u>1,392,296</u>	<u>532,404</u>	<u>1,924,700</u>
Investment earnings			
Interest	89	2,238,173	2,238,262
Net investment earnings	<u>89</u>	<u>2,238,173</u>	<u>2,238,262</u>
Total additions	<u>1,392,385</u>	<u>2,770,577</u>	<u>4,162,962</u>
DEDUCTIONS			
Benefit payments	-	4,134,920	4,134,920
Payments on behalf of trustees	1,341,641	-	1,341,641
FMV write-down	-	7,006,400	7,006,400
Total deductions	<u>1,341,641</u>	<u>11,141,320</u>	<u>12,482,961</u>
CHANGE IN NET ASSETS	50,744	(8,370,743)	(8,319,999)
NET ASSETS			
BEGINNING OF THE YEAR	<u>926,784</u>	<u>26,146,815</u>	<u>27,073,599</u>
END OF YEAR	<u>\$ 977,528</u>	<u>\$ 17,776,072</u>	<u>\$ 18,753,600</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, 2011

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's Executive Director, Legal Counsel, and Treasurer. In the attached statements, the Agency is presented in the Special Revenue, Debt Service and Capital Projects Funds.

There have been recent significant legislative changes affecting California Redevelopment Agencies. This issue is further discussed as a subsequent event in Note 28 – Subsequent Events.

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 the following dates for the following purposes:

- April 19, 1994 - to issue a site lease to finance the expansion of the industrial waste facility.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

- September 17, 1996 - to issued Central City Revitalization Project Tax Allocation Bonds, Series A 1996.
- March 25, 1997 - issue Variable Rate Lease Revenue Bonds, Series A and B 1997.
- October 24, 1997 - to issue Certificates of Participation, Series A 1997.
- February 25, 1999 - to issue Certificates of Participation, Series A 1999.
- December 17, 2003 - to issue Certificates of Participation, Series A 2004.
- September 1, 2005 - issue Refunding Certification of Participation, Series 2005 A and B
- August 21, 2008 - to issue 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. Financial Statement Presentation

In recent years, the City's General Fund has struggled to balance its revenues and expenditures, and 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 had a considerable negative impact to the City's revenues. For the long term, the City believes additional revenues will be generated by an increase in sales tax revenues mainly due to the recovery of the economy and new commercial development. The City will address the 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, 2012. 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.

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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.

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 and Measure V - 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.
- Development Fees – This fund accounts for fees paid by subdividers and developers of property, by Resolution 3823 (N.C.S.), covering traffic impact, annexation, use of existing or new sewers, storm drains, park facilities, library facilities and street trees.
- 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

The City reports the following major enterprise funds:

- Airport Fund – This fund accounts for the operations of the City owned airport. The activities necessary to provide such service are accounted for in the fund, including, but not limited to, operations, maintenance, financing and related debt service, and billing and collection.
- Industrial Waste Fund – This fund accounts for the operations of the City operated Industrial Waste Water treatment facility.
- Municipal Golf Courses Fund - This fund accounts for the operations of Fairways and Twin Creek golf courses.
- Sanitary Sewer Fund – This fund accounts for the maintenance of the City’s sanitary sewer collection system, which is funded from a surcharge on the Monterey Regional Water Pollution Control Agency sewer user fees.
- Storm Sewer Fund – This fund accounts for the maintenance of the City’s storm drainage system and the street sweeping program. This program was funded with a storm sewer fee that was declared by the Court as invalid under Proposition 218. Until alternative funding is secured, the program is funded with a combination of general funds and gas tax funds. In addition, the program is funded with a 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.
- 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).

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

C. Measurement Focus and Basis of Accounting

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

- 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Private-sector standards of accounting and financial reporting issued prior to November 30, 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.

D. Budgeting

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

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

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

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

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

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

E. Interest Earnings

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

- General Fund
- Airport Fund
- Industrial Waste Fund
- 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
- Certificates of Participation Debt Service Funds
- Internal Service Self Insurance Funds
- 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

F. Cash and Investments

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

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

The City valued its investments in LAIF as of June 30, 2011, by multiplying its account balance with LAIF times a fair value factor determined by LAIF value for all LAIF participants by total aggregate amortized cost.

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

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 15 for additional information on the various deferred compensation plans.

G. Restricted Cash and Investment with Fiscal Agents

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

H. Accounts Receivable

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

I. 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.

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.

J. Special Assessment Districts

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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 recorded as a nonspendable portion of fund balance because such assets are not available for current operations.

M. Land Held for Resale

Land held for resale is being carried at the lower of cost or market, but no greater than the net realizable value. In the fund financial statements, this amount is recorded as a nonspendable portion of fund balance because such assets are not available for current operations.

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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 estimated 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. 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 but 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.

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. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. For additional information on deferred revenues, see Note 14.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

S. 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.

T. 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 include 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.

U. Net Assets and Fund Balances

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.”

Governmental Fund Financial Statements

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund.

As discussed in Note 28, due to the implementation of GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the components of the fund balances of governmental funds now reflect the component classifications described below. Prior year amounts have been restated to reflect the component designations required by GASB 54.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Nonspendable Fund Balance – includes amounts that are not in a spendable form, such as inventories, prepaid items, and long-term loans and receivables. It also includes amounts that are legally or contractually required to be maintained intact or required to be retained in perpetuity, such as the principal of an endowment.

Restricted Fund Balance – includes amounts reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that have been limited to specific purposes as defined in the City Charter or through a formal budgetary action of the City Council occurring through adoption of an ordinance or resolution. These commitments may be changed or lifted but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.

Assigned Fund Balance – includes amounts that are intended to be used for specific purposes through City Council budgetary actions. For all governmental funds other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed must be designated as assigned fund balance.

Unassigned Fund Balance – includes amounts within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance categories, it is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Council.

GASB 54 applies to fund balance presentations as displayed on the governmental fund balance sheet. It does not impact the reporting of proprietary and fiduciary fund balances.

V. Self-Insurance

The City is self-insured for workers' compensation, general liability, auto liability, and certain other risks. In the government-wide financial statements, the estimated liability for all self-insurance liability claims are recorded as a liability.

W. 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

2. Stewardship, Compliance and Accountability:

At June 30, 2011, the following funds had a deficit fund balance or deficit net assets:

Governmental Funds – Major Fund - Construction Assistance Fund

The deficit fund balance in Construction Assistance Fund of \$482,037 is due primarily to amounts advanced by the City for costs associated with the annexation of 2,457 acres for the development of the Future Growth Area. The planned development includes 11,600 dwelling units and 1,600,000 square feet of retail and office commercial space. These costs will be recovered from developer paid annexation fees when subdivision agreements are finalized.

Governmental Funds – Other Nonmajor Fund – Debt Service Funds - Redevelopment Agency – Sunset Avenue Merged Debt Service Fund

The deficit fund balance in Sunset Avenue Merged Debt Service Fund of \$391,084 is due the payment of \$459,236 for Supplemental Educational Revenue Augmentation Fund (SERAF) to the Auditor-Controller. While the fund has few assets left, it still owes \$490,000 to the Low/Moderate Income Housing Fund for the advance from prior year used to the 2009-10 SERAF payment. Future tax increments will be used to pay back the advance.

Enterprise Funds – Municipal Golf Courses Fund

The deficit net assets in Municipal Golf Courses Fund of \$3,746,655 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 – Parking District Fund

The deficit net assets in the Parking District Fund of \$1,200,781 represents the amount of debt issued for the construction of the Parking Structure that exceeds the value of the capital assets net of accumulated depreciation.

3. Debt Compliance

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

4. Cash and Investments

The City's cash and investment at June 30, 2011 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	\$ 56,387,589	\$ 4,472,740	\$ 60,860,329	\$ 19,536,846	\$ 80,397,175
Restricted Cash and Investments	3,387,036	3,140,783	6,527,819	10,823	6,538,642
Total Cash and Investments	<u>\$ 59,774,625</u>	<u>\$ 7,613,523</u>	<u>\$ 67,388,148</u>	<u>\$ 19,547,669</u>	<u>\$ 86,935,817</u>

Cash and Investments at June 30, 2011 consisted of the following:

Cash

Demand Accounts at Banks	\$ 1,550,268
Petty Cash and Revolving Fund	15,000
	<u>1,565,268</u>

Investments

State Local Agency Investment Fund	47,786,482
Certificates of Deposits	95,823
Money Market	12,091,875
Investments held in trust by Fiscal Agent	6,903,896
OPEB	289,518
Insurance Reserves	419,040
	<u>67,586,634</u>

Deferred Compensation

Cash in State Local Agency Investment Fund	1,397,428
Trust Deeds	16,386,487
	<u>17,783,915</u>

Total Cash Investments

\$ 86,935,817

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 an average of three month ending cash balances.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

4. Cash and Investments: (Continued)

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, 2011, the City's investment in LAIF was \$49,183,910, which has a weighted average maturity of 237 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 \$1,397,428 or 2.84% 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.

Deposits

At June 30, 2011, the carrying amount of the City's deposits was \$1,550,268. The bank balance was \$2,285,345. 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, 2011, 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	\$ 49,106,495	\$ 49,183,910	\$ 49,183,910	\$ -	\$ -
Money Market	12,971,769	12,091,875	12,091,875	-	-
Certificates of Deposits	95,735	95,823	95,823	-	-
Investment Agreements	7,601,555	6,903,896	-	-	6,903,896
Insurance Reserves	337,319	419,040	419,040	-	-
OPEB	232,007	289,518	289,518	-	-
Trust Deeds-Def Comp	26,161,120	16,386,487	-	16,386,487	-
Total	<u>\$ 96,506,000</u>	<u>\$ 85,370,549</u>	<u>\$ 62,080,166</u>	<u>\$ 16,386,487</u>	<u>\$ 6,903,896</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

4. Cash and Investments: (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses from rising interest rates, the City's investment policy limits the maturity of investments in accordance with Government Code Sections 53601(a)-(n) and 53636(a)-(m). It is the City's policy to ladder investments so that there are always investments coming due to meet cash flow requirements. Because the Local Agency Investment Fund as of June 30, 2011 had an average life of 237 days, it was presented as an investment with a maturity of 0-12 months. However, LAIF allows the City to make withdrawals of any amount within 24 hours. Information about the sensitivity of the fair values of the City investments to market interest rate fluctuations is provided by the preceding table that shows the distribution of the City's investment by maturity.

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

	<u>Fair Value</u>	<u>S&P</u>	<u>Moodys</u>	<u>% of Total</u>
Local Agency Investment Fund	\$ 49,183,910	NR	NR	57.62%
Money Market				
Rabobank	12,091,875	AAA/Aaa	AAA/Aaa	14.16%
Certificates of Deposits				
Rabobank	10,823	AAA/Aaa	AAA/Aaa	0.01%
Pinnacle Bank	85,000	NR	NR	0.10%
Investment Agreements				
Fed PRM Obl	5,329,192	AAAm	Aaa	6.24%
Wells Fargo	599,237	AAAm	Aaa-mf	0.70%
Westdeutsche Bank	975,467	BBB+	A3	1.14%
Insurance Reserves	419,040	NR	NR	0.49%
OPEB	289,518	NR	NR	0.34%
Trust Deeds-Def Comp	<u>16,386,487</u>	NR	NR	<u>19.20%</u>
Total	<u>\$ 85,370,549</u>			<u>100.00%</u>

Concentration of Credit Risk

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

Custodial Credit Risk

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

All of the City's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) 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, 2011

5. Restricted Assets:

Cash and investments of \$6,527,819 are recorded as restricted assets at June 30, 2011 as follows:

General Fund: Restricted for OPEB	\$	289,518
Debt Service Fund:		
Debt Service Fund - restricted to cover expenses of debt		2,678,478
Enterprise Fund:		
Restricted to cover expenses of debt service		
Golf Courses Fund	\$	960,866
Sanitary Sewer		1,031,529
Downtown Parking District		1,148,388
		3,140,783
Internal Service Fund:		
Restricted for liability expenses and workers compensation		419,040
		419,040
Total Restricted Assets		\$ 6,527,819

6. Taxes Receivable:

Taxes receivable recorded in the General Funds of \$8,387,921 represent amounts due for the quarter ending June 30, 2011 for the following taxpayer – assessed taxes:

Sales Tax	\$	3,033,241
Transaction and Use Tax		1,753,189
In-lieu Sales Tax		1,196,970
Utility Users Tax		970,497
Franchise Tax		654,258
Transient Occupancy Tax		400,072
Vehicle License Fee		330,033
Other Taxes		8,592
Property Transfer Tax		41,069
		41,069
Total		\$ 8,387,921

7. Assessment Receivable:

Debt Service Fund – Assessments receivable recorded in the Assessment District Debt Service Fund of \$14,870,000 at June 30, 2011, will be collected from property owners to retire outstanding bond principal issued for improvements in special assessment districts. Cash and investments at June 30, 2011 of \$3,167,666 are available to make bond and interest payments of \$2,994,211 that are due on September 1, 2011.

Assessment receivables in the amount of \$14,870,000 are not expected to be collected within the subsequent year.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

8. Due From Other Agencies:

Due from other agencies consists of the following:

	Federal	State	Other	Total
Government Activities:				
Second Chance	\$ -	\$ -	\$ 19,351	\$ 19,351
Special Revenue Funds:				
Dept. of Housing & Urban Development:				
CDBG Improvement Program	1,006,495	-	-	1,006,495
CDBG Recovery Program (ARRA)	110,240	-	-	110,240
HOME Investment Program	4,294	-	-	4,294
Emergency Shelter Grant	39,129	-	-	39,129
Homelessness Prevention (ARRA)	100,786	-	-	100,786
US Department of Justice	334,196	-	-	334,196
US Department of Justice (ARRA)	8,391	-	-	8,391
National Highway Traffic Safety	60,192	-	-	60,192
California Dept of Motor Vehicles	-	80,632	-	80,632
California Highway Users Tax	-	440,882	-	440,882
Gang Reduction, Interv. and Prevent.	-	91,900	-	91,900
California Office of Traffic Safety(US DOT)	-	45,724	-	45,724
Library Awards & Contributions	-	-	9,294	9,294
Local JAG Program	58,110	-	-	58,110
COPS Secure Schools	-	-	50,632	50,632
Cable Franchise	-	-	38,042	38,042
County of Monterey	-	-	77,639	77,639
	<u>1,721,833</u>	<u>659,138</u>	<u>175,607</u>	<u>2,556,578</u>
Capital Projects Funds:				
Federal Aviation Administration	626,983	-	-	626,983
Federal Highway Administration	48,390	-	-	48,390
Federal Economic Stimulus	255,718	-	-	255,718
CA Dept.of Transportation	-	567,178	-	567,178
Developers	-	-	248,069	248,069
	<u>931,091</u>	<u>567,178</u>	<u>248,069</u>	<u>1,746,338</u>
Total Government Activities	<u>2,652,924</u>	<u>1,226,316</u>	<u>443,027</u>	<u>4,322,267</u>
Business-Type Activities:				
Enterprise Funds:				
Salinas Valley Solid Waste Authority	-	-	3,514,756	3,514,756
Trust and Agency Funds:				
Sunrise House:				
Monterey Co Probation	-	-	12	12
Greenfield School	-	-	775	775
Monterey Peninsula Foundation	-	-	20,000	20,000
Harden Foundation	-	-	20,000	20,000
CalGRIP Grant	-	3,143	-	3,143
Second Chance Youth Program:				
Cal Grip 3 and 4	-	40,672	-	40,672
Monterey Co Probation Grant	-	-	1,070	1,070
Monterey Co CAP	-	-	5,068	5,068
County of Monterey	-	-	606	606
City of Salinas (CalGRIP1 SOS)	-	-	7,975	7,975
MCOE Alternative Ed Program	-	-	6,250	6,250
SCYP Programs	-	-	10,000	10,000
	<u>-</u>	<u>43,815</u>	<u>71,756</u>	<u>115,571</u>
Primary Government Totals	<u>\$ 2,652,924</u>	<u>\$ 1,270,131</u>	<u>\$ 4,029,539</u>	<u>\$ 7,952,594</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

9. Interfund Transactions:

Interfund Receivables/Payables (Due to/Due from) – The composition of interfund balances as of June 30, 2011 was as follows:

<u>Due From:</u>	<u>Due To</u>			<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Internal Service</u>	
Primary Government				
Governmental Activities:				
Major Funds:				
General	\$ -	\$ 95,750	\$ 5,887,825	\$ 5,983,575
Measure V	-	72,842	-	72,842
Comm Dev Act of 1974	1,077,294	68,589	-	1,145,883
Development Fee	1,700	181,692	-	183,392
Construction Assist	283,602	-	-	283,602
Non-Major Funds:				
Lighting, Landscape & Maintenance	25,846	-	-	25,846
Local Public Safety	325,087	1,817	-	326,904
Gas Tax	-	456,244	-	456,244
SRA Project	-	1,150	-	1,150
Debt Service	11,930	-	-	11,930
Grants	167,615	-	-	167,615
Total Governmental Activities	<u>1,893,074</u>	<u>878,084</u>	<u>5,887,825</u>	<u>8,658,983</u>
Business Type Activities:				
Airport	-	24,586	-	24,586
Industrial Waste	-	6,434	-	6,434
Sanitary Sewer	-	35,180	-	35,180
Storm Sewer	-	9,601	-	9,601
Total Business Type Activities	<u>-</u>	<u>75,801</u>	<u>-</u>	<u>75,801</u>
Total Primary Government	<u>1,893,074</u>	<u>953,885</u>	<u>5,887,825</u>	<u>8,734,784</u>
Expendable Trust Funds:				
Trust Deposits	-	6,000	-	6,000
Total Expendable Trust Funds	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
	<u>\$ 1,893,074</u>	<u>\$ 959,885</u>	<u>\$ 5,887,825</u>	<u>\$ 8,740,784</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

9. 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, 2011 was as follows:

	Operating Transfers In	Operating Transfers Out
General Fund	\$ 1,845,000	\$ 2,991,037
Special Revenue Funds:		
Emergency Medical Services	522,500	3,337
Local Public Safety	68,663	147,671
Housing and Urban Development	-	1,238,758
Vehicle Abatement Program	50,000	-
Development Fee	210,488	1,397,690
Gas Tax	46,000	4,123,305
Traffic Safety	-	645,000
Recreation Parks	-	10,719
Grants	-	898
Central City Housing	605,225	240,000
Sunset Avenue Merged Housing	579,743	-
	<u>2,082,619</u>	<u>7,807,378</u>
Debt Service Funds:		
COPS 2005B	765,097	-
COPS 1999	84,000	-
Central City Debt Service	240,000	605,225
Sunset Avenue Merged Debt Service	-	579,743
	<u>1,089,097</u>	<u>1,184,968</u>
Capital Projects Funds:		
Construction Assistance	27,406	-
Capital Project	5,918,012	-
	<u>5,945,418</u>	<u>-</u>
Total Governmental Activities	<u>10,962,134</u>	<u>11,983,383</u>
Enterprise Funds:		
Airport	-	16,354
Industrial Waste	-	71,418
Sanitary Sewer	-	330,256
Storm Sewer	1,214,300	130,686
Solid Waste	-	385,097
Parking District	39,864	-
Internal Service Funds:		
General Liability-Self Insurance	700,000	-
Total Business Type Activities	<u>1,954,164</u>	<u>933,811</u>
Total Governmental & Business Activities	<u>12,916,298</u>	<u>12,917,194</u>
Expendable Trust Fund:		
Agency	22,859	22,387
Trust Deposits	65,613	65,189
Total Expendable Trust Fund	<u>88,472</u>	<u>87,576</u>
	<u>\$ 13,004,770</u>	<u>\$ 13,004,770</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

9. Interfund Transactions: (Continued)

Advances to/from other funds

The total advances made from the General Fund to the Municipal Golf Course fund totaled \$150,000 as of June 30, 2011. The advance offset the bond payment deficit.

An advance of \$175,000 from the General Fund to the Parking District fund was made during fiscal year 2010-2011. The total advances made from the General Fund to the Parking District fund totaled \$1,360,000 as of June 30, 2011. 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, 2011.

The Central City Debt Service Fund has a liability to the Central City Housing Fund of \$450,000 at June 30, 2011. The Sunset Avenue Merged Debt Service Fund has a similar liability of \$490,000 to the Sunset Avenue Merged Housing Fund. A portion of the mandatory set-aside (20% of tax increment revenue) to the Low and Moderate Income Housing Funds was deferred in 2009-10.

In order to fund the Agency's contribution of \$2,230,576 in 2009-10 to the Supplemental Educational Revenue Augmentation Funds (SERAF) the Agency suspended part of its Low and Moderate Income Housing Fund deposit as allowed pursuant to Health & Safety Code Section 33334.2 (k). The total advance of \$940,000 must be fully repaid by June 30, 2015. The debt service requirement to maturity for the housing set-aside payable at June 30, 2011 is \$940,000.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

10. Loans Receivable:

At June 30, 2011, the Government-Wide and Fund Financial Statements show the City had \$23,298,850 in long-term loans receivable, summarized as follows:

<u>Loan Type</u>	<u>Rate</u>	<u>Balance June 30, 2010</u>	<u>New Loans</u>	<u>Principal Payments</u>	<u>Balance June 30, 2011</u>
<u>General Fund</u>					
First Time Homebuyers	3.00%	\$ 29,800	\$ -	\$ -	\$ 29,800
<u>Special Revenue Funds</u>					
Deferred Housing Rehabilitation	3.00%	2,034,313	-	(27,066)	2,007,247
Direct Housing Rehabilitation	8.00%	324,136	29,000	(48,520)	304,616
First Time Homebuyers	3.00%	1,660,000	-	(27,000)	1,633,000
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%	745,000	-	-	745,000
Los Padres Apartments	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%	500,000	-	-	500,000
Green Gold Inn	0.00%	157,500	-	-	157,500
Tresor Apartments	3.00%	500,000	-	-	500,000
Neighborhood Stabilization Program	0.00%	-	164,750	-	164,750
		<u>13,259,855</u>	<u>193,750</u>	<u>(146,423)</u>	<u>13,307,182</u>
<u>Central City Project Fund</u>					
Unreinforced Masonry	0.00%	220,011	-	(6,948)	213,063
<u>Central City Debt Service Fund</u>					
Steinbeck Center Debt	1.00%	303,727	180,989	-	484,716
<u>Central City Housing Fund</u>					
First Time Homebuyers	various	1,159,500	-	(36,000)	1,123,500
Housing Assistance	various	174,298	-	(10,748)	163,550
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	40,000	-	400,000
La Gloria Apartments	3.00%	396,541	37,459	-	434,000
		<u>4,955,339</u>	<u>77,459</u>	<u>(46,748)</u>	<u>4,986,050</u>
<u>Sunset Avenue Housing Fund</u>					
Los Padres Apartments	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	27,171	-	396,000
Sunflower Gardens	3.00%	1,000,000	-	-	1,000,000
Down Payment Assistance	3.50%	224,500	-	-	224,500
		<u>4,213,329</u>	<u>27,171</u>	<u>-</u>	<u>4,240,500</u>
<u>Sunset Avenue Merged Project Fund</u>					
Small Business Loans	0.00%	49,374	-	(11,835)	37,539
		<u>\$ 23,031,435</u>	<u>\$ 479,369</u>	<u>\$ (211,954)</u>	<u>\$ 23,298,850</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

10. Loans Receivable: (Continued)

Following are the details on the loans receivable at June 30, 2011:

General Fund

\$29,800 - First time homebuyers loans with 3% 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:

\$2,007,247- Deferred housing rehabilitation loans at 3% simple interest are reviewed for extension every five years, and are due upon transfer of property title.

\$304,616 - Direct housing rehabilitation loans at 5-8% interest amortized over fifteen years, and due upon transfer of property title.

\$1,633,000 - First time homebuyers loans with 3% 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 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 3%. Interest charges will accrue beginning October 1, 2008; repayment of principal and interest is due in full no later than September 30, 2015.

\$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 3% annually. Repayment in full is 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 3% for 30 years. Interest charges commenced July 1, 2009. Repayment of principal and interest is due in full no later than December 31, 2029.

\$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 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

10. Loans Receivable: (Continued)

\$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 1% for 30 years. Interest charges began accruing July 1, 2007. Repayment of principal and interest is due in full no later than December 31, 2024.

\$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 rate of 1% 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 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 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.

\$164,750 - Neighborhood Stabilization Program (NSP) 4 Silent 2nd loans deferred interest rate for 15 years. The loans are due and payable upon transfer or sale of property, and are forgiven after the affordability period.

Central City Project Fund

\$213,063 - 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

\$484,716 - 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.

\$18,000 - 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, 2011

10. Loans Receivable: (Continued)

\$28,556 - Housing Construction Loan at 6% amortized over 30 years due and payable upon transfer or sale of property.

\$118,428 - 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.

\$400,000 - Loan to Salinas Pacific Associates Limited Partnership for construction of Tresor Apartments. 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.

\$434,000 - Loan to CHISPA for construction of La Gloria Apartments. Loan is secured by a deed of trust, bears no interest for 60 years commencing 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.

\$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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

10. Loans Receivable: (Continued)

\$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 TynanVillage. 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.

\$396,000 - Loan to CHISPA for construction of La Gloria Apartments. 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 a 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 Merged Project Fund

\$37,539 - Sixteen interest free Emergency Small Business Loans due in 10 years.

No allowance for doubtful accounts for loans receivable is presented in the accompanying financial statements.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

11. Land Held for Resale:

Land held for resale consisted of the following at June 30, 2011:

General Fund

7 Vera Circle	\$ 223,217
1514 Verona Ct.	228,435
1853 Bradbury St.	205,877
1905 Brandbury St	225,098
1941 Gladstone Way	281,862
975 Logfellow Drive	241,366
	1,405,855

Special Revenue 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
137, 145 & 151 Division Street	850,000
	1,791,277

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 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	\$ 4,854,685
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CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

12. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Adjustments/ Retirements	Balance June 30, 2011
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 22,674,022	\$ -	\$ -	\$ 22,674,022
Construction in progress	13,322,533	1,694,713	(11,829,806)	3,187,440
Total assets not being depreciated	<u>35,996,555</u>	<u>1,694,713</u>	<u>(11,829,806)</u>	<u>25,861,462</u>
Capital assets, being depreciated:				
Buildings and improvements	29,929,046	90,230	10,332,032	40,351,308
Improvements other than buildings	11,436,201	164,084	171,271	11,771,556
Machinery and equipment	23,453,512	1,121,243	(481,458)	24,093,297
Infrastructure	216,988,020	5,291,369	1,315,703	223,595,092
Total assets being depreciated	<u>281,806,779</u>	<u>6,666,926</u>	<u>11,337,548</u>	<u>299,811,253</u>
Less accumulated depreciation:	<u>(148,624,386)</u>	<u>(8,051,560)</u>	<u>492,258</u>	<u>(156,183,688)</u>
Total capital assets being depreciated, net	<u>133,182,393</u>	<u>(1,384,634)</u>	<u>11,829,806</u>	<u>143,627,565</u>
Governmental Activities capital assets, net	<u>\$ 169,178,948</u>	<u>\$ 310,079</u>	<u>\$ -</u>	<u>\$ 169,489,027</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 3,632,339	\$ -	\$ -	\$ 3,632,339
Construction in progress	4,368,980	2,362,732	(4,150,318)	2,581,394
Total assets not being depreciated	<u>8,001,319</u>	<u>2,362,732</u>	<u>(4,150,318)</u>	<u>6,213,733</u>
Capital assets, being depreciated:				
Buildings and improvements	27,042,814	-	54,355	27,097,169
Improvements other than buildings	15,202,866	-	271,160	15,474,026
Machinery and equipment	6,956,848	52,346	(96,138)	6,913,056
Infrastructure	213,474,411	1,065,417	3,824,803	218,364,631
Total assets being depreciated	<u>262,676,939</u>	<u>1,117,763</u>	<u>4,054,180</u>	<u>267,848,882</u>
Less accumulated depreciation:	<u>(133,399,734)</u>	<u>(6,082,249)</u>	<u>32,677</u>	<u>(139,449,306)</u>
Total capital assets being depreciated, net	<u>129,277,205</u>	<u>(4,964,486)</u>	<u>4,086,857</u>	<u>128,399,576</u>
Business-type Activities capital assets, net	<u>\$ 137,278,524</u>	<u>\$ (2,601,754)</u>	<u>\$ (63,461)</u>	<u>\$ 134,613,309</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

12. Capital Assets: (Continued)

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

Governmental Activities:

General Government	\$ 229,885
Police	706,344
Fire	428,100
Public Works, including infrastructure assets	5,761,079
Recreation and Parks	818,998
Library	107,154
	\$ 8,051,560

Total depreciation expense - Governmental Activities

Business-type Activities:

Airport	\$ 682,366
Industrial Waste	172,853
Golf Courses	557,527
Sanitary Sewer	1,444,601
Storm Sewer	2,640,757
Water Utility	10,268
Preferential Parking	2,735
Downtown Parking	571,142
	\$ 6,082,249

Total depreciation expense - Business-type Activities

13. Contingent Assets:

The City made land acquisition advances totaling \$682,904 to the Community Housing Improvement Systems and Planning Association, Inc (CHISPA). 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.

14. 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 \$18,241,507 in the Government-Wide Statements and \$31,127,268 in the Fund statements. The difference of \$12,885,761 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, 2011

14. Deferred Revenues: (Continued)

Deferred revenues of \$31,127,268 at June 30, 2011 consist of the following:

Governmental Activities:

Major Funds:

Housing and Urban Development

Housing Rehab Loans	\$ 2,328,308
First Time Homebuyers Loans	1,425,752
Salinas Redevelopment Agency Loan	157,500
CDBG/Home Program Deferred Revenue	9,395,622
Total Housing and Urban Development	13,307,182

Construction Assistance	1,089,149
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Assessment District Debt Service

Assessment receivable	14,870,000
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Non-Major Funds:

Special Revenue and Capital Projects grants, advances

Grants and advances	1,860,937
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Total Governmental Activities	\$ 31,127,268
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15. 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 contribute to differ each year, based on changes in the consumer price index.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

15. Deferred Compensation Plan: (Continued)

International City Manager's Association (ICMA)

The International City Manager's Association Retirement, Inc., Plan had 295 participants and a balance of \$18,129,805 at June 30, 2011. 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, 2011 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 437 participants and a balance of \$17,783,164 in net assets at June 30, 2011. 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, 2011.

Due to the economic and real estate downturn, the trust deeds were valued by an independent real estate professional on October 21, 2010. The Trust Deed Committee authorized the write down of \$7.0 million due to the decline in net realizable value and it is reflected in the Statement of Changes in Fiduciary Net Assets (page F-34).

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 81 participants with a balance at June 30, 2011 is \$4,620,767. 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 42 participants with a balance at June 30, 2011 of \$2,242,174. 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, 2011

16. Retirement Programs:

As of June 30, 2011, the City was contributing to three employee retirement programs. Total pension expenses for the fiscal year were \$13,745,907, 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. Under the authority of approved legislation, the CalPERS Board of administration created a Risk pooling system for plans with less than 100 participants. The Fire Safety Plan is required to participate in a risk pool since there were less than one hundred active members in at least one valuation since June 30, 2003. Risk pooling consists of pooling assets and liabilities from several employers to produce a large risk sharing pool that will dramatically reduce or eliminate the large fluctuations in the employer’s contribution rate caused by unexpected demographic events. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, includes the Fire Public Safety Group risk pool history as available from CalPERS.

A menu of benefit provisions as well as other requirements is established by state statutes within the Public Employees’ Retirement Law. The City of Salinas selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS’ annual financial report may be obtained from 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’s 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% 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% 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.

As a point of clarification to this note, the City entered in negotiations and achieved an agreement in June 2011, with both public safety groups (police and fire) to create a second tier of benefits and amend the retirement formula from the current 3% at 50 with the single highest year of salary to a less expensive formula for all new employees under these classifications to 3% at 55 with a three-year final compensation. The contract with CalPERS was formally amended October 17, 2011.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

16. 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 2010-11 was 35.628% for firefighters, 26.665% for police officers and 11.490% for miscellaneous employees of their annual covered payroll. 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 2010-11, the City of Salinas’ annual pension cost of \$12,721,718 was equal to the City’s required and actual contributions. The City of Salinas actually contributed \$9,309,744 while the employees contributed \$3,411,974. The required contribution for fiscal year 2010-11 was determined as part of the June 30, 2008 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.

THREE YEAR TREND INFORMATION

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010-11	\$ 12,721,718	100%	\$ -
2009-10	12,779,887	100%	-
2008-09	14,238,804	100%	-

The Annual Pension Cost represents the contribution rate as determined by CalPERS for the period of July 1, 2010 to June 30, 2011 multiplied by the payroll of covered employees that was actually paid during the same period.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

16. Retirement Programs: (Continued)

New York Life Retirement Plan

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

As of June 19, 1995, all new regular non-public safety employees are enrolled in the 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. At June 30, 2011, there are thirty-two 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, 2011 is \$2,205,508. 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.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

16. Retirement Programs: (Continued)

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, 2011 was \$729,332. During fiscal year 2010-11, the City contributed \$729,333 to the New York Life Retirement Plan, while the employees contributed \$82,156. The City also contributed \$17,440 on behalf of employees represented by SEIU Blue Collar.

The Net Pension Obligation as determined by the Actuarial valuation of September 1, 2010 is \$33,024 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 1, 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 2.0% per year and (c) projected cost of living adjustment of 2%. The actuarial liability represents the actuarial present value of all benefits accrued as of the valuation date, based on service and salary at that date.

THREE YEAR TREND INFORMATION

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 801,975	100.73%	\$ 33,024
2009	1,545,142	52.28%	38,914
2008	1,358,413	114.22%	45,297

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

16. Retirement Programs: (Continued)

The Annual Pension Cost represents the contribution rate as determined by the New York Life actuary for the period of July 1, 2010 to June 30, 2011 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 \$729,333 during fiscal year 2010-11. The reduction in the City's minimum contribution when compared to the previous fiscal year reflects the transfer of 31 vested New York Life participants to CalPERS on January 2010.

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 the 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 2010-11, the City's contribution to this plan was \$49,323, while the employees had a mandatory contribution of 4.5% of their salary or \$5,848. Since June 29, 1998, participants are required to contribute 4.5% of their compensation to the plan.

Significant Accounting Policies

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

Method Used to Value Investments – Participants direct their investments, without restriction, among various investments options available under the ICMA 401(a) Plan. Plan investments are reported at fair market value. At June 30, 2011, the total Plan Assets totaling \$595,304 consisted of \$507,569 of earnings and employer contributions, \$84,821 of employee mandatory contributions, \$2,914 rollover from another qualified plan. Earnings include dividends, interest, and realized and unrealized gains and losses.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

16. Retirement Programs: (Continued)

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, 2011, there were 6 participants in this program and the City's annual contribution was \$70,045 while the employees had an equal mandatory matching contribution of \$70,045.

17. 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 (\$59.40 per month in 2011).

Membership of the plan consisted of the following at June 30, 2010, the date of the latest actuarial valuation:

	Miscellaneous	Fire	Police	Total
Active plan members				
Count	282	78	152	512
Average Age	46.5	41.2	39	42.7
Average Service	8.2	11.0	10.5	9.7
Average PERS Service	9.3	11.6	12	
Average PERS Pay	\$ 52,538	\$ 98,486	\$ 105,328	\$ 72,857
Total PERS Payroll (millions)	\$ 14.5	\$ 7.7	\$ 16.0	\$ 38.2
Retirees				
Count	76	106	123	305
Average Age	64.9	65.8	63.1	63.5
Average Retirement Age	60.5	49.9	49.4	53.8
Currently Receiving \$100 Monthly Benefit	-	32	26	58

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

17. Post Employment Benefits: (Continued)

Funding Policy - The City's policy approved by Council on May 20, 2008, established a contribution of \$100,000 during fiscal year 2007-08, increasing by \$25,000 per year until reaching \$250,000 and \$250,000 annually thereafter to the CERBT (CalPERS OPEB) trust account. The amounts of annual appropriations for contributions to CERBT are subject to budget constraints. Additionally, the City will continue paying the portion of the retiree premiums outside of the trust (Pay-as-you-go approach). During FY 2009-10 and FY 2010-11, the City opted not to fund the Post Employment Benefit cost for the those two years in accordance with established policy. After recognizing administrative fees and accruing earning and losses experienced in the Trust Plan, the City shows an ending balance of \$289,518 at June 30, 2011.

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.

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

	June 30, 2011
Annual Required Contribution	\$ 1,397,000
Interest on Net OPEB Obligation	200,987
Amortization of Net OPEB Obligation	(179,159)
Adjustment to annual required contribution	72,556
Annual OPEB cost (expense)	1,491,384
Contributions made to CERBT Trust	-
Contributions under "pay-as-you-go"	
Payment to Retirees	(435,610)
Payment to CalPERS	(69,893)
Increase in net OPEB obligation	985,881
Net OPEB obligation - beginning of the year	3,987,839
Net OPEB obligation - end of the year	\$ 4,973,720

At June 30, 2011, the City recorded net OPEB obligations totaling \$4,973,720 in the government-wide financial statements.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

17. Post Employment Benefits: (Continued)

The City's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for 2011 and two preceding years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 1,491,384	33.9%	\$ 4,973,720
2010	1,353,000	8.1%	3,987,839
2009	1,466,000	7.8%	2,744,197

Funded Status and Progress - The 2010-11 Annual Required Contribution included the normal cost at \$940,000 plus a 30-year amortization of the Unfunded Actuarial Accrued Liability (UAAL) of \$457,000, for a total Annual Required Contribution of \$1,397,000 representing 2.9% of the annual payroll. The estimated covered payroll (annual payroll of active employees covered by the plan) was \$48.2 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.

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 5.04% for the portion of the Annual Required Contribution (ARC) not funded and 7.75% for the portion of the ARC funded.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

17. Post Employment Benefits: (Continued)

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 \$1,397,000.

18. 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, 2011 is dependent on future developments, City management has determined the desired reserve level for each self-insurance program as follows and believes the estimates are adequate to cover such losses.

- Worker’s Compensation insurance liability of \$12,954,399 includes \$10,363,519 for claims incurred but not paid and \$2,590,880 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, 2011, Worker’s Compensation Insurance liability of \$12,954,399 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, 2011 is \$10,382,351 and is reported in the Internal Service Fund; \$2,572,048 of this is treated as long-term debt.
- General liability insurance liability at June 30, 2011 of \$754,072 includes \$291,472 for claims incurred but not paid and \$462,600 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, 2011 and is short the City’s goal of reserving three times the self-insured retention plus full funding of all past claims history. The City’s self-insured retention is \$1,000,000.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

18. Self Insurance: (Continued)

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	\$ 10,901,491	\$ 1,049,269
Less beginning provision for incurred but not reported claims	(2,180,298)	(426,566)
Beginning provisions for incurred but not paid claims	8,721,193	622,703
Increase (decrease) in claims incurred and reported	5,547,357	736,851
Claims expenses paid	(3,905,031)	(1,068,082)
Ending balance provision for incurred but not paid claims	10,363,519	291,472
Provisions for incurred but not reported claims	2,590,880	462,600
Ending balance of claims liability	<u>\$ 12,954,399</u>	<u>\$ 754,072</u>

19. 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>	
2012	\$ 310,038
2013	304,020
2014	<u>288,968</u>
	<u>\$ 903,026</u>

Police – Lease of office space at 261 Lincoln Avenue was vacated on August, 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 \$49,974 for the year ended June 30, 2011. Lease of this office space was vacated on July, 2011.

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, 2011 was \$20,980.

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 \$20,000 for year ended June 30, 2011.

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, 2011 was \$181,500.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

20. Long Term Debt:

The following is a summary of Long Term Debt transactions for the fiscal year ended June 30, 2011:

	June 30, 2010	Increases	Decreases	June 30, 2011	Due Within One Year
Governmental Activities:					
Annual Leave	\$ 9,029,483	\$ -	\$ 241,517	\$ 8,787,966	\$ 1,757,593
Estimated Insurance claims	2,370,459	201,589	-	2,572,048	-
Net Pension Obligation	38,914	-	5,890	33,024	8,256
Capital Leases	911,720	843,247	-	1,754,967	165,086
Loans and Notes Payable:					
Homeless Shelter	157,500	-	-	157,500	-
Breadbox Gym Note Payable	88,713	-	42,244	46,469	46,469
Church Purchase Note Payable	145,095	-	38,929	106,166	40,900
Total Loans & Notes Payable	391,308	-	81,173	310,135	87,369
Certificates of Participation					
Series B-2005	10,280,000	-	390,000	9,890,000	395,000
Series A-1999	950,000	-	40,000	910,000	45,000
Series A-2002	2,400,000	-	65,000	2,335,000	70,000
Total Certificates	13,630,000	-	495,000	13,135,000	510,000
Tax Allocation Refunding Bonds:					
Series A-1996	5,155,000	-	645,000	4,510,000	680,000
Series A-1992	2,476,674	-	151,186	2,325,488	141,240
Total Bonds Payable	7,631,674	-	796,186	6,835,488	821,240
Assessment District 1915 Act Bonds	19,030,000	-	2,035,000	16,995,000	2,125,000
Unamortized Bond Discount	(124,863)	8,919	-	(115,944)	(8,967)
Government Activities	52,908,695	1,053,755	3,654,766	50,307,684	5,465,577
Business-type Activities					
Annual Leave	292,671	-	5,705	286,966	57,393
Capital Leases:					
Street Sweeper	102,242	-	40,307	61,935	42,157
Industrial Waste Lease	415,000	-	70,000	345,000	75,000
Airport Fuel Facility Lease	167,485	-	28,430	139,055	26,716
Total Leases	684,727	-	138,737	545,990	143,873
Bonds Payable:					
Sanitary Sewer Revenue Bonds	12,440,000	-	410,000	12,030,000	430,000
Certificates of Participation					
Series A-2004	15,510,000	-	390,000	15,120,000	405,000
Series A-2005	6,910,000	-	300,000	6,610,000	310,000
Series A-2008	4,660,000	-	-	4,660,000	10,000
Total Bonds Payable	39,520,000	-	1,100,000	38,420,000	1,155,000
Business-type Activities	40,497,398	-	1,244,442	39,252,956	1,356,266
Fiduciary Activities					
Annual Leave	74,347	-	7,966	66,381	13,276
Total Long-Term Liability	\$93,480,440	\$1,053,755	\$4,907,174	\$89,627,021	\$ 6,835,119

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

20. Long Term Debt: (Continued)

The annual requirements to amortize capital leases, loans and notes, certificates of participation and bonds outstanding as of June 30, 2011 by activity are as follows:

Year Ended June 30,	Governmental-Wide Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 3,708,695	\$ 2,091,257	\$ 1,298,873	\$ 1,758,767
2013	4,041,799	1,906,107	1,331,494	1,705,005
2014	4,204,567	1,710,419	1,376,716	1,648,562
2015	3,837,802	2,070,830	1,436,716	1,588,519
2016	2,097,555	1,954,488	1,401,716	1,527,883
2017-2021	10,149,137	8,639,051	7,965,475	6,652,743
2022-2026	7,758,535	3,633,700	10,170,000	4,597,026
2027-2031	2,900,000	303,516	8,560,000	2,157,235
2032-2036	175,000	8,751	4,405,000	643,781
2037-2041	157,500	-	1,020,000	93,150
	<u>\$ 39,030,590</u>	<u>\$ 22,318,119</u>	<u>\$ 38,965,990</u>	<u>\$ 22,372,671</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, 2011 the liability for all compensated absences totaled \$9,141,313. It includes \$9,131,674 of annual leave and \$9,639 of sick leave. These amounts are reported on the financial statements in the following funds:

	June 30, 2010	Increases	Decreases	June 30, 2011	Due Within One Year
Governmental Activities					
General Fund	\$ 8,120,581	\$ -	\$ 178,638	\$ 7,941,943	\$ 1,588,389
Measure V	713,596	-	59,042	654,554	130,911
Special Revenue Funds	175,824	3,813	-	179,637	35,927
Debt Service Funds	11,739	93	-	11,832	2,366
Internal Service Funds	7,743	-	7,743	-	-
	<u>\$ 9,029,483</u>	<u>\$ 3,906</u>	<u>\$ 245,423</u>	<u>\$ 8,787,966</u>	<u>\$ 1,757,593</u>
Business-type Activities					
Enterprise Funds	\$ 292,671	\$ -	\$ 5,705	\$ 286,966	\$ 57,393
Fiduciary Activities					
Agency Funds	\$ 74,347	\$ -	\$ 7,966	\$ 66,381	\$ 13,276

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

20. Long Term Debt: (Continued)

Estimated Insurance Claims

At June 30, 2011, the estimated insurance claims liability recorded in the Internal Service Funds is as follows:

Worker's Compensation	\$ 10,382,351	
General Liability	754,072	
Total	\$ 11,136,423	

An additional \$2,572,048 of Worker's Compensation claims liability is reported in the Long-Term Debt under estimated insurance claims.

Net Pension Obligation

At June 30, 2011, a Net Pension Obligation of \$33,024 is reported as determined by the September 1, 2010 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	Principal	Interest	Total
June 30,			
2012	\$ 165,086	\$ 72,129	\$ 237,215
2013	171,871	65,344	237,215
2014	178,935	58,280	237,215
2015	186,289	50,926	237,215
2016	193,946	43,269	237,215
2017-2021	858,840	90,023	948,863
	\$ 1,754,967	\$ 379,971	\$ 2,134,938

Loans and Notes Payable

Homeless Shelter Loan – Green Gold Inn

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

20. 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
2037-2041	\$ 157,500	\$ -	\$ 157,500

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
2012	\$ 46,469	\$ 4,647	\$ 51,116

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.

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

Year Ended June 30,	Principal	Interest	Total
2012	\$ 40,900	\$ 4,803	\$ 45,703
2013	42,971	2,732	45,703
2014	22,295	556	22,851
	<u>\$ 106,166</u>	<u>\$ 8,091</u>	<u>\$ 114,257</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

20. Long Term Debt: (Continued)

Certificates of Participation Bonds

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

On October 24, 1997, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation (Certificates) Series A-1997 totaling \$11,960,000. The purpose of this financing was to raise money for capital improvement projects, \$8,000,000 and to refund the Authority's Variable Rate Lease Revenue Bonds, which were issued to purchase the 65 W. Alisal Building. The Variable Rate Lease Revenue Bonds Series A-1997 and Series B-1997 were fully retired on November 20, 1997. The outstanding Certificates 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+.

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

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	460,000	327,830	787,830
2017-2021	2,540,000	1,366,553	3,906,553
2022-2026	3,060,000	805,428	3,865,428
2027-2031	2,155,000	144,266	2,299,266
	<u>\$ 9,890,000</u>	<u>\$ 4,107,385</u>	<u>\$ 13,997,385</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).

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

20. Long Term Debt: (Continued)

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, 2011 of \$6,610,000 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.

Debt service requirements to maturity are as follow:

Year Ended June 30,	Principal	Interest	Total
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	50,000	35,000	85,000
2017-2021	295,000	133,125	428,125
2022-2026	380,000	49,500	429,500
	<u>\$ 910,000</u>	<u>\$ 380,375</u>	<u>\$ 1,290,375</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 \$2,335,000 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, 2011

20. Long Term Debt: (Continued)

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

Year Ended June 30,	Principal	Interest	Total
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	80,000	101,126	181,126
2017-2021	460,000	445,691	905,691
2022-2026	585,000	321,000	906,000
2027-2031	745,000	159,250	904,250
2032-2036	175,000	8,751	183,751
	<u>\$ 2,335,000</u>	<u>\$ 1,471,836</u>	<u>\$ 3,806,836</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, 2011 are as follows:

Year Ended June 30,	TAB Series A-1996		TAB Series A-1992	
	Principal	Interest	Principal	Interest
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	95,000	122,238	258,609	958,296
2017-2021	550,000	526,079	1,060,297	5,018,584
2022-2026	1,625,000	201,714	333,535	2,096,727
	<u>\$ 4,510,000</u>	<u>\$ 1,548,257</u>	<u>\$ 2,325,488</u>	<u>\$ 10,139,174</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

20. 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, 2011, outstanding Assessment District Bonds totaled \$16,995,000. 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
2012	\$ 2,125,000	\$ 869,211	\$ 2,994,211
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	960,000	366,729	1,326,729
2017-2021	4,385,000	1,058,996	5,443,996
2022-2026	1,775,000	159,331	1,934,331
	<u>\$ 16,995,000</u>	<u>\$ 4,278,383</u>	<u>\$ 21,273,383</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 \$61,935 for all sweepers is recorded in the Storm Sewer Enterprise Fund at June 30, 2011.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

20. Long Term Debt: (Continued)

Debt service requirements to maturity is as follows:

Year Ended June 30,	Principal	Interest	Total
2012	\$ 42,157	\$ 2,843	\$ 45,000
2013	19,778	908	20,686
	<u>\$ 61,935</u>	<u>\$ 3,751</u>	<u>\$ 65,686</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 \$345,000 is recorded in the Industrial Waste Enterprise Fund at June 30, 2011.

Debt service requirements to maturity is as follows:

Year Ended June 30,	Principal	Interest	Total
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>\$ 345,000</u>	<u>\$ 54,187</u>	<u>\$ 399,187</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, 2011 of \$28,430 have been applied to the obligation leaving an outstanding balance of \$139,055 as of June 30, 2011.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

20. Long Term Debt: (Continued)

Debt service requirements to maturity is as follows:

Year Ended June 30,	Principal	Interest	Total
2012	\$ 26,716	\$ -	\$ 26,716
2013	26,716	-	26,716
2014	26,716	-	26,716
2015	26,716	-	26,716
2016	26,716	-	26,716
2017-2021	5,475	-	5,475
	<u>\$ 139,055</u>	<u>\$ -</u>	<u>\$ 139,055</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 \$12,030,000 is recorded in the Sanitary Sewer Enterprise Fund at June 30, 2011.

Debt service requirements and maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
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	520,000	496,250	1,016,250
2017-2021	3,015,000	2,054,125	5,069,125
2022-2026	3,845,000	1,200,625	5,045,625
2027-2031	2,805,000	214,875	3,019,875
	<u>\$ 12,030,000</u>	<u>\$ 6,188,972</u>	<u>\$ 18,218,972</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

20. 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 <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	355,000	207,295	562,295
2017-2021	1,985,000	824,456	2,809,456
2022-2026	2,415,000	383,251	2,798,251
2027-2031	545,000	11,922	556,922
	<u>\$ 6,610,000</u>	<u>\$ 2,374,755</u>	<u>\$ 8,984,755</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, 2011

20. 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
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	40,000	206,100	246,100
2017-2021	350,000	994,500	1,344,500
2022-2026	660,000	890,100	1,550,100
2027-2031	1,090,000	704,250	1,794,250
2032-2036	1,420,000	426,825	1,846,825
2037-2041	1,020,000	93,150	1,113,150
	<u>\$ 4,660,000</u>	<u>\$ 4,149,900</u>	<u>\$ 8,809,900</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, 2011

20. Long Term Debt: (Continued)

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

Year Ended June 30,	Principal	Interest	Total
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	460,000	618,238	1,078,238
2017-2021	2,610,000	2,779,662	5,389,662
2022-2026	3,250,000	2,123,050	5,373,050
2027-2031	4,120,000	1,226,188	5,346,188
2032-2036	2,985,000	216,956	3,201,956
	<u>\$ 15,120,000</u>	<u>\$ 9,601,106</u>	<u>\$ 24,721,106</u>

The Salinas Redevelopment Agency paid \$1,088,500 of fiscal year 2010-11 debt service. Beginning in fiscal year 2007-08, maximum annual debt service payments are \$1,091,950. Annual debt service payments of approximately \$1,090,000 will most likely need to be paid by the Redevelopment Agency funds through September 1, 2033 when bonds will be paid in full. At June 30, 2011, 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, 2011 the total conduit debt outstanding related to these bonds is \$4,895,000.

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 its space in the building and to generate charitable support for the County's residents.

As of June 30, 2011, total conduit debt outstanding related to the Economic Development Revenue Bonds is \$18,680,000.

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, 2011

21. 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, 2011, assessment bonds outstanding are \$14,870,000. The Assessment District Reserve Fund balance is \$3,167,666 at June 30, 2011.

22. Restricted Net Assets:

The government-wide statement of net assets reports \$68,095,812 of restricted net assets, of which enabling legislation restricts \$1,031,529 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.

23. Fund Balance:

It is the policy of the City to maintain a minimum reserve for a reasonable level of assurance that the City's day-to-day operations will be able to continue even if circumstances occur where revenues are insufficient to cover expenditures. The minimum reserve of the General Fund is 15% of the next year's General Fund annual budgeted operating expenditures, as calculated by the Finance Director. The minimum fund balance is shown as unassigned in the General Fund. For the year ending June 30, 2011, the City did not meet their minimum fund balance reserve of 15%.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

23. Fund Balance: (Continued)

Fund balance for governmental funds as of June 30, 2011 consists of the following:

	General and Measure V	Other Governmental Funds	Total
Nonspendable:			
Inventory	\$ 20,202	\$ -	\$ 20,202
Loans & Notes Receivable	29,800	9,961,868	9,991,668
Advances	1,510,000	-	1,510,000
Properties Held for Resale	-	1,405,855	1,405,855
Land Held for Resale	-	3,448,830	3,448,830
	<u>1,560,002</u>	<u>14,816,553</u>	<u>16,376,555</u>
Restricted for:			
Public Safety	-	2,278,898	2,278,898
Future Development	-	16,413,148	16,413,148
Maintenance District	-	3,534,157	3,534,157
Recreation Parks	-	208,360	208,360
Housing Trust	-	199,734	199,734
Franchise-Cable	-	134,926	134,926
Street Repairs	-	1,847,524	1,847,524
Grants	-	1,844,994	1,844,994
Low/Moderate Housing	-	402,311	402,311
Capital Projects-Airport	-	2,142,063	2,142,063
Debt Service	-	9,427,419	9,427,419
	<u>-</u>	<u>38,433,534</u>	<u>38,433,534</u>
Committed for:			
Capital Projects	<u>898,500</u>	<u>2,000,000</u>	<u>2,898,500</u>
Assigned for:			
Other Purposes	86,924	-	86,924
Unrealized Market Value	26,497	-	26,497
Carryover Appropriations	2,678,948	-	2,678,948
Capital Projects	-	1,082,306	1,082,306
	<u>2,792,369</u>	<u>1,082,306</u>	<u>3,874,675</u>
Unassigned:			
Operations-Reserve	400,000	-	400,000
Other-Accruals	1,974,746	-	1,974,746
Other Unassigned	3,433,763	(2,158,626)	1,275,137
	<u>5,808,509</u>	<u>(2,158,626)</u>	<u>3,649,883</u>
Total Fund Balances	<u>\$ 11,059,380</u>	<u>\$ 54,173,767</u>	<u>\$ 65,233,147</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

24. Encumbrance:

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled (executor contracts; and open purchase orders). Commitments for such expenditures of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities but, rather, as restricted, committed, or assigned governmental fund balance. As of June 30, 2011, total governmental fund encumbrance balances for the City are as follows:

General Fund and Measure V	\$	86,924
Housing and Urban Development		965,931
Development Fees		728,217
Construction Assistance		525,836
Nonmajor governmental funds		1,209,618
		\$ 3,516,526
		\$ 3,516,526

25. 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, 2011

25. 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.

26. 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 \$818,711 for fiscal year ending June 30, 2011.

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
2012	\$ 865,669	2016	\$ 1,650,842
2013	879,402	2017	1,685,650
2014	1,595,785	2018	1,727,801
2015	1,623,106	2019	1,770,794

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 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 \$947,862 for fiscal year ending June 30, 2011.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

26. 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, 2011 total \$484,716. The Agency and Steinbeck Center entered into a note for \$484,716, with interest based on the Local Agency Investment Fund, which is variable, not to exceed (1%) per annum. The note and appropriate interest is due in full on July 1, 2018, unless prepaid prior to that date.

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

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 July 24, 2009, the State Legislature passed Assembly Bill (AB) X1 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 \$459,236 to the County of Monterey was made 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 the Gate Apartments in FY 2011-12. These funds will come from the affordable housing set-aside funds received in FY 2011-12. On July 12, 2011, the City Council approved the conversion of the project to senior housing. On November 15, 2011, the Agency reduced the allocation by \$300,000 in order to meet the Agency’s pro-rata share of funds for senior citizen housing.

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. On November 15, 2011, the Agency reduced the allocation by \$250,000 due to the uncertainty of the status of redevelopment agencies.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

27. New GASB Pronouncements:

The City adopted the following Governmental Accounting Standards Board (GASB) Statements for the fiscal year ended June 30, 2011:

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The objective of 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. Under previous reporting standards, the City's governmental fund balances were reported under three categories: reserved, unreserved, and designated. The new reporting standard replaces these three fund balance categories with five new classifications: Nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Additional disclosure concerning the implementation of GASB 54 is available in Note 28.

28. Subsequent Events:

The City has evaluated subsequent events through January 23, 2012, the date these financial statements were available to be issued.

Dissolution of Redevelopment Agency - AB X1 26 & 27 - On December 29, 2011, the California Supreme Court delivered its decision in the California Redevelopment Association v. Matosantos case, finding AB X1 26 (the "Dissolution Act") largely constitutional and AB X1 27 (the "Alternative Redevelopment Program Act") unconstitutional. The Court's bifurcated decision means that all California redevelopment agencies, including the Salinas Redevelopment Agency (the "Redevelopment Agency"), will be dissolved under the constitutional Dissolution Act, and none will have the opportunity to opt into continued existence under the unconstitutional Alternative Redevelopment Program Act.

As a result, the Redevelopment Agency will be dissolved on February 1, 2012. The Redevelopment Agency's non-housing funds and assets will then be turned over to a successor agency (the "Successor Agency") charged with the responsibility of paying off the former Redevelopment Agency's existing debts, disposing of the former Redevelopment Agency's properties and assets to help pay off debts and return revenues to the local government entities that receive property taxes (the "Taxing Entities"), and winding up the affairs of the former Redevelopment Agency. The Redevelopment Agency's affordable housing assets, other than its existing housing fund balance, will be turned over to a successor housing agency (the "Successor Housing Agency") to continue performing affordable housing activities. (The former Redevelopment Agency's affordable housing fund balance will be used to repay existing housing fund debts and/or remitted to the County Auditor-Controller for distribution to the Taxing Entities.)

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

28. Subsequent Events: (Continued)

On January 10, 2012, the City of Salinas City Council approved a resolution to act as the Successor Agency and the Successor Housing Agency. The City has also adopted and filed the Enforceable Obligation Payment Schedule (EOPS), which will serve as the basis of receiving future tax increment to fund payment of the Agency obligations. The EOPS will transition into the Recognized Obligation Payment Schedule (ROPS) and eventually become the basis of the Successor Agency receiving funds to pay the obligations of the Agency. All Bonds of the Agency are listed on the EOPS and the draft of the ROPS (prepared 9/30/11). It is the intent of the law to ensure that all such obligations are paid as planned. The City also intends to meet all of the other responsibilities as Successor Agency and the Successor Housing Agency.

Land Disposition - On September 27, 2011, the City approved a Land Disposition Agreement with Taylor Fresh Foods for the sale and transfer of properties located at 111 and 132 Main Street for the proceeds of \$1.5 million.

U.S. Government Debt Downgrade - On August 5, 2011, Standard & Poor's lowered its long-term credit rating on debt of the U.S. government from AAA to AA+. That action affected Standard & Poor's view of U.S public finance debt instruments that are directly or indirectly backed by the U.S. As a result, on August 8, 2011, Standard & Poor's lowered its long-term credit ratings of U.S. government-sponsored enterprises and public debt issues that have credit enhancement guarantees by those government-sponsored enterprises to AA+. These credit downgrades relate to the credit risk associated with the City's investments in U.S. Treasury obligations and U.S. government agency securities (FFCB, FHLB, FHLMC and FNMA).

Implementation of GASB Statement No. 54 Regarding Fund Balance Reporting - On August 16, 2011, the City Council adopted a Resolution approving the Policy implementing Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intent of the Statement is to bring greater transparency and consistency to fund balance reporting. Application of this Statement is effective for the City's fiscal year ending June 30, 2011. The Policy directs the Finance Director to assign fund balances into one of the five new categories; Nonspendable, Restricted, Committed, Assigned, or Unassigned.

Twin Creeks Golf Course Lease - On December 6, 2011, City Council modified the lease of Twin Creeks Golf Course with Future Citizens Foundation (First Tee of Monterey County) reducing annual lease payments from \$575,000 to \$125,000 beginning July 1, 2012 through June 30, 2015. The reduction was necessary because the First Tee golf program has incurred significant and unsustainable operating losses due to declining golf rounds and declining sponsor donations. The First Tee golf program has been and continues to be an important youth program in the City. The reduced lease payment was anticipated and included in the City's two-year budget.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

28. Subsequent Events: (Continued)

Green Vehicles - In the pursuit of attracting new business, particularly those involved in manufacturing, on December 1, 2009, the City Council authorized funding to attract a private company (Green Vehicles, Inc.) to Salinas and approved an advance in the amount of \$300,000. The funding using Community Development Block Grant (CDBG) was supporting the creation of nine new jobs for qualifying residents of Salinas. On July 12, 2011 Green Vehicles gave notice to the City of their intention of closing operations in Salinas on a clear breach of the funding agreement. The City then commenced legal actions demanding that the breach to the agreement be cured and the funds advanced to Green Vehicles be returned to the City. City staff is working with Housing and Urban Development (HUD) authorities responsible of determining if the City must return the \$300,000 advanced to Green Vehicles. Under current guidelines for “failed” special economic development activities, the lack of success on the part of the business does not necessarily constitute non-compliance that would require a grantee to return the CDBG funds advanced. A final decision from HUD is expected in the spring of 2012.

SAFER Firefighter Grant - On April 19, 2011, City Council accepted a Federal Office of Emergency Services SAFER Grant to fill 12 frozen firefighter positions. A two-year grant totaling \$2.9 million will fund the salary and benefits of 12 firefighters, with no financial obligation to retain the firefighters after the two-year grant period. The new firefighters are expected to be trained and online during FY 2011-12 and it is anticipated the City will experience a significant reduction in firefighter overtime and workers compensation costs.

Amendment to CALPERS - On September 13, 2011, City Council adopted an ordinance amending the City’s contract with California Public Employees’ Retirement System (CALPERS) for the public safety groups (police and fire). In order to reduce public safety retirement cost, the City’s public safety bargaining groups agreed to second-tiered retirement formula for new hires (reducing the formula from 3% at 50 to 3% at 55). The contract amendment became effective on October 17, 2011. The City will save approximately \$4,000 per year for each public safety employee hired after the effective date.

COPS Police Grant - On November 15, 2011, City Council accepted a Federal Office of Community Oriented Policing (COPS) Hiring Grant to fill 8 frozen police officer positions. A three-year grant totaling \$2.8 million will fund the salary and benefits of 8 police officer positions, with a financial obligation to retain the police officers for 12 months after the three-year grant period. The grant does not cover some required employee costs such as uniform allowance and various incentive pays. The unfunded liability associated with these employee costs is estimated at \$1.3 million over the three-year term of the grant. These costs will be partially off-set through savings in overtime pay, estimated at \$650,000 over the three-year grant term.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

28. Subsequent Events: (Continued)

Sanitary Sewer Service Rates - On January 10, 2012, the City Council approved a resolution to modify the Sanitary Sewer Service Rates. The rates are based on a Financial Plan and Rate Study prepared by Camp Dresser & McKee, Inc. (CDM). The purpose of the Wastewater Financial Plan and Rate Study (Rate Study) was to determine the annual rate-based revenue requirements of providing sanitary sewer collection services to its customers. Proposition 218 restricts the total revenues to those required to fund the utility, including operation and maintenance costs (O&M), funding of capital improvements and replacements, and maintaining appropriate reserves for utility working capital, project contingencies, and net revenue stabilization. A financial model was developed that forecasts revenues and O&M costs over a 10-year period. The net operating revenues (operating revenues less operational expenses) are used to fund capital improvements. The new rates become effective on February 1, 2012 and set to increase over the next 5 years effective July 1 of each fiscal year through June 30, 2017.

FY 2011-12 First Quarter Review - The Avery and Associates report on the City of Salinas organizational assessment was presented to the City Council on November 16, 2010. The goal of the report was to assist the City leadership in answering key questions, setting priorities and help identify specific solutions to the constant change within the organization brought on by identified inefficiencies as well as reduced resources in today's economic climate. The major components of the report are Governance Policies, Adapting to Change, Organizational Analysis and Review of three initiatives, including: 1) Youth Crime and Gang Violence Prevention; 2) Prosperity; and 3) Organizational Effectiveness. The report included 53 recommendations and as of June 30, 2011, the City had implemented 35 of the 53 recommendations. There has been additional work in progress and/or completed since that time on the recommendations, including:

1. Continuing updates of short and long term budget deficit projections, including a five year budget forecast.
2. Additional rebuilding of the recommended 5% General Fund Reserves. Staff recommended increasing the General Fund reserve balance to \$1,100,000.
3. Allocating funding for training. This first quarter budget update includes recommending funding for training. Staff will also involve the existing cross functional and inter departmental Training Task Force who help define important training needs in an annually updated training plan.
4. Continued implementation of reorganized departments.
5. Work on the employee transfer of an Environmental Resources planning position within Public Works to the Planning Division in the Community and Economic Development Department.
6. Reducing Council committees, boards and commissions by successfully joining the Library and Community Services Department with the previous Library Commission and Park and Recreation Commission into one standing monthly meeting. Final completion of this item will require an ordinance amending the City Code.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

28. Subsequent Events: (Continued)

7. Efficient department purchasing process has been improved with the introduction of the Cal-Card credit card.
8. Establishing an Information Technology (IT) User Committee made up of four department heads, the Information Systems (IS) Manager and attended by several other department staff to collaboratively review City wide IS needs, plan and recommend budget priorities to the City Manager and ultimately City Council.

On October 25, 2011, City Council accept the first quarter FY 2011-12 budget review report including an update of the Avery Recommendations, approved amendments to the FY 2011-12 operating and capital budgets, and approved an allocation of the FY 2010-11 General and Measure V Fund budget carryovers. The General Fund carryover was \$2,317,100 and the Measure V carryover was \$1,116,600 for a total General and Measure V Fund of \$3,433,700.

The staff report included a first quarter review of the revenues, Department budgets, FY 2010-11 year end carryover, and recommended budget adjustments for FY 2011-12. Staff recommended key operating and capital supplemental appropriations to further the goals and priorities of the City Council and the need to reinvest in the areas recommended in the Avery Report. Staff also provided the City Council with an update of the Avery Report recommendations.

The report indicated that revenues were coming in as projected and there were no decreases projected for the current year. Furthermore, after analyzing the first quarter expenditure reports, departments have determined they are on target and should remain within their budget. Given the difficult economic condition of the nation, state and our local area, staff continues to focus on a two-year budget cycle. As such, although FY 2011-12 remains balanced, the FY 2012-13 budget forecast shows a deficit gap of \$622,700. This gap is largely due to the increased cost in health insurance (\$268,000) and PERS (\$575,000). Staff will continue work on the budget projections beyond the two-year budget cycle, as anticipated costs deferred by significant employee concessions will need to be examined.



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**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Information
Fiscal Year Ended June 30, 2011

BUDGETING

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

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

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

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

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

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

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

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

BUDGETARY INFORMATION

The adopted FY 2010-11 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 (2011-12) 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, 2010, 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 2010-11 Annual Operating Budgets on June 8, 2010. A revision to the CIP was made during FY 2010-11 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.

CITY OF SALINAS
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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 \$574,581,970 were identified for the six (6) year period from July 1, 2010, 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 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, Capital project investments were reduced to \$372,400 in the General Fund and no funds assigned under the Measure V fund.

GENERAL FUND

The General Fund fund balance decreased \$300,390 to \$6,510,375, of which \$1,560,002 is Nonspendable, \$898,500 is committed, \$1,516,553 assigned and \$2,535,320 is unassigned.

General Fund reserves have been set-aside by Council for specific purposes. Under the Reserved fund balance category, the General Fund Nonspendable fund balance of \$1,560,002 includes Inventory (\$20,202), Loans Receivable (\$29,800) and Advances (\$1,510,000). Committed funds balance of \$898,500 is designated for future Capital Projects. To General Fund Assigned fund balance of \$1,516,553 includes carryover appropriations, unrealized market value and other purpose uses.

The General Fund Unassigned fund balance of \$2,535,320 is made of \$218,191 of revenue accruals and \$2,317,129 of funds available for allocation and expenditure at June 30, 2011. General Fund resources available for expenditure at June 30, 2011 total \$2,535,320. The General Fund shows no available funds in the operating reserve category.

MEASURE V

Measure V is a general tax and is reported as part of the General Fund. The Measure V fund balance increased \$808,758 to \$4,549,005, of which \$1,275,816 is assigned and \$3,273,189 is unassigned.

Of the \$3,273,189 Measure V unassigned fund balance, \$400,000 is reserved for operations, \$1,756,555 in accruals and \$1,116,634 in unassigned fund balances.

Measure V reserved fund balance at June 30, 2011 totals \$1,275,816 and represents the reserves for encumbrances. Measure V reserves have been set-aside by Council for specific purposes.

CITY OF SALINAS
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BUDGETARY RESULTS RECONCILED TO GAAP

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

- Year-end encumbrances are recognized as the equivalent of expenditures in the budgetary basis financial statements, while encumbered amounts are not recognized as expenditures on the GAAP basis until the equipment, supplies, or services are received.
- Certain loan transactions are recognized as expenditures for the budgetary basis but not for the GAAP basis. When these loans are made, they are recorded as receivables for the GAAP basis and as expenditures for the budgetary basis. When loan repayments are received, they are recorded as reductions to receivables for the GAAP basis, but are recognized as revenues for the budgetary basis.
- Certain accounts such as the change in fair 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 2010-11 budget:

- General Fund Budget was balanced with the use of \$1.4 million of carryover funds.
- An Operating Reserve in the Measure V Fund in the amount of \$400,000 was funded with the use of 2009-10 carryover funds.
- Encouraging improvement in sales tax revenues (\$488,000) in addition to designation of 2009-10 carryover funds (\$365,000) contributed to enhance services in Economic Development, Volunteer Services, Code Enforcement, Information Systems Planning, and Training.
- During January 2011, the budget for Health Insurance cost was increased by \$225,000 after the health care provider (CalPERS) notified the City of an 11.5% increase to the premiums effective January 1, 2011.

CITY OF SALINAS
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Budgetary Information
Fiscal Year Ended June 30, 2011

- An increase in the overtime budget of \$500,000 was applied to the Fire Department employee benefit budget to cope with raising costs in this category after the elimination in FY 2009-10 of 9 firefighter positions.
- During January 2011, an amendment to the budget of \$500,000 of General Fund and \$200,000 of Measure V funds, was implemented to pay an unanticipated liability settlement.

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, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2010	\$ 10,551,012	\$ 10,551,012	\$ 10,551,012	\$ -
Resources (inflows):				
Taxes:				
Sales	14,625,000	14,675,000	15,370,826	695,826
In-lieu Sales	4,875,000	5,025,000	5,129,090	104,090
Transactions and Use	8,600,000	8,800,000	9,288,073	488,073
Property	11,440,000	11,705,000	12,125,895	420,895
Property-Vehicle License Fees	9,135,000	9,470,000	9,503,519	33,519
Utility	8,425,000	8,475,000	9,033,972	558,972
Business License	4,150,000	4,050,000	4,258,342	208,342
Franchise	6,362,800	7,183,200	7,358,502	175,302
Other	1,450,000	1,500,000	1,550,300	50,300
Licenses and Permits	33,000	33,000	898,451	865,451
Intergovernmental	838,200	903,200	1,225,520	322,320
Charges for Services	5,631,800	5,261,800	4,318,725	(943,075)
Interest	150,000	150,000	129,670	(20,330)
Miscellaneous	231,200	231,200	268,408	37,208
Operating Transfers In	1,950,000	1,250,000	1,845,000	595,000
Total Resources	<u>77,897,000</u>	<u>78,712,400</u>	<u>82,304,293</u>	<u>3,591,893</u>
Charges to Appropriations (outflows):				
Administration	10,785,600	11,103,692	14,089,799	(2,986,107)
Public Safety	49,232,000	49,776,658	49,255,020	521,638
Public Works	10,832,700	10,942,558	10,396,497	546,061
Recreation	1,781,900	1,784,097	1,346,892	437,205
Library	3,729,800	3,730,029	3,596,483	133,546
Capital Outlay	125,000	152,750	120,197	32,553
Transfers Out	3,832,700	7,387,317	2,991,037	4,396,280
Total Charges to Appropriations	<u>80,319,700</u>	<u>84,877,101</u>	<u>81,795,925</u>	<u>3,081,176</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(2,422,700)</u>	<u>(6,164,701)</u>	<u>508,368</u>	<u>6,673,069</u>
Fund Balance, June 30, 2011	<u>\$ 8,128,312</u>	<u>\$ 4,386,311</u>	<u>\$ 11,059,380</u>	<u>\$ 6,673,069</u>

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Comparison Schedule
Measure V Fund
Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2010	\$ 3,740,247	\$ 3,740,247	\$ 3,740,247	\$ -
Resources (inflows):				
Taxes:				
Transaction and Use Tax	8,600,000	8,800,000	9,288,073	488,073
Interest	25,000	25,000	15,734	(9,266)
Miscellaneous	-	-	8,653	8,653
Total Resources	<u>8,625,000</u>	<u>8,825,000</u>	<u>9,312,460</u>	<u>487,460</u>
Charges to Appropriations (outflows):				
Administration	125,000	169,743	131,188	38,555
Public Safety	2,927,300	2,912,557	2,343,134	569,423
Public Works	1,093,600	1,093,600	1,093,599	1
Recreation	402,500	402,500	373,065	29,435
Library	3,729,800	3,722,560	3,596,483	126,077
Capital Outlay	-	7,469	92,620	(85,151)
Transfers Out	<u>522,500</u>	<u>1,945,257</u>	<u>873,613</u>	<u>1,071,644</u>
Total Charges to Appropriations	<u>8,800,700</u>	<u>10,253,686</u>	<u>8,503,702</u>	<u>1,749,984</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(175,700)</u>	<u>(1,428,686)</u>	<u>808,758</u>	<u>2,237,444</u>
Fund Balance, June 30, 2011	<u>\$ 3,564,547</u>	<u>\$ 2,311,561</u>	<u>\$ 4,549,005</u>	<u>\$ 2,237,444</u>

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Comparison Schedule
Housing and Urban Development Fund
Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2010	\$ 1,842,635	\$ 1,842,635	\$ 1,842,635	\$ -
Resources (inflows):				
Intergovernmental	4,421,800	6,370,955	3,710,210	(2,660,745)
Interest	800	800	136	(664)
Miscellaneous	72,500	72,500	170,188	97,688
Total Resources	<u>4,495,100</u>	<u>6,444,255</u>	<u>3,880,534</u>	<u>(2,563,721)</u>
Charges to Appropriations (outflows):				
Administration	4,253,774	5,428,658	2,247,370	3,181,288
Transfers Out	1,838,505	2,955,106	1,238,758	1,716,348
Total Charges to Appropriations	<u>6,092,279</u>	<u>8,383,764</u>	<u>3,486,128</u>	<u>4,897,636</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(1,597,179)</u>	<u>(1,939,509)</u>	<u>394,406</u>	<u>2,333,915</u>
Fund Balance, June 30, 2011	<u>\$ 245,456</u>	<u>\$ (96,874)</u>	<u>\$ 2,237,041</u>	<u>\$ 2,333,915</u>

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Comparison Schedule
Development Fees Fund
Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2010	\$ 18,270,364	\$ 18,270,364	\$ 18,270,364	\$ -
Resources (inflows):				
Charges for Services	766,000	766,000	313,920	(452,080)
Interest	208,000	208,000	81,483	(126,517)
Transfers In	-	-	210,488	210,488
Total Resources	<u>974,000</u>	<u>974,000</u>	<u>605,891</u>	<u>(368,109)</u>
Charges to Appropriations (outflows):				
Capital Outlay	-	-	1,065,417	(1,065,417)
Transfers Out	17,223,132	17,286,972	1,397,690	15,889,282
Total Charges to Appropriations	<u>17,223,132</u>	<u>17,286,972</u>	<u>2,463,107</u>	<u>14,823,865</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(16,249,132)</u>	<u>(16,312,972)</u>	<u>(1,857,216)</u>	<u>14,455,756</u>
Fund Balance, June 30, 2011	<u>\$ 2,021,232</u>	<u>\$ 1,957,392</u>	<u>\$ 16,413,148</u>	<u>\$ 14,455,756</u>

**SCHEDULE OF
FUNDING PROGRESS
RETIREMENT PROGRAMS**

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

ACTUARIAL VALUATION DATE	ENTRY AGE NORMAL ACCRUED LIABILITY	ACTUARIAL ASSET VALUE	UNFUNDED ACTUARIAL ACCRUED LIABILITY	FUNDED RATIO	ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
06/30/10						
Safety Fire	* \$ 10,165,475,166	\$ 8,470,235,152	\$ 1,695,240,014	83.3%	\$ 955,980,815	177.3%
Safety Police	183,709,743	146,485,473	37,224,270	79.7%	18,219,995	204.3%
Miscellaneous	62,618,174	47,751,992	14,866,182	76.3%	17,230,982	86.3%
06/30/09						
Safety Fire	* \$ 9,721,675,347	\$ 8,027,158,724	\$ 1,694,516,623	82.6%	\$ 973,814,168	174.0%
Safety Police	176,065,221	139,442,398	36,622,823	79.2%	19,050,606	192.2%
Miscellaneous	57,691,774	31,208,195	26,483,579	54.1%	15,305,551	173.0%
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%

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Unamortized Portion of Initial Unfunded Actuarial Accrued Liability (IUAAL)	Unfunded Frozen Actuarial Accrued Liability (UFAAL) *	Covered Payroll	IUAAL as a Percentage of covered Payroll (b/d)	UFAAL as a Percentage of Covered Payroll (c/d)
09/01/09	\$ 15,726,090	\$ 11,443,424	\$ 7,880,347	\$ 2,496,644	458.4%	315.6%
09/01/08	\$ 21,262,681	\$ 11,715,017	\$ 13,996,664	\$ 4,304,535	272.2%	325.2%
09/01/07	\$ 19,439,416	\$ 11,862,010	\$ 12,114,163	\$ 4,173,341	284.2%	290.3%

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

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

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

Actuarial Valuation Date	Present Value of Benefits	Unfunded Actuarial Accrued Liability	Annual Required Contribution (ARC)	Covered Payroll	ARC as a Percentage Payroll
06/30/10	\$ 19,882,000	\$ 11,457,000	\$ 1,353,000	\$ 46,635,000	2.9%
06/30/09	\$ -	\$ -	\$ -	\$ -	-
06/30/08	\$ 18,532,000	\$ 9,178,000	\$ 1,591,000	\$ 37,850,000	4.2%

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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.

CITY OF SALINAS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2011

	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	SRA Accounts Transferred To City	Redevelopment Agency Central City Housing	Sunset Avenue Merged Housing	Total
ASSETS															
Cash and investments	\$ 959,209	\$ 11,299	\$ 3,613,350	\$ 75,881	\$ 1,861,051	\$ 15,702	\$ 92,700	\$ 210,162	\$ 199,734	\$ 101,548	\$ 134,095	\$ 1,422,053	\$ 156,382	\$ 111,245	\$ 8,964,411
Receivables, net:															
Accrued interest	-	-	3,023	47	1,835	-	-	-	-	-	-	-	261,929	505,501	772,335
Due from other agencies	-	-	-	480,418	440,882	80,632	-	-	-	38,042	255,660	-	-	-	1,295,634
Advances to other funds	-	-	-	-	-	-	-	-	-	-	-	-	450,000	490,000	940,000
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	4,986,050	4,240,500	9,226,550
Land held for resale	-	-	-	-	-	-	-	-	-	-	-	1,791,277	500,431	1,157,122	3,448,830
Total assets	<u>\$ 959,209</u>	<u>\$ 11,299</u>	<u>\$ 3,616,373</u>	<u>\$ 556,346</u>	<u>\$ 2,303,768</u>	<u>\$ 96,334</u>	<u>\$ 92,700</u>	<u>\$ 210,162</u>	<u>\$ 199,734</u>	<u>\$ 139,590</u>	<u>\$ 389,755</u>	<u>\$ 3,213,330</u>	<u>\$ 6,354,792</u>	<u>\$ 6,504,368</u>	<u>\$ 24,647,760</u>
LIABILITIES															
Accounts payable	\$ 23,714	\$ 2,174	\$ 56,370	\$ 90,363	\$ -	\$ -	\$ 8,685	\$ 1,802	\$ -	\$ 4,664	\$ 96,352	\$ -	\$ 10,234	\$ 7,488	\$ 301,846
Due to other funds	-	-	25,846	326,904	456,244	-	-	-	-	-	167,615	-	-	-	976,609
Deferred revenues	-	-	-	9,141	-	-	-	-	-	-	113,474	-	710,999	995,247	1,828,861
Total liabilities	<u>23,714</u>	<u>2,174</u>	<u>82,216</u>	<u>426,408</u>	<u>456,244</u>	<u>-</u>	<u>8,685</u>	<u>1,802</u>	<u>-</u>	<u>4,664</u>	<u>377,441</u>	<u>-</u>	<u>721,233</u>	<u>1,002,735</u>	<u>3,107,316</u>
FUND BALANCE															
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	1,791,277	5,486,481	5,397,622	12,675,380
Restricted	935,495	9,125	3,534,157	187,998	1,847,524	96,334	84,015	208,360	199,734	134,926	422,941	1,422,053	298,300	104,011	9,484,973
Unassigned	-	-	-	(58,060)	-	-	-	-	-	-	(410,627)	-	(151,222)	-	(619,909)
Total fund balances	<u>935,495</u>	<u>9,125</u>	<u>3,534,157</u>	<u>129,938</u>	<u>1,847,524</u>	<u>96,334</u>	<u>84,015</u>	<u>208,360</u>	<u>199,734</u>	<u>134,926</u>	<u>12,314</u>	<u>3,213,330</u>	<u>5,633,559</u>	<u>5,501,633</u>	<u>21,540,444</u>
Total liabilities and fund balances	<u>\$ 959,209</u>	<u>\$ 11,299</u>	<u>\$ 3,616,373</u>	<u>\$ 556,346</u>	<u>\$ 2,303,768</u>	<u>\$ 96,334</u>	<u>\$ 92,700</u>	<u>\$ 210,162</u>	<u>\$ 199,734</u>	<u>\$ 139,590</u>	<u>\$ 389,755</u>	<u>\$ 3,213,330</u>	<u>\$ 6,354,792</u>	<u>\$ 6,504,368</u>	<u>\$ 24,647,760</u>

CITY OF SALINAS, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	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	SRA Accounts Transferred To City	Redevelopment Agency		Total	
													Central City Housing	Sunset Avenue Merged Housing		
REVENUES																
Taxes	\$ -	\$ -	\$ -	\$ 356,601	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 163,003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 519,604
Taxes - special assessment	-	-	1,519,520	-	-	-	-	-	-	-	-	-	-	-	1,519,520	
Intergovernmental	666,315	10,867	900	2,008,988	3,702,385	-	103,317	-	-	-	1,380,026	-	-	-	7,872,798	
Charges for services	-	-	64,410	-	-	-	-	-	-	-	-	-	-	-	64,410	
Interest	-	43	16,210	208	8,529	-	-	-	-	-	-	-	4,537	434	29,961	
Rental income	-	-	-	-	172,266	-	-	34,894	-	-	-	-	-	-	207,160	
Fines and forfeits	-	-	-	-	-	633,958	-	-	-	-	-	-	-	-	633,958	
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	7,969	-	7,969	
Total Revenues	666,315	10,910	1,601,040	2,365,797	3,883,180	633,958	103,317	34,894	-	163,003	1,380,026	-	12,506	434	10,855,380	
EXPENDITURES																
Current:																
Administration	-	-	-	-	-	-	-	-	-	120,000	18,729	-	150,898	157,666	447,293	
Public safety	530,472	12,000	-	2,365,914	-	-	185,336	-	-	-	777,798	-	-	-	3,871,520	
Recreation	-	-	1,313,440	-	-	-	-	35,624	-	-	51,299	-	-	-	1,400,363	
Library	-	-	-	-	-	-	-	-	-	-	577,361	-	-	-	577,361	
Total expenditures	530,472	12,000	1,313,440	2,365,914	-	-	185,336	35,624	-	120,000	1,425,187	-	150,898	157,666	6,296,537	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	135,843	(1,090)	287,600	(117)	3,883,180	633,958	(82,019)	(730)	-	43,003	(45,161)	-	(138,392)	(157,232)	4,558,843	
OTHER FINANCING SOURCES (USES)																
Loans receivable forgiven	-	-	-	-	-	-	-	-	-	-	-	-	(36,000)	-	(36,000)	
Property transfers to City	-	-	-	-	-	-	-	-	-	-	-	1,791,277	-	-	1,791,277	
Housing grant transfer to City	-	-	-	-	-	-	-	-	-	-	-	1,422,053	(1,036,141)	(385,912)	-	
Operating transfers in	522,500	-	-	68,663	46,000	-	50,000	-	-	-	-	-	605,225	579,743	1,872,131	
Operating transfers out	(3,337)	-	-	(147,671)	(4,123,305)	(645,000)	-	(10,719)	-	-	(898)	-	(240,000)	-	(5,170,930)	
Total other financing sources (uses)	519,163	-	-	(79,008)	(4,077,305)	(645,000)	50,000	(10,719)	-	-	(898)	3,213,330	(706,916)	193,831	(1,543,522)	
NET CHANGE IN FUND BALANCES	655,006	(1,090)	287,600	(79,125)	(194,125)	(11,042)	(32,019)	(11,449)	-	43,003	(46,059)	3,213,330	(845,308)	36,599	3,015,321	
FUND BALANCES, BEGINNING 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	
FUND BALANCES, END OF YEAR	\$ 935,495	\$ 9,125	\$ 3,534,157	\$ 129,938	\$ 1,847,524	\$ 96,334	\$ 84,015	\$ 208,360	\$ 199,734	\$ 134,926	\$ 12,314	\$ 3,213,330	\$ 5,633,559	\$ 5,501,633	\$ 21,540,444	

**CITY OF SALINAS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2011**

	Assessment District Reserve	Assessment District Administration	Certificates of Participation (2005 B)	Certificates of Participation (1999)	Certificates of Participation (2002)	Redevelopment Agency		Totals
						Central City Debt Service	Sunset Avenue Merged Debt Service	
ASSETS								
Cash and investments	\$ 3,112,384	\$ 56,833	\$ 8,473	\$ 860	\$ -	\$ 869,124	\$ 98,334	\$ 4,146,008
Receivables:								
Accrued interest	1,839	-	-	-	-	3,534	582	5,955
Restricted cash and investments	-	-	803,305	103,945	196,524	1,574,704	-	2,678,478
Loans receivable	-	-	-	-	-	484,716	-	484,716
Total assets	\$ 3,114,223	\$ 56,833	\$ 811,778	\$ 104,805	\$ 196,524	\$ 2,932,078	\$ 98,916	\$ 7,315,157
LIABILITIES								
Accounts payable	\$ -	\$ 6,308	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,308
Due to other funds	-	-	-	-	11,930	-	-	11,930
Advance from other funds	-	-	-	-	-	450,000	490,000	940,000
Deferred revenues	-	-	-	-	-	3,534	-	3,534
Total liabilities	-	6,308	-	-	11,930	453,534	490,000	961,772
FUND BALANCE								
Nonspendable	-	-	-	-	-	484,716	-	484,716
Restricted	3,114,223	50,525	811,778	104,805	184,594	1,993,828	-	6,259,753
Unassigned	-	-	-	-	-	-	(391,084)	(391,084)
Total fund balance	3,114,223	50,525	811,778	104,805	184,594	2,478,544	(391,084)	6,353,385
Total liabilities and fund balance	\$ 3,114,223	\$ 56,833	\$ 811,778	\$ 104,805	\$ 196,524	\$ 2,932,078	\$ 98,916	\$ 7,315,157

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Assessment District Reserve	Assessment District Administration	Certificates of Participation (2005 B)	Certificates of Participation (1999)	Certificates of Participation (2002)	Redevelopment Agency		Totals
						Central City Debt Service	Sunset Avenue Merged Debt Service	
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,026,124	\$ 2,898,714	\$ 5,924,838
Charges for services	-	55,466	-	-	-	-	-	55,466
Interest	10,770	-	84	2,912	9,520	65,828	2,593	91,707
Total Revenues	10,770	55,466	84	2,912	9,520	3,091,952	2,901,307	6,072,011
EXPENDITURES								
Debt service:								
Principal retirement	-	-	390,000	40,000	65,000	1,127,187	1,724,000	3,346,187
Interest and fiscal charges	-	63,216	404,791	47,376	122,670	667,563	35,914	1,341,530
Parking structure debt	-	-	-	-	-	1,088,500	-	1,088,500
SERAF	-	-	-	-	-	-	459,236	459,236
Pass through tax	-	-	-	-	-	129,151	818,711	947,862
Total expenditures	-	63,216	794,791	87,376	187,670	3,012,401	3,037,861	7,183,315
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,770	(7,750)	(794,707)	(84,464)	(178,150)	79,551	(136,554)	(1,111,304)
OTHER FINANCING SOURCES (USES)								
Advance from SRA	-	-	-	-	180,000	-	-	180,000
Operating transfers in	-	-	765,097	84,000	-	240,000	-	1,089,097
Operating transfers out	-	-	-	-	-	(605,225)	(579,743)	(1,184,968)
Total other financing sources (uses)	-	-	765,097	84,000	180,000	(365,225)	(579,743)	84,129
NET CHANGE IN FUND BALANCES	10,770	(7,750)	(29,610)	(464)	1,850	(285,674)	(716,297)	(1,027,175)
FUND BALANCES, BEGINNING OF YEAR	3,103,453	58,275	841,388	105,269	182,744	2,764,218	325,213	7,380,560
FUND BALANCES, END OF YEAR	\$ 3,114,223	\$ 50,525	\$ 811,778	\$ 104,805	\$ 184,594	\$ 2,478,544	\$ (391,084)	\$ 6,353,385

CITY OF SALINAS
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2011

	Special Aviation	Assessment Capital Project	District Project	Redevelopment Agency		Totals
				Central City Project	Sunset Avenue Merged Project	
ASSETS						
Cash and investments	\$ 1,768,466	\$ 2,000,000	\$ 382,526	\$ 181,403	\$ 43,155	\$ 4,375,550
Receivables, net						
Accounts	-	-	-	-	3,436	3,436
Accrued interest	1,580	-	312	1,263	-	3,155
Due from other agencies	626,983	-	-	-	-	626,983
Due from other funds	-	959,885	-	-	-	959,885
Loans receivable	-	-	-	213,063	37,539	250,602
Total assets	\$ 2,397,029	\$ 2,959,885	\$ 382,838	\$ 395,729	\$ 84,130	\$ 6,219,611
LIABILITIES						
Accounts payable	\$ 226,424	\$ 959,885	\$ -	\$ 17,351	\$ 42,139	\$ 1,245,799
Due to other funds	-	-	-	1,150	-	1,150
Deferred revenue	28,542	-	-	-	-	28,542
Total liabilities	254,966	959,885		18,501	42,139	1,275,491
FUND BALANCE						
Nonspendable	-	-	-	213,063	37,539	250,602
Restricted	2,142,063	-	-	-	-	2,142,063
Committed	-	2,000,000	-	-	-	2,000,000
Assigned	-	-	382,838	166,555	7,077	556,470
Unassigned	-	-	-	(2,390)	(2,625)	(5,015)
Total fund balance	2,142,063	2,000,000	382,838	377,228	41,991	4,944,120
Total liabilities and fund balances	\$ 2,397,029	\$ 2,959,885	\$ 382,838	\$ 395,729	\$ 84,130	\$ 6,219,611

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Redevelopment Agency					Totals
	Special Aviation	Capital Project	Assessment District Project	Central City Project	Sunset Avenue Merged Project	
REVENUES						
Intergovernmental	\$ 2,166,196	\$ -	\$ -	\$ -	\$ -	\$ 2,166,196
Interest	9,801	-	1,837	4,421	-	16,059
Rental income	-	-	-	-	24,290	24,290
State grants	-	-	-	268,331	-	268,331
Miscellaneous	-	-	-	10,450	3,472	13,922
Total Revenues	<u>2,175,997</u>	<u>-</u>	<u>1,837</u>	<u>283,202</u>	<u>27,762</u>	<u>2,488,798</u>
EXPENDITURES						
Current:						
Administration	-	-	-	447,580	510,861	958,441
Public safety	-	-	-	-	333,148	333,148
Public works	-	-	-	-	57,300	57,300
Contribution to other agency	-	-	-	15,000	50,000	65,000
Capital outlay	2,166,253	5,918,012	-	-	713,699	8,797,964
Debt service:						
Principal retirement	-	-	-	-	81,173	81,173
Interest and fiscal charges	-	-	-	-	15,542	15,542
Total expenditures	<u>2,166,253</u>	<u>5,918,012</u>	<u>-</u>	<u>462,580</u>	<u>1,761,723</u>	<u>10,308,568</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>9,744</u>	<u>(5,918,012)</u>	<u>1,837</u>	<u>(179,378)</u>	<u>(1,733,961)</u>	<u>(7,819,770)</u>
OTHER FINANCING SOURCES (USES)						
Loan proceeds	-	-	-	331,000	1,724,000	2,055,000
Property transfers to City	-	-	-	(941,277)	(850,000)	(1,791,277)
Operating transfers in	-	5,918,012	-	-	-	5,918,012
Total other financing sources (uses)	<u>-</u>	<u>5,918,012</u>	<u>-</u>	<u>(610,277)</u>	<u>874,000</u>	<u>6,181,735</u>
NET CHANGE IN FUND BALANCES	<u>9,744</u>	<u>-</u>	<u>1,837</u>	<u>(789,655)</u>	<u>(859,961)</u>	<u>(1,638,035)</u>
FUND BALANCES, BEGINNING 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>
FUND BALANCES, END OF YEAR	<u>\$ 2,142,063</u>	<u>\$ 2,000,000</u>	<u>\$ 382,838</u>	<u>\$ 377,228</u>	<u>\$ 41,991</u>	<u>\$ 4,944,120</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, 2011

	<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	\$ 4,979	\$ 198,388	\$ 4,247,157	\$ 2,632,622	\$ 7,083,146
Restricted cash and investments	-	-	309,030	110,010	419,040
Receivables					
Accounts	-	165	-	-	165
Accrued interest	-	-	3,326	2,095	5,421
Due from general fund	-	-	5,887,825	-	5,887,825
Total assets	<u>4,979</u>	<u>198,553</u>	<u>10,447,338</u>	<u>2,744,727</u>	<u>13,395,597</u>
LIABILITIES					
Current liabilities:					
Accounts payable	7,105	17,099	64,987	-	89,191
Insurance claims payable	-	-	10,382,351	754,072	11,136,423
Total current liabilities	<u>7,105</u>	<u>17,099</u>	<u>10,447,338</u>	<u>754,072</u>	<u>11,225,614</u>
Total liabilities	<u>7,105</u>	<u>17,099</u>	<u>10,447,338</u>	<u>754,072</u>	<u>11,225,614</u>
NET ASSETS					
Restricted	-	-	309,030	110,010	419,040
Unrestricted	<u>(2,126)</u>	<u>181,454</u>	<u>(309,030)</u>	<u>1,880,645</u>	<u>1,750,943</u>
Total net assets	<u>\$ (2,126)</u>	<u>\$ 181,454</u>	<u>\$ -</u>	<u>\$ 1,990,655</u>	<u>\$ 2,169,983</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Risk Management</u>	<u>General Insurance</u>	<u>Workers Compensation</u>	<u>General Liability</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$ 275,040	\$ 415,209	\$ 5,332,134	\$ 802,711	\$ 6,825,094
Total operating revenues	<u>275,040</u>	<u>415,209</u>	<u>5,332,134</u>	<u>802,711</u>	<u>6,825,094</u>
OPERATING EXPENSES					
Personnel services	337,395	-	-	-	337,395
Contractual services	58	88,751	285,858	40,205	414,872
Supplies	623	-	-	-	623
Insurance	-	491,081	120,195	274,860	886,136
Insurance claims	-	71,029	4,947,694	772,885	5,791,608
Other	320	-	-	-	320
Total operating expenses	<u>338,396</u>	<u>650,861</u>	<u>5,353,747</u>	<u>1,087,950</u>	<u>7,430,954</u>
OPERATING INCOME (LOSS)	<u>(63,356)</u>	<u>(235,652)</u>	<u>(21,613)</u>	<u>(285,239)</u>	<u>(605,860)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	-	-	21,613	11,421	33,034
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>21,613</u>	<u>11,421</u>	<u>33,034</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(63,356)</u>	<u>(235,652)</u>	<u>-</u>	<u>(273,818)</u>	<u>(572,826)</u>
Transfers in	-	-	-	700,000	700,000
CHANGE IN NET ASSETS	<u>(63,356)</u>	<u>(235,652)</u>	<u>-</u>	<u>426,182</u>	<u>127,174</u>
NET ASSETS, BEGINNING OF YEAR	<u>61,230</u>	<u>417,106</u>	<u>-</u>	<u>1,564,473</u>	<u>2,042,809</u>
NET ASSETS, END OF YEAR	<u>\$ (2,126)</u>	<u>\$ 181,454</u>	<u>\$ -</u>	<u>\$ 1,990,655</u>	<u>\$ 2,169,983</u>

CITY OF SALINAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Risk Management Fund	General Insurance Fund	Workers Compensation Fund	General Liability Fund	Totals
Cash Flows from Operating Activities:					
Receipts from customers and users	\$ 40	\$ 128	\$ 837,441	\$ 102,711	\$ 940,320
Receipts from interfund services provided	275,000	415,491	2,173,836	700,000	3,564,327
Payments to suppliers	(834)	(579,908)	(406,054)	(315,065)	(1,301,861)
Payments to employees	(344,632)	-	-	-	(344,632)
Payments to claimants	-	(64,744)	(3,933,338)	(1,068,082)	(5,066,164)
Net Cash Provided (Used) by Operating Activities	<u>(70,426)</u>	<u>(229,033)</u>	<u>(1,328,115)</u>	<u>(580,436)</u>	<u>(2,208,010)</u>
Cash Flows from Non-Capital Financing Activities:					
Operating transfers in	-	-	-	700,000	700,000
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>700,000</u>	<u>700,000</u>
Cash Flows from Investing Activities:					
Interest received	-	-	23,847	10,471	34,318
(Decrease) in fair value of investments	-	-	(894)	747	(147)
Transfer (to) from restricted cash	-	-	(43,148)	(38,570)	(81,718)
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>	<u>(20,195)</u>	<u>(27,352)</u>	<u>(47,547)</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(70,426)	(229,033)	(1,348,310)	92,212	(1,555,557)
Cash and Cash Equivalents - Beginning of Year	75,405	427,421	5,595,467	2,540,410	8,638,703
Cash and Cash Equivalents - End of Year	<u>\$ 4,979</u>	<u>\$ 198,388</u>	<u>\$ 4,247,157</u>	<u>\$ 2,632,622</u>	<u>\$ 7,083,146</u>

AGENCY FUNDS

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds operate as a clearing mechanism. Cash resources are collected, held for a brief period and then distributed to the proper recipients. The City has a fiduciary responsibility for the assets, which it does not own outright.

Sunrise House - This fund is used to account for the assets held on behalf of Sunrise House. Monies are collected from various grants and used by Sunrise House to provide a half-way house for youths. Sunrise House has a separate Board of Directors.

Economic Development - This fund is used to account for the activities related to enhancing economic development in the City with the purpose of increasing employment opportunities, better paying employment, assisting local businesses to remain competitive and attracting new, desirable business and promoting expansion of tourism industry while enhancing revenue stream for the City.

Salinas Valley Enterprise Zone - This fund is used to account for activities related to the Enterprise Zone created by the City of Salinas, County of Monterey, City of Soledad, City of Greenfield, City of Gonzales and the City of King. The Salinas Valley Enterprise Zone will remain in force for a period of fifteen years with an effective date of January 30, 2009, through January 29, 2024. The enterprise zone offers incentives to local businesses, both existing and newly locating firms, to qualify for California Income Tax Credits. The use of Income Tax Credits and other tax related benefits of being an enterprise zone are focused on encouraging new investment and job creation. Significant sources of revenue include municipality contributions and application fees for each hiring credit voucher requested.

Second Chance Youth Program - This fund is used to account for the assets held on behalf of Second Chance Youth Program. 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, 2011

	<u>Sunrise House</u>	<u>Economic Development</u>	<u>Salinas Valley Enterprise Zone</u>	<u>Second Chance Youth Program</u>	<u>Cafeteria Plan</u>	<u>Retiree Health Insurance</u>	<u>Business Improvement District</u>	<u>Totals</u>
ASSETS								
Cash and investments	\$ 279,792	\$ -	\$ 131,549	\$ 119,952	\$ 110,499	\$ 1	\$ 85,471	\$ 727,264
Receivables								
Accounts	-	-	43,341	-	110,355	-	-	153,696
Accrued interest	234	-	-	-	-	-	-	234
Due from other agencies	43,930	-	-	71,641	-	-	-	115,571
Total assets	<u>323,956</u>	<u>-</u>	<u>174,890</u>	<u>191,593</u>	<u>220,854</u>	<u>1</u>	<u>85,471</u>	<u>996,765</u>
LIABILITIES								
Accounts payable	40,261	9,131	11,593	50,123	154,550	177	-	265,835
Accrued leave	6,330	40,146	3,019	16,886	-	-	-	66,381
Due to outside agencies	-	-	-	-	-	-	144	144
Due to other fund	-	19,206	-	-	-	-	-	19,206
Deferred revenues	-	-	-	-	(44,195)	-	-	(44,195)
Total liabilities	<u>46,591</u>	<u>68,483</u>	<u>14,612</u>	<u>67,009</u>	<u>110,355</u>	<u>177</u>	<u>144</u>	<u>307,371</u>
NET ASSETS								
Held in trust for pension benefits and other purposes	<u>\$ 277,365</u>	<u>\$ (68,483)</u>	<u>\$ 160,278</u>	<u>\$ 124,584</u>	<u>\$ 110,499</u>	<u>\$ (176)</u>	<u>\$ 85,327</u>	<u>\$ 689,394</u>

**GENERAL
and
MEASURE V FUNDS**

**CITY OF SALINAS
COMBINING BALANCE SHEET
GENERAL AND MEASURE V FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Measure V</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 8,023,605	\$ 3,355,257	\$ 11,378,862
Receivables, net:			
Taxes	6,634,732	1,753,189	8,387,921
Accounts	71,190	564	71,754
Accrued interest	14,992	2,801	17,793
Due from other agencies	19,351	-	19,351
Due from other funds	1,893,074	-	1,893,074
Advances to other funds	1,510,000	-	1,510,000
Restricted cash and investments	289,518	-	289,518
Loans receivable	29,800	-	29,800
Inventory	20,202	-	20,202
	<u>\$ 18,506,464</u>	<u>\$ 5,111,811</u>	<u>\$ 23,618,275</u>
LIABILITIES			
Accounts payable	\$ 6,012,514	\$ 489,964	\$ 6,502,478
Due to other funds	5,983,575	72,842	6,056,417
	<u>11,996,089</u>	<u>562,806</u>	<u>12,558,895</u>
FUND BALANCE			
Nonspendable	1,560,002	-	1,560,002
Committed	898,500	-	898,500
Assigned	1,516,553	1,275,816	2,792,369
Unassigned	2,535,320	3,273,189	5,808,509
	<u>6,510,375</u>	<u>4,549,005</u>	<u>11,059,380</u>
Total fund balance	<u>6,510,375</u>	<u>4,549,005</u>	<u>11,059,380</u>
Total liabilities and fund balances	<u>\$ 18,506,464</u>	<u>\$ 5,111,811</u>	<u>\$ 23,618,275</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, 2011

	<u>General</u>	<u>Measure V</u>	<u>Total</u>
REVENUES			
Taxes	\$ 64,330,446	\$ 9,288,073	\$ 73,618,519
Licenses and permits	898,451	-	898,451
Intergovernmental	1,225,520	-	1,225,520
Charges for services	4,318,725	-	4,318,725
Interest	113,936	15,734	129,670
Rental income	75,712	-	75,712
Fines and forfeits	77,759	-	77,759
Miscellaneous	106,284	8,653	114,937
Total revenues	<u>71,146,833</u>	<u>9,312,460</u>	<u>80,459,293</u>
EXPENDITURES			
Current:			
Administration	13,958,611	131,188	14,089,799
Public safety	46,911,886	2,343,134	49,255,020
Public works	9,302,898	1,093,599	10,396,497
Recreation	973,827	373,065	1,346,892
Library	-	3,596,483	3,596,483
Capital outlay	27,577	92,620	120,197
Total expenditures	<u>71,174,799</u>	<u>7,630,089</u>	<u>78,804,888</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(27,966)</u>	<u>1,682,371</u>	<u>1,654,405</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,845,000	-	1,845,000
Operating transfers out	(2,117,424)	(873,613)	(2,991,037)
Total other financing sources (uses)	<u>(272,424)</u>	<u>(873,613)</u>	<u>(1,146,037)</u>
NET CHANGE IN FUND BALANCES	(300,390)	808,758	508,368
FUND BALANCES, BEGINNING OF YEAR	<u>6,810,765</u>	<u>3,740,247</u>	<u>10,551,012</u>
FUND BALANCES, END OF YEAR	<u>\$ 6,510,375</u>	<u>\$ 4,549,005</u>	<u>\$ 11,059,380</u>



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