

City of Marina, California

Basic Financial Statements
fiscal Year Ended June 30, 2015

CITY OF MARINA

Basic Financial Statements

Year Ended
June 30, 2015

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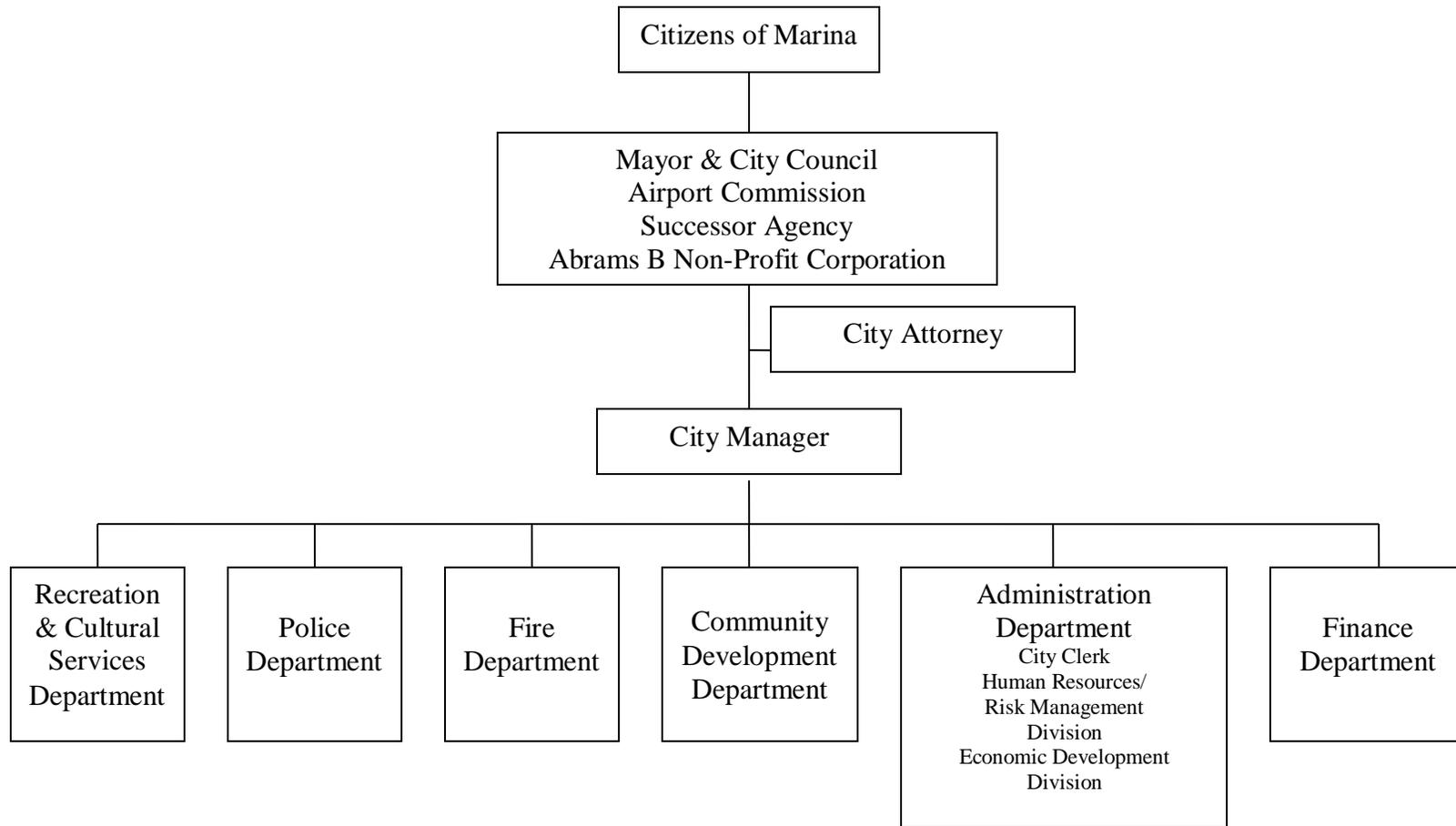
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INTRODUCTORY SECTION

City of Marina – Organization Chart



CITY OF MARINA, California

Basic Financial Statements
June 30, 2015

Elected Officials

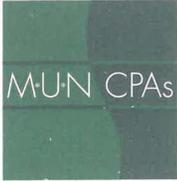
| | |
|----------------|------------------|
| Mayor | Bruce C. Delgado |
| Mayor Pro Tem | Frank O'Connell |
| Council Member | Nancy Amadeo |
| Council Member | David W. Brown |
| Council Member | Gail Morton |

Appointed Officials

| | |
|---|----------------------|
| City Manager | Layne Long |
| Acting City Clerk | Anita Shepherd-Sharp |
| Finance Director | Lauren Lai, CPA |
| Police Chief | Edmundo Rodriguez |
| Fire Chief | Doug McCoun |
| Community Development Director (acting) | Theresa Symansis |
| Recreation & Cultural Services Director | Terry Siegrist |
| Airport Services Manager | Jeff Crechriou |

Prepared By: Lauren Lai, CPA

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Marina, 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 the City of Marina as of and for the year ended June 30, 2015, 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 an opinion 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marina, as of June 30, 2015, 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 and budgetary comparison 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 an opinion on the financial statements that collectively comprise the City of Marina's basic financial statements. The combining and individual nonmajor fund financial statements and the budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2016, on our consideration of the City of Marina'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 Marina's internal control over financial reporting and compliance.



Mann, Urrutia, Nelson CPAs & Associates LLP
Sacramento, California
January 6, 2016



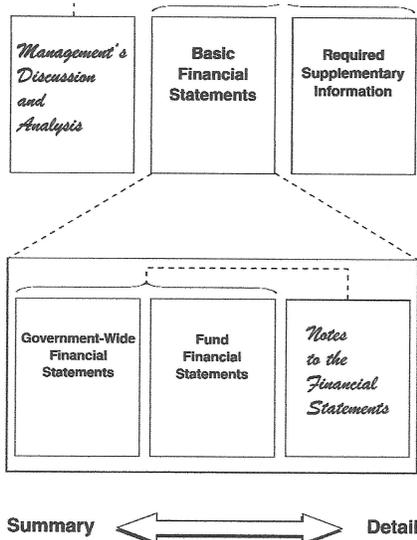
MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of The City of Marina (the ‘City’) annual financial report presents management’s discussion and analysis of the City’s financial performance during the fiscal year ended June 30, 2015. It should be read in conjunction with the City’s financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The City’s net position at June 30, 2015 was \$86,505,369, a \$8.6 million, 9.0% decrease from June 30, 2014, net position of \$95,091,826. Although normal operations including long-term debt reductions and capital assets additions produced a \$4.6 million increase in net position, two prior-period adjustments totaling \$13.2 million resulted in the net decrease of \$8.6 million stated above. One prior-period adjustment of \$0.3 million resulted from a change in accounting procedures for the Law Enforcement Frontline Grant, while a \$12.9 million adjustment was necessary to comply with Governmental Accounting Standards Board Statement No. 68, which mandated a one-time adjustment to record the City’s actuarially-determined net CalPERS pension liability at June 30, 2015. For additional information on prior-period adjustments, see Notes to Financial Statements No. 1 & 10.
- During Fiscal 2014/15, City-wide revenues (excluding intrafund and interfund transfers) of \$37.7 million exceeded City-wide total expenditures and expenses (excluding intra/interfund transfers) of \$35.4 million by \$2.3 million. Total FY 2014/15 revenues (excluding intra/interfund transfers) of \$37.7 million increased by \$9.6 million from the previous year total of \$28.1 million. The majority of this increase was due to \$7.9 million bond proceeds resulting from a new general obligation bond issue which refunded the 2005 Library Bonds. The remaining \$1.7 million was mostly due to a large increase in grants for capital projects. Property, sales, franchise, transient occupancy and motor vehicle taxes, and other revenues fluctuated only slightly, within normal operating variances. City-wide FY 2014/15 expenditures increased by \$7.4 million, from \$28 million in FY 2013/14 to \$35.4 million in FY 2014/15. Costs of refinancing the Library Bonds totaled \$8.2 million, while total other expenditures dropped by about \$0.8 million including slight drops in costs for public safety, economic and community development and public improvement projects.
- On-going General Fund revenues comprise property, property tax in lieu of motor vehicle taxes, sales, transient occupancy taxes and franchise taxes; state subventions; grants; charges for services and other program revenues, and miscellaneous general revenues. General Fund revenues, excluding interfund transfers in, for fiscal year 2014/15 declined slightly to \$17.5 million from \$18.0 million the previous year or about 2.7%, which management considers a normal operating fluctuation. This decline was the result of a one-time sale of real property during fiscal 2013/14 of \$1.1 million, partly compensated for by \$0.26 million and \$0.24 million increases in sales and transient occupancy taxes, respectively. Other general fund revenues fluctuated in non-material amounts. Total general fund revenues of \$17.5 million comprised: rents, license, fees & other charges for services \$3.9 million; grants & contributions \$0.5 million; property taxes \$4.6 million; sales tax \$4.8 million; transient occupancy tax \$2.4 million; franchise tax \$0.8 million; fines & forfeitures \$0.2 million; investment earnings & other general revenues \$0.3 million.
- The cost of government activities naturally fluctuates from year-to-year, due to program changes, policy decisions and the normal ebb and flow of business transactions; however, for fiscal 2014/15, General Fund expenditures remained virtually unchanged from the previous year. General fund expenditures of \$17.2 million for fiscal 2014/15 were categorized as follows: general government \$2.5 million; public safety \$10.5 million; recreation & cultural activities \$0.9 million; economic & community development \$1.0 million and public works \$2.3 million.
- The City’s General Fund reported a fund balance at June 30, 2015 of \$8.8 million, unchanged from the previous year. While general fund revenues of \$17.5 million exceeded expenditures of \$17.2 million by \$0.3 million, a prior period adjustment of \$0.3 million (see prior period adjustment disclosure above) offset that increase, resulting in no net change to ending fund balance.

Figure A: Required Components of the City’s Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City.

- The government-wide financial statements provide both long-term and short-term information about the City's overall financial status.
- The fund financial statements focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements present general government services financed in the short term and balances available for future spending.
- Proprietary fund statements present financial information about Airport and Abrams B Housing activities, which the City operates and accounts for similar to a commercial business.

Figure B. Major Features of the City's Government-wide and Fund Financial Statements

| <i>Type of Statements</i> | Fund Statements | | | |
|---|--|--|--|---|
| | Government-wide | Governmental Funds | Proprietary Fund | Fiduciary Funds |
| <i>Scope</i> | Entire City (except fiduciary funds) including component unit | Activities of the City that are not proprietary or fiduciary | Activities the City operates similar to private businesses: Municipal Airport | Instances in which the City acts as fiduciary for someone else's resources |
| <i>Required financial statements</i> | <ul style="list-style-type: none"> ♦ Statement of net position ♦ Statement of activities | <ul style="list-style-type: none"> ♦ Balance sheet ♦ Statement of revenues, expenditures & changes in fund balances | <ul style="list-style-type: none"> ♦ Statement of net position ♦ Statement of revenues, expenses and changes in fund net position ♦ Statement of cash flows | <ul style="list-style-type: none"> ♦ Statement of fiduciary net position ♦ Statement of changes in fiduciary net position |
| <i>Accounting basis and measurement focus</i> | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| <i>Type of asset/liability information</i> | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can |
| <i>Type of inflow/outflow information</i> | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

The financial statements also include notes that further explain and provide more detail about some of the information in the financial statements. The financial statements are followed by a section of required supplementary information that further explains and supports the financial statement information. Figure A demonstrates how required parts of this annual report are arranged and shows how they relate to one another. Figure B summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the City's net position and how it has changed. Net position, the difference between the City's assets and liabilities (with respect to individual funds, this is commonly called 'Fund Balance'), helps to measure the City's financial health or position. Increases or decreases in the City's net position might, but does not necessarily, indicate whether its financial health is improving or deteriorating. To properly evaluate the City's overall health, one must also consider many nonfinancial factors such as the City Council's policies, goals and objectives; management's implementation plans; staffing

levels; naturally-occurring changes in the City's revenue base and non-discretionary cost structure; and the local, state and national economies. This means that, on their own, neither net position nor the general fund and other fund balances necessarily indicate the health of the City. Rather, these amounts reflect the City's commitment to maintain essential government services and programs at acceptable levels and to meet new needs as they arise. The general fund balance of more than \$8.8 million equals about half of a full year's recurring revenues.

The government-wide financial statements of the City include Governmental activities. Most basic City services are included here, such as legislative, general government, public safety, public works, economic & community development, recreation and cultural services, capital and infrastructure improvements and long-term debt service. Taxes, licenses and permits, charges for services, fines and penalties, operating and capital grants, rents and investment earnings, and revenues from other governments finance these activities. For additional information on the City's component units, see Note 1 in the City of Marina's Notes to Financial Statements.

Fund Financial Statements provide detailed information about the City's most significant (Major) funds, not the City as a whole. Funds are fiscal accounting entities that track specific revenues and expenditures. Management creates funds to segregate and manage resources to carry on specific activities or demonstrate that restricted resources are properly utilized. Some funds are mandated by law (Streets Fund); some by bond covenants (Debt Service); some by special agreement (Assessment District Maintenance Funds); and some to better manage discrete activities (Impact Fee Fund). The City employs the following types of funds:

- Governmental - Most services are accounted for in governmental funds, focusing on (1) how cash and other assets that are readily convertible to cash flow in and out and (2) year-end balances available for spending. Governmental fund statements provide a detailed short-term view that shows the resources that can be spent in the near future on City programs. Because this information does not include the long-term focus of government-wide statements, management provides information to explain relationships among them.
- Proprietary - Airport operations and Abrams B Housing, for which the City measures results of operations similar to a commercial activity, are reported in the Marina Municipal Airport and Abrams B Housing enterprise funds. Proprietary funds, like government-wide statements, provide long and short-term financial information.

SUMMARY FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Total net position of \$86,505,369 at June 30, 2015 is detailed in Table 1, and results of operations and budget comparisons in Tables 2 & 3, respectively. *The information in Tables 1, 2 & 3 is presented somewhat differently than in the financial statements to enable a more comprehensive picture of the City's assets, liabilities, revenues, expenditures and budgetary compliance. (NOTE: More detailed information is contained in the financial statements and notes thereto). For example, for Management Discussion & Analysis purposes internal balances are not eliminated, prepaid costs and deferred revenues have not been recharacterized as 'Deferred Outflows and Inflows,' and interfund transfers both in and out are fully disclosed, since they are budgeted transactions, and a meaningful analysis is not possible when these important transactions are eliminated from the reports, or when funds are misleadingly combined as required by GASB-54. Although classified and summarized differently for different purposes, Net Position and results of operations are, of course, the same in both presentations since they both represent the same financial transactions.*

Table 1

Net Position

(in thousands, rounded)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|-----------------|-----------------------------|-----------------|------------------|------------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash and Cash Equivalents | 18,588.4 | 19,588.0 | 5,147.9 | 5,202.7 | 23,736.3 | 24,790.8 |
| Prepaid Expenses | 12.0 | - | 533.0 | 611.1 | 545.0 | 611.1 |
| Internal Balances | 15,414.0 | 14,488.8 | 100.7 | 50.0 | 15,514.7 | 14,538.8 |
| Other Receivables | 2,551.7 | 2,896.3 | 86.6 | 46.7 | 2,638.3 | 2,943.0 |
| Fuel Inventory | - | - | 62.6 | 26.5 | 62.6 | 26.5 |
| Total Current Assets | <u>36,566.1</u> | <u>36,973.1</u> | <u>5,930.8</u> | <u>5,937.0</u> | <u>42,496.9</u> | <u>42,910.2</u> |
| Noncurrent Assets | | | | | | |
| Long-term Notes & Loans | 508.3 | 1,045.0 | 85.0 | 85.0 | 593.3 | 1,130.0 |
| Deferred Outflows - PERS | - | 2,189.4 | - | - | - | 2,189.4 |
| Land, Bldgs & Equipment | 60,050.9 | 62,578.4 | 69,750.5 | 69,750.5 | 129,801.4 | 132,328.9 |
| (Accumulated Depreciation) | -19,166.2 | -20,543.7 | -12,733.0 | -13,779.4 | -31,899.2 | -34,323.1 |
| Total Noncurrent Assets | <u>41,393.0</u> | <u>45,269.1</u> | <u>57,102.5</u> | <u>56,056.1</u> | <u>98,495.5</u> | <u>101,325.2</u> |
| Total Assets | <u>77,959.1</u> | <u>82,242.2</u> | <u>63,033.3</u> | <u>61,993.1</u> | <u>140,992.4</u> | <u>144,235.4</u> |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Accounts Payable | 1,755.9 | 1,022.0 | 72.5 | 47.1 | 1,828.4 | 1,069.1 |
| Accrued Liabilities | 1,713.8 | 1,846.0 | 337.2 | 386.4 | 2,051.0 | 2,232.5 |
| Unearned Revenue | 104.3 | 26.8 | 35.7 | - | 140.0 | 26.8 |
| Deferred Inflows - PERS | - | 3,735.5 | - | - | - | 3,735.5 |
| Deposits & Other Liabilities | 313.9 | 525.8 | 27.0 | 27.0 | 340.9 | 552.8 |
| Internal Balances | 2,048.4 | 1,892.2 | 13,466.3 | 12,646.6 | 15,514.7 | 14,538.8 |
| Total Current Liabilities | <u>5,936.3</u> | <u>9,048.3</u> | <u>13,938.7</u> | <u>13,107.1</u> | <u>19,875.0</u> | <u>22,155.5</u> |
| Long-term Liabilities | | | | | | |
| Notes Payable | - | - | - | - | - | - |
| Unavailable Revenue | 2,013.1 | 1,734.5 | - | - | 2,013.1 | 1,734.5 |
| Net Pension Liability | - | 11,395.1 | - | - | - | 11,395.1 |
| Leases Payable | 164.5 | 92.8 | - | - | 164.5 | 92.8 |
| Bonds | 22,575.0 | 21,215.0 | - | - | 22,575.0 | 21,215.0 |
| Compensated Absences | 1,273.0 | 1,137.1 | - | - | 1,273.0 | 1,137.1 |
| Total Long-term Liabilities | <u>26,025.6</u> | <u>35,574.5</u> | <u>-</u> | <u>-</u> | <u>26,025.6</u> | <u>35,574.5</u> |
| Total Liabilities | <u>31,961.9</u> | <u>44,622.8</u> | <u>13,938.7</u> | <u>13,107.1</u> | <u>45,900.6</u> | <u>57,730.0</u> |
| Net Position | <u>45,997.2</u> | <u>37,619.4</u> | <u>49,094.6</u> | <u>48,886.0</u> | <u>95,091.8</u> | <u>86,505.4</u> |
| Net Investment in Capital Assets | | | | | | |
| Restricted | 20,295.1 | 22,196.9 | 43,551.3 | 43,324.5 | 63,846.4 | 65,521.4 |
| Unrestricted | 7,082.6 | 8,194.8 | - | - | 7,082.6 | 8,194.8 |
| Total Net Position | <u>18,619.5</u> | <u>7,227.7</u> | <u>5,543.3</u> | <u>5,561.5</u> | <u>24,162.8</u> | <u>12,789.2</u> |
| Total Net Position | <u>45,997.2</u> | <u>37,619.4</u> | <u>49,094.6</u> | <u>48,886.0</u> | <u>95,091.8</u> | <u>86,505.4</u> |

Government Accounting Standards Board (GASB) Statement No. 54 establishes categories of ending fund balance in Governmental Funds. 'Restricted' fund balances are balances of funds whose resources can only be used for purposes '...stipulated by constitution, external resource providers, or through enabling legislation'; for example, bond indentures and Gas Tax Laws. GASB claims the new categories enhance the usefulness of net position measurements by disclosing the extent to which a government must observe constraints imposed on the use of resources reported in governmental funds and the extent to which resources are available for discretionary purposes. Since most governmental funds contain resources that are limited in some fashion to a specific use, a significant portion of year-end fund balance is classified as 'Restricted' even though those resources are available for exactly the purpose for which they were obtained, rendering the GASB's classification scheme more confusing than illuminating.

Changes in net position. (Table 2)

- **REVENUES** Governmental Funds revenues for fiscal 2014/15, excluding intra/interfund transfers and one-time bonded debt refinancing inflows, showed a modest increase from the previous year of about \$1.5 million, from \$24 million to \$25.5 million, virtually all of which resulted from increased federal, state and local grants for capital projects. At the same time, property taxes remained constant from fiscal 2013/14, while motor vehicle and gas taxes decreased by about \$0.17 million, sales taxes increased by about \$0.26 million, transient occupancy taxes increased by about \$0.24 million and franchise taxes increased by slightly less than \$0.1 million. Other individual revenue sources fluctuated within variances considered by management to be normal. As Table 2 shows, enterprise operating revenues remained relatively unchanged from the prior year.
- **COSTS** Governmental Fund costs, excluding inter/intra-fund transfers and one-time long-term debt refinancing costs for 2014-15 were \$22.8 million, down slightly from \$23.5 million in the previous year. As Table 2 indicates, general government and public safety costs increased slightly, while economic development, recreation and debt service (interest) costs declined in essentially equal total amounts. Debt service interest costs declined due to the liquidation of two limited obligation bond issues and refinancing of the 2005 library bond issue. Variations in other governmental

activity costs are considered by management to be normal variations due to changes in the operating environment and program requirements. Enterprise costs remained essentially the same as the previous year.

Table 2

Change in Net Position
(in thousands, rounded)

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|-----------------|-----------------------------|-----------------|-----------------|-----------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | 6,625.0 | 6,521.0 | 4,163.8 | 4,263.8 | 10,788.8 | 10,784.8 |
| Program Income | 2,608.5 | 3,934.6 | - | 35.7 | 2,608.5 | 3,970.3 |
| General Revenues: | | | | | | |
| Taxes | 13,403.8 | 13,859.3 | - | - | 13,403.8 | 13,859.3 |
| Other Revenues | 1,352.8 | 1,271.3 | 5.9 | - | 1,358.7 | 1,271.3 |
| Transfers In | 2,974.4 | 3,810.9 | 4.8 | - | 2,979.2 | 3,810.9 |
| Long-term Debt Proceeds | - | 7,852.0 | - | - | - | 7,852.0 |
| Total Revenues | 26,964.5 | 37,249.1 | 4,174.5 | 4,299.5 | 31,139.0 | 41,548.6 |
| Expenditures | | | | | | |
| General Government | 2,333.3 | 2,513.0 | - | - | 2,333.3 | 2,513.0 |
| Public Safety | 10,209.2 | 10,551.9 | - | - | 10,551.9 | 10,551.9 |
| Economic Development | 1,800.8 | 1,448.5 | - | - | 1,800.8 | 1,448.5 |
| Recreation | 1,080.2 | 895.1 | - | - | 1,080.2 | 895.1 |
| Public Works | 2,686.1 | 2,906.7 | - | - | 2,686.1 | 2,906.7 |
| Public Improvements | 3,153.5 | 2,798.5 | - | - | 3,153.5 | 2,798.5 |
| Debt Service | 2,256.0 | 1,649.7 | - | - | 2,256.0 | 1,649.7 |
| Enterprise Operations | - | - | 4,491.0 | 4,327.1 | 4,491.0 | 4,327.1 |
| Transfers Out | 2,433.4 | 3,679.4 | 545.8 | 181.0 | 2,979.2 | 3,860.4 |
| Long-term Debt Refinancing | - | 8,253.7 | - | - | - | 8,253.7 |
| Total Expenditures | 25,952.5 | 34,696.5 | 5,036.8 | 4,508.1 | 30,989.3 | 39,204.6 |
| Revenues Over (-)under Expenditures | 1,012.0 | 2,552.6 | -862.3 | -208.6 | 149.7 | 2,344.0 |
| Net Position Beginning | 42,895.9 | 45,997.2 | 50,585.2 | 49,094.6 | 93,481.1 | 95,091.8 |
| Prior Period Adjustment | - | -13,212.5 | -628.3 | - | -628.3 | -13,212.5 |
| Capital Asset Contributions | - | - | - | - | - | - |
| Net Capital Assets incr(decr) | 1,394.8 | 1,150.0 | - | - | 1,394.8 | 1,150.0 |
| Debt (increase)decrease | 694.5 | 1,132.1 | - | - | 694.5 | 1,132.1 |
| Net Position Ending | 45,997.2 | 37,619.4 | 49,094.6 | 48,886.0 | 95,091.8 | 86,505.4 |

GENERAL FUND BUDGET HIGHLIGHTS

The General Fund budget was revised during the year in response to program changes, in accordance with procedures established by the City Council when it adopted the original budget, as set forth in Table 3. Actual General Fund revenues were almost \$0.9 million greater than the final budget, while expenditures were \$0.5 million under budget.

Table 3

General Fund Budget Changes & Actual-Budget Comparison
(in thousands, rounded)

| | Budget as Adopted | Council Approved Amendments | Budget as Amended | Actual | Favorable (-)Unfavorable Variance |
|--|-------------------------|-----------------------------------|-------------------------|-----------------|---|
| Revenues | | | | | |
| Taxes | 11,643.2 | 444.4 | 12,087.6 | 12,669.0 | 581.4 |
| Licenses & Permits | 401.5 | 56.7 | 458.2 | 515.1 | 56.9 |
| Fines & Penalties | 183.6 | -1.1 | 182.5 | 194.5 | 12.0 |
| Investment Earnings | 30.0 | - | 30.0 | 27.0 | -3.0 |
| Chrgs for Svcs/Program Rev | 3,491.7 | 272.4 | 3,764.1 | 3,890.2 | 126.1 |
| Other Revenues | 675.7 | -643.0 | 32.7 | 236.4 | 203.7 |
| Total Revenues | 16,425.7 | 129.4 | 16,555.1 | 17,532.2 | 977.1 |
| Expenditures | | | | | |
| General Government | 2,640.7 | 304.0 | 2,944.7 | 2,507.3 | 437.4 |
| Public Safety | 10,623.3 | 77.5 | 10,700.8 | 10,551.9 | 148.9 |
| Economic/Community Develop | 839.1 | 47.1 | 886.2 | 993.9 | -107.7 |
| Recreation | 925.1 | - | 925.1 | 892.7 | 32.4 |
| Public Works | 2,306.4 | -32.9 | 2,273.5 | 2,259.2 | 14.3 |
| Total Expenditures | 17,334.6 | 395.7 | 17,730.3 | 17,205.0 | 525.3 |
| Revenues Over(Under) | | | | | |
| Expenditures | -908.9 | -266.3 | -1,175.2 | 327.2 | 1,502.4 |
| Net Interfund Transfers In(Out) | 473.6 | -623.1 | -149.5 | -98.0 | 81.5 |
| Revenues Over(Under) | | | | | |
| Expenditures, Transfers & Other Financing Sources | -435.3 | -889.4 | -1,324.7 | 229.2 | 1,553.9 |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the City has more than \$132 million capital assets (cost before depreciation) including land, equipment, vehicles, buildings, improvements, infrastructure, rental housing and airport facilities. (See Table 4). The City's 2015/16 budget provides for various public improvements. Additional capital expenditures might be approved by the City Council during the 2015/16 fiscal year. Many costs will be provided by federal, state and other grants. Additional information about the City's capital assets is presented in the notes to financial statements.

Table 4

Capital Assets
(in thousands, rounded)

| | Governmental Activities | | Business-type Activity | | Total | |
|----------------------------------|----------------------------|-----------------|---------------------------|-----------------|------------------|------------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Land | 1,751.0 | 1,751.0 | 36,900.0 | 36,900.0 | 38,651.0 | 38,651.0 |
| Buildings and Improvements | 35,105.9 | 35,117.7 | 32,666.7 | 32,666.7 | 67,772.6 | 67,784.4 |
| Vehicles & Equipment | 6,241.3 | 6,408.0 | 183.8 | 183.8 | 6,425.1 | 6,591.8 |
| Infrastructure | 16,952.7 | 19,301.7 | - | - | 16,952.7 | 19,301.7 |
| Totals at Historical Cost | 60,050.9 | 62,578.4 | 69,750.5 | 69,750.5 | 129,801.4 | 132,328.9 |
| Accumulated Depreciation | -19,166.2 | -20,543.7 | -12,733.0 | -13,779.4 | -31,899.2 | -34,323.1 |
| Net Capital Assets | 40,884.7 | 42,034.7 | 57,017.5 | 55,971.1 | 97,902.2 | 98,005.8 |

Long Term Debt

At year-end the City had slightly more than \$22 million in bonds, capital leases and compensated absences (vested benefits payable to employees) outstanding, as shown in Table 5. During fiscal 2014/15, the 2015 General Obligation Library Bonds were fully redeemed, in the total amount of \$7,925,000 by a new 2015 General Obligation Refunding Bond Issue of \$7,640,000, in order to obtain lower interest rates, lower life-of-the-issue interest costs, and more favorable debt service terms. During fiscal 2014/15, in addition to the redeemed library bonds, the City paid \$1,075,000 against other pre-existing long-term debt. Compensated absences decreased by \$135,967 as a result of employees earning slightly less compensable time off than they used.

Table 5

| | Long-term Debt (in thousands, rounded) | | | | | |
|----------------------|---|----------|-----------------------------|------|----------|----------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Bonds Payable | 22,575.0 | 21,215.0 | - | - | 22,575.0 | 21,215.0 |
| Leases Payable | 164.5 | 92.8 | - | - | 164.5 | 92.8 |
| Compensated Absences | 1,273.1 | 1,137.1 | - | - | 1,273.1 | 1,137.1 |
| Total Long-Term Debt | 24,012.6 | 22,444.9 | - | - | 24,012.6 | 22,444.9 |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

On November 2, 2010, Marina voters approved two tax measures, temporarily raising the transient occupancy tax rate from 10% to 12% and also temporarily increasing the sales tax rate by 1%, for the purpose of preserving funds for general city services such as police, fire, street repair, parks maintenance and recreation and community programs. On November 4, 2014, by a 73% to 27% margin, Marina voters approved Measure E, eliminating the termination date of the temporary transient occupancy tax rate increase, and permanently setting the rate at 12%. Also on November 4, 2014, by a margin of 77% to 23%, voters approved Measure F which extended the temporary 1% sales tax for an additional ten years, scheduling the additional 1% tax to expire on March 31, 2026.

Various economic and fiscal indicators were considered, and numerous assumptions necessarily made, when adopting the 2015/16 general fund budget. Amounts available for appropriation for general fund purposes in the 2015/16 budget include an estimated 2014/15 fund balance carry-forward of \$7.6 million, and projected 2015/16 revenues of \$18.0 million. Budgeted expenditures for 2015/16 total \$17.8 million. If 2015/16 revenues and expenditures are realized as budgeted, the fund balance available for City's General Fund purposes will increase by about \$0.2 million, to \$7.8 million at June 30, 2016. If, during the remainder of fiscal 2015/16 it becomes sufficiently clear that budgeted revenues and/or expenditures should be adjusted, the City Council will adopt additional budget amendments. While the City and Agency have made great progress with the dissolution of the Marina Redevelopment Agency, as chronicled below, there remains uncertainties regarding future tax increment financing and Agency obligations.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Marina that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In a letter dated October 9, 2013, the California Department of Finance (DOF) ordered the City of Marina Successor Agency (Agency) to remit to the County Auditor-Controller \$1,286,116, determined by the Department to be unencumbered funds in accordance with Health and Safety code Section 34170.6(f). The City disputed, and continues to dispute the Department's determination of the amount of unencumbered funds and currently has pending a lawsuit against the Department on this matter.

On November 22, 2013, to avoid threatened legal action, the Agency remitted \$583,719 to the Monterey County Auditor-Controller in partial payment of the amount demanded by DOF. In letters dated October 30, 2013 and November 22, 2013, the

Agency reiterated its non-waiver of constitutional, statutory, legal, and equitable rights and expressly reserved any and all rights, privileges, and defenses available under law and equity. The lawsuit filed by the Agency against DOF remains pending.

As a result of the litigation, the Court decided the Agency may retain \$586,326, which was derived from land sale proceeds and previously transferred to the General Fund. Additionally, the DOF issued a revised letter dated May 22, 2014 in which DOF ordered the Agency to remit to the County Auditor-Controller \$633,263 (comprised of \$583,719 prior payment to County Auditor Controller, \$51,160 disallowable transfer, -\$1,616 reconciliation of beginning balances). On November 6, 2014, the Agency remitted the final payment of \$49,544.

In conclusion, the DOF issued a letter dated November 12, 2014 stating the DOF has completed the Finding of Completion for the City of Marina Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Agency has made full payment of the amounts determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5.

Furthermore, within the DOF Finding of Completion, the Agency may now do the following:

- Place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Loan repayments will be governed by criteria in HSC section 34191.4 (a) (2).
- Utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC section 34191.4(c).

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is intended to provide citizens, taxpayers, customers, creditors, stakeholders and other interested parties with an overview of the City's finances, and to demonstrate the City's accountability for the money it receives and the resources it manages. Questions about this report and requests for additional financial information should be addressed to the City of Marina, Finance Department, 211 Hillcrest Avenue, Marina, California, 93933.

BASIC FINANCIAL STATEMENTS

CITY OF MARINA
Statement of Net Position
June 30, 2015

| ASSETS | Governmental | Business-type | Totals |
|--|----------------------|----------------------|-----------------------|
| | Activities | Activities | |
| Cash and Investments | \$ 18,984,650 | \$ 4,010,743 | \$ 22,995,393 |
| Cash (Restricted) | 603,295 | 1,191,991 | 1,795,286 |
| Prepaid Expenses | 12,000 | 611,068 | 623,068 |
| Accrued Receivables | 2,884,285 | 46,668 | 2,930,953 |
| Inventory | - | 26,531 | 26,531 |
| Internal Balances (net) | 12,596,635 | (12,596,635) | - |
| Notes & Loans Receivable | 1,045,013 | 85,000 | 1,130,013 |
| Capital Assets: | | | |
| Land | 1,750,963 | 36,900,000 | 38,650,963 |
| Other Capial Assets, Net of Depreciation | 40,283,678 | 19,071,144 | 59,354,822 |
| Total Capital Assets | 42,034,641 | 55,971,144 | 98,005,785 |
| TOTAL ASSETS | \$ 78,160,519 | \$ 49,346,510 | \$ 127,507,029 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows - PERS Pension Costs | \$ 2,189,387 | \$ - | \$ 2,189,387 |
| LIABILITIES | | | |
| Accounts Payable | \$ 1,021,990 | \$ 47,123 | \$ 1,069,113 |
| Other Accrued Payables | 434,195 | 386,421 | 820,616 |
| Accrued Interest Payable | 107,315 | - | 107,315 |
| Other Post Employment Benefits | 1,304,561 | - | 1,304,561 |
| Deposits And Other Liabilities | 525,811 | 26,951 | 552,762 |
| Unearned Revenue | 26,797 | - | 26,797 |
| Net Pension Liability - PERS Pension Plans | 11,395,078 | - | 11,395,078 |
| Long-Term Liabilities: Due Within One Year | 1,048,815 | - | 1,048,815 |
| Due in More Than One Year | 21,396,039 | - | 21,396,039 |
| TOTAL LIABILITIES | \$ 37,260,601 | \$ 460,495 | \$ 37,721,096 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue-State of CA SB-90 Claims | 301,561 | - | 301,561 |
| Unavailable Revenue-CDBG Business & Home Loans | 576,300 | - | 576,300 |
| Unavailable Revenue-Interfund Loans | 856,635 | - | 856,635 |
| Deferred Inflows - PERS Pension Costs | 3,735,455 | - | 3,735,455 |
| TOTAL DEFERRED INFLOWS | \$ 5,469,951 | \$ - | \$ 5,469,951 |
| NET POSITION | | | |
| Net Investment in Capital Assets | \$ 22,196,868 | \$ 43,324,510 | \$ 65,521,378 |
| Restricted For: | | | |
| Debt Service | 603,608 | - | 603,608 |
| Public Improvements | 6,513,715 | - | 6,513,715 |
| Recreation and Grant-Funded Programs | 837,282 | - | 837,282 |
| Public Works | 240,159 | - | 240,159 |
| Unrestricted | 7,227,722 | 5,561,505 | 12,789,227 |
| TOTAL NET POSITION | \$ 37,619,354 | \$ 48,886,015 | \$ 86,505,369 |

The notes to financial statements are an integral part of this statement

CITY OF MARINA

**Statement of Activities
Year Ended June 30, 2015**

| Functions/Programs | Operating Expenses/ Expenditures | Program Revenues | | |
|---------------------------------------|---|---|---|---|
| | | Charges for Services & Program Revenue | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| General Government | \$ 2,984,155 | \$ 573,764 | \$ 2,700 | \$ - |
| Public Safety | 10,128,248 | 603,046 | 416,470 | - |
| Public Works | 2,887,311 | 1,751,989 | - | - |
| Economic & Community Development | 1,424,974 | 2,898,550 | - | - |
| Recreation & Cultural Activities | 1,069,775 | 178,301 | 18,874 | - |
| Public Improvements | 896,127 | 1,056,078 | - | 2,286,975 |
| Debt Service (Interest & Admin Costs) | 1,407,245 | 1,215,804 | - | - |
| Total Governmental Activities | <u>\$ 20,797,835</u> | <u>\$ 8,277,532</u> | <u>\$ 438,044</u> | <u>\$ 2,286,975</u> |
| Business-type Activities: | | | | |
| Marina Municipal Airport | 1,720,158 | 1,207,336 | 30,000 | - |
| Abrams B NonProfit Corporation | 2,606,946 | 3,062,129 | - | - |
| Total Business-type Activities | <u>4,327,104</u> | <u>4,269,465</u> | <u>30,000</u> | <u>-</u> |
| Totals | <u><u>\$ 25,124,939</u></u> | <u><u>\$ 12,546,997</u></u> | <u><u>\$ 468,044</u></u> | <u><u>\$ 2,286,975</u></u> |

General Revenues:

- Sales Tax
- Property Tax
- Transient Occupancy Tax
- Franchise Tax
- Transfers from Proprietary Funds (net)
- Investment Earnings
- Other General Revenues
- Total General Revenues
- Change in Net Position
- Prior-Period Adjustments
- Total Change in Net Position
- Net Position - Beginning of Year
- Net Position - End of Year

The notes to financial statements are an integral part of this statement

**Net (Expense) Revenue and
Changes in Net Position**

| Governmental Activities | Business-type Activities | Total |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (2,407,691) | \$ - | \$ (2,407,691) |
| (9,108,732) | - | (9,108,732) |
| (1,135,322) | - | (1,135,322) |
| 1,473,576 | - | 1,473,576 |
| (872,600) | - | (872,600) |
| 2,446,926 | - | 2,446,926 |
| (191,441) | - | (191,441) |
| <u>\$ (9,795,284)</u> | <u>\$ -</u> | <u>\$ (9,795,284)</u> |
| - | (482,822) | (482,822) |
| - | 455,183 | 455,183 |
| - | (27,639) | (27,639) |
| <u>\$ (9,795,284)</u> | <u>\$ (27,639)</u> | <u>\$ (9,822,923)</u> |
| 4,849,207 | - | 4,849,207 |
| 5,109,408 | - | 5,109,408 |
| 2,395,263 | - | 2,395,263 |
| 823,764 | - | 823,764 |
| 180,976 | (180,976) | - |
| 28,416 | - | 28,416 |
| 1,242,920 | - | 1,242,920 |
| <u>\$ 14,629,954</u> | <u>\$ (180,976)</u> | <u>\$ 14,448,978</u> |
| \$ 4,834,670 | \$ (208,615) | \$ 4,626,055 |
| (13,212,512) | - | (13,212,512) |
| (8,377,842) | (208,615) | (8,586,457) |
| 45,997,196 | 49,094,630 | 95,091,826 |
| <u>\$ 37,619,354</u> | <u>\$ 48,886,015</u> | <u>\$ 86,505,369</u> |

CITY OF MARINA
Balance Sheet
Governmental Funds
June 30, 2015

| | Major Funds | | |
|---|----------------------|----------------------|---------------------|
| | General | CDBG Projects | Impact Fee |
| ASSETS | | | |
| Cash and Investments | \$ 7,764,837 | \$ 171,672 | \$ 6,495,761 |
| Cash (Restricted) | 51 | - | - |
| Prepaid Expenditures | 12,000 | - | - |
| Accrued Receivables | 1,641,257 | - | 2,886 |
| Due from Fiduciary Funds | - | - | - |
| Due from Other Funds (Short-term Cash Flow Loans) | 171,956 | - | - |
| Advances to Other Funds | 75,000 | - | - |
| Notes Receivable | 468,713 | 499,800 | - |
| TOTAL ASSETS | \$ 10,133,814 | \$ 671,472 | \$ 6,498,647 |
| LIABILITIES | | | |
| Accounts Payable | \$ 937,302 | \$ 2,500 | \$ - |
| Other Accrued Payables | 434,194 | - | - |
| Due to Other Funds (Short Term Cash Flow Loans) | - | 171,956 | - |
| Deposits and Other Liabilities | 552,608 | - | - |
| Advances From Other funds (Long Term) | 50,000 | - | - |
| TOTAL LIABILITIES | \$ 1,974,104 | \$ 174,456 | \$ - |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue - State of CA SB-90 Claims | \$ 301,561 | \$ - | \$ - |
| Unavailable Revenue - CDBG Business & Home Loans | - | 499,800 | - |
| Unavailable Revenue - Interfund Loans | - | - | - |
| TOTAL DEFERRED INFLOWS | \$ 301,561 | \$ 499,800 | \$ - |
| FUND BALANCES (DEFICITS) | | | |
| Nonspendable | \$ 715,669 | \$ - | - |
| Restricted | 396,081 | - | 6,498,647 |
| Committed | 603,705 | - | - |
| Assigned | - | - | - |
| Unassigned | 6,142,694 | (2,784) | - |
| TOTAL FUND BALANCE | \$ 7,858,149 | \$ (2,784) | \$ 6,498,647 |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE | \$ 10,133,814 | \$ 671,472 | \$ 6,498,647 |

The notes to financial statements are an integral part of this statement

| Major Funds | | Non-major | Total |
|---------------------|-----------------------|---------------------|----------------------|
| City Capital | Abrams B Bonds | Governmental | Governmental |
| Projects | Debt Service | Funds | Funds |
| \$ 3,683,090 | \$ - | \$ 869,290 | \$ 18,984,650 |
| - | 114,153 | 489,091 | 603,295 |
| - | - | - | 12,000 |
| 1,211,501 | - | 28,639 | 2,884,283 |
| - | - | - | - |
| - | - | - | 171,956 |
| 856,635 | 11,790,000 | - | 12,721,635 |
| - | - | 76,500 | 1,045,013 |
| <u>\$ 5,751,226</u> | <u>\$ 11,904,153</u> | <u>\$ 1,463,520</u> | <u>\$ 36,422,832</u> |
| | | | |
| \$ 40,015 | \$ - | \$ 42,173 | \$ 1,021,990 |
| - | - | - | 434,194 |
| - | - | - | 171,956 |
| - | - | - | 552,608 |
| 75,000 | - | - | 125,000 |
| <u>\$ 115,015</u> | <u>\$ -</u> | <u>\$ 42,173</u> | <u>\$ 2,305,748</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ 301,561 |
| - | - | 76,500 | 576,300 |
| 856,635 | 11,790,000 | - | 12,646,635 |
| <u>\$ 856,635</u> | <u>\$ 11,790,000</u> | <u>\$ 76,500</u> | <u>\$ 13,524,496</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ 715,669 |
| - | 114,153 | 1,185,883 | 8,194,764 |
| 4,779,576 | - | 158,964 | 5,542,245 |
| - | - | - | - |
| - | - | - | 6,139,910 |
| <u>\$ 4,779,576</u> | <u>\$ 114,153</u> | <u>\$ 1,344,847</u> | <u>\$ 20,592,588</u> |
| | | | |
| <u>\$ 5,751,226</u> | <u>\$ 11,904,153</u> | <u>\$ 1,463,520</u> | <u>\$ 36,422,832</u> |

CITY OF MARINA

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015**

| | | |
|--|---------------------|-----------------------------|
| Fund Balance - Total Governmental Funds | | \$ 20,592,588 |
| <p>Amounts reported for governmental activities in the statement of net assets are different because:</p> | | |
| <p>Long-term Accounts Receivable are treated as Deferred Inflows in Governmental Funds, but as revenue in the Statement of Net Position</p> | | 11,790,000 |
| <p>Deferred Outflows of PERS Pension Costs are treated as a component of long-term debt which is not reported in the Funds Balance Sheet</p> | | 2,189,387 |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:</p> | | |
| General Capital Assets | \$ 62,578,370 | |
| Less: Accumulated Depreciation | <u>(20,543,729)</u> | 42,034,641 |
| <p>Long-term liabilities, accrued unmatured bond interest & OPEB Unfunded Annual Required Contribution are not due and payable in the current period, and therefore are not reported in the funds:</p> | | |
| Compensated Absences | (1,137,080) | |
| Bonds Payable | (21,215,000) | |
| Accrued Bond Interest Payable | (107,315) | |
| OPEB Unfunded Annual Required Contribution | (1,304,561) | |
| Capital Leases | <u>(92,773)</u> | (23,856,729) |
| <p>Deferred Inflows of PERS Pension Costs are treated as a component of long-term debt which is not reported in the Funds Balance Sheet</p> | | (3,735,455) |
| <p>Net Pension Liability - PERS Pension Plans is reported as a component of long-term debt which is not reported in the Funds Balance Sheet</p> | | <u>(11,395,078)</u> |
| Net Position of Governmental Activities | | <u><u>\$ 37,619,354</u></u> |

The notes to financial statements are an integral part of this statement

CITY OF MARINA

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2015

| | Major Funds | | |
|---|---------------|---------------|--------------|
| | General | CDBG Projects | Impact Fee |
| REVENUES | | | |
| Taxes | \$ 12,668,922 | \$ - | \$ - |
| Fines and Penalties | 194,540 | - | - |
| Licenses & Permits | 515,123 | - | - |
| Investment Earnings | 26,961 | 409 | 10,658 |
| Charges for Services, Grants & Other Program Revenues | 4,016,198 | 75,244 | 2,315,109 |
| Other General Revenues | 236,379 | - | - |
| Total Revenues | \$ 17,658,123 | \$ 75,653 | \$ 2,325,767 |
| EXPENDITURES | | | |
| General Government | \$ 2,512,974 | \$ - | \$ - |
| Public Safety | 10,551,880 | - | - |
| Public Works | 2,259,238 | - | - |
| Economic & Community Development | 1,188,007 | 180,413 | 656 |
| Recreation & Cultural Services | 892,687 | - | - |
| Public Improvements | - | - | - |
| Debt Service - Principal Retirement | - | - | - |
| Debt Service - Interest and Other Debt Service Costs | - | - | - |
| Total Expenditures | \$ 17,404,786 | \$ 180,413 | \$ 656 |
| EXCESS (DEFICIENCY) OF REVENUES | | | |
| OVER (UNDER) EXPENDITURES | \$ 253,337 | \$ (104,760) | \$ 2,325,111 |
| OTHER FINANCING SOURCES (USES) | | | |
| Long-Term Debt Proceeds & Bond Premium | \$ - | \$ - | \$ - |
| Long-Term Debt Defeasement & Bond Premium | - | - | - |
| Interfund Transfers In | 624,452 | 13,072 | 796,432 |
| Interfund Transfers (Out) | (173,162) | (7,500) | (933,000) |
| Total Other Financing Sources(Uses) | \$ 451,290 | \$ 5,572 | \$ (136,568) |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER | | | |
| (UNDER) EXPENDITURES & OTHER USES | \$ 704,627 | \$ (99,188) | \$ 2,188,543 |
| FUND BALANCES - BEGINNING OF YEAR | 7,404,374 | 96,404 | 4,310,104 |
| Prior Period Adjustment | (250,852) | - | - |
| Fund Balance Beginning of Year - Restated | 7,153,522 | 96,404 | 4,310,104 |
| FUND BALANCES - END OF YEAR | \$ 7,858,149 | \$ (2,784) | \$ 6,498,647 |

The notes to financial statements are an integral part of this statement

| Major Funds | | Non-major | Total |
|---------------------|-----------------------|-----------------------|----------------------|
| City Capital | Abrams B Bonds | Governmental | Governmental |
| Projects | Debt Service | Funds | Funds |
| \$ - | \$ - | \$ 1,190,288 | \$ 13,859,210 |
| - | - | - | 194,540 |
| - | - | - | 515,123 |
| - | 36 | 3,862 | 41,926 |
| 2,137,870 | 820,673 | 367,413 | 9,732,507 |
| 1,003,132 | - | 3,409 | 1,242,920 |
| <u>\$ 3,141,002</u> | <u>\$ 820,709</u> | <u>\$ 1,564,972</u> | <u>\$ 25,586,226</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ 2,512,974 |
| - | - | - | 10,551,880 |
| - | - | 647,451 | 2,906,689 |
| - | - | 79,430 | 1,448,506 |
| - | - | 2,413 | 895,100 |
| 2,528,197 | - | 194,751 | 2,722,948 |
| 71,757 | 345,000 | 245,000 | 661,757 |
| 3,818 | 471,511 | 588,234 | 1,063,563 |
| <u>\$ 2,603,772</u> | <u>\$ 816,511</u> | <u>\$ 1,757,279</u> | <u>\$ 22,763,417</u> |
| | | | |
| <u>\$ 537,230</u> | <u>\$ 4,198</u> | <u>\$ (192,307)</u> | <u>\$ 2,822,809</u> |
| | | | |
| \$ - | \$ - | \$ 7,851,970 | \$ 7,851,970 |
| - | - | (8,253,686) | (8,253,686) |
| 1,186,460 | - | 528,749 | 3,149,165 |
| (796,432) | - | (1,107,639) | (3,017,733) |
| <u>\$ 390,028</u> | <u>\$ -</u> | <u>\$ (980,606)</u> | <u>\$ (270,284)</u> |
| | | | |
| <u>\$ 927,258</u> | <u>\$ 4,198</u> | <u>\$ (1,172,913)</u> | <u>\$ 2,552,525</u> |
| 3,852,318 | 109,955 | 2,517,760 | 18,290,915 |
| - | - | - | (250,852) |
| <u>3,852,318</u> | <u>109,955</u> | <u>2,517,760</u> | <u>18,040,063</u> |
| | | | |
| <u>\$ 4,779,576</u> | <u>\$ 114,153</u> | <u>\$ 1,344,847</u> | <u>\$ 20,592,588</u> |

CITY OF MARINA

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2015**

| | | |
|--|--------------------|---------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 2,301,673 |
| (revenues and other financing sources in excess of expenditures and other financing uses) | | |
| Amounts reported for governmental activities in the Statement of Activities is Different Because: | | |
| Capital outlay is an expenditure in the government funds financial statements, but the costs of those assets is allocated over their estimated useful lives as depreciation expense in the Statement of Activities. | | |
| Capital Asset Acquisitions Net of Dispositions | \$ 2,757,000 | |
| Depreciation Expense | <u>(1,607,012)</u> | 1,149,988 |
| Net change in Pension Cost - GASB-68/71 | | 20,514 |
| Principal portion of Notes Receivable payments are recorded as revenues in governmental funds, but the payment reduces an asset in the Statement of Net Position: Note Principal Payments Received | | |
| | | (346,666) |
| Repayment of long-term debt principal is an expenditure in the government funds financial statement, but the repayment reduces long-term liabilities in the statement of net position. Compensated absences reduce net position but are not included in governmental funds liabilities. Accrued unpaid bond interest & OPEB Unfunded Annual Required Contribution reduces net position but are not recorded as governmental funds expenditures | | |
| Repayment of General Long-term Debt Principal, Net of New Debt | \$ 1,431,758 | |
| OPEB Unfunded Annual Required Contribution | (240,681) | |
| Decrease in Compensated Absences Liability | 135,967 | |
| Decrease in Accrued, Unpaid Bond Interest | <u>131,265</u> | 1,458,309 |
| Prior-Period Adjustment, PERS Pension costs are not recorded in the Governmental Fund Balance Sheet, but is reported as an adjustment of beginning city-wide Net Assets | | <u>(12,961,660)</u> |
| Change in Net Position of Governmental Activities | \$ | <u><u>(8,377,842)</u></u> |

The notes to financial statements are an integral part of this statement

CITY OF MARINA

**Statement of Net Position
Proprietary Funds
June 30, 2015**

| | Airport Operating Fund | Abrams B Housing Fund | Total |
|--|---------------------------------------|--------------------------------------|----------------------|
| ASSETS | | | |
| Cash and Investments | \$ 1,090,317 | \$ 2,920,426 | \$ 4,010,743 |
| Cash (Restricted) | - | 1,191,991 | 1,191,991 |
| Prepaid Expenses | - | 611,068 | 611,068 |
| Accrued Receivables | 43,919 | 2,749 | 46,668 |
| Due from Other Funds (Cash Flow Loans) | - | - | - |
| Inventory | 26,531 | - | 26,531 |
| Advances to Other Funds | 135,000 | - | 135,000 |
| Capital Assets, net | 44,817,664 | 11,153,480 | 55,971,144 |
| Total Assets | <u>\$ 46,113,431</u> | <u>\$ 15,879,714</u> | <u>\$ 61,993,145</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 47,123 | \$ - | \$ 47,123 |
| Accrued Payables | 11,626 | 374,795 | 386,421 |
| Unearned Revenue | - | - | - |
| Deposits & Other Liabilities | 26,951 | - | 26,951 |
| Advances from Other Funds | - | 12,646,635 | 12,646,635 |
| Total Liabilities | <u>\$ 85,700</u> | <u>\$ 13,021,430</u> | <u>\$ 13,107,130</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | \$ 44,817,665 | \$ (1,493,155) | \$ 43,324,510 |
| Unrestricted | 1,210,066 | 4,351,439 | 5,561,505 |
| Total Net Position | <u>\$ 46,027,731</u> | <u>\$ 2,858,284</u> | <u>\$ 48,886,015</u> |

The notes to financial statements are an integral part of this statement

CITY OF MARINA

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2015**

| | Airport Operating Fund | Abrams B Housing Fund | Total |
|--|---------------------------------------|--------------------------------------|----------------------|
| OPERATING REVENUES | | | |
| Rental Income | \$ 719,143 | \$ 3,010,641 | \$ 3,729,784 |
| Aviation Fuel Sales | 357,478 | - | 357,478 |
| Other Income | 158,469 | 48,081 | 206,550 |
| Total Operating Revenues | <u>\$ 1,235,090</u> | <u>\$ 3,058,722</u> | <u>\$ 4,293,812</u> |
| OPERATING EXPENSES | | | |
| Salaries and Benefits | \$ 191,543 | \$ - | \$ 191,543 |
| Services and Supplies | 193,626 | 557,195 | 750,821 |
| Interest Expense | - | 470,412 | 470,412 |
| Cost of Sales - Aviation Fuel | 294,886 | - | 294,886 |
| Rent | - | 385,619 | 385,619 |
| Repairs and Maintenance | 194,223 | 772,026 | 966,249 |
| Utilities | 56,649 | 87,668 | 144,317 |
| Taxes | 11,468 | 65,360 | 76,828 |
| Depreciation and Amortization | 777,763 | 268,665 | 1,046,428 |
| Total Operating Expenses | <u>\$ 1,720,158</u> | <u>\$ 2,606,945</u> | <u>\$ 4,327,103</u> |
| OPERATING INCOME (LOSS) | <u>\$ (485,068)</u> | <u>\$ 451,777</u> | <u>\$ (33,291)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment Earnings | \$ 2,245 | \$ 3,408 | \$ 5,653 |
| Interfund Transfers Out | (180,976) | - | (180,976) |
| Total Nonoperating Revenues (Expenses) | <u>\$ (178,731)</u> | <u>\$ 3,408</u> | <u>\$ (175,323)</u> |
| NET INCOME (LOSS) | <u>\$ (663,799)</u> | <u>\$ 455,184</u> | <u>\$ (208,615)</u> |
| NET POSITION - BEGINNING OF YEAR | 46,691,530 | 2,403,100 | 49,094,630 |
| Prior-Period Adjustment | - | - | - |
| NET POSITION - BEGINNING OF YEAR RESTATED | <u>46,691,530</u> | <u>2,403,100</u> | <u>49,094,630</u> |
| NET POSITION - END OF YEAR | <u>\$ 46,027,731</u> | <u>\$ 2,858,284</u> | <u>\$ 48,886,015</u> |

The notes to financial statements are an integral part of this statement

CITY OF MARINA

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015**

| | Airport Operating Fund | Abrams B Housing Fund | Total |
|--|---------------------------------------|--------------------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 1,271,307 | \$ 3,106,915 | \$ 4,378,222 |
| Payments to Suppliers | (775,158) | (2,417,477) | (3,192,635) |
| Payments to Employees | (186,454) | - | (186,454) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 309,695</u> | <u>\$ 689,438</u> | <u>\$ 999,133</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers (To) From Other Funds (net) | <u>\$ (180,976)</u> | <u>\$ -</u> | <u>\$ (180,976)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Principal Payments on Advances (to)from other Funds | <u>\$ 50,708</u> | <u>\$ (819,664)</u> | <u>\$ (768,956)</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>\$ 50,708</u> | <u>\$ (819,664)</u> | <u>\$ (768,956)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment Earnings | <u>\$ 2,245</u> | <u>\$ 3,408</u> | <u>\$ 5,653</u> |
| Net Increase (Decrease) in Cash | \$ 181,672 | \$ (126,818) | \$ 54,854 |
| Cash - Beginning of Year | <u>908,645</u> | <u>4,239,235</u> | <u>5,147,880</u> |
| Cash - End of Year | <u><u>\$ 1,090,317</u></u> | <u><u>\$ 4,112,417</u></u> | <u><u>\$ 5,202,734</u></u> |

(continued)

The notes to financial statements are an integral part of this statement

CITY OF MARINA

**Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2015**

| | Airport Operating Fund | Abrams B Housing Fund | Total |
|---|---------------------------------------|--------------------------------------|--------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating Income (Loss) | \$ (485,068) | \$ 451,777 | \$ (33,291) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation Expense | 777,763 | 268,665 | 1,046,428 |
| Change in Assets and Liabilities: | | | |
| Prepaid Expenses | - | (78,102) | (78,102) |
| Accounts Receivable | 35,853 | 4,090 | 39,943 |
| Inventory | 36,069 | - | 36,069 |
| Accounts & Accrued Payables | (19,217) | (1,095) | (20,312) |
| Unearned Revenue & Deposits | (35,705) | 44,103 | 8,398 |
| Net Cash Provided (Used) by Operating Activities | \$ 309,695 | \$ 689,438 | \$ 999,133 |
| | | | (concluded) |

The notes to financial statements are an integral part of this statement

CITY OF MARINA

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015**

| | Successor Agency to Redevelopment Agency |
|--|---|
| ASSETS | |
| Cash and Cash Equivalents | \$ 1,064,378 |
| Prepaid Expenses | 11,638 |
| Accrued Receivables | 397 |
| Long-Term Receivable - State of California | 490,000 |
| Capital Assets - Land | 900,000 |
| Total Assets | <u>\$ 2,466,413</u> |
| LIABILITIES | |
| Accounts Payable | \$ 3,218 |
| Accrued Payables | 192 |
| Due to City of Marina Funds | 328,713 |
| Bonds Payable: | |
| Due within One Year | 20,000 |
| Due in More Than One Year | 470,000 |
| Total Liabilities | <u>\$ 822,123</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable Revenue - Property Taxes Received in Advance | <u>\$ 696,137</u> |
| NET POSITION (Held in Trust for Successor Agency to the Marina Redevelopment Agency) | <u>\$ 948,153</u> |

The notes to financial statements are an integral part of this statement

CITY OF MARINA

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2015**

| | Successor Agency to Redevelopment Agency |
|---|---|
| ADDITIONS | |
| Property Taxes | \$ 1,207,955 |
| Investment Earnings | 1,458 |
| Property Tax In-Lieu | 29,139 |
| Transfer fro City of Marina | 49,544 |
| Total Additions | <u>\$ 1,288,096</u> |
| DEDUCTIONS | |
| ROPS Payments: | |
| Programs Costs | \$ 1,108,206 |
| Legal & Professional Fees | 32,662 |
| Employee Costs | 160,456 |
| Occupancy & Operating Costs | 66,742 |
| Total Deductions | <u>\$ 1,368,066</u> |
| Change in Net Position | <u>\$ (79,970)</u> |
| NET POSITION - BEGINNING OF YEAR | <u>1,028,123</u> |
| NET POSITION - END OF YEAR | <u><u>\$ 948,153</u></u> |

The notes to financial statements are an integral part of this statement

CITY OF MARINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General and Other Major Funds
Year Ended June 30, 2015**

| | <u>General Fund</u> | | | Variance Positive (Negative) |
|--|----------------------------|-------------------------|----------------------|---|
| | Original Budget | Final Budget | Actual | |
| REVENUES | | | | |
| Taxes | \$ 11,643,200 | \$ 12,087,600 | \$ 12,668,922 | \$ 581,322 |
| Licenses and Permits | 401,500 | 458,200 | 515,123 | 56,923 |
| Fines and Forfeitures | 183,600 | 182,500 | 194,540 | 12,040 |
| Investment Earnings | 30,000 | 30,000 | 26,961 | (3,039) |
| Charges for Services & Other Program Revenue | 3,696,561 | 3,968,999 | 4,016,198 | 47,199 |
| Other General Revenue | 675,675 | 32,675 | 236,379 | 203,704 |
| Total Revenues | \$ 16,630,536 | \$ 16,759,974 | \$ 17,658,123 | \$ 898,149 |
| EXPENDITURES | | | | |
| General Government | \$ 2,640,750 | \$ 2,964,750 | \$ 2,512,974 | \$ 451,776 |
| Public Safety | 10,623,350 | 10,700,850 | 10,551,880 | 148,970 |
| Public Works | 2,306,350 | 2,273,450 | 2,259,239 | 14,211 |
| Economic & Community Development | 1,031,150 | 1,140,250 | 1,188,006 | (47,756) |
| Recreation & Cultural Services | 925,100 | 925,100 | 892,687 | 32,413 |
| Public Improvements | - | - | - | - |
| Debt Service - Principal | - | - | - | - |
| Debt Service - Interest & Other | - | - | - | - |
| Total Expenditures | \$ 17,526,700 | \$ 18,004,400 | \$ 17,404,786 | \$ 599,614 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | \$ (896,164) | \$ (1,244,426) | \$ 253,337 | \$ 1,497,763 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Inter(intra)fund Transfers In | \$ 606,243 | \$ 763,412 | \$ 624,452 | \$ (138,960) |
| Inter(intra)fund Transfers Out | (106,870) | (367,117) | (173,162) | 193,955 |
| Total Other Financing Sources(Uses) | \$ 499,373 | \$ 396,295 | \$ 451,290 | \$ 54,995 |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES | \$ (396,791) | \$ (848,131) | \$ 704,627 | \$ 1,552,758 |
| FUND BALANCE - BEGINNING OF YEAR | \$ 6,661,104 | \$ 6,661,104 | \$ 7,404,374 | \$ 743,270 |
| Prior-period Adjustment | - | - | (250,852) | (250,852) |
| Fund Balance Beginning - Restated | \$ 6,661,104 | \$ 6,661,104 | \$ 7,153,522 | \$ 492,418 |
| FUND BALANCE - END OF YEAR | \$ 6,264,313 | \$ 5,812,973 | \$ 7,858,149 | \$ 2,045,176 |

The notes to financial statements are an integral part of this statement

| CDBG Projects Fund | | | | Impact Fee Fund | | | |
|--------------------|-------------------|-------------------|------------------------------|---------------------|---------------------|---------------------|------------------------------|
| Original Budget | Final Budget | Actual | Variance Positive (Negative) | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 409 | 409 | - | 7,500 | 10,658 | 3,158 |
| 579,240 | 579,240 | 75,244 | (503,996) | 3,947,900 | 2,102,000 | 2,315,109 | 213,109 |
| - | - | - | - | - | - | - | - |
| <u>\$ 579,240</u> | <u>\$ 579,240</u> | <u>\$ 75,653</u> | <u>\$ (503,587)</u> | <u>\$ 3,947,900</u> | <u>\$ 2,109,500</u> | <u>\$ 2,325,767</u> | <u>\$ 216,267</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 560,840 | 560,840 | 180,413 | 380,427 | - | - | 656 | (656) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 560,840</u> | <u>\$ 560,840</u> | <u>\$ 180,413</u> | <u>\$ 380,427</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 656</u> | <u>\$ (656)</u> |
| \$ 18,400 | \$ 18,400 | \$ (104,760) | \$ (123,160) | \$ 3,947,900 | \$ 2,109,500 | \$ 2,325,111 | \$ 215,611 |
| \$ - | \$ 13,072 | \$ 13,072 | \$ - | \$ 500,000 | \$ 844,477 | \$ 796,432 | \$ (48,045) |
| (7,500) | (7,500) | (7,500) | - | (900,000) | (933,000) | (933,000) | - |
| <u>\$ (7,500)</u> | <u>\$ 5,572</u> | <u>\$ 5,572</u> | <u>\$ -</u> | <u>\$ (400,000)</u> | <u>\$ (88,523)</u> | <u>\$ (136,568)</u> | <u>\$ (48,045)</u> |
| \$ 10,900 | \$ 23,972 | \$ (99,188) | \$ (123,160) | \$ 3,547,900 | \$ 2,020,977 | \$ 2,188,543 | \$ 167,566 |
| \$ 68,516 | \$ 68,516 | \$ 96,404 | \$ 27,888 | \$ 4,309,047 | \$ 4,309,047 | \$ 4,310,104 | \$ 1,057 |
| - | - | - | - | - | - | - | - |
| <u>\$ 68,516</u> | <u>\$ 68,516</u> | <u>\$ 96,404</u> | <u>\$ 27,888</u> | <u>\$ 4,309,047</u> | <u>\$ 4,309,047</u> | <u>\$ 4,310,104</u> | <u>\$ 1,057</u> |
| <u>\$ 79,416</u> | <u>\$ 92,488</u> | <u>\$ (2,784)</u> | <u>\$ (95,272)</u> | <u>\$ 7,856,947</u> | <u>\$ 6,330,024</u> | <u>\$ 6,498,647</u> | <u>\$ 168,623</u> |

(continued)

CITY OF MARINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General and Other Major Funds
Year Ended June 30, 2015**

| | City Capital Projects Fund | | | |
|--|-----------------------------------|-------------------------|---------------------|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and Permits | - | - | - | - |
| Fines and Penalties | - | - | - | - |
| Investment Earnings | - | - | - | - |
| Charges for Services & Program Revenues | 2,286,975 | 2,286,975 | 2,137,870 | (149,105) |
| Other General Revenue | 895,994 | 1,294,026 | 1,003,132 | (290,894) |
| Total Revenues | \$ 3,182,969 | \$ 3,581,001 | \$ 3,141,002 | \$ (439,999) |
| EXPENDITURES | | | | |
| General Government | \$ - | \$ - | \$ - | \$ - |
| Public Safety | - | - | - | - |
| Public Works | - | - | - | - |
| Economic & Community Development | - | - | - | - |
| Recreation & Cultural Services | - | - | - | - |
| Public Improvements | 4,567,729 | 2,668,954 | 2,528,196 | 140,758 |
| Debt Service - Principal | 69,878 | 69,878 | 71,757 | (1,879) |
| Debt Service - Interest & Other | 5,698 | 5,698 | 3,819 | 1,879 |
| Total Expenditures | \$ 4,643,305 | \$ 2,744,530 | \$ 2,603,772 | \$ 140,758 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | \$ (1,460,336) | \$ 836,471 | \$ 537,230 | \$ (299,241) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund Transfers In | \$ 1,057,105 | \$ 1,447,447 | \$ 1,186,460 | \$ (260,987) |
| Interfund Transfers Out | (567,105) | (973,534) | (796,432) | 177,102 |
| Total Other Financing Sources(Uses) | \$ 490,000 | \$ 473,913 | \$ 390,028 | \$ (83,885) |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES | \$ (970,336) | \$ 1,310,384 | \$ 927,258 | \$ (383,126) |
| FUND BALANCE - BEGINNING OF YEAR | \$ 3,255,699 | \$ 3,255,699 | \$ 3,852,318 | \$ 596,619 |
| Prior-period Adjustment | - | - | - | - |
| Fund Balance Beginning - Restated | \$ 3,255,699 | \$ 3,255,699 | \$ 3,852,318 | \$ 596,619 |
| FUND BALANCE - END OF YEAR | \$ 2,285,363 | \$ 4,566,083 | \$ 4,779,576 | \$ 213,493 |

The notes to financial statements are an integral part of this statement

Abrams-B Bonds Debt Service Fund

| Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|----------------------------|-------------------------|-------------------|---|
| \$ - | \$ - | \$ - | \$ - |
| - | - | - | - |
| - | - | - | - |
| - | - | 36 | 36 |
| 829,708 | 829,708 | 820,673 | (9,035) |
| - | - | - | - |
| <u>\$ 829,708</u> | <u>\$ 829,708</u> | <u>\$ 820,709</u> | <u>\$ (8,999)</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 345,000 | 345,000 | 345,000 | - |
| 484,708 | 484,708 | 471,511 | 13,197 |
| <u>\$ 829,708</u> | <u>\$ 829,708</u> | <u>\$ 816,511</u> | <u>\$ 13,197</u> |
| | | | |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,198</u> | <u>\$ 4,198</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ - |
| - | - | - | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | |
| \$ - | \$ - | \$ 4,198 | \$ 4,198 |
| \$ 101,451 | \$ 101,451 | \$ 109,955 | \$ 8,504 |
| - | - | - | - |
| <u>\$ 101,451</u> | <u>\$ 101,451</u> | <u>\$ 109,955</u> | <u>\$ 8,504</u> |
| <u>\$ 101,451</u> | <u>\$ 101,451</u> | <u>\$ 114,153</u> | <u>\$ 12,702</u> |

(concluded)

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

1 - The Reporting Entity

The City of Marina was incorporated in 1975 under the laws of the State of California, and operates under a Council - Manager form of government. The City provides a full range of municipal services including police, fire, public works, recreation & culture, community development and general administration.

These financial statements present the financial status of the City and its component units. The component units discussed in the following paragraph are included in the City's reporting entity because the City is financially accountable for their operations and because the City and both component units share the same governing body.

The Abrams B Non-Profit Corporation was formed to account for operation of a 192-unit multi-family housing development, known as Abrams B Apartments, under a 50-year ground lease from the City of Marina, which owns the property. The ground lease is reported as a capital asset (a leasehold interest) on the balance sheet of the Abrams B Housing Fund. Although a legally separate entity, the Corporation is reported on a blended basis as part of the primary government.

On December 29, 2011, the California Supreme Court upheld Assembly Bill IX 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Marina that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In a letter dated October 9, 2013, the California Department of Finance (DOF) ordered the City of Marina Successor Agency (Agency) to remit to the County Auditor-Controller \$1,286,116, determined by the Department to be unencumbered funds in accordance with Health and Safety code Section 34170.6(f). The City disputed, and continues to dispute the Department's determination of the amount of unencumbered funds and currently has pending a lawsuit against the Department on this matter.

On November 22, 2013, to avoid threatened legal action, the Agency remitted \$583,719 to the Monterey County Auditor-Controller in partial payment of the amount demanded by DOF. In letters dated October 30, 2013 and November 22, 2013, the Agency reiterated its non-waiver of constitutional, statutory, legal, and equitable rights and expressly reserved any and all rights, privileges, and defenses available under law and equity. The lawsuit filed by the Agency against DOF remains pending.

As a result of the litigation, the court decided the Agency may retain \$586,326, which was derived from land sale proceeds and previously transferred to the general fund. Additionally, the DOF issued a revised letter dated May 22, 2014, in which DOF ordered the Agency to remit to the County Auditor-Controller \$633,263 (composed of \$583,719 prior payment to the County Auditor-Controller, \$51,160 disallowable transfer less \$1,616 reconciliation of beginning balances. On November 6, 2014, the Agency remitted the final payment of \$49,544.

In conclusion, the DOF issued a letter dated November 12, 2014, stating the DOF has completed the Finding of Completion for the Marina Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Agency has made full payment of the amounts determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5

Furthermore, within the DOF Finding of Completion, the Agency may now do the following:
Place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4(b)(1). Loan repayments will be governed by criteria in HSC section 34191.4(a)(2).
Utilize proceeds derived from bonds issued prior to January 1, 2011, in a manner consistent with the original bond covenants per HSC section 34191.4(c).

Implementation of Government Accounting Standards Board Statements

Effective July 1, 2015, the City implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 68

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The GASB asserts that this Statement will improve

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

accounting and financial reporting by state and local governments for pensions by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The City believes it is in full compliance with the requirements of this statement for the City's fiscal year ending June 30, 2015.

Government Accounting Standards Board Statement No. 71

In November 2013, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. This statement addresses an issue regarding application of the transition provisions of Statement No. 68 (see above) and eliminates the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68. The provisions of this pronouncement are effective simultaneous with the provisions of Statement 68, and have been implemented for the fiscal year ended June 30, 2015.

Future Government Accounting Standards Board Statements

These statements are not effective until fiscal periods beginning after June 15, 2015, or later. The City has not yet determined the effects of these pronouncements on the financial statements.

Government Accounting Standards Board Statement No. 72

In February, 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. This statement provides guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments, and disclosures related to all fair value measurements. The GASB alleges that this statement will enhance comparability among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques, and will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The City has not determined what impact, if any, this pronouncement will have on its financial statements. Application of this statement is effective for fiscal periods beginning after June 15, 2015.

Government Accounting Standards Board Statement No. 73

In June, 2015, the GASB issued Statement No. 73, Accounting and Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This statement establishes requirements for defined benefit and defined contribution pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statements No. 67 and Statement No. 68. The GASB alleges that this statement will improve financial reporting by establishing a single framework for the presentation of information

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The City has not determine what impact, if any, this pronouncement will have on its financial statements. Application of this statement is effective for fiscal periods beginning after June 15, 2016 except for provisions that affect assets accumulated for the purposes of providing those pensions, or are within the scope of Statements 67 or 68, are effective for fiscal periods beginning after June 15, 2015.

Government Accounting Standards Board Statement No. 74

In June, 2015, the GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement will supersede or amend numerous previous statements pertaining to non-pension post-employment benefit plans, and is effective for fiscal periods beginning after June 15, 2016. The City has not determined what impact, if any, this pronouncement will have on its financial statements.

Government Accounting Standards Board Statement No. 75

In June, 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions. The GASB alleges that this statement will improve accounting and financial reporting for postemployment benefits (OPEB) and improve information provided about financial support for OPEB that is provided by other entities. This statement is effective for fiscal periods beginning after June 15, 2017. The City has not determined what impact, if any, this pronouncement will have on its financial statements.

Government Accounting Standards Board Statement No. 76

In June, 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This statement will identify the hierarchy of generally accepted accounting principles (GAAP), which consists of the sources of accounting principles used to prepare financial statements of state and local governments and the framework for selecting those sources. The GASB alleges that this statement will improve financial reporting by providing the opportunity for broader public input on implementing guidance, by emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP, and by requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. This statement is effective for fiscal periods beginning after June 15, 2015. The City has not determined what impact, if any, this pronouncement will have on its financial statements.

Government Accounting Standards Board Statement No. 77

In August, 2015, the GASB issued Statement No. 77, Tax Abatement Disclosures. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (i) brief descriptive information such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (ii) the gross dollar amount of taxes abated during the period; and (iii) commitments made by the government, other than to abate taxes, as part of a tax abatement

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

agreement. The GASB alleges that this statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present, and make those transactions more transparent. This statement is effective for fiscal periods beginning after December 15, 2015. The City has not determined what impact, if any, this pronouncement will have on its financial statements.

2 - Significant Accounting Policies

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of significant accounting policies.

Basis of Presentation

Government-wide and Fund Financial Statements

Government-wide Statements include the Statement of Net Position and the Statement of Activities, which report information on all activities of the primary government and its component unit. The effect of interfund activity has been eliminated from these statements. The Statement of Net Position presents all assets, including capital assets, as well as short and long-term liabilities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services.

The statement of activities ostensibly demonstrates the extent to which direct expenses of a given function are offset by program revenues. Direct expenses are those identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions restricted to meeting operational or capital requirements of a particular function as well as interest earned on those revenues. Revenues that are not classified as program revenues, including taxes, are general revenue.

Fund Financial Statements provide information separately for governmental funds and proprietary funds. Major individual governmental funds and proprietary funds are reported separately with non-major governmental funds combined in a single column.

Fund Accounting

The City's accounts are organized by funds, each of which is considered a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

Governmental Funds

The General Fund is the City's operating fund and accounts for all financial resources except those accounted for in a separate fund due to third-party or management restrictions.

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

Special Revenue Funds account for the proceeds of revenue sources that are restricted to specific purposes other than major capital projects and debt service.

Capital Projects Funds account for revenues and expenditures for the acquisition or construction of major capital facilities.

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Proprietary Funds

Enterprise Funds account for activities that are financed and operated similar to private business, where the intent is that the costs, including depreciation, of providing goods or services to the general public on a continuing basis be recovered primarily through user charges. The City accounts for the operation of its airport, and the Abrams B Apartments, on this basis.

Major Funds: Generally Accepted Accounting Principles require that fund financial statements disclose each major fund separately, and that all non-major funds be aggregated. The General Fund is always a major fund. Other major funds are those whose assets, liabilities, revenues and/or expenditures exceed ten percent (10%) of the City's governmental funds total for that category, and also exceed five percent (5%) of city-wide totals including enterprise funds for that category. The following five funds are classified as major funds: General Fund which accounts for all on-going general governmental activities not reported in other funds; Abrams-B Bonds Debt Service Fund, which accounts for resources restricted to retirement of Abrams-B Bonds principal and interest, and payment of those debt obligations; the Impact Fee Fund, which accounts for fees collected pursuant to state law for mitigation of the effects of development on City facilities, services and infrastructure; the City Capital Projects Fund, which accounts for resources committed to acquisition and/or construction of general capital assets and infrastructure; and the CDBG Projects Fund which accounts for resources and activities related to various U.S. Community Development Block Grant (CDBG) programs.

Measurement Focus and Basis of Accounting

Measurement focus refers to *what* transactions are reported in a fund. Basis of accounting refers to *when* revenues and expenditures, and the related assets and liabilities, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenditures 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 have been met.

Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Revenues are considered to be available if they are

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred if payable within the aforementioned 60-day availability period, except for debt service payments, and expenditures related to claims, judgments and compensated absences, which are recorded when payment is due.

Major revenue sources susceptible to accrual include substantially all property taxes, taxpayer-assessed taxes, such as sales and use, business license, transient occupancy, franchise fees and gas taxes, interest, special assessments levied, state and federal grants and charges for current services. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures are recorded when the related fund liability is incurred.

Use of Estimates

Financial statement preparation in conformity with accounting principles generally accepted in the United States of America occasionally requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Deposits

See Note 4.

Property Taxes

Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transaction taxes on real property. Local government may impose special taxes, except on real property, with the approval of two-thirds of the qualified electors.

All property taxes are collected and allocated by the County of Monterey to the various taxing entities. Property taxes are determined annually as of January 1 and attach as an enforceable lien on real property as of July 1. Taxes are due November 1 and February 1, and are delinquent if not paid by December 10 and April 10, respectively.

Receivables and Payables

Property, sales and use taxes related to the current fiscal year are accrued as revenue and accounts receivable if considered available (received within 60 days of year end.) Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred.

Long-term loans receivable are recorded to avoid understatement, but offset by deferred revenue

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

because the resources are not available for appropriation.

Balances representing lending/borrowing transactions between funds at the end of the fiscal year are reported as due to/due from (short-term) or advances from/to other funds (long-term). Determination as to whether interfund receivables/payables are short or long term, particularly when formal loan documents do not exist, depends on the facts and circumstances of each transaction and to some extent is necessarily a matter of subjective judgment on the part of Financial Management. Irrespective of the short-or-long-term classification, the total receivable/payable will be correctly stated.

Allowance for Doubtful Accounts

The City recognizes bad debts, on the rare occasion when a bad debt arises, using the direct write-off method due to the uncertainty of recording an allowance in advance, and the public impact of presenting such information on an estimated basis. While accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts, the effect of using the direct write-off method does not differ materially from the results that would be obtained if the allowance method were followed, and Management considers the direct write-off method to be superior.

Inventories and Prepaid Items

The aviation fuel inventory held by the Airport proprietary fund is stated at cost using the First-In-First-Out (FIFO) valuation method. Materials and supplies used by governmental funds are recorded as expenditures at the time they are purchased or obtained. Occasionally, payments to vendors relate to costs applicable to future accounting periods and are recorded as prepaid items; such items are generally not material in amount overall.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are stated at historical cost, or at estimated replacement cost where original cost was not available. Contributed capital assets are valued at estimated fair market value on the date contributed, if ascertainable. The City possesses certain capital assets that were acquired by capital lease, and are recorded as capital assets at cost. The City capitalizes assets whose acquisition or construction cost equals or exceeds:

| | |
|----------------------------|-----------|
| Equipment | \$ 10,000 |
| Buildings and Improvements | 100,000 |
| Infrastructure | 200,000 |

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from four to forty years.

Compensated Absences

Compensated absences represent the vested portion of accumulated vacation, sick leave and

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

compensatory time off. The liability for accumulated leave includes all salary-related payments that are directly and incrementally connected with leave payments to employees. In governmental fund types, the cost of vacation and sick leave benefits is recognized when payments are made to employees.

Upon termination, employees are paid 100% of accrued vacation leave and compensatory time off. Personal Time Off (PTO) and sick leave is paid in accordance with the applicable employee Memorandum of Understanding (MOU) or individual employment contract. A long-term liability of \$1,137,080 for accrued benefits was recorded at June 30, 2015.

Long -Term Obligations

In the government-wide financial statements and proprietary fund financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Except for interfund obligations, long-term debt is not reported in governmental funds.

Encumbrances

Encumbrance accounting is used during the year for budgetary control. Encumbrances lapse at year end.

Fund Balance

The difference between the assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources of a governmental fund is referred to as fund balance or, in the government-wide statements, as net position. (See Note 10 disclosures). Occasionally, a fund's liabilities plus deferred inflows of resources exceed its assets plus deferred outflows of resources, resulting in a deficit fund balance. Following are the deficit fund balances at June 30, 2015, and short explanations:

CDBG Projects Fund: - \$2,784 - CDBG program costs typically occur before grant reimbursements are received.

Prior-Period Adjustment: See Note 10, Fund Balances and Net Assets

Internal Activity Eliminations

Generally Accepted Accounting Principles require that with certain exceptions, the effects of interfund activity be eliminated from the government-wide financial statements by means of consolidation. At June 30, 2015 the City had recorded numerous interfund receivables/payables/transfers between various funds. (See Note 9) For financial reporting purposes, the City discloses all interfund activity in the fund financial statements, but as required by GASB Statement No. 34, eliminates activity between individual Governmental Funds and between individual Enterprise Funds, then eliminates interfund activity between governmental and proprietary funds by disclosing the offsetting amounts as 'Internal Balances' with a resulting zero balance in the statement of net position and statement of activities.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

to pensions, and pension expense, information about the fiduciary net position of the Local Government of Example's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

3 - Stewardship, Compliance and Accountability

Budgetary Information

The City follows these procedures annually in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the ensuing July 1, which includes proposed expenditures and the means of financing them, including anticipated revenues and fund balance carry-forwards.
2. The City Council reviews the proposed budget at special scheduled sessions which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is adopted by Council resolution.
4. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. The City Manager may authorize transfers of revenues and appropriations within and between departments of the General Fund, and within and between projects/departments of any fund.
5. The Finance Director records budget adjustments and realignments as necessary for carryover balances, encumbrances and continuing contracts to eliminate unfavorable budget variances.

4 - Cash and Deposits

Cash and investments reported in the financial statements at June 30, 2015 consist of:

| | |
|--|----------------------|
| Deposits With Financial Institutions | \$ 6,513,674 |
| Local Agency Investment Fund (LAIF) | 14,152,578 |
| Cash Held By Bond Trustees & Fiscal Agents * | 4,118,528 |
| Imprest Cash | <u>5,900</u> |
| Total Cash and Deposits | <u>\$ 24,790,680</u> |

* See following disclosures under 'Cash with Bond Trustees and Fiscal Agents'

The City follows the practice of pooling cash of all funds except cash held by rental agents and cash required to be held by outside agents under the provisions of bond indentures or grants. Interest earned on pooled cash is allocated to the various funds based on average balances. Earnings on cash held by fiscal agents are credited to the related fund.

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

Cash Defined

Cash includes money held by the City and on deposit with financial institutions that can be withdrawn without notice. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value due to fluctuations in interest rates.

Cash Deposits

The California Government Code requires financial institutions to secure deposits made by state or local governmental agencies by pledging securities in an undivided collateral pool held by a depository regulated under state law, unless waived by the government agency. (GC §§53652 & 53653) The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. All deposits held in the City's name by financial institutions comply with state law. In addition, as operating manager of the Abrams B Non-Profit Corporation's rental activity, Alliance Properties Management Company holds approximately \$2,188,881 cash on behalf of the Corporation in the City's name.

Cash with Bond Trustees and Fiscal Agents

At June 30, 2015, Cash with Bond Trustees comprised the following:

| | |
|--|---------------------|
| Wells Fargo Government Money Market Fund | \$ 51 |
| Blackrock Institutional Money Market Funds | <u>1,599,124</u> |
| Total Cash with Bond Trustees | \$ 1,599,175 |
| Cash with Rental Agent: Bank of America Demand Deposit | <u>2,519,353</u> |
| Total cash with Bond Trustees and Fiscal Agent | <u>\$ 4,118,528</u> |

Cash held by trustees on behalf of bond holders are governed by provisions of the indentures rather than the general provisions of the California Government Code or the City's investment policy. Generally, the indentures allow a wide range of investments including investments in money market mutual funds rated AAAM, AAAM-G, or Aaa by Standard & Poors and/or Moody's. During fiscal 2014-15, all investments held by trustees complied with indenture requirements. Cash held by fiscal agent in demand deposit accounts complied in all respects with security and collateralization requirements of the California Government Code:

Investments Authorized by the City's Investment Policy

The City's Investment Policy and Management Plan restricts individual deposits to financial institutions maintaining offices within the City of Marina. Further, unless collateralized as provided in Government Code Sections 53651 & 53652, the maximum amount of Certificates of Deposit that can be placed with any single institution is \$100,000. At June 30, 2015, all City deposits were placed with Rabobank in Marina, and the City had no certificates of deposit.

CITY OF MARINA
Notes to Financial Statements
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With respect to investments, the policy adopts the State of California's provisions relating to local agencies set forth in Government Code: §16429.1 authorizing a local agency to deposit cash with the State of California Local Agency Investment Fund (LAIF); §53635 authorizing a local agency to pool deposits with other local agencies and establishing permitted investments for the pool; and §53601 permitting local governments to invest independently and establishing permitted investments.

While the City's investment policy identifies safety of principal as the foremost objective of the investment program and states that the 'City shall seek to preserve principal by mitigating...credit risk and market risk... .' it contains no specific provisions intended to limit exposure to interest rate risk or concentration of credit risk aside from those contained in the aforementioned Government Code sections. *Interest rate risk* is the risk that changes in market interest rates will adversely affect the value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its value to changes in market interest rates. *Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. *Concentration of credit risk* recognizes that additional risk attaches to a disproportionately large proportion of an investment portfolio placed with a single institution. The City's investment policy limits investments with a single institution (exclusive of government agencies such as LAIF) to no more than 25% of the portfolio. During 2014-15, no investments were placed with any one issuer that exceeded 25% of the total portfolio.

The City's investment policy assigns authority and responsibility to manage the City's investment portfolio to the Finance Director. Pursuant to such authority, during fiscal 2014-15 the only investments were placed with the California LAIF, which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. City deposits in this pool are reported in the accompanying financial statements at cost which approximates fair value. Deposits may be withdrawn without interest or principal penalties on short notice and are more similar to cash than an investment. City deposits with the LAIF at June 30, 2015, totaled \$14,152,578, and Successor Agency deposits with the LAIF totaled \$561,783.

5 - Notes Receivable

Notes receivable of \$499,800 in the CDBG Projects Fund comprise: \$37,927 small business loans made for the implementation of a business assistance program; \$100,000 first-time homebuyer assistance loans that bear annual interest rates ranging from 5% to 6%, with various repayment plans; and a \$361,873 HOME Investment Partnership Program loan to a California nonprofit public benefit corporation for the purpose of assisting with gap financing of a 21-unit rental housing development. This note bears simple interest at 3% and is repayable from 'residual receipts' starting the first calendar year after project completion. As of 6/30/2015, no payments on the loan have been received by the City.

CDBG Housing Fund notes receivable of \$76,500 consist of loans made for low-income housing purchase and rehabilitation. Loans are collateralized by deeds of trust on the purchased or improved properties, bear annual interest rates ranging from 3% to 7%, and require no repayment until transfer of property title, or the loan reaches maturity.

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

6 - Capital Assets

Governmental (General) Capital Assets changed during FY 14-15 as follows:

| | Balance July 1, 2014 | Additions | Deletions | Balance June 30, 2015 |
|--------------------------------|-------------------------|---------------------|------------------|--------------------------|
| Land (non-depreciable) | <u>\$ 1,750,962</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,750,962</u> |
| Buildings & Improvements | 35,105,940 | 11,754 | - | 35,117,694 |
| Equipment | 6,241,301 | 396,169 | (229,497) | 6,407,973 |
| Infrastructure | 16,952,662 | 2,349,078 | | 19,301,740 |
| Cost of Depreciable Assets | <u>58,299,903</u> | <u>2,757,001</u> | <u>(229,497)</u> | <u>60,827,407</u> |
| Less: Accumulated Depreciation | | | | |
| Buildings & Improvements | (11,995,417) | (794,570) | - | (12,789,987) |
| Equipment | (5,077,423) | (385,798) | 229,497 | (5,233,724) |
| Infrastructure | (2,093,372) | (426,645) | | (2,520,017) |
| Total Accumulated Depr'n | <u>(19,166,212)</u> | <u>(1,607,013)</u> | <u>229,497</u> | <u>(20,543,728)</u> |
| Net Depreciable Assets | <u>39,133,691</u> | <u>1,149,988</u> | <u>-</u> | <u>40,283,679</u> |
| Capital Assets, Net | <u>\$ 40,884,653</u> | <u>\$ 1,149,988</u> | <u>\$ -</u> | <u>\$ 42,034,641</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------------|---------------------|
| General Government | \$ 443,645 |
| Public safety | 354,858 |
| Public Works | 71,963 |
| Economic & Community Development | 5,985 |
| Recreation & Cultural Services | 208,303 |
| Public Improvements | <u>522,259</u> |
| Total depreciation expense | <u>\$ 1,607,013</u> |

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Notes to Financial Statements
Year Ended June 30, 2015

Business Activity-Type Assets changed as follows:

| | Balance July 1, 2014 | Additions | Deletions | Balance June 30, 2014 |
|--------------------------------|-------------------------|-----------------------|-------------|--------------------------|
| Land (non-depreciable) | \$ 36,900,000 | \$ - | \$ - | \$ 36,900,000 |
| Buildings | 8,579,544 | - | - | 8,579,544 |
| Improvements | 24,087,173 | - | - | 24,087,173 |
| Equipment | 183,816 | - | - | 183,816 |
| Cost of Depreciable Assets | <u>32,850,533</u> | <u>-</u> | <u>-</u> | <u>32,850,533</u> |
| Less: Accumulated Depreciation | | | | |
| Buildings | (3,900,178) | (241,302) | - | (4,141,480) |
| Improvements | (8,657,299) | (800,675) | - | (9,457,974) |
| Equipment | (175,483) | (4,452) | - | (179,935) |
| Total Accumulated Dep'r'n | <u>(12,732,960)</u> | <u>(1,046,429)</u> | <u>-</u> | <u>(13,779,389)</u> |
| Net Depreciable Assets | <u>20,117,573</u> | <u>(1,046,429)</u> | <u>-</u> | <u>19,071,144</u> |
| Capital Assets, Net | <u>\$ 57,017,573</u> | <u>\$ (1,046,429)</u> | <u>\$ -</u> | <u>\$ 55,971,144</u> |

7 - Long-Term Debt

Following are the long-term debt issues outstanding at June 30, 2015, including a description of each issue:

General Obligation Bonds

1998 General Obligation Refunding Bonds – Authorized and issued June 1998, due in annual installments of \$15,000 to \$65,000 plus accrued interest through August 2019, for the purpose of refunding the 1989 General Obligation Bonds Series A. Interest is payable semi-annually in February and August at 4.4% to 5.6% per annum. (See Note 17, Subsequent Events)

Balance Due \$285,000

General Obligation Bonds

2005 General Obligation Bonds – Authorized and issued May 2005, due in annual installments of \$5,000 to \$695,000 plus accrued interest through August 2035, for the purpose of constructing a new library. Interest is payable semi-annually in February and August at 3% to 5.25% per annum. These bonds were liquidated during fiscal 2014/15. See 2015 General Obligation Refunding Bonds, following)

Balance Due \$ 0

General Obligation Bonds

2007 General Obligation Bonds – Authorized and issued April 2007 as part of a larger offering facilitated by the California Statewide Communities Development Authority, due in annual installments of \$15,000 to \$625,000 plus accrued interest through June 2019, for the purpose of refinancing an unfunded CalPERS pension liability. Interest is payable semi-annually in June and December at 5.21% to 5.3% per annum.

Balance Due \$ 1,470,000

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2015 General Obligation Refunding Bonds

Issued May 12, 2015, due in annual principal installments of \$85,000 to \$605,000 plus accrued interest through August, 2035, for the purpose of refunding all of the City of Marina General Obligation Bonds, Election of 2002, Series 2005, principal balance at refunding \$7,885,000 which were issued for the purpose of constructing and supplying a library facility in the City. Interest is payable semi-annually in August and February at 1.5% to 5% per annum.

Balance Due \$ 7,640,000

Revenue Bonds

2006 Multifamily Housing Revenue Bonds - Authorized and issued November 2006, due in annual installments of \$110,000 to \$160,000 through May 2016, then a lump-sum redemption of \$10,275,000 on November 15, 2036, principal and interest, for the purpose of financing the acquisition of the Abrams B Apartments. Interest is payable semi-annually in May and November at 3.45% to 3.95% per annum.

Balance Due \$ 11,820,000

General Long-Term Debt changed as follows:

| | Balance July 1, 2014 | Increases | Decreases | Balance June 30, 2015 | Due Within 1 Year |
|--------------------------|-------------------------|-----------|-----------|--------------------------|----------------------|
| General Obligation Bonds | \$10,255,000 | 7,640,000 | 8,500,000 | \$9,395,000 | \$ 620,000 |
| Revenue Bonds | 12,165,000 | - | 345,000 | 11,820,000 | 355,000 |
| Limited Obligation Bonds | 155,000 | - | 155,000 | - | - |
| Sub-Total Bonded Debt | \$22,575,000 | 7,640,000 | 9,000,000 | \$21,215,000 | \$ 975,000 |
| Capital Lease Obligation | 164,532 | - | 71,757 | 92,775 | 73,815 |
| Compensated Absences | 1,273,047 | - | 135,967 | 1,137,080 | - |
| Total | \$24,012,579 | 7,640,000 | 9,207,724 | \$22,444,855 | \$ 1,048,815 |

Annual principal and interest requirements on general long-term bonded debt outstanding at June 30, 2015, are as follows:

| Year Ending June 30, | General Obligation Bonds | Revenue Bonds | Total | Interest | Principal |
|----------------------------|--------------------------------|------------------|--------------|--------------|--------------|
| 2016 | 900,430 | 787,715 | 1,688,145 | 713,145 | 975,000 |
| 2017 | 1,084,056 | 458,395 | 1,542,451 | 777,451 | 765,000 |
| 2018 | 628,664 | 458,395 | 1,087,059 | 737,059 | 350,000 |
| 2019 | 664,038 | 458,395 | 1,122,433 | 722,433 | 400,000 |
| 2020 | 536,301 | 458,395 | 994,696 | 704,696 | 290,000 |
| 2021-2025 | 2,605,881 | 2,291,975 | 4,897,856 | 3,407,856 | 1,490,000 |
| 2026-2030 | 2,885,906 | 2,291,975 | 5,177,881 | 3,037,881 | 2,140,000 |
| 2031-2035 | 3,078,160 | 2,291,975 | 5,370,135 | 2,635,135 | 2,735,000 |
| 2036-2037 | 615,588 | 12,422,592 | 13,038,180 | 968,180 | 12,070,000 |
| Subtotal | \$12,999,023 | \$21,919,812 | \$34,918,836 | \$13,703,836 | \$21,215,000 |
| Less Interest | (3,604,023) | (10,099,812) | (13,703,836) | -13,703,836 | - |
| Principal | \$ 9,395,000 | \$11,820,000 | \$21,215,000 | \$ - | \$2,215,000 |

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Notes to Financial Statements
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8 - Capital Leases

A schedule of future minimum lease payments pursuant to a capital lease for NGEN emergency communications equipment, together with the present value of the minimum lease payments at June 30, 2015 follows:

| Year Ending June 30 | Long-Term Debt |
|--|----------------|
| 2016 | \$ 75,577 |
| 2017 | 18,894 |
| | \$ 94,471 |
| Less Interest | -1,696 |
| Principal Portion of Future Lease Payments | \$ 92,775 |

9 - Interfund Transactions

Interfund Loans

Interfund loans are temporary resource transfers between funds for cash-flow and other purposes that will be repaid within a reasonable time pursuant to loan agreements, promissory notes and City Council resolutions. Interfund loans at June 30, 2015 were as follows:

| Due To | Due From | Amount |
|---|----------------------------|---------------|
| General Fund ⁽¹⁾ | City Capital Projects Fund | \$ 75,000 |
| General Fund ⁽¹⁾ | Fiduciary Funds | 243,713 |
| General Fund ⁽¹⁾ | CDBG Projects Fund | 171,956 |
| Abrams B Bond Fund ⁽²⁾ | Abrams B Housing Fund | 11,790,000 |
| City Capital Projects Fund ⁽³⁾ | Abrams B Housing Fund | 856,635 |
| Sub-total Governmental Funds | | \$ 13,137,304 |
| Airport Fund ⁽⁴⁾ | General Fund | \$ 50,000 |
| | Fiduciary funds | 85,000 |
| Sub-total Airport | | \$ 135,708 |
| | Total | \$ 13,272,304 |

(1) Loans due to the General Fund include a \$75,000 non-amortizing loan to the City Capital Projects Fund to finance rehabilitation of a percolation pond in anticipation of sale, which will be repaid as resources permit; two formal, interest-bearing amortizing loans to the Successor Agency to the Marina Redevelopment Agency Fiduciary Fund totaling \$145,655, which the City expects to be repaid as part of the Agency's enforceable debt obligations; a \$48,514 non-interest bearing, non-amortizing loan to the Successor Agency to the Redevelopment Agency Fiduciary Fund which the City expects to be repaid as part of the Agency's enforceable debt obligations; and a second short-term \$49,544 loan to the the Successor Agency to the Redevelopment Agency Fiduciary Fund which the City expects to be repaid as part of the Agency's enforceable debt obligations. Loans to non-major special revenue funds include short-term cash flow loans to the CDBG Projects Fund of \$171,956, which will be repaid as cash flows permit.

(2) The Abrams B Housing Fund borrowed \$14,360,000 from the City on a formal interest-bearing, amortizing promissory note for the purpose of acquiring the Abrams B Housing Project from the Fort Ord reuse Authority. Payments are made in essentially equal annual amounts, and the note will be fully amortized during fiscal year 2035-36.

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Notes to Financial Statements
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(3) The Abrams B Housing Fund owes the City \$856,635 for the purchase of a leasehold interest in the Abrams B Housing Project

(4) The Airport Operating Fund made a \$50,000 loan to the City's Strategic Development Fund (for reporting purposes, merged with the general fund), which will be repaid as resources permit. The Airport Fund also loaned \$85,000 to the Successor Agency to the Marina Redevelopment Agency which the City expects to be repaid as part of the Agency's enforceable debt obligations.

Interfund Transfers

Inter/intrafund transfers are permanent movement of resources between/within funds with no repayment requirement. The following transfers occurred during FY 2014-15 as disclosed on the Statement of Revenues, Expenditures and Changes in Fund Balances, Interfund Transfers In; All Governmental Funds:

| <u>Transfer To</u> | <u>Transfer From</u> | <u>Amount</u> |
|-------------------------------------|----------------------------|---------------------|
| General Fund | Other Governmental Funds | \$ 544,829 |
| | Airport Fund | 79,623 |
| Subtotal General Fund | | <u>\$ 624,452</u> |
| CDBG Projects Fund | General Fund | <u>\$ 13,072</u> |
| City Capital Projects Fund | General Fund | \$ 109,151 |
| | Impact fee Fund | 933,000 |
| | Airport Fund | 35,853 |
| | Other Governmental Funds | 108,456 |
| Subtotal City Capital Projects Fund | | <u>\$ 1,186,460</u> |
| Impact fee Fund | City Capital Projects Fund | <u>\$ 796,432</u> |
| Other Governmental Funds | General Fund | \$ 1,395 |
| | Other Governmental Funds | 461,854 |
| | Airport Fund | 65,500 |
| Subtotal Other Governmental Funds | | <u>\$ 528,749</u> |
| Total | | <u>\$ 3,149,165</u> |

Some interfund transfers that occur on a regular basis; for example, routine annual transfers from the Impact Fee Fund to the Capital Projects Funds to partially finance capital projects, and transfers from other funds to the General Fund for cost allocation, while others occur only as needed.

10 - Fund Balances and Net Assets

Classification

As previously stated, fund financial statements designate the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources, of a governmental fund as 'Fund Balance;' In the City-wide statements, this difference is designated 'Net Assets.' In March 2009, the Government Accounting Standards Board (GASB) issued Statement No. 54 establishing new

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fund balance classifications for governmental funds, which create a fund balance hierarchy based primarily on the extent to which a government must observe constraints imposed upon the use of resources reported in governmental funds. Fund balance reporting standards include *nonspendable*, *restricted*, *committed*, *assigned*, and *unassigned* classifications based on the relative strength of the constraints that control how specific resources can be spent, and the fund(s) in which those resources are reported.

'*Nonspendable*' fund balance are amounts that cannot be spent because they are not in spendable form, such as inventories or prepaid expenses, or because they are legally or contractually required to be maintained intact. This also includes the long-term portion of notes and loans receivable that are not offset by deferred revenue, but does not include imprest cash.

'*Restricted*' fund balance are amounts constrained by external parties that can be spent only for purposes '...stipulated by constitution, external resource providers, or through enabling legislation' such as gas tax cash in the Streets Fund, and cash in Debt Service Funds to repay bonded indebtedness as required by related bond indentures.

'*Committed*' fund balance are amounts that are neither unspendable nor restricted, that are constrained for specific purposes by formal action of the City's highest level of decision-making authority, such as: Council-adopted budget or other resolutions; motions; or minute orders recorded in the official minutes for the meeting at which such limitation is imposed. 'Committed' resources require equal or higher action by the Council to remove or change the constraints placed on those resources.

'*Assigned*' fund balance are amounts intended for specific purposes but are not nonspendable and do not meet the criteria of 'Restricted' or 'Committed.' In all funds except the general fund, 'assigned' fund balance represents the positive amount that is not nonspendable, restricted or committed. 'Assigned' resources can be imposed by the City Council itself, or by the City Manager and/or the Finance Director if authorized by Council action. For example, the Council may delegate authority for making certain budget modifications or setting aside resources for anticipated projects and programs.

'*Unassigned*' fund balance are general fund resources not contained in other classifications or, in non-general funds a deficit balance resulting from overspending for purposes for which amounts were restricted, committed or assigned.

When an expenditure occurs for which both restricted and unrestricted resources are available, the City generally considers the expenditure to have been made from restricted resources. Likewise, when an expenditure occurs for which either committed, assigned or unassigned resources are available, the City generally considers the expenditure to have been made from committed resources.

GASB asserts that the new classifications enhance the usefulness of fund balance measurements by disclosing the extent to which a government must observe constraints imposed on the use of resources reported in governmental funds, and the extent to which resources are available for discretionary purposes. Pursuant to GASB 54 the \$7,858,149 General Fund fund balance, and the \$20,592,588 total governmental fund balances at June 30, 2015 were classified as follows:

| | General Fund | All Funds |
|--------------|--------------------|---------------------|
| Nonspendable | \$ 715,669 | \$ 715,669 |
| Restricted | 396,081 | 8,194,764 |
| Committed | 603,705 | 5,542,245 |
| Assigned | - | - |
| Unassigned | <u>6,142,694</u> | <u>6,139,910</u> |
| Total | <u>\$7,858,149</u> | <u>\$20,592,588</u> |

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Notes to Financial Statements
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Detailed explanations for each category follows:

| Fund | Total | Non- | | | | Nature of Constraint |
|-------------------------|---------------|------------|--------------|--------------|-------------|---|
| | | Spendable | Restricted | Committed | Unassigned | |
| General Fund | \$ 6,142,694 | \$ - | \$ - | \$ - | \$6,142,694 | Unconstrained General Fund balance |
| " | 715,669 | 715,669 | - | - | - | - Non-current portion of loans & advances to other funds & loans to 3rd parties |
| " | 603,705 | - | - | 603,705 | - | - OPEB/library mtnce Costs set aside by Council action |
| " | 396,081 | - | 396,081 | - | - | - Bond trust & grant cash limited by indenture/law |
| Total General Fund | \$ 7,858,149 | \$ 715,669 | \$ 396,081 | \$ 603,705 | \$6,142,694 | |
| Special Revenue Funds | 7,158,077 | - | 7,160,861 | - | (2,784) | Restricted to specific uses by law or grants |
| PEG | 158,964 | - | - | 158,964 | - | - Committed to public access by Council action |
| Landscape Districts | 19,198 | - | 19,198 | - | - | - Restricted by law to specific geographic areas |
| Parks Capital Projects | 801 | - | 801 | - | - | - Restricted to parks use by Quimby Fee law |
| Airport Capital Project | 14,267 | - | 14,267 | - | - | - Restricted to airport improvements by grant |
| City Capital Projects | 4,779,576 | - | - | 4,779,576 | - | - Committed to specific projects by Council action |
| Debt Service Funds | 603,556 | - | 603,556 | - | - | - Restricted to debt service by bond indentures |
| total fund balances | \$ 20,592,588 | \$ 715,669 | \$ 8,194,764 | \$ 5,542,245 | \$6,139,910 | |

Prior-Period Adjustments

General Fund:

Since fiscal 2012/13, the City's police department has participated in the California PRCS Regional Frontline Grant program, for which the City acts as disbursing agent for the State to distribute grant resources. The City receives and deposits all local grant allocations, then at a later date, disburses grant resources to participating local agencies in accordance with grant requirements. During fiscal 2012/13 and 2013/14, grant receipts were recorded in the general fund as revenues rather than liabilities to other local agencies. The balance of undistributed grant resources at June 30, 2014 of \$250,852 was reclassified from General Fund fund balance to liabilities pending distribution as required by the grant. Current year transactions were properly recorded as liability increases and decreases.

City-wide Net Assets:

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions, which requires state and local governments who participate in cost sharing employer pension plans to recognize in their financial statements for the fiscal year ended June 30, 2015, the entire actuarially-determined unfunded pension plan obligations, designated 'Net Pension Liability.' The prior-period adjustment for unfunded pension liabilities was \$12,961,660.

11 Pension Plan

General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the Local Government's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the

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California Public Employees' Retirement System (CalPERS). 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. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

| | Miscellaneous | |
|---|-----------------------------|--------------------------------|
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 2.0% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 55 | 52 - 67 |
| Monthly benefits, as a % of eligible compensation | 2.0% | 1.0% to 2.5% |
| Required employee contribution rates | 7% | 6.25% |
| Required employer contribution rates | 11.522% | 6.25% |
| | | |
| | | |
| | Safety | |
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 3% @ 50 | 2.7% @ 57 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 | 50 - 57 |
| Monthly benefits, as a % of eligible compensation | 3.0% | 2.0% to 2.7% |
| Required employee contribution rates | 9% | 11.50% |
| Required employer contribution rates | 27.849% | 11.50% |

Contributions – Section 20814(c) of the California Public Employees' Retirement Law 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 annually 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 Local Government is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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Notes to Financial Statements
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For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

| | Miscellaneous | Safety |
|---|---------------|-------------|
| Contributions - employer | \$369,492 | \$1,469,902 |
| Contributions - employee (paid by employer) | 89,320 | 151,684 |

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the City of Marina ('City') reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

| | Proportionate Share of Net Pension Liability |
|-----------------------------|---|
| Miscellaneous - Classic | \$ 3,512,009 |
| Miscellaneous - PEPRAs | 12,630 |
| Total Miscellaneous | \$ 3,524,639 |
| Safety - Classic | \$ 7,860,799 |
| Safety - PEPRAs | 9,640 |
| Total Safety | \$ 7,870,439 |
| Total Net Pension Liability | \$ 11,395,078 |

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's 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 of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

| | Miscellaneous | | Safety | |
|---------------------------|---------------|----------|------------|----------|
| | Classic | PEPRA | Classic | PEPRA |
| Proportion-6/30/2013 | 0.15690% | 0.00000% | 0.23976% | 0.00001% |
| Proportion-6/30/2014 | 0.13768% | 0.00000% | 0.20332% | 0.00001% |
| Change-Increase(Decrease) | (0.01922%) | 0.00000% | (0.03644%) | 0.00000% |

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For the year ended June 30, 2015, the City recognized pension expense of \$1,818,879. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$ 1,839,393 | |
| Differences between actual and expected experience | | |
| Changes in assumptions | | |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 349,994 | (\$289,173) |
| Net differences between projected and actual earnings on plan investments | | (3,446,282) |
| Total | \$ 2,189,387 | (\$3,735,455) |

\$1,839,393 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense over a period of 3.8 years, beginning with the year ending June 30, 2016, as follows:

| Year Ended | Outflows | Inflows |
|--------------|--------------------|----------------------|
| June 30 | | |
| 2016 | \$1,930,701 | \$ (1,004,791) |
| 2017 | 91,308 | (942,656) |
| 2018 | 91,308 | (926,437) |
| 2019 | 76,070 | (861,571) |
| Total | \$2,189,387 | (\$3,735,455) |

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Notes to Financial Statements
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Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

| | Miscellaneous | Safety |
|--|------------------------------|---------------|
| Valuation Date | June 30, 2013 | June 30, 2013 |
| Measurement Date | June 30, 2014 | June 30, 2014 |
| Actuarial Cost Method | Entry-Age Normal Cost Method | |
| Actuarial Assumptions: | | |
| Discount Rate | 7.5% | 7.5% |
| Inflation | 2.75% | 2.75% |
| Payroll Growth | 3.0% | 3.0% |
| Projected Salary Increase (1) | 3.3% - 14.2% | 3.3% - 14.2% |
| Investment Rate of Return (2) | 7.5% | 7.5% |
| Mortality (3) | | (3) |
| (1) Depending on age, service and type of employment | | |
| (2) Net of pension plan investment expenses, including inflation | | |
| (3) The mortality table was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, refer to the 2014 experience study report. | | |

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes

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to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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. 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 the long-term expected real rate 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 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 | 47.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0% | 0.99% | 2.43% |
| Inflation Sensitive | 6.0% | 0.45% | 3.36% |
| Private Equity | 12.0% | 6.83% | 6.95% |
| Real Estate | 11.0% | 4.50% | 5.13% |
| Infrastructure and Forestland | 3.0% | 4.50% | 5.09% |
| Liquidity | 2.0% | -0.55% | -1.05% |
| Total | 100% | | |
| (a) An expected inflation of 2.5% used for this period. | | | |
| (b) An expected inflation of 3.0% used for this period. | | | |

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Local Government's proportionate share of the net pension liability would be if it were calculated using a discount rate that

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

is 1-percentage point lower or 1-percentage point higher than the current rate:

| | Miscellaneous | | Safety | |
|-----------------------|---------------|-------|--------------|-------|
| | Classic | PEPRA | Classic | PEPRA |
| 1% Decrease | 6.50% | 6.50% | 6.50% | 6.50% |
| Net Pension Liability | \$6,062,612 | \$5 | \$13,124,517 | \$346 |
| Current Discount Rate | 7.50% | 7.50% | 7.50% | 7.50% |
| Net Pension Liability | \$3,402,729 | \$3 | \$7,626,673 | \$201 |
| 1% Increase | 8.50% | 8.50% | 8.50% | 8.50% |
| Net Pension Liability | \$1,195,280 | \$1 | \$3,096,687 | \$82 |

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

Payable to the Pension Plan - At June 30, 2015, the City reported no payable for contributions to the pension plan required at June 30, 2015.

12 - Post-Retirement Health Care Benefits

Plan Description: The City of Marina participates in the California Public Employees Retirement System (CalPERS), a cost-sharing multiple employer public employee defined benefit pension plan. CalPERS provides postemployment medical insurance benefits to retirees and their spouses who meet plan eligibility requirements in accordance with various labor agreements. Employees are eligible for postretirement medical benefits upon reaching age 50 with a minimum of five years of service. Retirees can enroll in any of the available CalPERS medical plans, and City-provided benefits continue for the life of the retiree and surviving spouse. The City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act (\$101 per month for 2009, \$105 per month in 2010, \$108 per month in 2011, \$112 per month in 2012, \$115 per month in 2013, \$119 per month in 2014; \$122 in 2015, and is projected to be \$125 in 2016. Thereafter, monthly contributions will increase to reflect changes in the medical care component of the Consumer Price Index) Retirees must pay any premium amounts in excess of the City contribution. For each bargaining unit, the minimum amount the City contributes is pro-rated over the 20-year period starting from that unit’s CalPERS coverage.

City’s Funding Policy: The contribution requirements of plan members and the City are established and may be amended by the City Council. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due.) For fiscal year 2014-15, the City contributed \$23,320 to the plan (100% of total current premiums). The City has not established a trust for the purpose of holding assets accumulated for plan benefits.

Annual OPEB Cost and Net OPEB Obligation: The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer*

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

(ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the 2014/15 fiscal year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

| | |
|---|---------------------|
| Annual required contribution (ARC) | \$ 263,159 |
| Interest on Net OPEB Obligation | 47,513 |
| Adjustment to the ARC | <u>-50,799</u> |
| Annual OPEB Cost | \$ 259,873 |
| Less: Contributions made (pay-as-you-go cost) | <u>-19,192</u> |
| Increase in net OPEB obligation | \$ 240,681 |
| Net OPEB obligation - beginning of year | <u>1,063,880</u> |
| Net OPEB obligation - end of year | <u>\$ 1,304,561</u> |

Funded Status and Funding Progress: At June 30, 2014, the funded status of the plan was as follows:

| | |
|---|---------------------|
| Actuarial accrued liability (AAL) | \$ 2,473,479 |
| Actuarial value of plan assets** | <u>0</u> |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 2,473,479</u> |

** GASB 45 requires that cash be placed in trust to be considered 'plan assets.' While the City has segregated \$200,000 in a separate fund, the fund does not qualify as a trust, so the segregated cash is not treated as a 'plan asset.'

| | |
|---|--------------|
| Funded ratio (actuarial value of plan assets/AAL) | 0% |
| Covered payroll (active plan members) | \$ 8,472,033 |
| UAAL as a percentage of covered payroll | 29.2% |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2015, and the preceding years were as follows: (2009/10 was the first GASB-45 year)

| Fiscal Year <u>Ended</u> | Annual OPEB Cost | % of Annual OPEB Cost Contributed | cumulative Net OPEB <u>Obligation</u> |
|--------------------------------|---------------------|---|--|
| 6/30/10 | \$205,257 | 4.75% | \$ 195,497 |
| 6/30/11 | \$224,416 | 5.22% | \$ 408,184 |
| 6/30/12 | \$244,877 | 5.77% | \$ 638,925 |
| 6/30/13 | \$221,072 | 6.97% | \$ 844,580 |
| 6/30/14 | \$239,878 | 8.58% | \$1,063,880 |
| 6/30/15 | \$259,873 | 7.39% | \$1,304,561 |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts 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

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for the benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) 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 Cost Method. The actuarial assumptions included a 4.5 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4.5% including all inflation factors. The UAAL is being amortized as a level percentage of projected payroll over 30 years.

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL)- Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll (b-a)/c |
|--------------------------|-------------------------------|--|---------------------------|--------------------|---------------------|--|
| 6/30/10 | \$ 0 | \$1,617,429 | \$1,617,429 | 0% | \$8,724,150 | 18.5% |
| 6/30/11 | 0 | 1,816,336 | 1,816,336 | 0% | 7,737,432 | 23.5% |
| 6/30/12 | 0 | 2,029,646 | 2,029,646 | 0% | 8,190,417 | 24.8% |
| 6/30/13 | 0 | 2,059,801 | 2,059,801 | 0% | 8,790,527 | 23.4% |
| 6/30/14 | 0 | 2,260,356 | 2,260,356 | 0% | 8,696,119 | 26.0% |
| 6/30/15 | 0 | 2,473,479 | 2,473,479 | 0% | 8,472,033 | 29.2% |

As the City's OPEB benefits are administered by City personnel, no separate financial statements are issued.

13 - Deferred Compensation Plan

The City offers its employees two deferred compensation plans created in accordance with California Code Section 53212 and Internal Revenue Code Section 457 under which employees can defer a portion of their salary until future years. The deferred compensation plan money is a deduction from the employees' salary and is invested with independent retirement trustees. The trustees hold the amounts deferred and any related income on behalf of employees; therefore, the City does not report any deferred compensation in its financial statements.

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

14 - Commitments and Contingencies

Contingent Liabilities

The City receives funding from a number of federal, state and local grant programs, principally the Community Development Block Grants. These programs are subject to financial and compliance review by grantors. Accordingly, the City's compliance with applicable grant requirements will be determined at some future date. Expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time. The City does not expect the undeterminable amounts of disallowed expenditures, if any, to materially affect the financial statements. Receipt of these federal, state and local grant revenues is not assured in the future.

Litigation

Various claims and lawsuits are pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Development

On July 8, 2005, the City of Marina and Marina Community Properties ('MCP') entered into a Development Agreement ('Agreement') for a development commonly referred to as the Dunes on Monterey Bay, a mixed-use development including retail, office, hotel and residential uses.

On May 28, 2010, the City Council approved an administrative modification to the Agreement establishing the time for payment of impact fees and other considerations for a proposed theater. On December 10, 2013, the City Council approved further modifications to the Agreement relating to payment of impact fees for a proposed theater, and agreeing to provide \$275,000 economic investment incentives to assist with the construction costs of the theater. The incentive will only be paid to the theater builder on the condition that certain ownership, size and operational requirements are met, and the incentive will not be paid until the theater is issued an occupancy permit and opens for business. As of the audit opinion date, all conditions had not been met, and the cash incentive had not been paid to the theater owner.

The Specific Plan pursuant to the MCP Agreement for the Dunes on Monterey Bay identified a site for a 'boutique' or mixed-use hotel. On December 17, 2013, the City Council approved an agreement between the City of Marina and Peninsula Hotels Group, providing an economic investment incentive up to \$1 million to assist with construction of the hotel, to partially mitigate additional development costs under the Fort Ord Base Reuse Plan, and to offset impact, plan check and permit fees. Upon the hotel developer's meeting certain size, quality, construction and completion deadlines and payment of normal plan check, permit and development fees at the time of application, the City agreed to defer impact fees of approximately \$737,000. Upon completion of hotel construction and opening for business, the City agreed to apply 50% of the hotel's Transient Occupancy Tax ('TOT') generated and remitted during the hotel's first 48 months of operation, up to a maximum of \$1 million, toward the funding of (deferred) impact fees and other construction costs. In the event the hotel closes or fails within the first 5 years of operation, the hotel owner must refund the City's economic investment incentives, less any amounts previously paid up to \$1 million. As of the audit opinion date,

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

the hotel had not been completed and opened for operation, and no cash incentive payments have been made by the City.

15 - Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases liability, property, errors and omissions, and workers' compensation insurance from the Monterey Bay Area Self Insurance Authority (MBASIA), a risk-sharing program. Under this program, coverage is provided for up to a maximum of \$20,000,000 for each general liability claim less the City's deductible of \$10,000. Statutory coverage is provided for workers' compensation claims. The City is assessed a contribution to cover claims, operating costs and claim settlement expenses based upon an actuarially determined rate for each coverage layer pool. Additional cash contributions may be assessed on the basis of adverse loss experience. If the events of the year result in a negative risk position, the members' annual assessment may be increased in subsequent years. The City is unable to reasonably estimate the probability of MBASIA ending the year in a negative risk position. Refunds to members may be made if funds are determined to be surplus as a result of an actuarial study.

The City currently reports liability risk management activities in the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Workers compensation insurance costs are allocated to various departments proportionate to their total payroll. For the year ended June 30, 2015, the City paid a total of \$1,029,872 to MBASIA for insurance coverage; \$125,649 and \$904,223 for liability and workers compensation insurance, respectively and did not receive a rebate from the program.

16 - Rental Income

The City receives rents from several properties including Abrams B Apartments and Preston Park. Abrams B Apartments are owned by the City through its component unit, the Abrams B Non-Profit Corporation. During the 14-15 fiscal year, Abrams B generated \$3,010,641 in rental income. The City also receives rents from Preston Park. During the 14-15 fiscal year, the City received \$1,743,924 in rents from Preston Park. (See Note 17, Subsequent Events).

17 - Subsequent Events

At June 30, 2015, the unpaid principal balance of the 1998 General Obligation Refunding Bonds Issue was \$285,000, due on August 1, 2015, 2016, 2017, 2018 & 2019 in the amounts of \$50,000, \$55,000, \$55,000, \$60,000 and \$65,000 respectively. Section 2.03(A) of the bond indenture permitted early redemption of all or part of the remaining outstanding bonds, with no early redemption premium, effective August 1, 2008 and thereafter. At June 30, 2015, sufficient cash existed in the debt service fund, and on August 1, 2015, the trustee called and redeemed all remaining outstanding bonds.

On March 3, 2015, the City Council approved creation of and by-laws for the Preston Park

CITY OF MARINA
Notes to Financial Statements
Year Ended June 30, 2015

Community Nonprofit Corporation ('Corporation'), for the purpose of facilitating acquisition and operation of a 96-acre multi-family residential rental property within the City, commonly known as Preston Park. Subsequently, the City acquired Preston Park from the Fort Ord Reuse Authority ('FORA') for \$35,000,000. Simultaneous with that acquisition, the City leased the Preston Park housing facility to the Corporation for 50 years, in consideration of an initial upfront rent payment of \$35,000,000 plus annual additional rents equal to any remaining cash flow generated by the corporation's operation of the facility. To finance its acquisition of the leasehold interest, the Corporation obtained a third-party loan in the amount of \$35,350,000 to cover the initial upfront rent payment plus related acquisition costs. That loan is for 10 years, fixed-rate, interest-only for the first five years, but starting in the sixth year, both principal and interest payments are due based on a 25-year amortization schedule. The Corporation is negotiating a refinancing loan to obtain more favorable terms. As of the audit opinion date, the Corporation has executed a rate lock with a new lender and paid a rate lock deposit which will be refunded to the Corporation at loan closing. If executed, the new loan terms will be 10-year, fixed rate, interest-only, at an interest rate less than or equal to 4.25%. As of the audit opinion date, the new loan has not closed.

REQUIRED SUPPLEMENTARY INFORMATION

**City of Marina
Required Supplementary Information**

**City of Marina, an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2015**

Last 10 Years *

SCHEDULE OF CONTRIBUTIONS

| | 2015 | | | | 2015 |
|--|---------------|------------|--------------|-----------|--------------|
| | Miscellaneous | | Safety | | City-Wide |
| | Classic | PEPRA | Classic | PEPRA | Total |
| Actuarially Determined Contribution | \$ 308,082 | \$ 12,526 | \$ 1,098,162 | \$ 9,300 | \$ 1,428,070 |
| Contributions in relation to the actuarially determined contributions | (308,082) | (12,526) | (1,098,162) | (9,300) | (1,428,070) |
| Contribution Deficiency(Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Employee Payroll | \$ 3,208,550 | \$ 185,400 | \$ 4,461,488 | \$ 77,184 | \$ 7,932,622 |
| Contributions as a Percentage of Covered Employee Payroll | 9.60% | 6.76% | 24.61% | 12.05% | 18.00% |

Notes to Schedule Apply to all plans):

| | |
|---|---|
| Valuation Date: | 6/30/2013 |
| Methods and Assumptions Used to Determine Contribution Rates | |
| Actuarial cost method | Entry Age Normal |
| Amortization Method | Level of Percentage Payroll |
| Remaining Amortization Period | 15 years |
| Asset Valuation Method | 5-Year Smoothed Market |
| Inflation | 3.50% |
| Salary Increases | 4.5% Average, Including Inflation of 3.0% |
| Investment Rate of Return | 7.75%, net of pension plan investment expense, Including Inflation |
| Retirement Age | 67 years |
| Mortality | RP-2000 Healthy Annuitant Mortality Table |

* - Fiscal Year 2015 was the 1st year of implementation, therefore only one year is shown.

**City of Marina
Required Supplementary Information**

**City of Marina, an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2015**

Last 10 Years *

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

| | 2015 | | | | 2015 |
|--|---------------------|------------------|----------------------|------------------|----------------------|
| | Miscellaneous | | Safety | | City-Wide |
| | Classic | PEPRA | Classic | PEPRA | Total |
| Total Pension Liability | | | | | |
| Service Cost | \$ 508,459 | \$ 24,777 | \$ 1,266,840 | \$ 18,993 | \$ 1,819,069 |
| Interest on total pension liability | 1,408,690 | 1 | 2,898,448 | 76 | 4,307,215 |
| Differences between expected and actual experience | - | - | - | - | - |
| Changes in assumptions | - | - | - | - | - |
| Changes in benefits | - | - | - | - | - |
| Benefit payments including refunds of employee contributions | - | - | - | - | - |
| Net change in total pension liability | \$ 1,917,149 | \$ 24,778 | \$ 4,165,288 | \$ 19,069 | \$ 6,126,284 |
| Total pension liability - beginning | 4,649,352 | 4 | 10,098,978 | 266 | 14,748,600 |
| Total pension liability - ending (a) | \$ 6,566,501 | \$ 24,782 | \$ 14,264,266 | \$ 19,335 | \$ 20,874,884 |
| | | | | | |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 365,844 | \$ - | \$ 1,421,096 | \$ - | \$ 1,786,940 |
| Contributions - employee | 92,367 | - | 159,987 | - | 252,354 |
| Projected earnings on investments | 1,063,984 | 1 | 2,151,153 | 57 | 3,215,195 |
| Difference between projected & actual earnings | 1,429,343 | 1 | 2,878,431 | 61 | 4,307,836 |
| Difference in proportions | 18,630 | 12,150 | 267,793 | 9,552 | 308,125 |
| Difference between projected & actual contributions | 84,324 | - | (474,991) | 40 | (390,627) |
| Benefit payments | - | - | - | - | - |
| Net change in plan fiduciary net position | \$ 3,054,492 | \$ 12,152 | \$ 6,403,469 | \$ 9,710 | \$ 9,479,823 |
| Plan fiduciary net position - beginning | - | - | - | - | - |
| Plan fiduciary net position - ending (b) | \$ 3,054,492 | \$ 12,152 | \$ 6,403,469 | \$ 9,710 | \$ 9,479,823 |
| Rounding | - | - | 2 | 15 | 17 |
| Net pension liability (a) - (b) | \$ 3,512,009 | \$ 12,630 | \$ 7,860,799 | \$ 9,640 | \$ 11,395,078 |
| | | | | | |
| Plan fiduciary net position as a percentage of total pension liability | 46.52% | 49.04% | 44.89% | 50.22% | 45.41% |
| Covered - employee payroll | \$ 3,208,550 | \$ 185,400 | \$ 4,461,488 | \$ 77,184 | \$ 7,932,622 |
| Net pension liability as percentage of covered employee payroll | 109.46% | 6.81% | 176.19% | 12.49% | 143.65% |

Notes to schedule:

Benefit changes: In 2015, benefit terms were modified to base miscellaneous employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of miscellaneous employees.

* - Fiscal Year 2015 was the 1st year of implementation, therefore only one year is shown.

City of Marina
Required Supplementary Information
Schedule of Funding Progress - Other Post-Employment Benefits

| <u>Actuarial Valuation Date</u> | <u>Entry Age Normal Cost Actuarial Accrued Liability</u> | <u>Actuarial Value of Assets</u> | <u>Unfunded Liability (Excess Assets)</u> | <u>Funded Ratio</u> | <u>Annual Covered Payroll</u> | <u>Untunded Actuarial Liability as a Percentage of Payroll</u> |
|-------------------------------------|--|--|---|---------------------|---------------------------------------|--|
| July 1, 2009 | \$ 1,617,429 | \$ - | \$ 1,617,429 | 0% | \$ 8,190,417 | 19.75% |
| July 1, 2012 | \$ 2,059,801 | \$ - | \$ 2,059,801 | 0% | \$ 8,696,119 | 23.69% |

OTHER SUPPLEMENTARY INFORMATION

CITY OF MARINA

**General Fund
Combining Balance Sheet
June 30, 2015**

| | General Fund | GASB-45 OPEB Obligation Fund | Library Maintenance Fund | Marina Technology Cluster Fund | Development Activity Fund | Total |
|--|-------------------------|---|---|---|--|----------------------|
| ASSETS | | | | | | |
| Cash and Investments - Unrestricted | \$ 7,161,132 | \$ 200,000 | \$ 403,705 | \$ - | \$ - | \$ 7,764,837 |
| Cash - Restricted | 51 | - | - | - | - | 51 |
| Prepaid Expenditures | 12,000 | - | - | - | - | 12,000 |
| Accrued Receivables | 1,573,151 | - | - | 13,137 | 54,969 | 1,641,257 |
| Interfund Receivables & Payables - Short-term Cash Flow Loans | 1,767,230 | - | - | (9,205) | (1,586,069) | 171,956 |
| Loans & Notes Receivable | 468,713 | - | - | - | - | 468,713 |
| Advances to Other Funds | 75,000 | - | - | - | - | 75,000 |
| TOTAL ASSETS | \$ 11,057,277 | \$ 200,000 | \$ 403,705 | \$ 3,932 | \$ (1,531,100) | \$ 10,133,814 |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ 931,197 | \$ - | \$ - | \$ 1,994 | \$ 4,111 | \$ 937,302 |
| Accrued Payables | 434,194 | - | - | - | - | 434,194 |
| Deposits and Other liabilities | 517,536 | - | - | 8,275 | - | 525,811 |
| Unearned Revenue | 26,797 | - | - | - | - | 26,797 |
| Advances from Other Funds | - | - | - | - | 50,000 | 50,000 |
| TOTAL LIABILITIES | \$ 1,909,724 | \$ - | \$ - | \$ 10,269 | \$ 54,111 | \$ 1,974,104 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable Revenue - State of CA SB-90 Claims | \$ 301,561 | \$ - | \$ - | \$ - | \$ - | \$ 301,561 |
| FUND BALANCES (DEFICITS) | | | | | | |
| Nonspendable | \$ 715,669 | \$ - | \$ - | \$ - | \$ - | \$ 715,669 |
| Restricted | 396,081 | - | - | - | - | 396,081 |
| Committed | - | 200,000 | 403,705 | - | - | 603,705 |
| Assigned | - | - | - | - | - | - |
| Unassigned | 7,734,242 | - | - | (6,337) | (1,585,211) | 6,142,694 |
| TOTAL FUND BALANCE (DEFICIT) | \$ 8,845,992 | \$ 200,000 | \$ 403,705 | \$ (6,337) | \$ (1,585,211) | \$ 7,858,149 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT) | \$ 11,057,277 | \$ 200,000 | \$ 403,705 | \$ 3,932 | \$ (1,531,100) | \$ 10,133,814 |

The notes to financial statements are an integral part of this statement

CITY OF MARINA

**General Fund
Combining Schedule of Revenues, Expenditures & Changes in Net Position
Year Ended June 30, 2015**

| | General Fund | GASB-45 OPEB Obligation Fund | Library Maintenance Fund | Marina Technology Cluster Fund | Development Activity Fund | Total |
|--|-------------------------|---|---|---|--|----------------------|
| REVENUES | | | | | | |
| Taxes | \$ 12,668,922 | \$ - | \$ - | \$ - | \$ - | \$ 12,668,922 |
| Fines and Penalties | 194,540 | - | - | - | - | 194,540 |
| Licenses and Permits | 515,123 | - | - | - | - | 515,123 |
| Investment Earnings | 26,961 | - | - | - | - | 26,961 |
| Charges for Services, Grants & Other Program Revenues | 3,890,236 | - | - | 45,308 | 80,654 | 4,016,198 |
| Other General Revenues | 236,379 | - | - | - | - | 236,379 |
| Total Revenues | \$ 17,532,161 | \$ - | \$ - | \$ 45,308 | \$ 80,654 | \$ 17,658,123 |
| EXPENDITURES | | | | | | |
| General Government | \$ 2,507,252 | \$ - | \$ 5,722 | \$ - | \$ - | \$ 2,512,974 |
| Public Safety | 10,551,880 | - | - | - | - | 10,551,880 |
| Public Works | 2,259,239 | - | - | - | - | 2,259,239 |
| Economic & Community Development | 993,894 | - | - | 66,897 | 127,215 | 1,188,006 |
| Recreation & Cultural Services | 892,687 | - | - | - | - | 892,687 |
| Debt Service - Principal Retirement | - | - | - | - | - | - |
| Debt Service - Interest and Other Debt Service Costs | - | - | - | - | - | - |
| Total Expenditures | \$ 17,204,952 | \$ - | \$ 5,722 | \$ 66,897 | \$ 127,215 | \$ 17,404,786 |
| EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES | \$ 327,209 | \$ - | \$ (5,722) | \$ (21,589) | \$ (46,561) | \$ 253,337 |
| OTHER FINANCING SOURCES(USES) | | | | | | |
| Interfund Transfers In | \$ 5,261 | \$ - | \$ 465,751 | \$ 53,617 | \$ 99,823 | \$ 624,452 |
| Interfund Transfers (Out) | (103,368) | - | (56,324) | (5,000) | (8,470) | (173,162) |
| Total Other Financing Sources(Uses) | \$ (98,107) | \$ - | \$ 409,427 | \$ 48,617 | \$ 91,353 | \$ 451,290 |
| Special Item - Sale of Real Property | - | - | - | - | - | - |
| EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER(UNDER) EXPENDITURES & OTHER USES | \$ 229,102 | \$ - | \$ 403,705 | \$ 27,028 | \$ 44,792 | # \$ 704,627 |
| FUND BALANCES - BEGINNING OF YEAR | \$ 8,867,742 | \$ 200,000 | \$ - | \$ (33,365) | \$ (1,630,003) | \$ 7,404,374 |
| Prior-period Adjustment | (250,852) | - | - | - | - | (250,852) |
| Fund Balance Beginning - Restated | \$ 8,616,890 | \$ 200,000 | \$ - | \$ (33,365) | \$ (1,630,003) | \$ 7,153,522 |
| FUND BALANCES - END OF YEAR | \$ 8,845,992 | \$ 200,000 | \$ 403,705 | \$ (6,337) | \$ (1,585,211) | \$ 7,858,149 |

The notes to financial statements are an integral part of this statement

CITY OF MARINA
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2015

| | CDBG Housing | Streets | National Parks Recreation Services |
|--|-------------------------|-------------------|---|
| ASSETS | | | |
| Cash and Investments | \$ 3,472 | \$ 229,474 | \$ 437,840 |
| Cash (Restricted) | - | - | - |
| Accrued Receivables | 2 | 134 | 172 |
| Notes Receivable | 76,500 | - | - |
| TOTAL ASSETS | <u>\$ 79,974</u> | <u>\$ 229,608</u> | <u>\$ 438,012</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ - | \$ 8,645 | \$ 234 |
| Due to Other Funds (Short Term) | - | - | - |
| Unearned Revenue | - | - | - |
| TOTAL LIABILITIES | <u>\$ -</u> | <u>\$ 8,645</u> | <u>\$ 234</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue - CDBG Business and Home Loans | <u>\$ 76,500</u> | <u>\$ -</u> | <u>\$ -</u> |
| FUND BALANCES (DEFICITS) | | | |
| Nonspendable | \$ - | \$ - | \$ - |
| Restricted | 3,474 | 220,963 | 437,778 |
| Committed | - | - | - |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | <u>\$ 3,474</u> | <u>\$ 220,963</u> | <u>\$ 437,778</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS) | <u>\$ 79,974</u> | <u>\$ 229,608</u> | <u>\$ 438,012</u> |

The notes to financial statements are an integral part of this statement

| Special Revenue Funds | | | | | | |
|------------------------------|--------------------------------------|-----------------------------------|--|---|--------------------------------|--|
| PEG | Marina Woods Ass'm't District | Seabreeze Ass'm't District | Monterey Bay Estates Ass'm't District | Cypress Cove II Ass'm't District | CFD 2007-2 Locke-Paddon | |
| \$ 152,012 | \$ - | \$ 1,441 | \$ 3,354 | \$ 4,535 | \$ 11,959 | |
| - | - | - | - | - | - | |
| 28,003 | - | 1 | 1 | 3 | 6 | |
| - | - | - | - | - | - | |
| <u>\$ 180,015</u> | <u>\$ -</u> | <u>\$ 1,442</u> | <u>\$ 3,355</u> | <u>\$ 4,538</u> | <u>\$ 11,965</u> | |
| | | | | | | |
| \$ 21,051 | \$ - | \$ - | \$ 118 | \$ 386 | \$ 1,598 | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| <u>\$ 21,051</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 118</u> | <u>\$ 386</u> | <u>\$ 1,598</u> | |
| | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| - | - | 1,442 | 3,237 | 4,152 | 10,367 | |
| 158,964 | - | - | - | - | - | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| <u>\$ 158,964</u> | <u>\$ -</u> | <u>\$ 1,442</u> | <u>\$ 3,237</u> | <u>\$ 4,152</u> | <u>\$ 10,367</u> | |
| | | | | | | |
| <u>\$ 180,015</u> | <u>\$ -</u> | <u>\$ 1,442</u> | <u>\$ 3,355</u> | <u>\$ 4,538</u> | <u>\$ 11,965</u> | |

(continued)

CITY OF MARINA

**Non-major Governmental Funds
Combining Balance Sheet
June 30, 2015**

| | Capital Projects | | | Debt Service Funds | | | | | Totals |
|--|------------------|-----------------|----------------------|--------------------|-------------------------------|----------------------|---------------------|-------------------------|---------------------|
| | Airport | Park Facilities | Library Construction | Library Bonds | City General Obligation Bonds | Marina Landing Bonds | Marina Greens Bonds | 2015 GO Refunding Bonds | |
| ASSETS | | | | | | | | | |
| Cash and Investments | \$ 24,403 | \$ 800 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 869,290 |
| Cash (Restricted) | - | - | - | - | 322,188 | 61,128 | 47,081 | 58,694 | 489,091 |
| Accrued Receivables | 5 | 1 | - | - | 121 | 26 | 21 | 143 | 28,639 |
| Notes Receivable | - | - | - | - | - | - | - | - | 76,500 |
| TOTAL ASSETS | <u>\$ 24,408</u> | <u>\$ 801</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 322,309</u> | <u>\$ 61,154</u> | <u>\$ 47,102</u> | <u>\$ 58,837</u> | <u>\$ 1,463,520</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | | |
| LIABILITIES | | | | | | | | | |
| Accounts Payable | \$ 10,141 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 42,173 |
| Due to Other Funds (S/T) | - | - | - | - | - | - | - | - | - |
| Unearned Revenue | - | - | - | - | - | - | - | - | - |
| TOTAL LIABILITIES | <u>\$ 10,141</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 42,173</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | |
| Unavailable Revenue - CDBG Loans | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 76,500 |
| FUND BALANCES (DEFICITS) | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | 14,267 | 801 | - | - | 322,309 | 61,154 | 47,102 | 58,837 | 1,185,883 |
| Committed | - | - | - | - | - | - | - | - | 158,964 |
| Assigned | - | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | <u>\$ 14,267</u> | <u>\$ 801</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 322,309</u> | <u>\$ 61,154</u> | <u>\$ 47,102</u> | <u>\$ 58,837</u> | <u>\$ 1,344,847</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS) | | | | | | | | | |
| | <u>\$ 24,408</u> | <u>\$ 801</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 322,309</u> | <u>\$ 61,154</u> | <u>\$ 47,102</u> | <u>\$ 58,837</u> | <u>\$ 1,463,520</u> |

(concluded)

The notes to financial statements are an integral part of this statement

CITY OF MARINA

Non-major Governmental Funds
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2015

| | Special Revenue Funds | |
|--|--------------------------|---|
| | Streets | National Parks Recreation Services |
| REVENUES | | |
| Taxes | \$ 681,568 | \$ - |
| Investment Earnings | 627 | 835 |
| Grants, Service Charges & Other Program Revenues | - | 102,054 |
| Other Revenue | 3,409 | - |
| Total Revenues | <u>\$ 685,604</u> | <u>\$ 102,889</u> |
| EXPENDITURES | | |
| Public Works | \$ 612,024 | \$ - |
| Economic & Community Development | - | - |
| Recreation & Cultural Services | - | 2,413 |
| Public Improvements | - | - |
| Debt Service - Principal Retirement | - | - |
| Debt Service - Interest & Fees | - | - |
| Total Expenditures | <u>\$ 612,024</u> | <u>\$ 2,413</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>\$ 73,580</u> | <u>\$ 100,476</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Long-Term Debt Proceeds & Bond Premium | \$ - | \$ - |
| Long-Term Debt Defeasement & Bond Premium | - | - |
| Interfund Transfers In | - | - |
| Interfund Transfers(Out) | (109,453) | (50,805) |
| Total Other Financing Sources (Uses) | <u>\$ (109,453)</u> | <u>\$ (50,805)</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | <u>\$ (35,873)</u> | <u>\$ 49,671</u> |
| FUND BALANCES - BEGINNING OF YEAR | <u>256,836</u> | <u>388,107</u> |
| FUND BALANCES - END OF YEAR | <u><u>\$ 220,963</u></u> | <u><u>\$ 437,778</u></u> |

The notes to financial statements are an integral part of this statement

Special Revenue Funds

| PEG | Marina Woods Ass'mt District | Seabreeze Ass'm't District | Monterey Bay Estates Ass'm't District | Cypress Cove II Ass'm't District | CFD 2007-2 Locke- Paddon |
|-------------------|---------------------------------------|----------------------------------|--|---|-----------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | 1 | 5 | 5 | 41 |
| 107,433 | - | 6,706 | 12,379 | 19,409 | - |
| - | - | - | - | - | - |
| <u>\$ 107,433</u> | <u>\$ -</u> | <u>\$ 6,707</u> | <u>\$ 12,384</u> | <u>\$ 19,414</u> | <u>\$ 41</u> |
| | | | | | |
| \$ - | \$ - | \$ 4,200 | \$ 8,261 | \$ 11,653 | \$ 11,312 |
| 79,430 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 79,430</u> | <u>\$ -</u> | <u>\$ 4,200</u> | <u>\$ 8,261</u> | <u>\$ 11,653</u> | <u>\$ 11,312</u> |
| | | | | | |
| <u>\$ 28,003</u> | <u>\$ -</u> | <u>\$ 2,507</u> | <u>\$ 4,123</u> | <u>\$ 7,761</u> | <u>\$ (11,271)</u> |
| | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | 1,395 | - | - | - | - |
| (3,750) | - | (1,740) | (2,871) | (2,751) | - |
| <u>\$ (3,750)</u> | <u>\$ 1,395</u> | <u>\$ (1,740)</u> | <u>\$ (2,871)</u> | <u>\$ (2,751)</u> | <u>\$ -</u> |
| | | | | | |
| \$ 24,253 | \$ 1,395 | \$ 767 | \$ 1,252 | \$ 5,010 | \$ (11,271) |
| 134,711 | (1,395) | 675 | 1,985 | (858) | 21,638 |
| <u>\$ 158,964</u> | <u>\$ -</u> | <u>\$ 1,442</u> | <u>\$ 3,237</u> | <u>\$ 4,152</u> | <u>\$ 10,367</u> |

(continued)

CITY OF MARINA

**Non-major Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2015**

| | <u>Capital Projects Funds</u> | | | | <u>Debt Service Funds</u> | | | | <u>Totals</u> |
|--|-------------------------------|----------------------------|---------------------------------|--------------------------|--|-------------------------------------|------------------------------------|--|-----------------------|
| | <u>Airport</u> | <u>Park Facilities</u> | <u>Library Construction</u> | <u>Library Bonds</u> | <u>City General Obligation Bonds</u> | <u>Marina Landing Bonds</u> | <u>Marina Greens Bonds</u> | <u>2015 GO Refunding Bonds</u> | |
| REVENUES | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 431,818 | \$ 71,916 | \$ - | \$ - | \$ 4,986 | \$ 1,190,288 |
| Investment Earnings | 52 | 5 | 1,209 | 63 | 591 | 100 | 146 | 173 | 3,855 |
| Grants ,Service Chrgs & Other Program Revenues | 99,432 | - | - | - | - | 20,000 | - | - | 367,413 |
| Other Revenue | - | - | - | - | - | - | - | - | 3,409 |
| | <u>\$ 99,484</u> | <u>\$ 5</u> | <u>\$ 1,209</u> | <u>\$ 431,881</u> | <u>\$ 72,507</u> | <u>\$ 20,100</u> | <u>\$ 146</u> | <u>\$ 5,159</u> | <u>\$ 1,564,965</u> |
| EXPENDITURES | | | | | | | | | |
| Public Works | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 647,451 |
| Economic & Community Development | - | - | - | - | - | - | - | - | 79,430 |
| Recreation & Cultural Services | - | - | - | - | - | - | - | - | 2,413 |
| Public Improvements | 194,751 | - | - | - | - | - | - | - | 194,751 |
| Debt Service - Principal Retirement | - | - | - | 40,000 | 50,000 | - | 155,000 | - | 245,000 |
| Debt Service - Interest & Fees | - | - | - | 565,965 | 17,360 | - | 4,908 | - | 588,234 |
| | <u>\$ 194,751</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 605,965</u> | <u>\$ 67,360</u> | <u>\$ -</u> | <u>\$ 159,908</u> | <u>\$ -</u> | <u>\$ 1,757,279</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>\$ (95,267)</u> | <u>\$ 5</u> | <u>\$ 1,209</u> | <u>\$ (174,084)</u> | <u>\$ 5,147</u> | <u>\$ 20,100</u> | <u>\$ (159,762)</u> | <u>\$ 5,159</u> | <u>\$ (192,314)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Long-Term Debt Proceeds & Bond Premium | \$ - | \$ - | \$ - | \$ 7,851,970 | \$ - | \$ - | \$ - | \$ - | \$ 7,851,970 |
| Long-Term Debt Defeasement & Bond Premium | - | - | - | (8,251,286) | - | - | (2,400) | - | (8,253,686) |
| Interfund Transfers In | 65,500 | - | - | 408,176 | - | - | - | 53,678 | 528,749 |
| Interfund Transfers(Out) | - | (1,401) | (873,928) | (56,213) | (1,157) | (2,389) | (1,181) | - | (1,107,639) |
| Total Other Financing Sources (Uses) | <u>\$ 65,500</u> | <u>\$ (1,401)</u> | <u>\$ (873,928)</u> | <u>\$ (47,353)</u> | <u>\$ (1,157)</u> | <u>\$ (2,389)</u> | <u>\$ (3,581)</u> | <u>\$ 53,678</u> | <u>\$ (980,606)</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | <u>\$ (29,767)</u> | <u>\$ (1,396)</u> | <u>\$ (872,719)</u> | <u>\$ (221,437)</u> | <u>\$ 3,990</u> | <u>\$ 17,711</u> | <u>\$ (163,343)</u> | <u>\$ 58,837</u> | <u>\$ (1,172,920)</u> |
| FUND BALANCES - BEGINNING OF YEAR | <u>44,034</u> | <u>2,197</u> | <u>872,719</u> | <u>221,437</u> | <u>318,319</u> | <u>43,443</u> | <u>210,445</u> | <u>-</u> | <u>2,514,293</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 14,267</u> | <u>\$ 801</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 322,309</u> | <u>\$ 61,154</u> | <u>\$ 47,102</u> | <u>\$ 58,837</u> | <u>\$ 1,341,373</u> |

(concluded)

The notes to financial statements are an integral part of this statement

CITY OF MARINA
Fiduciary Funds
Combining Schedule of Net Position
June 30, 2015

| | Successor Agency Operating Fund | Successor Agency Obligation Retirement Fund | Successor Agency Housing Assets Fund | Total |
|--|--|--|---|---------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ - | \$ 959,057 | \$ 105,321 | \$ 1,064,378 |
| Prepaid Expenditures | - | 11,638 | - | 11,638 |
| Accrued Receivables | - | 374 | 23 | 397 |
| Advances (to)from Other Funds, Net | - | (164,747) | 164,747 | - |
| Long-Term Receivable - State of California | - | 490,000 | - | 490,000 |
| Capital Assets - Land | - | - | 900,000 | 900,000 |
| TOTAL ASSETS | <u>\$ -</u> | <u>\$ 1,296,322</u> | <u>\$ 1,170,091</u> | <u>\$ 2,466,413</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ 2,360 | \$ 858 | \$ 3,218 |
| Accrued Payables | - | 192 | - | 192 |
| Due to City of Marina (Long Term) | - | 328,713 | - | 328,713 |
| Bonds Payable: | | | | |
| Due Within One Year | - | 20,000 | - | 20,000 |
| Due in More Than One Year | - | 470,000 | - | 470,000 |
| TOTAL LIABILITIES | <u>\$ -</u> | <u>\$ 821,265</u> | <u>\$ 858</u> | <u>\$ 822,123</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenue - Property Taxes Received in Advance | <u>\$ -</u> | <u>\$ 696,137</u> | <u>\$ -</u> | <u>\$ 696,137</u> |
| Net Position (Held in Trust for Successor Agency to the Marina Redevelopment Agency) | <u>\$ -</u> | <u>\$ (221,080)</u> | <u>\$ 1,169,233</u> | <u>\$ 948,153</u> |

The notes to financial statements are an integral part of this statement

CITY OF MARINA
Fiduciary Funds
Combining Schedule of Changes in Fiduciary Net Position
Year Ended June 30, 2015

| | Successor Agency Operating Fund | Successor Agency Obligation Retirement Fund | Successor Agency Housing Assets Fund | Total |
|--|--|--|---|--------------------------|
| ADDITIONS | | | | |
| Property Taxes (Net of DOF True-Up Adjustment) | \$ - | \$ 1,207,955 | \$ - | \$ 1,207,955 |
| Investment Earnings | - | 1,379 | 79 | 1,458 |
| Property Tax In-Lieu | - | 29,139 | - | 29,139 |
| Transfer from City of Marina | 49,544 | - | - | 49,544 |
| Interfund Transfers | - | - | - | - |
| Total Revenues | <u>\$ 49,544</u> | <u>\$ 1,238,473</u> | <u>\$ 79</u> | <u>\$ 1,288,096</u> |
| DEDUCTIONS | | | | |
| ROPS Payments: | | | | |
| Program Costs | \$ 49,544 | \$ 1,058,662 | \$ - | \$ 1,108,206 |
| Legal & Professional Fees | - | 31,648 | 1,014 | 32,662 |
| Employee Costs | - | 151,894 | 8,562 | 160,456 |
| Occupancy & Operating Costs | - | 66,742 | - | 66,742 |
| Total Expenditures | <u>\$ 49,544</u> | <u>\$ 1,308,946</u> | <u>\$ 9,576</u> | <u>\$ 1,368,066</u> |
| Change in Net Position | \$ - | \$ (70,473) | \$ (9,497) | \$ (79,970) |
| NET POSITION - BEGINNING OF YEAR | - | (150,607) | 1,178,730 | 1,028,123 |
| NET POSITION - END OF YEAR | <u>\$ -</u> | <u>\$ (221,080)</u> | <u>\$ 1,169,233</u> | <u>\$ 948,153</u> |

The notes to financial statements are an integral part of this statement

End