

City of Salinas
California



Basic Financial Statements
Fiscal Year Ended June 30, 2013

Basic Financial Statements

Fiscal Year Ended June 30, 2013



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City of Salinas

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

March 11, 2014

***Honorable Mayor and Members of the City Council
City of Salinas, California***

We are pleased to submit the City of Salinas (City) Basic Financial Statements for the fiscal year ended June 30, 2013. 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, 2013, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on fair presentation of the financial statements, but also on the government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

This report is divided into two sections:

- The **Introductory Section** includes this letter of transmittal and an organizational overview of the City government.
- The **Financial Section** consists of the independent auditors’ report, Management’s Discussion and Analysis, Basic Financial Statements; which include the Government-Wide Financial Statements, Fund Financial Statements, Notes to Financial Statements and Required Supplementary Information and other Supplementary Information.

The Reporting Entity and Its Services

In defining the reporting entity, there are no other governmental units over which the City Council has financial accountability. Under new state law, the Salinas Redevelopment Agency, which was a component unit of the City, ceased to exist as of February 1, 2012, and therefore the assets and activities of the dissolved redevelopment agency are reported in a Fiduciary Fund (private purpose trust fund) in the financial statements of the City.

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

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

The City of Salinas is the “county seat” of Monterey County, and is located in the Central Coast region of California, 17 miles inland from the Monterey Bay, 325 miles north of Los Angeles and 106 miles south of San Francisco. Salinas is a charter City providing all typical City services: Public safety- police and fire, Public Works-maintenance services (streets, lighting, signals, facilities, parks and trees), development and permit services, current and advanced planning and traffic and facilities engineering, Library, Recreation and General administrative services. Business-type City services include: a Municipal Airport, Industrial Waste system, Golf (two municipal golf courses), Sanitary Sewer and Storm Drain systems, Water Utility and a Parking District. The State Department of Finance reports the City’s population at 153,215, as of January 1, 2013. The City FY 2013-14 budget includes 520.5 positions authorized on a full time equivalent basis.

Three elementary school districts, a unified high school district and several private schools at both the primary and secondary level operate 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, Dick’s Sporting Goods and a variety of national chain restaurants. The Salinas Auto Center houses nine local dealers and its retail area hosts Home Depot, Beverages and More, Kohl’s, Babies-R-Us and other specialty stores. Additionally, Salinas' location allows quick access to the Monterey Peninsula, as well as the San Jose area.

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

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

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

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

FINANCIAL INFORMATION

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

Single Audit

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

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

Accounting System and Budgetary Control

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

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

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

Annual Financial Report

The purpose of the City's Annual Financial Report is to summarize the administrative and operational performance of the City during the previous fiscal year. The report is intended to highlight significant accomplishments that were achieved during the fiscal year ended June 30, 2013 and to provide a financial analysis of City performance.

Capital Assets and Depreciation

As of June 30, 2013, capital assets, including infrastructure assets, of the City of Salinas totaled \$620.1 million; accumulated depreciation totaled \$323.0 million, with the difference providing net capital assets of \$297.1 million. Net capital assets of the City's governmental activities (general government) are \$171.0 million and net capital assets for the City's business-type activities (enterprise funds) are \$126.0 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 2012-13, depreciation expense on capital assets of the City's governmental activities (general government) was \$8.3 million and depreciation expense on capital assets of the City's business-type activities (enterprise funds) was \$6.0 million. Depreciation expense represents the amount at which assets are being used-up annually. Due to budget constraints over the years, the City has been unable to invest in the maintenance of capital assets at anywhere near the annual depreciation amount.

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

Long-term Debt Payable

At June 30, 2013, the City had \$83.0 million in long-term debt. Long-term debt includes liabilities for annual leave, long-term portion of Worker's Compensation claims payable, capital leases and notes and bonds payable. While the General Fund guarantees most of the City's long-term debt, other funds, agencies or property owners make the majority of principal and interest payments. Examples of other funds, agencies or property owners include, the Industrial Waste Fund, Golf Courses Fund, the Steinbeck Center, the Sanitary Sewer Fund, Successor Agency to the former Salinas Redevelopment Agency property tax increments, payments from the Salinas

Valley Solid Waste Authority for the installment sale of Crazy Horse landfill and payments from property owners who are included in the City’s various assessment districts.

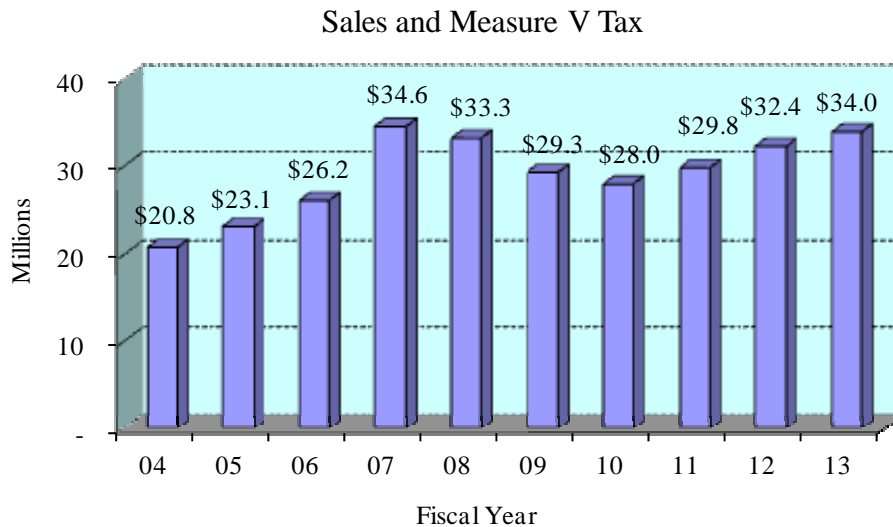
Please refer to the Note 19 for a complete discussion of the City’s Long-term Debt.

Fund Financial Statements-General Governmental Revenues

The current governmental operations of the City are accounted for in the General, Special Revenue, Debt Service, and Capital Project Funds. For the fiscal year ended June 30, 2013, total revenues for general governmental functions totaled \$109,863,470, an increase of 1.7% over the previous fiscal year.

Sales Tax

The City has a well-diversified economy and sales tax base. Sales tax receipts increased for the third year after the three consecutive years of declines. The sales and transaction and use tax increased \$1.5 million, or 4.7% from FY 2011-12. This growth rate is not expected to continue into FY 2013-14 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 21.3% of the combined governmental fund type revenues. Transactions and Use Tax (Measure V) represents 9.6% 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 \$33,968,129 or 30.9% of the combined governmental fund type revenues.

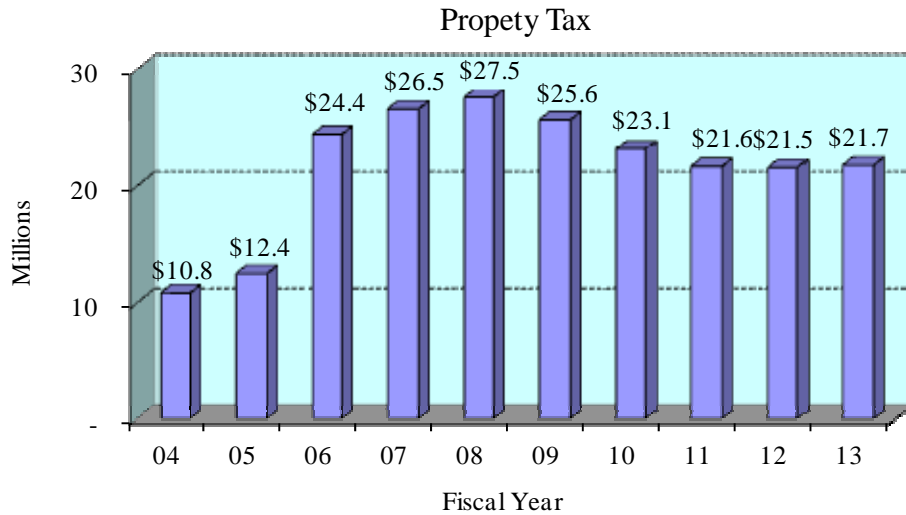


The sales tax and in-lieu sales tax receivable due from the State of California for FY 2012-13 totaled \$5,285,271 and is recorded as revenue for the year ended June 30, 2013.

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

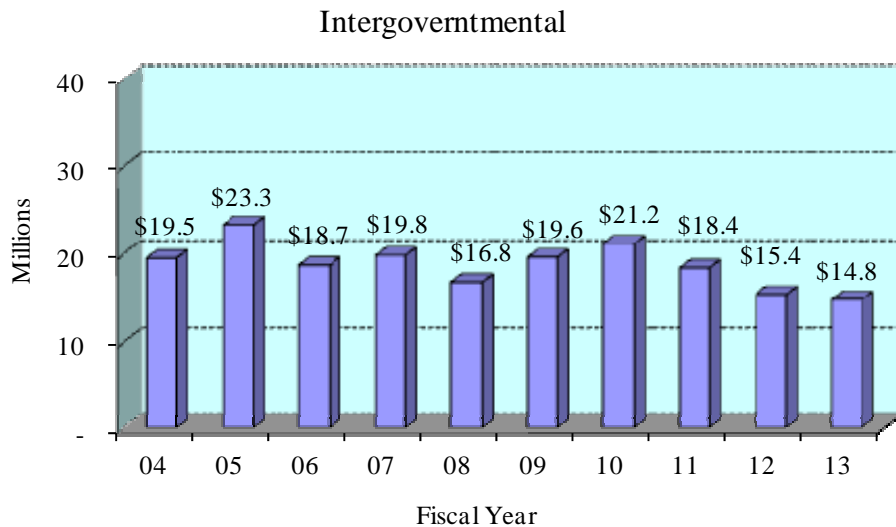
Property Tax

Property tax revenue was the second largest source of revenue during this fiscal year, producing 19.8% of the combined governmental fund type revenues. Property tax revenue includes Property tax-in-lieu of vehicle license fees (2/3 of VLF) of \$9,513,153 that is now determined by the City's growth in assessed property values.



Intergovernmental

Intergovernmental revenue was the fourth largest single category of revenue during the fiscal year producing 13.4% of the combined governmental fund revenues. Intergovernmental revenues consist of vehicle licenses fees (1/3 of VLF), Federal and State Public Safety Funds, Federal Block Grants, State Gas Taxes and Federal and State Construction Grants. Intergovernmental revenue hit a 10 year low this year, decreasing by \$638,826, or 4.1% primarily as a result of the Housing and Urban Development Department (HUD) CDBG grant funding being reduced.



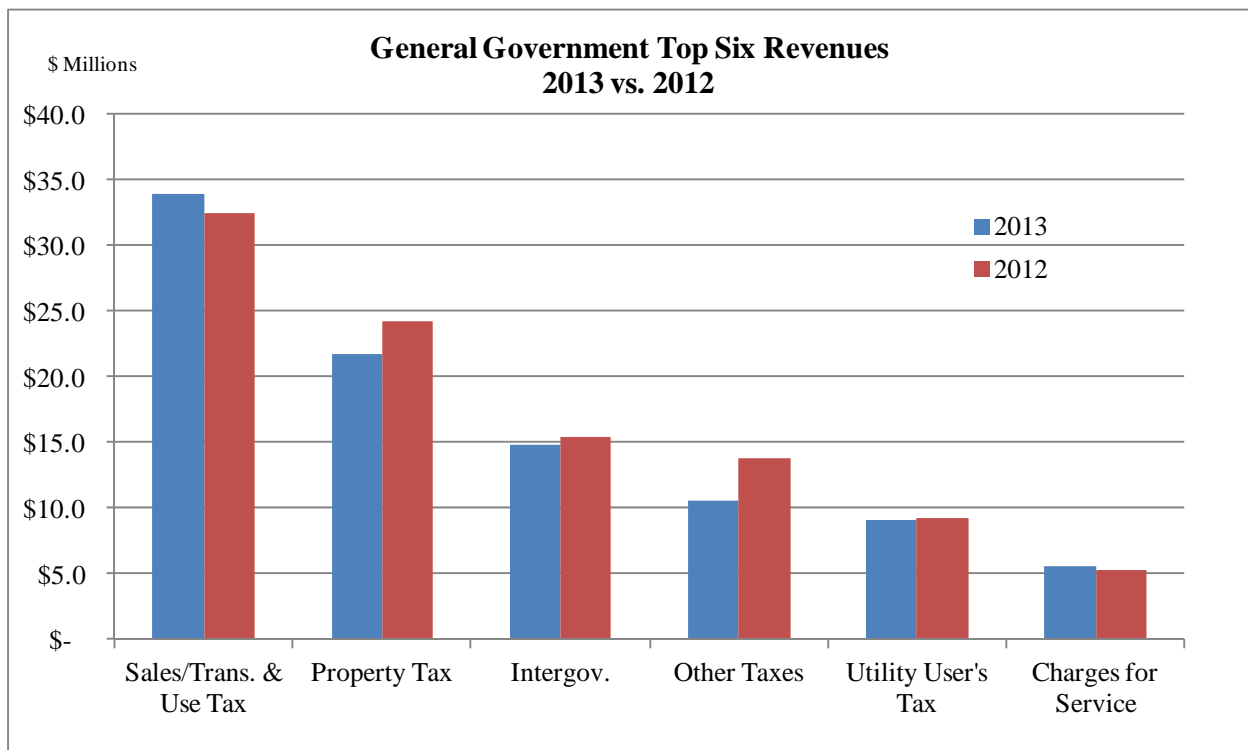
Utility User's Tax and Other Taxes

Utility user's tax and other taxes produced 22.2% of the combined governmental fund type revenues. Other taxes include business license tax and franchise fees among others. Utility user's tax decreased by \$218,015, or 2.4%, while other taxes increased by \$1,608,871 with a 11.7% growth from the prior year.

Taxes receivable total \$9,757,662 for the year ended June 30, 2013 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	2013 Amounts	Percent of Total	2012 Amounts	2012 vs. 2013 Increase/(Decrease)	
				Dollars	Percent
Assessment Districts:					
Taxes	\$ 4,785,169	4.4%	\$ 4,891,249	\$ (106,080)	-2.2%
Property Tax	21,706,369	19.8%	21,527,187	179,182	0.8%
Property Tax Increment	-	-	2,787,944	(2,787,944)	-100.0%
Sales/Transaction & Use Tax	33,968,129	30.9%	32,432,334	1,535,795	4.7%
Utility User's Tax	9,057,929	8.2%	9,275,944	(218,015)	-2.4%
Other Taxes	15,384,241	14.0%	13,775,370	1,608,871	11.7%
License & Permits	1,268,394	1.2%	947,445	320,949	33.9%
Intergovernmental	14,766,611	13.4%	15,405,437	(638,826)	-4.1%
Charges for Service	5,491,820	5.0%	5,281,256	210,564	4.0%
Interest	210,576	0.2%	342,323	(131,747)	-38.5%
Rental income	294,863	0.3%	283,977	10,886	3.8%
Fines/Forfeitures	583,065	0.5%	654,713	(71,648)	-10.9%
Developer Contributions	552,977	0.5%	-	552,977	-
Miscellaneous	1,793,327	1.6%	370,577	1,422,750	383.9%
TOTAL	\$ 109,863,470	100.0%	\$ 107,975,756	\$ 1,887,714	1.7%

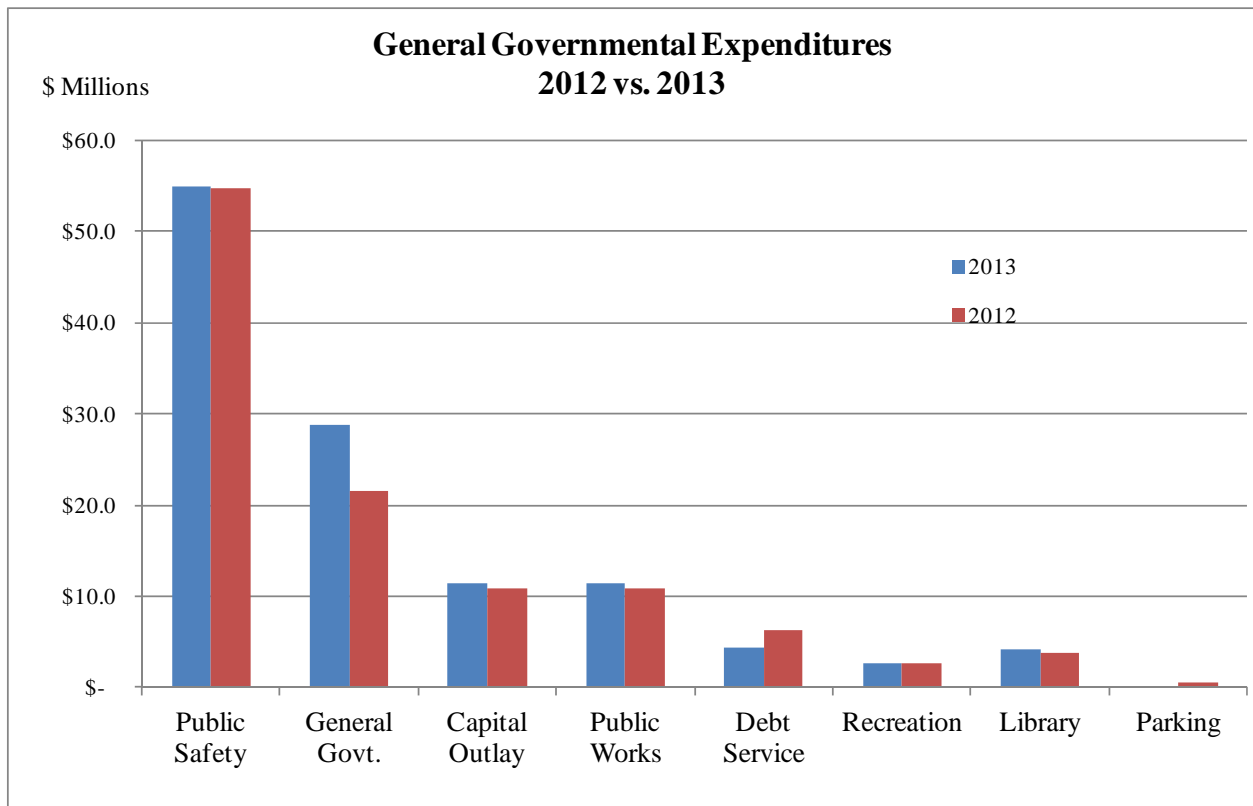


Fund Financial Statements-General Governmental Expenditures

Expenditures for governmental operations during the fiscal year ended June 30, 2013 were \$117,691,311 a net increase of 5.8% in total expenditures over the previous year.

Changes in expenditures by major function are as follows:

Function	2013	Percent of Total	2012	2012 vs. 2013 Increase/(Decrease)	
				Dollars	Percent
General Government	\$ 28,781,797	24.5%	\$ 21,491,058	\$ 7,290,739	33.9%
Public Safety	54,919,121	46.7%	54,732,950	186,171	0.3%
Public Works	11,538,077	9.8%	10,888,159	649,918	6.0%
Recreation	2,581,512	2.2%	2,652,957	(71,445)	-2.7%
Library	4,137,207	3.5%	3,724,698	412,509	11.1%
Parking Structure Debt	-	0.0%	544,250	(544,250)	-100.0%
Subtotal Operations	101,957,714	86.6%	94,034,072	7,923,642	8.4%
Contribution to other Agency	-	0.0%	88,790	(88,790)	-100.0%
Capital Outlay	11,379,942	9.7%	10,807,704	572,238	5.3%
Debt Service:					
Principal	2,980,000	2.5%	4,194,234	(1,214,234)	-29.0%
Interest	1,373,655	1.2%	2,025,981	(652,326)	-32.2%
Pass thru Tax	-	0.0%	134,002	(134,002)	-100.0%
Total	\$ 117,691,311	100.0%	\$ 111,284,783	\$ 6,406,528	5.8%



Operating expenditures increased by \$7,923,642 or 8.4% from \$94,034,072 in FY 2011-12 to \$101,957,714 in FY 2012-13.

General Government increased by \$7,290,739, or 33.9% primarily due to the increases in affordable housing of \$6,722,901 in the non-major Affordable Housing Fund. Aside from the large affordable housing increase, General Government expenditures have been controlled and are slight from the prior year.

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

Principal and interest payments decreased by \$1,866,560 mainly due to disillusionment of the Redevelopment Agency and the change in accounting for the Successor Agency. Transactions of the Successor Agency are accounted for in a private purpose trust fund.

Capital Outlay (Project) expenditures increased \$572,238 or 5.3% from \$10,807,704 in FY 2011-12 to \$11,379,942 in FY 2012-13. The four largest projects included \$2,804,113 spent on the new public safety radio system, \$1,711,938 spent on the Cesar Chavez Library Expansion, \$564,325 on the East Market Street road reconstruction improvements project and, lastly, \$436,278 on East Salinas Street light project.

Business-type Activities-Enterprise Funds

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

The Enterprise Fund's net position totaled \$101,163,198 at June 30, 2013.

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, 2013, the Internal Service Funds liabilities for estimated claims payable totaled \$20,034,285, with \$18,381,210 representing Worker's Compensation and \$1,653,075 representing General Liability.

Total Worker's Compensation insurance claims liabilities are \$21,428,735 at June 30, 2013. A portion of the liability is reported in the Internal Service Fund (\$18,381,210) and a portion is treated as long-term debt (\$3,047,525). The long-term debt portion represents future obligations of the Worker's Compensation Plan.

Fiduciary Funds

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

Private Purpose Trust Funds include a net deficit of \$2,943,395 held by City. Of the net deficit, a net deficit of \$2,870,812 is held by the City for the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and net deficit of \$72,583 held by the City for Community Center and Sherwood Hall activities, MRWPCA Fees, Sales Tax, Payroll Taxes, Deposits, Construction Bonds and other trust arrangements not properly reported in a pension trust.

Pension Trust Funds held by the City of \$15,488,335 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 \$682,644.

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 (60.1% of investment at FMV) are invested in the State's Local Agency Investment Fund (LAIF). LAIF yielded average returns of .31% for fiscal year ended June 30, 2013.

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, 2013 is as follows:

Balance at cost - June 30, 2013	\$ 54,412,727
Unrealized Gain	<u>14,866</u>
Balance at fair value - June 30, 2013	<u>\$ 54,427,593</u>

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

Property Assessment

Assessed valuation of citywide taxable properties increased \$227.7 million to \$8,597,836,189 representing an increase of 2.72% over FY 2011-12.

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

<u>Fiscal year</u>	<u>Before Redevelopment Increment</u>	<u>After Redevelopment Increment</u>	<u>Percent Change</u>
2013-14	\$ 8,597,836,189	\$ 7,904,316,402	2.74%
2012-13	8,370,116,351	7,693,329,440	0.85%
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%

Significant Events and Accomplishments

Through the leadership of the City Council and staff, an amazing amount has been accomplished. The City Council is committed to three basic initiatives, which guide the activities of each City department. The following is a list of accomplishments during FY 2012-13 for each of the three initiatives:

❖ **Economic Development (Prosperity) Initiative**

Community and Economic Development Department

- Economic Development/Salinas Valley Enterprise Zone:
 - ✓ Successful allocation and use of \$1,000,000 Capital One funding for Economic Development.
 - ✓ Initiation of an Economic Development Marketing Strategy Plan; including new website, first ever site selector consultant's visits, and community rollout of Marketing Strategy.
 - ✓ Provided needed support for creation of the Steinbeck Innovation Cluster.
 - ✓ SVEZ job vouchers surpass 2,300, increasing activity compared to last year with an estimated economic impact value of \$10,000,000 returned/retained by local businesses.

- ✓ Initiated \$1,000,000 Grow Salinas Fund Revolving Loan Program.
- Permit Center:
 - ✓ Second year of full cost recovery of Permit Center services.
 - ✓ Approval by the Regional Water Quality Control Board of a new NPDES storm water permit.
 - ✓ Continued high performance in reviewing and approving site plans, building plans and necessary inspections (Green Gate Fresh, Taylor Farms Central Office Building, etc.).
- Planning/Special Projects:
 - ✓ Initiation of the creation of a new Economic Development Element for the General Plan.
 - ✓ Approval of a Zoning Code Amendment to allow higher density housing.
 - ✓ Approval of a new 105-room Hampton Inn and Suites.
 - ✓ Approval of the 97,000 sq.ft. Taylor Farms Headquarters Office Building which is under construction.
- Successor Agency:
 - ✓ Implemented transfer of cash assets as required by dissolution of Redevelopment Agencies.
 - ✓ Successful transfer of the Train Station properties into control by the City of Salinas.
 - ✓ Successor Agency and Oversight Board have met dissolution act requirements.
- Housing:
 - ✓ Assisted with the development and financing of Low/Mod Hacienda Phase 2 apartment complex.
 - ✓ Provided funding for construction of a 46-unit multi-family rental housing (Haciendas II) that will provide affordable housing units to extremely low, low, and moderate-income families.
 - ✓ Continued to work with CHISPA toward project feasibility of 9 single family rental dwellings (Wesley Oaks) that has been stalled for a number years and is now in construction.
 - ✓ Re-started the City's first-time homebuyer program which will assist eligible applicants with down payment assistance to help increase homeownership opportunities for low-income households (up to 80% of AMI).
 - ✓ Continued funding for the City's Rehabilitation Loan program to maintain existing owner-occupied/rental housing stock.

Assessment & Maintenance Districts

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

❖ **Youth/Gang Violence Prevention Initiative (Peace)**

Police Department

- Operationalized the Law Enforcement Operations Center (LEOC) with staffing and funding from local, state and federal partners.
- LEOC personnel have worked with local, State and Federal partners to address gang violence at all levels.
- Increased the effectiveness of the CASP officers by integration with community leaders and service providers.

Assessment & Maintenance Districts

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

❖ **Organizational Effectiveness Initiative**

Administration

- The City Clerk's Office processed over 250 Political Reform Act filings and over 150 Council actions; coordinated over 250 commendations and proclamations; responded to over 5,000 public inquiries and over 50 records requests.
- Completed the hiring for the vacant CASP Manager and Deputy City Clerk positions.
- Conducted a successful 2012 Municipal Election.
- City Manager conducted 12 joint City/School Districts/Superintendent collaborative meetings.
- City Manager attends and coordinates City Council Strategic Planning Session and City Council meetings throughout the year.
- City Manager and Assistant City Manager participated in approximately 12 informational community meetings regarding City services fiscal management upon request by Councilmembers and community organizations.

City Attorney's Office

- Successful preparation of tax measure legal documents (Resolution and Ordinance) permanently extending Measure V (Measure E), approved by voters in November 2012.
- Completion of the Alisal Marketplace Negotiating Rights Agreement (August 2012).
- Completion of multiple economic development related contracts, including Capital One Funding Expenditure Programs (e.g., Coder Dojo; Kauffman FasTrac, DCI; Grow Salinas Fund, Dicks Sporting Goods, Welcome Center and other business expansion efforts).
- Completion of agreements with DeepWater Desal to explore the purchase of water and wholesale power.
- Support the orderly wind-down activities of the Successor Agency to Salinas Redevelopment Agency following the dissolution of redevelopment agency. (ROPS; Train Station and Main St. transfers)
- Resolution and/or favorable court rulings up to the U.S. Supreme Court in several high-risk litigation matters (Vargas; Salinas Renaissance Partners; Callan cases).
- Completion of Municipal Stadium agreement with Homers Inc. regarding batting cages to allow stadium project for football/ soccer facility to proceed.
- Amendments to City code pertaining to card rooms, massage establishments, bingo game facilities, and liens and special assessment procedures.
- Completion of new policies regarding Visual Art Display Guidelines, Use of City Seal and Council Rules of Procedure and Guidelines for Public Decorum.

Community and Economic Development Department

- Successful upgrading of TRAKIT Permitting System enhancing capabilities for improved operating efficiencies and data handling.
- Establishment of a Successor Agency and Oversight Board to carry out State law which eliminated the Salinas Redevelopment Agency.
- Initiated mobile TRAKIT to facilitate ease of capturing information for building inspections and code enforcement activities as well as expanding.
- Upgrading of desktop (slim servers) computer systems provided uniform communication capabilities for all divisions within the Community & Economic Development Department.
- Permit Center Assessment initiated with organizational improvement suggestion expected in the early part of FY 2013-2014.

- Housing - Implemented expanded use of online data management system to streamline the division's RFP (Request for Proposal) process, subrecipient payment and beneficiary data management, and compliance monitoring tasks.

Finance Department

- Coordinated and provided leadership in getting tax measure on the November 2012 ballot
- Updated five year financial forecast and lead communication of the future outlook to the labor group leaders leading into the negotiation and provided significant support and leadership in navigating through labor negotiations
- Initiated, coordinated and lead City wide comprehensive fee study and new cost allocation plan
- Continued the significant challenge, time and complexity of dissolving the former Redevelopment Agency including multiple audits and successfully settling law suit with the State Department of Finance
- Successfully completed upgrading desktops for City wide and bid out help-desk services

Fire Department

- Fire Department Training/Hiring – All 12 SAFER Grant firefighters successfully passed a grueling 12 month probation period and have met the requirements to be certified as Firefighter I with the State Fire Training Board. The department also hired and trained 2 replacement SAFER Grant firefighters to replace two firefighters that retired. SAFER Grant guidelines require that all firefighter positions vacated during the grant performance period be filled.
- Fire Department Training - The Fire Department placed two live fire burn simulator trailers in service. All suppression firefighters have received live fire training to enhance firefighter safety and skill maintenance.
- New Department Rules & Regulations – The Fire Department Labor/Management Committee updated and implemented a new Rules & Regulations manual for the department.
- New EMS computer reporting system and virtual desktop purchase - The Fire Department purchased new virtual desktop computers for all fire stations, new EMS laptops for all fire engines which include licenses and software utilizing CSA-74 funds; this saved the General Fund approximately \$75,000.
- Hazardous Materials Team – The Fire Department's Hazardous Materials Team was inspected and typed by CalEMA as a Type III Haz Mat Team. Typing is a new requirement to maintain grant eligibility and miscellaneous funding opportunities.

Police Department

- Established a proactive return to work policy to decrease the number of officers removed from the workplace due to injuries.
- Controlled overtime expenses using creative personnel allocations to meet mandatory minimum staffing levels.

Public Works Department

- Reorganized departmental administrative functions to focus on revenue generation and increased customer services.
- Scheduled the fiscal year Capital Improvement Program (CIP) to ensure 80% of those approved in the budget are constructed within said fiscal year.
- Developed training program to increase managerial and supervisory capacity including the development of a departmental succession plan.
- Connected public work efforts more closely with public safety, public health and community development efforts.

Library and Community Services

- Library
 - ✓ Numbers: 561,704 visitors; 121,730 internet uses at 148 public computers; 1,138 children and youth programs; 14,948 residents attended programs; 3,171 volunteer hours; 3,672 used Homework Centers; 78% residents have library cards; digitized 165 local history interviews and photographs; ten local history video graphics; 8,000 + free lunches at Homework Centers and over 600 public programs including soccer, Mexican regional music orchestra, la cultura cura and youth leadership social justice.
 - ✓ Sixteen grants totaled \$1,332,500: Literary, Cesar Chavez Library, and Technology.
 - ✓ AWARDS: Monterey County Historical Society Award 2011; Selected for ICMA/Gates National Benchmark Study for technology; Packard Fellow; CA State Library “Pitch a Project;”
 - ✓ Opened Cesar Chavez Library and raised \$1 million.
 - ✓ Partnerships with 44 organizations, groups.
- Recreation-Park Sports Division
 - ✓ Through a reallocation of Measure V dollars, the Parks & Community Services Department was able to maintain some basic programming at Central and El Dorado Park recreation facilities. Youth continue to be a central focus for the programming at these sites. From tiny tots, ages 3-5

learning to identify their colors, to elementary aged youth who enjoy a variety of after school activities, to middle school teens crafting their music skills and/or staying fit through Karate; Central and El Dorado provide a positive outlet for engaging neighborhood youth.

- ✓ Recreation and Community Services programs continue to be in high demand by the residents of Salinas. Over 220,000 residents visited a neighborhood recreation center over the last year while over 4,000 youth participated in a variety of youth sports programs.
 - ✓ The Division continues to provide nutritious meals for youth and seniors throughout the year. Last year 14,000 meals were served to seniors at the Firehouse Recreation Center and over 18,000 free lunches were served as part of the summer lunch program at the (5) neighborhood centers and the Cesar Chavez Library.
 - ✓ Provide ongoing volunteer opportunities for youth and adults. Last year over 15,000 volunteer hours were provided in support of recreation programs (Youth Sports Coaches – 12,600 hours; Senior Program – 2,500 hours; Hebbroon Teens – 520 hours)
 - ✓ Hebbroon Family Center served as a HUB for CASP’s implementation of the Comprehensive Strategy for Community Wide Violence Reduction Plan. Various subcommittees including the Cross Functional Team and The Community Engagement meet bi-monthly at the Center. Other CASP agencies also use Hebbroon to provide services to the target area. The Division was awarded approximately \$100,000 over a two year period through CalGRIP VI to implement a Saturday evening teen program at the Breadbox and expand the hours of the existing Saturday evening teen program at the Hebbroon Family Center.
- Events, Neighborhood Services, Volunteers
- ✓ In addition to the District cleanups – Volunteer cleanups were organized for Make a Difference Day and Public Land’s Day.
 - ✓ Volunteer Services hired a Community Services Assistant who worked for 6 months. During that time a Volunteer Facebook page was created and new volunteer monthly orientations were held.
 - ✓ Volunteers continue to support City Services. Volunteers provided support for the City Clerk Office, Finance Department, Neighborhood Services, Library and Human Resources Department.
 - ✓ Staff is currently working on establishing a Policy for Commercial Uses and Farmers Markets in City Parks.
 - ✓ Special Events 135 Community Special Event Permits were issued.

Enterprise Operations

- Successfully maintained a street sweeping program that ensures that the City remains in compliance with NPDES regulations.
- Successfully increased fees in various funds to ensure that programs and services remain viable.
- Successfully increased Industrial Waste Water rates, which had not been done in 10 years.
- Continues to support transition of Fairways Golf Course to contract operator who continues to improve revenue generation.
- Hire outstanding Airport Manager.

Assessment & Maintenance Districts

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

Labor Relations

All employee groups have approved Memorandum of Understandings (MOUs) with the City. Police Management Association (PMA) and Salinas Police Officers Association (SPOA) MOUs will expire December 31, 2015. Fire Supervisors Association (FSA) and International Association of Firefighters (IAFF) MOUs will expire January 2, 2017. All other non-safety groups' contracts will expire December 31, 2016.

Effective July 1, 2013, employee bargaining groups agreed to the following concessions: non-safety employee groups deferred two four-percent salary adjustments until December 2014 and January 2016; The 10% reduction in pay with corresponding reduced hours (furlough) will continue; Police Management and Salinas Police Officers Associations agreed to defer a 5% salary adjustment until October 1, 2015, a 6.3% furlough salary reduction until July 1, 2015; Fire Supervisors Association agreed to a contribution of 6.0% of salary toward City paid health insurance premiums and the suspension of management leave until December 31, 2016; International Association of Firefighters agreed to a contribution of 4.0% of salary toward City paid health insurance premiums until October 1, 2015; Fire units agreed to a fourth tier PERS plan of 2.5% at 57; and the Executive Group agreed to a contribution of 13% of salary toward City paid health insurance premiums until July 1, 2015.

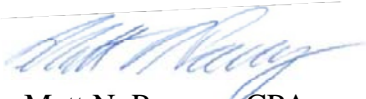
The estimated annual cost in FY 2013-14 is over \$6.0 million. The non-safety employee furlough program does not have a sunset.

Acknowledgements

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

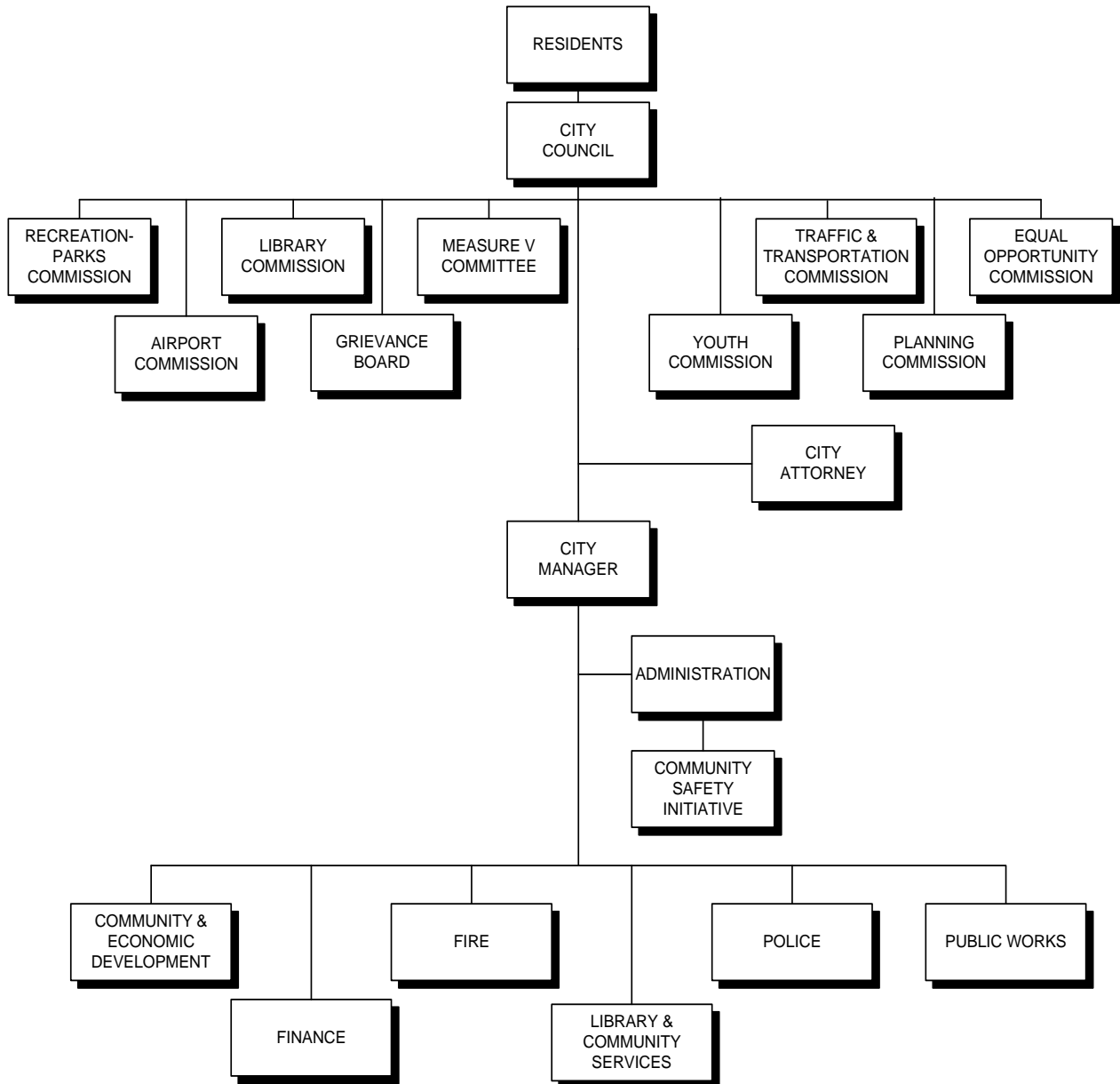
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Matt N. Pressey, CPA
Finance Director

City of Salinas Organization Chart



City of Salinas

List of Principal Officials



Joe Gunter

Mayor

José Castañeda

Councilmember
District 1

Tony Barrera

Councilmember
District 2

Steve McShane

Councilmember
District 3

Ray E. Corpus, Jr.

City Manager

Jim Pia

Assistant City Manager

Elizabeth Martinez

Library and Community
Services Director

Kelly J. McMillin

Chief of Police

Matt N. Pressey, CPA

Finance Director

Gloria De La Rosa

Councilmember
District 4

Kimbley Craig

Councilmember
District 5

Jyl Lutes

Councilmember
District 6

Christopher A. Callihan

City Attorney

Gary E. Petersen

Public Works Director

Jeffrey H. Weir

Community and Economic
Development Director

Edmond A. Rodriguez

Fire Chief



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McGILLOWAY, RAY, BROWN & KAUFMAN

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Toll Free 866-373-2511

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Salinas, California (City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design

*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, Deanna Lozano, CPA, Whitney Ernest, CPA, Devvyn MacBeth, CPA,
Nancy H. Rimberg, CPA, Jesus Montemayor, CPA, Smriti Shrestha, CPA*

audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages F-4 through F-15, the budgetary comparison information on pages R-1 through R-9, and the Schedule of Funding Progress – Retirement Programs on pages R-10 through R-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2014, on our consideration of the Salinas, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Salinas, California's internal control over financial reporting and compliance.

McGilloway, Roy Brown & Kaufman

March 11, 2014

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2013

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, 2013. 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, 2013, the City's net position (excess of assets over liabilities) were \$282.5 million. Of this amount, \$0.9 million are unrestricted assets.
- During the fiscal year ended June 30, 2013, the City's total net position decreased by \$19.1 million. This change results from a decrease of \$16.8 million in governmental activities net position and a decrease of \$2.3 million in business-type activities net position.
- During the fiscal year governmental funds fund balances decreased \$7.5 million to \$52.9 million, of which \$52.0 million is either nonspendable, restricted, committed, or assigned and thus unavailable.
- During the fiscal year the General Fund and Measure V fund balance decreased \$1.2 million to \$6.6 million of which \$5.6 million is either nonspendable, restricted, committed, or assigned. Unassigned General Fund and Measure V fund balance was \$1.0 million.
- The City's total liabilities increased by \$0.8 million during the current fiscal year. The increase of \$3.4 million in insurance claims liabilities and \$0.8 million increase in net OPEB obligation was offset by a net decrease of \$3.4 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 \$0.9 to \$297.1 million.

B. OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2013

Government-Wide Financial Statements

The Government-Wide Financial Statements present the financial picture of the City and provide readers with a broad view of the City's finances. These statements present governmental activities and business-type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

The *Statement of Net Position* and the *Statement of Activities and Changes in Net Position* report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities and Changes in Net Position* presents information showing how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

In the Statement of Net Position and the Statement of Activities and Changes in Net Position, we separate the City activities as follows:

Governmental Activities—All of the City's basic services are reported in this category, including general government, public safety, community development, public works, recreation, and library. Property taxes, sales taxes, user fees, interest income, franchise fees, state grants and federal grants finance these activities. The City's insurance programs (health, worker's compensation, liability and property damage) are accounted for in internal service funds, but are reported as part of governmental activities since these programs are used primarily for governmental activities.

Business-Type Activities—The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Industrial Wastewater System, Airport, Golf Courses, Sanitary Sewer, Hitchcock Water Utility, Storm Sewer, Landfill and Parking District activities are reported as business-type activities.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2013

Fund Financial Statements

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

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

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

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

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

Proprietary Funds - The City maintains two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The City uses enterprise funds to account for its Industrial Wastewater System, Airport, Golf Courses,

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2013

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 Position. These activities are excluded from the City's other financial statements because the resources of these funds are not available to support the City's own programs. The City is responsible for ensuring that these funds are used for their intended purpose.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements, this report also presents certain Required Supplementary Information including the City's budgetary comparison schedules for the General Fund and Measure V, 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.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2013

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Position

Net position are a good indicator of the City's financial position. During this fiscal year, net position of the City were \$282.5 million, which is a decrease of \$19.1 million (6.8%) from the prior year.

At June 30, 2013, the largest portion of net position (80.6%) consists of the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related outstanding debt used for such acquisition. The City uses these capital assets to provide services to residents. The capital assets of the City are not sources of income for repayment of debt as most assets are not revenue generating and generally are not liquidated to repay debt. Debt service payments are funded from other resources available to the City.

The following is the Condensed Statement of Net Position for the fiscal years ended June 30, 2013 and 2012:

City of Salinas							
Condensed Statements of Net Position							
June 30, 2013							
	Governmental Activities		Business-type Activities		Total		Percent of Total
	2013	2012	2013	2012	2013	2012	
Assets:							
Current Assets	\$ 74,587,897	\$ 73,998,612	\$ 19,368,713	\$ 18,665,743	\$ 93,956,610	\$ 92,664,355	22.5 %
Other Assets	22,179,200	39,671,936	284,896	1,052,269	22,464,096	40,724,205	5.4 %
Capital Assets, Net	174,992,633	173,037,613	126,017,272	129,335,530	301,009,905	302,373,143	72.1 %
Total Assets	271,759,730	286,708,161	145,670,881	149,053,542	417,430,611	435,761,703	100.0 %
Liabilities:							
Current Liabilities	8,637,042	8,922,358	920,368	934,101	9,557,410	9,856,459	7.1 %
Other Liabilities	42,363,779	37,747,666	27,794	180,663	42,391,573	37,928,329	31.4 %
LTD - Due in one year	5,397,602	5,029,508	1,401,304	1,351,653	6,798,906	6,381,161	5.0 %
Long-term Liabilities	33,999,321	36,794,917	42,158,217	43,149,177	76,157,538	79,944,094	56.5 %
Total Liabilities	90,397,744	88,494,449	44,507,683	45,615,594	134,905,427	134,110,043	100.0 %
Net Position:							
Invested in Capital Assets	145,565,953	140,928,276	82,169,810	85,147,137	227,735,763	226,075,413	80.6 %
Restricted	44,530,991	64,230,579	9,264,740	9,090,769	53,795,731	73,321,348	19.0 %
Unrestricted	(8,734,958)	(6,945,143)	9,728,648	9,200,042	993,690	2,254,899	0.4 %
Total Net Position	\$ 181,361,986	\$ 198,213,712	\$ 101,163,198	\$ 103,437,948	\$ 282,525,184	\$ 301,651,660	100.0 %

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2013

Statement of Activities

The following is the Condensed Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2013 and 2012:

City of Salinas
Condensed Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2013

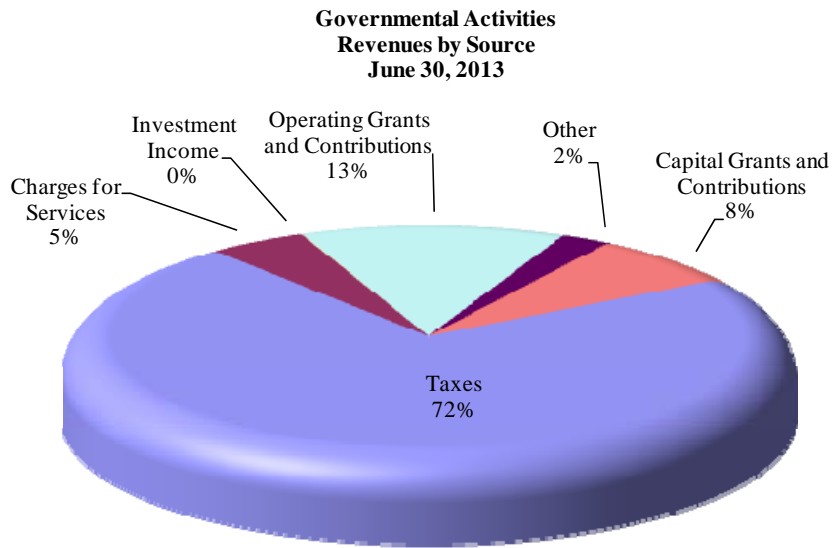
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charges for Services	\$ 5,332,591	\$ 5,784,141	\$ 6,562,775	\$ 5,872,538	\$ 11,895,366	\$ 11,656,679
Operating Grants & Contributions	14,378,415	13,360,019	302,001	696,924	14,680,416	14,056,943
Capital Grants & Contributions	8,221,225	6,856,436	1,859,148	509,268	10,080,373	7,365,704
General Revenues:						
Taxes	79,507,618	78,327,571	-	-	79,507,618	78,327,571
Licenses & Permits	1,268,394	947,445	-	-	1,268,394	947,445
Fines & Forfeitures	46,066	62,409	-	-	46,066	62,409
Grants & Contributions not Restricted	66,402	80,233	-	-	66,402	80,233
Unrestricted Investment Earnings	91,298	69,865	279,355	290,214	370,653	360,079
Rental Income	117,356	106,470	-	-	117,356	106,470
Gain (Loss) on Disposal of Assets	-	583,032	(9,879)	-	(9,879)	583,032
Loan Proceeds	1,090,318	-	-	-	1,090,318	-
Loans Receivable Forgiven	-	(18,000)	-	-	-	(18,000)
Miscellaneous	93,019	192,757	-	-	93,019	192,757
Total Revenues	110,212,702	106,352,378	8,993,400	7,368,944	119,206,102	113,721,322
Expenses						
General Government	41,834,355	20,658,608	17,179,944	1,792,260	43,552,299	22,450,868
Public Safety	57,043,480	57,316,292	-	-	57,043,480	57,316,292
Public Works	18,154,197	20,522,216	10,530,389	10,399,043	28,684,586	30,921,259
Recreation	3,488,915	3,611,561	955,933	953,099	4,444,848	4,564,660
Library	4,281,646	3,963,623	-	-	4,281,646	3,963,623
Interest	1,408,010	1,840,086	-	-	1,408,010	1,840,086
Total Expenses	126,210,603	107,912,386	13,204,266	13,144,402	139,414,869	121,056,788
Increase (decrease) in Net Position before Contributions and Transfers						
	(15,997,901)	(1,560,008)	(4,210,866)	(5,775,458)	(20,208,767)	(7,335,466)
Contributions						
Transfers	(853,825)	(749,950)	853,825	749,950	-	(88,790)
	(853,825)	(838,740)	853,825	749,950	-	(88,790)
Increase (decrease) in Net Position before Extraordinary Gain						
	(16,851,726)	(2,398,748)	(3,357,041)	(5,025,508)	(20,208,767)	(7,424,256)
Extraordinary Gain	-	3,760,316	-	-	-	3,760,316
Increase (decrease) in Net Position	(16,851,726)	1,361,568	(3,357,041)	(5,025,508)	(20,208,767)	(3,663,940)
Net Position - Beginning of Year	198,213,712	196,974,973	103,437,948	107,374,956	301,651,660	304,349,929
Prior Period Adjustment	-	421,421	-	-	-	421,421
Net Position - Beginning of Year as restated	198,213,712	197,396,394	103,437,948	107,374,956	301,651,660	304,771,350
Transfer Parking Net Position to Business-type Activities	-	(544,250)	1,082,291	1,088,500	1,082,291	544,250
Net Position - Ending	\$ 181,361,986	\$ 198,213,712	\$ 101,163,198	\$ 103,437,948	\$ 282,525,184	\$ 301,651,660

CITY OF SALINAS
 Management's Discussion and Analysis
 Fiscal Year ended June 30, 2013

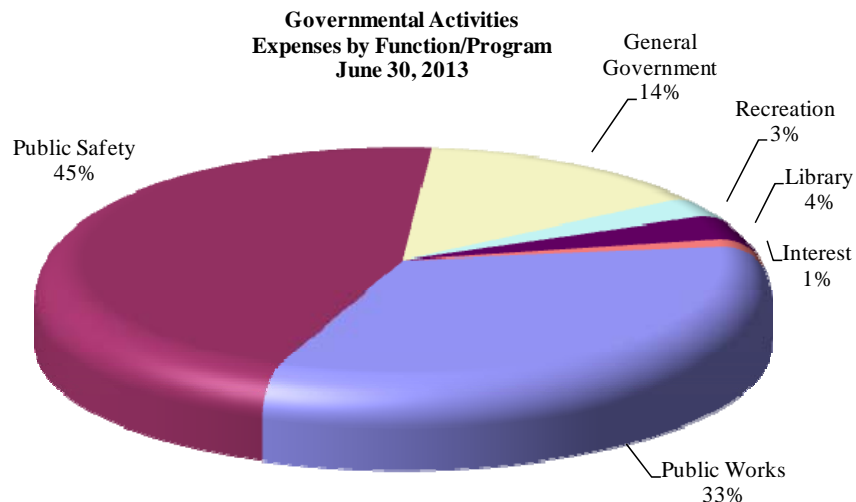
Total revenues increased from the prior year by \$5.5 million and total expenditures increased by \$18.4 million from prior year. Further analysis is provided within the governmental and business-type activities sections.

Governmental Activities

Governmental activities resources total \$110.2 million. The City's governmental activities decreased net position by \$16.9 million. The following charts highlight the sources of revenues and purpose of expenses:



Total expenses for governmental activities, excluding transfers and contributions, were \$126.2 million including interest on long-term debt of \$1.4 million. Total expenditures that were funded by tax revenues, investment income and other general revenues were \$82.3 million.



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2013

Functional expenses for the year ended June 30, 2013 were as follows:

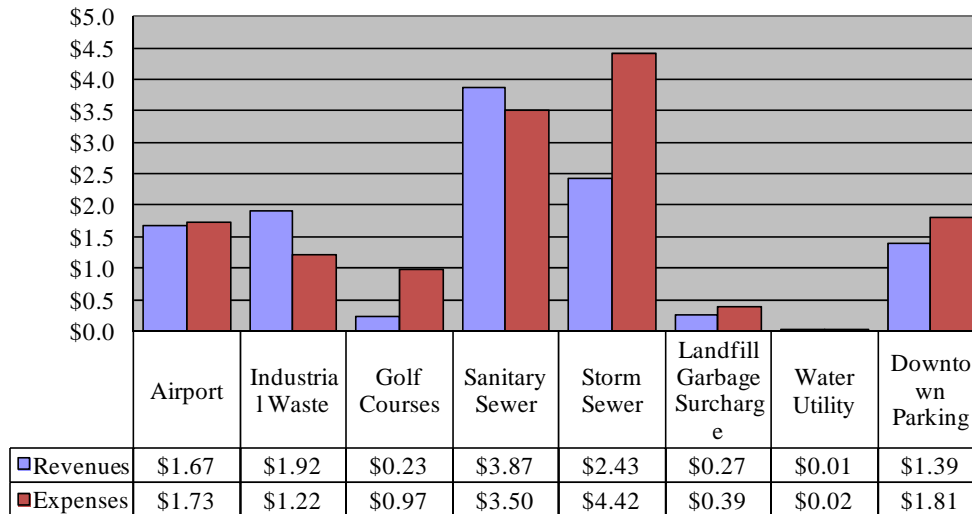
	Total Cost of Services	Percent	Net Cost of Services	Percentage
General Government	\$ 41,834,355	33.1 %	\$ 34,416,200	35.0 %
Public Safety	57,043,480	45.2 %	51,691,082	52.6 %
Public Works	18,154,197	14.4 %	3,583,308	3.6 %
Recreation	3,488,915	2.8 %	3,243,157	3.3 %
Library	4,281,646	3.4 %	3,936,615	4.0 %
Interest	1,408,010	1.1 %	1,408,010	1.4 %
Total	\$ 126,210,603	100 %	\$ 98,278,372	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 \$98.3 million.

Business-Type Activities

The City's business-type activities net position were \$101.2 million, a decrease of \$2.3 million from the prior fiscal year. Total revenues for business-type activities were \$11.8 million. The largest program revenues were charges for services of \$6.6 million. Other program revenues included operating/capital grants and contributions of \$2.2 million. Total expenses for the business-type activities were \$14.0 million during FY 2012-13.

**Business -Type Activities
Revenues, Expenses (in millions)
June 30, 2013**



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2013

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 \$52.9 million. Of the total fund balance of \$52.9 million, \$9.0 million was nonspendable and indicates the resources are nonspendable inventory, loans, notes, land and property held for resale and are not anticipated to be liquidated in the near-term. Of the total fund balance, \$37.2 million was restricted fund balance and indicates the use of resources is constrained by external parties, resource providers, constitutions or enabling legislations. Fund balance of \$15.9 was restricted for future development, \$3.9 million for maintenance districts, \$1.8 million for community development, \$2.4 million for street repairs, \$7.8 million was restricted for debt service, and \$1.0 million for was restricted for public safety purposes. Committed fund balance totaled \$4.4 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 \$4.4 million committed fund balance is committed for capital projects. Assigned fund balance totaled \$1.3 million, of which \$0.5 million was assigned to capital projects. The remaining fund balance of \$1.0 million is unassigned and includes the unassigned fund balance of the General Fund of \$1.0 million, the unassigned fund balance deficit of the Housing and Urban Development Fund of \$2.0 million, and the nonmajor governmental funds balance totaling \$2.0 million. The unassigned fund balance deficit of the major fund and the nonmajor governmental funds will be eliminated in future years by the receipt of various grants, tax increment revenues, and other special revenue.

The General Fund is the chief operating fund of the City. The General and Measure V Fund's fund balance decreased by \$1.2 million in FY 2012-13 to \$6.6 million, of which \$2.3 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. The \$2.4 million committed fund balance is committed for capital projects and is limited to specific purposes as defined in the City Charter or through a formal budgetary action of the City Council occurring through adoption of an ordinance or resolution. Assigned fund balance totaled \$0.8 million. The remaining fund balance of \$1.0 million is unassigned.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2013

Proprietary Funds

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended General Fund and Measure V budget, including transfers in and advances, totaled \$84.6 million.

Significant Appropriations Increases/Decreases

Appropriations during the year was adjusted upward by \$4.8 million, of which, \$3.8 million were related to transfers for capital projects. The Public Safety increased by \$0.4 million and General Government increased by \$0.5 million. Estimated revenue was adjusted upward by \$0.4 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, 2013 and 2012:

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 22,524,752	\$ 22,524,752	\$ 3,632,339	\$ 3,632,339	\$ 26,157,091	\$ 26,157,091
Buildings	44,781,561	40,351,308	27,097,169	27,097,169	71,878,730	67,448,477
Improvements	12,257,011	12,257,011	16,046,824	16,064,746	28,303,835	28,321,757
Equipment	28,923,942	25,222,097	6,952,111	6,969,725	35,876,053	32,191,822
Infrastructure	229,474,132	225,580,877	222,131,957	218,566,713	451,606,090	444,147,590
Construction in Progress	4,845,771	6,520,981	1,354,997	2,547,551	6,200,767	9,068,532
	<u>342,807,169</u>	<u>332,457,026</u>	<u>277,215,397</u>	<u>274,878,243</u>	<u>620,022,566</u>	<u>607,335,269</u>
Accumulated Depreciation	<u>(171,767,456)</u>	<u>(163,843,282)</u>	<u>(151,198,125)</u>	<u>(145,542,713)</u>	<u>(322,965,581)</u>	<u>(309,385,995)</u>
	<u>\$ 171,039,713</u>	<u>\$ 168,613,744</u>	<u>\$ 126,017,272</u>	<u>\$ 129,335,530</u>	<u>\$ 297,056,985</u>	<u>\$ 297,949,274</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, 2013, net capital assets of the governmental activities totaled \$171.0 million and the net capital assets of the business-type activities totaled \$126.0 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.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2013

Governmental activities acquired \$10.9 million of capital assets during the year. The acquisitions include \$2.1 million in construction in progress, \$3.7 million in infrastructure improvements, \$3.3 million in machinery and equipment, \$1.7 million in buildings and improvements and no change in land.

Business-type activities acquired \$2.7 million of capital assets during the year. The Airport Fund had \$0.3 million and the Industrial Waste Fund had \$0.4 million in construction in progress. The Sanitary Sewer and Storm Sewer Funds had infrastructure improvements of \$0.8 and \$0.7 million, respectively. Other additions of capital assets were routine replacements of current capital assets.

Long-Term Obligations

As of June 30, 2013, the City had \$82,956,444 in long-term debt.

City of Salinas' Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Annual Leave	\$ 9,519,155	\$ 9,352,941	\$ 288,204	\$ 312,437	\$ 9,807,359	\$ 9,665,378
Estimated Insurance Claims	3,047,525	3,358,409	-	-	3,047,525	3,358,409
Net Pension Obligation	18,083	28,194	-	-	18,083	28,194
Capital Leases	2,297,160	1,589,881	467,617	399,859	2,764,777	1,989,740
Loans and Notes	-	-	93,664	128,534	93,664	128,534
Revenue Bonds	-	-	17,625,000	17,995,000	17,625,000	17,995,000
Tax Allocation Bonds	-	-	-	-	-	-
Certificates of Participation	12,095,000	12,625,000	24,915,000	25,665,000	37,010,000	38,290,000
Assessment District Bonds	12,420,000	14,870,000	-	-	12,420,000	14,870,000
Unamortized Bond Premium	-	-	170,036	180,663	170,036	180,663
	<u>\$ 39,396,923</u>	<u>\$ 41,824,425</u>	<u>\$ 43,559,521</u>	<u>\$ 44,681,493</u>	<u>\$ 82,956,444</u>	<u>\$ 86,505,918</u>

Further details on the City of Salinas' long-term debt can be found in Note 19 to the financial statements.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

To address the FY 2013-14 structural deficit and avoid layoffs, the City has managed and shepherded its vacancies. The FY 14-15 has a projected deficit of \$4.7 million. For FY 2014-15 and beyond, a more strategic approach is planned with a goal of eliminating the structural deficit and reaching a sustainable base that the City can then grow upon. The City departments and employee bargaining groups have already begun to work together to address the challenges that are ahead in order to minimize the impact on City services and layoffs. Since the adoption of the FY 2013-14 budget, the City has embark upon several fronts including engaging the employee groups to collaboratively and creatively seek ideas for reducing costs and generate revenues. The City will also be implementing priority based budgeting, further expending and deploying economic development efforts, and implementing new technology to improve the workforce efficiency and effectiveness in administrative functions and service delivery. Each Department will be reviewing its

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2013

operations and organizational structure. Studies including finalizing the Permit Center review, and procuring a study of the Police and Fire department staffing will occur during the year. These studies, performed by outside, independent consultants, will further build on what the Avery organizational study accomplished and provide the City with a blueprint for a more specific sustainable service delivery model and structure. The studies will include a model and structure based on the current funding levels and on a future potential funding levels anticipated from a new successful revenue measure.

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.



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BASIC FINANCIAL STATEMENTS



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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF SALINAS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 57,208,270	\$ 4,938,898	\$ 62,147,168
Receivables, net of allowance			
Taxes	9,957,262	-	9,957,262
Accounts	283,624	2,458,492	2,742,116
Accrued interest	1,142,591	2,116	1,144,707
Due from outside agencies	3,622,688	3,287,587	6,910,275
Due from Sucessor Agency	1,090,288	-	1,090,288
Due from other funds	10,682	-	10,682
Internal balances	2,667,492	(2,667,492)	-
Inventory	14,874	-	14,874
Restricted cash and investments	1,467,516	9,014,112	10,481,628
Advances to Sucessor Agency	940,000	-	940,000
Assessments receivable	12,420,000	-	12,420,000
Loan receivables, net of allowance	4,345,533	-	4,345,533
Prepaid bond issuance costs, net of accumulated amortization	1,596,277	2,619,896	4,216,173
Land and properties held for resale	3,952,920	-	3,952,920
Capital Assets			
Land and nondepreciable assets	27,370,523	4,987,336	32,357,859
Depreciable assets, net of accumulated depreciation	143,669,190	121,029,936	264,699,126
Total assets	<u>271,759,730</u>	<u>145,670,881</u>	<u>417,430,611</u>
LIABILITIES			
Accounts payable	7,851,477	344,223	8,195,700
Accrued interest payable	485,565	576,145	1,061,710
Prepaid deposits	-	27,794	27,794
Due to other agencies	300,000	-	300,000
Unearned revenues	15,503,327	-	15,503,327
Long term liabilities			
Insurance claims payable	20,034,285	-	20,034,285
Net OPEB obligation	6,826,167	-	6,826,167
Debt due within one year	5,397,602	1,401,304	6,798,906
Debt due in more than one year	33,999,321	42,158,217	76,157,538
Total liabilities	<u>90,397,744</u>	<u>44,507,683</u>	<u>134,905,427</u>
NET POSITION			
Invested in capital assets	145,565,953	82,169,810	227,735,763
Restricted for:			
Housing	9,774,341	-	9,774,341
Capital Projects	6,795,922	-	6,795,922
Highways and Streets	18,394,532	-	18,394,532
Debt Service	7,825,237	9,264,740	17,089,977
Special Programs	1,740,959	-	1,740,959
Total restricted assets	<u>44,530,991</u>	<u>9,264,740</u>	<u>53,795,731</u>
Unrestricted net position (deficits)	<u>(8,734,958)</u>	<u>9,728,648</u>	<u>993,690</u>
Total net position	<u>\$ 181,361,986</u>	<u>\$ 101,163,198</u>	<u>\$ 282,525,184</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTION/PROGRAM ACTIVITIES	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General Government	\$ 41,834,355	\$ 4,033,616	\$ 3,384,344	\$ 195	\$ (34,416,200)	\$ -	\$ (34,416,200)
Public Safety	57,043,480	1,078,182	4,274,216	-	(51,691,082)	-	(51,691,082)
Public Works	18,154,197	11,885	6,364,844	8,194,160	(3,583,308)	-	(3,583,308)
Recreation	3,488,915	184,499	34,565	26,694	(3,243,157)	-	(3,243,157)
Library	4,281,646	24,409	320,446	176	(3,936,615)	-	(3,936,615)
Interest on long-term debt	1,408,010	-	-	-	(1,408,010)	-	(1,408,010)
Total governmental activities	126,210,603	5,332,591	14,378,415	8,221,225	(98,278,372)	-	(98,278,372)
Business-Type Activities:							
Airport	1,717,944	1,264,539	47,400	353,445	-	(52,560)	(52,560)
Industrial Waste	1,192,198	1,908,752	-	4,874	-	721,428	721,428
Golf Courses	955,933	-	225,095	-	-	(730,838)	(730,838)
Sanitary Sewer	3,413,498	3,049,298	10,627	808,270	-	454,697	454,697
Storm Sewer	4,089,693	36,585	1,245	692,559	-	(3,359,304)	(3,359,304)
Water Utility	21,810	5,568	8,634	-	-	(7,608)	(7,608)
Downtown Parking	1,813,190	298,033	9,000	-	-	(1,506,157)	(1,506,157)
Total Business-Type Activities	13,204,266	6,562,775	302,001	1,859,148	-	(4,480,342)	(4,480,342)
Total Primary Government	\$ 139,414,869	\$ 11,895,366	\$ 14,680,416	\$ 10,080,373	(98,278,372)	(4,480,342)	(102,758,714)
General Revenues and Transfers:							
Taxes					79,507,618	-	79,507,618
Licenses and Permits					1,268,394	-	1,268,394
Fines and Forfeitures					46,066	-	46,066
Grants and Contributions not Restricted to Specific Programs					66,402	-	66,402
Unrestricted Investment Earnings					91,298	279,355	370,653
Miscellaneous					93,019	-	93,019
Rental income					117,356	-	117,356
Gain (Loss) on Disposal of Assets/Debt					-	(9,879)	(9,879)
Loan Proceeds					1,090,318	-	1,090,318
Monterey Parking Structure					-	1,082,291	1,082,291
Transfers					(853,825)	853,825	-
Total General Revenues and Transfers					81,426,646	2,205,592	83,632,238
Change in Net Position					(16,851,726)	(2,274,750)	(19,126,476)
Net Position - Beginning of Year					198,213,712	103,437,948	301,651,660
Net Position - End of Year					\$ 181,361,986	\$ 101,163,198	\$ 282,525,184

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.

DEBT SERVICE FUNDS

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

Assessment District Debt Service Fund

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

**CITY OF SALINAS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General and Measure V	Housing & Urban Development	Development Fees	Assessment District Debt Service	Other Non-major Governmental Funds	Total
ASSETS						
Cash and investments	\$ 13,285,202	\$ 283,343	\$ 15,901,023	\$ 3,636,150	\$ 18,428,613	\$ 51,534,331
Receivables, net:						
Taxes	9,757,662	-	-	-	-	9,757,662
Accounts	125,132	-	-	-	158,462	283,594
Accrued interest	12,662	-	7,380	-	1,120,471	1,140,513
Assessments	-	-	-	12,420,000	-	12,420,000
Due from outside agencies	67,006	552,499	-	-	3,003,183	3,622,688
Due from Successor Agency	1,090,288	-	-	-	-	1,090,288
Due from other funds	2,878,298	300,000	-	-	643,328	3,821,626
Advances to Successor Agency	-	-	-	-	940,000	940,000
Inventory	14,874	-	-	-	-	14,874
Restricted cash and investments	-	-	-	-	1,140,254	1,140,254
Loan receivables	-	242,588	-	-	4,102,945	4,345,533
Advances to other funds	2,335,000	-	-	-	-	2,335,000
Land and properties held for resale	-	1,420,921	-	-	2,531,999	3,952,920
Total assets	\$ 29,566,124	\$ 2,799,351	\$ 15,908,403	\$ 16,056,150	\$ 32,069,255	\$ 96,399,283
LIABILITIES						
Accounts payable	\$ 6,338,896	\$ 221,203	\$ -	\$ -	\$ 1,230,572	\$ 7,790,671
Due to outside agencies	-	300,000	-	-	-	300,000
Due to other funds	16,618,383	874,083	69,846	-	2,103,137	19,665,449
Unearned revenues	-	-	-	-	1,029,466	1,029,466
Total liabilities	22,957,279	1,395,286	69,846	-	4,363,175	28,785,586
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - housing loans	-	242,588	-	-	2,053,861	2,296,449
Unavailable revenues - special assessment receivable	-	-	-	12,420,000	-	12,420,000
Total deferred inflows of resources	-	242,588	-	12,420,000	2,053,861	14,716,449
FUND BALANCE						
Nonspendable	2,349,874	-	-	-	6,634,944	8,984,818
Restricted	-	3,190,931	15,838,557	3,636,150	14,543,917	37,209,555
Committed	2,382,000	-	-	-	2,000,000	4,382,000
Assigned	831,549	-	-	-	507,647	1,339,196
Unassigned	1,045,422	(2,029,454)	-	-	1,965,711	981,679
Total fund balances	6,608,845	1,161,477	15,838,557	3,636,150	25,652,219	52,897,248
Total liabilities and fund balances	\$ 29,566,124	\$ 2,799,351	\$ 15,908,403	\$ 16,056,150	\$ 32,069,255	\$ 96,399,283

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total fund balances - total governmental funds (page F-24)		\$ 52,897,248
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not current financial resources and therefore are not reported in the governmental funds balance sheet.		171,039,713
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.		(485,565)
Deferred revenues are adjusted as follows:		
Deferred revenues resulting from revenues that are not available to liquidate liabilities of the current period in the governmental funds are reclassified as revenues in the statement of net position.		242,588
Taxes receivable not collectible within sixty days are not available to pay current period expenditures and, therefore, are not reported in the funds.		199,600
Internal service funds are used by management to charge the costs of insurance programs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net position.		2,094,441
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet as follows:		
Annual leave	\$ (9,518,381)	
Estimated insurance claims	(3,047,525)	
Net pension obligation	(18,083)	
Capital leases	(2,297,160)	
Certificates of participation	(12,095,000)	
Assessment bonds	<u>(12,420,000)</u>	(39,396,149)
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.		(6,826,167)
Unamortized bond issuance costs are not reported in the governmental funds balance sheet.		<u>1,596,277</u>
Net position of governmental activities (page F-20)		<u><u>\$ 181,361,986</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 THE YEAR ENDED JUNE 30, 2013

	General and Measure V	Housing & Urban Development	Development Fees	Assessment District Debt Service	Other Non-major Governmental Funds	Total
REVENUES						
Taxes	\$ 79,513,847	\$ -	\$ -	\$ -	\$ 602,821	\$ 80,116,668
Taxes - special assessments	-	-	-	3,302,982	1,482,187	4,785,169
Licenses and permits	1,268,394	-	-	-	-	1,268,394
Intergovernmental	583,347	2,932,103	-	-	11,251,161	14,766,611
Charges for services	3,780,976	-	899,928	-	810,916	5,491,820
Interest	91,298	-	33,624	-	85,654	210,576
Rental income	117,356	-	-	-	177,507	294,863
Fines and forfeits	46,066	-	-	-	536,999	583,065
Developer contributions	-	-	-	-	552,977	552,977
Miscellaneous	93,019	772,133	-	-	928,175	1,793,327
Total revenues	<u>85,494,303</u>	<u>3,704,236</u>	<u>933,552</u>	<u>3,302,982</u>	<u>16,428,397</u>	<u>109,863,470</u>
EXPENDITURES						
Current:						
General government	17,804,301	4,105,393	-	-	6,872,103	28,781,797
Public safety	49,162,853	-	-	-	5,756,268	54,919,121
Public works	11,538,077	-	-	-	-	11,538,077
Recreation	1,327,783	-	-	-	1,253,729	2,581,512
Library	3,820,141	-	-	-	317,066	4,137,207
Capital outlay	130,234	-	49,845	-	11,199,863	11,379,942
Debt service:						
Principal retirement	-	-	-	2,450,000	530,000	2,980,000
Interest and fiscal charges	-	-	-	771,771	601,884	1,373,655
Total expenditures	<u>83,783,389</u>	<u>4,105,393</u>	<u>49,845</u>	<u>3,221,771</u>	<u>26,530,913</u>	<u>117,691,311</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,710,914</u>	<u>(401,157)</u>	<u>883,707</u>	<u>81,211</u>	<u>(10,102,516)</u>	<u>(7,827,841)</u>
OTHER FINANCING SOURCES (USES)						
Loan proceeds	-	-	-	-	1,090,318	1,090,318
Operating transfers in	2,000,001	272,549	7,920	-	8,182,757	10,463,227
Operating transfers out	(4,935,478)	(649,039)	(327,422)	-	(5,297,597)	(11,209,536)
Total other financing sources (uses)	<u>(2,935,477)</u>	<u>(376,490)</u>	<u>(319,502)</u>	<u>-</u>	<u>3,975,478</u>	<u>344,009</u>
NET CHANGE IN FUND BALANCES	<u>(1,224,563)</u>	<u>(777,647)</u>	<u>564,205</u>	<u>81,211</u>	<u>(6,127,038)</u>	<u>(7,483,832)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>7,833,408</u>	<u>1,939,124</u>	<u>15,274,352</u>	<u>3,554,939</u>	<u>31,779,257</u>	<u>60,381,080</u>
FUND BALANCES, END OF YEAR	<u>\$ 6,608,845</u>	<u>\$ 1,161,477</u>	<u>\$ 15,838,557</u>	<u>\$ 3,636,150</u>	<u>\$ 25,652,219</u>	<u>\$ 52,897,248</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, 2013

Net change in fund balances - total governmental funds (page F-26) \$ (7,483,832)

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. 2,425,969

Net increase (decrease) in taxes receivable not collectible within sixty days. (6,229)

Unearned revenues of new housing loans are reported in the statement of net position. 1,758,110

Principal payments on housing loans are reported in the statement of net position. (842,373)

Reporting of loan receivables at realizable value requires an allowance to be made. (14,471,595)

Issuance of long-term debt including capital advances, compensating absences, and leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources in governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Following is the net effect of these differences in the treatment of long-term debt and related items:

Decrease in benefits' liability	\$ 143,018	
Net pension obligation	10,111	
Capital leases	(707,279)	
Certificates of participation	530,000	
Assessment district 1915 act bonds	<u>2,450,000</u>	2,425,850

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. (782,463)

Governmental funds report the effect of issuance costs and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net current period change in Unamortized bond issuance cost for bond effect of the bond issuance costs on bonds. (116,909)

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. (34,355)

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The assets and liabilities of the internal service funds are included in the statement of net position. 276,101

Change in net position of governmental activities (page F-21) \$ (16,851,726)

The accompanying notes are an integral part of this statement.

PROPRIETARY FUNDS

Proprietary Funds are used to account for a government's business-type activities (activities supported, at least in part, by fees or charges). Proprietary funds are segregated into Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report business-type activities for which a fee is charged to external users for goods or services. Internal Service Funds on the other hand are used primarily for services provided to internal users (other departments or agencies).

The City has the following Enterprise Funds:

Airport Fund - This fund is used to account for the enterprise operations of the City-owned airport.

Industrial Waste Fund - This fund is used to account for enterprise operations of the City-operated Industrial Wastewater treatment facility.

Municipal Golf Courses Fund - This fund is used to account for the enterprise operations of the Fairways and Twin Creeks golf courses.

Sanitary Sewer Fund - This fund is used to account for the maintenance of the City's sanitary sewer collection system, which is funded by user fees and by the Monterey Regional Water Pollution Control Agency sewer user fees.

Storm Sewer Fund - This fund is used to account for the maintenance of the City's storm drainage system and the street sweeping program. This program was funded with a storm sewer fee that was declared by the Court as invalid under Proposition 218. Until alternative funding is secured, the program is funded with a combination of general funds and gas tax funds. In addition, the program is funded with a street sweeping surcharge on garbage collection billings.

Landfill Garbage Surcharge Fund - This fund is used to account for the installment sale of the Crazy Horse landfill site to the Salinas Valley Solid Waste Authority.

Water Utility Fund – This fund is used to account for the repairs and maintenance of the water well located at Hitchcock Road. Water users fund the costs of the water well repairs and annual operating costs.

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

CITY OF SALINAS
STATEMENT OF FUND NET POSITION (DEFICITS)
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds								Governmental	
	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	\$ 312,995	\$ 1,404,673	\$ 522,537	\$ 1,995,804	\$ 651,609	\$ -	\$ 40,493	\$ 10,787	\$ 4,938,898	\$ 5,673,939
Receivables, net										
Accounts	177,541	946,588	16,667	1,184,740	-	-	11,542	121,414	2,458,492	30
Accrued interest	167	761	-	1,027	161	-	-	-	2,116	2,078
Prepaid bond issuance cost	-	2,476	71,153	32,367	-	-	-	36,371	142,367	-
Due from general fund	-	-	-	-	-	-	-	-	-	16,186,997
Total current assets	<u>490,703</u>	<u>2,354,498</u>	<u>610,357</u>	<u>3,213,938</u>	<u>651,770</u>	<u>-</u>	<u>52,035</u>	<u>168,572</u>	<u>7,541,873</u>	<u>21,863,044</u>
Noncurrent assets:										
Due from outside agencies	-	-	-	-	-	3,287,587	-	-	3,287,587	-
Restricted cash and investments	-	-	916,773	6,948,175	-	-	-	1,149,164	9,014,112	327,262
Prepaid bond issuance cost, net of accumulated amortization	-	2,478	1,029,749	717,887	-	-	-	727,415	2,477,529	-
Capital assets										
Nondepreciable	2,314,131	1,517,554	-	1,125,038	23,913	-	-	6,700	4,987,336	-
Depreciable buildings, property, and infrastructure, net of accumulated depreciation	12,931,915	4,025,184	3,975,294	35,485,040	52,102,111	-	107,810	12,402,582	121,029,936	-
Net capital assets	<u>15,246,046</u>	<u>5,542,738</u>	<u>3,975,294</u>	<u>36,610,078</u>	<u>52,126,024</u>	<u>-</u>	<u>107,810</u>	<u>12,409,282</u>	<u>126,017,272</u>	<u>-</u>
Total noncurrent assets	<u>15,246,046</u>	<u>5,545,216</u>	<u>5,921,816</u>	<u>44,276,140</u>	<u>52,126,024</u>	<u>3,287,587</u>	<u>107,810</u>	<u>14,285,861</u>	<u>140,796,500</u>	<u>327,262</u>
Total assets	<u>15,736,749</u>	<u>7,899,714</u>	<u>6,532,173</u>	<u>47,490,078</u>	<u>52,777,794</u>	<u>3,287,587</u>	<u>159,845</u>	<u>14,454,433</u>	<u>148,338,373</u>	<u>22,190,306</u>
LIABILITIES										
Current liabilities:										
Accounts payable	43,175	112,663	1,168	61,508	104,004	-	1,020	20,685	344,223	60,806
Deposits	27,794	-	-	-	-	-	-	-	27,794	-
Due to other funds	11,847	163,771	5,268	30,554	59,083	-	-	61,969	332,492	-
Insurance claims payable	-	-	-	-	-	-	-	-	-	20,034,285
Interest payable	-	3,412	78,028	276,303	1,260	-	-	217,142	576,145	-
Long term debt - due within one year	38,209	95,583	360,000	366,361	71,207	-	-	469,944	1,401,304	155
Total current liabilities	<u>121,025</u>	<u>375,429</u>	<u>444,464</u>	<u>734,726</u>	<u>235,554</u>	<u>-</u>	<u>1,020</u>	<u>769,740</u>	<u>2,681,958</u>	<u>20,095,246</u>
Noncurrent Liabilities:										
Advance from general fund	-	-	600,000	-	-	-	-	1,735,000	2,335,000	-
Long term debt - due in more than one year	49,242	117,334	10,255,000	17,532,341	264,013	-	-	13,940,287	42,158,217	619
Total noncurrent liabilities	<u>49,242</u>	<u>117,334</u>	<u>10,855,000</u>	<u>17,532,341</u>	<u>264,013</u>	<u>-</u>	<u>-</u>	<u>15,675,287</u>	<u>44,493,217</u>	<u>619</u>
Total liabilities	<u>170,267</u>	<u>492,763</u>	<u>11,299,464</u>	<u>18,267,067</u>	<u>499,567</u>	<u>-</u>	<u>1,020</u>	<u>16,445,027</u>	<u>47,175,175</u>	<u>20,095,865</u>
NET POSITION										
Invested in capital assets	15,190,263	5,354,326	(6,717,734)	18,538,739	51,897,930	-	107,810	(2,201,524)	82,169,810	-
Restricted	5,930	236,287	916,773	6,953,086	2,034	-	-	1,150,630	9,264,740	327,262
Unrestricted	370,289	1,816,338	1,033,670	3,731,186	378,263	3,287,587	51,015	(939,700)	9,728,648	1,767,179
Total net position (deficits)	<u>\$ 15,566,482</u>	<u>\$ 7,406,951</u>	<u>\$ (4,767,291)</u>	<u>\$ 29,223,011</u>	<u>\$ 52,278,227</u>	<u>\$ 3,287,587</u>	<u>\$ 158,825</u>	<u>\$ (1,990,594)</u>	<u>\$ 101,163,198</u>	<u>\$ 2,094,441</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICITS)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	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										
Fees	\$ 2,645	\$ 1,908,752	\$ -	\$ 3,049,298	\$ 36,585	\$ -	\$ 5,568	\$ -	\$ 5,002,848	\$ 9,690,386
Licenses and permits	53,537	-	-	-	-	-	-	298,033	351,570	-
Rental income	1,208,357	-	225,000	-	-	-	-	-	1,433,357	-
Total operating revenues	<u>1,264,539</u>	<u>1,908,752</u>	<u>225,000</u>	<u>3,049,298</u>	<u>36,585</u>	<u>-</u>	<u>5,568</u>	<u>298,033</u>	<u>6,787,775</u>	<u>9,690,386</u>
OPERATING EXPENSES:										
Personnel services	455,394	288,970	-	744,163	954,792	-	-	111,378	2,554,697	87,142
Administration	161,868	126,647	-	180,363	184,057	-	1,538	72,996	727,469	-
Contractual services	182,782	183,179	76,206	17,897	152,784	-	10,004	308,423	931,275	465,147
Supplies	75,364	33,586	-	116,148	138,056	-	-	10,897	374,051	443
Insurance	22,000	18,500	-	44,800	25,900	-	-	-	111,200	696,848
Insurance claims	-	-	-	-	-	-	-	-	-	8,173,160
Fees and permits (taxes)	43,967	10,463	-	-	-	-	-	-	54,430	-
Utilities	104,738	332,033	-	161,667	7,362	-	-	30,388	636,188	-
Depreciation	648,517	175,743	554,937	1,422,691	2,621,609	-	10,268	577,017	6,010,782	-
Amortization	-	2,476	71,158	32,369	-	-	-	36,370	142,373	-
Other	23,314	5,106	-	10,757	4,744	-	-	135	44,056	294
Total operating expenses	<u>1,717,944</u>	<u>1,176,703</u>	<u>702,301</u>	<u>2,730,855</u>	<u>4,089,304</u>	<u>-</u>	<u>21,810</u>	<u>1,147,604</u>	<u>11,586,521</u>	<u>9,423,034</u>
Operating income (loss)	<u>(453,405)</u>	<u>732,049</u>	<u>(477,301)</u>	<u>318,443</u>	<u>(4,052,719)</u>	<u>-</u>	<u>(16,242)</u>	<u>(849,571)</u>	<u>(4,798,746)</u>	<u>267,352</u>
NONOPERATING REVENUES (EXPENSES)										
Investment income	735	3,671	1,855	4,373	758	267,079	-	884	279,355	8,749
Interest expense	-	(15,495)	(253,632)	(682,643)	(389)	-	-	(665,586)	(1,617,745)	-
Gain (loss) on disposition of fixed assets	-	-	(8,364)	-	-	-	-	(1,515)	(9,879)	-
Other nonoperating revenues (expenses)	47,400	-	95	10,627	1,245	-	8,634	9,000	77,001	-
Total nonoperating revenues(expenses)	<u>48,135</u>	<u>(11,824)</u>	<u>(260,046)</u>	<u>(667,643)</u>	<u>1,614</u>	<u>267,079</u>	<u>8,634</u>	<u>(657,217)</u>	<u>(1,271,268)</u>	<u>8,749</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS										
	<u>(405,270)</u>	<u>720,225</u>	<u>(737,347)</u>	<u>(349,200)</u>	<u>(4,051,105)</u>	<u>267,079</u>	<u>(7,608)</u>	<u>(1,506,788)</u>	<u>(6,070,014)</u>	<u>276,101</u>
Contributed assets	353,445	4,874	-	808,270	692,559	-	-	-	1,859,148	-
Contribution for parking structure debt	-	-	-	-	-	-	-	1,082,291	1,082,291	-
Transfers in	-	-	-	-	1,700,000	-	-	-	1,700,000	-
Transfers out	(11,195)	(29,292)	(5,267)	(85,304)	(330,020)	(385,097)	-	-	(846,175)	-
CHANGE IN NET POSITION	<u>(63,020)</u>	<u>695,807</u>	<u>(742,614)</u>	<u>373,766</u>	<u>(1,988,566)</u>	<u>(118,018)</u>	<u>(7,608)</u>	<u>(424,497)</u>	<u>(2,274,750)</u>	<u>276,101</u>
NET POSITION, BEGINNING OF YEAR	<u>15,629,502</u>	<u>6,711,144</u>	<u>(4,024,677)</u>	<u>28,849,245</u>	<u>54,266,793</u>	<u>3,405,605</u>	<u>166,433</u>	<u>(1,566,097)</u>	<u>103,437,948</u>	<u>1,818,340</u>
NET POSITION (DEFICITS), END OF YEAR	<u>\$ 15,566,482</u>	<u>\$ 7,406,951</u>	<u>\$ (4,767,291)</u>	<u>\$ 29,223,011</u>	<u>\$ 52,278,227</u>	<u>\$ 3,287,587</u>	<u>\$ 158,825</u>	<u>\$ (1,990,594)</u>	<u>\$ 101,163,198</u>	<u>\$ 2,094,441</u>

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, 2013**

	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	\$ 1,312,420	\$ 1,264,955	\$ 225,000	\$ 2,059,105	\$ 46,257	\$ -	\$ (406)	\$ 222,288	\$ 5,129,619	\$ 543,725
Receipts from interfund services provided	-	-	-	-	-	-	-	-	-	4,943,035
Payments to suppliers	(636,540)	(677,970)	(148,231)	(567,935)	(465,920)	-	(11,788)	(504,140)	(3,012,524)	(1,153,618)
Payments to employees	(449,955)	(281,093)	-	(745,828)	(985,730)	-	-	(113,332)	(2,575,938)	(88,734)
Payments to claimants	-	-	-	-	-	-	-	-	-	(5,341,311)
Net Cash Provided (Used) by Operating Activities	<u>225,925</u>	<u>305,892</u>	<u>76,769</u>	<u>745,342</u>	<u>(1,405,393)</u>	<u>-</u>	<u>(12,194)</u>	<u>(395,184)</u>	<u>(458,843)</u>	<u>(1,096,903)</u>
Cash Flows from Non-Capital Financing Activities:										
Other non-operating revenue	47,400	-	95	-	1,245	-	8,634	9,000	66,374	-
Deposits	(17,131)	-	-	-	-	-	-	-	(17,131)	-
Advance received from General Fund	-	-	450,000	-	-	-	-	175,000	625,000	-
Cash flow advance from General Fund	-	-	-	-	-	-	-	61,969	61,969	-
Contribution from SRA	-	-	-	-	-	-	-	1,082,291	1,082,291	-
Operating transfers in	-	-	-	-	1,700,000	-	-	-	1,700,000	-
Operating transfers out	(11,195)	(29,292)	(5,267)	(85,304)	(330,020)	(385,097)	-	-	(846,175)	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>19,074</u>	<u>(29,292)</u>	<u>444,828</u>	<u>(85,304)</u>	<u>1,371,225</u>	<u>(385,097)</u>	<u>8,634</u>	<u>1,328,260</u>	<u>2,672,328</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:										
Acquisition of capital assets	(22,598)	(277,226)	5,268	(72,427)	(217,379)	-	-	-	(584,362)	-
Net proceeds from capital debt	-	-	-	-	276,225	118,018	-	-	394,243	-
Deferred bond issuance costs	-	2,476	71,158	32,369	-	-	-	36,370	142,373	-
Principal paid on capital debt	(54,298)	(85,000)	(335,000)	(380,627)	(69,169)	-	-	(449,870)	(1,373,964)	-
Interest paid on capital debt	-	(17,063)	(257,314)	(652,096)	-	-	-	(671,591)	(1,598,064)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(76,896)</u>	<u>(376,813)</u>	<u>(515,888)</u>	<u>(1,072,781)</u>	<u>(10,323)</u>	<u>118,018</u>	<u>-</u>	<u>(1,085,091)</u>	<u>(3,019,774)</u>	<u>-</u>
Cash Flows from Investing Activities:										
Interest received	775	5,052	1,855	6,200	1,528	267,079	-	884	283,373	16,965
Increase (decrease) in fair value of investments	(91)	(1,126)	-	(1,498)	(522)	-	-	-	(3,237)	(5,713)
Transfer (to) from restricted cash	-	-	(1,888)	30,826	-	-	-	(769)	28,169	(78,888)
Net Cash Provided by Investing Activities	<u>684</u>	<u>3,926</u>	<u>(33)</u>	<u>35,528</u>	<u>1,006</u>	<u>267,079</u>	<u>-</u>	<u>115</u>	<u>308,305</u>	<u>(67,636)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	168,787	(96,287)	5,676	(377,215)	(43,485)	-	(3,560)	(151,900)	(497,984)	(1,164,539)
Cash and Cash Equivalents at Beginning of Year	144,208	1,500,960	516,861	2,362,392	695,094	-	44,053	162,687	5,426,255	6,838,478
Cash and Cash Equivalents at End of Year	<u>\$ 312,995</u>	<u>\$ 1,404,673</u>	<u>\$ 522,537</u>	<u>\$ 1,985,177</u>	<u>\$ 651,609</u>	<u>\$ -</u>	<u>\$ 40,493</u>	<u>\$ 10,787</u>	<u>\$ 4,928,271</u>	<u>\$ 5,673,939</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, 2013**

	<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)	\$ (453,405)	\$ 732,049	\$ (477,301)	\$ 318,443	\$ (4,052,719)	\$ -	\$ (16,242)	\$ (849,571)	\$ (4,798,746)	\$ 267,352
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:										
Depreciation	648,517	175,743	554,937	1,422,691	2,621,609	-	10,268	577,017	6,010,782	-
(Increase) decrease in accounts receivable	142,065	(643,797)	-	(990,193)	9,672	-	(5,974)	(75,745)	(1,563,972)	-
Increase (decrease) in allowance for bad debt	(94,184)	-	-	-	-	-	-	-	(94,184)	-
(Increase) decrease in due from General Fund	-	-	-	-	-	-	-	-	-	(4,720,337)
Increase (decrease) in accounts payable	(17,171)	36,275	(867)	(2,732)	41,879	-	(246)	(45,628)	11,510	(7,172)
Increase (decrease) in insurance claims	-	-	-	-	-	-	-	-	-	3,364,906
Increase (decrease) in accrued leave	103	5,622	-	(2,867)	(25,834)	-	-	(1,257)	(24,233)	(1,652)
Increase (decrease) in restricted cash	-	-	-	-	-	-	-	-	-	78,888
Transfer (to) from restricted cash	-	-	-	-	-	-	-	-	-	(78,888)
Total adjustments to net income	<u>679,330</u>	<u>(426,157)</u>	<u>554,070</u>	<u>426,899</u>	<u>2,647,326</u>	<u>-</u>	<u>4,048</u>	<u>454,387</u>	<u>4,339,903</u>	<u>(1,364,255)</u>
Net Cash Provided by Operating Activities	<u>\$ 225,925</u>	<u>\$ 305,892</u>	<u>\$ 76,769</u>	<u>\$ 745,342</u>	<u>\$ (1,405,393)</u>	<u>\$ -</u>	<u>\$ (12,194)</u>	<u>\$ (395,184)</u>	<u>\$ (458,843)</u>	<u>\$ (1,096,903)</u>

The accompanying notes are an integral part of this statement.

FIDUCIARY FUNDS

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

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

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

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

CITY OF SALINAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust	Pension Trust	Agency	Total
ASSETS				
Cash and investments	\$ 3,291,580	\$ 15,490,417	\$ 766,128	\$ 19,548,125
Receivables				
Accounts	44,624	-	143,810	188,434
Interest	6,930	531	155	7,616
Loans and notes receivable	682,915	-	-	682,915
Due from outside agencies	-	-	67,553	67,553
Prepaid bond issuance cost	25,904	-	-	25,904
Total current assets	<u>4,051,953</u>	<u>15,490,948</u>	<u>977,646</u>	<u>20,520,547</u>
Noncurrent assets				
Restricted cash and investments	1,563,543	-	-	1,563,543
Prepaid bond issuance cost				
net of accumulated amortization	246,461	-	-	246,461
Capital assets, net of accumulated depreciator	157,298	-	-	157,298
Total noncurrent assets	<u>1,967,302</u>	<u>-</u>	<u>-</u>	<u>1,967,302</u>
Total assets	<u>6,019,255</u>	<u>15,490,948</u>	<u>977,646</u>	<u>22,487,849</u>
LIABILITIES				
Current liabilities				
Accounts payable	1,362,141	2,613	163,363	1,528,117
Due to the City of Salinas	1,090,288	-	-	1,090,288
Due to outside agencies	-	-	67,006	67,006
Due to other funds	10,682	-	-	10,682
Advance from the City of Salinas	940,000	-	-	940,000
Deferred revenues	6,873	-	-	6,873
Interest payable	303,686	-	-	303,686
Long term debt - due within one year	891,713	-	12,926	904,639
Total current liabilities	<u>4,605,383</u>	<u>2,613</u>	<u>243,295</u>	<u>4,851,291</u>
Long-term liabilities				
Long term debt - due in more than one year	4,357,267	-	51,707	4,408,974
Total long-term liabilities	<u>4,357,267</u>	<u>-</u>	<u>51,707</u>	<u>4,408,974</u>
Total liabilities	<u>8,962,650</u>	<u>2,613</u>	<u>295,002</u>	<u>9,260,265</u>
NET POSITION				
Held in trust for benefits and other purposes	<u>\$ (2,943,395)</u>	<u>\$ 15,488,335</u>	<u>\$ 682,644</u>	<u>\$ 13,227,584</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Private Purpose Trust	Pension Trust	Total
ADDITIONS			
Taxes	\$ 4,441,542	\$ -	\$ 4,441,542
Intergovernmental			
Rental income	25,840	-	25,840
Miscellaneous	27,647	-	27,647
Contributions			
Plan members	-	325,779	325,779
Private donations	1,527,443	-	1,527,443
Total contributions	<u>6,022,472</u>	<u>325,779</u>	<u>6,348,251</u>
Investment earnings			
Interest	40,403	721,012	761,415
Net investment earnings	<u>40,403</u>	<u>721,012</u>	<u>761,415</u>
Transfers in	637,821	-	637,821
Total additions	<u>6,700,696</u>	<u>1,046,791</u>	<u>7,747,487</u>
DEDUCTIONS			
Expenses	2,438,573	-	2,438,573
Benefit payments	-	1,871,148	1,871,148
Payments on behalf of trustees	1,966,207	-	1,966,207
Contribution to other agencies	1,082,291	-	1,082,291
Transfers out	730,337	-	730,337
Total deductions	<u>6,217,408</u>	<u>1,871,148</u>	<u>8,088,556</u>
CHANGE IN NET POSITION	483,288	(824,357)	(341,069)
NET POSITION			
BEGINNING OF YEAR	<u>(3,426,683)</u>	<u>16,312,692</u>	<u>12,886,009</u>
END OF YEAR	<u>\$ (2,943,395)</u>	<u>\$ 15,488,335</u>	<u>\$ 12,544,940</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, 2013

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

A. Reporting Entity

Description of the Reporting Entity

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

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

Blended Component Units

The Salinas Public Financing Authority (Authority) – The Authority was established October 6, 1992 pursuant to a Joint Exercise of Powers Agreement by and between the City and the City of Salinas Redevelopment Agency, which is now the Salinas Successor Agency to the former Redevelopment Agency. It was established to refund Central City Revitalization Project tax allocation bonds.

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

- April 19, 1994 - to issue a site lease to finance the expansion of the industrial waste facility.
- September 17, 1996 - to issue Central City Revitalization Project Tax Allocation Bonds, Series A 1996.
- March 25, 1997 - issue Variable Rate Lease Revenue Bonds, Series A and B 1997.
- October 24, 1997 - to issue Certificates of Participation, Series A 1997.
- February 25, 1999 - to issue Certificates of Participation, Series A 1999.
- December 17, 2003 - to issue Certificates of Participation, Series A 2004.
- September 1, 2005 - issue Refunding Certificates of Participation, Series 2005 A and B.
- August 21, 2008 - to issue variable rate taxable refunding Certificates of Participation Series 2008.

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

B. Financial Statement Presentation

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

Government-Wide Financial Statements – The government-wide financial statements, i.e. the statement of net position and the statement of activities, display information about the primary government (City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which are normally supported by taxes and inter-governmental revenues and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a business-type activity or governmental function and; therefore, are clearly identifiable to a particular activity or function. Program revenues include 1) fines, fees and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements – The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of the fund financial statements are on major governmental and enterprise funds of the City and are reported separately in the accompanying financial statements. All remaining governmental funds are separately aggregated and reported as nonmajor funds in the accompanying financial statements.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The City reports the following major governmental funds:

- General Fund and Measure V - is the primary operating fund of the City. It accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General Fund supports essential City services such as police and fire protection, street maintenance, libraries, and parks and open space maintenance.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

The City reports the following major enterprise funds:

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The City reports the following additional fund types:

- Internal Service Fund (a proprietary fund type) accounts for the services provided to internal users (other departments or agencies).
- Fiduciary Fund accounts for the assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The private-purpose trust funds accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and other trust arrangements not properly reported in a pension trust. The pension trust funds account for resources that are required to be held in trust for members and beneficiaries of defined benefit pension plans, defined contribution plan, other post-employment benefit plans, other employee benefit plans. The agency fund is used to account for assets held in an agency capacity by the City for individuals, private organizations, other governments and/or other funds.

C. Measurement Focus and Basis of Accounting

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

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

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

Governmental funds are reported using the current financial resources measurement focus. This focus is on the determination of, and changes in financial resources, and generally only current assets and current liabilities are included in the balance sheet. These funds use the modified accrual basis of accounting, whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. For this purpose, the City considers revenues as available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred. However, principal and interest on long-term debt and certain estimated liabilities, such as compensated absences, Other Post Employment Benefits (OPEB) and self-insurance claims, are recorded only when payment is due.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

In governmental funds, revenues from taxes, franchise fees, investment income, state and federal grants and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current period. All other revenue items are considered measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Interest Earnings

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

- General Fund
- Airport Fund
- Industrial Waste Fund
- 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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

- Affordable Housing Funds
- Successor Agency

E. Cash and Investments

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

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

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

The City valued its investments in LAIF as of June 30, 2013, by multiplying its account balance with LAIF times a fair value factor determined by LAIF value for all LAIF participants by total aggregate amortized cost.

Other Investments - Investments are accounted for in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This Statement requires governmental entities to report investments at fair value in the statement of net positions or balance sheet and to recognize the corresponding change in fair value of investments in the year in which the change occurred.

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

Deferred Compensation - The Deferred Compensation Plan is invested in deeds of trust secured by real or personal property and in real estate holdings. The trust deeds are considered nonparticipating interest earning investments and are reported at cost. See Note 14 for additional information on the various deferred compensation plans.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

F. Restricted Cash and Investment with Fiscal Agents

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

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Invoices that remain unpaid after 90 days may be referred to collections. An invoice sent to collection is written off.

H. Prepaid Bond Insurance, Original Issue Discounts and Premiums, and Refundings

Prepaid bond insurance costs are amortized using the straight-line method over the life of the bonds. Amortization of these balances is recorded as a component of operating expenses.

In the government-wide, proprietary fund and fiduciary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund and fiduciary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Original issue premiums are amortized using the straight-line method over the life of the bonds. Gains or losses from refunding of debt are reported as deferred inflows or outflows of resources and amortized over the shorter of the life of the refunded debt or refunding debt. Amortization of these balances is recorded as a component of interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. Special Assessment Districts

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

J. Interfund-fund Transactions

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

Services provided are deemed to be at market or near market rates and are treated as revenues and expenditures/expenses. Reimbursements are defined as when one fund incurs a

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

K. Inventory of Supplies

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

L. Land Held for Resale

Land held for resale is being carried at the lower of cost or market, but no greater than the net realizable value. In the fund financial statements, this amount is recorded as a restricted portion of fund balance due to externally imposed grantor restrictions.

M. Restricted Assets

Assets that are restricted for specific uses by bonded debt requirements, grant provisions or other requirements are classified as restricted because their use is limited by applicable bond covenants or agreements. In addition, funds have been restricted for future capital improvements by City resolution.

N. Capital Assets

Capital assets include land, buildings, improvements, vehicles and equipment, infrastructure, and all other tangible and intangible assets that are used in operations and that have initial useful lives in excess of one year. Capital assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements, the proprietary funds' statement of net position, and the private-purpose trust fund. Capital assets are defined as assets with an initial individual cost of more than \$5,000 for general capital assets and \$100,000 for major infrastructure assets, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the time received. Capital outlay is recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Amortization of assets acquired under capital leases is based on the shorter of the lease term or the estimated useful life of the asset and is included in depreciation and amortization.

Buildings, improvements, infrastructure, vehicles and equipment, and furniture and fixtures are depreciated using the straight-line method (with half-year conversion applied to the first year of acquisition) over the following estimated useful lives:

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

O. Encumbrances

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

P. Compensated Absences

Vacation, sick leave, compensatory time, and related benefits are accrued as determined by the agreement between the City and the respective employees' collective bargaining group. For governmental funds, compensated absence obligations are recorded in the appropriate governmental funds when due. The portion not currently due is recorded in the government-wide financial statements. For proprietary funds, compensated absences are expensed when earned by employees. At year-end, the accrued but unpaid compensated absence obligations are recorded as current and non-current liabilities in the appropriate proprietary funds.

Eligible employees may accrue a maximum of 600 annual leave hours (75 days). Any hours accumulated in excess of 600 hours are paid at the employee's adjusted hourly rate of pay. For the Firefighter group the maximum is 840 hours for 56 hour shift employees and 600 for 40 hour shift employees. Employees with fewer than 20 years of service may request pay in lieu of Annual Leave up to a maximum of 10 days. Employees with more than 20 years of service may request a maximum of 15 days pay in lieu of annual leave.

Q. Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. For additional information on unearned revenues, see Note 13.

R. Claims and Judgments

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

S. Long-Term Debt

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

T. Deferred Outflows/Inflows of Resources

Unamortized portions of the gain and loss on refunding debt are reported as deferred inflows and deferred outflows of resources, respectively. In addition to this, when an asset is recorded in governmental fund financial statements but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

U. Net Position

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

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

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

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

V. Fund Equity

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

- *Restricted Fund Balance* - includes amounts reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* - includes amounts that have been limited to specific purposes as defined in the City Charter or through adoption of an ordinance by the City Council, the highest level of decision making authority of the City. These commitments may be changed or lifted, but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.
- *Assigned Fund Balance* - includes amounts that are intended to be used by the City for specific purposes through City Council budgetary action, which include the approval of appropriations and revenue sources pertaining to the next fiscal year's budget. Intent is expressed by (a) the City Council or (b) a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purpose.
- *Unassigned Fund Balance* - includes amounts within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories, unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance categories, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

W. Property Taxes

Property taxes are collected on behalf of and remitted to the City by the County of Monterey (the "County"). The amount of property tax levies is restricted by Article 13A of the California State Constitution (commonly referred to as Proposition 13).

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

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

The City has not elected to participate in the "Teeter Plan" offered by the County whereby cities receive 100% of secured property and supplemental property taxes levied in exchange for foregoing any interest and penalties collected on the related delinquent taxes. The City retains the right to any interest and penalties collected on the related delinquent taxes. Accordingly, property tax revenues are recognized in the fiscal period for which they are levied and collected,

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adjusted for any amounts deemed uncollectible and amounts expected to be collected more than 60 days after the fiscal year.

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

X. Self-Insurance

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

Y. Use of Estimates

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

Z. New Pronouncements

During the year ended June 30, 2013 the City implemented the following Governmental Accounting Standards Board (GASB) Statements:

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements ("SCAs"), which are a type of public-private or public-public partnership. This statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. This statement did not have any effect on the City's financial statements.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GAS, Statements No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement did not have any effect on the City's financial statements.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures which do not conflict with or contradict other GASB pronouncements. This statement did not have any effect on the City's financial statements.

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In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and renames the resulting measure as net position rather than net assets.

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

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 PASS and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. Application of this statement is effective for the City's fiscal year ending June 30, 2014

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

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA/Aa or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method - entry age normal - rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

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

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

The new standard provides guidance for:

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

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

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees and to enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

issued with this type of financial guarantee. Application of Statement No. 70 is effective for the City's fiscal year ending June 30, 2014.

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

2. Stewardship, Compliance and Accountability:

A. Budgeting

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

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

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

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

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

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

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Notes to Basic Financial Statements
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funds. Encumbrances outstanding at year-end are recorded as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

For additional information on budgetary policy and control see Required Supplementary Information.

B. Deficit Fund Equity

At June 30, 2013, the following funds had a deficit fund balance or deficit net position:

Major Funds	
Business-type Activities	
Municipal Golf Courses Fund	\$ 4,767,291
Parking District Fund	1,990,594
Non-Major Funds	
Governmental Activities	
Debt Service Fund	
Assessment District Administration	7,480

Governmental Funds – Other Nonmajor Fund – Debt Service Fund

Assessment District Administration

The deficit net asset balance of \$7,480 is a result of \$3,324 accounts payable and \$4,156 due to general fund due to timing of expenditure.

Enterprise Funds – Municipal Golf Courses Fund

The deficit net asset balance of \$4,767,291 is a result of the long-term bonds payable for the 2005A Certificates of Participation and the 2008 Certificates of Participation amounting to \$5,980,000 and \$4,635,000, respectively, exceeding the related assets. This deficit will continue to decline over time as the bonds are paid back.

Enterprise Funds – Parking District Fund

The deficit net position in the Parking District Fund of \$1,990,594 is a result of the long-term bond payable for the 2004 Certificates of Participation amounting to \$14,300,000. This deficit will continue to decline over time as the bonds are paid back.

3. Debt Compliance:

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

4. Cash and Investments:

The City's cash and investments at June 30, 2013 are included in the accompanying basic financial statements as follows:

	Government-Wide Statement of Net Position			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Position	Total
Cash and Investments	\$ 57,208,270	\$ 4,938,898	\$ 62,147,168	\$ 19,548,125	\$ 81,695,293
Restricted Cash and Investments	1,467,516	9,014,112	10,481,628	1,563,543	12,045,171
Total Cash and Investments	<u>\$ 58,675,786</u>	<u>\$ 13,953,010</u>	<u>\$ 72,628,796</u>	<u>\$ 21,111,668</u>	<u>\$ 93,740,464</u>

Cash and investments at June 30, 2013 consisted of the following:

Cash

Demand Accounts at Banks	\$ 3,228,679
Petty Cash and Revolving Fund	16,869
	<u>3,245,548</u>

Investments

State Local Agency Investment Fund	53,521,747
Certificates of Deposits	100,000
Money Market	6,488,718
Investments held in trust by Fiscal Agent	14,566,771
Insurance Reserves	327,262
Deferred Compensation	
Cash in State Local Agency Investment Fund	905,846
Trust Deeds and Properties	14,584,572
	<u>90,494,916</u>
Total Cash and Investments	<u>\$ 93,740,464</u>

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

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

are recorded on an amortized cost basis, which is different from the fair value of the City's position in the LAIF pool.

At June 30, 2013, the City's pooled and fiscal agent investments in LAIF were approximately \$54,427,593. The weighted average maturity of LAIF was 278 days at June 30, 2013. The total amount recorded by all public agencies in LAIF at June 30, 2013 was approximately \$21.2 billion. LAIF is part of the State's Pooled Money Investment Account (PMIA). PMIA has a total of approximately \$58.8 billion and of that amount, 98.04% was invested in non-derivative financial products and 1.96% in structured notes and asset backed securities.

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

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

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

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

Deposits

At June 30, 2013, the carrying amount of the City's deposits was \$3,228,679. The bank balance was \$3,762,608. The difference is due to outstanding checks and deposits in transit. All bank balances are insured or collateralized.

Investments

As of June 30, 2013, the City had the following investment and maturities:

	Cost	Fair Value	0-12 months	1-5 years	over 5 years
Local Agency					
Investment Fund	\$ 48,791,804	\$ 54,427,593	\$ 54,427,593	\$ -	\$ -
Money Market	6,488,718	6,488,718	6,488,718	-	-
Certificates of Deposits	100,000	100,000	100,000	-	-
Investment Agreements	14,566,771	14,566,771	-	-	14,566,771
Insurance Reserves	327,262	327,262	327,262	-	-
Trust Deeds-Def Comp	14,584,322	14,584,572	-	14,584,572	-
Total	\$ 84,858,877	\$ 90,494,916	\$ 61,343,573	\$ 14,584,572	\$ 14,566,771

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013 had an average life of 278 days, it was presented as an investment with a maturity of 0-12 months. However, LAIF allows the City to make withdrawals of any amount within 24 hours. Information about the sensitivity of the fair values of the City investments to market interest rate fluctuations is provided by the preceding table that shows the distribution of the City's investment by maturity.

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

	Fair Value	S&P	Moody's	% of Total
Local Agency Investment Fund	\$ 54,427,593	NR	NR	60.14%
Money Market				
Rabobank	6,488,718	AA-	Aaa2	7.17%
Certificates of Deposits				
Pinnacle Bank	100,000	NR	NR	0.11%
Investment Agreements				
Fed PRM Obl	12,984,734	AAA m	Aaa-mf	14.35%
Ally Bank Midvale	230,000	B+	B1	0.25%
Capital GTY	1	NR	NR	
Wells Fargo	376,569	AAA m	AA3	0.42%
Westdeutsche Bank	975,467	BBB-	A1	1.08%
Insurance Reserves	327,262	NR	NR	0.36%
Trust Deeds-Def Comp	14,584,572	NR	NR	16.12%
Total	<u>\$ 90,494,916</u>			<u>100.00%</u>

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

5. Restricted Assets:

Cash and investments of \$10,481,628 are recorded as restricted assets at June 30, 2013 as follows:

Debt Service Fund:

Debt Service Fund - restricted to cover expenses of debt		\$ 1,140,254
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Enterprise Fund:

Restricted to cover expenses of debt service

Golf Courses Fund	\$ 916,773	
Sanitary Sewer	6,948,175	
Downtown Parking District	1,149,164	9,014,112

Internal Service Fund:

Restricted for liability expenses and workers compensation		327,262
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Total Restricted Assets		\$ 10,481,628
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6. Taxes Receivable:

Taxes receivable recorded in the General Funds of \$9,757,662 represent amounts due for the quarter ending June 30, 2013 for the following taxpayer – assessed taxes:

Sales Tax	\$ 3,429,032	
Transaction and Use Tax	2,057,565	
In-lieu Sales Tax	1,856,239	
Utility Users Tax	1,004,454	
Franchise Tax	702,213	
Transient Occupancy Tax	462,022	
Vehicle License Fee	66,402	
Other Taxes	77,778	
Property Transfer Tax	101,957	
Total	\$ 9,757,662	

7. Assessment Receivable:

Debt Service Fund – Assessments receivable recorded in the Assessment District Debt Service Fund of \$12,420,000 at June 30, 2013, will be collected from property owners to retire outstanding bond principal issued for improvements in special assessment districts. Cash and investments at June 30, 2013 of \$3,636,150 are available to make bond and interest payments of \$3,191,035 that are due on September 1, 2013.

Assessment receivables in the amount of \$9,840,000 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, 2013

8. Due From Other Agencies:

Due from other agencies consists of the following:

	Federal	State	Other	Total
Governmental Activities:				
General Fund:				
Second Chance Youth Program	\$ -	\$ -	\$ 67,006	\$ 67,006
Special Revenue Funds:				
Dept. of Housing & Urban Development:				
CDBG Improvement Program	400,646	-	-	400,646
HOME Investment Program	36,652	-	-	36,652
Emergency Shelter Grant	115,201	-	-	115,201
County of Monterey	-	-	72,928	72,928
U.S. Department of Justice	322,038	-	-	322,038
Local JAG Program	158,831	-	-	158,831
COPS Hiring Program	348,398	-	-	348,398
California Highway Users Tax	-	284,811	-	284,811
California Office of Traffic Safety(US DOT)	-	70,032	-	70,032
Cable Franchise	-	-	46,447	46,447
California Emergency Management Agency	-	166,927	-	166,927
County of Monterey-1st Five	-	-	79,190	79,190
County of Monterey-CAL ID	-	-	20,793	20,793
U.S. Department of Transportation	89,632	-	-	89,632
U.S. Department of Commerce	32,225	-	-	32,225
U.S. Department of Homeland Security	422,919	-	-	422,919
	<u>1,926,542</u>	<u>521,770</u>	<u>219,358</u>	<u>2,667,670</u>
Capital Projects Funds:				
Federal Aviation Administration	188,399	-	-	188,399
Federal Highway Administration	134,106	-	-	134,106
Federal Transit Administration	4,874	-	-	4,874
Federal Train Grant	94,579	-	-	94,579
U.S. Department of Agriculture	30,000	-	-	30,000
RSTP	-	1,391	-	1,391
State TEA Grant	-	20,518	-	20,518
Air District	-	-	290,779	290,779
Developers	-	-	123,366	123,366
	<u>451,958</u>	<u>21,909</u>	<u>414,145</u>	<u>888,012</u>
Total Governmental Activities	<u>2,378,500</u>	<u>543,679</u>	<u>700,509</u>	<u>3,622,688</u>
Business-Type Activities:				
Enterprise Funds:				
Landfill Garbage Surcharge				
Salinas Valley Solid Waste Authority	-	-	3,287,587	3,287,587
Primary Government Totals	<u>\$ 2,378,500</u>	<u>\$ 543,679</u>	<u>\$ 3,988,096</u>	<u>\$ 6,910,275</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

9. Interfund Transactions:

Interfund Receivables/Payables (Due to/Due from) – The composition of interfund balances as of June 30, 2013 was as follows:

<u>Due From:</u>	Due To				Total
	General	Comm Dev Act of 1974	Capital Projects	Internal Service	
Primary Government					
Governmental Activities:					
Major Funds:					
General	\$ -	\$ 300,000	\$ 87,129	\$ 16,186,997	\$ 16,574,126
Measure V	-	-	44,257	-	44,257
Comm Dev Act of 1974	791,456	-	82,627	-	874,083
Development Fee	1,700	-	68,146	-	69,846
Non-Major Funds:					
Emergency Medical Services	-	-	2,955	-	2,955
Lighting, Landscape & Maintenance	29,238	-	-	-	29,238
Local Public Safety	415,143	-	40,418	-	455,561
Recreation Parks Fund	-	-	2,390	-	2,390
Gas Tax	-	-	44,883	-	44,883
Traffic Safety	199,871	-	-	-	199,871
Debt Service	389,658	-	-	-	389,658
Construction Assist	4,156	-	-	-	4,156
Grants	974,425	-	-	-	974,425
Total Governmental Activities	<u>2,805,647</u>	<u>300,000</u>	<u>372,805</u>	<u>16,186,997</u>	<u>19,665,449</u>
Business Type Activities:					
Airport	-	-	11,847	-	11,847
Industrial Waste	-	-	163,771	-	163,771
Golf Course	-	-	5,268	-	5,268
Sanitary Sewer	-	-	30,554	-	30,554
Storm Sewer	-	-	59,083	-	59,083
Downtown Parking	61,969	-	-	-	61,969
Total Business Type Activities	<u>61,969</u>	<u>-</u>	<u>270,523</u>	<u>-</u>	<u>332,492</u>
Total Primary Government	<u>2,867,616</u>	<u>300,000</u>	<u>643,328</u>	<u>16,186,997</u>	<u>19,997,941</u>
Expendable Trust Funds:					
Trust Deposits	10,682	-	-	-	10,682
Total Expendable Trust Funds	<u>10,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,682</u>
	<u>\$ 2,878,298</u>	<u>\$ 300,000</u>	<u>\$ 643,328</u>	<u>\$ 16,186,997</u>	<u>\$ 20,008,623</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013 was as follows:

	Operating Transfers In	Operating Transfers Out
	\$ 2,000,001	\$ 4,935,478
General Fund		
Special Revenue Funds:		
Emergency Medical Services	575,000	37,962
Lighting, Landscape & Maintenance	-	-
Local Public Safety	-	1,055,402
Housing and Urban Development	272,549	649,039
Vehicle Abatement Program	50,000	-
Development Fee	7,920	327,422
Gas Tax	3,532	3,550,209
Traffic Safety	-	500,000
Recreation Parks	-	31,485
Grants	11,300	7,000
SRA Accounts Transferred to City	-	115,539
	<u>920,301</u>	<u>6,274,058</u>
Debt Service Funds:		
COPS 2005B	800,097	-
COPS 1999	84,000	-
	<u>884,097</u>	<u>-</u>
Capital Projects Funds:		
Construction Assistance	39,802	-
Capital Project	6,619,026	-
	<u>6,658,828</u>	<u>-</u>
Total Governmental Activities	<u>10,463,227</u>	<u>11,209,536</u>
Enterprise Funds:		
Airport	-	11,195
Industrial Waste	-	29,292
Municipal Golf Courses Fund	-	5,267
Sanitary Sewer	-	85,304
Storm Sewer	1,700,000	330,020
Solid Waste	-	385,097
Total Business Type Activities	<u>1,700,000</u>	<u>846,175</u>
Total Governmental & Business Activities	<u>12,163,227</u>	<u>12,055,711</u>
Expendable Trust Fund:		
Agency	-	15,000
Trust Deposits	637,821	730,337
Total Expendable Trust Fund	<u>637,821</u>	<u>745,337</u>
	<u>\$ 12,801,048</u>	<u>\$ 12,801,048</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Advances to/from other funds - The composition of advances to/from other funds as of June 30, 2013 was as follows:

<u>Advances From:</u>	<u>Advances To</u> <u>Governmental Activities</u> <u>General</u>
Business Type Activities:	
Golf Course	\$ 600,000
Downtown Parking	1,735,000
Total Business Type Activities	2,335,000
Total Primary Government	\$ 2,335,000

10. Loans Receivable, Net of Allowance:

At June 30, 2013, receivables of the City's major individual funds and nonmajor funds taken in aggregate, including the applicable allowance for uncollectible accounts areas follows:

Type of Loan	CDBG	General Fund	Low & Moderate Income Housing Asset	Total Governmental Activities	Fiduciary Funds
Housing Program Developer, rehabilitation, second mortgage and relocation loans	\$ -	\$ 29,800	\$ -	\$ 29,800	\$ -
Loans funded by federal grants	14,714,183	-	-	14,714,183	-
Economic development real estate developer and other loans			10,742,945	10,742,945	682,915
Less: Allowance for Uncollectibles	(14,471,595)	(29,800)	(6,640,000)	(21,141,395)	
Total loans, net	\$ 242,588	\$ -	\$ 4,102,945	\$ 4,345,533	\$ 682,915

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

Typical loans and related terms are summarized as follows:

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

11. Land and Properties Held for Resale:

Land and properties held for resale consisted of the following at June 30, 2013:

<u>Housing & Urban Development Fund - Neighborhood Stabilization Program</u>	
1905 Bradbury St	\$ 19,222
1941 Gladstone Way	281,862
1853 Bradbury St	205,877
1137 Rancho Drive	148,341
1477 Teton	199,697
280 Osage Ct	190,447
1015 Eagle Dr	194,800
1133 Rancho Ct	180,675
	1,420,921
<u>Special Revenue Fund</u>	
117 Main St – Alley by Steinbeck	24,446
137, 145 & 151 Division Street	850,000
	874,446
<u>Affordable Housing Fund - Central City Housing</u>	
17 & 19 Soledad Street	370,693
9 & 11 Soledad Street	129,738
	500,431
<u>Affordable Housing Fund -Sunset Avenue Merged Housing</u>	
115 Division Street	335,947
123 Division Street	300,000
923 E. Market Street	521,175
	1,157,122
Total Land and Properties Held for Resale	\$ 3,952,920

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

12. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Adjustments/ Retirements	Balance June 30, 2013
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 22,524,752	\$ -	\$ -	\$ 22,524,752
Construction in progress	6,520,981	2,114,112	(3,789,322)	4,845,771
Total assets not being depreciated	<u>29,045,733</u>	<u>2,114,112</u>	<u>(3,789,322)</u>	<u>27,370,523</u>
Capital assets, being depreciated:				
Buildings and improvements	40,351,308	1,711,938	2,718,315	44,781,561
Improvements other than buildings	12,257,011	-	-	12,257,011
Machinery and equipment	25,222,097	3,328,681	373,164	28,923,942
Infrastructure	225,580,877	3,695,566	197,689	229,474,132
Total assets being depreciated	<u>303,411,293</u>	<u>8,736,185</u>	<u>3,289,168</u>	<u>315,436,646</u>
Less accumulated depreciation	<u>(163,843,282)</u>	<u>(8,343,675)</u>	<u>419,501</u>	<u>(171,767,456)</u>
Total capital assets being depreciated, net	<u>139,568,011</u>	<u>392,510</u>	<u>3,708,669</u>	<u>143,669,190</u>
Governmental Activities capital assets, net				
	<u>\$ 168,613,744</u>	<u>\$ 2,506,622</u>	<u>\$ (80,653)</u>	<u>\$ 171,039,713</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 3,632,339	\$ -	\$ -	\$ 3,632,339
Construction in progress	2,547,551	896,020	(2,088,574)	1,354,997
Total assets not being depreciated	<u>6,179,890</u>	<u>896,020</u>	<u>(2,088,574)</u>	<u>4,987,336</u>
Capital assets, being depreciated:				
Buildings and improvements	27,097,169	-	-	27,097,169
Improvements other than buildings	16,064,746	-	(17,922)	16,046,824
Machinery and equipment	6,969,725	329,711	(347,325)	6,952,111
Infrastructure	218,566,713	1,476,670	2,088,574	222,131,957
Total assets being depreciated	<u>268,698,353</u>	<u>1,806,381</u>	<u>1,723,327</u>	<u>272,228,061</u>
Less accumulated depreciation	<u>(145,542,713)</u>	<u>(6,010,782)</u>	<u>355,370</u>	<u>(151,198,125)</u>
Total capital assets being depreciated, net	<u>123,155,640</u>	<u>(4,204,401)</u>	<u>2,078,697</u>	<u>121,029,936</u>
Business-type Activities capital assets, net				
	<u>\$ 129,335,530</u>	<u>\$ (3,308,381)</u>	<u>\$ (9,877)</u>	<u>\$ 126,017,272</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

Governmental Activities:

General Government	\$ 203,026
Police	590,035
Fire	619,297
Public Works, including infrastructure assets	5,920,709
Recreation and Parks	904,068
Library	106,540
	106,540
Total depreciation expense - Governmental Activities	\$ 8,343,675

Business-type Activities:

Airport	\$ 648,517
Industrial Waste	175,743
Golf Courses	554,937
Sanitary Sewer	1,422,691
Storm Sewer	2,621,609
Water Utility	10,268
Preferential Parking	5,469
Downtown Parking	571,548
	571,548
Total depreciation expense - Business-type Activities	\$ 6,010,782

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

Governmental funds report unearned revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period (unavailable). Unearned revenues are those where assets recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenues are stated at \$15,503,327, net of allowance in the Government-Wide Statements and \$15,745,915 in the Fund statements, consisting of \$1,029,466 of unearned revenues and \$14,716,449 of deferred inflows of resources. These are not available resources.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Unearned revenues, net of allowance of \$15,745,915 at June 30, 2013 consist of the following:

Governmental Activities:

Major Funds:

Housing and Urban Development

Housing Rehab Loans	\$ 2,256,336
First Time Homebuyers Loans	1,403,000
CDBG/Home Program Deferred Revenue	11,054,847
Subtotal	14,714,183
Less: Allowance for doubtful accounts	(14,471,595)
Total Housing and Urban Development	242,588

Assessment District Debt Service

Assessment receivable	12,420,000
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Non-Major Funds:

Special Revenue and Capital Projects grants, advances

Grants and advances	3,083,327
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Total Governmental Activities	\$ 15,745,915
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14. Deferred Compensation Plan:

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

The City has established Employer Trust agreements with ICMA Retirement Corporation, Hartford Insurance, and Central Coast Credit Union. In 1998, the City Council adopted a Resolution amending the City administered deferred compensation plans to conform to the new law protecting the plan participant assets from any claim against the City. Under the Trust arrangement, individual accounts maintained by the record-keeper used for receiving contributions and paying distributions must be subject to the Trust. The existence of the Trust does little to change the Plan structure except to add a layer of protection for money set aside for the employee against claims of the Employer's creditors. The law also allows an increase in the amount a participant may 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, 2013

International City Manager's Association (ICMA)

The International City Manager's Association Retirement, Inc., Plan had 300 participants and a balance of \$20,821,208 at June 30, 2013. 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, 2013 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 379 participants and a balance of \$15,490,418 in net position at June 30, 2013. 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, 2013.

Central Coast Federal Credit Union (CCFCU)

This third deferred compensation plan was established in August 1993. The plan funds are backed by the full faith and credit of the U.S. Government and are also insured by the National Credit Union Administration (NCUA), an agency of the federal government for up to \$100,000. Central Coast collateralizes any amounts invested in their savings accounts in excess of NCUA insurance limits in accordance with applicable law. There were 85 participants with a balance at June 30, 2013 is \$4,361,357. 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 37 participants with a balance at June 30, 2013 of \$22,565,038. All employees are eligible to participate through voluntary salary deductions. The assets for this plan are not reported on the City's financial statements.

15. Retirement Programs:

As of June 30, 2013, the City was contributing to three employee retirement programs. Total pension expenses for the fiscal year were \$15,239,754, including employee contributions, normal costs and annual amortization of prior service costs.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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. Supplementary information includes the Fire Public Safety Group risk pool history as available from CalPERS.

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

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

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

CITY OF SALINAS
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For the Fiscal Year Ended June 30, 2013

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 rates for fiscal year 2012-13 were as follows:

Employee Group	City Contribution					Employee Contribution
	3% @ 50	3% @ 55	2% @ 55	2.7% @ 57	2% @ 62	
Police	31.714%	31.714%	-	31.714%	-	9.000%
Firefighters	43.539%	21.802%	-	12.250%	-	9.000%
Miscellaneous	-	-	13.136%	-	14.545%	7.000%

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

Annual Pension Cost – For fiscal year 2012-13, the City of Salinas’ annual pension cost of \$14,081,476 was equal to the City’s required and actual contributions. The City of Salinas actually contributed \$10,753,012 while the employees contributed \$3,328,464. The required contribution for fiscal year 2012-13 was determined as part of the June 30, 2010 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 (3.55% 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
2012-13	\$ 14,081,476	100%	\$ -
2011-12	13,394,063	100%	-
2010-11	12,721,718	100%	-

The Annual Pension Cost represents the contribution rate as determined by CalPERS for the period of July 1, 2012 to June 30, 2013 multiplied by the payroll of covered employees that was actually paid during the same period.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

New York Life Retirement Plan

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

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

The City of Salinas has an agreement with New York Life Insurance Company to hold and invest plan assets of the Retirement Plan, which covers employees other than Police and Fire. During FY 2009-10 the City allowed employees participating in this retirement plan to transfer to CalPERS retirement plan. Twenty-eight active participants and three terminated vested participants opted to transfer on January 25, 2010 with all their corresponding assets accumulated throughout their years of participation. At June 30, 2013, there were twenty-seven employees left in this closed plan after transfers and retirements. The total covered payroll for employees participating in the Plan for fiscal year ended June 30, 2013 is \$1,854,313.

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

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

Funding Policy – The contribution requirements of Plan members and the City are established and may be amended by the City Council. Prior to January 1, 1979, participants were required to make specified levels of contributions to the plan in order to accrue benefits under the Plan. For the period commencing January 1, 1979 through December 31, 1993, there were no participants' contributions under this Plan. Since January 1, 1994, participants are required to contribute 4.5% of their compensation to the Plan. Since September 1, 1996, participant contributions are made by the City under the employee pretax pick-up provision for government-sponsored plans allowed under the Internal Revenue Code. As established in their Memorandum of Understanding document for personnel of the SEIU Blue Collar bargaining group, the City will contribute (pick-up) four and one-half percent of the employee retirement contribution.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013 was \$782,769. During fiscal year 2012-13, the City contributed \$829,737 to the New York Life retirement plan, while the employees contributed \$81,072. The City also contributed \$14,809 on behalf of employees represented by SEIU Blue Collar.

The Net Pension Obligation as determined by the Actuarial valuation of September 1, 2012 is \$18,083 and is included in the General Long Term Debt.

The plan used the frozen initial liability (frozen entry age) actuarial cost method under which the unfunded actuarial accrued liability is not explicitly determined each year until September 2005. Effective with the September 1, 2005 actuarial valuation, the plan uses the entry age normal cost funding method under which the unfunded actuarial accrued liability is explicitly determined each year. As of September 1, 2011, the unfunded actuarial accrued liability was determined to be \$8,464,913 based on the market of plan assets and plan accrued liabilities. The actuarial assumptions include (a) 7.0% investment return (net of administrative expenses) (b) projected salary increases of 2.0% per year and (c) projected cost of living adjustment of 2%. The actuarial liability represents the actuarial present value of all benefits accrued as of the valuation date, based on service and salary at that date.

THREE YEAR TREND INFORMATION

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 825,663	101.22%	\$ 18,083
2011	724,502	100.67%	28,194
2010	801,975	100.73%	33,024

The Annual Pension Cost represents the contribution rate as determined by the New York Life actuary for the period of July 1, 2012 to June 30, 2013 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.

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

During the fiscal year 2012-13, the City's contribution to this plan was \$51,349, while the employees had a mandatory contribution of 4.5% of their salary or \$5,832. Since June 29, 1998, participants are required to contribute 4.5% of their compensation to the plan.

Significant Accounting Policies

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

Method Used to Value Investments – Participants direct their investments, without restriction, among various investments options available under the ICMA 401(a) Plan. Plan investments are reported at fair market value. At June 30, 2013, the total Plan Assets totaling \$787,797 consisted of \$51,349 of employer contributions during the year coupled with \$5,832 of employee mandatory contributions and \$2,927 rollover from another qualified plan. Earnings include dividends, interest, and realized and unrealized gains and losses.

Retirement Buyback Program

During fiscal year 1995-96, the City established a deferred compensation retirement buyback program for Department Directors where the City contributes a flat dollar amount based on tenure with the City. The 401(a) Money Purchase Retirement Plan is administered by the ICMA Retirement Corporation. The program requires employee-matching contributions for every dollar contributed by the City. At June 30, 2013, there were 6 participants in this program and the City's annual contribution was \$87,739 while the employees had an equal mandatory matching contribution of \$87,739.

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

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

Post Employment Benefits Eligibility: The City provides postretirement healthcare benefits to eligible employees who retire directly from the City. The City pays 25% of retiree and spouse health insurance premium up to \$100 per month for safety retirees (Police and Fire). The payment is made until Medicare eligibility, but no more than 10 years for non-supervisory Police retirees. For Miscellaneous employees and all non-IAFF (Firefighters) safety employees, the City pays the PEMHCA "unequal method" monthly benefit to retirees (\$74.75 per month in 2013).

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

	<u>Miscellaneous</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Active plan members				
Count	282	78	152	512
Average Age	47.5	42.2	40.0	44.4
Average Service	9.2	12.0	11.5	10.3
Average PERS Service	10.3	12.6	13	11.5
Average PERS Pay	\$ 53,100	\$ 101,700	\$ 108,800	\$ 77,000
Total PERS Payroll (millions)	\$ 15.0	\$ 7.9	\$ 16.5	\$ 39.4
Retirees				
Count	51	41	51	143
Average Age	65.9	66.8	64.1	65.5
Average Retirement Age	60.5	49.9	49.4	52.3
Currently Receiving \$100 Monthly Benefit	-	35	29	64

Funding Policy - The City's policy approved by Council on May 20, 2008, established a contribution of \$100,000 during fiscal year 2007-08, increasing by \$25,000 per year until reaching \$250,000 and \$250,000 annually thereafter to the CERBT (CalPERS OPEB) trust account. The amounts of annual appropriations for contributions to CERBT are subject to budget constraints. Additionally, the City will continue paying the portion of the retiree premiums outside of the trust (Pay-as-you-go approach). During FY 2009-10 and FY 2010-11, the City opted not to fund the Post Employment Benefit cost for the those two years in accordance with established policy, but resumed payments as planned with a contribution of \$150,000 during fiscal year 2011-12 and \$175,000 in fiscal year 2012-13. After recognizing contributions, administrative fees and accruing earning and losses experienced in the Trust Plan, the City shows an ending balance of \$668,808 at June 30, 2013.

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 (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities not to exceed thirty years.

CITY OF SALINAS
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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, 2013
Annual required contribution (ARC)	\$ 1,676,000
Interest on net OPEB obligation	299,000
Adjustment to annual required contribution	(506,000)
Annual OPEB cost (expense)	1,469,000
Contributions made to CERBT Trust	(175,000)
Contributions under "pay-as-you-go"	
Payment to Retirees	(423,431)
Payment to CalPERS	(88,106)
Subtotal	(686,537)
Change in net OPEB obligation	782,463
Net OPEB obligation - beginning of the year	6,043,704
Net OPEB obligation - end of the year	\$ 6,826,167

At June 30, 2013, the City recorded net OPEB obligations totaling \$6,826,167 in the government-wide financial statements.

The City's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for 2013 and two preceding years were as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 1,397,000	\$ 505,503	36.2%	\$ 4,973,720
2012	1,587,000	548,016	34.5%	6,043,704
2013	1,469,000	686,537	46.7%	6,826,167

Funded Status and Progress - The 2012-13 Annual Required Contribution included the normal cost at \$853,000 plus a 30-year amortization of the Unfunded Actuarial Accrued Liability (UAAL) of \$823,000, for a total Annual Required Contribution of \$1,676,000 representing 4.1% of the annual payroll. The estimated covered payroll (annual payroll of active employees covered by the plan) was \$40.7 million.

CITY OF SALINAS
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For the Fiscal Year Ended June 30, 2013

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

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

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

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

The discount rate applied was 4.50% for the portion of the Annual Required Contribution (ARC) not funded and 7.25% for the portion of the ARC funded.

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

The assumption includes also the "Implied Subsidy" factor for the Fire Safety Medical Plan. GASB 45 generally requires recognition of retiree healthcare obligation when retirees participate in the active medical plan and are charged a composite rate based on active and retiree experience. This obligation, referred to as the implied subsidy, is based on the difference between the per capita cost and the premium charged. The implied subsidy represents \$396,000 of the total Annual Required Contribution of \$1,676,000.

17. Risk Management:

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disaster. For insurable risks, the City is self insured except for excess insurance coverage provided by commercial insurance companies that are limited to the following:

- 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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

- 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.

The City reports its risk management activities in the internal service funds, which include Worker's Compensation Insurance, Long-term Disability, and Personal Injury and Property Damage Funds. All of the City funds participate in the City self-insured programs and make payments to the corresponding internal service fund based on estimated costs to pay prior and current year claims.

The actuarially determined liability (which covers workers' compensation losses, general liability, and automobile liability) includes allocated loss adjustment expenses, case reserves, development of known claims, and incurred but not reported claims. While the ultimate amount of losses incurred through June 30, 2013 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 \$21,428,735 includes \$17,142,988 for claims incurred but not paid and \$4,285,747 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, 2013, Worker's Compensation Insurance liability of \$21,428,735 is reported on the statement of net position. The worker's compensation fund was established as an Internal Service Fund on July 1, 1991. The portion of the worker's compensation insurance liability since July 1, 1991, at June 30, 2013 is \$18,381,210 and is reported in the Internal Service Fund; \$3,047,525 of this is treated as long-term debt in the government-wide financial statements.
- General liability insurance liability at June 30, 2013 of \$1,653,075 includes \$1,112,762 for claims incurred but not paid and \$540,313 for claims incurred but not reported which is based on expected claims and past claims history. Unreserved retained earnings is \$538,139 at June 30, 2013 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, 2013

Changes to the claims liability for FY 2012-13 are as follows:

	Workers Compensation	General Liability
Beginning balance of claims liability	\$ 18,617,017	\$ 1,410,771
Less beginning provision for incurred but not reported claims	(3,723,403)	(540,313)
Beginning provisions for incurred but not paid claims	14,893,614	870,458
Increase (decrease) in claims incurred and reported	6,139,195	936,935
Reinsurance recoveries	540,472	78,495
Claims expenses paid	(4,430,293)	(816,831)
Ending balance provision for incurred but not paid claims	17,142,988	1,069,057
Provisions for incurred but not reported claims	4,285,747	584,018
Ending balance of claims liability	\$ 21,428,735	\$ 1,653,075

18. Lease Obligations:

Operating Leases as Lessee

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

Governmental Activities:

The City has ongoing commitments under operating lease agreements for business equipment, and office facilities necessary for City operations, which expire at various dates through 2018. Each governmental fund includes the expenditures related to such lease agreements. There are both cancelable and non-cancelable lease agreements. Rental expenditures reported by the General Fund and other governmental funds under these operating lease agreements for the fiscal year ended June 30, 2013 amounted to \$501,540.

The future minimum lease payments anticipated under the existing lease commitments as of June 30, 2013 are as follows:

Year Ended June 30,	
2014	\$ 515,962
2015	492,695
2016	504,642
	\$ 1,513,299

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

19. Long Term Debt:

The following is a summary of Long Term Debt transactions for the fiscal year ended June 30, 2013:

	June 30, 2012	Increases	Decreases	June 30, 2013	Due Within One Year
Governmental Activities:					
Annual Leave	\$ 9,352,941	\$ 471,898	\$ 305,684	\$ 9,519,155	\$ 1,903,831
Estimated Insurance claims	3,358,409	-	310,884	3,047,525	-
Net Pension Obligation	28,194	-	10,111	18,083	4,521
Capital Leases	1,589,881	969,759	262,480	2,297,160	364,250
Certificates of Participation					
Series B-2005	9,495,000	-	415,000	9,080,000	425,000
Series A-1999	865,000	-	45,000	820,000	45,000
Series A-2002	2,265,000	-	70,000	2,195,000	75,000
Total Certificates	12,625,000	-	530,000	12,095,000	545,000
Assessment District 1915 Act Bonds	14,870,000	-	2,450,000	12,420,000	2,580,000
Government Activities	41,824,425	1,441,657	3,869,159	39,396,923	5,397,602
Business-type Activities					
Annual Leave	312,437	-	24,233	288,204	57,641
Capital Leases:					
Street Sweeper	19,778	226,834	19,778	226,834	49,530
Industrial Waste Lease	270,000	-	85,000	185,000	90,000
Airport Fuel Facility Lease	110,081	-	54,298	55,783	31,875
Total Leases	399,859	226,834	159,076	467,617	171,405
State of CA- Parking Garage Lighting	128,534	-	34,870	93,664	36,631
Bonds Payable:					
Sanitary Sewer Revenue Bonds - 2012	17,995,000	-	370,000	17,625,000	335,000
Certificates of Participation					
Series A-2004	14,715,000	-	415,000	14,300,000	430,000
Series A-2005	6,300,000	-	320,000	5,980,000	335,000
Series A-2008	4,650,000	-	15,000	4,635,000	25,000
Total Bonds Payable	43,660,000	-	1,120,000	42,540,000	1,125,000
Subtotal	44,500,830	226,834	1,338,179	43,389,485	1,390,677
Bond Premium - Sanitary Sewer	180,663	-	10,627	170,036	10,627
Business-type Activities	44,681,493	226,834	1,348,806	43,559,521	1,401,304
Total Long-Term Liability	\$ 86,505,918	\$ 1,668,491	\$ 5,217,965	\$ 82,956,444	\$ 6,798,906

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The annual requirements to amortize capital leases, loans and notes, certificates of participation and bonds outstanding as of June 30, 2013 by activity are as follows:

Year Ended June 30,	Governmental-Wide Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 3,489,250	\$ 1,200,404	\$ 1,289,600	\$ 1,797,493
2015	3,662,205	1,023,010	1,322,915	1,753,073
2016	1,940,633	887,577	1,250,327	1,706,092
2017	2,019,548	796,912	1,306,687	1,657,012
2018	1,953,817	702,632	1,368,088	1,604,507
2019-2023	7,546,707	2,309,863	7,545,000	7,159,670
2024-2028	4,805,000	842,583	8,940,000	5,386,912
2029-2033	1,395,000	99,157	8,810,000	3,450,160
2034-2038	-	-	6,280,000	1,999,969
2039-2043	-	-	4,895,000	200,106
	<u>\$ 26,812,160</u>	<u>\$ 7,862,138</u>	<u>\$ 43,007,617</u>	<u>\$ 26,714,994</u>

The debt for the State of California – Parking Garage Lighting, annual leave, estimated insurance claims and net pension obligation does not have an amortization schedule and is therefore not included in the above schedules.

Accrued Annual Leave

Accrued leave for governmental activities is reported in Long-Term Debt on the Government-Wide Statements and in current liabilities for business-type activities. The cost of Annual Leave accumulated at fiscal year-end is recorded as a liability within Proprietary and Fiduciary Funds. At June 30, 2013 the liability for all compensated absences totaled \$9,871,992. It includes \$9,866,842 of annual leave and \$5,150 of sick leave. These amounts are reported on the financial statements in the following funds:

	June 30, 2012	Increases	Decreases	June 30, 2013	Due Within One Year
Governmental Activities					
General Fund	\$ 8,087,378	\$ 450,321	\$ 776	\$ 8,536,923	\$ 1,707,385
Measure V	815,758	16,178	-	831,936	166,387
Special Revenue Funds	441,532	-	303,256	138,276	27,655
Debt Service Funds	5,847	5,399	-	11,246	2,249
Internal Service Funds	2,426	-	1,652	774	155
	<u>\$ 9,352,941</u>	<u>\$ 471,898</u>	<u>\$ 305,684</u>	<u>\$ 9,519,155</u>	<u>\$ 1,903,831</u>
Business-type Activities					
Enterprise Funds	\$ 312,437	\$ -	\$ 24,233	\$ 288,204	\$ 57,641
Fiduciary Activities					
Agency Funds	\$ 66,905	\$ 4,109	\$ 6,381	\$ 64,633	\$ 12,927

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Estimated Insurance Claims

At June 30, 2013, the estimated insurance claims liability recorded in the Internal Service Funds is as follows:

Worker's Compensation	\$ 18,381,210
General Liability	<u>1,653,075</u>
Total	<u><u>\$ 20,034,285</u></u>

An additional \$3,047,525 of Worker's Compensation claims liability is reported in the Long-Term Debt under estimated insurance claims.

Net Pension Obligation

At June 30, 2013, a Net Pension Obligation of \$18,083 is reported as determined by the September 1, 2012 actuarial valuation of the New York Life retirement plan.

Governmental Type Activities

Capital Leases

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

Year Ended June 30,	Principal	Interest	Total
2014	\$ 364,250	\$ 83,275	\$ 447,525
2015	377,205	70,320	447,525
2016	390,633	56,892	447,525
2017	404,548	42,977	447,525
2018	313,817	28,554	342,371
2019-2020	446,707	27,725	474,432
	<u>\$ 2,297,160</u>	<u>\$ 309,743</u>	<u>\$ 2,606,903</u>

Certificates of Participation Bonds

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

On October 24, 1997, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation (Certificates) Series A-1997 totaling \$11,960,000. The purpose of this financing was to raise money for capital improvement projects, \$8,000,000 and to refund the Authority's Variable Rate Lease Revenue Bonds, which were issued to purchase the 65 W. Alisal Building. The Variable Rate Lease Revenue Bonds Series A-1997 and Series B-1997 were fully retired on November 20, 1997. The outstanding Certificates at June 30, 2013 of \$9,080,000 are secured by a lien on City owned assets based on the following appraised values; City Hall (\$3,820,000); Public Safety Building (\$1,990,000); Steinbeck Library (\$2,350,000) and 65 W. Alisal Building (\$2,805,000).

On September 14, 2005, the Salinas Public Financing Authority issued City of Salinas Refunding Certificates of Participation Series 2005B (1997 Capital Improvement Projects). The Refunding Certificates were issued to refund Series A-1997 Certificates. Series 2005B Refunding Certificates were issued in the amount of \$11,705,000 for 24 years at 4.22%. Maximum annual

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 June 30,	Principal	Interest	Total
2014	\$ 425,000	\$ 358,717	\$ 783,717
2015	440,000	343,580	783,580
2016	460,000	327,830	787,830
2017	475,000	311,171	786,171
2018	490,000	293,374	783,374
2019-2023	2,730,000	1,160,351	3,890,351
2024-2028	3,310,000	534,945	3,844,945
2029-2033	750,000	16,406	766,406
	<u>\$ 9,080,000</u>	<u>\$ 3,346,374</u>	<u>\$ 12,426,374</u>

Series A-1999 – Animal Shelter

The City of Salinas Certificates of Participation (Certificates) Series 1999 were issued by the Salinas Public Financing Authority on March 16, 1999 in the amount of \$14,315,000. The Certificates were issued to complete an animal shelter (\$1,250,338) and golf course improvements (\$13,064,662). The outstanding Certificates at June 30, 2013 of \$820,000 are secured by a lien on City owned assets based on the following appraised values; Salinas Community Center (\$9,840,000) and Twin Creeks Golf Course (\$4,800,000).

On September 14, 2005, the Salinas Public Financing Authority issued \$8,005,000 of City of Salinas Refunding Certificates of Participation Series 2005A (Twin Creeks Golf Course). The Refunding Certificates were issued to refund the portion of Series A-1999 Certificates attributed to Twin Creeks Golf Course (\$7,210,000). The outstanding balance at June 30, 2013 of \$6,300,000 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.

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For the Fiscal Year Ended June 30, 2013

Debt service requirements to maturity are as follow:

Year Ended June 30,	Principal	Interest	Total
2014	\$ 45,000	\$ 39,763	\$ 84,763
2015	50,000	37,500	87,500
2016	50,000	35,000	85,000
2017	55,000	32,375	87,375
2018	55,000	29,625	84,625
2019-2023	325,000	102,125	427,125
2024-2027	240,000	18,500	258,500
	<u>\$ 820,000</u>	<u>\$ 294,888</u>	<u>\$ 1,114,888</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 at June 30, 2013 of \$2,195,000 are secured by the City taking possession of the Steinbeck Center building pursuant to a ground lease, if the Steinbeck Center defaults on its lease payments. In case of default by the Steinbeck Center, the City would become responsible for the payments on the Certificates.

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

Year Ended June 30,	Principal	Interest	Total
2014	\$ 75,000	\$ 107,614	\$ 182,614
2015	75,000	104,426	179,426
2016	80,000	101,126	181,126
2017	85,000	97,526	182,526
2018	90,000	93,595	183,595
2019-2023	500,000	399,820	899,820
2024-2028	645,000	261,000	906,000
2029-2032	645,000	82,751	727,751
	<u>\$ 2,195,000</u>	<u>\$ 1,247,858</u>	<u>\$ 3,442,858</u>

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For the Fiscal Year Ended June 30, 2013

Assessment Districts Bonds

At June 30, 2013, outstanding Assessment District Bonds totaled \$12,420,000. Bonds issued for improvements in special assessment districts are liabilities of the property owners and are secured by liens against the assessed property. In the case of default, the City has the authority to advance bonds payments from the special reserve fund and to foreclosure on delinquent property. The Assessment District Reserve Fund balance is \$3,636,150 at June 30, 2013.

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

Year Ended June 30,	Principal	Interest	Total
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	1,000,000	312,863	1,312,863
2018	1,005,000	257,484	1,262,484
2019-2023	3,545,000	619,842	4,164,842
2024-2027	610,000	28,138	638,138
	<u>\$ 12,420,000</u>	<u>\$ 2,663,275</u>	<u>\$ 15,083,275</u>

Business-Type Activities

Capital Leases

Street Sweepers

The City, using lease purchase financing, purchased another street sweeper on January 17, 2013. The City of Salinas will make five annual payments of \$49,530. The debt payable for this sweeper is recorded in the Storm Sewer Enterprise Fund at June 30, 2013.

Debt service requirements to maturity is as follows:

Year Ended June 30,	Principal	Interest	Total
2014	\$ 42,725	\$ 6,805	\$ 49,530
2015	44,007	5,523	49,530
2016	45,327	4,203	49,530
2017	46,687	2,843	49,530
2018	48,088	1,443	49,531
	<u>\$ 226,834</u>	<u>\$ 20,817</u>	<u>\$ 247,651</u>

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

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For the Fiscal Year Ended June 30, 2013

System. Debt payable of \$185,000 is recorded in the Industrial Waste Enterprise Fund at June 30, 2013.

Debt service requirements to maturity is as follows:

Year Ended June 30,	Principal	Interest	Total
2014	\$ 90,000	\$ 10,500	\$ 100,500
2015	95,000	3,562	98,562
	<u>\$ 185,000</u>	<u>\$ 14,062</u>	<u>\$ 199,062</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, 2013 of \$54,298 have been applied to the obligation leaving an outstanding balance of \$55,783 as of June 30, 2013.

Debt service requirements to maturity is as follows:

Year Ended June 30,	Principal	Interest	Total
2014	\$ 31,875	\$ -	\$ 31,875
2015	23,908	-	23,908
	<u>\$ 55,783</u>	<u>\$ -</u>	<u>\$ 55,783</u>

Bonds Payable

Certificates of Participation, Series A-1999 – Golf Courses (Portion Refunded by Series A-2005)

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

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

On September 14, 2005, the Salinas Public Financing Authority issued City of Salinas Refunding Certificates of Participation Series 2005A, in the amount of \$8,005,000, to refund the portion of the 1999 Certificates attributed to Twin Creeks. With the closing of this financing, the sublease

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Notes to Basic Financial Statements
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agreement with First Tee of Monterey County was finalized. Annual debt service for the 2005A Certificates (\$572,308) will be paid by the annual lease payments (\$575,000) from Future Citizens Foundation and guaranteed by the Monterey Peninsula Foundation. As with most City issued debt, the General Fund of the City backs the new Certificates and payment of debt service is ultimately the responsibility of the City.

At the request of First Tee of Monterey County, on December 6, 2011, the City approved a sublease payment reduction from \$575,000 to \$125,000 (an annual reduction of \$450,000). This request was the result of First Tee's significant unsustainable golf course operating losses experienced recently due to the downturn of the economy. With the goal of maintaining a quality of level of service to the thousands of golf youth participants and as the most cost effective alternative, the City Council approved the General Fund support through fiscal year 2014-15 to offset the reduced amount of the sublease to the First Tee of Monterey County.

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

Year Ended June 30,	Principal	Interest	Total
2014	\$ 335,000	\$ 231,445	\$ 566,445
2015	345,000	219,545	564,545
2016	355,000	207,295	562,295
2017	370,000	194,376	564,376
2018	380,000	180,545	560,545
2019-2023	2,145,000	662,864	2,807,864
2024-2027	2,050,000	181,844	2,231,844
	<u>\$ 5,980,000</u>	<u>\$ 1,877,914</u>	<u>\$ 7,857,914</u>

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

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

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

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

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

Year Ended June 30,	Principal	Interest	Total
2014	\$ 25,000	\$ 208,575	\$ 233,575
2015	30,000	207,450	237,450
2016	40,000	206,100	246,100
2017	50,000	204,300	254,300
2018	60,000	202,050	262,050
2019-2023	460,000	960,525	1,420,525
2024-2028	820,000	827,325	1,647,325
2029-2033	1,240,000	602,550	1,842,550
2034-2038	1,555,000	296,100	1,851,100
2039-2041	355,000	15,975	370,975
	<u>\$ 4,635,000</u>	<u>\$ 3,730,950</u>	<u>\$ 8,365,950</u>

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

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

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

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

Year Ended June 30,	Principal	Interest	Total
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	480,000	599,437	1,079,437
2018	500,000	579,213	1,079,213
2019-2023	2,845,000	2,539,975	5,384,975
2024-2028	3,565,000	1,795,312	5,360,312
2029-2033	4,535,000	807,219	5,342,219
2034-2037	1,040,000	24,700	1,064,700
	<u>\$ 14,300,000</u>	<u>\$ 8,253,193</u>	<u>\$ 22,553,193</u>

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The Successor Agency paid \$1,082,291 of the fiscal year 2012-13 debt service. On January 30, 2014, the City refinanced the 2004 Certificates of Participation. The new debt service payments of approximately \$963,000 will most likely need to be paid by the Successor Agency funds through September 1, 2025, when the Successor Agency will cease to collect tax increment revenue and cease to exist. The debt service beginning in September, 2025 will be covered by the General Fund through September, 2033, when bonds will be paid in full. Pursuant to a reimbursement agreement, the Successor Agency (Redevelopment Obligation Retirement Fund) is responsible for the debt service.

Series 2012 – Sanitary Sewer Revenue Bonds

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

Debt payable of \$17,625,000 is recorded in the Sanitary Sewer Enterprise Fund at June 30, 2013.

Debt service requirements and maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
2014	\$ 335,000	\$ 687,406	\$ 1,022,406
2015	340,000	680,656	1,020,656
2016	350,000	670,256	1,020,256
2017	360,000	656,056	1,016,056
2018	380,000	641,256	1,021,256
2019-2023	2,095,000	2,996,306	5,091,306
2024-2028	2,505,000	2,582,431	5,087,431
2029-2033	3,035,000	2,040,391	5,075,391
2034-2038	3,685,000	1,679,169	5,364,169
2039-2043	4,540,000	184,131	4,724,131
	<u>\$ 17,625,000</u>	<u>\$ 12,818,058</u>	<u>\$ 30,443,058</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013 the total conduit debt outstanding related to these bonds is \$4,655,000.

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

As of June 30, 2013, total conduit debt outstanding related to the Economic Development Revenue Bonds is \$17,785,000.

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.

20. Restricted Net Position:

The government-wide statement of net position reports \$44,530,991 of restricted net position, of which enabling legislation restricts \$6,953,086 represented by the net position held at the Sanitary Sewer Fund.

21. Fund Balance:

It is the policy of the City to maintain a minimum reserve for a reasonable level of assurance that the City's day-to-day operations will be able to continue even if circumstances occur where revenues are insufficient to cover expenditures. The minimum reserve of the General Fund is 5% of the next year's General Fund annual budgeted operating expenditures, as calculated by the Finance Director. The minimum fund balance is shown as unassigned in the General Fund. For the year ending June 30, 2013, the City did not meet their minimum fund balance reserve of 5%.

CITY OF SALINAS
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Fund balance for governmental funds as of June 30, 2013 consists of the following:

	General and Measure V	Housing & Urban Development	Development Fees	Assessment District Debt Service	Other Nonmajor Governmental Funds	Total
Nonspendable:						
Inventory	\$ 14,874	\$ -	\$ -	\$ -	\$ -	\$ 14,874
Loans & Notes Receivable	-	-	-	-	4,102,945	4,102,945
Advances	2,335,000	-	-	-	-	2,335,000
Land Held for Resale	-	-	-	-	2,531,999	2,531,999
	<u>2,349,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,634,944</u>	<u>8,984,818</u>
Restricted for:						
Public Safety	-	-	-	-	1,041,367	1,041,367
Future Development	-	-	15,838,557	-	-	15,838,557
Maintenance District	-	-	-	-	3,899,028	3,899,028
Recreation Parks	-	-	-	-	135,970	135,970
Community Development	-	1,770,010	-	-	-	1,770,010
Properties Held for Resale	-	1,420,921	-	-	-	1,420,921
Franchise-Cable	-	-	-	-	241,801	241,801
Street Repairs	-	-	-	-	2,445,987	2,445,987
Grants	-	-	-	-	450,402	450,402
Low/Moderate Housing	-	-	-	-	111,400	111,400
Capital Projects-Airport	-	-	-	-	2,021,395	2,021,395
Debt Service	-	-	-	3,636,150	4,196,567	7,832,717
	<u>-</u>	<u>3,190,931</u>	<u>15,838,557</u>	<u>3,636,150</u>	<u>14,543,917</u>	<u>37,209,555</u>
Committed for:						
Capital Projects	2,382,000	-	-	-	2,000,000	4,382,000
Assigned for:						
Other Purposes	768	-	-	-	-	768
Unrealized Market Value	708	-	-	-	-	708
Carryover Appropriations	830,073	-	-	-	-	830,073
Capital Projects	-	-	-	-	507,647	507,647
	<u>831,549</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>507,647</u>	<u>1,339,196</u>
Unassigned:						
Operations-Reserve	3,540,000	-	-	-	-	3,540,000
Other-Accruals	2,127,314	-	-	-	-	2,127,314
Other Unassigned	(4,621,892)	(2,029,454)	-	-	1,965,711	(4,685,635)
	<u>1,045,422</u>	<u>(2,029,454)</u>	<u>-</u>	<u>-</u>	<u>1,965,711</u>	<u>981,679</u>
Total Fund Balances	<u>\$ 6,608,845</u>	<u>\$ 1,161,477</u>	<u>\$ 15,838,557</u>	<u>\$ 3,636,150</u>	<u>\$ 25,652,219</u>	<u>\$ 52,897,248</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

22. 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, 2013, total governmental fund encumbrance balances for the City are as follows:

General Fund and Measure V	\$	516,551
Housing and Urban Development		277,175
Development Fees		515,465
Nonmajor governmental funds		2,253,286
		2,253,286
	\$	3,562,477

23. Joint Venture – Salinas Valley Solid Waste Authority:

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

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

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

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

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

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For the Fiscal Year Ended June 30, 2013

The Annual Financial Report of the Salinas Valley Solid Waste Authority is published and available from the Authority Treasurer at the Authority's Finance Department located at 128 Sun Street, Suite 101, Salinas, CA 93901.

24. 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.

25. Subsequent Events:

The City has evaluated subsequent events through March 11, 2014, the date these financial statements were available to be issued.

Refinancing of Certificates of Participation - On January 30, 2014, the City refinanced the 1999, Series A Animal Shelter Certificates of Deposits and the 2004, Series A Monterey Street Parking Structure Certificates of Participation. The refinancing was a private placement refinancing with Western Alliance Bank. The new obligation term is the same as the prior debt, the interest is being reduced from 4.02%, and the payments will be reduced by a total of \$1,899,894.

26. Successor Agency to the Salinas Redevelopment Agency:

Cash and Investments – Cash and investments at June 30, 2013 consisted of the following:

Cash and investments	\$ 2,050,828
Restricted cash and investments	1,563,543
Total Cash and Investments	\$ 3,614,371

Cash and investments of \$1,563,543 recorded as restricted assets are restricted to cover debt service. These funds are held by the fiscal agent.

Prepaid Bond Issuance Cost – The Statement of Fiduciary Net position reports \$272,365 of prepaid bond issuance costs at June 30, 2013. The Agency incurred bond issuance costs of \$377,714 and \$372,789 in connection with the issuance of the 1992 and 1996 tax allocation bonds, respectively. The issuance costs are being amortized over the life of bonds - 30 and 28 years, respectively. Following is a summary of unamortized bond issuance costs that are reported as deferred charges:

	June 30, 2012	Increases	Decreases	June 30, 2013
Tax Allocation Bonds				
Series A-1992	\$ 138,504	\$ -	\$ (12,590)	\$ 125,914
Series A-1996	159,765	-	(13,314)	146,451
	\$ 298,269	\$ -	\$ (25,904)	\$ 272,365

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Capital Assets – The following is a summary of the Agency’s capital assets at June 30, 2013:

	Balance June 30, 2012	Additions	Adjustments/ Retirements	Balance June 30, 2013
Fiduciary Activities				
Capital assets, not being depreciated				
Land	\$ 149,270	\$ -	\$ -	\$ 149,270
Total assets not being depreciated	149,270	-	-	149,270
Capital assets, being depreciated				
Improvements other than buildings	17,840	-	-	17,840
Total assets being depreciated	17,840	-	-	17,840
Less accumulated depreciation	(6,244)	(3,568)	-	(9,812)
Total capital assets being depreciated, net	11,596	(3,568)	-	8,028
Fiduciary Activities capital assets, net	<u>\$ 160,866</u>	<u>\$ (3,568)</u>	<u>\$ -</u>	<u>\$ 157,298</u>

Long Term Debt – The following is a summary of the long term debt at June 30, 2013:

	June 30, 2012	Increases	Decreases	June 30, 2013	Due Within One Year
Fiduciary-type Activities					
Loans and Notes Payable:					
Homeless Shelter	\$ 157,500	\$ -	\$ -	\$ 157,500	\$ -
Church Purchase Note Payable	65,266	-	(42,971)	22,295	22,295
Total Loans & Notes Payable	222,766	-	(42,971)	179,795	22,295
Tax Allocation Refunding Bonds:					
Series A-1996	3,830,000	-	(715,000)	3,115,000	755,000
Series A-1992	2,184,248	-	(131,957)	2,052,291	123,337
Total Bonds Payable	6,014,248	-	(846,957)	5,167,291	878,337
Subtotal	6,237,014	-	(889,928)	5,347,086	900,632
Unamortized Bond Discount	(107,025)	-	8,919	(98,106)	(8,919)
Fiduciary-type Activities	<u>\$ 6,129,989</u>	<u>\$ -</u>	<u>\$ (881,009)</u>	<u>\$ 5,248,980</u>	<u>\$ 891,713</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The annual requirements to amortize loans and notes and bonds outstanding as of June 30, 2013 by activity are as follows:

Year Ended June 30,	Principal	Interest	Total
2014	\$ 900,632	\$ 534,454	\$ 1,435,086
2015	366,513	1,067,214	1,433,727
2016	353,609	1,080,534	1,434,143
2017	341,368	1,090,416	1,431,784
2018	326,117	1,102,701	1,428,818
2019-2023	1,541,347	5,612,587	7,153,934
2024-2028	1,360,000	37,400	1,397,400
2029-2041	157,500	-	157,500
	<u>\$ 5,347,086</u>	<u>\$ 10,525,306</u>	<u>\$ 15,872,392</u>

Loans and Notes Payable

Homeless Shelter Loan – Green Gold Inn

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

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

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

Church of the Nazarene Note Payable

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

Year Ended June 30,	Principal	Interest	Total
2014	\$ 22,295	\$ -	\$ 22,295

Tax Allocation Bonds

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

The annual debt service requirements for the bonds at June 30, 2013 are as follows:

Year Ended June 30,	TAB Series A-1996		TAB Series A-1992	
	Principal	Interest	Principal	Interest
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	100,000	116,876	241,368	973,540
2018	100,000	111,376	226,117	991,325
2019-2023	615,000	462,141	926,347	5,150,446
2024	1,360,000	37,400	-	-
	<u>\$ 3,115,000</u>	<u>\$ 1,127,919</u>	<u>\$ 2,052,291</u>	<u>\$ 9,397,387</u>

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Unamortized Bond Discount

The Statement of Net position includes an unamortized bond discount of \$98,106 in Debt Payable-Due in More than One Year-Net of Discounts. The 1996 Tax Allocation Revenue Bonds were sold at a discount of \$249,729. The discount is being amortized over the life of the bond issue (28 years) at an annual rate of \$8,919.

The following is a summary of the 1996 Tax Allocation Revenue Bonds unamortized discount at June 30, 2013:

	<u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>
Tax Allocation Bond, Series A-1996	\$ 107,025	\$ -	\$ (8,919)	\$ 98,106

Commitment to Other Taxing Agencies – On June 15, 2010, the Former Redevelopment Agency approved a loan agreement between the Agency and the National Steinbeck Center. The Agency agreed to make five lease payments on behalf of the Steinbeck Center. The lease payments are used to make debt service payments for the City/Agency Certificates of Participation Series A of 2002. The deferred lease payments due March 1, 2009 through March 1, 2011 total \$484,716. The Agency and Steinbeck Center entered into a note for \$484,716, with interest based on the Local Agency Investment Fund, which is variable, not to exceed (1%) per annum. The note and appropriate interest is due in full on July 1, 2018, unless prepaid prior to that date.

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

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.

Subsequent Events

State Controller Review of Redevelopment Agency Asset Transfers to City

On November 7, 2012 the State Controller’s Office (SCO) came to Salinas to review the propriety of the asset transfers that took place on March 8, 2011. On June 17, 2013, the City received a report ordering assets, the assets transferred to the City, be transferred to the Successor Agency, which the City intends to do. If the properties are returned, the Successor Agency Oversight Board will determine if the properties should be retained by the City for a governmental use or should be sold and the proceeds distributed to the County Auditor-Controller for distribution to taxing agencies. The properties are held by the City as Land Held for Resale in the Special Revenue Fund titled SRA Public Improvement Grant as of June 30, 2013.



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**REQUIRED
SUPPLEMENTARY
INFORMATION**

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Fiscal Year Ended June 30, 2013

BUDGETING

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

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

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

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

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

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

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

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

CITY OF SALINAS
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Fiscal Year Ended June 30, 2013

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 2012-13 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 (2013-14) plan is also presented for planning purposes only. The City's goals and objectives 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 5, 2012, the City Council was presented and reviewed a two (2) year operating budget with staff recommending approval of a one (1) year operating budget for the City of Salinas and Successor Agency. The Salinas City Council and Successor Agency adopted FY 2012-13 Annual Operating Budgets on the same day, June 5, 2012. A major update to the CIP was made during FY 2012-13 for the current fiscal year through fiscal year 2017-18. Capital project budget is updated annually with major revisions occurring every two years.

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

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

Potential investments of \$660,094,611 were identified for the six (6) year period from July 1, 2012, to June 30, 2018. The required investments range from deferred maintenance needs of existing facilities (e.g. fire station repairs) or a new Public Safety Radio System to the construction of long overdue new and expanded facilities (e.g. a new police facility and the expansion of El Gabilan Library) necessary to continue providing basic services to the residents of Salinas. The CIP projects were funded from a variety of sources, including modest General Fund investments of \$1.22 million. Due to the economic downturn and the requirement to balance the two-year Operating Budget, Capital project investments funded by Measure V were reduced to zero.

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Fiscal Year Ended June 30, 2013

GENERAL FUND

The General Fund fund balance decreased \$1,385,419 to \$2,090,664, of which \$2,349,874 is Non-spendable, \$1,852,700 is committed, and (\$2,111,910) is unassigned.

General Fund reserves have been set-aside by Council for specific purposes. Under the Reserved fund balance category, the General Fund Non-spendable fund balance of \$2,349,874 includes Inventory (\$14,874) and Advances (\$2,335,000). Committed funds balance of \$1,852,700 is designated for future Capital Projects.

The General Fund negative unassigned fund balance of \$2,111,910 is made of \$69,749 of revenue accruals, \$3,000,000 in Operations Reserve and (\$5,181,659) of future funds required to meet the fund balance reserves at June 30, 2013.

MEASURE V

Measure V is a general tax (discretionary) and is reported as part of the General Fund. The Measure V fund balance increased \$160,856 to \$4,518,181, of which \$529,300 is committed for Capital Projects, \$831,549 is assigned and \$3,157,332 is unassigned.

Of the \$3,157,332 Measure V unassigned fund balance, \$540,000 is reserved for operations, \$2,057,565 in accruals and \$559,767 in unassigned fund balances.

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

BUDGETARY RESULTS RECONCILED TO GAAP

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

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

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Fiscal Year Ended June 30, 2013

- 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 2012-13 budget:

- General Fund and Measure V Budgets were balanced through the continuation of employee concessions coupled with higher estimated tax revenues. The General Fund budget was first amended on October 23, 2012 when it was recommended to allocate \$169,900 of carryover funds from fiscal year 2011-12 (\$2,317,100) to fund new fire equipment, additional positions in the Police Department advances to the California Welcome center and special study. Measure V budget was also amended on the same date when \$150,000 was set aside for the sidewalk replacement program, \$157,500 for lease of the Law Enforcement Operations Center and \$100,000 to increase the operating reserve. In February 26, 2013, the budget was once again amended increasing the estimated revenues \$350,000 (Sales Tax) and additional appropriations of \$1,063,700 to fund expenses in the Self-insurance Worker's Compensation Fund (\$836,000), increase in annual leave buy-back (\$216,000) and \$11,700 for position reclassification. Measure V budget was increased by \$890,000 to fund a variety of one-time projects like Closter Park improvements, Sidewalk Program, Fire Turnouts, Police Vehicle replacement, Police Parking Lot Fencing and other general purpose programs.

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

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Budgetary Comparison Schedule
General Fund and Measure V
Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2012	\$ 7,833,408	\$ 7,833,408	\$ 7,833,408	\$ -
Resources (inflows):				
Taxes:				
Sales	17,162,200	17,662,200	18,034,413	372,213
In-lieu Sales	5,720,800	5,870,800	5,998,630	127,830
Transactions and Use	9,948,000	9,948,000	10,507,630	559,630
Property	11,647,600	11,647,600	12,412,417	764,817
Property-Vehicle License Fees	9,520,600	9,520,600	9,513,153	(7,447)
Utility	9,000,000	9,000,000	9,057,929	57,929
Business License	4,300,000	4,435,000	4,602,282	167,282
Franchise	7,595,000	7,595,000	7,635,705	40,705
Other	1,550,000	1,550,000	1,751,688	201,688
Licenses and Permits	1,069,300	1,069,300	1,268,394	199,094
Intergovernmental	341,700	341,700	583,347	241,647
Charges for Services	4,212,400	3,777,400	3,827,042	49,642
Interest	75,000	75,000	91,298	16,298
Miscellaneous			210,375	210,375
Operating Transfers In	2,150,000	2,150,000	2,000,001	(149,999)
Total Resources	<u>84,292,600</u>	<u>84,642,600</u>	<u>87,494,304</u>	<u>2,851,704</u>
Charges to Appropriations (outflows):				
Administration	12,855,900	13,432,087	17,804,301	(4,372,214)
Public Safety	50,176,500	50,577,182	49,162,853	1,414,329
Public Works	11,620,100	11,678,118	11,538,077	140,041
Recreation	1,499,400	1,503,846	1,327,783	176,063
Library	4,010,100	4,017,250	3,820,141	197,109
Capital Outlay	75,000	77,300	130,234	(52,934)
Transfers Out	4,446,650	8,203,542	4,935,478	3,268,064
Total Charges to Appropriations	<u>84,683,650</u>	<u>89,489,325</u>	<u>88,718,867</u>	<u>770,458</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(391,050)</u>	<u>(4,846,725)</u>	<u>(1,224,563)</u>	<u>3,622,162</u>
Fund Balance, June 30, 2013	<u>\$ 7,442,358</u>	<u>\$ 2,986,683</u>	<u>\$ 6,608,845</u>	<u>\$ 3,622,162</u>

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Budgetary Comparison Schedule
Measure V Fund
Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2012	\$ 4,357,325	\$ 4,357,325	\$ 4,357,325	\$ -
Resources (inflows):				
Taxes:				
Transaction and Use Tax	9,948,000	9,948,000	10,507,630	559,630
Interest	15,000	15,000	6,549	(8,451)
Miscellaneous	-	-	27,295	27,295
Total Resources	<u>9,963,000</u>	<u>9,963,000</u>	<u>10,541,474</u>	<u>578,474</u>
Charges to Appropriations (outflows):				
Administration	266,300	264,000	237,536	26,464
Public Safety	3,297,600	3,309,388	3,045,018	264,370
Public Works	1,192,100	1,192,100	1,166,855	25,245
Recreation	584,000	588,446	565,599	22,847
Library	4,010,100	4,017,250	3,820,141	197,109
Capital Outlay	-	2,300	2,281	19
Transfers Out	1,092,850	2,601,839	1,543,188	1,058,651
Total Charges to Appropriations	<u>10,442,950</u>	<u>11,975,323</u>	<u>10,380,618</u>	<u>1,594,705</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(479,950)</u>	<u>(2,012,323)</u>	<u>160,856</u>	<u>2,173,179</u>
Fund Balance, June 30, 2013	<u>\$ 3,877,375</u>	<u>\$ 2,345,002</u>	<u>\$ 4,518,181</u>	<u>\$ 2,173,179</u>

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Comparison Schedule
Housing and Urban Development Fund
Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2012	\$ 1,939,124	\$ 1,939,124	\$ 1,939,124	\$ -
Resources (inflows):				
Intergovernmental	3,757,700	4,549,674	2,932,103	(1,617,571)
Interest	200	200	-	(200)
Miscellaneous	72,500	72,500	772,133	699,633
Transfers In	-	-	272,549	272,549
Total Resources	<u>3,830,400</u>	<u>4,622,374</u>	<u>3,976,785</u>	<u>(645,589)</u>
Charges to Appropriations (outflows):				
Administration	3,120,100	6,210,117	4,105,393	2,104,724
Transfers Out	<u>2,028,424</u>	<u>2,083,787</u>	<u>649,039</u>	<u>1,434,748</u>
Total Charges to Appropriations	<u>5,148,524</u>	<u>8,293,904</u>	<u>4,754,432</u>	<u>3,539,472</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(1,318,124)</u>	<u>(3,671,530)</u>	<u>(777,647)</u>	<u>2,893,883</u>
Fund Balance, June 30, 2013	<u>\$ 621,000</u>	<u>\$ (1,732,406)</u>	<u>\$ 1,161,477</u>	<u>\$ 2,893,883</u>

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy and Control
Budgetary Comparison Schedule
Development Fees Fund
Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2012	\$ 15,274,352	\$ 15,274,352	\$ 15,274,352	\$ -
Resources (inflows):				
Charges for Services	532,000	532,000	899,928	367,928
Interest	71,500	71,500	33,624	(37,876)
Transfers In	-	-	7,920	7,920
Total Resources	<u>603,500</u>	<u>603,500</u>	<u>941,472</u>	<u>337,972</u>
Charges to Appropriations (outflows):				
Capital Outlay	-	-	49,845	(49,845)
Transfers Out	15,009,145	15,029,145	327,422	14,701,723
Total Charges to Appropriations	<u>15,009,145</u>	<u>15,029,145</u>	<u>377,267</u>	<u>14,651,878</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(14,405,645)</u>	<u>(14,425,645)</u>	<u>564,205</u>	<u>14,989,850</u>
Fund Balance, June 30, 2013	<u>\$ 868,707</u>	<u>\$ 848,707</u>	<u>\$ 15,838,557</u>	<u>\$ 14,989,850</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		ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
			ACTUARIAL ACCRUED LIABILITY	FUNDED RATIO		
06/30/12						
Safety Fire	* \$ 128,448,168	\$ 99,240,382	\$ 29,207,786	77.3%	\$ 8,414,028	347.1%
Safety Police	209,153,100	160,879,402	48,273,698	76.9%	16,250,660	297.1%
Miscellaneous	74,147,233	56,211,777	17,935,456	75.8%	15,975,147	112.3%
06/30/11						
Safety Fire	* 124,581,284	95,815,688	28,765,596	76.9%	8,414,175	341.9%
Safety Police	198,216,423	154,486,430	43,729,993	77.9%	16,697,755	261.9%
Miscellaneous	69,621,977	52,276,607	17,345,370	75.1%	15,568,113	111.4%
06/30/10						
Safety Fire	* N/A	N/A	N/A	N/A	N/A	N/A
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%

* 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)
09/01/12	\$ 13,567,181	\$ 10,251,380	\$ 7,982,671	\$ 1,845,313	555.5%	432.6%
09/01/11	\$ 13,057,610	\$ 10,651,913	\$ 8,464,913	\$ 2,094,262	508.6%	404.2%
09/01/10	\$ 14,204,244	\$ 11,079,164	\$ 7,098,975	\$ 2,205,508	502.3%	321.9%

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	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	(UAAL) Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll (b-a)/(c)
06/30/11	\$ 266,000	\$ 12,432,000	\$ 12,166,000	2.1%	\$ 39,434,000	30.9%
06/30/10	\$ 241,000	\$ 11,698,000	\$ 11,457,000	2.1%	\$ 38,192,000	30.0%
06/30/08	\$ 100,000	\$ 9,278,000	\$ 9,178,000	1.1%	\$ 44,807,000	20.5%
06/30/06	\$ -	\$ 13,954,000	\$ 13,954,000	0.0%	\$ 36,659,000	38.1%

The original GASB 43 & 45 compliant OPEB valuation for the City of Salinas had a valuation date of June 30, 2006, producing biennial funding results applying to the 2007-08 and 2008-09 fiscal years. This corresponds to the first fiscal period that GASB reporting was required for OPEB plans. The current valuation as of June 30, 2011 provides funding results for the 2011-12 and 2012-13 fiscal years.

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.

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

NON-MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

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

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

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

Certificates of Participation (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

CAPITAL PROJECTS FUNDS

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

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

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

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

Assessment District Projects Fund - This fund accounts for bond proceeds from assessment districts used for capital improvements. Funds are used to reimburse the Capital Projects Fund for assessment district capital project expenditures.

CITY OF SALINAS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2013

	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 Public Impvt Grant	Affordable Housing	Total
ASSETS														
Cash and investments	\$ 806,913	\$ 10,452	\$ 3,986,958	\$ 366,292	\$ 2,166,864	\$ 43,905	\$ 140,860	\$ 138,360	\$ -	\$ 195,354	\$ 233,087	\$ 1,500,312	\$ 235,252	\$ 9,824,609
Receivables, net:														
Accounts receivable	-	-	-	-	37,903	-	-	-	-	-	-	-	-	37,903
Accrued interest	316	3	1,923	111	1,292	-	-	-	-	-	-	700	1,113,987	1,118,332
Due from outside agencies	-	-	-	592,570	284,811	70,032	-	-	-	46,447	1,121,311	-	-	2,115,171
Advances to Successor Agency	-	-	-	-	-	-	-	-	-	-	-	-	940,000	940,000
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan receivables	-	-	-	-	-	-	-	-	-	-	-	-	4,102,945	4,102,945
Land and properties held for resale	-	-	-	-	-	-	-	-	-	-	-	874,446	1,657,553	2,531,999
Total assets	<u>\$ 807,229</u>	<u>\$ 10,455</u>	<u>\$ 3,988,881</u>	<u>\$ 958,973</u>	<u>\$ 2,490,870</u>	<u>\$ 113,937</u>	<u>\$ 140,860</u>	<u>\$ 138,360</u>	<u>\$ -</u>	<u>\$ 241,801</u>	<u>\$ 1,354,398</u>	<u>\$ 2,375,458</u>	<u>\$ 8,049,737</u>	<u>\$ 20,670,959</u>
LIABILITIES														
Accounts payable	\$ 23,739	\$ 316	\$ 60,615	\$ 64,080	\$ -	\$ -	\$ 7,678	\$ -	\$ -	\$ -	\$ 160,736	\$ -	\$ 1,058	\$ 318,222
Due to other funds	2,955	-	29,238	455,561	44,883	-	-	2,390	-	-	974,425	-	-	1,509,452
Unearned revenues	-	-	-	-	-	-	-	-	-	-	219,237	-	-	219,237
Total liabilities	<u>26,694</u>	<u>316</u>	<u>89,853</u>	<u>519,641</u>	<u>44,883</u>	<u>-</u>	<u>7,678</u>	<u>2,390</u>	<u>-</u>	<u>-</u>	<u>1,354,398</u>	<u>-</u>	<u>1,058</u>	<u>2,046,911</u>
DEFERRED INFLOWS OF RESOURCES														
Unavailable revenues - housing loans	-	-	-	-	-	-	-	-	-	-	-	-	2,053,861	2,053,861
FUND BALANCE														
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	874,446	5,760,498	6,634,944
Restricted	780,535	10,139	3,899,028	3,574	2,445,987	113,937	133,182	135,970	-	241,801	450,402	-	111,400	8,325,955
Unassigned	-	-	-	435,758	-	-	-	-	-	-	(450,402)	1,501,012	122,920	1,609,288
Total fund balances	<u>780,535</u>	<u>10,139</u>	<u>3,899,028</u>	<u>439,332</u>	<u>2,445,987</u>	<u>113,937</u>	<u>133,182</u>	<u>135,970</u>	<u>-</u>	<u>241,801</u>	<u>-</u>	<u>2,375,458</u>	<u>5,994,818</u>	<u>16,570,187</u>
Total liabilities and fund balances	<u>\$ 807,229</u>	<u>\$ 10,455</u>	<u>\$ 3,988,881</u>	<u>\$ 958,973</u>	<u>\$ 2,490,870</u>	<u>\$ 113,937</u>	<u>\$ 140,860</u>	<u>\$ 138,360</u>	<u>\$ -</u>	<u>\$ 241,801</u>	<u>\$ 1,354,398</u>	<u>\$ 2,375,458</u>	<u>\$ 8,049,737</u>	<u>\$ 20,670,959</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, 2013

	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 Public Improvement Grant	Affordable Housing	Total
REVENUES														
Taxes	\$ -	\$ -	\$ -	\$ 419,812	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,009	\$ -	\$ -	\$ -	\$ 602,821
Taxes - special assessment	-	-	1,482,187	-	-	-	-	-	-	-	-	-	-	1,482,187
Intergovernmental	122,415	13,630	900	2,421,482	3,355,906	-	153,349	-	-	-	3,392,868	-	-	9,460,550
Charges for services	-	-	60,652	-	-	-	-	-	-	-	-	-	-	60,652
Interest	1,389	10	7,876	500	5,982	-	-	-	-	-	-	1,149	1,673	18,579
Rental income	-	-	-	-	150,942	-	-	26,565	-	-	-	-	-	177,507
Fines and forfeits	-	-	-	-	-	536,999	-	-	-	-	-	-	-	536,999
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	5,568	5,568
Total revenues	123,804	13,640	1,551,615	2,841,794	3,512,830	536,999	153,349	26,565	-	183,009	3,392,868	1,149	7,241	12,344,863
EXPENDITURES														
Current:														
General government	-	-	-	-	-	-	-	-	-	149,202	-	-	6,722,901	6,872,103
Public safety	561,860	23,533	-	1,949,283	-	-	141,490	-	-	-	3,080,102	-	-	5,756,268
Recreation	-	-	1,225,762	-	-	-	-	27,967	-	-	-	-	-	1,253,729
Library	-	-	-	-	-	-	-	-	-	-	317,066	-	-	317,066
Total expenditures	561,860	23,533	1,225,762	1,949,283	-	-	141,490	27,967	-	149,202	3,397,168	-	6,722,901	14,199,166
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(438,056)	(9,893)	325,853	892,511	3,512,830	536,999	11,859	(1,402)	-	33,807	(4,300)	1,149	(6,715,660)	(1,854,303)
OTHER FINANCING SOURCES (USES)														
Operating transfers in	575,000	-	-	-	3,532	-	50,000	-	-	-	11,300	-	-	639,832
Operating transfers out	(37,962)	-	-	(1,055,402)	(3,550,209)	(500,000)	-	(31,485)	(115,539)	-	(7,000)	-	-	(5,297,597)
Total other financing sources (uses)	537,038	-	-	(1,055,402)	(3,546,677)	(500,000)	50,000	(31,485)	(115,539)	-	4,300	-	-	(4,657,765)
NET CHANGE IN FUND BALANCES	98,982	(9,893)	325,853	(162,891)	(33,847)	36,999	61,859	(32,887)	(115,539)	33,807	-	1,149	(6,715,660)	(6,512,068)
FUND BALANCES, BEGINNING OF YEAR	681,553	20,032	3,573,175	602,223	2,479,834	76,938	71,323	168,857	115,539	207,994	-	2,374,309	12,710,478	23,082,255
FUND BALANCES, END OF YEAR	\$ 780,535	\$ 10,139	\$ 3,899,028	\$ 439,332	\$ 2,445,987	\$ 113,937	\$ 133,182	\$ 135,970	\$ -	\$ 241,801	\$ -	\$ 2,375,458	\$ 5,994,818	\$ 16,570,187

**CITY OF SALINAS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2013**

	Assessment District Reserve	Assessment District Administration	Certificates of Participation (2005 B)	Certificates of Participation (1999)	Certificates of Participation (2002)	Totals
ASSETS						
Cash and investments	\$ 3,123,605	\$ -	\$ 12,458	\$ -	\$ -	\$ 3,136,063
Receivables:						
Accounts Receivable	-	-	-	-	120,559	120,559
Accrued interest	1,060	-	2	-	-	1,062
Restricted cash and investments	-	-	803,862	147,546	188,846	1,140,254
Total assets	\$ 3,124,665	\$ -	\$ 816,322	\$ 147,546	\$ 309,405	\$ 4,397,938
LIABILITIES						
Accounts payable	\$ -	\$ 3,324	\$ 1,500	\$ -	\$ -	\$ 4,824
Due to other funds	-	4,156	-	55,238	144,633	204,027
Total liabilities	-	7,480	1,500	55,238	144,633	208,851
FUND BALANCE						
Restricted	3,124,665	-	814,822	92,308	164,772	4,196,567
Unassigned	-	(7,480)	-	-	-	(7,480)
Total fund balance	3,124,665	(7,480)	814,822	92,308	164,772	4,189,087
Total liabilities and fund balance	\$ 3,124,665	\$ -	\$ 816,322	\$ 147,546	\$ 309,405	\$ 4,397,938

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Assessment District Reserve</u>	<u>Assessment District Administration</u>	<u>Certificates of Participation (2005 B)</u>	<u>Certificates of Participation (1999)</u>	<u>Certificates of Participation (2002)</u>	<u>Totals</u>
REVENUES						
Charges for services	\$ -	\$ 36,952	\$ -	\$ -	\$ -	\$ 36,952
Interest	5,052	-	645	15	56,179	61,891
Total revenues	<u>5,052</u>	<u>36,952</u>	<u>645</u>	<u>15</u>	<u>56,179</u>	<u>98,843</u>
EXPENDITURES						
Debt service:						
Principal retirement	-	-	415,000	45,000	70,000	530,000
Interest and fiscal charges	-	62,099	377,827	45,501	116,457	601,884
Total expenditures	<u>-</u>	<u>62,099</u>	<u>792,827</u>	<u>90,501</u>	<u>186,457</u>	<u>1,131,884</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,052</u>	<u>(25,147)</u>	<u>(792,182)</u>	<u>(90,486)</u>	<u>(130,278)</u>	<u>(1,033,041)</u>
OTHER FINANCING SOURCES (USES)						
Loans proceeds	-	-	-	-	120,559	120,559
Operating transfers in	-	-	800,097	84,000	-	884,097
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>800,097</u>	<u>84,000</u>	<u>120,559</u>	<u>1,004,656</u>
NET CHANGE IN FUND BALANCES	<u>5,052</u>	<u>(25,147)</u>	<u>7,915</u>	<u>(6,486)</u>	<u>(9,719)</u>	<u>(28,385)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>3,119,613</u>	<u>17,667</u>	<u>806,907</u>	<u>98,794</u>	<u>174,491</u>	<u>4,217,472</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,124,665</u>	<u>\$ (7,480)</u>	<u>\$ 814,822</u>	<u>\$ 92,308</u>	<u>\$ 164,772</u>	<u>\$ 4,189,087</u>

**CITY OF SALINAS
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2013**

	<u>Special Aviation</u>	<u>Special Construction Assistance</u>	<u>Capital Project</u>	<u>Assessment District Project</u>	<u>Totals</u>
ASSETS					
Cash and investments	\$ 1,938,979	\$ 1,144,167	\$ 2,000,000	\$ 384,795	\$ 5,467,941
Receivables, net					
Accrued interest	900	-	-	177	1,077
Due from outside agencies	188,399	699,613	-	-	888,012
Due from other funds	-	-	643,328	-	643,328
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,128,278</u>	<u>\$ 1,843,780</u>	<u>\$ 2,643,328</u>	<u>\$ 384,972</u>	<u>\$ 7,000,358</u>
LIABILITIES					
Accounts payable	\$ 106,883	\$ 157,315	\$ 643,328	\$ -	\$ 907,526
Due to other funds	-	389,658	-	-	389,658
Unearned revenues	-	810,229	-	-	810,229
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>106,883</u>	<u>1,357,202</u>	<u>643,328</u>	<u> </u>	<u>2,107,413</u>
FUND BALANCE					
Restricted	2,021,395	-	-	-	2,021,395
Committed	-	-	2,000,000	-	2,000,000
Assigned	-	122,675	-	384,972	507,647
Unassigned	-	363,903	-	-	363,903
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>2,021,395</u>	<u>486,578</u>	<u>2,000,000</u>	<u>384,972</u>	<u>4,892,945</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 2,128,278</u>	<u>\$ 1,843,780</u>	<u>\$ 2,643,328</u>	<u>\$ 384,972</u>	<u>\$ 7,000,358</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Special Aviation</u>	<u>Special Construction Assistance</u>	<u>Capital Project</u>	<u>Assessment District Project</u>	<u>Totals</u>
REVENUES					
Intergovernmental	\$ 253,546	\$ 1,537,065	\$ -	\$ -	\$ 1,790,611
Charges for services	-	713,312	-	-	713,312
Interest	4,353	-	-	831	5,184
Developer contributions	-	552,977	-	-	552,977
Miscellaneous	-	922,607	-	-	922,607
Total revenues	<u>257,899</u>	<u>3,725,961</u>	<u>-</u>	<u>831</u>	<u>3,984,691</u>
EXPENDITURES					
Capital outlay	<u>353,446</u>	<u>4,227,391</u>	<u>6,619,026</u>	<u>-</u>	<u>11,199,863</u>
Total expenditures	<u>353,446</u>	<u>4,227,391</u>	<u>6,619,026</u>	<u>-</u>	<u>11,199,863</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(95,547)</u>	<u>(501,430)</u>	<u>(6,619,026)</u>	<u>831</u>	<u>(7,215,172)</u>
OTHER FINANCING SOURCES (USES)					
Loan proceeds	-	969,759	-	-	969,759
Operating transfers in	-	39,802	6,619,026	-	6,658,828
Total other financing sources (uses)	<u>-</u>	<u>1,009,561</u>	<u>6,619,026</u>	<u>-</u>	<u>7,628,587</u>
NET CHANGE IN FUND BALANCES	(95,547)	508,131	-	831	413,415
FUND BALANCES, BEGINNING OF YEAR	<u>2,116,942</u>	<u>(21,553)</u>	<u>2,000,000</u>	<u>384,141</u>	<u>4,479,530</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,021,395</u>	<u>\$ 486,578</u>	<u>\$ 2,000,000</u>	<u>\$ 384,972</u>	<u>\$ 4,892,945</u>

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 POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013

	<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	\$ 369,479	\$ 1,148,540	\$ 1,962,144	\$ 2,193,776	\$ 5,673,939
Receivables					
Accounts	-	30	-	-	30
Accrued interest	-	-	1,140	938	2,078
Due from general fund	-	-	16,186,997	-	16,186,997
Total current assets	<u>369,479</u>	<u>1,148,570</u>	<u>18,150,281</u>	<u>2,194,714</u>	<u>21,863,044</u>
Noncurrent Assets:					
Restricted cash and investments	-	-	269,610	57,652	327,262
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>269,610</u>	<u>57,652</u>	<u>327,262</u>
Total assets	<u>369,479</u>	<u>1,148,570</u>	<u>18,419,891</u>	<u>2,252,366</u>	<u>22,190,306</u>
LIABILITIES					
Current liabilities:					
Accounts payable	6,340	12,285	38,681	3,500	60,806
Insurance claims payable	-	-	18,381,210	1,653,075	20,034,285
Long term debt - due within one year	155	-	-	-	155
Total current liabilities	<u>6,495</u>	<u>12,285</u>	<u>18,419,891</u>	<u>1,656,575</u>	<u>20,095,246</u>
Noncurrent liabilities:					
Long term debt - due in more than one year	619	-	-	-	619
Total noncurrent liabilities	<u>619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>619</u>
Total liabilities	<u>7,114</u>	<u>12,285</u>	<u>18,419,891</u>	<u>1,656,575</u>	<u>20,095,865</u>
NET POSITION					
Restricted	-	-	269,610	57,652	327,262
Unrestricted	362,365	1,136,285	(269,610)	538,139	1,767,179
Total net position	<u>\$ 362,365</u>	<u>\$ 1,136,285</u>	<u>\$ -</u>	<u>\$ 595,791</u>	<u>\$ 2,094,441</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Risk Management	General Insurance	Workers Compensation	General Liability	Total
OPERATING REVENUES					
Charges for services	\$ 350,120	\$ 923,575	\$ 7,466,691	\$ 950,000	\$ 9,690,386
Total operating revenues	350,120	923,575	7,466,691	950,000	9,690,386
OPERATING EXPENSES					
Personnel services	87,142	-	-	-	87,142
Contractual services	-	100,025	323,122	42,000	465,147
Supplies	443	-	-	-	443
Insurance	-	271,412	128,807	296,629	696,848
Insurance claims	-	93,248	7,020,776	1,059,136	8,173,160
Other	294	-	-	-	294
Total operating expenses	87,879	464,685	7,472,705	1,397,765	9,423,034
OPERATING INCOME (LOSS)	262,241	458,890	(6,014)	(447,765)	267,352
NONOPERATING REVENUES (EXPENSES)					
Investment income	-	-	6,014	2,735	8,749
Total nonoperating revenues (expenses)	-	-	6,014	2,735	8,749
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	262,241	458,890	-	(445,030)	276,101
CHANGE IN NET POSITION	262,241	458,890	-	(445,030)	276,101
NET POSITION, BEGINNING OF YEAR	100,124	677,395	-	1,040,821	1,818,340
NET POSITION, END OF YEAR	\$ 362,365	\$ 1,136,285	\$ -	\$ 595,791	\$ 2,094,441

CITY OF SALINAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Risk Management Fund	General Insurance Fund	Workers Compensation Fund	General Liability Fund	Totals
Cash Flows from Operating Activities:					
Receipts from customers and users	\$ 120	\$ 26,894	\$ 516,711	\$ -	\$ 543,725
Receipts from interfund services provided	350,000	896,681	2,746,354	950,000	4,943,035
Payments to suppliers	(737)	(362,322)	(451,929)	(338,630)	(1,153,618)
Payments to employees	(88,734)	-	-	-	(88,734)
Payments to claimants	-	(94,187)	(4,430,293)	(816,831)	(5,341,311)
Net Cash Provided (Used) by Operating Activities	<u>260,649</u>	<u>467,066</u>	<u>(1,619,157)</u>	<u>(205,461)</u>	<u>(1,096,903)</u>
Cash Flows from Investing Activities:					
Interest received	-	-	10,154	6,811	16,965
(Decrease) in fair value of investments	-	-	(2,916)	(2,797)	(5,713)
Transfer (to) from restricted cash	-	-	(21,236)	(57,652)	(78,888)
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>	<u>(13,998)</u>	<u>(53,638)</u>	<u>(67,636)</u>
Net Increase(Decrease) in Cash and Cash Equivalents	260,649	467,066	(1,633,155)	(259,099)	(1,164,539)
Cash and Cash Equivalents - Beginning of Year	<u>108,830</u>	<u>681,474</u>	<u>3,595,299</u>	<u>2,452,875</u>	<u>6,838,478</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 369,479</u></u>	<u><u>\$ 1,148,540</u></u>	<u><u>\$ 1,962,144</u></u>	<u><u>\$ 2,193,776</u></u>	<u><u>\$ 5,673,939</u></u>

Private-Purpose Trust Funds

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

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

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

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

CITY OF SALINAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2013

	Successor Agency Trust				
	Redevelopment Obligation Retirement Fund	Administration	Total Successor Agency Trust	Other Private Purpost Trust	Total
ASSETS					
Cash and investments	\$ 1,806,596	\$ 244,232	\$ 2,050,828	\$ 1,240,752	\$ 3,291,580
Receivables					
Accounts	1,675	-	1,675	42,949	44,624
Interest	6,876	54	6,930	-	6,930
Loans and notes receivable	682,915	-	682,915	-	682,915
Prepaid bond issuance cost	25,904	-	25,904	-	25,904
Total current assets	<u>2,523,966</u>	<u>244,286</u>	<u>2,768,252</u>	<u>1,283,701</u>	<u>4,051,953</u>
Noncurrent assets					
Cash and investments restricted	1,563,543	-	1,563,543	-	1,563,543
Prepaid bond issuance cost net of accumulated amortization	246,461	-	246,461	-	246,461
Capital assets, net of accumulated depreciation	157,298	-	157,298	-	157,298
Total noncurrent assets	<u>1,967,302</u>	<u>-</u>	<u>1,967,302</u>	<u>-</u>	<u>1,967,302</u>
Total assets	<u>4,491,268</u>	<u>244,286</u>	<u>4,735,554</u>	<u>1,283,701</u>	<u>6,019,255</u>
LIABILITIES					
Current liabilities					
Accounts payable	267	16,272	16,539	1,345,602	1,362,141
Due to the City of Salinas	1,090,288	-	1,090,288	-	1,090,288
Due to other funds	-	-	-	10,682	10,682
Advance from the City of Salinas	940,000	-	940,000	-	940,000
Deferred revenues	6,873	-	6,873	-	6,873
Interest payable	303,686	-	303,686	-	303,686
Long term debt - due within one year	891,713	-	891,713	-	891,713
Total current liabilities	<u>3,232,827</u>	<u>16,272</u>	<u>3,249,099</u>	<u>1,356,284</u>	<u>4,605,383</u>
Long-term liabilities					
Long term debt - due in more than one year	4,357,267	-	4,357,267	-	4,357,267
Total long-term liabilities	<u>4,357,267</u>	<u>-</u>	<u>4,357,267</u>	<u>-</u>	<u>4,357,267</u>
Total liabilities	<u>7,590,094</u>	<u>16,272</u>	<u>7,606,366</u>	<u>1,356,284</u>	<u>8,962,650</u>
NET POSITION					
Held in trust for benefits and other purposes	<u>\$ (3,098,826)</u>	<u>\$ 228,014</u>	<u>\$ (2,870,812)</u>	<u>\$ (72,583)</u>	<u>\$ (2,943,395)</u>

CITY OF SALINAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Successor Agency Trust				Total
	Redevelopment Obligation Retirement Fund	Administration	Total Successor Agency Trust	Other Private Purpost Trust	
ADDITIONS					
Taxes	\$ 4,438,431	\$ -	\$ 4,438,431	\$ 3,111	\$ 4,441,542
Rental income	25,840	-	25,840	-	25,840
Miscellaneous	27,647	-	27,647	-	27,647
Contributions					
Private donations	-	-	-	1,527,443	1,527,443
Total contributions	4,491,918	-	4,491,918	1,530,554	6,022,472
Investment earnings					
Interest	41,188	83	41,271	(868)	40,403
Net investment earnings	41,188	83	41,271	(868)	40,403
Transfer In	-	630,079	630,079	7,742	637,821
Total additions	4,533,106	630,162	5,163,268	1,537,428	6,700,696
DEDUCTIONS					
Expenses	2,061,819	376,754	2,438,573	-	2,438,573
Payments on behalf of trustees	-	-	-	1,966,207	1,966,207
Contribution to other agencies	1,082,291	-	1,082,291	-	1,082,291
Transfer out	630,079	-	630,079	100,258	730,337
Total deductions	3,774,189	376,754	4,150,943	2,066,465	6,217,408
CHANGE IN NET POSITION	758,917	253,408	1,012,325	(529,037)	483,288
NET POSITION					
BEGINNING OF THE YEAR	(3,857,743)	(25,394)	(3,883,137)	456,454	(3,426,683)
END OF YEAR	\$ (3,098,826)	\$ 228,014	\$ (2,870,812)	\$ (72,583)	\$ (2,943,395)

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.

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 POSITION
AGENCY FUNDS
JUNE 30, 2013

	<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	\$ 328,741	\$ 28,158	\$ 316,138	\$ -	\$ 89,119	\$ 1	\$ 3,971	\$ 766,128
Receivables								
Accounts	-	-	74,886	-	36,134	-	32,790	143,810
Accrued interest	155	-	-	-	-	-	-	155
Due from other agencies	22,152	-	-	45,401	-	-	-	67,553
Total assets	<u>351,048</u>	<u>28,158</u>	<u>391,024</u>	<u>45,401</u>	<u>125,253</u>	<u>1</u>	<u>36,761</u>	<u>977,646</u>
LIABILITIES								
Accounts payable	33,738	2,885	20,020	43,194	63,526	-	-	163,363
Due to outside agencies	-	-	-	67,006	-	-	-	67,006
Long term debt - due within one year	1,706	2,436	6,818	1,966	-	-	-	12,926
Total liabilities	<u>35,444</u>	<u>5,321</u>	<u>26,838</u>	<u>112,166</u>	<u>63,526</u>	<u>-</u>	<u>-</u>	<u>243,295</u>
Long-term liabilities								
Long term debt-due in more than one year	6,825	9,744	27,273	7,865	-	-	-	51,707
Total long-term liabilities	<u>6,825</u>	<u>9,744</u>	<u>27,273</u>	<u>7,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,707</u>
Total liabilities	<u>42,269</u>	<u>15,065</u>	<u>54,111</u>	<u>120,031</u>	<u>63,526</u>	<u>-</u>	<u>-</u>	<u>295,002</u>
NET POSITION								
Held in trust for pension benefits and other purposes	<u>\$ 308,779</u>	<u>\$ 13,093</u>	<u>\$ 336,913</u>	<u>\$ (74,630)</u>	<u>\$ 61,727</u>	<u>\$ 1</u>	<u>\$ 36,761</u>	<u>\$ 682,644</u>

**GENERAL
and
MEASURE V FUNDS**

**CITY OF SALINAS
COMBINING BALANCE SHEET
GENERAL AND MEASURE V FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Measure V</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 10,402,498	\$ 2,882,704	\$ 13,285,202
Receivables, net:			
Taxes	7,700,097	2,057,565	9,757,662
Accounts	125,132	-	125,132
Accrued interest	11,158	1,504	12,662
Due from outside agencies	67,006	-	67,006
Due from other funds	2,878,298	-	2,878,298
Due from Successor Agency	1,090,288	-	1,090,288
Advances to other funds	2,335,000	-	2,335,000
Inventory	14,874	-	14,874
	<u>\$ 24,624,351</u>	<u>\$ 4,941,773</u>	<u>\$ 29,566,124</u>
LIABILITIES			
Accounts payable	\$ 5,959,561	\$ 379,335	\$ 6,338,896
Due to other funds	16,574,126	44,257	16,618,383
	<u>22,533,687</u>	<u>423,592</u>	<u>22,957,279</u>
FUND BALANCE			
Nonspendable	2,349,874	-	2,349,874
Committed	1,852,700	529,300	2,382,000
Assigned	-	831,549	831,549
Unassigned	(2,111,910)	3,157,332	1,045,422
	<u>2,090,664</u>	<u>4,518,181</u>	<u>6,608,845</u>
Total fund balance	<u>2,090,664</u>	<u>4,518,181</u>	<u>6,608,845</u>
Total liabilities and fund balances	<u>\$ 24,624,351</u>	<u>\$ 4,941,773</u>	<u>\$ 29,566,124</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, 2013

	<u>General</u>	<u>Measure V</u>	<u>Total</u>
REVENUES			
Taxes	\$ 69,006,217	\$ 10,507,630	\$ 79,513,847
Licenses and permits	1,268,394	-	1,268,394
Intergovernmental	583,347	-	583,347
Charges for services	3,780,976	-	3,780,976
Interest	84,749	6,549	91,298
Rental income	117,356	-	117,356
Fines and forfeits	46,066	-	46,066
Miscellaneous	65,724	27,295	93,019
Total revenues	<u>74,952,829</u>	<u>10,541,474</u>	<u>85,494,303</u>
EXPENDITURES			
Current:			
General government	17,566,765	237,536	17,804,301
Public safety	46,117,835	3,045,018	49,162,853
Public works	10,371,222	1,166,855	11,538,077
Recreation	762,184	565,599	1,327,783
Library	-	3,820,141	3,820,141
Capital outlay	127,953	2,281	130,234
Total expenditures	<u>74,945,959</u>	<u>8,837,430</u>	<u>83,783,389</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,870</u>	<u>1,704,044</u>	<u>1,710,914</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	2,000,001	-	2,000,001
Operating transfers out	(3,392,290)	(1,543,188)	(4,935,478)
Total other financing sources (uses)	<u>(1,392,289)</u>	<u>(1,543,188)</u>	<u>(2,935,477)</u>
NET CHANGE IN FUND BALANCES	(1,385,419)	160,856	(1,224,563)
FUND BALANCES, BEGINNING OF YEAR	<u>3,476,083</u>	<u>4,357,325</u>	<u>7,833,408</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,090,664</u>	<u>\$ 4,518,181</u>	<u>\$ 6,608,845</u>



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