

City of Salinas California



Basic Financial Statements **Fiscal Year Ended June 30, 2017**

Basic Financial Statements

Fiscal Year Ended June 30, 2016



PREPARED BY
THE FINANCE DEPARTMENT

Matt N. Pressey, CPA
Finance Director

Miguel Gutierrez, Assistant Finance Director
Elizabeth Mariano, Accounting Manager

AUDITORS

McGilloway, Ray, Brown & Kaufman
Accountants and Consultants
379 West Market Street
Salinas, CA 93901

CITY OF SALINAS
Basic Financial Statements
Table of Contents

Page

INTRODUCTORY SECTION:

Transmittal Letter.....	i
Organizational Chart.....	xxvi
List of Principal Officials.....	xxvii

FINANCIAL SECTION:

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

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

Basic Financial Statements

Government-wide Financial Statements:	
Statement of Net Position	F-21
Statement of Activities.....	F-22
Fund Financial Statements:	
Governmental Funds:.....	
Balance Sheet.....	F-27
Reconciliation of the Balance Sheet to Statement of Net Position.....	F-28
Statement of Revenues, Expenditures and Changes in Fund Balance.....	F-29
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	F-30
Proprietary Funds:.....	
Statement of Fund Net Position (Deficit)	F-33
Statement of Revenues, Expenses and Changes in Fund Net Position (Deficit)	F-34
Statement of Cash Flows	F-35
Fiduciary Funds:	
Statement of Net Position (Deficit).....	F-39
Statement of Changes in Net Position (Deficit).....	F-40
Notes to Basic Financial Statements:	
#1. Description of the Reporting Entity and Significant Accounting Policies.....	F-43
#2. Stewardship, Compliance and Accountability.....	F-60
#3. Debt Compliance	F-62
#4. Cash and Investments	F-62
#5. Restricted Assets.....	F-68
#6. Taxes Receivable	F-68
#7. Assessment Receivable.....	F-68
#8. Due From Other Agencies	F-69
#9. Interfund Transactions	F-70
#10. Loans Receivable, Net of Allowance.....	F-72

CITY OF SALINAS
Basic Financial Statements
Table of Contents

	<u>Page</u>
#11. Land and Properties Held for Resale	F-73
#12. Capital Assets.....	F-74
#13. Deferred Compensation Plan	F-75
#14. Retirement Programs	F-77
#15. Post Employment Benefits Other Than Pensions (OPEB)	F-98
#16. Risk Management	F-101
#17. Lease Obligations.....	F-102
#18. Long Term Debt.....	F-103
#19. Restricted Net Position	F-117
#20. Unearned Revenues	F-117
#21. Prior Period Adjustment	F-118
#22. Fund Balance	F-118
#23. Encumbrance.....	F-119
#24. Joint Venture – Salinas Valley Solid Waste Authority.....	F-120
#25. Commitments and Contingent Liabilities	F-121
#26. Successor Agency Trust for Assets of Former Redevelopment Agency... F-121	F-121
#27. Subsequent Events	F-124
Required Supplementary Information	R-1
Budgetary Policy and Control:.....	R-3
Budgetary Comparison Schedule – General Fund, Measure V, & Measure G	R-9
Budgetary Comparison Schedule – Measure V.....	R-10
Budgetary Comparison Schedule – Measure G.....	R-11
Budgetary Comparison Schedule – Development Fees Fund.....	R-12
Schedule of Funding Progress for Other Post Employment Benefits.....	R-13
Claims Development for Internal Service Funds	
General Liability Insurance.....	R-14
Claims Development for Internal Service Funds	
Workers Compensation Insurance	R-15
Agent Multiple-Employer Defined Benefit Plan	
Schedule of City’s Net Pension Liability and Related Ratios	R-16
Agent Multiple-Employer Defined Benefit Plan	
Schedule of the City’s Pension Plan Contributions and Notes	R-17
Cost-sharing Multiple-Employer Defined Benefit Plan	
Schedule of the City’s Proportionate Share of the Plan’s (PERF C)	
Net Pension Liability and Related Ratios	R-18
Cost-sharing Multiple-Employer Defined Benefit Plan	
Schedule of the City’s Pension Plan Contributions and Notes.....	R-19
Single - Employer Defined Benefit Pension Plan	
Schedule of the City’s Net Pension Liability and Related Ratios	R-20
Single - Employer Defined Benefit Pension Plan	
Schedule of the City’s Pension Plan Contributions and Notes	R-21

CITY OF SALINAS
 Basic Financial Statements
 Table of Contents

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



This page is intentionally left blank.



City of Salinas

FINANCE DEPARTMENT • 200 Lincoln Ave • Salinas, California 93901

(831) 758-7420 • (831) 758-7937 (Fax) • www.ci.salinas.ca.us

December 19, 2017

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

We are pleased to submit the City of Salinas (City) Basic Financial Statements for the fiscal year ended June 30, 2017. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and are audited in accordance with generally accepted auditing standards.

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

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

McGilloway, Ray, Brown & Kaufman, a firm of certified public accountants, have audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2017, 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, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

This report is divided into two sections:

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

The Reporting Entity and Its Services

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

The City of Salinas acts as fiscal agent for the Sunrise House. Therefore, the financial information of this agency is included in the Fiduciary Funds in the accompanying financial statements. The City’s service as fiscal agent has ended during the year.

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

The City of Salinas is the “county seat” of Monterey County, and is located in the Central Coast region of California, 17 miles inland from the Monterey Bay, 325 miles north of Los Angeles and 106 miles south of San Francisco. Salinas is a charter City providing all typical City services: Public safety - police and fire, Public Works - maintenance services (streets, lighting, signals, facilities, parks and trees), development and permit services, current and advanced planning and

traffic and facilities engineering, Library, Recreation and General administrative services. Business-type City services include: a Municipal Airport, Industrial Waste system, Golf (two municipal golf courses), Sanitary Sewer and Storm Drain systems, Water Utility and a Parking District. The State Department of Finance reports the City's population at 162,470 as of January 1, 2017. The City FY 2017-18 budget includes 613 positions authorized on a full time equivalent basis.

Three elementary school districts, a unified high school district and several private schools at both the primary and secondary level operate in the City of Salinas. Hartnell College, a State Community College, offers two-year degrees and occupational certificate programs. California State University Monterey Bay is located less than 15 miles away on the former Fort Ord site. Graduate studies through Golden Gate University, Monterey Institute of International Studies and Chapman College are available nearby. Also in the area are Moss Landing Marine Laboratory, Monterey College of Law, Stanford University's Hopkins Marine Station and San Jose State University.

Salinas has extensive health and medical services with two of Monterey County's four hospitals located within the City. Salinas also offers skilled nursing and convalescent homes and residential retirement facilities for seniors, as well as over 220 practicing physicians.

Fire protection and basic and advanced life support are provided by the City's full service Fire Department. Advanced life support services are provided by the Fire Department's paramedic program. The City of Salinas has a Police Department and receives additional support, as required, from the Monterey County Sheriff's Office and other regional, state and federal agencies.

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

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

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

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

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

- Police Community Advisory Committee
- Animal Services Committee
- Design Review Board
- Board of Appeals
- Grievance Advisory Board
- Finance Committee
- Historical Resources Board

FINANCIAL INFORMATION

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

Single Audit

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

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

Accounting System and Budgetary Control

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

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

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

Annual Financial Report

The purpose of the City's Annual Financial Report is to summarize the administrative and operational performance of the City during the previous fiscal year. The report is intended to highlight significant accomplishments that were achieved during the fiscal year ended June 30, 2017 and to provide a financial analysis of City performance.

Capital Assets and Depreciation

As of June 30, 2017, capital assets, including infrastructure assets, of the City of Salinas totaled \$692.7 million; accumulated depreciation totaled \$376.0 million, with the difference providing net capital assets of \$316.7 million. Net capital assets of the City's governmental activities (general government) are \$190.1 million and net capital assets for the City's business-type activities (enterprise funds) are \$126.6 million.

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

During FY 2016-17, depreciation expense on capital assets of the City's governmental activities (general government) was \$9.8 million and depreciation expense on capital assets of the City's business-type activities (enterprise funds) was \$6.4 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, 2017, the City had \$267.7 million in long-term debt. Long-term debt includes liabilities for annual leave, long-term portion of Worker's Compensation claims payable, capital leases and notes and bonds payable, and net pension liability. While the General Fund guarantees most of the City's long-term debt, other funds, agencies or property owners make the majority of principal and interest payments. Examples of other funds, agencies or property owners include, the Industrial Waste Fund, Golf Courses Fund, the Sanitary Sewer Fund, Successor Agency to the former Salinas Redevelopment Agency property tax increments, and payments from property owners who are included in the City's various assessment districts.

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

Fund Financial Statements-General Governmental Revenues

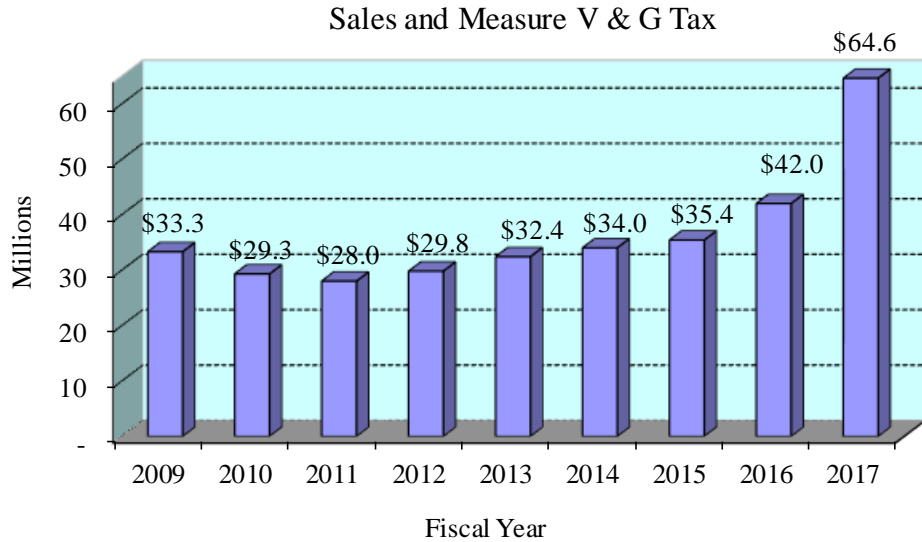
The current governmental operations of the City are accounted for in the General, Special Revenue, Debt Service, and Capital Project Funds. For the fiscal year ended June 30, 2017, total revenues for general governmental functions totaled \$152.2 million, an increase of 1.7% over the previous fiscal year.

Sales Tax

The City has a well-diversified economy and sales tax base. Sales tax receipts increased for the sixth year after the three consecutive years of significant declines. The sales and transaction and use tax increased \$2.6 million, or 4.2% from FY 2015-16. Sales tax was still the largest single category of revenue this fiscal year producing 18.4% of the combined governmental fund type revenues. Transactions and Use Tax (Measure V and G) represents 24.0% of the combined governmental fund type revenues. Measure V and G transactions and use tax is a general tax and is reported as part of the General Fund. Combined, sales tax and transactions and use tax revenue total \$64.6 million or 42.3% of the combined governmental fund type revenues.

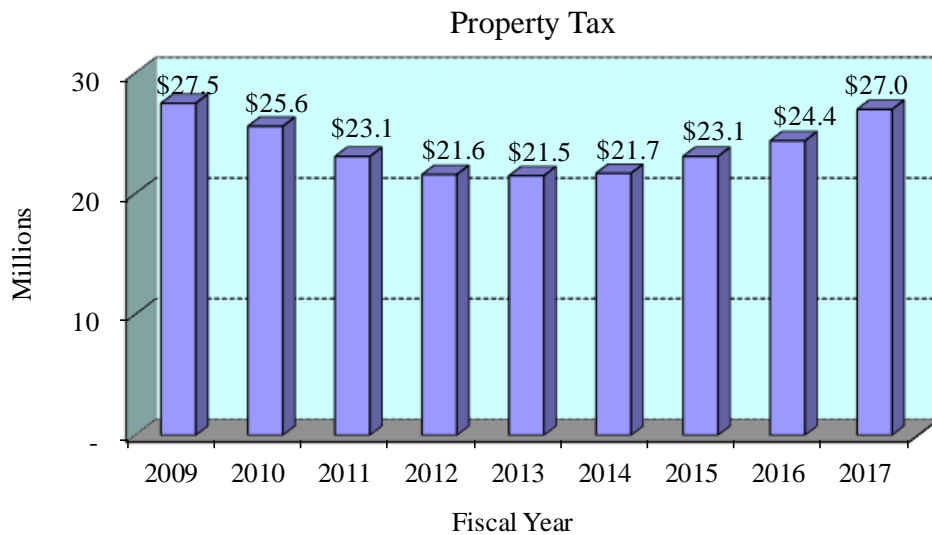
On November 8, 2005, the voters of Salinas approved Measure V, a 0.50% transactions and use tax. Measure V is a general tax and is reported as part of the General Fund, although the tax is accounted for in a separate sub-fund of the General Fund. On November 6, 2012, the voters of Salinas approved to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

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



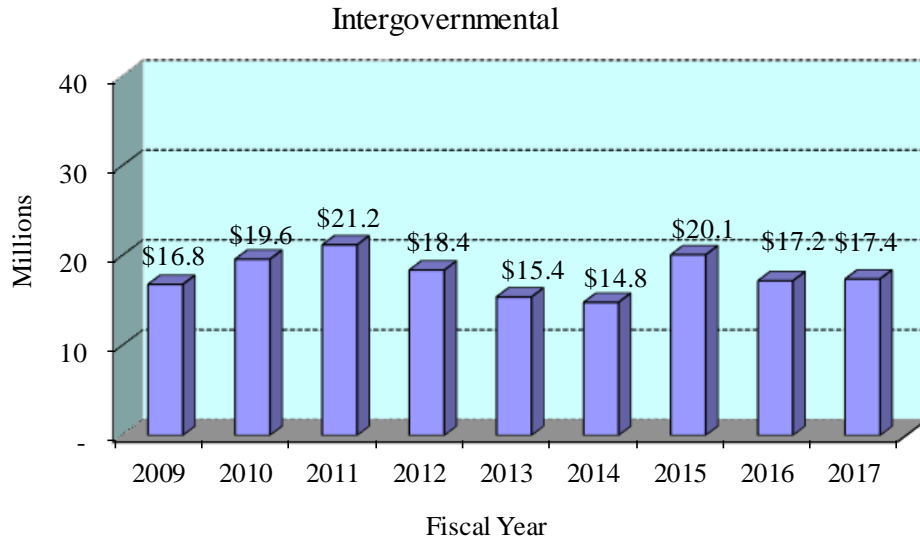
Property Tax

Property tax revenue was the second largest source of revenue during this fiscal year, producing 17.7% of the combined governmental fund type revenues. Property tax revenue includes Property tax-in-lieu of vehicle license fees (2/3 of VLF) of \$11.9 million that is now determined by the City’s growth in assessed property values. Property tax experienced a low in 2013 of \$21.5 million and is now \$27.0 million, almost fully recovered to the high of \$27.5 million in 2009.



Intergovernmental

Intergovernmental revenue was the third largest single category of revenue during the fiscal year producing 11.5% of the combined governmental fund revenues. Intergovernmental revenues consist of vehicle licenses fees (1/3 of VLF), Federal and State Public Safety Funds, Federal Block Grants, State Gas Taxes and Federal and State Construction Grants. Intergovernmental revenue recovered from a 10-year low four years ago. Intergovernmental revenue stayed consistent with the prior year with a slight increase by \$.02 million, or 1.2%.



Utility User's Tax and Other Taxes

Utility user's tax and other taxes produced 7.7% of the combined governmental fund type revenues. Other taxes include business license tax and franchise fees, among others. Utility user's tax decreased by \$0.4 million, or -3.2%. Last year UUT increased by \$2.1 million as a result of the voter approved modernization of the UUT which added mobile phone technology. Last year also included a large one-time increase as a result of a recovery audit. Other taxes increased by \$0.8 million, or 4.7% from the prior year.

Taxes receivable total \$14.8 million for the year ended June 30, 2017 and are further explained in Note 6 to the financial statements.

Assessment District Taxes

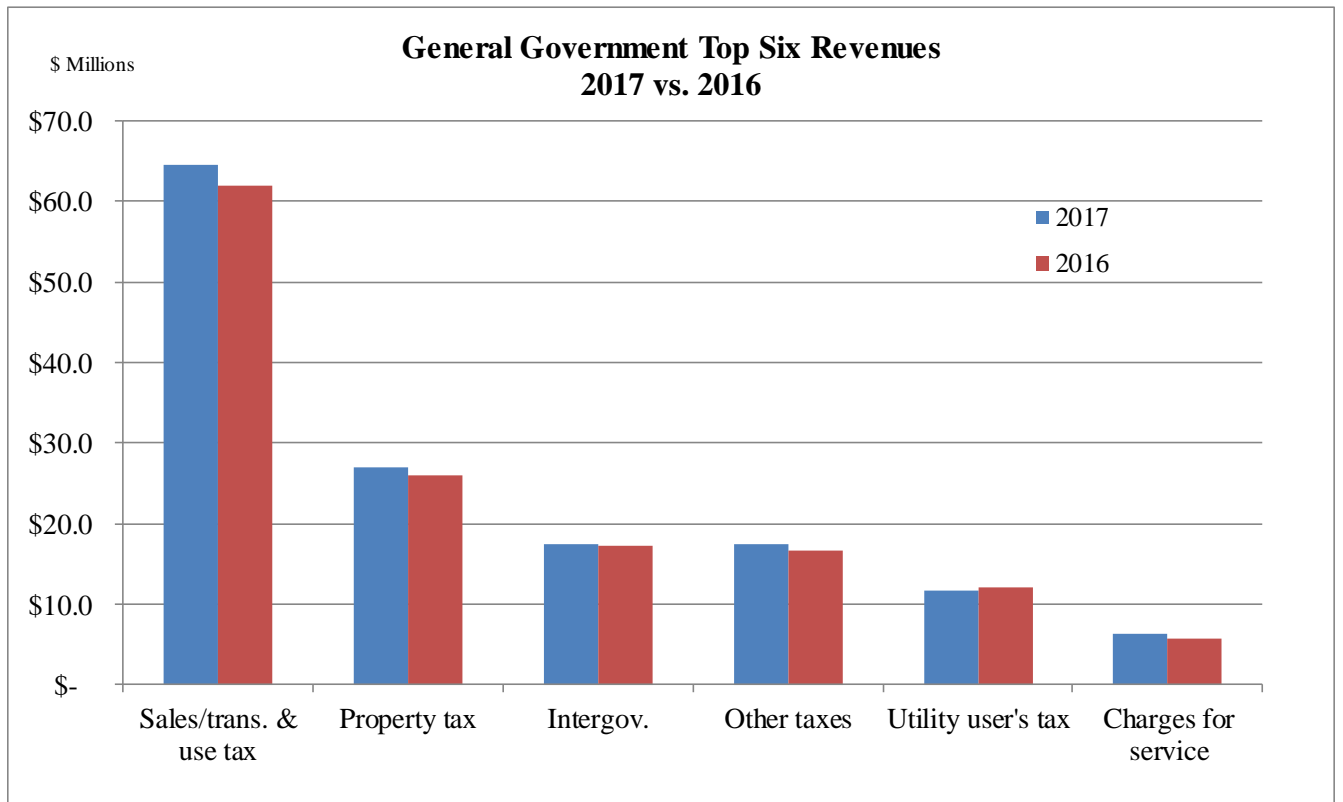
The Assessment District Debt Service Fund taxes decreased from \$0.3 million, or -12.4% from the prior year to \$2.5 million in the current year as a result of lowering the amount needed to cover debt service by refinancing of the special assessment debt.

Charges for Services

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

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

Source of Revenues	2017 Amounts	Percent of Total	2016 Amounts	2017 vs. 2016 Increase/(decrease)	
				Dollars	Percent
Assessment districts:					
Taxes	\$ 2,483,106	1.6%	\$ 2,833,325	\$ (350,219)	-12.4%
Property tax	26,987,393	17.7%	25,949,905	1,037,488	4.0%
Sales/transaction & use tax	64,579,520	42.3%	61,958,246	2,621,274	4.2%
Utility user's tax	11,669,515	7.7%	12,060,151	(390,636)	-3.2%
Other taxes	17,406,615	11.4%	16,620,537	786,078	4.7%
License & permits	1,610,986	1.1%	1,591,305	19,681	1.2%
Intergovernmental	17,441,983	11.5%	17,239,454	202,529	1.2%
Charges for service	6,340,509	4.2%	5,779,360	561,149	9.7%
Interest	509,019	0.3%	572,229	(63,210)	-11.0%
Rental income	512,490	0.3%	575,124	(62,634)	-10.9%
Fines/forfeitures	792,725	0.5%	474,447	318,278	67.1%
Contributions	695,701	0.5%	521,564	174,137	33.4%
Miscellaneous	1,175,378	0.8%	3,553,185	(2,377,807)	-66.9%
TOTAL	\$ 152,204,940	99.9%	\$ 149,728,832	\$ 2,476,108	1.7%

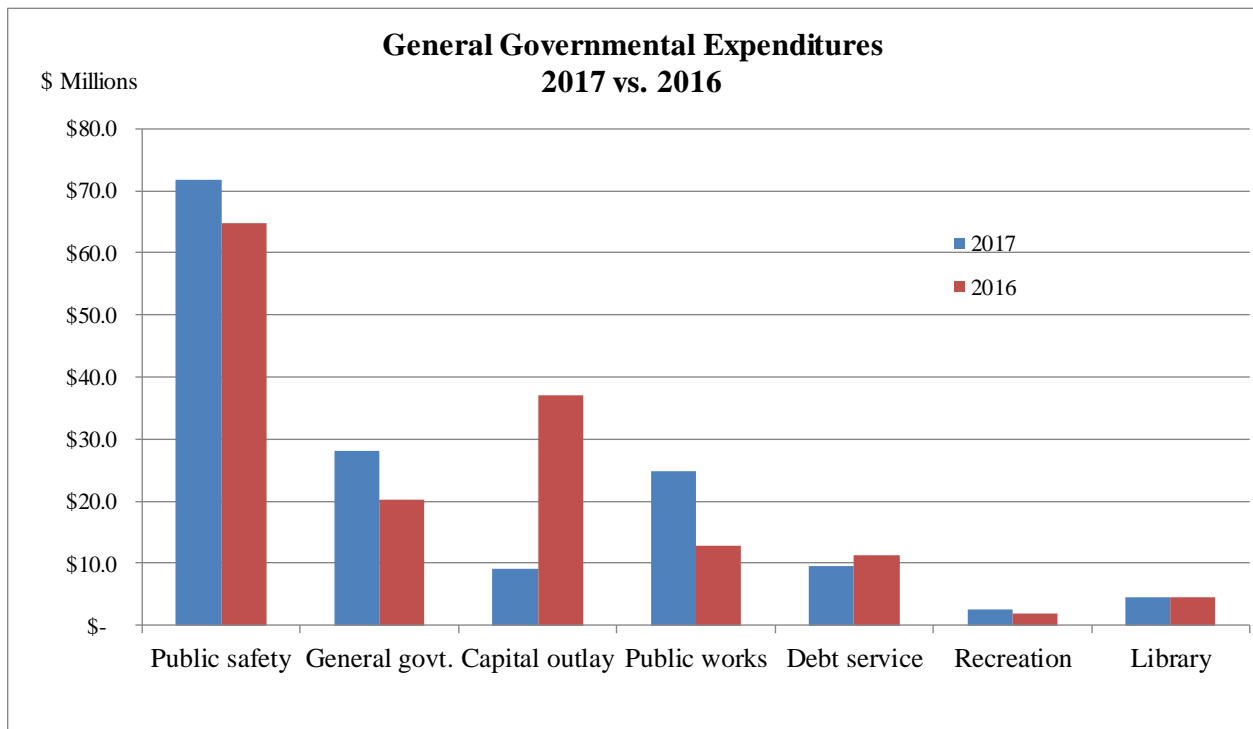


Fund Financial Statements-General Governmental Expenditures

Expenditures for governmental operations during the fiscal year ended June 30, 2017 were \$150.4 million, a net decrease of -1.3% in total expenditures over the previous year.

Changes in expenditures by major function are as follows:

Function	2017	Percent of Total	2016	2017 vs. 2016 Increase/(decrease)	
				Dollars	Percent
General government	\$ 27,936,383	18.6%	\$ 20,302,850	\$ 7,633,533	37.6%
Public safety	71,730,386	47.7%	64,668,021	7,062,365	10.9%
Public works	13,118,008	8.7%	12,792,810	325,198	2.5%
Recreation	2,471,488	1.6%	1,930,449	541,039	28.0%
Library	4,643,159	3.1%	4,516,332	126,827	2.8%
Subtotal operations	119,899,424	79.7%	104,210,462	15,688,962	15.1%
Capital outlay	20,847,880	13.9%	36,956,428	(16,108,548)	-43.6%
Debt service:					
Principal	7,979,428	5.3%	9,300,000	(1,320,572)	-14.2%
Interest	1,659,842	1.1%	1,860,336	(200,494)	-10.8%
Total	\$ 150,386,574	100.0%	\$ 152,327,226	\$ (1,940,652)	-1.3%



Operating expenditures increased by \$15.7 million or 15.1% from \$104.2 million in FY 2015-16 to \$119.9 million in FY 2016-17.

General Government increased by \$7.6 million, or 37.6%, mainly from establishing an allowance for uncollectable affordable housing loans receivable of \$4.5 million and an increase in HUD grant spending by \$1.9 million on affordable housing projects. Public Safety increased by \$7.1 million, or 10.9%, Public Works increased during the year by \$0.3 million, or 2.5%, Recreation increased by \$0.5 million, or 28.0%, and Library expenditures have increased slightly by \$0.1 million, or 2.8%.

Principal and interest payments decreased by \$1.5 million from paying off certain debt through refinancing and lowering the normally scheduled debt service payments.

Capital Outlay (Project) expenditures decreased \$16.1 million or -43.6% from \$37.0 million in FY 2015-16 to \$20.8 million in FY 2016-17. The main reason for the decrease is from spending less gas tax funding and less grant funding for the Police NEGEN project compared to the prior year. During the year, there were 150 capital projects worked on. The largest project was the Energy Efficiency retrofit project that continued from the prior year with \$1.9 million spent in 2017. The second largest project was \$1.6 million recovery costs associated with the winter storm in February 2017. The third and fourth largest project was \$1.4 and \$1.3 million on the Sanborn/US 101 improvements and the city-wide sidewalk and drainage repair projects, respectively.

Business-type Activities-Enterprise Funds

Enterprise Funds are the City's business-type activities (activities supported, at least in part, by fees or charges) and include the Salinas Municipal Airport, the Industrial Waste Facility, the Municipal Golf Courses (Fairways and Twin Creeks), the Storm Sewer System, the Sanitary Sewer System, the Hitchcock Road Water Utility, the Parking District 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 \$93.2 million at June 30, 2017.

Internal Service Funds

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

At June 30, 2017, the Internal Service Funds liabilities for estimated claims payable totaled \$23.1 million, with \$21.0 million representing Workers' Compensation and \$2.1 million representing General Liability.

Total Workers' Compensation insurance claims liabilities are \$27.9 million at June 30, 2017. A portion of the liability is reported in the Internal Service Fund (\$23.1 million) and a portion is

treated as long-term debt (\$3.0 million). The long-term debt portion represents future obligations of the Workers' Compensation Plan.

Fiduciary Funds

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

Private Purpose Trust Funds include a net position of \$0.4 million held by City, which has improved by \$0.8 million from the prior year. Of the net position, a net deficit of \$1.5 million is held by the City for the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and a net position of \$1.9 million held by the City for Community Center and Sherwood Hall activities, MRWPCA Fees, Sales Tax, Payroll Taxes, Deposits, Construction Bonds and other trust arrangements not properly reported in a pension trust.

Pension Trust Funds held by the City of \$12.0 million are employee deferred compensation funds.

Agency Funds are assets held by the City for Sunrise House, Economic Development, Salinas Valley Enterprise Zone, Employee Cafeteria Plan and Retired Employees Health Insurance Program. Agency assets held by the City total \$0.5 million.

Cash Management

In accordance with the provisions of California Government Code Section 53600 et. seq., the City is restricted to certain types of legal investments. These investments are included in the City's investment policy and are approved by City Council annually. In addition, the City's investment activity is reported to the City Council monthly pursuant to the California Government Code.

The City invests all idle funds daily. The cash management system of the City is designed to monitor revenues and expenditures to ensure the investment of monies to the fullest extent possible. The criteria, in order of priority, for selecting investments are safety, liquidity, and yield.

The majority of City funds (73.0% of investment at FMV) are invested in the State's Local Agency Investment Fund (LAIF). LAIF yielded average returns of 0.731% for fiscal year ended June 30, 2017 and grew from 0.588% to 0.978% from July 2016 to June 2017.

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, 2017 is as follows:

Balance at cost - June 30, 2017	\$ 98,077,643
Unrealized gain	<u>103,503</u>
Balance at fair value - June 30, 2017	<u>\$ 98,181,146</u>

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

Property Assessment

Assessed valuation of citywide taxable properties increased \$489.6 million to \$10,912 million representing an increase of 4.7% over FY 2016-17. Last year, the Assessed value grew by \$458.7 million, or 4.6%. The assessed value, for the first time, exceeds the assessed value high of \$10,645 million in FY 2007-08.

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

Fiscal year	Before Redevelopment		After Redevelopment		Percent Change
		Increment		Increment	
2017-18	\$	10,912,115,449	\$	10,071,741,861	4.70%
2016-17		10,422,521,577		9,614,776,155	4.60%
2015-16		9,963,782,622		9,195,146,472	6.49%
2014-15		9,356,177,997		8,629,207,052	8.82%
2013-14		8,597,836,189		7,904,316,402	2.72%
2012-13		8,370,116,351		7,693,329,440	0.72%
2011-12		8,310,478,479		7,628,550,860	-0.61%
2010-11		8,361,701,633		7,473,844,928	-6.75%
2009-10		8,966,761,801		7,981,760,147	-11.25%
2008-09		10,102,973,741		9,158,540,984	-5.10%
2007-08		10,645,974,648		9,750,295,032	7.25%
2006-07		9,926,023,729		9,107,918,547	12.72%
2005-06		8,806,009,783		8,305,434,488	12.90%
2004-05		7,799,653,100		7,373,407,370	10.70%
2003-04		7,045,521,979		6,643,698,145	6.90%
2002-03		6,590,542,785		6,284,551,441	10.04%
2001-02		5,989,470,269		5,697,145,117	9.12%

* Source: Monterey County Tax Rate Book

Significant Events and Accomplishments

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

❖ **Economic Diversity and Prosperity**

Community Development Department

- Plan & Project Implementation Division
 - ✓ Released public review draft Environmental Impact Report for the draft Economic Development Element.
 - ✓ Initiated implementation of the draft Economic Development Element.
 - Selected master consultant to prepare Alisal Vibrancy Plan (AVP).
 - Formed resident steering committee to guide Plan process.
 - Conducted community outreach at community events.
 - Awarded five VISTA volunteers to support AVP engagement, plan and projects.
 - Completed Service Learning project with Stanford University students to create methodology for surveying exterior condition of residential units in East Salinas.
 - ✓ Provided Small Business Support.
 - Provided staff liaison support for SUBA.
 - 13 businesses received 36 hours of classroom and individual technical support.
 - Assisted with processing 4 microloan applications through Fresno CDFI.
 - Received 33 Grow Salinas Fund loan in-take applications; processed six complete applications.
 - ✓ Initiated implementation of Salinas Downtown Vibrancy Plan.
 - Designated staff liaison for Salinas City Center Improvement Association Community Benefit District.
 - Completed Downtown Housing Market Assessment and corresponding downtown parking analysis.
 - Established 1-year pilot program waiving fees for Sidewalk Café permits.
- Special Projects/Advanced Planning Division
 - ✓ Completed the Subdivision Ordinance Update.
 - ✓ Submitted the Housing Element Annual Progress Report for 2016 to the State of California.
 - ✓ Initiated Visión Salinas (General Plan Visioning and Major Project Outreach Coordination).
 - ✓ Initiated the environmental process for the Central Area Specific Plan, part of the Future Growth Area.
 - Completed Funding Agreement with applicant.
 - NOP for the preparation of the DEIR to be released by 2nd quarter of 2017.
 - ✓ Processed Draft West Area Specific Plan and DEIR.
 - DEIR to be completed by 2nd quarter of 2017.
 - ✓ Initiated the Farmworker Housing Study and Action Plan for Salinas Valley and Pajaro Valley.
- Current Planning & Permit Services Divisions
 - ✓ Issued 3,667 permits with a valuation over \$60 million in 2016.

- ✓ Offered counter service from 8:00 am – 5:00 pm, Monday – Friday serving 11,988 customers.
 - ✓ Achieved full cost recovery for the Permit Services Division.
 - ✓ Completed plan and permit reviews and inspections within allotted timeframe, 520 “over-the-counter” reviews, 1,675 total reviews at an average time of 4 calendar days.
 - ✓ Conducted all inspections via electronic devices.
 - ✓ Drafted and presented the Accessory Dwelling Ordinance for adoption by City Council.
 - ✓ Amended the Zoning Code to facilitate economic development.
 - ✓ Initiated development of a specific plan DEIR for the Salinas Travel Center.
- Code Enforcement Division
- ✓ Addressed 1,736 code complaints (up from 996) in the prior year.
 - ✓ Updated and revamped the Ordinance Booklet to inform residents of common code violations.
 - ✓ Began weekend enforcement of mobile vendors, garage sales and blight.
 - ✓ Facilitated the issuance of 136 permits to correct code violations.
 - ✓ Worked collaboratively with the Legal Department for successful receivership of one of the worst properties in the City and initiated receivership of two additional properties.
- Housing & Community Development Division
- ✓ Completed the City’s Action Plan for FY 17-18 and CAPER for FY 16-17 for the City’s federal HUD funding (CDBG, HOME, & ESG).
 - ✓ Funded 23 public services agencies to provide critical programming to over 1,900 youth, seniors, and homeless.
 - ✓ Updated the City’s Inclusionary Housing Ordinance.
 - ✓ Entered into a funding agreement with Monterey County Housing Authority Development Corporation for the construction of 50 units of family housing through Haciendas Phase 3.
 - ✓ Entered into a Development Agreement with MidPen for the development of a mixed use building, with 90-unit affordable housing development and completed the NEPA.
 - ✓ Assisted in the rehabilitation of 40 affordable housing units through continued investment in Vista de la Terraza.
 - ✓ Completed the affordable senior housing (Haciendas Senior).
 - ✓ Entered in MOU for additional funding of the Old Municipal Pool Building Retrofit Phase 2.
 - ✓ Worked with the Monterey Bay Economic Partnership to establish a regional housing trust fund.

City Attorney's Department

- Future Growth Area. Continued support to the Planning Division in review of the Specific Plans and environmental review thereof; supported efforts related to processing the environmental review.
- Plan for and engage a safe, secure, well-managed water supply. Continued supporting DPW in their efforts related to drafting and approval of multi-agency water agreements and initial implementation of Groundwater Sustainability Act.
- Economic Development Element. Continued support to the Planning Division in the efforts to prepare an Environmental Impact Report for the Economic Development Element.

Police Department

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

Public Works Department

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

Assessments and Maintenance Districts

- Met with various district groups throughout the year to address common concerns
- Responded to citizen inquires and attended property owner meetings
- Kept expenses within budget and below the anticipated revenues to insure adequate reserves

Library and Community Services

- Provided community service opportunities for youth and adults to strengthen skill development and workforce readiness. Residents performed nearly 21,000 community service hours.
- Engaged over 2,000 participants to assist with GED completion, literacy and family literacy (supporting parents through structured programming to assist them with helping their children to read).
- Added digital resources to the Library's collection such as Learning Express, Rosetta Stone and Lynda.com to connect customers to careers and provide support for academic advancement through language learning, technology instruction, test preparation tools and other vocational tutorials and e-books.
- Logged over 6,000 hours of reading from children engaged in the Library's summer reading program. The goal was to encourage reading and reduce and/or reverse the summer slide (a well-documented phenomenon that affects many students during the summer months and reduces grade level readiness).
- Opened the Digital Nest programming location at the Cesar Chavez Library that will connect youth ages 16-24 to skills and careers in technology.

Enterprise Operations

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

❖ **Safe, Livable Community**

Police Department

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

Fire Department

- Grants
 - ✓ SAFER - The City received a \$2.9 million SAFER grant to retain seven (7) Firefighters and hire four (4) new Firefighters in late 2013. The grant will also pay for a third year of salary and benefits for veteran hires. Several of these positions will transition from SAFER funding to Measure G beginning in mid-2017; a total of 13 positions. An additional SAFER Grant application for six (6) new firefighter positions was applied for in February of 2017 and these positions will be used to staff an emergency response squad program in the 17/18 Fiscal Year. This grant has a value of close to 1.5 million.

- ✓ Urban Area Security Initiatives (UASI) – The Fire Department has received approval of a \$237,000 grant proposal to replace a 2004 Haz/Mat Vehicle and Trailer with a modern Type 1 Haz/Mat Rescue response vehicle. Matching funds for the total cost are being provided by Measure G and the vehicle is scheduled for delivery during the 1st quarter of 2017. The vehicle was placed into front line service in May.
- ✓ State Homeland Security Grant (SHSG) – \$81,541 was received from various DHS funding sources to equip, support and sustain the department’s Haz/Mat Team for an upgrade to Type I and to provide tuition and back-fill to train two (2) firefighters as Haz/Mat Specialists. In addition, \$47,000 was secured from LEPC Funding to train four (4) additional firefighters as Haz/Mat Specialists.
- ✓ California Department of Transportation (Cal-DOT) - \$1,200,000 Staff was awarded a grant for a new Type II Haz/Mat Emergency Response vehicle, equipment and training to provide for additional safety and response to Crude by Rail (CBR) Incidents in the City of Salinas and greater Monterey County. This grant would provide all future training for the Haz/Mat Team and the vehicle will be utilized as a reserve for the new Type I being delivered. Estimated delivery is during the 3rd quarter of 2017.
- Firefighter Academies - The Fire Department conducted a successful fire academy of eight (8) firefighters who graduated in June of 2015. A second fire academy of nine (9) firefighters was started in January of 2016 and will graduate in late May, 2016. A third academy of seven (7) recruits began training in January of 2017 and will be placed on-line in early May.
- Donation of Equipment - The Fire Department received a large cache of exercise equipment from a local corporation valued at over \$60,000 and these have been placed in stations across the City to help support the Health & Wellness Program for Firefighters.
- Haz/Mat Response Program- the Fire Department has received all components necessary to conduct an inspection for an upgrade to Type I from our current rating of Type II. A type I team can respond to all Haz/Mat emergencies and will enhance coverage for the City of Salinas and greater Monterey County. The inspection will be scheduled for June 2017
- Battalion Chief and Fire Captain Promotional Exams –The Fire Department promoted the following personnel in the 16/17 Budget: two (2) Fire Engineers, three (3) Fire Captains.
- Apparatus Purchases –The Fire Department took delivery of a new fire engine and this was placed into service at Fire Station 5 in March 2016. A new tiller ladder truck was assigned as Truck 2 at Fire Station 5 in early July, 2017. In September 2015, an additional fire engine was approved and ordered in response to irreparable mechanical damage to a reserve fire engine. This fire engine was placed into service at Fire Station 2 in June 2016.
- Fire Prevention Division – This Division was able to roll-out an updated fee ordinance and automated billing and collection program to help improve compliance with over 600 annual false alarm responses, and greatly improve the consistency in false alarm cost recovery. In addition, the Division has actively

- participated in joint inspection efforts by the Office of the City Attorney and Code Enforcement to reduce hazards posed by abandoned structures throughout the City.
- The Fire Prevention Division was able to staff all vacant full-time positions, permanently staff a full-time Fire Prevention Office Technician, and purchase three new replacement vehicles. With limited full-time staffing for the entire FY, the Prevention Division managed to complete over 1,600 inspections and over 60 plan reviews, and is currently working to establish a business inspection program with new part-time staff positions classified as Fire Prevention Aides.

City Attorney's Department

- Assisted in Management of Homelessness. Continued support to City departments in their efforts to address the homeless encampments on public and private property; implementation and enforcement of City ordinance regulating the use of public property.
- Implemented New Code Enforcement Strategy. Successfully Implemented civil action against negligent property owners whose properties were not kept in a clean and safe condition, with full recovery of all costs and fees.
- Police Station Project. Supported the Public Works Department's efforts to gain control of properties necessary for the development of the project; efforts to identify a project team to develop the project.

Library and Community Services

- Implemented a weekly Saturday Night Teen Program that logged over 2,122 visits and 1,131 unduplicated participants in order to reduce violence and provide positive alternatives for youth.
- Over 220,600 residents visited recreation centers and 3,687 youth ages 5-18 participated in various sports programs.
- Conducted 5 community clean ups and issued 126 special event permits.
- The Library's Youth Services division continues to expand programming to offer programs seven days a week.

Public Works Department

- Sherwood Hall security Improvements
- Continued implementation of the homeless encampment cleanup process cleaning more than 155 camps at a cost of \$250,000
- Continued implementation of Homeless Service Partnerships and Winter Warming Shelter Programs
- Entered into a development agreement for the design/build of new Public Safety Facility
- Re-established the Inmate Cleanup Crew program to help parolees fulfill probation requirements while addressing illegal dumping in the City
- Provided property access and funding for the Franciscan Workers of Junipero Serra to build the Chinatown Health Center.

Assessments and Maintenance Districts

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

Enterprise Operations

- Hosted 2016 California International Airshow
- Opened new Airport Restaurant – the Flying Artichoke
- Hosted the Aircraft Owners and Pilot Association West Coast Regional Fly-in

❖ **Effective, Sustainable Government**

Administration Department

- City Manager continues to dialogue with City leaders, site selectors and major business corporations in preparation and planning for the “Forbes Reinventing America AgTech Summit 2017,” sponsored by the City.
- City Manager and Assistant City Manager continue to engage Council and community regarding City services, fiscal management, and implementation of the strategic plan goals and objectives for FY’s 2017-19.
- City Manager continues to work with local service providers and County officials to mitigate homeless encampments and solidify planned housing and commercial development in the Chinatown area.
- City Manager continues to oversee the Economic Development Element Plan and the integration of the Housing element, Downtown Vibrancy, Chinatown Vibrancy, and the Alisal Vibrancy to the General Plan.
- City Manager continues to lead the efforts between the City and County animal shelter consolidated services.
- City Manager successfully implement DigitalNEST in collaboration with tech and private partners at the Cesar Chavez Library.
- Ongoing management of the City Council, Measure V, Measure G, and SVBGSA agenda process.
- Processed one Council initiated ballot measure for the November 2016 election and conducted the 2016 General Municipal Election.
- Continue to inventory and destroyed City records pursuant to the Records Retention Policy; and is in the process of updating the City’s record retention schedule and policy.
- Continues to process Republic Services low-income senior discounts.
- Managed the capital improvements to the City Council Chamber.
- Managed and supervised completion and implementation of the City’s Communication Strategy, website re-design and “Salinas Now” programming by Boots Road Group, LLC.
- Human Resources Division completed the 1st phase of Affordable Care Act notification requirements.

- Human Resources conducted over 100 recruitments, processed over 2,500 applications and processed approximately 70 new regular hires and 43 new temporary hires.
- Human Resources partnered with Community Hospital of the Monterey Peninsula and coordinated biometric health studies for eligible employees as part of a growing Health and Wellness Program.
- Human Resources coordinated the Employee Health & Wellness Fair attended by more than 40 vendors.
- Human Resources processed over 80 health enrollments and/or changes and respective COBRA notifications.
- Community Safety Division applied for and received a \$500,000 Bureau of Justice Administration grant to support the improvement of Re-entry services in Monterey County. This is in support of PIER violence reduction strategy.
- Community Safety Division has increased CASP attendance and participation by 10% over this last year.
- Community Safety Division unfroze the management position and hired a Community Safety Coordinator to improve outreach into the community and maintain the Community Leadership Academy programs.

City Attorney's Department

- Customer service employee training and culture. Provided in-house Sexual Harassment Prevention Training for all managers and supervisors, as well as AB 1234 Ethics training for designated employees. Additional training opportunities will continue to be explored.
- Policy Review and Update. Worked with Human Resources staff to review and to update outdated or unworkable employment policies, including revisions to the Personnel Manual and Chapter 25 of the City Code.
- Internal Services (Insurance). Completed a full evaluation of the City's insurance portfolio, added transparency to the insurance program, and took action to decrease brokerage and insurance fees and to significantly increase scope and quality of coverages for the City.
- Internal Services (Risk Management/Liability). Completed a full evaluation and modification of contracts with service providers (third party administrators) to add accountability to their handling of City accounts.
- Internal Services (Workers Compensation). Commissioned a full audit of the City's third party administrator of workers' compensation claims and implemented protocols and standards for improved performance.
- City Code Update. Began a comprehensive review of the City Code and a comprehensive update of the City Code.
- Policy Reviews and Updates. Continued working with all City departments to review and to update City policies and procedures.
- In-House Management of Civil Litigation. Filled vacant Assistant City Attorney position (at the Sr. Deputy City Attorney level) to transition civil litigation matters to in-house management.

- Cost Recovery. Implemented an effective cost-recovery system to maximize recovery of monies owed to the City.

Finance Department

- Strategically and collaboratively worked with departments and City Manager to balance the FY 2017-18 year budget
- A new data backup solution was implemented to better support the data recovery needs of the City
- New physical security measures have been installed in our data center
- Moving forward with in-sourcing, and posting positions for, the help desk function of the Department
- Partnering with Departments to help them achieve efficiencies related to technology and other related areas
- Implementing and refining the Gigabit CENIC circuit connection for the Salinas Public Libraries
- Installing new Wi-Fi at all Library locations
- Continue to manage, facilitate and support the Measure V and G Committee
- Completed the annual financial statements and audit with a clean audit opinion.

Police Department

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

Public Works Department

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

Assessments and Maintenance Districts

- Managed district budgets with positive fund balances at year-end and build reserves

- Implemented water conservation techniques in compliance with State water reduction mandates

Library and Community Services

- Reorganized Library Division to incorporate education and literacy throughout the organization and collapse silos that prevent greater efficiency and effectiveness.
- Continued to explore methods where Library and Recreation services can collaborate to provide increased programming opportunities.

Enterprise Operations

- Continued support of the Airport Commission
- Updated Airport Commission By-Laws

❖ **Excellent Infrastructure**

City Attorney's Department

- Continue support of Public Works Department's assessment and inventory of infrastructure needs. Support Public Works Department as it develops new strategies for assessing and for maintaining the City's infrastructure.
- Continue Support of Police Station Development Project. Support Administration Department in development of the Police Station project, including 63/20 financing process.

Library and Community Services

- Completed Phase I and initiated Phase II of the Old Muni Pool Retrofit Project which will allow for additional venues for recreation and meeting space.
- Through Federal and State Grants, implemented new Internet services within the Library that significantly increased bandwidth for customers.
- Began the visioning and design process for a new El Gabilan Branch Library.
- In order to increase field quality, organized soccer leagues to form a maintenance committee and to implement a monthly volunteer work day at the Constitution Soccer Complex.
- Initiated a Master Plan process for parks, recreation and library facilities.

Public Works Department

- East Market Street Improvements
- Airport Pavement Improvements
- 50-50 Sidewalk Program
- Broke ground on the Elvee Drive Improvement Project

Assessments and Maintenance Districts

- Designed traffic calming for Monte Bella
- Executed quality maintenance contracts for mowing and street sweeping
- Replaced all lighting with LED
- Painted curbs and replaced signs as needed

Enterprise Operations

- Completed Construction of Airport Electrical Improvements.
- Completed preventative maintenance inspection on all City owned Aircraft Hangars.
- Completed Pavement Maintenance and Management Program.

❖ **Quality of Life**

Police Department

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

Public Works Department

- Broke ground on Fremont / El Sausal Safe Routes to School
- El Dorado Park water features retrofit
- Ciclovía (Award winning open streets project – 4th Year)
- Completion of Urban Greening Grant project
- Completion of 115 East Lake Street to provide Sanitary Health Services
- Produced 4 megawatts of solar power
- Received \$1.4 million from the All US Credit Union to initiate the El Gabilan Library Expansion
- Co-chair for the regional Community Foundation's homeless response and services committee

Library and Community Services

- Provided over 18,000 meals to youth and seniors at seven locations through the Summer Lunch/Snack Program and Firehouse Senior Program.
- Continued the Library's Paletero Program where Library staff walk high need areas in Salinas with an ice cream cart, but instead of ice cream, the library delivers a mobile Wi-Fi station, books and services.

Labor Relations

All employee groups have approved Memorandum of Understandings (MOUs) with the City. SPOA's MOU will expire December 31, 2018. Fire Supervisors Association (FSA) MOU expires December 31, 2019. The International Association of Firefighters (IAFF) MOUs expired January 2, 2017 and will continue until the negotiations for a new MOU are complete. All of the non-safety groups have contracts that expire December 31, 2019.

Acknowledgements

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

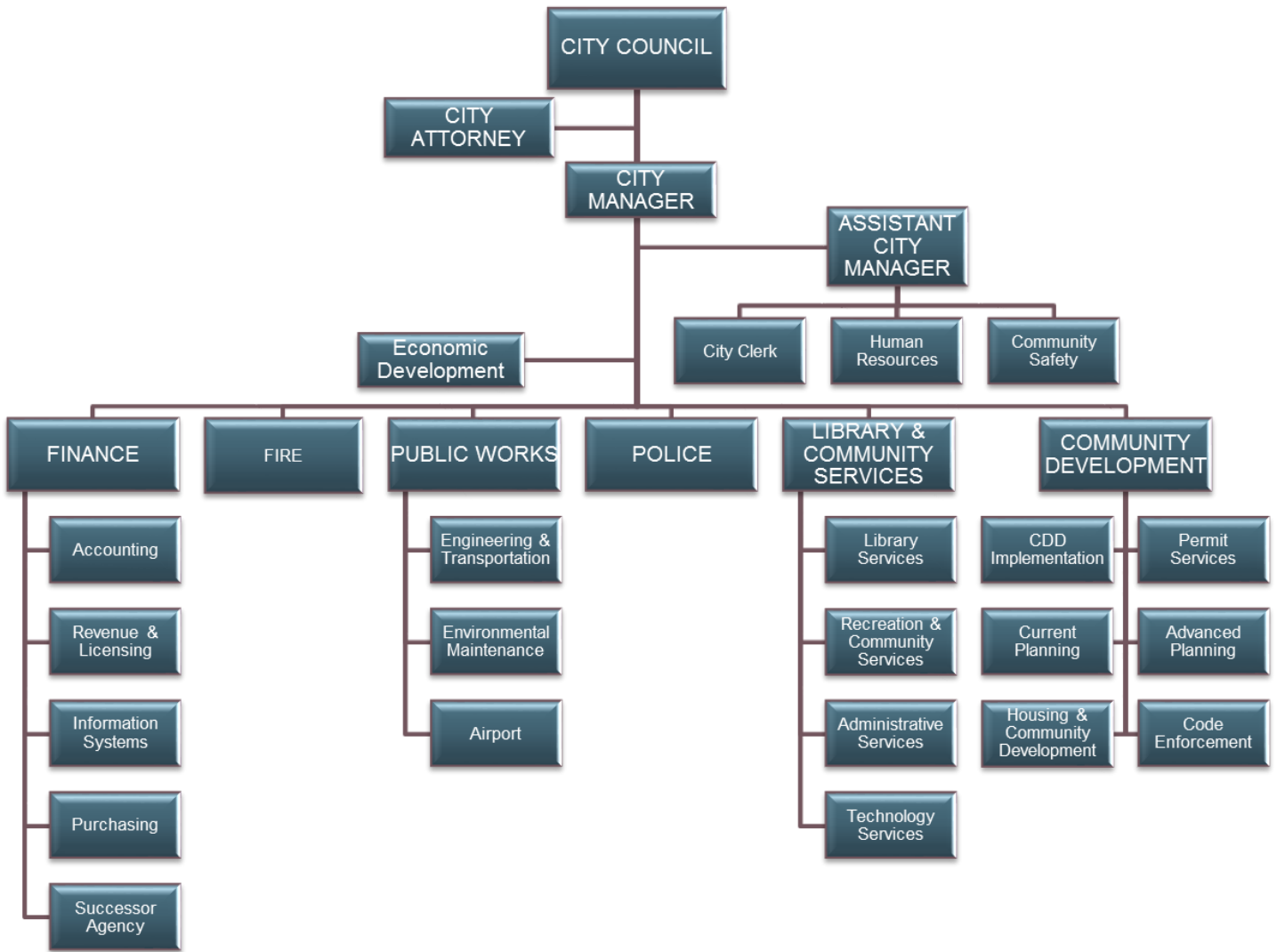
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Matt N. Pressey".

Matt N. Pressey, CPA
Finance Director

City of Salinas Organization Chart



City of Salinas

List of Principal Officials



Joe Gunter

Mayor

Scott Davis

Councilmember
District 1

Gloria De La Rosa

Councilmember
District 4

Tony Barrera

Councilmember
District 2

Kimbley Craig

Councilmember
District 5

Steve McShane

Councilmember
District 3

John "Tony" Villegas

Councilmember
District 6

Ray E. Corpuz, Jr.

City Manager

Christopher A. Callihan

City Attorney

Jim Pia

Assistant City Manager

Donald Reynolds

Acting Public Works Director

Cary Ann Siegried

Library and Community
Services Director

Megan Hunter

Community
Development Director

Adele Fresé

Chief of Police

Brett Loomis

Fire Chief

Matt N. Pressey, CPA

Finance Director



This page is intentionally left blank.



McGilloway | Ray
Brown | Kaufman
ACCOUNTANTS AND CONSULTANTS

2511 Garden Road
Suite A180
Monterey, CA 93904-5301
94523
831-373-3337
Fax 831-373-3437

379 West Market Street
Salinas, CA 93901
831-424-2737
Fax 831-424-7936

3478 Buskirk Avenue
Suite A1000
Pleasant Hill, CA
831-373-3337
Fax 831-373-3437

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Salinas, California (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Sarita C. Shannon, CPA | Whitney Ernest, CPA | Devvyn MacBeth, CPA | Smriti Shrestha, CPA

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, 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 the management's discussion and analysis, budgetary comparison schedules, schedule of funding progress for other post-employment benefits, claims development for internal services funds, and employee retirement pension benefits information (collectively, the required supplementary information), as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor and the General, Measure V & Measure G Funds combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund and the General,

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Salinas, California's internal control over financial reporting and compliance.

McGilloway, Ray, Brown & Kaufman

McGilloway, Ray, Brown & Kaufman
Salinas, California
December 19, 2017



This page is intentionally left blank.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2017

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, 2017. 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, 2017, the City's net position (excess of assets over liabilities) was \$167.4 million. Of this amount, \$276.9 million are invested in capital assets and restricted assets, which is offset by a deficit of \$109.5 million classified as unrestricted assets.
- During the fiscal year ended June 30, 2017, the City's total net position increased by \$10.8 million. This change primarily results from improved sales tax, Measure G transactions and use tax, and property tax.
- During the fiscal year fund balances increased \$3.9 million to \$83.4 million for governmental funds, of which \$68.3 million is either nonspendable, restricted, committed, or assigned and thus unavailable.
- During the fiscal year the General Fund, Measure V, and Measure G fund balance increased \$9.6 million to \$42.9 million of which \$26.5 million is either nonspendable, restricted, committed, or assigned. Unassigned General Fund, Measure V & Measure G Fund fund balance was \$16.4 million.
- The City's total liabilities increased by \$20.6 million during the current fiscal year. Governmental Activities increased by \$20.0 million and Business-type Activities increased \$0.6 million. The long-term debt increased \$16.8 million as a result of increases in Net Pension Liability of \$20.8 million coupled with a decrease of \$3.9 million from regularly scheduled debt service repayments in both Governmental and Business-type Activities.
- The City's capital assets, net of depreciation, decreased \$2.9 million to \$316.7 million.

B. OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2017

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, 2017

Fund Financial Statements

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

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

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

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

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

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

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2017

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Position

Net position is a good indicator of the City's financial position. During this fiscal year, the net position of the City increased \$10.8 million (6.9%) over the prior year from \$156.6 to \$167.4 million.

At June 30, 2017, the largest portion of net position (140.6%) 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.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2017

The following is the Condensed Statement of Net Position for the fiscal years ended June 30, 2017 and 2016:

	Governmental Activities		Business-type Activities		Total		Percent of Total
	2017	2016	2017	2016	2017	2016	
	City of Salinas						
Condensed Statements of Net Position							
June 30, 2017							
Assets:							
Current assets	\$ 114,000,883	\$ 106,049,329	\$ 14,617,668	\$ 15,464,097	\$ 128,618,551	\$ 121,513,426	27.4 %
Other assets	21,505,869	20,981,642	2,048,639	2,048,086	23,554,508	23,029,728	5.0 %
Capital assets, net	190,113,171	190,320,369	126,582,426	129,283,182	316,695,597	319,603,551	67.5 %
Total assets	325,619,923	317,351,340	143,248,733	146,795,365	468,868,656	464,146,705	100.0 %
Deferred outflows of resources							
Related to pensions	39,706,367	17,500,331	854,673	188,738	40,561,040	17,689,069	97.5 %
Reacquisition costs	668,167	464,549	357,228	397,018	1,025,395	861,567	2.5 %
Total deferred outflows of resources	40,374,534	17,964,880	1,211,901	585,756	41,586,435	18,550,636	100.0 %
Liabilities:							
Current liabilities	9,938,859	8,782,937	1,715,092	1,580,907	11,653,951	10,363,844	3.5 %
Other liabilities	46,499,077	44,622,047	4,835,000	4,210,000	51,334,077	48,832,047	15.5 %
LTD - due in one year	5,219,754	4,900,637	1,816,928	1,810,817	7,036,682	6,711,454	2.1 %
Long-term liabilities	218,194,344	201,542,504	42,518,894	42,669,113	260,713,238	244,211,617	78.8 %
Total liabilities	279,852,034	259,848,125	50,885,914	50,270,837	330,737,948	310,118,962	100.0 %
Deferred inflows of resources							
Related to pensions	11,873,696	15,731,600	326,758	269,093	12,200,454	16,000,693	99.0 %
Loss on refunding of debt	118,295	-	-	-	118,295	-	1.0 %
Total deferred inflows of resources	11,991,991	15,731,600	326,758	269,093	12,318,749	16,000,693	1.0 %
Net Position:							
Net investment in Capital Assets	151,863,517	149,110,836	83,466,219	86,565,608	235,329,736	235,676,444	140.6 %
Restricted	38,505,368	44,746,885	3,018,809	3,696,823	41,524,177	48,443,708	24.8 %
Unrestricted	(116,218,453)	(134,121,226)	6,762,934	6,578,760	(109,455,519)	(127,542,466)	(65.4)%
Total Net Position	\$ 74,150,432	\$ 59,736,495	\$ 93,247,962	\$ 96,841,191	\$ 167,398,394	\$ 156,577,686	100.0 %

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2017

Statement of Activities

The following is the Condensed Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2017 and 2016:

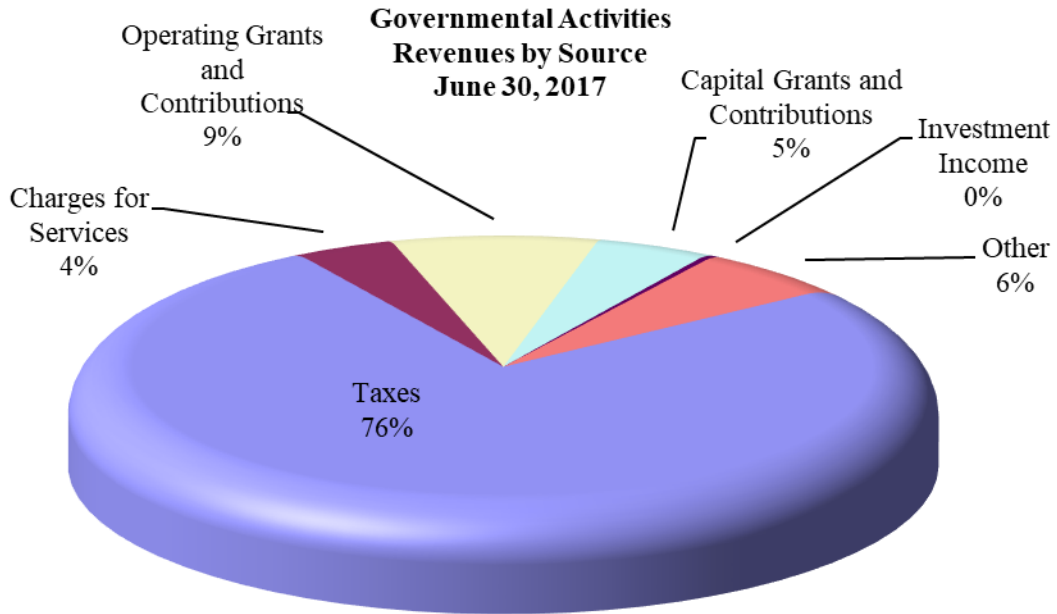
City of Salinas							
Condensed Statement of Activities and Changes in Net Position							
For the Fiscal Year Ended June 30, 2017							
	Governmental Activities		Business-type Activities		Total		
	2017	2016	2017	2016	2017	2016	
Revenues							
Program Revenues:							
Charges for Services	\$ 6,340,509	\$ 6,142,234	\$ 8,241,172	\$ 8,163,370	\$ 14,581,681	\$ 14,305,604	
Operating Grants & Contributions	13,251,022	14,755,844	-	187,300	13,251,022	14,943,144	
Capital Grants & Contributions	7,369,772	7,157,468	1,052,268	2,608,336	8,422,040	9,765,804	
General Revenues:							
Taxes	115,611,633	115,991,939	-	-	115,611,633	115,991,939	
Licenses, permits, fines and forfeitures	7,435,123	1,651,540	-	-	7,435,123	1,651,540	
Grants & Contributions not Restricted	-	62,425	-	-	-	62,425	
Unrestricted Investment Earnings	509,020	304,982	67,261	106,627	576,281	411,609	
Rental income	512,490	380,900	-	-	512,490	380,900	
Gain (Loss) on Disposal of Assets	354,667	2,239,354	-	-	354,667	2,239,354	
Housing loan repayment from/to Successor Agency	-	(191,154)	-	-	-	(191,154)	
Miscellaneous	1,016,538	329,155	18,077	-	1,034,615	329,155	
Total Revenues	152,400,774	148,824,687	9,378,778	11,065,633	161,779,552	159,890,320	
Expenses							
General Government	28,007,928	19,490,202	1,932,622	1,964,512	29,940,550	21,454,714	
Public Safety	69,742,395	62,638,325	-	-	69,742,395	62,638,325	
Public Works	30,243,094	27,404,431	12,063,763	11,007,083	42,306,857	38,411,514	
Recreation	2,798,786	2,855,704	782,086	891,129	3,580,872	3,746,833	
Library	4,567,668	4,501,230	-	-	4,567,668	4,501,230	
Interest	1,639,707	1,486,654	-	-	1,639,707	1,486,654	
Total Expenses	136,999,578	118,376,546	14,778,471	13,862,724	151,778,049	132,239,270	
Increase (decrease) in Net Position before Contributions and Transfers	15,401,196	30,448,141	(5,399,693)	(2,797,091)	10,001,503	27,651,050	
Contributions	-	-	950,943	950,535	950,943	950,535	
Transfers	(855,521)	(1,290,241)	855,521	1,314,577	-	24,336	
	(855,521)	(1,290,241)	1,806,464	2,265,112	950,943	974,871	
Increase (decrease) in Net Position	14,545,675	29,157,900	(3,593,229)	(531,979)	10,952,446	28,625,921	
Net Position - Beginning of Year	59,736,495	44,433,736	96,841,191	97,373,170	156,577,686	141,806,906	
Prior Period Adjustment	(131,738)	(13,855,141)	-	-	(131,738)	(13,855,141)	
Net Position - Beginning of Year as restated	59,604,757	30,578,595	96,841,191	97,373,170	156,445,948	127,951,765	
Net Position - Ending	\$ 74,150,432	\$ 59,736,495	\$ 93,247,962	\$ 96,841,191	\$ 167,398,394	\$ 156,577,686	

Total revenues increased from the prior year by \$1.9 million, or 1.2% and total expenditures increased by \$19.5 million from prior year, or 14.8%. Further analysis is provided within the governmental and business-type activities sections.

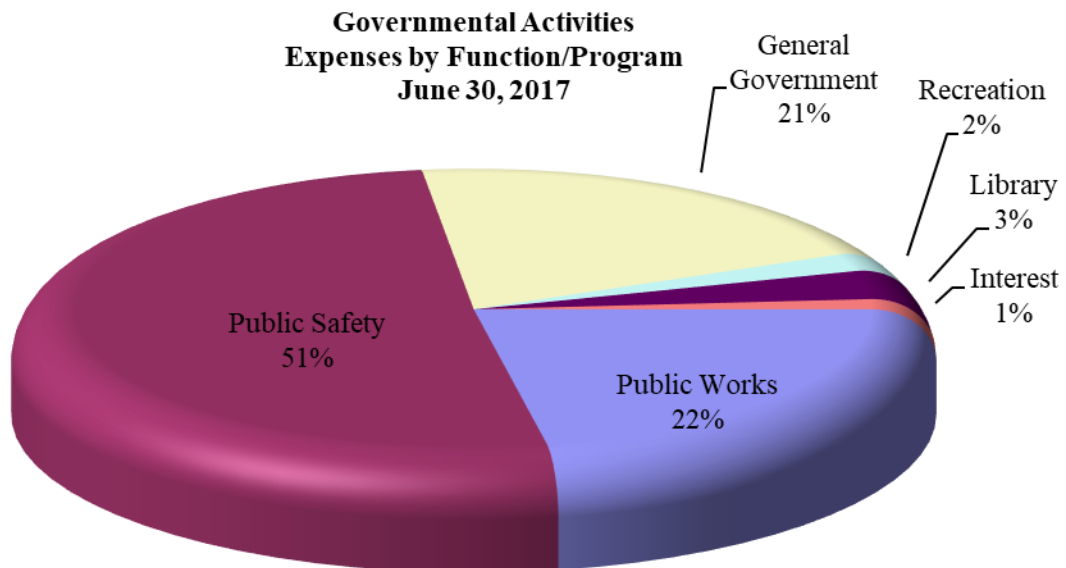
CITY OF SALINAS
 Management's Discussion and Analysis
 Fiscal Year ended June 30, 2017

Governmental Activities

Governmental activities resources total \$152.4 million. The City's governmental activities increased net position by \$14.4 million. The following charts highlight the sources of revenues and purpose of expenses:



Total expenses for governmental activities, excluding transfers and contributions, were \$137.0 million including interest on long-term debt of \$1.6 million. Total expenditures that were funded by tax revenues, investment income and other general revenues were \$112.5 million.



CITY OF SALINAS
 Management's Discussion and Analysis
 Fiscal Year ended June 30, 2017

Functional expenses for the year ended June 30, 2017 were as follows:

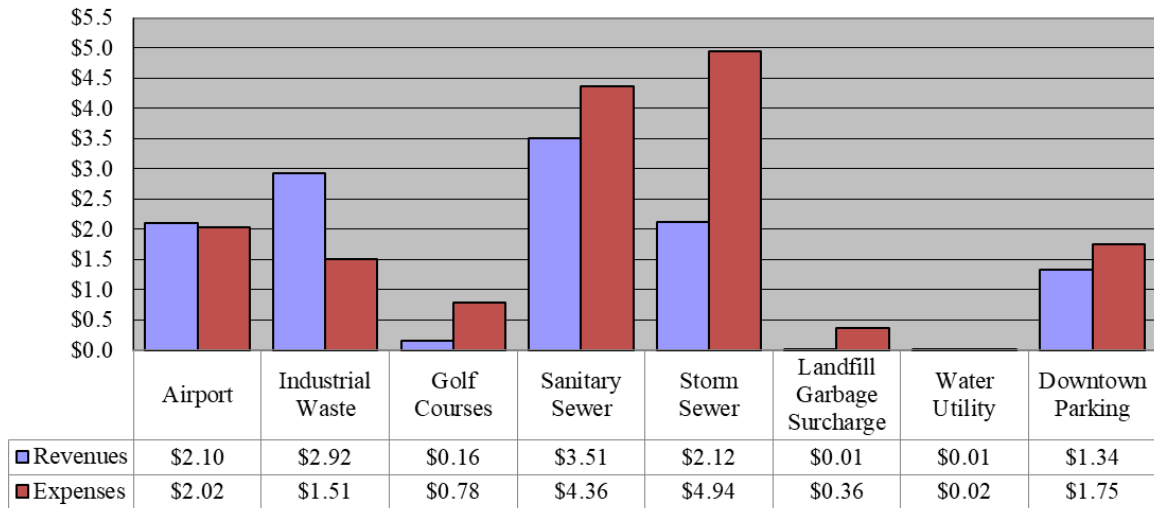
	Total Cost of Services	Percent	Net Cost of Services	Percentage
General government	\$ 28,007,928	20.4 %	\$ 11,703,239	10.6 %
Public safety	69,742,395	50.9 %	62,938,627	57.2 %
Public works	30,243,094	22.1 %	26,931,555	24.5 %
Recreation	2,798,786	2.0 %	2,535,785	2.3 %
Library	4,567,668	3.3 %	4,289,362	3.9 %
Interest	1,639,707	1.2 %	1,639,707	1.5 %
Total	\$ 136,999,578	100 %	\$ 110,038,275	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 \$110.0 million.

Business-Type Activities

The City's business-type activities net position was \$93.2 million, a decrease of \$3.6 million from the prior fiscal year. Total revenues for business-type activities were \$9.4 million. The largest program revenues were charges for services of \$8.2 million. Other program revenues included operating/capital grants and contributions of \$1.1 million. Total expenses for the business-type activities were \$14.8 million during FY 2016-17.

Business -Type Activities
Revenues, Expenses (in millions)
June 30, 2017



CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2017

D. FUND FINANCIAL STATEMENT ANALYSIS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$83.4 million. Of the total fund balance, \$7.5 million was nonspendable and indicates the resources are nonspendable inventory, loans, notes, land and property held for resale and are not anticipated to be liquidated in the near-term. Of the total fund balance, \$35.1 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 \$15.3 million was restricted for future development, \$5.6 million for maintenance districts, \$1.7 million for street repairs, \$1.5 million for aviation projects, \$5.1 million for debt service, and \$2.5 million for public safety purposes. The remainder of the restrictions in the amount of \$3.4 million is restricted for various purposes as listed in the Fund Balance footnote. Committed fund balance totaled \$19.3 million and are limited to specific purposes as defined in the City Charter or through a formal budgetary action of the City Council occurring through adoption of an ordinance or resolution. The \$2.0 million committed fund balance is committed for capital projects. Assigned fund balance totaled \$6.4 million and represents informal assignments made by the City. The remaining fund balance of \$15.0 million is unassigned and mainly includes the unassigned fund balance of the Measure V Fund of \$6.0 million, Measure G Fund of \$3.5 million, and the General Fund of \$6.8 million.

The General Fund is the chief operating fund of the City. The General, Measure V and Measure G Funds' fund balance increased by \$9.6 million in FY 2016-17 to \$42.9 million, of which \$5.0 million was nonspendable and indicates the resources are nonspendable inventory and advances and are not anticipated to be liquidated in the near-term. The \$15.2 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 \$6.4 million and have been allocated by the City Council for specific capital and operational needs. The remaining fund balance of \$16.3 million is unassigned.

Proprietary Funds

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

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2017

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended General, Measure V, and Measure G Fund revenue budget, including transfers in, totaled \$128.2 million and the expenditure budget totaled \$147.9 million including transfers out. Transfers out are budgeted mostly for capital projects and the funds are already on-hand. Transfers out to the Capital Projects Fund will occur over multiple years.

Significant Appropriations Increases/Decreases

Appropriations during the year were adjusted upward by \$19.5 million, of which \$15.6 million were related to transfers for capital projects and \$3.9 million in operational changes. Estimated revenue was adjusted upward by \$1.1 million.

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets Including Infrastructure

The following is a summary of the City's capital assets as of June 30, 2017 and 2016:

City of Salinas' Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 22,227,843	\$ 22,227,843	\$ 3,632,339	\$ 3,632,339	\$ 25,860,182	\$ 25,860,182
Buildings	47,273,125	47,231,737	27,266,967	27,266,967	74,540,092	74,498,704
Improvements	14,247,936	14,055,003	20,141,206	16,661,965	34,389,142	30,716,968
Equipment	32,739,759	33,681,561	8,662,506	8,589,068	41,402,265	42,270,629
Infrastructure	237,281,227	236,461,068	236,689,231	236,689,232	473,970,458	473,150,300
Construction in Progress	36,811,730	31,292,127	5,747,764	5,822,746	42,559,494	37,114,873
	390,581,620	384,949,339	302,140,013	298,662,317	692,721,633	683,611,656
Accumulated Depreciation	(200,468,449)	(194,628,970)	(175,557,587)	(169,379,135)	(376,026,036)	(364,008,105)
	<u>\$ 190,113,171</u>	<u>\$ 190,320,369</u>	<u>\$ 126,582,426</u>	<u>\$ 129,283,182</u>	<u>\$ 316,695,597</u>	<u>\$ 319,603,551</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, 2017, net capital assets of the Governmental Activities totaled \$190.1 million and the net capital assets of the Business-type Activities totaled \$126.6 million. During FY 2002-03, American Appraisal Associates were hired to conduct an inventory and valuation of all the City's capital assets. Finance Department staff maintains and updates the Capital Assets inventory by recording all assets acquired or retired at the end of every fiscal year and performs rotating spot inventories each year. The City has elected to report and depreciate all infrastructures.

Governmental activities acquired \$26.1 million of capital assets during the year. The acquisitions include \$6.5 million in construction in progress, \$0.5 million in infrastructure improvements, \$2.3 million in machinery and equipment, \$0.1 million in buildings and improvements.

Overall, Business-type Activities had a net decline in capital assets by \$2.7 million. The City acquired \$3.7 million of capital assets during the year. The acquisitions mainly include \$3.4 million in construction in progress, and \$0.3 million in machinery and equipment.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2017

Long-Term Obligations

As of June 30, 2017, the City had \$267.7 million in long-term debt.

City of Salinas' Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2017	2017	2016
Annual Leave	\$ 9,938,652	\$ 9,385,555	\$ 324,994	\$ 294,444	\$ 10,263,646	\$ 9,679,999
Estimated Insurance Claims	3,043,305	2,713,590	-	-	3,043,305	2,713,590
New York Life Net Pension Obligation	-	-	-	-	-	-
Capital Leases	26,979,654	28,479,082	12,388,540	12,663,862	39,368,194	41,142,944
Loans and Notes	-	-	3,622,000	4,000,000	3,622,000	4,000,000
Revenue Bonds	-	-	16,240,000	16,600,000	16,240,000	16,600,000
Certificates of Participation	6,510,000	7,035,000	8,540,000	8,945,000	15,050,000	15,980,000
Assessment District Bonds	4,760,000	6,160,000	-	-	4,760,000	6,160,000
Unamortized Bond Premium	-	-	127,526	138,154	127,526	138,154
Unamortized Bond Discount	-	-	-	-	-	-
Subtotal	<u>51,231,611</u>	<u>53,773,227</u>	<u>41,243,060</u>	<u>42,641,460</u>	<u>92,474,671</u>	<u>96,414,687</u>
Net Pension Liability	<u>172,182,487</u>	<u>152,669,914</u>	<u>3,092,762</u>	<u>1,838,470</u>	<u>175,275,249</u>	<u>154,508,384</u>
Total outstanding debt	<u>\$ 223,414,098</u>	<u>\$ 206,443,141</u>	<u>\$ 44,335,822</u>	<u>\$ 44,479,930</u>	<u>\$ 267,749,920</u>	<u>\$ 250,923,071</u>

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

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For FY 2017-18 and beyond, fiscal sustainability is the overarching focus for the City. The City is still faced with the challenges of rising costs of wages, retirement, health insurance, and workers' compensation at a faster pace than the City's anticipated revenue. With the Cal PERS Board approval to reduce the discount rate in December 2016, the City's cost will increase by \$13.9 million over the next seven years beginning in FY 2018-19. This growth in cost alone will be more than the growth in revenue. To address this challenge, the City is working on the following:

- Develop and implement a plan to pay down the City's Unfunded Actuarial Liability
- Create a Pension Rate Stabilization Program
- Change the service delivery method of certain public services
- Undertake appropriate methods to get City employees to pay a larger portion of annual pension contribution

The City has developed a Fiscal Sustainability Plan framework and is in the process of implementing the revenue generating and expenditure reduction ideas. Making immediate changes will help the City stay on the path of being able to weather the mounting and impending fiscal storm.

CITY OF SALINAS
Management's Discussion and Analysis
Fiscal Year ended June 30, 2017

The City also continues to leverage grant funding and leverage private, public and non-profit partnerships to pay for and provide services to the community. The City has 41 active federal and state grants that total over \$45.1 million and over 50 active collaborative relationships with other organizations that bring millions in resources to the City and service to the community.

H. REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



This page is intentionally left blank.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



This page is intentionally left blank.

CITY OF SALINAS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$ 99,694,590	\$ 13,270,226	\$ 112,964,816
Receivables, net of allowance			
Taxes	15,024,133	-	15,024,133
Accounts	204,195	1,314,328	1,518,523
Accrued interest	1,135,947	24,527	1,160,474
Due from outside agencies	5,317,290	-	5,317,290
Due from other funds	936,392	(936,392)	-
Internal balances	4,835,000	(4,835,000)	-
Inventory	13,443	-	13,443
Restricted cash and investments	674,868	1,911,240	2,586,108
Prepaid bond insurance	-	145,986	145,986
Assessments receivable	4,760,000	-	4,760,000
Loan receivables, net of allowance	403,341	-	403,341
Land and properties held for resale	2,507,553	-	2,507,553
Capital assets			
Land and nondepreciable assets	59,039,573	9,380,103	68,419,676
Depreciable assets, net of accumulated depreciation	131,073,598	117,202,323	248,275,921
Total assets	<u>325,619,923</u>	<u>137,477,341</u>	<u>463,097,264</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	39,944,008	854,673	40,798,681
Loss on refunding of debt	430,526	357,228	787,754
Total deferred outflows of resources	<u>40,374,534</u>	<u>1,211,901</u>	<u>41,586,435</u>
Total assets and deferred outflows	<u>365,994,457</u>	<u>138,689,242</u>	<u>504,683,699</u>
LIABILITIES			
Accounts payable	9,708,441	255,249	9,963,690
Accrued interest payable	230,262	488,923	719,185
Prepaid deposits	156	34,528	34,684
Unearned revenues	12,487,625	-	12,487,625
Long term liabilities			
Debt due within one year	5,219,754	1,816,928	7,036,682
Debt due in more than one year	46,011,857	39,426,132	85,437,989
Insurance claims payable	23,076,076	-	23,076,076
Net OPEB obligation	10,935,376	-	10,935,376
Net pension liability	172,182,487	3,092,762	175,275,249
Total liabilities	<u>279,852,034</u>	<u>45,114,522</u>	<u>324,966,556</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	11,964,549	326,758	12,291,307
Loss on refunding of debt	27,442	-	27,442
Total deferred inflows of resources	<u>11,991,991</u>	<u>326,758</u>	<u>12,318,749</u>
NET POSITION			
Net investment in capital assets	151,863,517	83,589,376	235,452,893
Restricted for:			
Housing	5,978,051	-	5,978,051
Capital projects	1,879,874	-	1,879,874
Highways and streets	22,629,968	-	22,629,968
Debt service	5,146,839	3,018,809	8,165,648
Special programs	2,870,636	-	2,870,636
Total restricted assets	<u>38,505,368</u>	<u>3,018,809</u>	<u>41,524,177</u>
Unrestricted net position (deficit)	<u>(116,218,453)</u>	<u>6,639,777</u>	<u>(109,578,676)</u>
Total net position	<u>\$ 74,150,432</u>	<u>\$ 93,247,962</u>	<u>\$ 167,398,394</u>

The accompanying notes are an integral part of this statement.

**CITY OF SALINAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

FUNCTION/PROGRAM ACTIVITIES	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 28,007,928	\$ 4,165,199	\$ 7,693,035	\$ 4,446,455	\$ (11,703,239)	\$ -	\$ (11,703,239)
Public safety	69,742,395	1,519,609	5,284,159	-	(62,938,627)	-	(62,938,627)
Public works	30,243,094	355,454	32,768	2,923,317	(26,931,555)	-	(26,931,555)
Recreation	2,798,786	263,001	-	-	(2,535,785)	-	(2,535,785)
Library	4,567,668	37,246	241,060	-	(4,289,362)	-	(4,289,362)
Interest on long-term debt	1,639,707	-	-	-	(1,639,707)	-	(1,639,707)
Total governmental activities	136,999,578	6,340,509	13,251,022	7,369,772	(110,038,275)	-	(110,038,275)
Business-type activities:							
Airport	1,932,622	1,334,581	9,250	756,899	-	168,108	168,108
Industrial waste	1,428,097	2,904,552	-	-	-	1,476,455	1,476,455
Municipal golf courses	782,086	160,000	-	-	-	(622,086)	(622,086)
Sanitary sewer	4,054,231	3,453,236	-	19,995	-	(581,000)	(581,000)
Storm sewer	4,816,792	-	-	275,374	-	(4,541,418)	(4,541,418)
Landfill garbage surcharge	-	-	-	-	-	-	-
Water utility	18,873	-	8,827	-	-	(10,046)	(10,046)
Downtown parking	1,745,770	388,803	-	-	-	(1,356,967)	(1,356,967)
Total business-type activities	14,778,471	8,241,172	18,077	1,052,268	-	(5,466,954)	(5,466,954)
Total primary government	\$ 151,778,049	\$ 14,581,681	\$ 13,269,099	\$ 8,422,040	(110,038,275)	(5,466,954)	(115,505,229)
General revenues and transfers:							
					26,987,393	-	26,987,393
					64,579,520	-	64,579,520
					20,733,834	-	20,733,834
					2,730,456	-	2,730,456
					580,430	-	580,430
					7,435,123	-	7,435,123
					509,020	67,261	576,281
					993,236	-	993,236
					512,490	-	512,490
					377,969	-	377,969
					-	950,943	950,943
					(855,521)	855,521	-
					124,583,950	1,873,725	126,457,675
					14,545,675	(3,593,229)	10,952,446
					59,736,495	96,841,191	156,577,686
					(131,738)	-	(131,738)
					59,604,757	96,841,191	156,445,948
					\$ 74,150,432	\$ 93,247,962	\$ 167,398,394

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS



This page is intentionally left blank.

GOVERNMENTAL FUNDS

GENERAL, MEASURE V, & MEASURE G FUND

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

SPECIAL REVENUE FUNDS

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

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

DEBT SERVICE FUNDS

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

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

CAPITAL PROJECT FUNDS

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

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



This page is intentionally left blank.

**CITY OF SALINAS
STATEMENT OF FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General, Measure V, & Measure G	Development Fees	Assessment District Debt Service	Special Construction Assistance	Non-Major Governmental Funds	Total
ASSETS						
Cash and investments	\$ 45,021,445	\$ 15,346,610	\$ 664,588	\$ 3,340,099	\$ 24,307,470	\$ 88,680,212
Receivables, net:						
Taxes	14,800,748	-	-	-	-	14,800,748
Accounts	184,810	-	-	14,818	4,567	204,195
Accrued interest	136,050	32,211	-	-	953,667	1,121,928
Assessments	-	-	4,760,000	-	-	4,760,000
Due from outside agencies	126,867	-	-	3,136,454	2,053,969	5,317,290
Due from other funds	2,572,668	-	-	-	1,450,953	4,023,621
Inventory	13,443	-	-	-	-	13,443
Restricted cash and investments	-	-	137,127	-	-	137,127
Loan receivables	-	-	-	-	403,341	403,341
Advances to other funds	4,835,000	-	-	-	-	4,835,000
Land and properties held for resale	-	-	-	-	2,507,553	2,507,553
Total assets	<u>\$ 67,691,031</u>	<u>\$ 15,378,821</u>	<u>\$ 5,561,715</u>	<u>\$ 6,491,371</u>	<u>\$ 31,681,520</u>	<u>\$ 126,804,458</u>
LIABILITIES						
Accounts payable	\$ 6,399,157	\$ -	\$ 135	\$ 1,316,051	\$ 1,863,964	\$ 9,579,307
Deposits	156	-	-	-	-	156
Due to other funds	18,398,043	110,218	-	814,089	1,120,913	20,443,263
Unearned revenues	-	-	-	3,214,376	915,249	4,129,625
Total liabilities	<u>24,797,356</u>	<u>110,218</u>	<u>135</u>	<u>5,344,516</u>	<u>3,900,126</u>	<u>34,152,351</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - housing loans	-	-	-	-	386,770	386,770
Unavailable revenues - grants	-	-	-	-	4,077,182	4,077,182
Unavailable revenues - special assessment receivable	-	-	4,760,000	-	-	4,760,000
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>4,760,000</u>	<u>-</u>	<u>4,463,952</u>	<u>9,223,952</u>
FUND BALANCE						
Nonspendable	4,975,310	-	-	-	2,507,553	7,482,863
Restricted	-	15,268,603	801,580	-	19,061,680	35,131,863
Committed	15,177,339	-	-	2,159,828	2,000,000	19,337,167
Assigned	6,439,802	-	-	-	-	6,439,802
Unassigned	16,301,224	-	-	(1,012,973)	(251,791)	15,036,460
Total fund balance	<u>42,893,675</u>	<u>15,268,603</u>	<u>801,580</u>	<u>1,146,855</u>	<u>23,317,442</u>	<u>83,428,155</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 67,691,031</u>	<u>\$ 15,378,821</u>	<u>\$ 5,561,715</u>	<u>\$ 6,491,371</u>	<u>\$ 31,681,520</u>	<u>\$ 126,804,458</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total fund balances - total governmental funds (page F-27)		\$ 83,428,155
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not current financial resources and therefore are not reported in the governmental funds balance sheet.		190,113,171
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.		(230,262)
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.		865,952
Taxes receivable not collectible within sixty days are not available to pay current period expenditures and, therefore, are not reported in the funds.		223,385
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.		4,902,711
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	\$ (9,837,566)	
Estimated insurance claims	(3,043,305)	
Net pension liability	(171,322,536)	
Capital leases	(26,979,654)	
Certificates of participation	(6,510,000)	
Assessment bonds	<u>(4,760,000)</u>	(222,453,061)
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.		(10,935,376)
Deferred inflows and outflows		
The deferred outflows below are not current assets or financial resources; and the deferred inflows are not due and payable in the current period, and therefore are not reported in the Governmental Funds		
Deferred outflows		40,136,891
Deferred inflows		<u>(11,901,134)</u>
Net position of governmental activities (page F-21)		<u><u>\$ 74,150,432</u></u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Measure V, & Measure G	Development Fees	Assessment District Debt Service	Special Construction Assistance	Non-Major Governmental Funds	Total
REVENUES						
Taxes	\$ 114,892,539	\$ -	\$ -	\$ -	\$ 719,093	\$ 115,611,632
Taxes - special assessments	-	-	927,062	-	1,556,044	2,483,106
Licenses and permits	6,642,379	-	-	18	-	6,642,397
Intergovernmental	1,272,017	-	-	4,446,455	11,723,511	17,441,983
Charges for services	5,548,867	382,418	-	257,944	151,280	6,340,509
Interest	330,709	83,211	595	-	94,504	509,019
Rental income	316,854	-	-	-	195,636	512,490
Fines and forfeits	273,723	-	-	-	519,002	792,725
Developer contributions	-	-	-	689,274	-	689,274
Contributions	-	-	-	-	6,427	6,427
Miscellaneous	640,195	-	-	-	535,183	1,175,378
Total revenues	<u>129,917,283</u>	<u>465,629</u>	<u>927,657</u>	<u>5,393,691</u>	<u>15,500,680</u>	<u>152,204,940</u>
EXPENDITURES						
Current:						
General government	19,263,512	-	-	-	8,672,871	27,936,383
Public safety	66,319,568	-	-	-	5,410,818	71,730,386
Public works	11,664,665	275,376	-	32,520	1,145,447	13,118,008
Recreation	2,471,488	-	-	-	-	2,471,488
Library	4,358,793	-	-	-	284,366	4,643,159
Capital outlay	924,645	-	-	5,438,043	14,505,186	20,867,874
Debt service:						
Principal retirement	-	-	5,955,000	-	2,024,428	7,979,428
Interest and fiscal charges	-	-	473,113	-	1,186,729	1,659,842
Total expenditures	<u>105,002,671</u>	<u>275,376</u>	<u>6,428,113</u>	<u>5,470,563</u>	<u>33,229,845</u>	<u>150,406,568</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>24,914,612</u>	<u>190,253</u>	<u>(5,500,456)</u>	<u>(76,872)</u>	<u>(17,729,165)</u>	<u>1,798,372</u>
OTHER FINANCING SOURCES (USES)						
Loan proceeds	-	-	4,555,000	-	-	4,555,000
Operating transfers in	3,973,600	-	-	472,000	17,644,228	22,089,828
Operating transfers out	(19,250,242)	(842,288)	-	-	(5,030,919)	(25,123,449)
Total other financing sources (uses)	<u>(15,276,642)</u>	<u>(842,288)</u>	<u>4,555,000</u>	<u>472,000</u>	<u>12,613,309</u>	<u>1,521,379</u>
NET CHANGE IN FUND BALANCE	<u>9,637,970</u>	<u>(652,035)</u>	<u>(945,456)</u>	<u>395,128</u>	<u>(5,115,856)</u>	<u>3,319,751</u>
FUND BALANCE, BEGINNING OF YEAR	33,255,705	15,920,638	1,747,036	751,727	27,808,298	79,483,404
PRIOR PERIOD ADJUSTMENT (NOTE 21)	-	-	-	-	625,000	625,000
FUND BALANCES						
BEGINNING OF YEAR, AS RESTATED	<u>33,255,705</u>	<u>15,920,638</u>	<u>1,747,036</u>	<u>751,727</u>	<u>28,433,298</u>	<u>80,108,404</u>
FUND BALANCES, END OF YEAR	<u>\$ 42,893,675</u>	<u>\$ 15,268,603</u>	<u>\$ 801,580</u>	<u>\$ 1,146,855</u>	<u>\$ 23,317,442</u>	<u>\$ 83,428,155</u>

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE
GOVERNMENT WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balance - total governmental funds (page F-29)		\$ 3,319,751
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.		(207,165)
Net increase (decrease) in taxes receivable not collectible within sixty days.		1
Unearned revenues of new housing loans are reported in the statement of net position.		2,199,733
Principal payments on housing loans are reported in the statement of net position.		239,592
Reporting of loan receivables at realizable value requires an allowance to be made.		(1,918,075)
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	\$ (786,238)	
Capital leases	1,499,428	
Certificates of participation	525,000	
Assessment district 1915 act bonds	<u>1,400,000</u>	2,638,190
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.		(938,651)
Pension expense does not require the use of current financial resources and therefore is not presented as an expenditure in the governmental funds.		7,411,318
Governmental funds report the effect of bond insurance costs when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net current period change in unamortized bond insurance cost.		(111,763)
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.		20,135
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.		<u>1,892,609</u>
Change in net position of governmental activities (page F-22)		<u><u>\$ 14,545,675</u></u>

The accompanying notes are an integral part of this statement.

PROPRIETARY FUNDS

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

The City has the following Enterprise Funds:

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

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

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

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

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

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

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

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



This page is intentionally left blank.

CITY OF SALINAS
STATEMENT OF FUND NET POSITION (DEFICITS)
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-type Activity - Enterprise Funds								Governmental	
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Downtown Parking District	Totals	Activity Internal Service Funds
ASSETS										
Current Assets:										
Cash and investments	\$ 562,565	\$ 4,552,237	\$ 404,963	\$ 5,359,375	\$ 283,518	\$ 2,055,331	\$ 43,439	\$ 8,798	\$ 13,270,226	\$ 11,014,378
Receivables, net										
Accounts	91,709	268,004	16,667	665,500	-	-	8,829	263,619	1,314,328	-
Accrued interest	1,272	8,905	-	9,643	407	4,300	-	-	24,527	14,019
Prepaid bond insurance	-	-	-	-	-	-	-	8,587	8,587	-
Due from general fund	-	-	-	-	-	-	-	-	-	17,356,034
Total current assets	<u>655,546</u>	<u>4,829,146</u>	<u>421,630</u>	<u>6,034,518</u>	<u>283,925</u>	<u>2,059,631</u>	<u>52,268</u>	<u>281,004</u>	<u>14,617,668</u>	<u>28,384,431</u>
Noncurrent assets:										
Restricted cash and investments	-	-	341,376	1,569,864	-	-	-	-	1,911,240	537,741
Prepaid bond insurance, long term	-	-	-	-	-	-	-	137,399	137,399	-
Capital assets										
Land and nondepreciable assets	3,707,765	3,965,314	-	1,254,598	445,726	-	-	6,700	9,380,103	-
Depreciable assets, net accumulated depreciation	14,744,975	13,037,115	1,931,056	35,065,466	42,229,043	-	66,962	10,127,706	117,202,323	-
Net capital assets	18,452,740	17,002,429	1,931,056	36,320,064	42,674,769	-	66,962	10,134,406	126,582,426	-
Total noncurrent assets	18,452,740	17,002,429	2,272,432	37,889,928	42,674,769	-	66,962	10,271,805	128,631,065	537,741
Total assets	<u>19,108,286</u>	<u>21,831,575</u>	<u>2,694,062</u>	<u>43,924,446</u>	<u>42,958,694</u>	<u>2,059,631</u>	<u>119,230</u>	<u>10,552,809</u>	<u>143,248,733</u>	<u>28,922,172</u>
DEFERRED OUTFLOWS OF RESOURCES										
Related to pensions	142,445	118,470	-	284,891	284,891	-	-	23,976	854,673	237,643
Loss on refunding of debt	-	-	301,830	55,398	-	-	-	-	357,228	-
Total deferred outflows of resources	142,445	118,470	301,830	340,289	284,891	-	-	23,976	1,211,901	237,643
Total assets and deferred outflows	<u>19,250,731</u>	<u>21,950,045</u>	<u>2,995,892</u>	<u>44,264,735</u>	<u>43,243,585</u>	<u>2,059,631</u>	<u>119,230</u>	<u>10,576,785</u>	<u>144,460,634</u>	<u>29,159,815</u>
LIABILITIES										
Current Liabilities:										
Accounts payable	40,666	88,100	-	45,616	49,935	-	1,253	29,679	255,249	129,134
Deposits	34,528	-	-	-	-	-	-	-	34,528	-
Due to other funds	7,619	30,472	-	562	-	-	-	897,739	936,392	-
Insurance claims payable	-	-	-	-	-	-	-	-	-	23,076,076
Interest payable	786	31,708	33,691	267,071	1,308	-	-	154,359	488,923	-
Long term debt - due within one year	45,080	397,484	420,000	407,156	175,077	-	-	496,052	1,940,849	20,217
Total current liabilities	<u>128,679</u>	<u>547,764</u>	<u>453,691</u>	<u>720,405</u>	<u>226,320</u>	<u>-</u>	<u>1,253</u>	<u>1,577,829</u>	<u>3,655,941</u>	<u>23,225,427</u>
Noncurrent Liabilities:										
Accrued leave	66,410	17,935	-	66,110	93,330	-	-	16,207	259,992	-
Advance from general fund	-	-	2,400,000	-	-	-	-	2,435,000	4,835,000	-
Long term debt - due in more than one year	88,929	3,229,000	8,120,000	15,976,900	441,390	-	-	11,186,000	39,042,219	80,869
Net pension liability	515,460	428,701	-	1,030,919	1,030,921	-	-	86,761	3,092,762	859,951
Total noncurrent liabilities	670,799	3,675,636	10,520,000	17,073,929	1,565,641	-	-	13,723,968	47,229,973	940,820
Total liabilities	<u>799,478</u>	<u>4,223,400</u>	<u>10,973,691</u>	<u>17,794,334</u>	<u>1,791,961</u>	<u>-</u>	<u>1,253</u>	<u>15,301,797</u>	<u>50,885,914</u>	<u>24,166,247</u>
DEFERRED INFLOWS OF RESOURCES										
Related to pensions	54,460	45,293	-	108,919	108,919	-	-	9,167	326,758	90,857
Total deferred inflows	<u>54,460</u>	<u>45,293</u>	<u>-</u>	<u>108,919</u>	<u>108,919</u>	<u>-</u>	<u>-</u>	<u>9,167</u>	<u>326,758</u>	<u>90,857</u>
NET POSITION										
Invested in capital assets	18,334,548	12,955,721	(7,062,635)	19,432,993	41,928,583	-	66,962	(2,189,953)	83,466,219	-
Restricted	-	520,883	341,376	2,106,140	-	-	-	50,410	3,018,809	537,741
Unrestricted	62,245	4,204,748	(1,256,540)	4,822,349	(585,878)	2,059,631	51,015	(2,594,636)	6,762,934	4,364,970
Total net position (deficit)	<u>\$ 18,396,793</u>	<u>\$ 17,681,352</u>	<u>\$ (7,977,799)</u>	<u>\$ 26,361,482</u>	<u>\$ 41,342,705</u>	<u>\$ 2,059,631</u>	<u>\$ 117,977</u>	<u>\$ (4,734,179)</u>	<u>\$ 93,247,962</u>	<u>\$ 4,902,711</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, 2017

	Business-type Activity - Enterprise Fund								Governmental	
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Downtown Parking District	Totals	Internal Service Funds
OPERATING REVENUES:										
Charges for services										
Fees	\$ 2,500	\$ 2,904,552	\$ -	\$ 3,453,236	\$ -	\$ -	\$ -	\$ -	\$ 6,360,288	\$ 5,630,048
Licenses and permits	73,159	-	-	-	-	-	388,803	-	461,962	-
Rental income	1,258,922	-	160,000	-	-	-	-	-	1,418,922	-
Total operating revenues	<u>1,334,581</u>	<u>2,904,552</u>	<u>160,000</u>	<u>3,453,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>388,803</u>	<u>8,241,172</u>	<u>5,630,048</u>
OPERATING EXPENSES:										
Personnel services	679,220	316,111	-	1,394,168	1,596,022	-	-	85,089	4,070,610	1,426,490
Administration	168,097	132,965	-	201,384	221,979	-	989	79,128	804,542	-
Contractual services	170,674	71,543	75,761	39,697	72,835	-	7,840	368,204	806,554	433,825
Supplies	76,069	26,606	-	94,087	149,631	-	-	18,965	365,358	387,537
Insurance	20,000	18,500	-	44,800	25,900	-	-	-	109,200	539,748
Insurance claims	-	-	-	-	-	-	-	-	-	2,296,191
Fees and permits (taxes)	43,159	10,280	-	-	-	-	-	3,603	57,042	-
Utilities	73,509	391,185	-	85,389	2,498	-	-	27,396	579,977	-
Depreciation	679,140	376,064	528,490	1,534,358	2,731,155	-	10,044	588,735	6,447,986	-
Amortization	-	-	35,173	4,617	-	-	-	8,587	48,377	-
Other	20,006	7,568	-	5,924	5,862	-	-	405	39,765	867,337
Total operating expenses	<u>1,929,874</u>	<u>1,350,822</u>	<u>639,424</u>	<u>3,404,424</u>	<u>4,805,882</u>	<u>-</u>	<u>18,873</u>	<u>1,180,112</u>	<u>13,329,411</u>	<u>5,951,128</u>
Operating income (loss)	<u>(595,293)</u>	<u>1,553,730</u>	<u>(479,424)</u>	<u>48,812</u>	<u>(4,805,882)</u>	<u>-</u>	<u>(18,873)</u>	<u>(791,309)</u>	<u>(5,088,239)</u>	<u>(321,080)</u>
NONOPERATING REVENUES (EXPENSES)										
Investment income	3,259	18,798	1,334	33,160	751	9,959	-	-	67,261	35,589
Interest expense	(2,748)	(77,275)	(142,662)	(649,807)	(9,916)	-	-	(472,704)	(1,355,112)	-
Other nonoperating revenues (expenses)	9,250	-	-	-	(994)	-	8,827	(92,954)	(75,871)	-
Total nonoperating revenues (expenses)	<u>9,761</u>	<u>(58,477)</u>	<u>(141,328)</u>	<u>(616,647)</u>	<u>(10,159)</u>	<u>9,959</u>	<u>8,827</u>	<u>(565,658)</u>	<u>(1,363,722)</u>	<u>35,589</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(585,532)</u>	<u>1,495,253</u>	<u>(620,752)</u>	<u>(567,835)</u>	<u>(4,816,041)</u>	<u>9,959</u>	<u>(10,046)</u>	<u>(1,356,967)</u>	<u>(6,451,961)</u>	<u>(285,491)</u>
Contributed assets	756,899	-	-	19,995	275,374	-	-	-	1,052,268	-
Contribution for parking structure debt	-	-	-	-	-	-	-	950,943	950,943	-
Transfers in	-	-	-	-	1,845,400	-	-	-	1,845,400	2,178,100
Transfers out	(92,070)	(79,888)	-	(308,522)	(124,299)	(385,100)	-	-	(989,879)	-
CHANGE IN NET POSITION (DEFICIT)	<u>79,297</u>	<u>1,415,365</u>	<u>(620,752)</u>	<u>(856,362)</u>	<u>(2,819,566)</u>	<u>(375,141)</u>	<u>(10,046)</u>	<u>(406,024)</u>	<u>(3,593,229)</u>	<u>1,892,609</u>
NET POSITION (DEFICIT), BEGINNING OF YEAR	18,317,496	16,265,987	(7,357,047)	27,217,844	44,162,271	2,434,772	128,023	(4,328,155)	96,841,191	3,766,807
Prior Period Adjustment - Note 21	-	-	-	-	-	-	-	-	-	(756,705)
NET POSITION (DEFICIT), BEGINNING OF YEAR - AS RESTATED	18,317,496	16,265,987	(7,357,047)	27,217,844	44,162,271	2,434,772	128,023	(4,328,155)	96,841,191	3,010,102
NET POSITION (DEFICIT), END OF YEAR	<u>\$ 18,396,793</u>	<u>\$ 17,681,352</u>	<u>\$ (7,977,799)</u>	<u>\$ 26,361,482</u>	<u>\$ 41,342,705</u>	<u>\$ 2,059,631</u>	<u>\$ 117,977</u>	<u>\$ (4,734,179)</u>	<u>\$ 93,247,962</u>	<u>\$ 4,902,711</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, 2017**

	Business-type Activities - Enterprise Funds								Governmental Activities -	
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Downtown Parking District	Totals	Internal Service Funds
Cash flows from operating activities:										
Receipts from customers and users	\$ 1,334,455	\$ 3,071,012	\$ 160,000	\$ 3,568,377	\$ -	\$ -	\$ 6,897	\$ 163,894	\$ 8,304,635	\$ 313,468
Receipts from interfund services provided	-	-	-	-	-	-	-	-	-	7,004,562
Payments to suppliers	(582,131)	(722,255)	(75,761)	(468,743)	(490,222)	-	(7,576)	(489,549)	(2,836,237)	(3,366,950)
Payments to employees	(680,721)	(298,143)	-	(1,079,957)	(1,211,619)	-	-	(123,598)	(3,394,038)	(1,373,457)
Payments to claimants	-	-	-	-	-	-	-	-	-	(3,153,068)
Net cash provided (used) by operating activities	<u>71,603</u>	<u>2,050,614</u>	<u>84,239</u>	<u>2,019,677</u>	<u>(1,701,841)</u>	<u>-</u>	<u>(679)</u>	<u>(449,253)</u>	<u>2,074,360</u>	<u>(575,445)</u>
Cash flows from non-capital financing activities:										
Deposits	8,619	-	-	-	-	-	-	-	8,619	-
Advances due to general fund	-	-	-	-	-	-	-	282,824	282,824	-
Advances received from general fund	-	-	450,000	-	-	-	-	175,000	625,000	-
Contribution from Successor Agency	-	-	-	-	-	-	-	950,943	950,943	-
Operating transfers in	-	-	-	-	1,845,400	-	-	-	1,845,400	2,178,100
Operating transfers out	(92,070)	(79,888)	-	(308,522)	(124,299)	(385,100)	-	-	(989,879)	-
Net cash provided by (used for) Non-capital financing activities	<u>(83,451)</u>	<u>(79,888)</u>	<u>450,000</u>	<u>(308,522)</u>	<u>1,721,101</u>	<u>(385,100)</u>	<u>-</u>	<u>1,408,767</u>	<u>2,722,907</u>	<u>2,178,100</u>
Cash flows from capital and related financing activities:										
Acquisition of capital assets	(22,380)	(2,195,667)	-	(80,930)	(137,670)	-	-	-	(2,436,647)	-
Principal paid on capital debt	(27,913)	(378,000)	(405,000)	(360,000)	(98,387)	-	-	(472,000)	(1,741,300)	-
Interest paid on capital debt	(2,935)	(78,605)	(147,661)	(666,683)	(10,700)	-	-	(478,943)	(1,385,527)	-
Net cash provided (used) by capital and related financing activities	<u>(53,228)</u>	<u>(2,652,272)</u>	<u>(552,661)</u>	<u>(1,107,613)</u>	<u>(246,757)</u>	<u>-</u>	<u>-</u>	<u>(950,943)</u>	<u>(5,563,474)</u>	<u>-</u>
Cash flows from investing activities:										
Interest received	5,566	34,990	1,333	46,826	1,693	17,375	-	-	107,783	35,589
Increase (decrease) in fair value of investments	(2,391)	(16,767)	-	(15,647)	(898)	(7,835)	1	-	(43,537)	(4,517)
Transfers (to) from restricted cash	-	-	2,691	(11,831)	-	-	-	-	(9,140)	(214,877)
Net cash provided by investing activities	<u>3,175</u>	<u>18,223</u>	<u>4,024</u>	<u>19,348</u>	<u>795</u>	<u>9,540</u>	<u>1</u>	<u>-</u>	<u>55,106</u>	<u>(183,805)</u>
Net increase (decrease) in cash and cash equivalents	(61,901)	(663,323)	(14,398)	622,890	(226,702)	(375,560)	(678)	8,571	(711,101)	1,418,850
Cash and cash equivalents at beginning of year	624,466	5,215,560	419,361	4,736,485	510,220	2,430,891	44,117	227	13,981,327	9,595,528
Cash and cash equivalents at end of year	<u>\$ 562,565</u>	<u>\$ 4,552,237</u>	<u>\$ 404,963</u>	<u>\$ 5,359,375</u>	<u>\$ 283,518</u>	<u>\$ 2,055,331</u>	<u>\$ 43,439</u>	<u>\$ 8,798</u>	<u>\$ 13,270,226</u>	<u>\$ 11,014,378</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, 2017

	Business-type Activities - Enterprise Funds								Governmental	
	Airport	Industrial Waste	Municipal Golf Courses	Sanitary Sewer	Storm Sewer	Landfill Garbage Surcharge	Water Utility	Downtown Parking District	Totals	Activities - Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:										
Operating income (loss)	\$ (586,043)	\$ 1,553,730	\$ (479,424)	\$ 48,812	\$ (4,806,876)	\$ -	\$ (10,046)	\$ (884,263)	\$ (5,164,110)	\$ (321,080)
Adjustments to reconcile net income to net cash provided by operating activities:										
Depreciation	679,140	376,064	528,490	1,534,358	2,731,155	-	10,044	588,735	6,447,986	-
Amortization	-	-	35,173	4,617	-	-	-	8,587	48,377	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:										
(Increase) decrease in accounts receivable	(9,376)	166,461	-	115,141	-	-	(1,930)	(131,953)	138,343	-
(Increase) decrease in due from general fund	-	-	-	-	-	-	-	-	-	1,687,979
(Increase) decrease in deferred outflows - pension	(99,754)	(84,767)	-	(230,966)	(237,706)	-	-	(12,742)	(665,935)	(237,643)
Increase (decrease) in accounts payable	(10,616)	(63,608)	-	2,537	(10,524)	-	1,253	8,151	(72,807)	96,871
Increase (decrease) in insurance claims	-	-	-	-	-	-	-	-	-	(2,092,248)
Increase (decrease) in accrued leave	5,043	5,092	-	7,499	9,161	-	-	3,754	30,549	96,573
Increase (decrease) in net pension liability	99,616	100,401	-	505,644	571,303	-	-	(22,672)	1,254,292	103,246
Increase (decrease) in deferred inflows - pension	(6,407)	(2,759)	-	32,035	41,646	-	-	(6,850)	57,665	90,857
Total adjustments to net income	657,646	496,884	563,663	1,970,865	3,105,035	-	9,367	435,010	7,238,470	(254,365)
Net cash provided by operating activities	\$ 71,603	\$ 2,050,614	\$ 84,239	\$ 2,019,677	\$ (1,701,841)	\$ -	\$ (679)	\$ (449,253)	\$ 2,074,360	\$ (575,445)

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.



This page is intentionally left blank.

CITY OF SALINAS
STATEMENT OF NET POSITION (DEFICIT)
FIDUCIARY FUNDS
JUNE 30, 2017

	Private Purpose Trust Fund	Pension Trust Fund	Agency Funds
ASSETS			
Cash and investments	\$ 4,721,229	\$ 11,974,982	\$ 341,113
Cash and investments held by fiscal agent	1,629,628	-	-
Receivables			
Taxes	-	-	-
Accounts	10,958	-	123,940
Interest	3,893	5,318	-
Loans and notes receivable	183,900	-	-
Due from outside agencies	136,739	-	51,867
Capital assets, net of accumulated depreciation	150,162	-	-
Total assets	<u>6,836,509</u>	<u>11,980,300</u>	<u>\$ 516,920</u>
LIABILITIES			
Accounts payable	42,662	5,410	\$ 263,830
Interest payable	673,153	-	-
Deposits	582	-	201,223
Due to outside agencies	-	-	51,867
Long-term liabilities			
Due within one year	317,198	-	-
Due in more than one year	3,005,336	-	-
Total liabilities	<u>4,038,931</u>	<u>5,410</u>	<u>\$ 516,920</u>
DEFERRED INFLOWS OF RESOURCES			
Future ROPS	2,231,633	-	
Total deferred inflows of resources	<u>2,231,633</u>	<u>-</u>	
NET POSITION			
Held in trust for pension benefits and other purposes	<u>\$ 565,945</u>	<u>\$ 11,974,890</u>	

The accompanying notes are an integral part of this statement.

CITY OF SALINAS
STATEMENT OF CHANGES IN NET POSITION (DEFICIT)
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Private Purpose Trust Fund	Pension Trust Fund
ADDITIONS		
Taxes	\$ 4,872,719	\$ -
Rental income	(1,632)	-
Miscellaneous	3,219	27,800
Total taxes, rental, and miscellaneous income	<u>4,874,306</u>	<u>27,800</u>
Contributions		
Plan members	-	130,820
Private donations	2,044,159	-
Total contributions	<u>2,044,159</u>	<u>130,820</u>
Investment earnings		
Interest	77,236	360,878
Gain on sale of investments	-	184,733
Net investment earnings	<u>77,236</u>	<u>545,611</u>
Transfers in	-	529,112
Total additions	<u>6,995,701</u>	<u>1,233,343</u>
DEDUCTIONS		
Expenses	1,533,034	-
Benefit payments	-	1,496,991
Payments on behalf of trustees	1,973,895	-
Contribution to other agencies	1,586,236	-
Transfers out	950,943	529,112
Total deductions	<u>6,044,108</u>	<u>2,026,103</u>
CHANGE IN NET POSITION (DEFICIT)	951,593	(792,760)
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>(385,648)</u>	<u>12,767,650</u>
END OF YEAR	<u>\$ 565,945</u>	<u>\$ 11,974,890</u>

The accompanying notes are an integral part of this statement.

**NOTES TO
BASIC FINANCIAL STATEMENTS**



This page is intentionally left blank.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

A. Reporting Entity

Description of the Reporting Entity

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

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

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

Blended Component Units

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

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

- December 17, 2003 - to issue Certificates of Participation, Series A 2004.
- September 1, 2005 - issue Refunding Certificates of Participation, Series 2005 A and B.
- August 21, 2008 - to issue variable rate taxable refunding Certificates of Participation Series 2008.
- January 29, 2014 – to refinance Certificates of Participation, Series A 2004 & Series A 1999 (Animal Shelter) with a lease purchase agreement (2014) with a bank.
- September 1, 2015 – to issue Refunding Certificates of Participation Series 2015 A and B for refunding of Certificates of Participation Series 2005 A and B.
- July 28, 2016 – to refinance Assessment District bonds through a direct private placement.

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

Other Organizations

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

B. Financial Statement Presentation

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

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

Government-Wide Financial Statements – The government-wide financial statements, i.e. the statement of net position and the statement of activities, display information about the primary government (City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the City. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities,

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. Governmental activities, which are normally supported by taxes and inter-governmental revenues and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

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

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

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

The City reports the following major governmental funds:

- General, Measure V, & Measure G – This fund is the primary operating fund of the City. It accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General, Measure V, & Measure G Fund supports essential City services such as police and fire protection, street maintenance, libraries, and parks and open space maintenance.
- Development Fees - This fund accounts for fees paid by subdividers and developers of property, by Resolution 3823 (N.C.S.), covering traffic impact, annexation, use of existing or new sewers, storm drains, park facilities, library facilities and street trees.
- Assessment District Debt Service - This fund is used to accumulate monies for payment of the City's Assessment Districts Improvement Bonds. Debt service is financed with special assessments levied against property owners within the respective improvement districts.
- Special Construction Assistance – This fund accounts for proceeds of long-term borrowings resulting from the sale of Certificates of Participation to finance the acquisition and construction of capital projects.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.
- Downtown Parking District Fund - This fund accounts for the operations of the City's parking facilities. The activities necessary to provide such services are accounted for in the fund, including, but not limited to, operations, maintenance, financing and related debt service, and billing and collection.

The City reports the following additional fund types:

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's enterprise funds and internal service funds are charges

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

D. New Accounting Pronouncements

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

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple - Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended*, Statement 43, and Statement No. 50, *Pension Disclosures*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The city has implemented this statement effective July 1, 2016.

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The provisions of this statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26 and 40, which are effective for reporting periods beginning after December 15, 2015. This statement was implemented effective July 1, 2015 and July 1, 2016 and did not have a material impact on the financial statements.

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

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

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

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

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – an Amendment of GASB Statement No. 67, No. 68, and No. 73*. The objective of the Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain*

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Provisions of GASB Statements 67 and 68. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement 82 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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

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

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

GASB Statement No. 87 – In June 2017, GASB issued Statement No 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

E. Fair Value Measurement

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

F. Interest Earnings

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

- General, Measure V & G
- Development Fees
- Emergency Medical Services
- Asset Seizure
- Lighting, Landscape and Maintenance District
- Local Public Safety
- Gas Tax
- SRA Public Improvement Grant
- Affordable Housing
- COP 1999 & COP 2004 Consolidation (2014)
- Energy Improvement Lease
- COP 2005 A & B 2015 Refunding
- Assessment District Reserve

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

- Special Aviation
- Assessment District Project
- Airport
- Industrial Waste
- Municipal Golf Courses
- Sanitary Sewer
- Storm Sewer
- Landfill Garbage Surcharge
- Internal Service Funds
- Sunrise House Agency Fund
- Pension Trust Fund
- Successor Agency Trust Fund

G. Cash and Investments

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

The City valued its investments in LAIF as of June 30, 2017, by multiplying its account balance with LAIF times a fair value factor determined by LAIF value for all LAIF participants by total aggregate amortized cost.

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

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

H. Restricted Cash and Investment with Fiscal Agents

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

I. Receivables

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

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

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

K. Special Assessment Districts

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

L. Interfund-fund Transactions

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

Services provided are deemed to be at market or near market rates and are treated as revenues and expenditures/expenses. Reimbursements are defined as when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

M. Inventory of Supplies

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

N. Land Held for Resale

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

O. Restricted Assets

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

P. Capital Assets

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

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

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

Q. Encumbrances

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

R. Deferred Outflows/Inflows of Resources

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

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

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

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

S. Compensated Absences

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

T. Public Employees Retirement System (CalPERS)

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

U. Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. For additional information on unearned revenues, see Note 20.

V. Claims and Judgments

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

W. Long-Term Debt

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

X. Net Position

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

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

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

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

Y. Fund Balance

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

- *Nonspendable Fund Balance* - includes amounts that are not in a spendable form, such as inventories, prepaid items, and long-term loans and notes receivables. It also includes amounts that are legally or contractually required to be maintained intact or required to be retained in perpetuity, such as the principal of an endowment fund.
- *Restricted Fund Balance* - includes amounts reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

- *Committed Fund Balance* - includes amounts that have been limited to specific purposes as defined in the City Charter or through adoption of an ordinance by the City Council, the highest level of decision making authority of the City. These commitments may be changed or lifted, but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.
- *Assigned Fund Balance* - includes amounts that are intended to be used by the City for specific purposes through City Council budgetary action, which include the approval of appropriations and revenue sources pertaining to the next fiscal year's budget. Intent is expressed by (a) the City Council or (b) a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purpose.
- *Unassigned Fund Balance* - includes amounts within the General, Measure V, & Measure G Funds, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories, unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in nonspendable, restricted, and committed fund balance.

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

Z. Property Taxes

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

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)

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

AA. *Self-Insurance*

The City is self-insured for workers’ compensation, general, automobile, and public liability claims. The City’s estimated liability for claims as of June 30, 2017 is based on the claim manager’s estimate of probable losses plus an amount estimated for incurred but not reported claims. An Internal Service Fund is used to account for the collection of premiums from various City departments related to workers’ compensation claims and general claims liabilities. Premiums are established based on historical claims experience. Additionally, the City contracts with third party administrators for claims management.

BB. *Use of Estimates*

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

2. **Stewardship, Compliance and Accountability:**

A. *Budgeting*

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

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

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

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

B. Deficit Fund Balance

At June 30, 2017, the following funds had a deficit fund balance or deficit net position:

Major Funds	
Business-type Activities	
Municipal Golf Courses Fund	\$ 7,977,799
Downtown Parking District Fund	4,734,179
Non-Major Funds	
Governmental Activities	
Special Revenue Funds	
Measure X Transport Safety & Inv Plan	222,785
Debt Service Funds	
Assessment District Administration	29,006

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Enterprise Funds – Municipal Golf Courses Fund

The deficit net asset balance of \$7,977,799 is a result of the long-term bonds payable for the 2015A Certificates of Participation and the 2008 Certificates of Participation amounting to \$4,405,000 and \$4,540,000, respectively, exceeding the related assets. This deficit will continue to decline over time as the bonds are paid back.

Enterprise Funds – Downtown Parking District Fund

The deficit net position in the Downtown Parking District Fund of \$4,734,179 is a result of the long-term lease payable amounting to \$12,150,000. This deficit will continue to decline over time as the bonds are paid back.

3. Debt Compliance:

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

4. Cash and Investments:

The City's cash and investments at June 30, 2017 are included in the accompanying basic financial statements as follows:

	<u>Government-Wide Statement of Net Position</u>			<u>Fund Financials</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Fiduciary Funds Statement of Net Position</u>	<u>Total</u>
Cash and Investments	\$ 99,694,590	\$ 13,270,226	\$ 112,964,816	\$ 17,037,324	\$ 130,002,140
Restricted Cash and Investments	674,868	1,911,240	2,586,108	1,629,628	4,215,736
Total Cash and Investments	<u>\$ 100,369,458</u>	<u>\$ 15,181,466</u>	<u>\$ 115,550,924</u>	<u>\$ 18,666,952</u>	<u>\$ 134,217,876</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Cash and investments at June 30, 2017 consisted of the following:

Cash	
Demand accounts at banks	\$ 6,488,177
Money market	2,655,498
Deposits held in trust by fiscal agent	1,660,016
Money market held in trust by fiscal agent	1,647,731
Petty cash and revolving fund	21,573
	12,472,995
Investments	
State local agency investment fund (LAIF)	96,817,364
Investments held in trust by fiscal agent	14,309,244
Deferred compensation	
State local agency investment fund (LAIF)	1,155,990
Trust deeds and properties	9,462,283
	121,744,881
Total cash and investments	\$ 134,217,876

Deposits

At June 30, 2017, the carrying amount of the City's deposits was \$6,488,177. The bank balance was \$8,934,142. The difference is due to outstanding checks and deposits in transit. All bank balances are insured or collateralized.

Investments

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

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

The City participates in the California Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. At June 30, 2017, the total fair value amount invested by all public agencies in LAIF is \$77.6 billion managed by the State Treasurer. Of that amount, 2.89% is invested in medium-term and short-term structured notes and asset-back securities. No amounts were invested in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

As of June 30, 2017, the City had the following investment and maturities:

	Maturities			Total
	0-12 months	1-5 years	over 5 years	
Local Agency				
Investment Fund	\$ 97,973,354	\$ -	\$ -	\$ 97,973,354
Investment Agreements	4,999,137	8,334,640	975,467	14,309,244
Trust Deeds-Def Comp	-	9,462,283	-	9,462,283
Total	<u>\$ 102,972,491</u>	<u>\$ 17,796,923</u>	<u>\$ 975,467</u>	<u>\$ 121,744,881</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses 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, 2017 had an average life of 167 days, it was presented as an investment with a maturity of 0-12 months. However, LAIF allows the City to make withdrawals of any amount within 24 hours. Information about the sensitivity of the fair values of the City investments to market interest rate fluctuations is provided by the preceding table that shows the distribution of the City's investment by maturity.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	Fair Value	S&P	Moody's	% of Total
Demand accounts at banks	\$ 6,488,177	NR	NR	4.82%
Money Market				
Rabobank	2,655,498	A+	Aa2	1.98%
Deposits held in trust by fiscal agent	1,660,016	NR	NR	1.24%
Money Market held in trust by fiscal agent				
Fidelity Investment MM Gov	1,647,731	AAAm	Aaa-mf	1.23%
Petty cash and revolving fund	21,573	NR	NR	0.02%
Local Agency Investment Fund	97,973,354	NR	NR	73.00%
Investment Agreements				
Fed Home Loan Mortgage	2,292,360	AA+	Aaa	1.71%
Municipal bonds	714,936	AA-	Aa2	0.53%
	1,004,520	A+	Aa2	0.75%
Corporate bonds	2,019,310	A	A2	1.50%
	1,006,940	AA-	Aa3	0.75%
	1,006,810	AA-	A1	0.75%
	1,004,700	AA+	Aaa	0.75%
Westdeutsche Bank	975,467	NR	Aa3	0.73%
Certificates of deposit	4,284,201	NR	NR	3.19%
Trust Deeds-Def Comp	9,462,283	NR	NR	7.05%
Total	<u>\$ 134,217,876</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, 2017

Fair Value Measurement and Application

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

There have been no changes in the methods and assumptions used at June 30, 2017. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. City management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The City had the following recurring fair value measurements as of June 30, 2017:

Investment Type	Total	Level 1	Level 2	Level 3
Investment Agreements				
Bonds	\$ 9,049,576	\$ 9,049,576	\$ -	\$ -
Certificates of deposit	4,284,201	-	4,284,201	-
Equities	975,467	975,467	-	-
Trust Deeds-Def Comp	9,462,283	-	-	9,462,283
	<u>23,771,527</u>	<u>\$10,025,043</u>	<u>\$ 4,284,201</u>	<u>\$ 9,462,283</u>
<u>Investments Not Measured at Fair Value</u>				
Demand accounts at banks	6,488,177			
Deposits held in trust by fiscal agent	1,660,016			
Money Market Funds				
Rabobank	2,655,498			
Fidelity Investment MM Gov	1,647,731			
Petty cash and revolving fund	21,573			
Local Agency Investment Fund	97,973,354			
Total Investments	<u>\$ 134,217,876</u>			

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

5. Restricted Assets:

Cash and investments of \$2,586,108 are recorded as restricted assets at June 30, 2017 as follows:

Assessment District Debt Service:		
Debt Service Fund - restricted to cover expenses of debt	\$	137,127
Enterprise Fund:		
Restricted to cover expenses of debt service		
Golf Courses Fund	\$	341,376
Sanitary Sewer	1,569,864	1,911,240
Internal Service Fund:		
Restricted for liability expenses and workers		537,741
Total Restricted Assets		<u>\$ 2,586,108</u>

6. Taxes Receivable:

Taxes receivable recorded in the General, Measure G & V Fund of \$14,800,748 represent amounts due for the quarter ended June 30, 2017 for the following taxpayer – assessed taxes:

Sales Tax	\$	5,245,594
Measure V Transaction and Use Tax		2,358,133
Measure G Transaction and Use Tax		4,728,144
Utility Users Tax		830,769
Franchise Tax		804,478
Transient Occupancy Tax		743,980
Other Taxes		55,564
Property Transfer Tax		34,086
Total		<u>\$ 14,800,748</u>

7. Assessment Receivable:

Debt Service Fund – Assessments receivable recorded in the Assessment District Debt Service Fund of \$4,760,000 at June 30, 2017, will be collected from property owners to retire outstanding bond principal issued for improvements in special assessment districts. Cash and investments at June 30, 2017 of \$3,059,734 are available to make bond and interest payments of \$1,093,625 that are due on September 1, 2018.

Assessment receivables in the amount of \$3,775,000 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, 2017

8. Due From Outside Agencies:

Due from outside agencies consists of the following:

	Federal	State	Other	Total
Governmental Activities:				
General Fund:				
Welcome Center	\$ -	\$ -	\$ 75,000	\$ 75,000
Sunrise House	-	-	51,867	51,867
	-	-	126,867	126,867
Special Revenue Funds:				
Dept. of Housing & Urban Development:				
CDBG Improvement Program	267,162	-	-	267,162
HOME Investment Program	47,336	-	-	47,336
Emergency Shelter Grant	167,612	-	-	167,612
Board of State & Community Corrections	-	103,068	-	103,068
Bringing Back the Wildlife	-	587	-	587
Cable Franchise	-	-	82,338	82,338
California Emergency Management Agency	-	103,502	-	103,502
California Highway Users Tax	-	261,397	-	261,397
California Office of Traffic Safety(US DOT)	24,549	-	-	24,549
County of Monterey	-	-	196,565	196,565
Data Ticket	-	-	34,276	34,276
U.S. Department of Justice	141,951	-	-	141,951
U.S. Drug Enforcement	4,831	-	-	4,831
	653,441	468,554	313,179	1,435,174
Capital Projects Funds:				
Airport AIP	-	32,523	-	32,523
County of Monterey	-	-	52,662	52,662
Developers	-	-	1,198,490	1,198,490
Federal ATP Grant	857,882	-	-	857,882
Federal Aviation Administration	618,795	-	-	618,795
Federal HSIP	8,145	-	-	8,145
RSTP	-	18,130	-	18,130
State Water Grant	-	12,997	-	12,997
Strategic Growth Council	-	62,816	-	62,816
U.S. Department of Homeland Security	846,974	-	-	846,974
U.S. Department of Transportation	45,835	-	-	45,835
	2,377,631	126,466	1,251,152	3,755,249
Primary Government Totals	\$3,031,072	\$ 595,020	\$1,691,198	\$5,317,290

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

9. Interfund Transactions:

Interfund Receivables/Payables (Due to/Due from) – The composition of interfund balances as of June 30, 2017 was as follows:

<u>Due From:</u>	Due To			Total
	Governmental Activities			
	General	Capital Projects	Internal Service	
Primary Government				
Governmental Activities:				
Major Funds:				
General, Measure G & V	\$ -	\$ 1,042,009	\$ 17,356,034	\$ 18,398,043
Development Fee	269	109,949	-	110,218
Special Construction Assistance	814,090	-	-	814,090
Non-Major Funds:				
Emergency Medical Services	-	8,433	-	8,433
Lighting, Landscape & Maintenance	36,131	124,274	-	160,405
Measure X Transport Safety & Inv Plan	184,531	38,254	-	222,785
Comm Dev Act of 1974	219,470	5,728	-	225,198
Gas Tax	-	75,125	-	75,125
COP 1999 & 2004 Consolidation (2014)	-	8,528	-	8,528
Grants	391,432	-	-	391,432
Assessment District Administration	29,006	-	-	29,006
Total Governmental Activities	1,674,929	1,412,300	17,356,034	20,443,263
Business Type Activities:				
Airport	-	7,619	-	7,619
Industrial Waste	-	30,472	-	30,472
Sanitary Sewer	-	562	-	562
Downtown Parking District	897,739	-	-	897,739
Total Business Type Activities	897,739	38,653	-	936,392
Total Primary Government	2,572,668	1,450,953	17,356,034	21,379,655
	\$ 2,572,668	\$ 1,450,953	\$ 17,356,034	\$ 21,379,655

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2017 was as follows:

	Operating Transfers In	Operating Transfers Out	Transfers For:
General Fund	\$ 3,973,600	\$19,250,242	Capital projects, debt service, & other operating costs
Special Revenue Funds:			
Emergency Medical Services	640,000	136,702	Capital projects & operating costs
Lighting, Landscape & Maintenance	-	282,136	Capital projects
Housing and Urban Development	11,599	648,953	Capital projects
Gas Tax	-	2,727,361	Capital projects & street maintenance
Traffic Safety	-	455,500	Capital projects
Vehicle Abatement Program	50,000	-	Capital projects
Development Fee	-	842,288	Capital projects
Recreation Parks	-	9,725	Capital projects
Measue X Transport Safety & Inv Plan	-	222,785	Capital projects
Grants	-	234,240	Grant projects
	<u>701,599</u>	<u>5,559,690</u>	
Debt Service Funds:			
2014 COP Consolidation	-	313,517	Debt Service
Energy Improvement Lease	1,245,888	-	Debt Service
2015 Refunding COP 2005B	696,344	-	Debt Service
	<u>1,942,232</u>	<u>313,517</u>	
Capital Projects Funds:			
Construction Assistance	472,000	-	Capital projects
Capital Project	15,000,397	-	Capital projects
	<u>15,472,397</u>	<u>-</u>	
Internal Service Funds:			
General Liability-Self Insurance	343,000	-	Operating costs
Fleet Maintenance	1,835,100	-	Operating costs
	<u>2,178,100</u>	<u>-</u>	
Total Governmental Activities	<u>24,267,928</u>	<u>25,123,449</u>	
Enterprise Funds:			
Airport	-	92,070	Capital projects & debt service
Industrial Waste	-	79,888	Capital projects & debt service
Sanitary Sewer	-	308,522	Capital projects
Storm Sewer	1,845,400	124,299	Capital projects & operating costs
Solid Waste	-	385,100	Debt service
Total Business Type Activities	<u>1,845,400</u>	<u>989,879</u>	
Total Governmental & Business Activities	<u>26,113,328</u>	<u>26,113,328</u>	
	<u>\$26,113,328</u>	<u>\$26,113,328</u>	

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Internal Balances - The composition of advances to/from other funds as of June 30, 2017 was as follows:

<u>Advances From:</u>	Advances To
	Governmental Activities
	General
Business Type Activities:	
Golf Course	\$ 2,400,000
Downtown Parking	2,435,000
Total Business Type Activities	4,835,000
Total Primary Government	\$ 4,835,000

10. Loans Receivable, Net of Allowance:

At June 30, 2017, receivables of the City's major individual funds and non-major funds taken in aggregate, including the applicable allowance for uncollectible accounts are as follows:

Type of Loan	CDBG	Low & Moderate Income Housing Asset	Total Governmental Activities	Fiduciary Funds
Housing Program Developer, rehabilitation, second mortgage and relocation loans	\$ -	\$ -	\$ -	\$ -
Loans funded by federal grants	20,293,203	-	20,293,203	-
Economic development real estate developer and other loans	-	10,896,571	10,896,571	183,900
Less: Allowance for Uncollectibles	(19,906,433)	(10,880,000)	(30,786,433)	-
Total loans, net	\$ 386,770	\$ 16,571	\$ 403,341	\$ 183,900

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

Typical loans and related terms are summarized as follows:

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

11. Land and Properties Held for Resale:

Land and properties held for resale consisted of the following at June 30, 2017:

<u>Special Revenue Fund</u>	
137, 145 & 151 Division Street	\$ 850,000
 <u>Affordable Housing Fund - Central City Housing</u>	
17 & 19 Soledad Street	370,693
9 & 11 Soledad Street	129,738
	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	\$ 2,507,553

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

12. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Adjustments/ Retirements	Balance June 30, 2017
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 22,227,843	\$ -	\$ -	\$ 22,227,843
Construction in progress	31,292,127	6,542,833	(1,023,230)	36,811,730
Total assets not being depreciated	<u>53,519,970</u>	<u>6,542,833</u>	<u>(1,023,230)</u>	<u>59,039,573</u>
Capital assets, being depreciated:				
Buildings and improvements	47,231,737	102,388	(61,000)	47,273,125
Improvements other than buildings	14,055,003	141,914	51,019	14,247,936
Machinery and equipment	33,681,561	2,344,046	(3,285,848)	32,739,759
Infrastructure	236,461,068	490,576	329,583	237,281,227
Total assets being depreciated	<u>331,429,369</u>	<u>3,078,924</u>	<u>(2,966,246)</u>	<u>331,542,047</u>
Less accumulated depreciation	<u>(194,628,970)</u>	<u>(9,785,190)</u>	<u>3,945,711</u>	<u>(200,468,449)</u>
Total capital assets being depreciated, net	<u>136,800,399</u>	<u>(6,706,266)</u>	<u>979,465</u>	<u>131,073,598</u>
Governmental Activities capital assets, net	<u>\$ 190,320,369</u>	<u>\$ (163,433)</u>	<u>\$ (43,765)</u>	<u>\$ 190,113,171</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 3,632,339	\$ -	\$ -	\$ 3,632,339
Construction in progress	5,822,746	3,401,823	(3,476,805)	5,747,764
Total assets not being depreciated	<u>9,455,085</u>	<u>3,401,823</u>	<u>(3,476,805)</u>	<u>9,380,103</u>
Capital assets, being depreciated:				
Buildings and improvements	27,266,967	-	-	27,266,967
Improvements other than buildings	16,661,965	2,866	3,476,375	20,141,206
Machinery and equipment	8,589,068	342,973	(269,535)	8,662,506
Infrastructure	236,689,231	-	-	236,689,231
Total assets being depreciated	<u>289,207,231</u>	<u>345,839</u>	<u>3,206,840</u>	<u>292,759,910</u>
Less accumulated depreciation	<u>(169,379,134)</u>	<u>(6,447,986)</u>	<u>269,533</u>	<u>(175,557,587)</u>
Total capital assets being depreciated, net	<u>119,828,097</u>	<u>(6,102,147)</u>	<u>3,476,373</u>	<u>117,202,323</u>
Business-type Activities capital assets, net	<u>\$ 129,283,182</u>	<u>\$ (2,700,324)</u>	<u>\$ (432)</u>	<u>\$ 126,582,426</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Governmental activities:	
General government	\$ 823,440
Police	1,098,933
Fire	793,355
Public works, including infrastructure assets	6,500,748
Recreation and parks	445,597
Library	<u>123,117</u>
Total depreciation expense - governmental activities	<u>\$ 9,785,190</u>
Business-type activities:	
Airport	\$ 679,140
Industrial waste	376,064
Municipal golf courses	528,490
Sanitary sewer	1,534,358
Storm sewer	2,731,155
Water utility	10,044
Downtown parking	<u>588,735</u>
Total depreciation expense - business-type activities	<u>\$ 6,447,986</u>

13. Deferred Compensation Plan:

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

International City Manager's Association (ICMA) Retirement Corporation

The International City Manager's Association Retirement, Inc., Plan had 326 participants and a balance of \$32,015,361 at June 30, 2017. 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, 2017 pursuant to the Employer Trust established by the City with ICMA Retirement Corporation during November 1997.

Trust Deed Program

The City administers a Trust Deposit Fund that includes a deferred compensation plan funded solely by the voluntary salary reductions. The goal of the Trust Deed program is to invest participants' funds in short-term deeds of trust (notes). This investment option is administered within the City of Salinas by the City's appointed administrator of the Deferred Compensation Plan. Loans are based on equity after obtaining a fee appraisal. All property is physically inspected and the loan package is reviewed and approved/disapproved by a Deferred Compensation Committee. All employees are eligible to participate. The Plan had 292 participants and a balance of \$11,951,695 in net assets at June 30, 2017. 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, 2017.

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

As of June 30, 2017, pursuant to GASB 72, properties held for resale were valued by independent real estate professionals (market approach) and trust deed notes were valued at their present value (income approach). The valuations are considered Level 3. The value of properties held for resale are reduced for cost of sales. The notes (loans) are valued based on amounts investors would likely pay for notes with interest rates ranging from 6% to 11% discounted to provide loan to values ranging from 70% to 50% depending on property type and condition, borrowers payment history and term remaining on note. The change in net realizable values are reflected in the Statement of Changes in Net Position – Fiduciary Funds (page F-40).

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Central Coast Federal Credit Union (CCFCU)

This third deferred compensation plan was established in August 1993 with Central Coast Federal Credit Union. The plan funds are backed by the full faith and credit of the U.S. Government and are also insured by the National Credit Union Administration (NCUA), an agency of the federal government for up to \$250,000. Central Coast collateralizes any amounts invested in their savings accounts in excess of NCUA insurance limits in accordance with applicable law. As of June 30, 2017 there were 78 participants with a balance of \$5,421,901. All employees are eligible to participate through voluntary salary deductions.

The assets for this plan are not reported on the City's financial statements.

Mass Mutual Financial Group

The fourth Deferred Compensation plan was established in September 2000 with Mass Mutual Financial Group. This retirement savings plan enables employees to defer a portion of their current compensation for payment at a later date, generally retirement. Salary deferrals (or contributions) are voluntary, and are made through the ease of payroll deductions. Mass Mutual offers a variety of investment vehicles that vary in risk, term and return to the investment. These investment options are offered through a group variable annuity contract. There were 34 participants with a balance of \$3,263,397 at June 30, 2017. All employees are eligible to participate through voluntary salary deductions.

The assets for this plan are not reported on the City's financial statements.

14. Retirement Programs:

I. Defined Benefit Pension Plans

The City of Salinas provides defined benefit retirement program benefits through the California Public Employees' Retirement System (CalPERS) and New York Life. As of June 30, 2017, the City was contributing to agent multiple-employer defined benefit pension plans and cost-sharing multiple-employer defined benefit pension plans through CalPERS, and was also contributing to a single-employer defined benefit pension plan through New York Life.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The City's net pension liability as of June 30, 2017 is as follows (recorded as of the measurement date of June 30, 2016):

Net Pension Liability	Governmental Activities	Business-type Activities	Total Net Pension Liability
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 22,425,065	\$ 3,092,762	\$ 25,517,827
Agent Multiple-Employer Safety-Police	82,427,523	-	82,427,523
Cost Sharing Multiple-Employer Safety - Fire (Tier 1 & Tier 2)	51,951,899	-	51,951,899
New York Life - Single Employer	15,378,000	-	15,378,000
Total net pension liability	<u>\$172,182,487</u>	<u>\$ 3,092,762</u>	<u>\$ 175,275,249</u>

The City's deferred outflows of resources related to pensions as of June 30, 2017 is as follows (recorded as of the measurement date of June 30, 2016):

Deferred Outflows of Resources	Governmental Activities	Business-type Activities	Total Deferred Outflows
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 6,197,069	\$ 854,673	\$ 7,051,742
Agent Multiple-Employer Safety-Police	16,981,164	-	16,981,164
Cost Sharing Multiple-Employer Safety - Fire (Tier 1 & Tier 2)	15,874,775	-	15,874,775
New York Life - Single Employer	891,000	-	891,000
Total net pension liability	<u>\$ 39,944,008</u>	<u>\$ 854,673</u>	<u>\$ 40,798,681</u>

The City's deferred inflows of resources related to pensions as of June 30, 2017 is as follows (recorded as of the measurement date of June 30, 2016):

Deferred Inflows of Resources	Governmental Activities	Business-type Activities	Total Deferred Inflows
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ 2,369,255	\$ 326,758	\$ 2,696,013
Agent Multiple-Employer Safety-Police	7,327,899	-	7,327,899
Cost Sharing Multiple-Employer Safety - Fire (Tier 1 & Tier 2)	2,267,395	-	2,267,395
New York Life - Single Employer	-	-	-
Total net pension liability	<u>\$ 11,964,549</u>	<u>\$ 326,758</u>	<u>\$ 12,291,307</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The City's total pension expenses for the fiscal year 2016-17, including employee contributions, normal costs and annual amortization of prior service is as follows:

Pension Expense	Governmental Activities	Business-type Activities	Total Pension Expense
CalPERS pension plans:			
Agent Multiple-Employer Miscellaneous	\$ (1,938,125)	\$ 646,023	\$ (1,292,102)
Agent Multiple-Employer Safety-Police	(2,493,683)	-	(2,493,683)
Cost Sharing Multiple-Employer Safety - Fire (Tier 1 & Tier 2)	(2,081,348)	-	(2,081,348)
New York Life - Single Employer	(185,000)	-	(185,000)
Total net pension liability	<u>\$ (6,698,156)</u>	<u>\$ 646,023</u>	<u>\$ (6,052,133)</u>

A. California Public Employees Retirement System

Agent Multiple-Employer Defined Benefit Pension Plan

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The City's provisions and benefits in effect at June 30, 2017, are summarized as follows:

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

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

Employees Covered – As of June 30, 2015 (valuation date), the following employees were covered by the benefit terms for each Plan:

	Miscellaneous Plan	Police Plan
Inactive employees or beneficiaries currently receiving benefits	121	229
Inactive employees entitled to, but not yet receiving benefits	204	89
Active employees	238	148

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annual on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Investment and Administrative Expenses; includes inflation
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

All other actuarial assumptions used in the June 30, 2016 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2007, including updates to salary increase, mortality and requirement rates. The Experience Study report can be found on CalPERS' website under Forms and Publications.

Change of Assumption – In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

Discount Rate - The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculations is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under GASB 68 section.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

Asset class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	19.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100.0%</u>		

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

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Agent Multiple-Employer Defined Benefit Plan - Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2015 (MD)	\$ 90,401,500	\$ 68,514,982	\$ 21,886,518
Changes Recognized for the Measurement Period:			
Service Cost	2,135,480	-	2,135,480
Interest on Total Pension Liability	6,801,939	-	6,801,939
Changes of Benefit Terms	-	-	-
Changes of Assumptions	-	-	-
Differences between Expected and Actual Experience	(996,921)	-	(996,921)
Plan to Plan Resource Movement	-	365	(365)
Contributions - Employer	-	2,635,818	(2,635,818)
Contributions - Employees	-	1,339,737	(1,339,737)
Net Investment Income	-	375,028	(375,028)
Benefit Payments, including Refunds of Employee Contributions	(3,116,204)	(3,116,204)	-
Administrative Expense	-	(41,759)	41,759
Net Changes during 2015-16	4,824,294	1,192,985	3,631,309
Balance at: 6/30/2016 (MD)	\$ 95,225,794	\$ 69,707,967	\$ 25,517,827

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2015 (MD)	\$ 242,440,215	\$ 169,417,801	\$ 73,022,414
Changes Recognized for the Measurement Period:			
Service Cost	4,462,598	-	4,462,598
Interest on Total Pension Liability	17,933,618	-	17,933,618
Changes of Benefit Terms	-	-	-
Changes of Assumptions	-	-	-
Differences between Expected and Actual Experience	(4,299,665)	-	(4,299,665)
Plan to Plan Resource Movement	-	19,216	(19,216)
Contributions - Employer	-	6,462,584	(6,462,584)
Contributions - Employees	-	1,512,655	(1,512,655)
Net Investment Income	-	800,238	(800,238)
Benefit Payments, including			
Refunds of Employee Contributions	(11,890,953)	(11,890,953)	-
Administrative Expense	-	(103,251)	103,251
Net Changes during 2015-16	6,205,598	(3,199,511)	9,405,109
Balance at: 6/30/2016 (MD)	\$ 248,645,813	\$ 166,218,290	\$ 82,427,523
Totals of Both Miscellaneous and Safety Plans	\$ 343,871,607	\$ 235,926,257	\$ 107,945,350

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	Miscellaneous	Police	Total
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability	\$ 39,058,436	\$ 116,683,458	\$ 155,741,894
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$ 25,517,827	\$ 82,427,523	\$ 107,945,350
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$ 14,353,800	\$ 54,402,799	\$ 68,756,599

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

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

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

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

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

Deferred outflows of resources and deferred inflows of resources relating to Differences between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the miscellaneous and safety (police) plans for the June 30, 2016 measurement date are 4.3 and 3.7 years, respectively, which was obtained by dividing the total service years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to zero. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions
– As of the start of the measurement period (July 1, 2015), the NPL is \$94,908,935.

For the measurement period ending June 30, 2016 (the measurement date), the City of Salinas recognized a pension benefit of \$3,785,785 for the miscellaneous and safety (police) plans.

For the measurement period ending June 30, 2016 (the measurement date), the City of Salinas reports other amounts for the miscellaneous and safety (police) plans as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Plan Contributions Subsequent to Measurement Date	\$ 11,030,735	\$ -
Differences between Expected and Actual Experience	-	7,260,036
Changes of Assumptions	-	2,763,876
Net Difference between Projected and Actual Earnings on Pension Plan Investments	13,002,171	-
	\$ 24,032,906	\$ 10,023,912

\$11,030,735 reported as deferred outflows of resources to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

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

Measurement Period Ended June 30:	Deferred (Inflows) of Resources
2017	\$ 7,724,782
2018	(1,510,106)
2019	4,487,771
2020	3,306,547
2021	-
Thereafter	-
Total	\$ 14,008,994

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Cost-Sharing Multiple Employer Defined Benefit Pension Plan

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

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

The City’s plans provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Fire Tier 1	
	*Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	50	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%
Required employer contribution rates	54.240%	12.250%
	Fire Tier 2	
	*Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	3.0% @ 55	2.5% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement age	55	52-57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%
Required employer contribution rates	17.295%	12.250%

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

	Fiscal Year 2016/17	Measurement Date 2015/16	Valuation Date 2014/15
Safety Plan (Fire)	\$ 5,132,440	\$ 4,732,754	\$ 3,811,507
Total Contributions	<u>\$ 5,132,440</u>	<u>\$ 4,732,754</u>	<u>\$ 3,811,507</u>

Pension Liabilities, Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions – As of June 30, 2017, the City reported net pension liabilities for its proportionate share of the net pension liability as of June 30, 2017 and 2016 were as follows:

	Proportionate Share of Net Pension Liability/(Asset)	
	June 30, 2017	June 30, 2016
Safety Plan (Fire)	\$ 51,951,899	\$ 44,177,449
Total Net Pension Liability	<u>\$ 51,951,899</u>	<u>\$ 44,177,449</u>

The City of Salinas' net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using the standard update procedures. The City of Salinas' proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions for all participating employers actuarially determined.

The City's proportionate share of the net pension liability as of June 30, 2017 and 2016 were as follows:

Fiscal Year	Percentage Share of Risk Pool		Change: Increase/(Decrease)
	6/30/2017	6/30/2016	
Measurement Date	6/30/2016	6/30/2015	
Percentage of Plan (PERF C) NPL	0.600385%	0.643619%	-0.043234%

For the year ended June 30, 2017 (measurement date June 30, 2016), the City of Salinas recognized a pension benefit of \$2,081,348 for the Safety Plan (Fire).

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

As of June 30, 2017 the City of Salinas reports deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 372,950
Changes of Assumptions	-	1,626,090
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	7,988,905	-
Change in Employer's Proportion	1,491,203	268,355
Differences between the Employer's Contributions and the Employer's Proportionate Share of Contributions	1,262,227	-
Pension Contributions Subsequent to Measurement Date	5,132,440	-
Total	\$ 15,874,775	\$ 2,267,395

\$5,132,440 reported as deferred outflows of resources to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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

Measurement Period Ended June 30:	Deferred (Inflows) of Resources
2017	\$ 1,370,537
2018	1,206,697
2019	3,817,961
2020	2,079,745
2021	-
Thereafter	-
Total	\$ 8,474,940

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation. The June 30, 2016 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table*	Derived using CalPERS's Membership Data for all Funds
Post Retirement Benefits Increase	Contract COLA upto 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

*The Mortality table used was developed based on CalPERS's specific data. The table include 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and requirement rates. The Experience Study report can be found on CalPERS' website under Forms and Publications.

Change of Assumption – There were no changes of assumptions during the measurement period ended June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represents the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate - The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the amortization and smoothing periods recently adopted by the Board were used. For the Plan, the crossover test was performed for a miscellaneous agent rate plan and a safety agent rate plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the rate plans, tests revealed the tested would run out. Therefore, long-term expected rate of return on pension plan investment was applied to all periods of projected benefits payments to determine the total pension liability for PERF C. The Crossover test results are presented in a detailed reported "GASB Crossover Testing Report" that can be obtained from the CalPERS' website under GASB 68 section.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

Amortization of Deferred Outflows and Deferred Inflows of Resources – Net Difference Between Projected and Actual Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earning on Pension Plan Investments is amortized over the remaining amortization periods. Net Difference Between Projected and Actual Investment Earning on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions should be amortized over the EARSL of members provided with pensions through the Plan determined as of beginning of the related measurement period. The EARSL for PERF C for the June 30, 2016 measurement date is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of all active employees) by 127,009 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The Schedule of Collective Pension Amounts does not reflect employer-specific amounts such as changes in proportion, difference between actual employer contributions and employers' proportionate shares of contributions, and employer contributions to PERF C subsequent to the measurement date as defined in GASB Statement No. 68 paragraph 54, 55, and 57. Appropriate treatment of such amounts is the responsibility of the employers.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Safety Plan (Fire)	Measurement Date June 30, 2016		
	Discount Rate		
	6.65% (1% Decrease)	7.65% (Current Rate)	8.65% (1% Increase)
Net Pension Liability	\$ 72,915,318	\$ 51,951,899	\$ 34,743,080

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

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

B. New York Life Retirement Plan

Plan Description – The New York Life retirement plan is a closed single-employer defined benefit pension plan that covers Non-Public Safety Employees. The plan’s benefits offers a formula of 2% @ 60 for vested employees. The Plan was established on September 1, 1954 and has been amended and restated from time to time since that date. Prior Plan amendments eliminated the six-month service requirement for entry into the plan and credited participants with up to six-months of service from hire to plan entry prior to time change. The Plan was amended and restated effective September 1, 1996 to bring the Plan into compliance with the Internal Revenue Code and Regulations promulgated thereby to provide for the City’s pick-up of employee eligible participants equal to the present value of vested accrued benefits. Effective June 1, 2001, the Plan amended its benefit formula to one that uses an average salary computed from the twelve-month period, replacing the old formula that used an average salary computed from a thirty six month period. As of June 19, 1995, all new regular non-public safety employees are enrolled in CalPERS.

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

New York Life Guaranteed Annuity Contracts in the amount of \$5,877,912 are allocated insurance contracts set up to pay benefits and accordingly are excluded from the total pension liability, and are not reported in the City’s financial statements.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

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

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

Pension Liabilities, Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions – As of June 30, 2017 (Measurement Date - August 31, 2016), the City reported net pension liability as follows:

Measurement Date	8/31/2016	8/31/2015
Total Pension Liability (TPL)	\$ 20,404,000	\$ 18,969,000
Fiduciary Net Position (FNP)	5,026,000	3,547,000
Net Pension Liability (NPL)	\$ 15,378,000	\$ 15,422,000
Funded Status (FNP/TPL)	24.6%	18.7%

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The City's net pension liability is measured as of August 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 1, 2015.

For the year ended June 30, 2017 (measurement date August 31, 2016), the City of Salinas recognized a pension benefit of \$185,000.

As of June 30, 2017 the City of Salinas reports deferred outflow and deferred inflow of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	53,000	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	192,000	-
Plan Contributions Subsequent to Measurement Date	646,000	-
	<u>\$ 891,000</u>	<u>\$ -</u>

\$646,000 reported as deferred outflows of resources to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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

<u>Fiscal Year Ended June 30:</u>	<u>Deferred (Inflows) of Resources</u>
2017	\$ 113,000
2018	60,000
2019	59,000
2020	13,000
2021	-
Thereafter	<u>-</u>
Total	<u>\$ 245,000</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Actuarial Methods and Assumptions used to determine Total Pension Liability - For the measurement period ended August 31, 2016 (the measurement date), the total pension liability was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	September 1, 2015	
Measurement Date	August 31, 2016	
Contribution Policy	City contributes full ADC	
Actuarial Assumptions		
Discount Rate	2.84% at August 31, 2016 3.40% at August 31, 2015 Discount rate lower of (1) expected long-term rate of return on investments, and (2) Bond Buyer 20- Bond GO Index as of Measurement Date	
Long-Term Expected Rate of Return on Investments	3.40%	
General Inflation	2.25% per annum	
Salary Increases	2.25% per annum	
COLA	1.75% per annum	
New York Life Guaranteed Annuity Contract	Value of payments expected to be made under contract excluded from TPL (contract assets not included in Fiduciary Net Position)	
Mortality, Disability, Termination Mortality Improvement	CalPERS 1997-2011 Experience Study Mortality projected fully generational with Scale MP-14, modified to vonverge to ultimate improvement rates in 2022	
Retirement	Age	Rate
	55-56	10%
	57-59	20%
	60	70%
	61-64	30%
	65+	100%
Benefit Form	Disability - Annuity for all participants Lump sum for all other participants, valued using UP-1984 Mortality Table with 1.50% interest rate	

Discount Rate – The discount rate used to measure the total pension liability was 2.84%. The discount rate is based on the expected rate of return which is lower than the 20 year municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City of Salinas contribution will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 8/31/15 (MD)	\$ 18,969,000	\$ 3,547,000	\$ 15,422,000
Changes Recognized for the Measurement Period:			
Service Cost	336,000	-	336,000
Interest	655,000	-	655,000
Changes of Benefit Terms	-	-	-
Changes of Assumptions	531,000	-	531,000
Differences between Expected and Actual Experience	-	-	-
Contributions - Employer	-	1,483,000	(1,483,000)
Contributions - Employees	-	82,000	(82,000)
Net Investment Income	-	84,000	(84,000)
Benefit Payments, including refunds	(87,000)	(87,000)	-
Administrative Expense	-	(83,000)	83,000
Net Changes	1,435,000	1,479,000	(44,000)
Balance at: 8/31/16 (MD)	<u>\$ 20,404,000</u>	<u>\$ 5,026,000</u>	<u>\$ 15,378,000</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 2.84 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.84 percent) or 1 percentage-point higher (3.84 percent) than the current rate:

	Measurement Date August 31, 2016		
	Discount		
	1.84% (1% Decrease)	2.84% (Current Rate)	3.84% (1% Increase)
Net Pension Liability	<u>\$ 16,457,000</u>	<u>\$ 15,378,000</u>	<u>\$ 14,460,000</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Pension Plan Fiduciary Net Position- Detailed information about the pension plan’s fiduciary net position as of August 31, 2016 is as follows:

New York Life	
Assets	
New York Life Fixed Dollar Account	\$ 56,528
New York Life Main Stay Total Return Bond Fund	5,126,501
Total investments	5,183,029
Liabilities	
Accrued expenses	157,047
Fiduciary Net Position	\$ 5,025,982

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

C. ICMA Retirement Corporation Defined Contribution Plan

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

During the fiscal year 2016-17, the City’s contribution to this plan was \$48,006, while the employees had a mandatory contribution of 4.5% of their salary or \$5,927.

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.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2017, there were 5 participants in this program and the City's annual contribution was \$31,240 while the employees had an equal mandatory matching contribution of \$31,240.

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

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

Post Employment Benefits Eligibility: The City provides postretirement healthcare benefits to eligible employees who retire directly from the City. The City pays 25% of retiree and spouse health insurance premium up to \$100 per month for safety retirees (Police and Fire). The payment is made until Medicare eligibility, but no more than 10 years for non-supervisory Police retirees. For Miscellaneous employees and all non-IAFF (Firefighters) safety employees, the City pays the PEMHCA "unequal method" monthly benefit to retirees (\$108.80 per month in 2017).

Membership of the plan consisted of the following at June 30, 2016, the date of the applicable actuarial valuation:

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Funding Policy- The City's policy approved by Council on May 20, 2008, established a contribution of \$100,000 during fiscal year 2007-08, increasing by \$25,000 per year until reaching \$250,000 and \$250,000 annually thereafter to the CERBT (CalPERS OPEB) trust account. The amounts of annual appropriations for contributions to CERBT are subject to budget constraints. Additionally, the City will continue paying the portion of the retiree premiums outside of the trust (Pay-as-you-go approach). During FY 2009-10 and FY 2010-11, the City opted not to fund the Post Employment Benefit cost for the those two years in accordance with established policy, but resumed payments as planned with a contribution of \$150,000 during fiscal year 2011-12; \$175,000 in fiscal year 2012-13, \$200,000 in fiscal year 2013-14, \$225,000 in fiscal year 2014-15, and \$250,000 in fiscal year 2015-16 and 2016-17. After recognizing contributions, administrative fees and accruing earning and losses experienced in the Trust Plan, the City shows an ending balance of \$1,898,038 at June 30, 2017.

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

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

	June 30, 2017
Annual required contribution (ARC)	\$ 2,486,000
Interest on net OPEB obligation	473,000
Adjustment to annual required contribution	(909,000)
Annual OPEB cost (expense)	2,050,000
Contributions made to CERBT Trust	(250,000)
Contributions under "pay-as-you-go"	
Payment to Retirees	(82,456)
Payment to CalPERS	(143,893)
Implied Subsidy Adjustment	(635,000)
Subtotal	(1,111,349)
Change in net OPEB obligation	938,651
Net OPEB obligation - beginning of the year	9,996,725
Net OPEB obligation - end of the year	\$10,935,376

At June 30, 2017, the City recorded net OPEB obligations totaling \$10,935,376 in the government-wide financial statements.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The City's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for 2017 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
2015	\$ 1,540,000	\$ 496,174	32.2%	\$ 8,861,540
2016	1,794,000	658,815	36.7%	9,996,725
2017	2,050,000	1,111,349	54.2%	10,935,376

Funded Status and Progress- The 2016-17 Annual Required Contribution included the normal cost at \$1,048,000 plus a 30-year amortization of the Unfunded Actuarial Accrued Liability (UAAL) of \$1,438,000, for a total Annual Required Contribution of \$2,486,000 representing 5.8% of the annual payroll. The estimated covered payroll (annual payroll of active employees covered by the plan) was \$43 million.

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

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

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

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 \$635,000 of the total Annual Required Contribution of \$2,486,000.

16. Risk Management:

The City has a self-insurance program and carries excess insurance for catastrophic losses. National Casualty Company combined with Berkley National Insurance Company provides General Liability coverage up to a maximum of \$15,000,000 after the self-insured retention of \$1,000,000 per occurrence met. Safety National Casualty Corporation provides Worker’s Compensation excess coverage with statutory coverage (pursuant to California Worker’s Compensation Act) after the self-insurance retention of \$1,000,000 for Public Safety and \$750,000 for non Public Safety is met.

Liabilities for estimated claims payable for the self-insurance programs represent settled claims, claims incurred but not paid and claims incurred but not reported based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2017 is dependent on future developments, City management has determined the desired reserve level for each self-insurance program as follows and believes the estimates are adequate to cover such losses.

- Worker’s Compensation insurance liability of \$24,021,081 includes \$19,216,865 for claims incurred but not paid and \$4,804,216 for claims incurred but not reported which is based on expected claims and past claims history. At June 30, 2017, Worker’s Compensation Insurance liability of \$24,021,081 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, 2017 is \$20,977,776 and is reported in the Internal Service Fund; \$3,043,305 of this is treated as long-term debt.
- General liability insurance liability at June 30, 2017 of \$2,098,300 that is reported in the Internal Service Fund includes \$1,325,237 for claims incurred but not paid and \$773,063 for claims incurred but not reported which is based on expected claims and past claims history. Unreserved retained earnings is \$720,359 at June 30, 2017 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, 2017

Changes to the claims liability for fiscal year ended June 30, 2017 are as follows:

	<u>Workers Compensation</u>	<u>General Liability</u>
Beginning balance of claims liability	\$ 24,548,243	\$ 3,333,671
Less beginning provision for incurred but not reported claims	(4,909,649)	(711,623)
Beginning provisions for incurred but not paid claims	19,638,594	2,622,048
Increase (decrease) in claims incurred and reported	4,195,216	102,126
Claims expenses paid	(4,616,945)	(1,398,937)
Ending balance provision for incurred but not paid claims	19,216,865	1,325,237
Provisions for incurred but not reported claims	4,804,216	773,063
Ending balance of claims liability	<u>\$ 24,021,081</u>	<u>\$ 2,098,300</u>

17. Lease Obligations:

Operating Leases as Lessee

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

Governmental Activities – The City has ongoing commitments under operating lease agreements for business equipment, and office facilities necessary for City operations, which expire at various dates through 2022. 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, 2017 amounted to \$442,000.

The future minimum lease payments anticipated under the existing lease commitments as of June 30, 2017 are as follows:

<u>Year Ended June 30,</u>	
2018	\$ 424,272
2019	381,384
2020	143,210
2021	131,348
2022	131,348
	<u>\$ 1,211,562</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

18. Long Term Debt:

The following is a summary of Long Term Debt transactions for the fiscal year ended June 30, 2017:

	June 30, 2016	Increases	Decreases	June 30, 2017	Due Within One Year
Governmental Activities:					
Annual Leave	\$ 9,385,555	\$ 1,020,366	\$ 467,269	\$ 9,938,652	\$ 1,987,731
Estimated Insurance claims	2,713,590	329,715	-	3,043,305	-
Capital Leases	28,479,082	-	1,499,428	26,979,654	1,707,023
Certificates of Participation					
Series B-2015	7,035,000	-	525,000	6,510,000	540,000
Total Certificates	7,035,000	-	525,000	6,510,000	540,000
Assessment District Bonds					
Assessment District 1915 Act Bonds	6,160,000	-	5,955,000	205,000	205,000
Assessment District 2017 Act Bonds	-	4,555,000	-	4,555,000	780,000
Total Assessment District Bonds	6,160,000	4,555,000	5,955,000	4,760,000	985,000
Governmental Activities	53,773,227	5,905,081	8,446,697	51,231,611	5,219,754
Business-type Activities					
Annual Leave	294,444	30,550	-	324,994	65,001
Capital Leases:					
Monterey Parking Garage 2014	12,150,000	-	472,000	11,678,000	492,000
Street Sweeper	368,542	322,978	98,387	593,133	151,744
Fire Engine	145,320	-	27,913	117,407	28,477
Total Leases	12,663,862	322,978	598,300	12,388,540	672,221
HUD Section 108 Loan	4,000,000	-	378,000	3,622,000	393,000
Bonds Payable:					
Sanitary Sewer Revenue Bonds - 2012	16,600,000	-	360,000	16,240,000	380,000
Certificates of Participation					
Series A-2015	4,405,000	-	355,000	4,050,000	360,000
Series A-2008	4,540,000	-	50,000	4,490,000	60,000
Total Bonds Payable	8,945,000	-	405,000	8,540,000	420,000
Subtotal	42,503,306	353,528	1,741,300	41,115,534	1,930,222
Bond Premium - Sanitary Sewer	138,154	-	10,628	127,526	10,627
Business-type Activities	42,641,460	353,528	1,751,928	41,243,060	1,940,849
Total Long-Term Liability	<u>\$ 96,414,687</u>	<u>\$ 6,258,609</u>	<u>\$ 10,198,625</u>	<u>\$ 92,474,671</u>	<u>\$ 7,160,603</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The annual requirements to amortize capital leases, loans and notes, certificates of participation and bonds outstanding as of June 30, 2017 by activity are as follows:

Year Ended June 30,	Governmental-Wide Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 3,232,023	\$ 1,089,464	\$ 1,865,221	\$ 1,494,482
2019	3,046,740	998,062	1,885,533	1,439,545
2020	3,165,030	911,307	1,963,020	1,383,779
2021	2,783,477	824,134	2,035,600	1,322,204
2022	2,764,969	746,157	2,028,866	1,255,014
2023 - 2027	12,286,720	2,615,606	10,094,300	5,232,089
2028 - 2032	9,828,673	1,011,700	8,044,000	3,586,888
2033 - 2037	1,142,022	18,054	6,839,000	1,951,581
2038 - 2042	-	-	5,050,000	734,581
2043 - 2047	-	-	985,000	20,931
	<u>\$ 38,249,654</u>	<u>\$ 8,214,484</u>	<u>\$ 40,790,540</u>	<u>\$ 18,421,094</u>

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

Accrued Annual Leave – Accrued leave is reported on the Government-Wide Statements for Governmental Activities in Long-Term Debt and in current liabilities for Business-type Activities. The cost of Annual Leave accumulated at fiscal year-end is recorded as a liability within Proprietary and Fiduciary Funds. At June 30, 2017 the liability for all compensated absences totaled \$10,259,134. It includes \$10,216,707 of annual leave and \$42,427 of sick leave.

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

	June 30, 2016	Increases	Decreases	June 30, 2017	Due Within One Year
Governmental Activities					
General Fund	\$ 7,991,321	\$ 413,596	\$ 331,594	\$ 8,073,323	\$ 1,634,882
Measure V	829,221	50,330	108,861	770,690	154,138
Measure G	-	812,645	-	812,645	162,529
Special Revenue Funds	539,461	27,014	385,567	180,908	36,182
Debt Service Funds	21,039	-	21,039	-	-
Internal Service Funds	4,513	101,086	4,513	101,086	20,217
	<u>\$ 9,385,555</u>	<u>\$ 1,404,671</u>	<u>\$ 851,574</u>	<u>\$ 9,938,652</u>	<u>\$ 2,007,948</u>
Business-type Activities					
Enterprise Funds	\$ 294,444	\$ 30,550	\$ -	\$ 324,994	\$ 65,001
Fiduciary Activities					
Agency Funds	\$ 37,128	\$ -	\$ 37,128	\$ -	\$ -

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Estimated Insurance Claims – At June 30, 2017, the estimated insurance claims liability recorded in the Internal Service Funds is as follows:

Worker's Compensation	\$ 20,977,776
General Liability	2,098,300
Total	\$ 23,076,076

An additional \$3,043,305 of Worker's Compensation claims liability is reported in the Long-Term Debt under estimated insurance claims.

Governmental Type Activities

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

Year Ended June 30,	Principal	Interest	Total
2018	\$ 1,707,023	\$ 822,967	\$ 2,529,990
2019	1,686,740	771,050	2,457,790
2020	1,765,030	718,193	2,483,223
2021	1,618,477	662,741	2,281,218
2022	1,574,969	614,134	2,189,103
2023 - 2027	8,091,720	2,323,107	10,414,827
2028 - 2032	9,393,673	1,006,197	10,399,870
2033 - 2037	1,142,022	18,054	1,160,076
	\$ 26,979,654	\$ 6,936,443	\$ 33,916,097

Pierce Fire Pumper

On October 4, 2011, the City, using lease purchase financing, purchased two Pierce fire pumpers, \$1,049,274, and refinanced a 2007 fire vehicle lease, \$705,693, for a total of \$1,754,967. The City will make nine annual payments of \$237,215, beginning October 4, 2011 and ending October 4, 2019 at 4.11% interest. Debt payable of \$656,922 is recorded as Governmental Activities at June 30, 2017.

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

Year Ended June 30,	Principal	Interest	Total
2018	\$ 210,216	\$ 27,000	\$ 237,216
2019	218,856	18,360	237,216
2020	227,850	9,365	237,215
	\$ 656,922	\$ 54,725	\$ 711,647

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Police Portable Radios

On August 15, 2012, the City, using lease purchase financing, purchased 210 police portable radios in the amount of \$969,759. The City will make ten semi-annual payments of \$105,155, beginning August 15, 2012 and ending August 15, 2017 at 4.344% interest. Debt payable of \$103,601 is recorded as Governmental Activities at June 30, 2017.

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 103,601	\$ 1,554	\$ 105,155
	<u>\$ 103,601</u>	<u>\$ 1,554</u>	<u>\$ 105,155</u>

Quantum Pumper Fire Engine & Rosenbauer Airwolf

On January 21, 2014, the City, using lease purchase financing, purchased a Quantum Pumper fire engine, \$536,653, and a Rosenbauer Airwolf fire engine, \$398,997, for a total of \$935,650. The City will make seven annual payments of \$13,680, beginning on March 1, 2015 and ending March 1, 2021 at 2.02% interest. The Rosenbauer Airwolf fire engine debt is funded 50% by the Airport Fund; see capital leases for Business-type Activities. Debt payable of \$433,230 is recorded as Governmental Activities at June 30, 2017.

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 105,080	\$ 8,752	\$ 113,832
2019	107,203	6,629	113,832
2020	109,368	4,464	113,832
2021	111,579	2,254	113,833
	<u>\$ 433,230</u>	<u>\$ 22,099</u>	<u>\$ 455,329</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Quantum Tiller Ladder Truck

On January 21, 2014, the City, using lease purchase financing, purchased a Quantum Tiller Ladder Truck for a total of \$1,087,053. The City will make ten annual payments of \$124,848, beginning on March 17, 2015 and ending March 17, 2024 at 2.60% interest. Debt payable of \$789,700 is recorded as Government Activities at June 30, 2017.

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 104,316	\$ 20,532	\$ 124,848
2019	107,028	17,820	124,848
2020	109,811	15,037	124,848
2021	112,666	12,182	124,848
2022	115,595	9,253	124,848
2023 - 2027	240,284	9,411	249,695
	<u>\$ 789,700</u>	<u>\$ 84,235</u>	<u>\$ 873,935</u>

Pierce Pumper & Tiller

On March 6, 2015, the City, using lease purchase financing, purchased a Pierce Pumper and Tiller for a total of \$1,628,839. The City will make ten annual payments of \$209,261, beginning on March 6, 2016 and ending March 6, 2025 at 2.51% interest. Debt payable of \$1,287,756 is recorded as Government activities at June 30, 2017.

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 176,980	\$ 32,281	\$ 209,261
2019	181,417	27,844	209,261
2020	185,964	23,297	209,261
2021	190,626	18,635	209,261
2022	195,405	13,856	209,261
2023 - 2027	357,364	18,064	375,428
	<u>\$ 1,287,756</u>	<u>\$ 133,977</u>	<u>\$ 1,421,733</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

2014 Lease/Purchase Agreement

The City of Salinas 2014 Lease/Purchase Agreement was issued by the Salinas Facilities Financing Authority on January 29, 2014. The financing was issued to refund the Animal Shelter COP Series A-1999 (\$2,812,000) and the Monterey Street Parking Structure COP Series A-2004 (\$13,253,000). The Animal Shelter portion of the financing was issued for 19 years (ending September 1, 2032), at an average interest rate of 4.02%. Maximum annual debt service is \$278,646. Debt payable of \$2,385,000 is recorded as Governmental Activities at June 30, 2017. Debt service requirements to maturity for 2014 Lease/Purchase Agreement are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 137,000	\$ 93,124	\$ 230,124
2019	145,000	87,455	232,455
2020	145,000	81,626	226,626
2021	153,000	75,636	228,636
2022	161,000	69,325	230,325
2023 - 2027	824,000	244,979	1,068,979
2028 - 2032	668,000	99,817	767,817
2033 - 2037	152,000	3,055	155,055
	<u>\$ 2,385,000</u>	<u>\$ 755,017</u>	<u>\$ 3,140,017</u>

Energy Improvement Lease

On November 1, 2014, the City entered into a lease agreement funded through private placement in the amount of \$21,908,000. The project will install LED lighting on street lights and parking lots in addition to building solar PV installations at the Hitchcock Road Animal Shelter, the Industrial Waste Treatment Plant, the Salinas Municipal Airport, the Permit Center, Sherwood Hall, and the Sewer Lift Station site off Work Street. The Debt Service repayment will be over a 17 year period at 3.03% interest beginning May 1, 2016 and ending November 1, 2032. Maximum annual debt service is \$2,005,124. Debt payable of \$21,323,445 is recorded as Governmental Activities at June 30, 2017.

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 869,830	\$ 639,724	\$ 1,509,554
2019	927,236	612,942	1,540,178
2020	987,037	584,404	1,571,441
2021	1,050,606	554,034	1,604,640
2022	1,116,825	521,700	1,638,525
2023 - 2027	6,656,216	2,050,653	8,706,869
2028 - 2032	8,725,673	906,380	9,632,053
2033 - 2037	990,022	14,999	1,005,021
	<u>\$ 21,323,445</u>	<u>\$ 5,884,836</u>	<u>\$ 27,208,281</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Certificates of Participation Bonds

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

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

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

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

The current refunding of the Certificates of Participation Series 2005-A (Business-type Activity) and 2005-B (Governmental Activity) reduced total debt service payments over the next 13 years by \$3,184,743. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,200,896. Debt payable of \$6,510,000 is recorded as Governmental Activities at June 30, 2017.

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 540,000	\$ 157,872	\$ 697,872
2019	555,000	144,020	699,020
2020	570,000	129,789	699,789
2021	585,000	115,178	700,178
2022	600,000	100,188	700,188
2023 - 2027	3,225,000	262,804	3,487,804
2028 - 2032	435,000	5,503	440,503
	<u>\$ 6,510,000</u>	<u>\$ 915,354</u>	<u>\$ 7,425,354</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Assessment Districts Bonds

At June 30, 2017, outstanding Assessment District Bonds totaled \$4,760,000. Bonds issued for improvements in special assessment districts are liabilities of the property owners and are secured by liens against the assessed property. In the case of default, the City has the authority to advance bonds payments from the special reserve fund and to foreclosure on delinquent property. The Assessment District Reserve Fund balance is \$2,400,896 at June 30, 2017.

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

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

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

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

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

Assessment District 1915 Act Bond

<u>Year Ended June 30,</u> 2018	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$ 205,000	\$ 6,560	\$ 211,560
	<u>\$ 205,000</u>	<u>\$ 6,560</u>	<u>\$ 211,560</u>

Assessment District 2017 Act Bonds

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 780,000	\$ 102,065	\$ 882,065
2019	805,000	82,992	887,992
2020	830,000	63,325	893,325
2021	580,000	46,215	626,215
2022	590,000	31,835	621,835
2023 - 2027	970,000	29,695	999,695
	<u>\$ 4,555,000</u>	<u>\$ 356,127</u>	<u>\$ 4,911,127</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Business-Type Activities

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 672,221	\$ 478,056	\$ 1,150,277
2019	646,533	453,051	1,099,584
2020	673,020	428,562	1,101,582
2021	693,600	403,174	1,096,774
2022	633,866	376,808	1,010,674
2023 - 2027	3,301,300	1,496,953	4,798,253
2028 - 2032	3,954,000	774,654	4,728,654
2033 - 2037	1,814,000	73,606	1,887,606
	<u>\$ 12,388,540</u>	<u>\$ 4,484,864</u>	<u>\$ 16,873,404</u>

2014 Lease/Purchase Agreement

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

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 492,000	\$ 459,567	\$ 951,567
2019	511,000	439,405	950,405
2020	534,000	418,402	952,402
2021	551,000	396,593	947,593
2022	578,000	373,900	951,900
2023 - 2027	3,244,000	1,495,480	4,739,480
2028 - 2032	3,954,000	774,654	4,728,654
2033 - 2037	1,814,000	73,606	1,887,606
	<u>\$ 11,678,000</u>	<u>\$ 4,431,607</u>	<u>\$ 16,109,607</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Street Sweepers

On January 17, 2013 the City, using lease purchase financing, purchased a street sweeper. The City of Salinas will make five annual payments of \$49,531 at 3.00% interest. On May 23, 2016 the City, using lease purchase financing, purchased a second street sweeper. The City will make six annual payments of \$59,557 at 2.87% interest. On April 6, 2017 the City, using lease purchase financing, purchased a third street sweeper. The City will make six annual payments of \$58,774 at 2.57% interest. Debt payable of \$593,133 is recorded in the Storm Sewer Enterprise Fund at June 30, 2017.

Debt service requirements to maturity are as follows:

<u>2013 Street Sweeper</u> <u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 48,088	\$ 1,443	\$ 49,531
	<u>\$ 48,088</u>	<u>\$ 1,443</u>	<u>\$ 49,531</u>
<u>2016 Street Sweeper</u> <u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 53,183	\$ 6,373	\$ 59,556
2019	54,710	4,847	59,557
2020	56,280	3,277	59,557
2021	57,895	1,662	59,557
	<u>\$ 222,068</u>	<u>\$ 16,159</u>	<u>\$ 238,227</u>
<u>2017 Street Sweeper</u> <u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 50,473	\$ 8,301	\$ 58,774
2019	51,771	7,003	58,774
2020	53,101	5,673	58,774
2021	54,466	4,308	58,774
2022	55,866	2,908	58,774
2023 - 2027	57,300	1,473	58,773
	<u>\$ 322,977</u>	<u>\$ 29,666</u>	<u>\$ 352,643</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Fire Engine

On January 21, 2014, the City, using lease purchase financing, purchased a Rosenbauer Airwolf fire engine for \$398,997. The fire engine debt is funded 50% by the Airport Fund; see capital leases for governmental type activities for the remaining 50% under *Quantum Pumper Fire Engine & Rosenbauer Airwolf*. The City will make seven annual payments of \$30,849 for the portion associated to business-type activities, beginning on March 1, 2015 and ending on March 1, 2021 at 2.02% interest. Debt payable of \$117,407 is recorded in the Airport Fund at June 30, 2017.

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 28,477	\$ 2,372	\$ 30,849
2019	29,052	1,796	30,848
2020	29,639	1,210	30,849
2021	30,239	611	30,850
	<u>\$ 117,407</u>	<u>\$ 5,989</u>	<u>\$ 123,396</u>

HUD Section 108 Loan

On March 28, 2015, the City entered into a contract for Loan Guarantee Assistance with the Housing and Urban Development Department (HUD), pursuant to which the City will derive funds for the purposes permitted under the agreement, and will execute one or more City Notes in the maximum aggregate principal amount of up to \$9,390,000. During the fiscal year, the City executed a note numbered as B-12-MC-06-0005 (Community and Economic Development Fund – Industrial Waste Water Conveyance System Project) in the principal amount of \$4,000,000. The City of Salinas has pledged current and future Community Development Block Grants (CDBG) funds as principal security for the loan. The loan carries a variable interest rate of 20 points (0.2%) above the applicable LIBOR rate. As of June 30, 2017, \$3,622,000 of the loan balance is outstanding.

Debt service requirements to maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 393,000	\$ 75,209	\$ 468,209
2019	409,000	70,662	479,662
2020	425,000	63,947	488,947
2021	442,000	55,576	497,576
2022	460,000	45,795	505,795
2023 - 2027	1,493,000	63,637	1,556,637
	<u>\$ 3,622,000</u>	<u>\$ 374,826</u>	<u>\$ 3,996,826</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Bonds Payable

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

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

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

On September 14, 2005, the Salinas Public Financing Authority issued City of Salinas Refunding Certificates of Participation Series 2005A, in the amount of \$8,005,000, to refund the portion of the 1999 Certificates attributed to Twin Creeks. Refunding Certificates Series 2005A were issued for 24 years at 4.22%, and were secured by a lien on Twin Creeks golf course. The net value expense of the funding was \$117,298. The refunding was completed to issue qualified 501 (c) 3 bonds to provide for the operation of Twin Creeks golf course by First Tee of Monterey County.

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

At the request of First Tee of Monterey County, on December 6, 2011, the City approved a sublease payment reduction from \$575,000 to \$125,000 (an annual reduction of \$450,000). This request was the result of First Tee's significant unsustainable golf course operating losses experienced recently due to the downturn of the economy. With the goal of maintaining a quality of level of service to the thousands of golf youth participants and as the most cost effective alternative, the City Council approved the General Fund support through fiscal year 2015-16 to offset the reduced amount of the sublease to the First Tee of Monterey County.

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 360,000	\$ 97,911	\$ 457,911
2019	370,000	88,676	458,676
2020	380,000	79,189	459,189
2021	390,000	69,448	459,448
2022	400,000	59,455	459,455
2023 - 2027	2,150,000	138,518	2,288,518
	<u>\$ 4,050,000</u>	<u>\$ 533,197</u>	<u>\$ 4,583,197</u>

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

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

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 60,000	\$ 202,050	\$ 262,050
2019	70,000	199,350	269,350
2020	80,000	196,200	276,200
2021	90,000	192,600	282,600
2022	105,000	188,550	293,550
2023 - 2027	735,000	860,400	1,595,400
2028 - 2032	1,170,000	655,200	1,825,200
2033 - 2037	1,485,000	362,925	1,847,925
2038 - 2042	695,000	47,250	742,250
	<u>\$ 4,490,000</u>	<u>\$ 2,904,525</u>	<u>\$ 7,394,525</u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Series 2012 – Sanitary Sewer Revenue Bonds

On February 8, 2012, the City of Salinas issued Sanitary Sewer System Revenue Bonds, Series 2012 in the amount of \$17,995,000 to provide funds for the current refunding of the City’s Sanitary Sewer System Revenue Bonds, Series 1998 and to finance capital replacement of existing sewer mains and other sewer related capital replacement. Maximum annual debt service is \$1,022,406, including interest ranging from 1.0% to 4.4% for 30 years. The City is authorized under Chapter 36, Article II, Division 5 of the Salinas City Code, to levy a sewer fee for the purpose of paying sanitary sewer related expenses of the City. On January 10, 2012, the City Council approved adjustments to wastewater collection fees effective February 1, 2012 to reflect the cost of wastewater conveyance through the Enterprise and an amount to cover debt service. The fee is billed by the Monterey Regional Water Pollution Control Agency. Debt payable of \$16,240,000 is recorded in the Sanitary Sewer Enterprise Fund at June 30, 2017.

Debt service requirements and maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 380,000	\$ 641,256	\$ 1,021,256
2019	390,000	627,806	1,017,806
2020	405,000	615,881	1,020,881
2021	420,000	601,406	1,021,406
2022	430,000	584,406	1,014,406
2023 - 2027	2,415,000	2,672,581	5,087,581
2028 - 2032	2,920,000	2,157,034	5,077,034
2033 - 2037	3,540,000	1,515,050	5,055,050
2038 - 2042	4,355,000	687,331	5,042,331
2043 - 2047	985,000	20,931	1,005,931
	<u>\$ 16,240,000</u>	<u>\$ 10,123,682</u>	<u>\$ 26,363,682</u>

Conduit Debt

In June of 1999, the City of Salinas issued Multifamily Housing Revenue Bonds, Series 1999A (\$5,310,000 tax-exempt) and 1999A-T (\$390,000 taxable) for the construction of a 132-unit senior apartment project. Twenty percent (20%) of the project is designated to be affordable to seniors. As of June 30, 2017 the total conduit debt outstanding related to these bonds is \$4,060,000.

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, 2017, total conduit debt outstanding related to the Economic Development Revenue Bonds is \$15,040,000.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

19. Restricted Net Position:

The government-wide statement of net position reports \$38,505,368 of restricted net position, of which enabling legislation restricts \$2,106,140 represented by the net position held at the Sanitary Sewer Fund.

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

Governmental funds report unearned revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period (unavailable). Unearned revenues are those where assets recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenues are stated at \$12,487,625, net of allowance in the Government-Wide Statements and \$13,353,577 in the Fund statements, consisting of \$4,129,625 of unearned revenues and \$9,223,952 of deferred inflows of resources. These are not available resources.

Unearned revenues, net of allowance of \$13,353,577 at June 30, 2017 consist of the following:

Governmental Activities:

Major funds:

Assessment district debt service	
Assessment receivable	\$ 4,760,000
Capital Projects	
Capital Projects Unearned Revenue	3,214,376

Non-major funds:

Housing and urban development	
Housing rehab loans	1,561,946
First time homebuyers loans	1,377,232
CDBG/home program deferred inflows or resources	17,354,025
Subtotal	20,293,203
Less: allowance for doubtful accounts	(19,906,433)
Total housing and urban development	386,770
Grants	4,077,182
Special revenue and capital projects unearned revenue	915,249
Total governmental activities	\$ 13,353,577

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

21. Prior Period Adjustment:

For the fiscal year ended June 30, 2015, the City implemented the provisions of GASB No. 68 - *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. After the implementation, management evaluated the allocation of the net pension liability and related deferred outflows of resources and deferred inflows of resources to the City’s Internal Service Funds, and determined that an allocation to the internal service funds was necessary. A prior period adjustment in the amount of \$756,738 was recorded to correct beginning Net Pension Liability and related deferred outflows of resources and deferred inflows of resources and unrestricted net position.

Additionally, for the fiscal year ended June 30, 2017, a prior period adjustment in the amount of \$625,000 was recorded to correct the beginning fund balance of the Affordable Housing fund to record three housing loans that were discovered as a result of management’s review.

Beginning net position, Net Pension Liability, related deferred outflows of resources and deferred inflows of resources, and loan receivables of the Governmental Activities were adjusted as follows:

<u>Governmental Activities</u>	<u>Prior Period Adjustment</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Pension Liability</u>
Agent Multiple-Employer Miscellaneous Defined Benefit Pension Plan - Internal Service Funds:				
Workers Compensation	\$ 76,344	\$ 8,962	\$ (10,892)	\$ (74,414)
General Liability	76,377	8,962	(10,892)	(74,447)
Fleet Maintenance	<u>604,017</u>	<u>70,904</u>	<u>(86,174)</u>	<u>(588,747)</u>
Total pension adjustment	<u>\$ 756,738</u>	<u>\$ 88,828</u>	<u>\$ (107,958)</u>	<u>\$ (737,608)</u>
		Loan Receivables		
Affordable Housing adjustment	<u>(625,000)</u>	<u>\$ 625,000</u>		
Total prior period adjustment	<u>\$ 131,738</u>	<u>\$ 625,000</u>		

22. Fund Balance:

It is the policy of the City to maintain a minimum reserve for a reasonable level of assurance that the City’s day-to-day operations will be able to continue even if circumstances occur where revenues are insufficient to cover expenditures. The minimum reserve of the General Fund is 5% of the next year’s General Fund annual budgeted operating expenditures, as calculated by the Finance Director. The minimum fund balance is shown as unassigned in the General Fund.

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Fund balance for governmental funds as of June 30, 2017 consists of the following:

	General, Measure V, & Measure G	Development Fees	Assessment District Debt Service	Special Construction Assistance	Other Nonmajor Governmental Funds	Total
Nonspendable:						
Inventory	\$ 13,443	\$ -	\$ -	\$ -	\$ -	\$ 13,443
Due from outside agencies	126,867	-	-	-	-	126,867
Advances	4,835,000	-	-	-	-	4,835,000
Land Held for Resale	-	-	-	-	2,507,553	2,507,553
	<u>4,975,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,507,553</u>	<u>7,482,863</u>
Restricted for:						
Public Safety	-	-	-	-	2,472,039	2,472,039
Future Development	-	15,268,603	-	-	-	15,268,603
Maintenance District	-	-	-	-	5,580,819	5,580,819
Recreation Parks	-	-	-	-	49,198	49,198
Community Development	-	-	-	-	204,987	204,987
Franchise-Cable	-	-	-	-	467,933	467,933
Street Repairs	-	-	-	-	1,662,012	1,662,012
Grants	-	-	-	-	1,540,417	1,540,417
Low/Moderate Housing	-	-	-	-	859,142	859,142
Capital Projects-Airport	-	-	-	-	1,879,874	1,879,874
Debt Service	-	-	801,580	-	4,345,259	5,146,839
	<u>-</u>	<u>15,268,603</u>	<u>801,580</u>	<u>-</u>	<u>19,061,680</u>	<u>35,131,863</u>
Committed for:						
Capital Projects	15,177,339	-	-	2,159,828	2,000,000	19,337,167
Assigned for:						
Other Purposes	3,800,000	-	-	-	-	3,800,000
Carryover Appropriations	2,639,802	-	-	-	-	2,639,802
	<u>6,439,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,439,802</u>
Unassigned:						
Operations-Reserve	9,552,000	-	-	-	-	9,552,000
Other Unassigned	6,749,224	-	-	(1,012,973)	(251,791)	5,484,460
	<u>16,301,224</u>	<u>-</u>	<u>-</u>	<u>(1,012,973)</u>	<u>(251,791)</u>	<u>15,036,460</u>
Total Fund Balances	<u>\$ 42,893,675</u>	<u>\$ 15,268,603</u>	<u>\$ 801,580</u>	<u>\$ 1,146,855</u>	<u>\$ 23,317,442</u>	<u>\$ 83,428,155</u>

23. Encumbrance:

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

As of June 30, 2017, total governmental fund encumbrance balances for the City are as follows:

General Fund, Measure V, & Measure G	\$	5,545,363
Development Fees		2,194,555
Special Construction Assistance		2,159,828
Nonmajor governmental funds		5,178,071
		\$ 15,077,817

24. Joint Venture – Salinas Valley Solid Waste Authority:

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

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

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

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

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

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

25. Commitments and Contingent Liabilities:

Various claims and lawsuits are pending against the City. Although the outcome of those claims and lawsuits are not presently determinable, in the opinion of the City Attorney the resolution of these matters are within the self-insured retention and are not likely to have a material adverse effect on the financial condition on the City.

26. Successor Agency to the Salinas Redevelopment Agency:

Cash and Investments – Cash and investments at June 30, 2017 consisted of the following:

Cash and investments	\$ 2,754,945
Restricted cash and investments	<u>1,629,628</u>
 Total Cash and Investments	 <u><u>\$ 4,384,573</u></u>

Cash and investments of \$1,629,628 recorded as restricted assets are restricted to cover debt service. These funds are held by the City’s fiscal agent.

Capital Assets – The following is a summary of the Agency’s capital assets at June 30, 2017:

	Balance June 30, 2016	Additions	Adjustments/ Retirements	Balance June 30, 2017
Fiduciary Activities				
Capital assets, not being depreciated				
Land	\$ 149,270	\$ -	\$ -	\$ 149,270
Total assets not being depreciated	<u>149,270</u>	<u>-</u>	<u>-</u>	<u>149,270</u>
Capital assets, being depreciated				
Improvements other than buildings	17,840	-	-	17,840
Total assets being depreciated	<u>17,840</u>	<u>-</u>	<u>-</u>	<u>17,840</u>
Less accumulated depreciation	(15,164)	(1,784)	-	(16,948)
Total capital assets being depreciated, net	<u>2,676</u>	<u>(1,784)</u>	<u>-</u>	<u>892</u>
Fiduciary Activities capital assets, net	<u><u>\$ 151,946</u></u>	<u><u>\$ (1,784)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 150,162</u></u>

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Long Term Debt – The following is a summary of the long term debt at June 30, 2017:

	June 30, 2016	Increases	Decreases	June 30, 2017	Due Within One Year
Fiduciary-type Activities					
Loans and Notes Payable:					
Homeless Shelter	\$ 157,500	\$ -	\$ -	\$ 157,500	\$ -
Total Loans & Notes Payable	157,500	-	-	157,500	-
Tax Allocation Refunding Bonds:					
Series A-1996	2,175,000	-	(100,000)	2,075,000	100,000
Series A-1992	1,393,832	-	(241,368)	1,152,464	226,117
Total Bonds Payable	3,568,832	-	(341,368)	3,227,464	326,117
Subtotal	3,726,332	-	(341,368)	3,384,964	326,117
Unamortized Bond Discount	(71,349)	-	8,919	(62,430)	(8,919)
Fiduciary-type Activities	<u>\$ 3,654,983</u>	<u>\$ -</u>	<u>\$ (332,449)</u>	<u>\$ 3,322,534</u>	<u>\$ 317,198</u>

The annual requirements to amortize loans and notes and bonds outstanding as of June 30, 2017 by activity are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 326,117	\$ 1,102,700	\$ 1,428,817
2019	320,866	1,109,164	1,430,030
2020	312,604	1,119,148	1,431,752
2021	309,342	1,123,234	1,432,576
2022	302,406	1,128,660	1,431,066
2023 - 2027	1,656,129	1,169,780	2,825,909
2028 - 2032	-	-	-
2033 - 2043	157,500	-	157,500
	<u>\$ 3,384,964</u>	<u>\$ 6,752,686</u>	<u>\$ 10,137,650</u>

Loans and Notes Payable

Homeless Shelter Loan – Green Gold Inn

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Upon completion of the ten-year period, one half of the debt, \$157,500, was forgiven. Upon cessation of the homeless center/shelter operations, the City will be reimbursed the fair market value of the property less the portion of the loan paid and improvement costs.

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

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

Tax Allocation Bonds

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

The annual debt service requirements for the bonds at June 30, 2017 are as follows:

Year Ended June 30,	TAB Series A-1996		TAB Series A-1992	
	Principal	Interest	Principal	Interest
2018	\$ 100,000	\$ 111,375	\$ 226,117	\$ 991,325
2019	110,000	105,600	210,866	1,003,564
2020	115,000	99,413	197,604	1,019,735
2021	125,000	92,813	184,342	1,030,421
2022	130,000	85,800	172,406	1,042,860
2023 - 2027	1,495,000	115,913	161,129	1,053,867
	\$ 2,075,000	\$ 610,914	\$ 1,152,464	\$ 6,141,772

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

CITY OF SALINAS
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Unamortized Bond Discount

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

The following is a summary of the 1996 Tax Allocation Revenue Bonds unamortized discount at June 30, 2017:

	June 30, 2016	Increases	Decreases	June 30, 2017
Tax Allocation Bond, Series A-1996	\$ 71,349	\$ -	\$ (8,919)	\$ 62,430

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

27. Subsequent Events:

The City has evaluated subsequent events through December 19, 2017, the date these financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY
INFORMATION**



This page is intentionally left blank.

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2017

BUDGETING

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

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

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

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

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

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

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

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2017

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

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

BUDGETARY INFORMATION

The adopted FY 2016-17 budget represents the financial and organizational plan by which the policies and programs approved by the City Council will be implemented. It includes: (1) the programs, projects, services and activities to be provided during the fiscal year; (2) estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The City's goals and objectives identified by the City Council at its March 1, 2016 meeting are:

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

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2017

On May 31, 2016, the City Council was introduced and reviewed the proposed operating budget for the City of Salinas and Successor Agency. The Salinas City Council adopted FY 2016-17 Annual Operating Budgets on June 14 2016. An update to the CIP was made during FY 2016-17 for projects with secure funding for the current fiscal year and planned projects for which funding is not yet secured through fiscal year 2021-22. Capital project budget is updated annually with major revisions occurring every two years. During FY 2016-17, an update included consideration to the availability of the additional Transaction and Sales Tax (Measure G) that brought over \$10.8 million dollars in capital projects.

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

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

Potential investments of \$555,611,972 were identified for the six (6) year period from July 1, 2016, to June 30, 2022. The required investments range from deferred maintenance needs of existing facilities (e.g. fire station repairs) or major street and roads reconstruction/improvements, to the construction of long overdue new and expanded facilities (e.g. a new police facility and the expansion of El Gabilan Library) necessary to continue providing basic services to the residents of Salinas. The CIP projects were funded from a variety of sources, including modest General Fund investments of \$812,400 and over \$10.8 million funded by the recently approved Sales and Transactions Tax (Measure G). There is a continuing modest investment of \$1.1 million from the Measure V Fund in towards the construction of a new El Gabilan Library.

GENERAL FUND

The General Fund fund balance increased \$6,620,913 to \$19,099,444, of which \$4,975,310 is Non-spendable, \$929,403 is committed, \$6,439,802 is assigned and \$6,754,929 is unassigned.

General Fund reserves have been set-aside by Council for specific purposes. Under the Reserved fund balance category, the General Fund Non-spendable fund balance of \$4,975,310 includes Inventory (\$13,443) and Advances (\$4,961,867). Committed funds balance of \$929,403 is designated for future Capital Projects. Carryover Appropriations of \$1,958,085 and other purposes are under the \$6,439,802 Assigned fund balance category.

The General Fund unassigned fund balance is made up of \$6,830,000 is reserved for operations coupled with (\$75,071) of future funds required to meet the fund balance reserves at June 30, 2017.

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2017

MEASURE V

Measure V is a general tax (discretionary) and is reported as part of the General Fund. The Measure V fund balance increased \$913,061 to \$7,162,967, of which \$1,121,964 is committed to future Capital Projects, and \$6,041,003 is unassigned.

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

MEASURE G

Measure G is a general tax (discretionary) and is reported as part of the General Fund. The Measure G fund balance increased \$2,103,996 to \$16,631,264, of which \$13,125,972 is committed for future capital projects, and \$3,505,292 is unassigned.

The Measure G Fund unassigned fund balance of \$1,760,000 represents a modest reserve for operations at June 30, 2017.

BUDGETARY RESULTS RECONCILED TO GAAP

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

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

CITY OF SALINAS
Required Supplementary Information
Budgetary Policy Control
Budgetary Information
Fiscal Year June 30, 2017

BUDGET REVISIONS

The following is a summary of the actions taken after the approval on February 21, 2017 of the mid-year adjustments to the fiscal year 2016-17 budget:

- General Fund adjusted upwards its revenue estimate for sales tax and property taxes by \$1,335,200. This increase coupled with the carry-over of prior fiscal year of \$3,750,000 created an availability of funds of \$5,119,500 to fund budget needs and one-time infrastructure investments. The budget was also adjusted \$1,350,000 by increasing appropriations as follows: \$100,000 for Public Safety initiatives; \$176,000 for Fire Vehicle Maintenance among other training and department supplies; \$225,000 for Economic Development initiatives; \$34,000 to fund Utility Users Tax and business license audits consulting services; \$470,000 for Building Improvements and Equipment; \$50,000 for Public Works related initiatives and \$295,000 for Elections and Labor Relations costs. This action included the increase of the General Fund Operation Reserve by \$1,000,000, The Capital Project budget increased in the same mid-year council action by \$438,000. Projects funded by General Fund included Economic Development Element Adoption and Implementation coupled with assembly costs for new police vehicles.
- Measure V budget was also amended at the mid-year point on February 21, 2017 when its estimated revenue was increased \$300,000 coupled with an increase in capital projects funding in the amount of \$50,000.
- Measure G estimated revenues were increased by \$1,000,000. The operating budget was slightly reduce by \$5,000 while Capital Improvement Projects funded by Measure G received an increase of \$624,000 during this mid-year review.

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.



This page is intentionally left blank.

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND, MEASURE V, & MEASURE G
FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2016	\$ 33,255,705	\$ 33,255,705	\$ 33,255,705	\$ -
Resources (inflows):				
Taxes	116,166,100	117,501,300	119,923,950	2,422,650
Licenses and Permits	1,252,100	1,252,100	1,610,968	358,868
Intergovernmental	673,400	673,400	1,272,017	598,617
Charges for Services	4,007,700	4,121,100	5,548,867	1,427,767
Interest	137,000	137,000	330,709	193,709
Rental Income	354,800	354,800	316,854	(37,946)
Fines and forfeits	68,400	68,400	273,723	205,323
Miscellaneous	132,500	132,500	640,195	507,695
Operating Transfers In	4,003,100	4,003,100	3,973,600	(29,500)
Total Resources	<u>126,795,100</u>	<u>128,243,700</u>	<u>133,890,883</u>	<u>5,647,183</u>
Charges to Appropriations (outflows):				
General Government	21,510,510	23,144,976	19,263,512	3,881,464
Public Safety	65,100,264	66,974,422	66,319,568	654,854
Public Works	12,516,984	12,047,226	11,664,665	382,561
Recreation	2,727,668	2,757,805	2,471,488	286,317
Library	4,930,611	4,840,136	4,358,793	481,343
Capital Outlay	563,803	1,188,230	924,645	263,585
Transfers Out	21,091,200	36,975,967	19,250,242	17,725,725
Total Charges to Appropriations	<u>128,441,040</u>	<u>147,928,762</u>	<u>124,252,913</u>	<u>23,675,849</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(1,645,940)</u>	<u>(19,685,062)</u>	<u>9,637,970</u>	<u>29,323,032</u>
Fund Balance, June 30, 2017	<u>\$ 31,609,765</u>	<u>\$ 13,570,643</u>	<u>\$ 42,893,675</u>	<u>\$ 29,323,032</u>

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
MEASURE V FUND
FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2016	\$ 6,249,907	\$ 6,249,907	\$ 6,249,907	\$ -
Resources (inflows):				
Taxes	11,690,000	11,690,000	12,167,850	477,850
Interest	15,000	15,000	29,032	14,032
Miscellaneous	-	-	336	336
Transfers In	668,100	668,100	668,100	-
Total Resources	<u>12,373,100</u>	<u>12,373,100</u>	<u>12,865,318</u>	<u>492,218</u>
Charges to Appropriations (outflows):				
General Government	918,353	863,353	791,481	71,872
Public Safety	3,606,916	3,591,388	3,478,576	112,812
Public Works	1,147,536	1,147,536	1,082,100	65,436
Recreation	1,087,355	1,107,785	1,053,791	53,994
Library	4,930,611	4,840,136	4,358,793	481,343
Capital Outlay	42,000	196,443	176,371	20,072
Transfers Out	1,810,000	2,193,196	1,011,146	1,182,050
Total Charges to Appropriations	<u>13,542,771</u>	<u>13,939,837</u>	<u>11,952,258</u>	<u>1,987,579</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(1,169,671)</u>	<u>(1,566,737)</u>	<u>913,060</u>	<u>2,479,797</u>
Fund Balance, June 30, 2017	<u>\$ 5,080,236</u>	<u>\$ 4,683,170</u>	<u>\$ 7,162,967</u>	<u>\$ 2,479,797</u>

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
MEASURE G FUND
FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2016	\$ 14,527,267	\$ 14,527,267	\$ 14,527,267	\$ -
Resources (inflows):				
Taxes	22,840,000	22,840,000	24,356,989	1,516,989
Interest	22,000	22,000	73,841	51,841
Miscellaneous	500	500	291	(209)
Total Resources	<u>22,862,500</u>	<u>22,862,500</u>	<u>24,431,121</u>	<u>1,568,621</u>
Charges to Appropriations (outflows):				
General Government	1,450,213	1,466,943	1,377,750	89,193
Public Safety	6,045,440	6,076,046	6,497,443	(421,397)
Public Works	1,515,724	1,548,124	1,368,567	179,557
Recreation	791,400	770,526	625,616	144,910
Capital Outlay	163,886	248,812	189,644	59,168
Transfers Out	13,198,400	25,538,844	12,268,104	13,270,740
Total Charges to Appropriations	<u>23,165,063</u>	<u>35,649,295</u>	<u>22,327,124</u>	<u>13,322,171</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(302,563)</u>	<u>(12,786,795)</u>	<u>2,103,997</u>	<u>14,890,792</u>
Fund Balance, June 30, 2017	<u>\$ 14,224,704</u>	<u>\$ 1,740,472</u>	<u>\$ 16,631,264</u>	<u>\$ 14,890,792</u>

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICY AND CONTROL
BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT FEES FUND
FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Fund Balance, July 1, 2016	\$ 15,920,638	\$ 15,920,638	\$ 15,920,638	\$ -
Resources (inflows):				
Charges for Services	388,000	388,000	382,418	(5,582)
Interest	66,500	66,500	83,211	16,711
Total Resources	<u>454,500</u>	<u>454,500</u>	<u>465,629</u>	<u>11,129</u>
Charges to Appropriations (outflows):				
Public works	-	-	275,376	(275,376)
Capital Outlay	-	-	-	-
Transfers Out	1,082,500	15,118,485	842,288	14,276,197
Total Charges to Appropriations	<u>1,082,500</u>	<u>15,118,485</u>	<u>1,117,664</u>	<u>14,000,821</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(628,000)</u>	<u>(14,663,985)</u>	<u>(652,035)</u>	<u>14,011,950</u>
Fund Balance, June 30, 2017	<u>\$ 15,292,638</u>	<u>\$ 1,256,653</u>	<u>\$ 15,268,603</u>	<u>\$ 14,011,950</u>

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

Actuarial Valuation Date	Present Value of Benefits	Unfunded Actuarial Accrued Liability	Annual Required Contribution (ARC)	Covered Payroll	ARC as a Percentage Payroll
06/30/15	\$ 30,968,000	\$ 18,498,000	\$ 2,155,000	\$ 45,104,000	4.8%
06/30/13	\$ 24,464,000	\$ 14,233,000	\$ 1,823,000	\$ 42,039,000	4.3%
06/30/11	\$ 20,387,000	\$ 12,166,000	\$ 1,587,000	\$ 39,434,000	4.0%

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net earned required contribution and investment revenues	\$ 892,752	\$ 935,129	\$ 1,343,428	\$ 814,131	\$ 910,555	\$ 952,735	\$ 971,785	\$ 1,892,297	\$ 1,019,378	\$ 1,074,526
Unallocated expenses	370,771	371,076	348,331	315,065	350,753	338,630	353,537	334,291	339,171	314,127
Estimated incurred claims and expenses, end of policy year	56,732	238,703	39,595	102,556	83,079	522,131	161,668	965,536	234,565	831,271
Paid Claims as of:										
End of policy year	24,230	43,408	5,487	14,877	7,665	30,214	18,140	55,188	116,262	15,603
One year later	156,683	391,628	150,457	93,839	245,112	172,798	635,352	282,538	20,991	
Two years later	360,609	497,350	789,862	190,588	466,599	375,290	842,560	570,687		
Three years later	1,193,165	1,537,770	1,307,381	224,592	983,571	1,021,746	1,345,021			
Four years later	159,784	1,539,402	1,466,325	224,959	1,081,157	1,133,620				
Five years later	161,663	1,539,402	1,467,548	224,959	935,894					
Six years later	161,993	1,539,402	1,515,447	721,261						
Seven years later	162,286	1,539,402	787,412							
Eight years later	164,553	1,390,405								
Nine years later	1,139,738									
Reestimated incurred claims and expenses:										
End of policy year	56,732	238,703	39,595	102,556	83,079	522,131	161,668	965,536	234,565	831,271
One year later	753,135	527,836	280,903	174,137	870,512	638,797	2,233,535	865,213	194,433	
Two years later	753,718	570,697	1,463,367	219,220	942,962	1,085,173	2,280,849	1,554,039		
Three years later	1,193,165	1,546,208	1,580,287	225,383	1,371,990	1,046,887	1,960,665			
Four years later	186,210	1,539,402	1,552,896	224,959	1,439,018	1,549,402				
Five years later	206,010	1,539,402	1,548,767	224,959	935,894					
Six years later	216,010	1,539,402	1,563,767	752,370						
Seven years later	216,010	1,539,402	787,412							
Eight years later	216,010	1,309,504								
Nine years later	1,139,738									
Increase/(Decrease) in estimated incurred claims and expenses										
End of policy year	1,083,006	1,070,801	747,817	649,814	852,815	1,027,271	1,798,997	588,503	(40,132)	-

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net earned required contribution and investment revenues	\$ 3,057,272	\$ 2,043,505	\$ 4,505,413	\$ 5,353,747	\$ 9,173,838	\$ 7,472,705	\$ 4,377,425	\$ 6,130,921	\$ 13,748,053	\$ 4,743,276
Unallocated expenses	285,455	214,582	249,818	285,858	292,754	323,122	360,203	335,408	471,472	334,542
Estimated incurred claims and expenses, end of policy year	830,790	1,039,527	1,460,583	937,398	1,720,157	2,243,630	1,666,909	1,432,029	813,874	953,545
Paid claims (cumulative) as of:										
End of policy year	286,530	423,304	660,835	403,754	533,708	646,857	950,284	334,254	333,561	357,390
One year later	976,701	1,344,588	2,113,115	1,308,910	1,864,818	1,634,364	1,371,978	1,597,521	1,061,264	
Two years later	1,224,838	1,637,077	2,835,706	1,711,483	2,854,520	1,959,739	1,927,023	2,162,775		
Three years later	1,542,842	1,940,235	3,543,291	1,962,598	3,136,125	2,340,805	2,409,062			
Four years later	1,732,246	2,090,155	4,112,174	2,198,461	3,456,515	2,907,257				
Five years later	1,852,584	2,188,846	4,292,478	2,297,187	3,656,404					
Six years later	1,974,390	2,277,738	4,469,158	2,499,906						
Seven years later	2,037,189	2,341,544	4,461,874							
Eight years later	2,124,708	2,562,398								
Nine years later	2,245,225									
Reestimated incurred claims and expenses:										
End of policy year	830,790	1,039,527	1,460,583	937,398	1,720,157	2,243,630	1,666,909	1,432,029	813,874	953,545
One year later	1,794,518	2,429,854	3,280,511	2,328,492	4,335,777	3,285,111	2,218,693	2,641,671	1,711,199	
Two years later	1,826,991	2,697,846	5,310,361	2,538,085	4,746,128	3,764,688	3,204,843	3,520,776		
Three years later	2,392,497	3,355,273	5,982,979	2,654,485	4,801,869	4,196,279	3,674,042			
Four years later	2,690,591	3,098,511	5,975,348	2,883,206	4,995,945	4,760,993				
Five years later	2,540,276	3,081,380	6,094,953	3,103,844	4,894,789					
Six years later	2,665,192	3,249,970	6,265,087	3,166,662						
Seven years later	3,097,014	3,317,548	5,858,308							
Eight years later	3,170,548	3,413,338								
Nine years later	3,191,892									
Increase/(Decrease) in estimated incurred claims and expenses										
End of policy year	2,361,102	2,373,811	4,397,725	2,229,264	3,174,632	2,517,363	2,007,133	2,088,747	897,325	-

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CITY'S NET PENSION LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
LAST 10 FISCAL YEARS[^]

Fiscal Year	2016-17		2015-16		2014-15	
	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police
TOTAL PENSION LIABILITY						
Service Cost	\$ 2,135,480	\$ 4,462,598	\$ 2,197,484	\$ 4,440,981	\$ 2,331,545	\$ 4,932,982
Interest on Total Pension Liability	6,801,939	17,933,618	6,445,778	17,475,350	6,154,034	17,097,550
Changes of Benefit Terms	-	-	-	-	-	-
Difference between Expected and Actual Experience	(996,921)	(4,299,665)	(1,789,044)	(5,739,808)	-	-
Changes of Assumptions	-	-	(1,686,636)	(4,436,648)	-	-
Benefit Payments, Including Refunds of Employee Contributions	(3,116,204)	(11,890,953)	(2,803,130)	(11,383,179)	(2,673,091)	(10,895,705)
Net Change in Total Pension Liability	4,824,294	6,205,598	2,364,452	356,696	5,812,488	11,134,827
Total Pension Liability - Beginning	90,401,500	242,440,215	88,037,048	242,083,519	82,224,560	230,948,692
Total Pension Liability - Ending (a)	95,225,794	248,645,813	90,401,500	242,440,215	88,037,048	242,083,519
PLAN FIDUCIARY NET POSITION						
Contributions - Employer	2,635,818	6,462,584	2,037,528	5,540,793	2,010,590	5,285,903
Contributions - Employee	1,339,737	1,512,655	987,786	1,350,215	959,420	1,375,826
Net Investment Income	375,028	800,238	1,500,373	3,733,737	9,911,526	25,664,291
Benefit Payments, Including Refunds of Employee Contributions	(3,116,204)	(11,890,953)	(2,803,130)	(11,383,179)	(2,673,091)	(10,895,705)
Net Plan to Plan Resource Movement	365	19,216	-	-	-	-
Administrative Expense	(41,756)	(103,251)	(77,059)	(190,690)	-	-
Net Change in Fiduciary Net Position	1,192,988	(3,199,511)	1,645,498	(949,124)	10,208,445	21,430,315
Plan Fiduciary Net Position - Beginning	68,514,982	169,417,801	66,869,484	170,366,925	56,661,039	148,936,610
Plan Fiduciary Net Position - Ending (b)	69,707,970	166,218,290	68,514,982	169,417,801	66,869,484	170,366,925
Plan Net Pension Liability/(Asset) - Ending (a)-(b)	<u>\$ 25,517,824</u>	<u>\$ 82,427,523</u>	<u>\$ 21,886,518</u>	<u>\$ 73,022,414</u>	<u>\$ 21,167,564</u>	<u>\$ 71,716,594</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.20%	66.85%	75.79%	69.88%	75.96%	70.38%
Covered Employee Payroll*	\$ 15,300,421	\$ 15,715,033	\$ 15,513,480	\$ 15,494,316	\$ 15,831,777	\$ 16,589,818
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	166.78%	524.51%	141.08%	471.29%	133.70%	432.29%

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

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

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

* For the year ending on the measurement date

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

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN
SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS AND NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
LAST 10 FISCAL YEARS[^]

Fiscal Year	2016-17		2015-16		2014-15	
	Miscellaneous	Police	Miscellaneous	Police	Miscellaneous	Police
Actuarially Determined Contribution	\$ 3,231,650	\$ 7,799,085	\$ 2,635,818	\$ 6,462,584	\$ 2,037,528	\$ 5,540,793
Contributions in Relation to the Actuarially Determined Contribution	3,231,650	7,799,085	2,635,818	6,462,584	2,037,528	5,540,793
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll*	\$ 19,120,162	\$ 17,091,655	\$ 16,519,247	\$ 16,062,098	\$ 13,444,769	\$ 14,664,280
Contributions as a Percentage of Covered-Employee Payroll	16.90%	45.63%	15.96%	40.23%	15.15%	37.78%

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

* For the year ending on the measurement date

Notes to Schedules

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year 2016-17 were from the June 30, 2014 Valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2013 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013 Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
COST -SHARING SAFETY MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE PLAN'S (PERF C)
NET PENSION LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
LAST 10 FISCAL YEARS^

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

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

* For the year ending on the measurement date

**CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN
SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS AND NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
LAST 10 FISCAL YEARS^**

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

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

*For the fiscal year ending on the date shown

Notes to the Schedule:

Actuarial Methods and Assumptions

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

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

CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
SINGLE - EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CITY'S NET PENSION LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
LAST 10 FISCAL YEARS[^]

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

* For the year ending on the measurement date

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

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

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after September 1, 2016 valuation date.

Changes in Assumptions: The discount rate was updated from 3.40% to 2.84%

**CITY OF SALINAS
REQUIRED SUPPLEMENTARY INFORMATION
SINGLE-EMPLOYER DEFINED BENEFIT PLAN
SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS AND NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
LAST 10 FISCAL YEARS^**

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

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

*Rounded to the nearest thousand of a dollar

**For the fiscal year ending on the date shown

Notes to Schedules

Actuarial Methods and Assumptions:

Valuation Date	September 1, 2016
Actuarial Cost Method	Individual Aggregate Cost Method
Amortization Method/Period	N/A
Asset Valuation Method	Cash value as reported by New York Life Investment
Discount Rate	5.00%
Salary Increases	2.00% per annum
Mortality	2015 IRS Combined Mortality Table for males and females
Payment Form	All Participants Assumed to elect lump sum at retirement, termination, or disability. Lump sums valued using UP 84 Unisex Mortality table and 1.25% interest



This page is intentionally left blank.

SUPPLEMENTARY INFORMATION



This page is intentionally left blank.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF SALINAS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2017**

	Emergency Medical Services	Asset Seizure	Lighting, Landscape and Maintenance District	Local Public Safety	Housing and Urban Development Grant	Gas Tax	Traffic Safety	Vehicle Abatement	Recreation Parks	Cable	Measure X Transport Safety & Inv Plan	Grants	SRA Public Impvt Grant	Affordable Housing	Total
ASSETS															
Cash and investments	\$ 1,052,825	\$ 73,299	\$ 5,761,589	\$ 823,100	\$ 204,986	\$ 1,472,306	\$ 45,582	\$ 359,237	\$ 51,722	\$ 385,595	\$ -	\$ 4,100,164	\$ 1,532,646	\$ 843,366	\$ 16,706,417
Receivables, net:															
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	4,567	-	-	4,567
Accrued interest	2,188	203	12,544	1,145	-	3,435	-	-	-	-	-	-	3,206	917,132	939,853
Due from outside agencies	-	-	-	87,443	482,111	261,396	72,952	-	-	82,338	-	448,934	-	-	1,435,174
Loan receivables	-	-	-	-	386,770	-	-	-	-	-	-	-	-	16,571	403,341
Land and properties held for resale	-	-	-	-	-	-	-	-	-	-	-	-	850,000	1,657,553	2,507,553
Total assets	<u>\$ 1,055,013</u>	<u>\$ 73,502</u>	<u>\$ 5,774,133</u>	<u>\$ 911,688</u>	<u>\$ 1,073,867</u>	<u>\$ 1,737,137</u>	<u>\$ 118,534</u>	<u>\$ 359,237</u>	<u>\$ 51,722</u>	<u>\$ 467,933</u>	<u>\$ -</u>	<u>\$ 4,553,665</u>	<u>\$ 2,385,852</u>	<u>\$ 3,434,622</u>	<u>\$ 21,996,905</u>
LIABILITIES															
Accounts payable	\$ 26,900	\$ -	\$ 32,909	\$ -	\$ 256,912	\$ -	\$ -	\$ 10,602	\$ 2,524	\$ -	\$ -	\$ 80,486	\$ -	\$ 2,678	\$ 413,011
Due to other funds	8,433	-	160,405	-	225,198	75,125	-	-	-	-	222,785	391,432	-	-	1,083,378
Unearned revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	915,249	915,249
Total liabilities	<u>35,333</u>	<u>-</u>	<u>193,314</u>	<u>-</u>	<u>482,110</u>	<u>75,125</u>	<u>-</u>	<u>10,602</u>	<u>2,524</u>	<u>-</u>	<u>222,785</u>	<u>471,918</u>	<u>-</u>	<u>917,927</u>	<u>2,411,638</u>
DEFERRED INFLOWS OF RESOURCES															
Unavailable revenues - housing loans	-	-	-	-	386,770	-	-	-	-	-	-	-	-	-	386,770
Unavailable revenues - grants	-	-	-	-	-	-	-	-	-	-	-	4,077,182	-	-	4,077,182
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>386,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,077,182</u>	<u>-</u>	<u>-</u>	<u>4,463,952</u>
FUND BALANCE															
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	850,000	1,657,553	2,507,553
Restricted	1,019,680	73,502	5,580,819	911,688	204,987	1,662,012	118,534	348,635	49,198	467,933	-	4,565	1,535,852	859,142	12,836,547
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	(222,785)	-	-	-	(222,785)
Total fund balances	<u>1,019,680</u>	<u>73,502</u>	<u>5,580,819</u>	<u>911,688</u>	<u>204,987</u>	<u>1,662,012</u>	<u>118,534</u>	<u>348,635</u>	<u>49,198</u>	<u>467,933</u>	<u>(222,785)</u>	<u>4,565</u>	<u>2,385,852</u>	<u>2,516,695</u>	<u>15,121,315</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,055,013</u>	<u>\$ 73,502</u>	<u>\$ 5,774,133</u>	<u>\$ 911,688</u>	<u>\$ 1,073,867</u>	<u>\$ 1,737,137</u>	<u>\$ 118,534</u>	<u>\$ 359,237</u>	<u>\$ 51,722</u>	<u>\$ 467,933</u>	<u>\$ -</u>	<u>\$ 4,553,665</u>	<u>\$ 2,385,852</u>	<u>\$ 3,434,622</u>	<u>\$ 21,996,905</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Emergency Medical Services	Asset Seizure	Lighting, Landscape and Maintenance District	Local Public Safety	Housing and Urban Development Grant	Gas Tax	Traffic Safety	Vehicle Abatement	Recreation Parks	Cable	Measure X Transport Safety & Inv Plan	Grants	SRA Public Improvement Grant	Affordable Housing	Total
REVENUES															
Taxes	\$ -	\$ -	\$ -	\$ 477,386	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 241,707	\$ -	\$ -	\$ -	\$ -	\$ 719,093
Taxes - special assessments	-	-	1,556,044	-	-	-	-	-	-	-	-	-	-	-	1,556,044
Intergovernmental	137,203	(1)	-	488,318	3,411,543	2,911,280	-	151,098	-	-	-	3,946,071	-	-	11,045,512
Charges for services	-	-	122,897	-	-	-	-	-	-	-	-	(1,529)	-	-	121,368
Interest	5,413	548	29,969	2,952	-	8,503	-	-	-	-	-	-	8,146	5,141	60,672
Rental income	-	-	-	-	-	165,374	-	-	30,262	-	-	-	-	-	195,636
Fines and forfeits	-	-	-	-	-	-	519,002	-	-	-	-	-	-	-	519,002
Contributions	-	-	-	-	-	-	-	-	-	-	-	6,427	-	-	6,427
Miscellaneous	-	-	20,724	-	396,585	-	-	-	-	-	-	-	-	117,874	535,183
Total revenues	142,616	547	1,729,634	968,656	3,808,128	3,085,157	519,002	151,098	30,262	241,707	-	3,950,969	8,146	123,015	14,758,937
EXPENDITURES															
Current:															
General government	-	-	43,600	-	3,348,630	-	-	-	-	119,999	-	39,236	-	5,121,406	8,672,871
Public safety	734,035	22,111	-	600,000	-	-	-	183,298	17,798	-	-	3,129,201	-	-	4,686,443
Public works	-	-	1,139,020	-	-	-	-	-	-	-	-	6,427	-	-	1,145,447
Library	-	-	-	-	-	-	-	-	-	-	-	284,366	-	-	284,366
Capital outlay	-	-	-	-	19,561	-	-	-	-	98,973	-	342,565	-	-	461,099
Total expenditures	734,035	22,111	1,182,620	600,000	3,368,191	-	-	183,298	17,798	218,972	-	3,801,795	-	5,121,406	15,250,226
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(591,419)	(21,564)	547,014	368,656	439,937	3,085,157	519,002	(32,200)	12,464	22,735	-	149,174	8,146	(4,998,391)	(491,289)
OTHER FINANCING SOURCES (USES)															
Operating transfers in	640,000	-	-	-	11,599	-	-	50,000	-	-	-	-	-	-	701,599
Operating transfers out	(136,702)	-	(282,136)	-	(648,953)	(2,727,361)	(455,500)	-	(9,725)	-	(222,785)	(234,240)	-	-	(4,717,402)
Total other financing sources (uses)	503,298	-	(282,136)	-	(637,354)	(2,727,361)	(455,500)	50,000	(9,725)	-	(222,785)	(234,240)	-	-	(4,015,803)
NET CHANGE IN FUND BALANCES	(88,121)	(21,564)	264,878	368,656	(197,417)	357,796	63,502	17,800	2,739	22,735	(222,785)	(85,066)	8,146	(4,998,391)	(4,507,092)
FUND BALANCES, BEGINNING OF YEAR	1,107,801	95,066	5,315,941	543,032	402,404	1,304,216	55,032	330,835	46,459	445,198	-	89,631	2,377,706	6,890,086	19,003,407
PRIOR PERIOD ADJUSTMENT (NOTE 21)	-	-	-	-	-	-	-	-	-	-	-	-	-	625,000	625,000
FUND BALANCES BEGINNING OF YEAR, AS RESTATED	1,107,801	95,066	5,315,941	543,032	402,404	1,304,216	55,032	330,835	46,459	445,198	-	89,631	2,377,706	7,515,086	19,628,407
FUND BALANCES, END OF YEAR	\$ 1,019,680	\$ 73,502	\$ 5,580,819	\$ 911,688	\$ 204,987	\$ 1,662,012	\$ 118,534	\$ 348,635	\$ 49,198	\$ 467,933	\$ (222,785)	\$ 4,565	\$ 2,385,852	\$ 2,516,695	\$ 15,121,315

NON-MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

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

COP 1999 & COP 2004 Consolidation (2014) - This fund is used to accumulate funds for the payment of principal and interest on the 2014 Lease Purchase/Agreement that was issued on January 29, 2014 to refinance the portion of the 1999 Certificates of Participation that were used to finance the construction of the City Animal Shelter. Debt service for the Animal Shelter is used to finance the City's General Fund.

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

Certificates of Participation (2005 A & B) 2015 Refunding Fund - This fund is used to accumulate funds for the payment of principal and interest on the 2005B Certificates of Participation. Proceeds were used to refund the Certificates of Participation 1997. The proceeds from the Certificates of Participation 1997 were used for capital improvements and to refund the Salinas Public Financing Authority's Variable Rate Lease Revenue Bonds that were used to purchase the 65 W. Alisal building. Debt service is financed from installment payments from the Salinas Valley Solid Waste Authority (SVSWA) for the purchase of Crazy Horse Landfill and a lease on the 65 W. Alisal Building.

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

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



This page is intentionally left blank.

**CITY OF SALINAS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2017**

	COP 1999 & 2004 Consolidation (2014)	Energy Improvement Lease	COP 2005 A & B 2015 Refunding	Assessment District Administration	Assessment District Reserve	Totals
ASSETS						
Cash and investments	\$ 1,838,450	\$ 28,772	\$ 81,116	\$ -	\$ 2,395,146	\$ 4,343,484
Receivables:						
Accrued interest	4,325	51	178	-	5,750	10,304
Total assets	<u>\$ 1,842,775</u>	<u>\$ 28,823</u>	<u>\$ 81,294</u>	<u>\$ -</u>	<u>\$ 2,400,896</u>	<u>\$ 4,353,788</u>
LIABILITIES						
Due to other funds	<u>\$ 8,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,006</u>	<u>\$ -</u>	<u>\$ 37,535</u>
Total liabilities	<u>8,529</u>	<u>-</u>	<u>-</u>	<u>29,006</u>	<u>-</u>	<u>37,535</u>
FUND BALANCE						
Restricted	1,834,246	28,823	81,294	-	2,400,896	4,345,259
Committed	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,006)</u>	<u>-</u>	<u>(29,006)</u>
Total fund balance	<u>1,834,246</u>	<u>28,823</u>	<u>81,294</u>	<u>(29,006)</u>	<u>2,400,896</u>	<u>4,316,253</u>
Total liabilities and fund balance	<u>\$ 1,842,775</u>	<u>\$ 28,823</u>	<u>\$ 81,294</u>	<u>\$ -</u>	<u>\$ 2,400,896</u>	<u>\$ 4,353,788</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	COP 1999 & 2004 Consolidation (2014)	Energy Improvement Lease	COP 2005 A & B 2015 Refunding	Assessment District Administration	Assessment District Reserve	Totals
REVENUES						
Charges for services	\$ -	\$ -	\$ -	\$ 29,912	\$ -	\$ 29,912
Interest	9,447	(2,569)	786	-	16,544	24,208
Total revenues	<u>9,447</u>	<u>(2,569)</u>	<u>786</u>	<u>29,912</u>	<u>16,544</u>	<u>54,120</u>
EXPENDITURES						
Debt service:						
Principal retirement	133,000	584,555	525,000	-	-	1,242,555
Interest and fiscal charges	100,301	661,333	171,566	-	-	933,200
Total expenditures	<u>233,301</u>	<u>1,245,888</u>	<u>696,566</u>	<u>-</u>	<u>-</u>	<u>2,175,755</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(223,854)</u>	<u>(1,248,457)</u>	<u>(695,780)</u>	<u>29,912</u>	<u>16,544</u>	<u>(2,121,635)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of assets	-	-	-	-	-	-
Operating transfers in	-	1,245,888	696,344	-	-	1,942,232
Operating transfers out	(313,517)	-	-	-	-	(313,517)
Total other financing sources (uses)	<u>(313,517)</u>	<u>1,245,888</u>	<u>696,344</u>	<u>-</u>	<u>-</u>	<u>1,628,715</u>
NET CHANGE IN FUND BALANCES	<u>(537,371)</u>	<u>(2,569)</u>	<u>564</u>	<u>29,912</u>	<u>16,544</u>	<u>(492,920)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,371,617</u>	<u>31,392</u>	<u>80,730</u>	<u>(58,918)</u>	<u>2,384,352</u>	<u>4,809,173</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,834,246</u>	<u>\$ 28,823</u>	<u>\$ 81,294</u>	<u>\$ (29,006)</u>	<u>\$ 2,400,896</u>	<u>\$ 4,316,253</u>

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

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

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

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

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



This page is intentionally left blank.

**CITY OF SALINAS
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2017**

	Special Aviation	Assessment District Project	Capital Projects	Totals
ASSETS				
Cash and investments	\$ 864,526	\$ 393,043	\$ 2,000,000	\$ 3,257,569
Receivables, net:				
Accrued interest	2,722	788	-	3,510
Due from outside agencies	618,795	-	-	618,795
Due from other funds	-	-	1,450,953	1,450,953
Total assets	<u>\$ 1,486,043</u>	<u>\$ 393,831</u>	<u>\$ 3,450,953</u>	<u>\$ 5,330,827</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 1,450,953	\$ 1,450,953
Total liabilities	<u>-</u>	<u>-</u>	<u>1,450,953</u>	<u>1,450,953</u>
FUND BALANCE				
Restricted	1,486,043	393,831	-	1,879,874
Committed	-	-	2,000,000	2,000,000
Total fund balance	<u>1,486,043</u>	<u>393,831</u>	<u>2,000,000</u>	<u>3,879,874</u>
Total liabilities and fund balances	<u>\$ 1,486,043</u>	<u>\$ 393,831</u>	<u>\$ 3,450,953</u>	<u>\$ 5,330,827</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Aviation	Assessment District Project	Capital Projects	Totals
REVENUES				
Intergovernmental	\$ 677,999	\$ -	\$ -	\$ 677,999
Interest	7,551	2,073	-	9,624
Total revenues	<u>685,550</u>	<u>2,073</u>	<u>-</u>	<u>687,623</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	724,375	-	-	724,375
Public works	-	-	-	-
Capital outlay	79,092	-	13,964,995	14,044,087
Debt service:				
Principal retirement	-	-	781,873	781,873
Interest and fiscal charges	-	-	253,529	253,529
Total expenditures	<u>803,467</u>	<u>-</u>	<u>15,000,397</u>	<u>15,803,864</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(117,917)</u>	<u>2,073</u>	<u>(15,000,397)</u>	<u>(15,116,241)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	15,000,397	15,000,397
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>15,000,397</u>	<u>15,000,397</u>
NET CHANGE IN FUND BALANCE	(117,917)	2,073	-	(115,844)
FUND BALANCE, BEGINNING OF YEAR	<u>1,603,960</u>	<u>391,758</u>	<u>2,000,000</u>	<u>3,995,718</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,486,043</u>	<u>\$ 393,831</u>	<u>\$ 2,000,000</u>	<u>\$ 3,879,874</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.

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

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

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



This page is intentionally left blank.

CITY OF SALINAS
COMBINING STATEMENT OF FUND NET POSITION (DEFICITS)
INTERNAL SERVICE FUNDS
JUNE 30, 2017

	Risk Management	General Insurance	Workers Compensation	General Liability	Fleet Maintenance	Total
ASSETS						
Current Assets:						
Cash and investments	\$ 1,242,329	\$ 3,473,427	\$ 3,232,358	\$ 2,795,942	\$ 270,322	\$ 11,014,378
Receivables, net						
Accrued interest	-	-	7,913	6,106	-	14,019
Due from general fund	-	-	17,356,034	-	-	17,356,034
Total current assets	<u>1,242,329</u>	<u>3,473,427</u>	<u>20,596,305</u>	<u>2,802,048</u>	<u>270,322</u>	<u>28,384,431</u>
Noncurrent Assets:						
Restricted cash and investments	-	-	436,906	100,835	-	537,741
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>436,906</u>	<u>100,835</u>	<u>-</u>	<u>537,741</u>
Total assets	<u>1,242,329</u>	<u>3,473,427</u>	<u>21,033,211</u>	<u>2,902,883</u>	<u>270,322</u>	<u>28,922,172</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	-	-	23,976	23,976	189,691	237,643
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>23,976</u>	<u>23,976</u>	<u>189,691</u>	<u>237,643</u>
Total assets and deferred outflows	<u>1,242,329</u>	<u>3,473,427</u>	<u>21,057,187</u>	<u>2,926,859</u>	<u>460,013</u>	<u>29,159,815</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	54	14,959	55,435	12,272	46,414	129,134
Insurance claims payable	-	-	20,977,776	2,098,300	-	23,076,076
Long term debt - due within one year	20,217	-	-	-	-	20,217
Total current liabilities	<u>20,271</u>	<u>14,959</u>	<u>21,033,211</u>	<u>2,110,572</u>	<u>46,414</u>	<u>23,225,427</u>
Noncurrent Liabilities:						
Long term debt - due in more than one year	80,869	-	-	-	-	80,869
Net pension liability	-	-	86,761	86,761	686,429	859,951
Total noncurrent liabilities	<u>80,869</u>	<u>-</u>	<u>86,761</u>	<u>86,761</u>	<u>686,429</u>	<u>940,820</u>
Total liabilities	<u>101,140</u>	<u>14,959</u>	<u>21,119,972</u>	<u>2,197,333</u>	<u>732,843</u>	<u>24,166,247</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	-	-	9,167	9,167	72,523	90,857
Total deferred inflows	<u>-</u>	<u>-</u>	<u>9,167</u>	<u>9,167</u>	<u>72,523</u>	<u>90,857</u>
NET POSITION (DEFICIT)						
Restricted	-	-	436,906	100,835	-	537,741
Unrestricted	1,141,189	3,458,468	(508,858)	619,524	(345,353)	4,364,970
Total net position (deficit)	<u>\$ 1,141,189</u>	<u>\$ 3,458,468</u>	<u>\$ (71,952)</u>	<u>\$ 720,359</u>	<u>\$ (345,353)</u>	<u>\$ 4,902,711</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICIT)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Risk Management</u>	<u>General Insurance</u>	<u>Workers Compensation</u>	<u>General Liability</u>	<u>Fleet Maintenance</u>	<u>Total</u>
OPERATING REVENUES						
Charges for services	\$ 350,001	\$ 1,191,609	\$ 3,029,620	\$ 1,058,818	\$ -	\$ 5,630,048
Total operating revenues	<u>350,001</u>	<u>1,191,609</u>	<u>3,029,620</u>	<u>1,058,818</u>	<u>-</u>	<u>5,630,048</u>
OPERATING EXPENSES						
Personnel services	96,573	-	93,380	296,342	940,195	1,426,490
Contractual services	-	9,978	4,750	173,565	245,532	433,825
Supplies	79	-	-	-	387,458	387,537
Insurance	-	225,621	-	314,127	-	539,748
Insurance claims	-	-	2,296,191	-	-	2,296,191
Other	(59)	213,357	650,788	-	3,251	867,337
Total operating expenses	<u>96,593</u>	<u>448,956</u>	<u>3,045,109</u>	<u>784,034</u>	<u>1,576,436</u>	<u>5,951,128</u>
OPERATING INCOME (LOSS)	<u>253,408</u>	<u>742,653</u>	<u>(15,489)</u>	<u>274,784</u>	<u>(1,576,436)</u>	<u>(321,080)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	-	19,881	15,708	-	35,589
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>19,881</u>	<u>15,708</u>	<u>-</u>	<u>35,589</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>253,408</u>	<u>742,653</u>	<u>4,392</u>	<u>290,492</u>	<u>(1,576,436)</u>	<u>(285,491)</u>
Transfers in	-	-	-	343,000	1,835,100	2,178,100
CHANGE IN NET POSITION	<u>253,408</u>	<u>742,653</u>	<u>4,392</u>	<u>633,492</u>	<u>258,664</u>	<u>1,892,609</u>
NET POSITION, BEGINNING OF YEAR	887,781	2,715,815	-	163,211	-	3,766,807
Prior Period Adjustment - Note 21	-	-	(76,344)	(76,344)	(604,017)	(756,705)
NET POSITION (DEFICIT), BEGINNING OF YEAR - AS RESTATED	<u>887,781</u>	<u>2,715,815</u>	<u>(76,344)</u>	<u>86,867</u>	<u>(604,017)</u>	<u>3,010,102</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ 1,141,189</u>	<u>\$ 3,458,468</u>	<u>\$ (71,952)</u>	<u>\$ 720,359</u>	<u>\$ (345,353)</u>	<u>\$ 4,902,711</u>

CITY OF SALINAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Risk Management Fund	General Insurance Fund	Workers Compensation Fund	General Liability Fund	Fleet Maintenance Fund	Totals
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 1	\$ 132,047	\$ 72,600	\$ 108,820	\$ -	\$ 313,468
Receipts from interfund services provided	350,000	1,059,563	4,644,999	950,000	-	7,004,562
Payments to Suppliers	34	(446,205)	(603,928)	(1,727,024)	(589,827)	(3,366,950)
Payments to Employees	-	-	(97,771)	(300,735)	(974,951)	(1,373,457)
Payments to Claimants	-	-	(3,153,068)	-	-	(3,153,068)
Net Cash Provided (Used) by Operating Activities	<u>350,035</u>	<u>745,405</u>	<u>862,832</u>	<u>(968,939)</u>	<u>(1,564,778)</u>	<u>(575,445)</u>
Cash Flows from Non-Capital Financing Activities:						
Operating Transfers In	-	-	-	343,000	1,835,100	2,178,100
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>343,000</u>	<u>1,835,100</u>	<u>2,178,100</u>
Cash Flows from Investing Activities:						
Interest received	-	-	19,881	15,708	-	35,589
(Decrease) in fair value of investments	-	-	(3,530)	(987)	-	(4,517)
Transfer (to) from restricted cash	-	-	(181,683)	(33,194)	-	(214,877)
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>	<u>(165,332)</u>	<u>(18,473)</u>	<u>-</u>	<u>(183,805)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	350,035	745,405	697,500	(644,412)	270,322	1,418,850
Cash and Cash Equivalents - Beginning of Year	<u>892,294</u>	<u>2,728,022</u>	<u>2,534,858</u>	<u>3,440,354</u>	<u>-</u>	<u>9,595,528</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 1,242,329</u></u>	<u><u>\$ 3,473,427</u></u>	<u><u>\$ 3,232,358</u></u>	<u><u>\$ 2,795,942</u></u>	<u><u>\$ 270,322</u></u>	<u><u>\$ 11,014,378</u></u>

**CITY OF SALINAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Risk Management Fund	General Insurance Fund	Workers Compensation Fund	General Liability Fund	Fleet Maintenance Fund	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 253,408	\$ 742,653	\$ (15,489)	\$ 274,784	\$ (1,576,436)	\$ (321,080)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:						
(Increase) decrease in due from general fund	-	-	1,687,979	-	-	1,687,979
(Increase) decrease in deferred outflows - pension	-	-	(23,976)	(23,976)	(189,691)	(237,643)
Increase (decrease) in accounts payable	54	2,752	51,611	(3,960)	46,414	96,871
Increase (decrease) in insurance claims	-	-	(856,877)	(1,235,371)	-	(2,092,248)
Increase (decrease) in accrued leave	96,573	-	-	-	-	96,573
Increase (decrease) in Net pension liability	-	-	10,417	10,417	82,412	103,246
Increase (decrease) in deferred inflows - pension	-	-	9,167	9,167	72,523	90,857
Total Adjustments to Net Income	<u>96,627</u>	<u>2,752</u>	<u>878,321</u>	<u>(1,243,723)</u>	<u>11,658</u>	<u>(254,365)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 350,035</u>	<u>\$ 745,405</u>	<u>\$ 862,832</u>	<u>\$ (968,939)</u>	<u>\$ (1,564,778)</u>	<u>\$ (575,445)</u>

Fiduciary Funds

PRIVATE-PURPOSE TRUST FUNDS

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

Successor Agency –

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

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

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



This page is intentionally left blank.

CITY OF SALINAS
COMBINING STATEMENT OF NET POSITION (DEFICIT)
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2017

	Successor Agency Trust			Other Private Purpose Trust	Total
	Redevelopment Obligation Retirement Fund	Administration	Total Successor Agency Trust		
ASSETS					
Cash and investments	\$ 2,488,133	\$ 266,812	\$ 2,754,945	\$ 1,966,284	\$ 4,721,229
Cash and investments held by fiscal agent	1,629,628	-	1,629,628	-	1,629,628
Receivables					
Accounts	-	-	-	10,958	10,958
Interest	3,893	-	3,893	-	3,893
Loans and notes receivable	183,900	-	183,900	-	183,900
Due from outside agencies	136,739	-	136,739	-	136,739
Capital assets, net of accumulated depreciation	150,162	-	150,162	-	150,162
Total assets	4,592,455	266,812	4,859,267	1,977,242	6,836,509
LIABILITIES					
Accounts payable	-	3,679	3,679	38,983	42,662
Interest payable	673,153	-	673,153	-	673,153
Deposits	-	-	-	582	582
Long term debt					
Due within one year	317,198	-	317,198	-	317,198
Due in more than one year	3,005,336	-	3,005,336	-	3,005,336
Total liabilities	3,995,687	3,679	3,999,366	39,565	4,038,931
DEFERRED INFLOWS OF RESOURCES					
Future ROPS	2,106,633	125,000	2,231,633	-	2,231,633
Total deferred inflows of resources	2,106,633	125,000	2,231,633	-	2,231,633
NET POSITION (DEFICIT)					
Held in trust for benefits and other purposes	<u>\$ (1,509,865)</u>	<u>\$ 138,133</u>	<u>\$ (1,371,732)</u>	<u>\$ 1,937,677</u>	<u>\$ 565,945</u>

CITY OF SALINAS
COMBINING STATEMENT OF CHANGES IN NET POSITION (DEFICIT)
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Successor Agency Trust			Other Private Purpose Trust	Total
	Redevelopment Obligation Retirement Fund	Administration	Total Successor Agency Trust		
ADDITIONS					
Taxes	\$ 4,622,719	\$ 250,000	\$ 4,872,719	\$ -	\$ 4,872,719
Rental income	(1,632)	-	(1,632)	-	(1,632)
Miscellaneous	3,219	-	3,219	-	3,219
Total taxes, rental, and miscellaneous income	<u>4,624,306</u>	<u>250,000</u>	<u>4,874,306</u>	<u>-</u>	<u>4,874,306</u>
Contributions					
Private contributions	-	-	-	2,044,159	2,044,159
Total contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,044,159</u>	<u>2,044,159</u>
Investment earnings					
Interest	77,236	-	77,236	-	77,236
Net investment earnings	<u>77,236</u>	<u>-</u>	<u>77,236</u>	<u>-</u>	<u>77,236</u>
Total additions	<u>4,701,542</u>	<u>250,000</u>	<u>4,951,542</u>	<u>2,044,159</u>	<u>6,995,701</u>
DEDUCTIONS					
Expenses	1,209,131	163,011	1,372,142	160,892	1,533,034
Payments on behalf of trustees	3,683	81,000	84,683	1,889,212	1,973,895
Contribution to other agencies	1,586,236	-	1,586,236	-	1,586,236
Transfers out	950,943	-	950,943	-	950,943
Total deductions	<u>3,749,993</u>	<u>244,011</u>	<u>3,994,004</u>	<u>2,050,104</u>	<u>6,044,108</u>
CHANGE IN NET POSITION (DEFICIT)	951,549	5,989	957,538	(5,945)	951,593
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>(2,461,414)</u>	<u>132,144</u>	<u>(2,329,270)</u>	<u>1,943,622</u>	<u>(385,648)</u>
END OF YEAR	<u>\$ (1,509,865)</u>	<u>\$ 138,133</u>	<u>\$ (1,371,732)</u>	<u>\$ 1,937,677</u>	<u>\$ 565,945</u>

AGENCY FUNDS

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

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

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

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

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

Retiree Health Insurance - This fund is used to account for revenues resulting of employee concessions contributions used to reduce the cost of medical, vision and dental health insurance premiums.

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

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



This page is intentionally left blank.

CITY OF SALINAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2017

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
Business Improvement District				
ASSETS				
Cash and investments	\$ 7,500	\$ 76,998	\$ 84,498	\$ -
Total assets	<u>\$ 7,500</u>	<u>\$ 76,998</u>	<u>\$ 84,498</u>	<u>\$ -</u>
LIABILITIES				
Deposits	\$ 7,500	\$ 77,155	\$ 84,655	\$ -
Total liabilities	<u>\$ 7,500</u>	<u>\$ 77,155</u>	<u>\$ 84,655</u>	<u>\$ -</u>
Sunrise House				
ASSETS				
Cash and investments	\$ 98,180	\$ 130,483	\$ 228,663	\$ -
Receivables				
Accrued interest	201	-	201	-
Due from other agencies	5,539	51,867	5,539	51,867
Total assets	<u>\$ 103,920</u>	<u>\$ 182,350</u>	<u>\$ 234,403</u>	<u>\$ 51,867</u>
LIABILITIES				
Accounts payable	\$ 39,867	\$ -	\$ 39,867	\$ -
Deposits	26,926	120,770	147,696	-
Accrued Liabilities	37,127	11,057	48,184	-
Due to outside agencies	-	51,867	-	51,867
Total liabilities	<u>\$ 103,920</u>	<u>\$ 183,694</u>	<u>\$ 235,747</u>	<u>\$ 51,867</u>
Economic Development				
ASSETS				
Cash and investments	\$ 111,584	\$ 5,082	\$ 65	\$ 116,601
Total assets	<u>\$ 111,584</u>	<u>\$ 5,082</u>	<u>\$ 65</u>	<u>\$ 116,601</u>
LIABILITIES				
Deposits	\$ 111,584	\$ 37,308	\$ 32,291	\$ 116,601
Accrued Liabilities	-	32,225	32,225	-
Total liabilities	<u>\$ 111,584</u>	<u>\$ 69,533</u>	<u>\$ 64,516</u>	<u>\$ 116,601</u>
Salinas Valley Enterprise Zone				
ASSETS				
Cash and investments	\$ 128,357	\$ 222,663	\$ 243,055	\$ 107,965
Total assets	<u>\$ 128,357</u>	<u>\$ 222,663</u>	<u>\$ 243,055</u>	<u>\$ 107,965</u>
LIABILITIES				
Accounts payable	\$ 6,671	\$ 107,965	\$ 6,671	\$ 107,965
Deposits	121,686	-	121,686	-
Total liabilities	<u>\$ 128,357</u>	<u>\$ 107,965</u>	<u>\$ 128,357</u>	<u>\$ 107,965</u>

CITY OF SALINAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Retiree Health Insurance				
ASSETS				
Cash and investments	\$ 105,366	\$ 228,733	\$ 218,407	\$ 115,692
Receivables				
Accounts	108,383	123,940	108,383	123,940
Total assets	<u>\$ 213,749</u>	<u>\$ 352,673</u>	<u>\$ 326,790</u>	<u>\$ 239,632</u>
LIABILITIES				
Accounts payable	\$ 129,004	\$ 155,865	\$ 129,004	\$ 155,865
Deposits	84,745	312,500	313,478	83,767
Total liabilities	<u>\$ 213,749</u>	<u>\$ 468,365</u>	<u>\$ 442,482</u>	<u>\$ 239,632</u>
Cafeteria Plan				
ASSETS				
Cash and investments	\$ 1	\$ -	\$ -	\$ 1
Total assets	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
LIABILITIES				
Deposits	\$ 1	\$ 1	\$ 1	\$ 1
Total liabilities	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>
Downtown Community Benefit District				
ASSETS				
Cash and investments	\$ 6,171	\$ 441,756	\$ 447,073	\$ 854
Total assets	<u>\$ 6,171</u>	<u>\$ 441,756</u>	<u>\$ 447,073</u>	<u>\$ 854</u>
LIABILITIES				
Deposits	\$ 6,171	\$ 442,610	\$ 447,927	\$ 854
Total liabilities	<u>\$ 6,171</u>	<u>\$ 442,610</u>	<u>\$ 447,927</u>	<u>\$ 854</u>
Total - All Agency Funds				
ASSETS				
Cash and investments	\$ 457,159	\$ 1,105,715	\$ 1,221,761	\$ 341,113
Receivables				
Accounts	108,383	123,940	108,383	123,940
Accrued interest	201	-	201	-
Due from other agencies	5,539	51,867	5,539	51,867
Total assets	<u>\$ 571,282</u>	<u>\$ 1,281,522</u>	<u>\$ 1,335,884</u>	<u>\$ 516,920</u>
LIABILITIES				
Accounts payable	\$ 175,542	\$ 263,830	\$ 175,542	\$ 263,830
Deposits	358,613	990,344	1,147,734	201,223
Accrued Liabilities	37,127	43,282	80,409	-
Due to outside agencies	-	51,867	-	51,867
Total liabilities	<u>\$ 571,282</u>	<u>\$ 1,349,323</u>	<u>\$ 1,403,685</u>	<u>\$ 516,920</u>

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



This page is intentionally left blank.

CITY OF SALINAS
COMBINING BALANCE SHEET
GENERAL, MEASURE V, & MEASURE G FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Measure V</u>	<u>Measure G</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 26,598,605	\$ 5,346,351	\$ 13,076,489	\$ 45,021,445
Receivables, net				
Taxes	7,714,471	2,358,133	4,728,144	14,800,748
Accounts	184,810	-	-	184,810
Accrued interest	97,121	11,246	27,683	136,050
Due from outside agencies	126,867	-	-	126,867
Due from other funds	2,572,668	-	-	2,572,668
Inventory	13,443	-	-	13,443
Advances to other funds	4,835,000	-	-	4,835,000
Total assets	<u>\$ 42,142,985</u>	<u>\$ 7,715,730</u>	<u>\$ 17,832,316</u>	<u>\$ 67,691,031</u>
LIABILITIES				
Accounts payable	\$ 5,556,106	\$ 456,527	\$ 386,524	\$ 6,399,157
Deposits	156	-	-	156
Due to other funds	17,487,279	96,236	814,528	18,398,043
Total liabilities	<u>23,043,541</u>	<u>552,763</u>	<u>1,201,052</u>	<u>24,797,356</u>
FUND BALANCE				
Nonspendable	4,975,310	-	-	4,975,310
Restricted	-	-	-	-
Committed	929,403	1,121,964	13,125,972	15,177,339
Assigned	6,439,802	-	-	6,439,802
Unassigned	6,754,929	6,041,003	3,505,292	16,301,224
Total fund balance	<u>19,099,444</u>	<u>7,162,967</u>	<u>16,631,264</u>	<u>42,893,675</u>
Total liabilities and fund balance	<u>\$ 42,142,985</u>	<u>\$ 7,715,730</u>	<u>\$ 17,832,316</u>	<u>\$ 67,691,031</u>

CITY OF SALINAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL, MEASURE V, & MEASURE G FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Measure V</u>	<u>Measure G</u>	<u>Total</u>
REVENUES				
Taxes	\$ 78,367,700	\$ 12,167,850	\$ 24,356,989	\$ 114,892,539
Licenses and permits	6,642,379	-	-	6,642,379
Intergovernmental	1,272,017	-	-	1,272,017
Charges for services	5,548,867	-	-	5,548,867
Interest	227,836	29,032	73,841	330,709
Rental income	316,854	-	-	316,854
Fines and forfeits	273,723	-	-	273,723
Miscellaneous	639,568	336	291	640,195
Total revenues	<u>93,288,944</u>	<u>12,197,218</u>	<u>24,431,121</u>	<u>129,917,283</u>
EXPENDITURES				
Current:				
General government	17,094,281	791,481	1,377,750	19,263,512
Public safety	56,343,549	3,478,576	6,497,443	66,319,568
Public works	9,213,998	1,082,100	1,368,567	11,664,665
Recreation	792,081	1,053,791	625,616	2,471,488
Library	-	4,358,793	-	4,358,793
Capital outlay	558,630	176,371	189,644	924,645
Total expenditures	<u>84,002,539</u>	<u>10,941,112</u>	<u>10,059,020</u>	<u>105,002,671</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>9,286,405</u>	<u>1,256,106</u>	<u>14,372,101</u>	<u>24,914,612</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,305,500	668,100	-	3,973,600
Operating transfers out	(5,970,992)	(1,011,146)	(12,268,104)	(19,250,242)
Total other financing sources (uses)	<u>(2,665,492)</u>	<u>(343,046)</u>	<u>(12,268,104)</u>	<u>(15,276,642)</u>
NET CHANGE IN FUND BALANCE	6,620,913	913,060	2,103,997	9,637,970
FUND BALANCE, BEGINNING OF YEAR	<u>12,478,531</u>	<u>6,249,907</u>	<u>14,527,267</u>	<u>33,255,705</u>
FUND BALANCE, END OF YEAR	<u>\$ 19,099,444</u>	<u>\$ 7,162,967</u>	<u>\$ 16,631,264</u>	<u>\$ 42,893,675</u>



This page is intentionally left blank.

