

RESOLUTION NO. 2017-15

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA
RECEIVING AND FILING THE CITY OF MARINA AUDITED ANNUAL FINANCIAL
REPORTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

WHEREAS, after each fiscal year independent auditors examine and test the underlying controls, fiscal records and financial transactions from which the City's Annual Financial Reports are prepared, and issue their opinion on the basic financial statements contained in the reports, and;

WHEREAS, the purpose of the audit is to determine whether, in the auditor's opinion, the financial statements present fairly in all material respects the City's financial position and results of operations for the fiscal year; whether the City is in compliance with significant laws, regulations contracts and grants; and to evaluate the City's system of internal controls, and;

WHEREAS, the auditors, Mann, Urrutia, Nelson CPAs, issued unqualified ("clean") opinion as of and for the year ended June 30, 2016, on the City of Marina's financial statements dated January 6, 2017, and;

WHEREAS, the audit report states "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, 2016, 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.," and;

WHEREAS, in accordance with GASB Statement No. 34, the financial reports include: Management's Discussion and Analysis (MD&A); Basic Financial Statements (including Notes to Financial Statements); Required Supplementary Information; and Supplementary Information, and;

NOW, THEREFORE IT BE RESOLVED, that the City Council of the City of Marina:

1. Receive and file the City of Marina audited Annual Financial Reports (EXHIBIT A) for the fiscal year ended June 30, 2016.

PASSED AND ADOPTED by the City Council of the City of Marina at a regular meeting duly held on the 22nd day of February 2017, by the following vote:

AYES, COUNCIL MEMBERS: Amadeo, Morton, O'Connell, Delgado

NOES, COUNCIL MEMBERS: None

ABSENT, COUNCIL MEMBERS: Brown

ABSTAIN, COUNCIL MEMBERS: None

Bruce C. Delgado, Mayor

ATTEST:

Anita Sharp, Deputy City Clerk

CITY OF MARINA
FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CITY OF MARINA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

CITY OF MARINA
ELECTED OFFICIALS
AND
EXECUTIVE STAFF
JUNE 30, 2016

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

EXECUTIVE STAFF

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	Theresa Symansis
Recreation & Cultural Services Director	Terry Siegrist
Airport Services Manager	Jeff Crechriou

FINANCIAL SECTION



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

INDEPENDENT AUDITOR'S REPORT

To the City Council of
the City of Marina
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 (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension related schedules, and the schedule of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

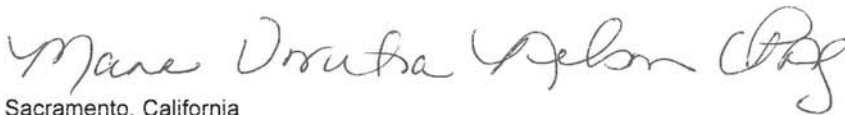
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2017, 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.



Sacramento, California
January 6, 2017

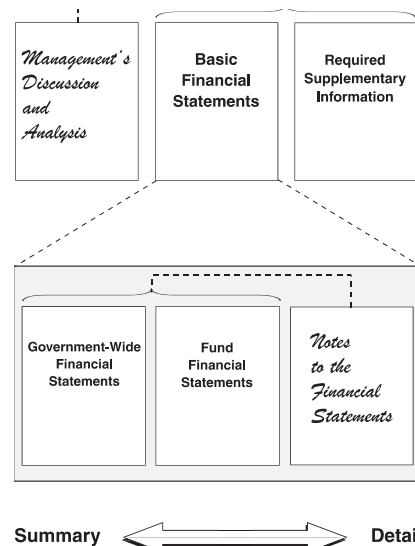
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016. It should be read in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The City's net position at June 30, 2016 was \$129.8 million, a \$43.3 million, 50% increase from June 30, 2015, net position of \$86.5 million. Most of the increase reflects significant extraordinary non-cash transactions which resulted in the acquisition of new capital assets. Purchase of Preston Park Housing, financed by a simultaneous sale of a leasehold interest for operation of that property to the Preston Park Sustainable Community Nonprofit Corporation added \$35.0 million to capital assets, while developer dedication of the former University Villages infrastructure to the City added another \$2.9 million to capital assets. Other capital asset acquisitions, net of depreciation, added an additional \$0.7 million, while a one-time, auditor-mandated reclassification of deferred revenue to revenue increased net position by \$0.6 million. Long-term debt reductions, GASB-34, 45 & 68 net pension and other financial reporting adjustments and enterprise capital contributions added \$2.0 million. Due to an improving economy, routine operations saw increased service charges, taxes and other on-going revenue increases that exceeded operating expenditures and expenses by \$2.4 million. For more detailed information pertaining to general operating results, capital assets acquisitions, long-term debt transactions and pension liabilities, see Notes to Financial Statements.
- During Fiscal 2015/16, City-wide revenues (excluding interfund transfers and extraordinary non-cash capital assets acquisitions) of \$34.8 million exceeded City-wide total expenditures and expenses (excluding interfund transfers and extraordinary non-cash transactions associated with capital assets acquisitions) of \$32.4 million by \$2.4 million. Total FY 2015/16 revenues (excluding interfund transfers and extraordinary non-cash transactions associated with capital assets acquisitions) of \$34.8 million increased by \$4.9 million from the previous year total of \$29.9 million (similarly reduced by extraordinary items) due primarily to new Preston Park rents of \$5.0 million. While individual revenue categories fluctuated slightly, overall general and enterprise revenues remained essentially the same as the previous year. City-wide FY 2015/16 expenditures increased by \$5.3 million, from \$27.1 million in FY 2014/15 to \$32.4 million in FY 2015/16, primarily due to increased spending by the new Preston Park Enterprise Fund (see previous comment regarding a similar revenue increase). While individual expenditure categories varied somewhat, overall, costs remained similar to the previous year.
- On-going General Fund revenues include property (including property in lieu of motor vehicle), sales, transient occupancy and franchise taxes; state subventions; charges for services, grants, contributions and other program revenues; investment earnings and miscellaneous revenues. General Fund revenues, excluding interfund transfers, for fiscal year 2015/16 of \$18.9 million increased by \$1.4 million from \$17.5 million the previous year, an increase of about 7.9%, largely due to a recovering economy. Charges for services and program revenues (rents, licenses, permits, grants, contributions, etc.) of \$4.3 million increased by 11.6%, while property taxes, sales taxes, transient occupancy taxes and Franchise taxes of \$4.9 million, \$5.2 million, \$2.6 million and \$1.1 million increased by 7.3%, 7.5%, 6.4% and 26% respectively. general fund revenues fluctuated in non-material amounts and included: fines & penalties, investment earnings and uncategorized revenues of \$145,000, \$44,000 and \$180,000 respectively. While interest earnings on invested cash was only \$44,000, it should be noted this was almost a 62% increase from the previous year, due partly to larger cash balances and partly to rising interest rates.
- Government costs naturally fluctuate from year-to-year due to program changes, policy decisions and the normal ebb and flow of business activities. For fiscal 2015/16, total General Fund expenditures increased by \$1.3 million from FY 2014/15. The largest increase, \$0.8 million (7.6%) occurred in public safety (police & fire) budgets followed by increases of \$271,000 (10.8%), \$73,000 (8.21%), \$111,000 (5.3%) and \$63,000 (5.23%) increases in General Government, Recreation/Cultural Activities, Economic Development and Public Works expenditures, respectively.
- The City's General Fund reported a fund balance at June 30, 2016 of \$8.9 million, virtually unchanged from the previous year balance of \$8.8 million. Total general fund revenues plus interfund transfers-in of \$19.14 million exceeded expenditures and interfund transfers-out of \$19.07 million by \$70,000, resulting in no significant 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 operations as well as Preston Park 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>	♦ Statement of net position	♦ Balance sheet	♦ Statement of net position	♦ Statement of fiduciary net position
	♦ Statement of activities	♦ Statement of revenues, expenditures & changes in fund balances	♦ Statement of revenues, expenses and changes in fund net position ♦ Statement of cash flows	♦ 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 \$8.9 million equals slightly less than half of a full year's recurring revenues.

The government-wide financial statements of the City include Governmental activities. Most 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 & Impact Fee Fund); some by bond covenants (Debt Service); some by special agreement (Assessment District Maintenance Funds); and some to better manage discrete activities (Public Education Government PEG 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 as well as Preston Park and Abrams B Housing activities, for which the City measures results of operations similar to a commercial activity, are reported in the Marina Municipal Airport, Preston Park Housing and Abrams B Housing enterprise funds. Proprietary funds, like government-wide statements, provide both long and short-term financial information.

SUMMARY FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Total net position of \$129.8 at June 30, 2016 is detailed in Table 1, and results of operations in Table 2. General Fund budget comparison is presented in Table 3. *The information in Tables 1, 2 & 3 is presented somewhat differently than in the financial statements to enable a more consistent and 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 significant budgeted transactions that impact fund balance and results of operations, both in total and in individual funds. 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	
	2016	2015	2016	2015	2016	2015
Assets						
Current Assets						
Cash and Cash Equivalents	20,161	19,588	7,180	5,203	27,341	24,791
Prepaid Expenses	12	-	1,274	611	1,286	611
Internal Balances	13,135	14,489	50	50	13,185	14,539
Other Receivables	3,223	2,896	1,623	47	4,846	2,943
Fuel Inventory	-	-	34	26	34	26
Total Current Assets	36,531	36,973	10,161	5,937	46,692	42,910
Noncurrent Assets						
Long-term Notes & Loans	244	1,045	85	85	329	1,130
Deferred Outflows - PERS	2,311	2,189	-	-	2,311	2,189
Land, Bldgs & Equipment	102,789	62,579	105,101	69,751	207,890	132,330
(Accumulated Depreciation)	-22,205	-20,544	-15,385	-13,780	-37,590	-34,324
Total Noncurrent Assets	83,139	45,269	89,801	56,056	172,940	101,325
Total Assets	119,670	82,242	99,962	61,993	219,632	144,235
Liabilities						
Current Liabilities						
Accounts Payable	1,433	1,022	1,033	47	2,466	1,069
Accrued Liabilities	2,508	1,846	23	386	2,531	2,232
Unearned Revenue	37	27	-	-	37	27
Deferred Inflows - PERS	1,749	3,735	-	-	1,749	3,735
Deposits & Other Liabilities	257	526	31	27	288	553
Internal Balances	50	1,892	13,135	12,647	13,185	14,539
Total Current Liabilities	6,034	9,048	14,222	13,107	20,256	22,155
Long-term Liabilities						
Notes Payable	-	-	35,950	-	35,950	-
Unavailable Revenue	-	1,735	-	-	-	1,735
Net Pension Liability	12,351	11,395	-	-	12,351	11,395
Leases Payable	19	93	-	-	19	93
Bonds	20,005	21,215	-	-	20,005	21,215
Compensated Absences	1,223	1,137	-	-	1,223	1,137
Total Long-term Liabilities	33,598	35,575	35,950	-	69,548	35,575
Total Liabilities	39,632	44,623	50,172	13,107	89,804	57,730
Net Position	80,038	37,619	49,790	48,886	129,828	86,505
Net Investment in Capital Assets						
Restricted	61,460	22,197	42,332	43,325	103,792	65,522
Unrestricted	6,559	8,195	-	-	6,559	8,195
Total Net Position	12,019	7,227	7,458	5,561	19,477	12,788
Total Net Position	80,038	37,619	49,790	48,886	129,828	86,505

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** Fiscal 2015/16 Governmental Funds on-going revenues (excludes interfund transfers and one-time non-cash capital assets transactions) of \$25.5 million remained unchanged from the previous year of \$25.5 (excludes intra/interfund transfers and Long-Term Debt transactions). Non-material variations occurred in individual revenue categories, which management considers to be normal. As Table 2 shows, enterprise operating revenues increased by about \$0.5 million from the previous year, reflecting new enterprise rent revenues generated by Preston Park Corporation, which was acquired on September 15, 2015. Remaining enterprise revenues were consistent with FY 14/15.
- **COSTS** Fiscal 2015/16 on-going Governmental Fund costs (excluding interfund transfers and one-time non-cash capital assets transactions) of \$23.8 million exceeded previous year on-going costs (excluding intra/interfund transfers and L-T Debt transactions) of \$22.8 million, by about \$1 million. \$0.4 million of this increase resulted from early liquidation of general obligation bonded debt, for which sufficient resources had been accumulated, along with annual debt service increases. All increases were within normal operating expectations. As Table 2 indicates, total Enterprise costs rose by about \$4.2 million due to operating costs of Preston Park, which was acquired on September 15, 2015, as mentioned above. Other Enterprise costs remained essentially the same as the previous year.

Table 2Change in Net Position
(in thousands, rounded)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services	4,304	6,521	9,277	4,264	13,581	10,785
Program Income	5,539	3,935	-	35	5,539	3,970
General Revenues:						
Taxes	14,669	13,859	-	-	14,669	13,859
Other Revenues	1,003	1,271	7	-	1,010	1,271
Transfers In	4,676	3,811	-	-	4,676	3,811
Long-term Debt Proceeds	-	7,852	-	-	-	7,852
Total Revenues	30,191	37,249	9,284	4,299	39,475	41,548
Expenditures						
General Government	2,765	2,513	-	-	2,765	2,513
Public Safety	10,835	10,552	-	-	10,835	10,552
Economic Development	2,442	1,448	-	-	2,442	1,448
Recreation	968	895	-	-	968	895
Public Works	1,841	2,907	-	-	1,841	2,907
Public Improvements	2,932	2,798	-	-	2,932	2,798
Debt Service	2,019	1,650	-	-	2,019	1,650
Enterprise Operations	-	-	8,617	4,327	8,617	4,327
Transfers Out	4,550	3,679	126	181	4,676	3,860
Long-term Debt Refinancing	-	8,254	-	-	-	8,254
Total Expenditures	28,352	34,696	8,743	4,508	37,095	39,204
Revenues Over (-)under Expenditures	1,839	2,553	541	-209	2,380	2,344
Net Position Beginning	37,619	45,997	48,886	49,095	86,505	95,092
Prior Period Adjustment	-	-13,213	-	-	-	-13,213
	-	-	-	-	-	-
Capital Asset Contributions	-	-	363	-	363	-
Net Capital Assets incr(decr)	38,550	1,150	-	-	38,550	1,150
Debt (increase)decrease	2,030	1,132	-	-	2,030	1,132
Net Position Ending	80,038	37,619	49,790	48,886	129,828	86,505

GENERAL FUND BUDGET HIGHLIGHTS

The General Fund budget was revised periodically during the year in response to program changes and other situations, 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 of \$18.9 million exceeded the final budget by slightly more than \$0.6 million, and exceeded FY 14/15 revenues of \$17.5 million by \$1.4 million, or 7.9%. Management attributes the revenue increases, which occurred similarly in all major revenue categories, to overall improving local, state and national economies. General fund expenditures of \$18.5 million totaled about \$0.7 million less than the final budget but exceeded FY 14/15 costs by \$1.3 million, reflecting enhanced program delivery enabled by the similar increase in revenues, as previously mentioned.

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	12,761	690	13,451	13,738	287
Licenses & Permits	549	-103	446	545	99
Fines & Penalties	204	-	204	145	-59
Investment Earnings	30	-	30	41	11
Chrgs for Svcs/Program Rev	3,689	387	4,077	4,346	269
Other Revenues	671	-600	71	109	38
Total Revenues	17,904	375	18,279	18,924	645
Expenditures					
General Government	2,666	482	3,148	2,785	363
Public Safety	10,648	554	11,202	11,351	-149
Economic/Community Develop	2,259	152	2,411	2,150	261
Recreation	965	48	1,013	966	47
Public Works	1,228	189	1,417	1,278	139
Total Expenditures	17,766	1,425	19,191	18,530	661
Revenues Over(Under)					
Expenditures	138	-1,050	-912	394	1,306
Net Interfund Transfers In(Out)	123	-139	-16	-324	-308
Revenues Over(Under)					
Expenditures, Transfers & Other Financing Sources	261	-1,189	-928	70	998

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the City has slightly less than \$208 million capital assets (cost before depreciation) including land, equipment, vehicles, buildings, improvements, infrastructure, rental housing, leasehold interests and airport facilities. (See Table 4). During the 2015/16 fiscal year, the City purchased the Preston Park Housing Project for \$35,000,000 (included in 2016 Governmental Activities in Table 4 below) and simultaneously leased the facility to the Preston Park Sustainable Community Nonprofit Corporation for 50 years, for \$35,350,000 (leasehold interest included in 2016 Business-type Activities in Table 4). Detailed discussion of acquisition, disposition and depreciation of general and enterprise capital assets can be found in the Financial Statements and Notes thereto. The City's 2016/17 budget provides for various public improvements. Additional capital expenditures might be approved by the City Council during the 2016/17 fiscal year. Many costs will be provided by federal, state and other grants.

Table 4

Capital Assets
(in thousands, rounded)

	Governmental Activities		Business-type Activity		Total	
	2016	2015	2016	2015	2016	2015
Land	1,751	1,751	36,900	36,900	38,651	38,651
Bldgs, Imprvmnts, Leaseholds	70,169	35,118	68,017	32,667	138,186	67,784
Vehicles & Equipment	6810	6,408	184	184	6,994	6,592
Infrastructure	24,059	19,301	-	-	24,059	19,302
Totals at Historical Cost	102,789	62,578	105,101	69,751	207,890	132,329
Accumulated Depreciation	-22,205	-20,54	-15,385	-13,779	-37,590	-34,323
Net Capital Assets	80,584	42,034	89,716	55,972	170,300	98,006

Long Term Debt

At year-end the City had about \$21¼ million general (non-enterprise) long-term debt consisting of bonds, capital leases and compensated absences (vested benefits payable to employees) outstanding. In addition, during the year the Preston Park Sustainable community Nonprofit Corporation incurred a new \$35,950,000 promissory note to finance the purchase and related costs of the Preston Park Housing Project, as mentioned previously under Capital Assets. All City long-term debt payable to third parties is summarized below in Table 5. During fiscal 2015/16, the City paid \$1,284,007 against pre-existing long-term debt. Compensated absences increased nominally by \$86,131 as a result of employees earning slightly more compensable time off than they used.

Table 5

Long-term Debt
(in thousands, rounded)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Bonds Payable	20,005	21,215	-	-	20,005	21,215
Leases Payable	19	93	-	-	19	93
Compensated Absences	1,223	1,137	-	-	1,223	1,137
General Long-Term Debt	21,247	22,445	-	-	21,247	22,445
Enterprise Debt	-	-	35,950	-	35,950	-
Total Long-Term Debt	21,247	22,445	35,950	-	57,197	22,445

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.

In November, 2016, voters approved Measure U, which permanently updated the City's business licensing schedules and increased business license taxes. The effects of Measure U take do not take effect until July 1, 2017; therefore those increases do not affect business license revenues until Fiscal 2017/2018.

Various economic development projects have been approved by the City Council, and construction on these projects is currently underway. While some additional revenues will be realized during fiscal 2016/2017, most revenues generated by these projects will be realized upon completion, during Fiscal 2017/2018 and thereafter.

Various economic and fiscal indicators were considered, and numerous assumptions necessarily made, when adopting the 2016/17 general fund budget. Amounts available for appropriation for general fund purposes in the 2016/17 budget include an estimated 2015/16 fund balance carry-forward of \$8.1 million, and projected 2016/17 revenues of \$18.8 million. Budgeted expenditures for 2016/17 also total \$18.8 million. If 2016/17 revenues and expenditures are realized as budgeted, the fund balance available for City's General Fund purposes will stay the same at \$8.1 at June 30, 2017. If, during the remainder of fiscal 2016/17 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.

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.

CITY OF MARINA
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and investments (Note 2)	\$ 19,973,159	\$ 6,517,755	\$ 26,490,914
Restricted cash and investments (Note 2)	187,561	661,962	849,523
Accounts receivable, net	3,222,988	1,622,571	4,845,559
Notes receivable, net of allowance (Note 3)	-	-	-
Internal balances	13,084,959	(13,084,959)	-
Advances to Successor Agency	243,713	85,000	328,713
Prepaid items and deposits	12,000	1,274,261	1,286,261
Inventory	-	34,518	34,518
Capital assets (Note 5)			
Land and construction in progress	22,080,651	36,900,000	58,980,651
Capital assets being depreciated, net	<u>58,503,610</u>	<u>52,815,579</u>	<u>111,319,189</u>
Total capital assets	<u>80,584,261</u>	<u>89,715,579</u>	<u>170,299,840</u>
Total Assets	<u>117,308,641</u>	<u>86,826,687</u>	<u>204,135,328</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Changes in the net pension liability (Note 7)	<u>2,311,235</u>	<u>-</u>	<u>2,311,235</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	1,432,574	1,033,025	2,465,599
Accrued payroll and benefits	777,153	22,750	799,903
Interest payable	169,921	-	169,921
Deposits payable	256,293	30,960	287,253
Unearned revenue	37,315	-	37,315
Compensated absences (Note 6):			
Due in more than one year	1,223,211	-	1,223,211
Long-term liabilities (Note 6):			
Due within one year	728,767	-	728,767
Due in more than one year	19,295,000	35,950,000	55,245,000
Other postemployment benefits (Note 8)			
Due in more than one year	1,561,542	-	1,561,542
Net pension liability (Note 7)			
Due in more than one year	<u>12,351,371</u>	<u>-</u>	<u>12,351,371</u>
Total Liabilities	<u>37,833,147</u>	<u>37,036,735</u>	<u>74,869,882</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Changes in the net pension liability (Note 7)	<u>1,748,564</u>	<u>-</u>	<u>1,748,564</u>
<u>NET POSITION</u>			
Net investment in capital assets	61,460,494	42,332,248	103,792,742
Restricted for:			
Debt service	561,785	-	561,785
Public improvements	5,764,693	-	5,764,693
Public Safety	232,716	-	232,716
Unrestricted	<u>12,018,477</u>	<u>7,457,704</u>	<u>19,476,181</u>
Total Net Position	<u>\$ 80,038,165</u>	<u>\$ 49,789,952</u>	<u>\$ 129,828,117</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 3,480,230	\$ 2,494,834	\$ 5,884	\$ -	\$ (979,512)	\$ -	\$ (979,512)
Public safety	9,854,516	786,543	335,011	64,222	(8,668,740)	-	(8,668,740)
Public works	1,873,600	-	5,616	-	(1,867,984)	-	(1,867,984)
Economic & community development	2,441,492	1,252,538	-	-	(1,188,954)	-	(1,188,954)
Recreation & cultural activities	1,179,699	81,713	34,365	-	(1,063,621)	-	(1,063,621)
Public Improvements	1,505,639	1,929,360	-	4,521,158	4,944,879	-	4,944,879
Interest and fiscal charges	796,761	-	-	-	(796,761)	-	(796,761)
Total governmental activities	21,131,937	6,544,988	380,876	4,585,380	(9,620,693)	-	(9,620,693)
Business-type activities:							
Marina Municipal Airport	1,452,945	1,135,525	10,000	-	-	(307,420)	(307,420)
Abrams B Non-profit Corporation	3,224,211	3,197,353	-	-	-	(26,858)	(26,858)
Preston Park Non-profit Corporation	3,940,705	4,934,125	-	-	-	993,420	993,420
Total business-type activities	8,617,861	9,267,003	10,000	-	-	659,142	659,142
Total primary government	\$ 29,749,798	\$ 15,811,991	\$ 390,876	\$ 4,585,380	\$ (9,620,693)	\$ 659,142	\$ (8,961,551)
General revenues:							
Property taxes					\$ 2,719,013	\$ -	\$ 2,719,013
Sales taxes					5,210,921	-	5,210,921
Transient Occupancy Taxes					2,549,531	-	2,549,531
Franchise taxes					1,007,012	-	1,007,012
Motor vehicle in-lieu					2,685,134	-	2,685,134
Other taxes					604,667	-	604,667
Investment earnings					75,584	6,954	82,538
Other general revenue					37,062,047	-	37,062,047
Transfers					125,595	(125,595)	-
Total general revenues					52,039,504	(118,641)	51,920,863
Change in net position					42,418,811	540,501	42,959,312
Net position - July 1, 2015					37,619,354	49,249,451	86,868,805
Net position - June 30, 2016					\$ 80,038,165	\$ 49,789,952	\$ 129,828,117

See accompanying notes to the basic financial statements.

CITY OF MARINA
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Abrams B Debt Service</u>	<u>Other Governmental Funds</u>
<u>ASSETS</u>				
Cash and investments	\$ 6,780,332	\$ 7,015,762	\$ -	\$ 6,177,065
Restricted cash and investments	103	-	187,458	-
Accounts receivable	2,285,404	908,289	-	29,295
Prepaid expenses	12,000	-	-	-
Due from other funds	813,139	-	-	92,098
Notes receivable	-	-	-	576,300
Advances to other funds	<u>318,713</u>	<u>896,391</u>	<u>11,433,331</u>	<u>-</u>
Total Assets	<u>\$ 10,209,691</u>	<u>\$ 8,820,442</u>	<u>\$ 11,620,789</u>	<u>\$ 6,874,758</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 906,508	\$ 290,073	\$ -	\$ 235,993
Accrued payroll and benefits	771,307	-	-	5,846
Deposits payable	256,044	-	-	249
Unearned revenue	37,315	-	-	-
Due to other funds	-	100,000	-	-
Advances from other funds	<u>50,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>2,021,174</u>	<u>465,073</u>	<u>-</u>	<u>242,088</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenues - State of CA SB 90 claims	262,079	-	-	-
Unavailable revenues - FORA	25,000	-	-	-
Unavailable revenues - CDBG loans	-	-	-	576,300
Unavailable revenues - Interfund loans	<u>-</u>	<u>326,499</u>	<u>11,433,331</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>287,079</u>	<u>326,499</u>	<u>11,433,331</u>	<u>576,300</u>
<u>FUND BALANCES</u>				
Nonspendable	543,713	-	-	-
Restricted	446,329	-	187,458	5,925,407
Committed	570,730	8,028,870	-	130,961
Unassigned	<u>6,340,666</u>	<u>-</u>	<u>-</u>	<u>2</u>
Total Fund Balances	<u>7,901,438</u>	<u>8,028,870</u>	<u>187,458</u>	<u>6,056,370</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,209,691</u>	<u>\$ 8,820,442</u>	<u>\$ 11,620,789</u>	<u>\$ 6,874,758</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
BALANCE SHEET (continued)
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>Total Governmental Funds</u>
<u>ASSETS</u>	
Cash and investments	\$ 19,973,159
Restricted cash and investments	187,561
Accounts receivable	3,222,988
Prepaid expenses	12,000
Due from other funds	905,237
Notes receivable	576,300
Advances to other funds	<u>12,648,435</u>
Total Assets	<u>\$ 37,525,680</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 1,432,574
Accrued payroll and benefits	777,153
Deposits payable	256,293
Unearned revenue	37,315
Due to other funds	100,000
Advances from other funds	<u>125,000</u>
Total Liabilities	<u>2,728,335</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable revenues - State of CA SB 90 claims	262,079
Unavailable revenues - FORA	25,000
Unavailable revenues - CDBG loans	576,300
Unavailable revenues - Interfund loans	<u>11,759,830</u>
Total Deferred Inflows of Resources	<u>12,623,209</u>
<u>FUND BALANCES</u>	
Nonspendable	543,713
Restricted	6,559,194
Committed	8,730,561
Unassigned	<u>6,340,668</u>
Total Fund Balances	<u>22,174,136</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 37,525,680</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balances of governmental funds	\$ 22,174,136
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds, net of accumulated depreciation of \$22,204,579.	80,584,261
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Certain notes, loans, accounts and interest receivables are not available to pay for current period expenditures and therefore are offset by deferred inflows of resources in the governmental funds.	12,046,909
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Deferred outflows of resources related to changes in the net pension liability are not reported in the governmental funds.	2,311,235
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Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.	
Long-term liabilities	(20,023,767)
Compensated absences	(1,223,211)
Net OPEB obligation	(1,561,542)
Interest payable	(169,921)
Net pension liability	(12,351,371)
Deferred inflows related to changes in the net pension liability	<u>(1,748,564)</u>

Net position of governmental activities	\$ <u>80,038,165</u>
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See accompanying notes to the basic financial statements.

CITY OF MARINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Abrams B Debt Service</u>	<u>Other Governmental Funds</u>
<u>REVENUES</u>				
Taxes and assessments	\$ 13,737,673	\$ -	\$ -	\$ 1,038,605
Licenses, permits, and fees	545,288	-	-	-
Fines and forfeitures	144,598	-	-	-
Investment earnings	41,376	-	36	34,172
Intergovernmental	925,417	1,659,474	-	64,222
Charges for services	3,385,998	25,000	-	1,904,360
Other revenues	<u>38,056,105</u>	<u>629,642</u>	<u>886,307</u>	<u>92,801</u>
Total Revenues	<u>56,836,455</u>	<u>2,314,116</u>	<u>886,343</u>	<u>3,134,160</u>
<u>EXPENDITURES</u>				
Current:				
General government	2,765,029	-	-	845
Public safety	10,425,058	-	-	-
Public works	1,200,231	-	-	584,706
Economic & community development	2,117,120	-	-	324,857
Recreation & cultural services	939,508	-	-	25,105
Capital outlay	38,372,703	2,828,595	-	113,205
Debt service:				
Principal	570,000	74,007	355,000	285,000
Interest and fiscal charges	<u>78,888</u>	<u>1,570</u>	<u>458,038</u>	<u>195,659</u>
Total Expenditures	<u>56,468,537</u>	<u>2,904,172</u>	<u>813,038</u>	<u>1,529,377</u>
Excess (Deficiency) of Revenues over Expenditures	<u>367,918</u>	<u>(590,056)</u>	<u>73,305</u>	<u>1,604,783</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	219,123	3,939,350	-	510,839
Transfers out	<u>(543,752)</u>	<u>(100,000)</u>	<u>-</u>	<u>(3,899,965)</u>
Total Other Financing Sources (Uses)	<u>(324,629)</u>	<u>3,839,350</u>	<u>-</u>	<u>(3,389,126)</u>
Net Change in Fund Balances	43,289	3,249,294	73,305	(1,784,343)
Fund Balances - July 1, 2015	<u>7,858,149</u>	<u>4,779,576</u>	<u>114,153</u>	<u>7,840,713</u>
Fund Balances - June 30, 2016	<u>\$ 7,901,438</u>	<u>\$ 8,028,870</u>	<u>\$ 187,458</u>	<u>\$ 6,056,370</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Total Governmental Funds</u>
<u>REVENUES</u>	
Taxes and assessments	\$ 14,776,278
Licenses, permits, and fees	545,288
Fines and forfeitures	144,598
Investment earnings	75,584
Intergovernmental	2,649,113
Charges for services	5,315,358
Other revenues	<u>39,664,855</u>
Total Revenues	<u>63,171,074</u>
<u>EXPENDITURES</u>	
Current:	
General government	2,765,874
Public safety	10,425,058
Public works	1,784,937
Economic & community development	2,441,977
Recreation & cultural services	964,613
Capital outlay	41,314,503
Debt service:	
Principal	1,284,007
Interest and fiscal charges	<u>734,155</u>
Total Expenditures	<u>61,715,124</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,455,950</u>
<u>OTHER FINANCING SOURCES (USES)</u>	
Transfers in	4,669,312
Transfers out	<u>(4,543,717)</u>
Total Other Financing Sources (Uses)	<u>125,595</u>
Net Change in Fund Balances	1,581,545
Fund Balances - July 1, 2015	<u>(17,436)</u>
Fund Balances - June 30, 2016	<u>\$ 22,174,136</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities:

Net change in fund balances - total governmental funds	\$ 1,581,545
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital asset purchases	40,387,023
Depreciation expense	(1,834,571)
Government funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.	(2,833)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Proceeds from long-term liabilities are reported as other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position.	
Debt principal payments	1,284,007
Compensated absence expenditures reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period.	(86,131)
Accrued interest payable is interest due on long-term liabilities. This is the net change in accrued interest in the current period.	(62,606)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Pension expense related to deferred outflows and inflows of resources	1,152,446
Other postemployment benefits	(256,981)
Some revenues reported in the Statement of Activities will not be collected for several months after year-end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds.	<u>256,912</u>
Change in net position of governmental activities	<u>\$ 42,418,811</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-type Activities - Enterprise Funds			
	Marina Municipal Airport	Abrams B Housing	Preston Park Housing	Totals
<u>ASSETS</u>				
Current Assets				
Cash and investments	\$ 1,453,296	\$ 2,583,470	\$ 2,480,989	\$ 6,517,755
Restricted cash and investments	-	661,962	-	661,962
Accounts receivable, net	20,494	723,495	878,582	1,622,571
Prepaid expenses	-	779,245	495,016	1,274,261
Inventory	<u>34,518</u>	<u>-</u>	<u>-</u>	<u>34,518</u>
Total Current Assets	<u>1,508,308</u>	<u>4,748,172</u>	<u>3,854,587</u>	<u>10,111,067</u>
Non Current Assets				
Advances to other funds	135,000	-	-	135,000
Capital assets:				
Land and construction in progress	36,900,000	-	-	36,900,000
Depreciable assets, net	<u>7,140,472</u>	<u>10,884,815</u>	<u>34,790,292</u>	<u>52,815,579</u>
Total Non-Current Assets	<u>44,175,472</u>	<u>10,884,815</u>	<u>34,790,292</u>	<u>89,850,579</u>
Total Assets	<u>45,683,780</u>	<u>15,632,987</u>	<u>38,644,879</u>	<u>99,961,646</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	\$ 31,549	\$ 650	\$ -	\$ 32,199
Accrued salaries and benefits	22,750	-	-	22,750
Accrued liabilities	-	375,979	624,847	1,000,826
Deposits payable	30,960	-	-	30,960
Due to other funds	-	92,098	713,139	805,237
Total Current Liabilities	<u>85,259</u>	<u>468,727</u>	<u>1,337,986</u>	<u>1,891,972</u>
Non-Current Liabilities				
Advances from other funds	-	12,329,722	-	12,329,722
Loan payable - noncurrent	<u>-</u>	<u>-</u>	<u>35,950,000</u>	<u>35,950,000</u>
Total Non-Current Liabilities	<u>-</u>	<u>12,329,722</u>	<u>35,950,000</u>	<u>48,279,722</u>
Total Liabilities	<u>85,259</u>	<u>12,798,449</u>	<u>37,287,986</u>	<u>50,171,694</u>
<u>NET POSITION:</u>				
Net investment in capital assets	44,040,472	(548,516)	(1,159,708)	42,332,248
Unrestricted	<u>1,558,049</u>	<u>3,383,054</u>	<u>2,516,601</u>	<u>7,457,704</u>
Total Net Position	<u>\$ 45,598,521</u>	<u>\$ 2,834,538</u>	<u>\$ 1,356,893</u>	<u>\$ 49,789,952</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds			
	Marina Municipal Airport	Abrams B Housing	Preston Park Housing	Totals
<u>OPERATING REVENUES</u>				
Rental income	\$ 681,715	\$ 3,157,211	\$ 4,888,812	\$ 8,727,738
Sale of fuel	242,492	-	-	242,492
Grant revenue	10,000	-	-	10,000
Other revenue	<u>211,318</u>	<u>40,142</u>	<u>45,313</u>	<u>296,773</u>
Total Operating Revenue	<u>1,145,525</u>	<u>3,197,353</u>	<u>4,934,125</u>	<u>9,277,003</u>
<u>OPERATING EXPENSES</u>				
Salaries and benefits	143,253	-	-	143,253
Services and supplies	127,869	502,251	543,760	1,173,880
Repairs and maintenance	154,196	1,461,443	386,587	2,002,226
Cost of sales - aviation fuel	177,640	-	-	177,640
Utilities	54,429	60,977	85,158	200,564
Taxes	11,600	72,915	49,337	133,852
Rent	-	401,074	1,542,527	1,943,601
Equipment purchases	6,765	-	-	6,765
Depreciation and amortization	<u>777,193</u>	<u>268,665</u>	<u>559,708</u>	<u>1,605,566</u>
Total Operating Expenses	<u>1,452,945</u>	<u>2,767,325</u>	<u>3,167,077</u>	<u>7,387,347</u>
Operating Income (Loss)	<u>(307,420)</u>	<u>430,028</u>	<u>1,767,048</u>	<u>1,889,656</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest income	3,804	3,112	38	6,954
Interest expense	<u>-</u>	<u>(456,886)</u>	<u>(773,628)</u>	<u>(1,230,514)</u>
Total Non-Operating Revenues (Expenses)	<u>3,804</u>	<u>(453,774)</u>	<u>(773,590)</u>	<u>(1,223,560)</u>
Income (Loss) Before Transfers	<u>(303,616)</u>	<u>(23,746)</u>	<u>993,458</u>	<u>666,096</u>
<u>TRANSFERS</u>				
Transfers in	-	-	-	-
Transfers out	<u>(125,595)</u>	<u>-</u>	<u>-</u>	<u>(125,595)</u>
Total Transfers	<u>(125,595)</u>	<u>-</u>	<u>-</u>	<u>(125,595)</u>
Change in Net Position	(429,211)	(23,746)	993,458	540,501
Net Position - July 1, 2015	<u>46,027,732</u>	<u>2,858,284</u>	<u>363,435</u>	<u>49,249,451</u>
Net Position - June 30, 2016	<u>\$ 45,598,521</u>	<u>\$ 2,834,538</u>	<u>\$ 1,356,893</u>	<u>\$ 49,789,952</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds			
	Marina Municipal Airport	Abrams B Housing	Preston Park Housing	Totals
<u>CASH FLOWS FROM OPERATING</u>				
<u>ACTIVITIES</u>				
Cash received from customers	\$ 1,160,963	\$ 2,477,791	\$ 4,680,390	\$ 8,319,144
Cash paid to suppliers	(544,064)	(2,666,187)	(3,102,385)	(6,312,636)
Cash paid to employees	(132,129)	-	-	(132,129)
Net Cash Provided by (Used for) Operating Activities	<u>484,770</u>	<u>(188,396)</u>	<u>1,578,005</u>	<u>1,874,379</u>
<u>CASH FLOWS FROM NON-CAPITAL</u>				
<u>FINANCING ACTIVITIES</u>				
Due (to) from other funds	-	131,854	713,139	844,993
Transfers to other funds	(125,595)	-	-	(125,595)
Net Cash Provided by (Used for) Non- Capital Financing Activities	<u>(125,595)</u>	<u>131,854</u>	<u>713,139</u>	<u>719,398</u>
<u>CASH FLOWS FROM CAPITAL AND</u>				
<u>RELATED FINANCING ACTIVITIES</u>				
Capital debt proceeds	-	-	35,950,000	35,950,000
Acquisition of leasehold interest	-	-	(35,350,000)	(35,350,000)
Principal paid on advances	-	(356,669)	-	(356,669)
Interest paid on advances	-	(456,886)	(410,193)	(867,079)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(813,555)</u>	<u>189,807</u>	<u>(623,748)</u>
<u>CASH FLOWS FROM INVESTING</u>				
<u>ACTIVITIES</u>				
Interest and dividends	<u>3,804</u>	<u>3,112</u>	<u>38</u>	<u>6,954</u>
Net Cash Provided by Investing Activities	<u>3,804</u>	<u>3,112</u>	<u>38</u>	<u>6,954</u>
Net Increase (Decrease) in Cash and Cash Equivalents	362,979	(866,985)	2,480,989	1,976,983
Cash and Cash Equivalents - July 1, 2015	<u>1,090,317</u>	<u>4,112,417</u>	<u>-</u>	<u>5,202,734</u>
Cash and Cash Equivalents - June 30, 2016	<u>\$ 1,453,296</u>	<u>\$ 3,245,432</u>	<u>\$ 2,480,989</u>	<u>\$ 7,179,717</u>
<u>Reconciliation of Cash and Cash Equivalents</u>				
<u>to the Statement of Net Position</u>				
Cash and investments	\$ 1,453,296	\$ 2,583,470	\$ 2,480,989	\$ 6,517,755
Restricted cash and investments	<u>-</u>	<u>661,962</u>	<u>-</u>	<u>661,962</u>
Cash and Cash Equivalents - June 30, 2016	<u>\$ 1,453,296</u>	<u>\$ 3,245,432</u>	<u>\$ 2,480,989</u>	<u>\$ 7,179,717</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Marina Municipal Airport</u>	<u>Abrams B Housing</u>	<u>Preston Park Housing</u>	<u>Totals</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</u>				
Operating Income (loss)	\$ (307,420)	\$ 430,028	\$ 1,767,048	\$ 1,889,656
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	777,193	268,665	559,708	1,605,566
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	23,424	(720,746)	(878,582)	(1,575,904)
Increase in prepaid expenses	-	(168,177)	(495,016)	(663,193)
Increase in inventory	(7,987)	-	-	(7,987)
Increase (decrease) in accounts payable	(15,573)	650	-	(14,923)
Increase in accrued liabilities	11,124	1,184	-	12,308
Increase in other liabilities obligation	<u>4,009</u>	<u>-</u>	<u>624,847</u>	<u>628,856</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 484,770</u>	<u>\$ (188,396)</u>	<u>\$ 1,578,005</u>	<u>\$ 1,874,379</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Successor Agency to Redevelopment Agency
<u>ASSETS</u>	
Cash and investments (Note 2)	\$ 1,453,912
Interest receivable	767
Prepaid expenses	11,162
Long-term receivable - State of CA	470,000
Capital assets, non-depreciable	<u>900,000</u>
Total Assets	\$ <u>2,835,841</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 249
Accrued liabilities	2,321
Advances to other funds	328,713
Long-term liabilities	<u>470,000</u>
Total Liabilities	\$ <u>801,283</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
ROPS payments	617,037
<u>NET POSITION</u>	
Held in trust for private purposes	\$ <u>1,417,521</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Successor Agency to Redevelopment Agency
	<u> </u>
<u>ADDITIONS</u>	
Property taxes	\$ 1,402,054
Investment earnings	2,391
Property tax in lieu	<u>29,139</u>
Total Additions	<u>1,433,584</u>
<u>DEDUCTIONS</u>	
Program costs	750,996
Legal and professional fees	14,895
Salaries and benefits	166,956
Occupancy and operating costs	<u>31,369</u>
Total Deductions	<u>964,216</u>
Change in Fiduciary Net Position	469,368
Fiduciary Net Position - July 1, 2015	<u>948,153</u>
Fiduciary Net Position - June 30, 2016	<u><u>\$ 1,417,521</u></u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

A. The Reporting Entity

The accompanying basic financial statements present the financial activities of the City along with the financial activities of its blended component unit, which is an entity for which the City is financially accountable. Together these entities comprise the primary government for reporting purposes. Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. The City's component unit, which is described below, is blended.

Abrams B Non-Profit Corporation

The Abrams B Non-Profit Corporation was formed to account for operations of a 192 unit multi-family housing development known as Abrams B Apartments under a 50-year ground lease from the City of Marina, the owners of the property. The ground lease is reported as a capital asset (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.

B. Basis of Presentation

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

These standards require that the financial statements described below be presented.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include the activities of the overall City government except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between governmental and business-type activities of the City. The City's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories with each major fund displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

All remaining governmental funds are aggregated and reported as nonmajor funds in a single column, regardless of their fund type.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - Debt Service Funds are used to account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Project Funds - Capital Project Funds are used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (not included in government-wide statements)

Agency Funds - Agency Funds are clearing type funds for the collection of taxes or deposits held in trust, on behalf of individuals, private organizations and other governments. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-Purpose Trust Funds - Private Purpose Trust Funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

The City reported the following major governmental funds in the accompanying financial statements:

General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. For the City, the general fund includes such activities such as public safety, public ways and facilities, parks and recreation services, and economic development services.

Capital Projects - This fund is used to account for the City's major capital projects.

Abrams B Bonds Debt Service - This fund is used to account for resources restricted to retirement of Abrams B Bonds principal and interest and the payment of those debt obligations.

The City reports the following major proprietary funds in the accompanying financial statements:

Airport Operating Fund - This fund accounts for all financial transactions relating to City's airport.

Abrams B Housing Fund - This fund accounts for the operations of the Abrams B apartments.

Preston Park Housing Fund - This fund accounts for the operations of the Preston Park apartments.

The City also reports the following fund type:

Private-Purpose Trust Fund - This fund was created as a result of the State order to dissolve California Redevelopment Agencies. As the Successor Agency, this fund is used to track the activity by the Oversight Board and the Department of Finance to dissolve the Agency.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item "b" below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used as appropriate:

- a. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. All proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and all liabilities (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.
- c. As agency funds report only assets and liabilities, they do not have a measurement focus. However, they use the accrual basis of accounting to recognize receivables and payables. The economic resources measurement focus and the accrual basis of accounting is used for trust funds.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. In addition, all fiduciary funds use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City defines available to be within 60 days of year-end with the exception of expenditure-driven grants. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds for governmental long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services. Certain indirect costs are included in program expenses reported for individual functions and activities.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position are available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal operations. The principal operating revenues of the enterprise funds are charges to customers for rent and fuel. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Property Taxes

The County of Monterey levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year of levy, due to the adoption of the "alternate method of property tax distribution", known as the Teeter Plan, by the City and the County of Monterey. The Teeter Plan authorizes the Auditor/Controller of the County of Monterey to allocate 100% of the secured property taxes billed, but not yet paid.

Tax collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments; the first is due November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on February 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the tax becomes delinquent.

Property valuations are established by the Assessor of the County of Monterey for the secured and unsecured property tax rolls. Under the provisions of Article XIII A of the State Constitution, properties are assessed at 100% of purchase price or value in 1978 whichever is later. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax levy dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property, as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

E. Cash and Investments

The City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures, special CDBG funds, or cash held by Alliance for Abrams B and Preston Park. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on quarter-end balances and is adjusted at fiscal year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

The City's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. LAIF determines the fair value of their portfolio quarterly and reports a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. This amount is included in cash and cash equivalents in the balance sheet of the governmental funds. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted non-pooled investments with initial maturities of three months or less.

F. Accounts and Interest Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines and other fees. Federal and state grants are considered receivable and accrue as revenue when reimbursable costs are incurred. Business-type activities report rental income, fuel sales, and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are recorded as deferred inflows of resources in the fund financial statements in accordance with modified accrual, but not in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Long-term loans in governmental funds are treated as expenditures in the year advanced and as revenues in the year repayment is measurable and available. Loans receivable are recorded in the fund statements, but are offset by deferred inflows of resources to indicate they do not represent current financial resources. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Rental income, fuel sales, and interest earnings compose the majority of proprietary fund receivables.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Prepaid Expenses and Inventory

The aviation fuel inventory held by the Airport 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.

Prepaid expenses are also recognized under the consumption method. Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid expenses in both government-wide and fund financial statements.

H. Capital Assets

The accounting treatment over property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. 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 provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. The City has assigned the useful lives of the assets which range from four to forty years.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Compensated Absences

City employees are granted vacation and sick days in varying amounts based on classification and length of service. Upon termination or retirement, the City is to pay 100% of vacation 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. The City's liability for compensated absences is recorded at the City-wide level in the Statement of Net Position for Governmental Activities or in the Proprietary funds as appropriate. The liability for compensated absences is determined annually, however such compensated absences payments are not distinguished from regular payroll paid during the fiscal year.

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

J. Long Term Liabilities

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term liabilities, and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Initial issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. The difference between the

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs, except for insurance, are expensed in the period incurred. Amortization of bond premiums or discounts, insurance costs, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position, or balance sheet, will sometimes report a section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Financial Position, or balance sheet, will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City'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.

M. Interfund Transactions

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

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

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Equity Classifications

Government-wide Statements

Net position is the excess of all the City's assets over all its liabilities, regardless of fund. Net position is divided into three categories. These categories apply only to net position, which is determined at the Government-wide level, and are described below:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements

The governmental fund financial statements present fund balances based on classifications that create a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- a. Nonspendable - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted - Amounts that are restricted for specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- c. Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- d. Assigned - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed.
- e. Unassigned - Amounts representing the residual classification for the general fund and residual negative fund balance of special revenue and capital project funds.

Further detail about the City's fund balance classification is described in Note 10.

O. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

P. Reclassifications

Certain accounts in prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. See Note 2.

Government Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. There was no significant impact to the City's financial statement as a result of the implementation.

Government Accounting Standards Board Statement No. 79

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized costs for financial reporting purposes and for governments that participate in those pools. Application of this statement is effective for the current year except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for the City's fiscal year ending June 30, 2017. There was no significant impact to the City or their financial statements as a result of the implementation.

Government Accounting Standards Board Statement No. 82

In March 2016, GASB issued Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*. The primary objective of this statement is to address issues regarding the (1) presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016; however the City has elected to implement the statement in the current year. See Note 7.

R. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2016 or later. The City has not determined the effects on the financial statements.

Government Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB, and replaces Statements No. 45 and 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Accounting Standards Board Statement No. 77

In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures. This Statement requires disclosure of tax abatement Information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

Government Accounting Standards Board Statement No. 80

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2016 were classified in the accompanying financial statements as follows:

	Cash and Investments	Restricted Cash and Investments	Total
Governmental activities	\$ 19,973,159	\$ 187,561	\$ 20,160,720
Business-type activities	<u>6,517,755</u>	<u>661,962</u>	<u>7,179,717</u>
Total government-wide cash and investments	<u>26,490,914</u>	<u>849,523</u>	<u>27,340,437</u>
Fiduciary activities	<u>1,453,912</u>	<u>-</u>	<u>1,453,912</u>
Total cash and investments	<u>\$ 27,944,826</u>	<u>\$ 849,523</u>	<u>\$ 28,794,349</u>

Cash and investments were carried at fair value as of June 30, 2016 and consisted of the following:

Cash and Investments

Deposits:

Cash on hand	\$ 5,680
Cash in banks	8,337,095
Cash with fiscal agents	<u>4,834,870</u>

Total cash 13,177,645

Money market funds	849,420
Local Agency Investment Fund (LAIF)	<u>14,767,284</u>

Total investments 15,616,704

Total cash and investments \$ 28,794,349

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Authorized Investments of the City

The table below identifies the investment types that are authorized by the City's investment policy. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
U.S. Treasury Bills, Notes and Bonds	(A)	N/A	No Limit	No Limit
U.S. Government-Sponsored Enterprise Agencies:				
Government National Mortgage Association	5 years	N/A	No Limit	No Limit
Federal National Mortgage Association	5 years	N/A	No Limit	No Limit
Federal Home Loan Mortgage Corporation	5 years	N/A	No Limit	No Limit
Federal Home Loan Bank	5 years	N/A	No Limit	No Limit
Certificates of Deposit	5 years	N/A	50%	(B)
Medium-Term Notes	5 years	A	50%	No Limit
California Local Agency Investment Fund	N/A	N/A	No Limit	\$40,000,000 per account
Passbook Savings Account Demand Deposits	N/A	N/A	No Limit	No Limit

(A) Maximum maturities of 5 years or greater with specific City Council approval

(B) \$100,000 unless collateralized by eligible securities as provided by California Governmental Code Sections 53651 and 53652.

Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments with fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type. The table also identifies certain provisions of these debt agreements:

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations	None	N/A
U.S. Agency Obligations	None	N/A
U.S. Government-Sponsored Agency Obligations	None	N/A
State Obligations:		
General Obligation	None	A
General Short-Term Obligation	None	A-1+
Special Revenue Bonds	None	AA
Pre-Refunded Municipal Obligation	None	AAA
Unsecured Certificates of Deposit	30 days	A-1
FDIC-Insured Deposit	None	N/A
Repurchase Agreements	None	A
Commercial Paper	270 Days	Three highest categories
Bankers' Acceptances	(A)	A-1
Money Market Mutual Funds	None	Three highest categories
Investment Agreement	None	N/A
Tax-Exempt Obligations	None	Three highest categories
State of California- Local Agency Investment Fund	None	N/A

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2016:

Investments	Fair Value Measurements Using			Fair Value
	Level 1 Inputs	Level 2 inputs	Level 3 inputs	
Money market funds	\$ -	\$ 849,420	\$ -	\$ 849,420
Total Investments	\$ -	\$ 849,420	\$ -	\$ 849,420

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity as of June 30, 2016:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Local Agency Investment Fund	\$ 14,767,284	\$ -	\$ 14,767,284
Held by bond trustee:			
Money market funds	<u>849,420</u>	<u>-</u>	<u>849,420</u>
	<u>\$ 15,616,704</u>	<u>\$ -</u>	<u>\$ 15,616,704</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City had no investments (including investments held by bond trustees) that were highly sensitive to interest rate fluctuations as of June 30, 2016.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year for each investment type.

	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Local Agency Investment Fund	\$ 14,767,284			Not rated
Held by bond trustee:				
Money market funds	<u>849,420</u>	AAA	Aaa	
	<u>\$ 15,616,704</u>			

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by the LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). 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's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated quarterly based on the quarter-ending cash balances in each fund receiving interest.

NOTE 3: NOTES AND LOANS RECEIVABLE

The City has engaged in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners who agree to spend these funds in accordance with the City's terms. The balances of these loans arising from these programs at June 30, 2016 were \$576,300. The loans have varying maturity dates and interest rates, depending on loan agreements. The balance of the notes receivable have been offset in the fund financial statements by deferred inflows of resources as they are not deemed measurable and available within 60 days, except for those loans that have current payment activity. The loan was fully allowed for in the Statement of Net Position.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4: INTERFUND TRANSACTIONS

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Capital Projects Fund	Abrams B drawdown	\$ 100,000
	Preston Park Housing	Preston Park acquisition costs	713,139
Gas Tax Streets Fund	Abrams B Housing Fund	Streets projects	<u>92,098</u>
Total Due to/From			\$ <u>905,237</u>

Advances to/from Other Funds

The composition of interfund balances as of June 30, 2016 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 75,000
	Successor Agency	243,713
Capital Projects Fund	Abrams B Housing Fund	896,391
Abrams B Debt Service Fund	Abrams B Housing Fund	<u>11,433,331</u>
Total Governmental Major Fund Advances		<u>12,648,435</u>
Airport	General Fund	50,000
	Successor Agency	<u>85,000</u>
Total Proprietary Fund Advances		<u>135,000</u>

The General Fund loaned the Capital Projects Fund \$75,000 as a non-amortizing loan to finance rehabilitation of a percolation pond in anticipation of sale which will be repaid as resources permit. The General Fund had four outstanding loans to the Successor Agency: two interest-bearing amortizing loans totaling \$145,655, a \$48,514 non-interest bearing, non amortizing loan, and a short-term loan of \$49,544. The City expects these loans to be repaid as part of the Agency's enforceable debt obligations. No payments were made on the loans during the year ended June 30, 2016.

The Capital Projects Fund loaned the Abrams B Housing Fund \$896,391 for the purchase of a leasehold interest in the Abrams B Housing Project.

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 semi-annually and will be fully re-paid in 2036. The balance of the loan remained at \$11,433,331 at June 30, 2016.

The Airport fund loaned the Marina Redevelopment Agency \$85,000 in 2007. The City expects the Successor Agency to repay the City as part of the Agency's enforceable debt obligations. No payments were made during the year ended June 30, 2016.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4: INTERFUND TRANSACTIONS (CONTINUED)

Interfund Transfers to/from Other Funds

Transfers between funds during the fiscal year ended June 30, 2016 were as follows:

Transfer from	Transfer To	Description of Transfer	Amount
<u>Governmental Funds</u>			
General Fund	CDBG Fund	To reimburse for disallowed costs	\$ 397,702
	Capital Projects Fund	To fund capital projects	146,050
Capital Projects Fund	General Fund	To fund Sports Center costs	<u>100,000</u>
Total Major Governmental Interfund Transfers			643,752
Impact Fee Fund	Capital Projects Fund	To fund CIP projects with Impact fees	3,717,450
Gas Tax Streets Fund	General Fund	To fund cost allocation plan charges	7,000
National Park Service Fund	General Fund	To fund recreation support costs	55,699
	Capital Projects Fund	To finance equestrian project	75,850
Seabreeze Landscape	General Fund	To fund cost allocation plan charges	1,740
Monterey Bay Estates	General Fund	To fund cost allocation plan charges	2,871
Cypress Cove II Landscape	General Fund	To fund cost allocation plan charges	2,751
CFD No. 2015-1 Dunes	General Fund	To fund cost allocation plan charges	2,535
1998 GO Refunding Bonds	General Fund	To fund cost allocation plan charges	1,157
	2015 GO Refunding Bonds	To close out debt service fund	29,342
Marina Landing Improvement	General Fund	To fund cost allocation plan charges	2,389
Marina Greens Improvement	General Fund	To fund cost allocation plan charges	<u>1,181</u>
Total Non- Major Governmental Interfund Transfers			3,899,965
<u>Proprietary Funds</u>			
Airport Fund	General Fund	To fund airport costs	41,800
	Airport Capital Projects	To fund capital projects	<u>83,795</u>
Total Proprietary Interfund Transfers			125,595
Total Interfund Transfers			\$ <u>4,669,312</u>

Intra-Fund Transfers between Funds

The following table represents intra-fund transfers made during the fiscal year ended June 30, 2016:

Transfer from	Transfer To	Description of Transfer	Amount
<u>General Fund</u>			
General Fund	Marina Tech Cluster	To close out fund	\$ <u>6,337</u>
Total General Fund Intra-Fund Transfers			<u>6,337</u>
Total Intra-fund Transfers			\$ <u><u>6,337</u></u>

Intra-fund transfers are not presented on the Statement of Revenues, Expenses, and Changes in Net Position for the governmental and proprietary funds as they are presented on a net basis. However, the combining Schedule of Revenues, Expenditures, and Changes in Fund Balances for the general fund on page 72 presents both general fund interfund transfers and intra-fund transfers.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5: CAPITAL ASSETS

Governmental activities:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2016</u>
Capital assets not being depreciated				
Land	\$ 1,750,963	\$ 20,329,688	\$ -	\$ 22,080,651
Total capital assets not being depreciated	<u>1,750,963</u>	<u>20,329,688</u>	<u>-</u>	<u>22,080,651</u>
Capital assets being depreciated				
Buildings and improvements	35,117,694	14,721,496	-	49,839,190
Equipment	6,407,973	578,598	(176,554)	6,810,017
Infrastructure	<u>19,301,741</u>	<u>4,757,241</u>	<u>-</u>	<u>24,058,982</u>
Total capital assets being depreciated	<u>60,827,408</u>	<u>20,057,335</u>	<u>(176,554)</u>	<u>80,708,189</u>
Less accumulated depreciation				
Buildings and improvements	(12,789,989)	(1,180,709)	-	(13,970,698)
Equipment	(5,233,725)	(171,319)	173,721	(5,231,323)
Infrastructure	<u>(2,520,015)</u>	<u>(482,543)</u>	<u>-</u>	<u>(3,002,558)</u>
Total accumulated depreciation	<u>(20,543,729)</u>	<u>(1,834,571)</u>	<u>173,721</u>	<u>(22,204,579)</u>
Total capital assets, net	<u>\$ 42,034,642</u>	<u>\$ 38,552,452</u>	<u>\$ (2,833)</u>	<u>\$ 80,584,261</u>

Depreciation was charged to functions based on their usage of the related assets as follows:

Governmental Activities:

General government	\$ 831,622
Public safety	124,069
Public works	81,464
Economic & community development	5,985
Recreation & cultural services	213,273
Public improvements	<u>578,158</u>
Total governmental activities depreciation expense	<u>\$ 1,834,571</u>

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5: CAPITAL ASSETS (CONTINUED)

Business-type activities:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2016</u>
Nondepreciable assets:				
Land	\$ 36,900,000	\$ -	\$ -	\$ 36,900,000
Construction-in-progress	-	-	-	-
Total nondepreciable assets	<u>36,900,000</u>	<u>-</u>	<u>-</u>	<u>36,900,000</u>
Capital assets being depreciated				
Leasehold interest	13,433,242	35,350,000	-	48,783,242
Buildings	8,579,544	-	-	8,579,544
Improvements	10,653,931	-	-	10,653,931
Equipment	<u>183,816</u>	<u>-</u>	<u>-</u>	<u>183,816</u>
Total capital assets being depreciated	<u>32,850,533</u>	<u>35,350,000</u>	<u>-</u>	<u>68,200,533</u>
Less accumulated depreciation				
Leasehold interest	(2,279,762)	(828,373)	-	(3,108,135)
Buildings	(4,141,480)	(241,302)	-	(4,382,782)
Improvements	(7,178,211)	(532,010)	-	(7,710,221)
Equipment	<u>(179,935)</u>	<u>(3,881)</u>	<u>-</u>	<u>(183,816)</u>
Total accumulated depreciation	<u>(13,779,388)</u>	<u>(1,605,566)</u>	<u>-</u>	<u>(15,384,954)</u>
Total capital assets, net	<u>\$ 55,971,145</u>	<u>\$ 33,744,434</u>	<u>\$ -</u>	<u>\$ 89,715,579</u>

Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

Airport	\$ 777,193
Abrams B Housing	268,665
Preston Park	<u>559,708</u>
Total business-type activities depreciation expense	<u>\$ 1,605,566</u>

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2016:

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Current Portion
Governmental activities:					
1998 General Obligation Refunding Bonds	\$ 285,000	\$ -	\$ (285,000)	\$ -	\$ -
2007 Pension Obligation Bonds	1,470,000	-	(570,000)	900,000	625,000
2015 General Obligation Refunding Bonds	7,640,000	-	-	7,640,000	85,000
2006 Abrams B Housing Revenue Bonds	11,820,000	-	(355,000)	11,465,000	-
Capital Lease Obligation	92,774	-	(74,007)	18,767	18,767
Compensated absences*	<u>1,137,080</u>	<u>86,131</u>	<u>-</u>	<u>1,223,211</u>	<u>-</u>
Total Governmental activities	<u>\$ 22,444,854</u>	<u>\$ 86,131</u>	<u>\$ (1,284,007)</u>	<u>\$ 21,246,978</u>	<u>\$ 728,767</u>
	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Current Portion
Business-type activities:					
Berkeley Capital Loan	\$ -	\$ 35,950,000	\$ -	\$ 35,950,000	\$ -
Total Business-type activities	<u>\$ -</u>	<u>\$ 35,950,000</u>	<u>\$ -</u>	<u>\$ 35,950,000</u>	<u>\$ -</u>

*Management believes current portion can not reasonably be estimated, therefore no current portion is disclosed.

A description of the long-term liabilities related to governmental activities at June 30, 2016 follows:

A. Governmental Activities

1998 General Obligation Refunding Bonds

In June 1998, the City issued \$780,000 General Obligation Bonds to refund the 1989 General Obligation Bonds Series A. The Bonds bear interest at 4.4% to 5.6%. Principal payments of \$15,000 to \$65,000 are due annually on August 1. Interest payments are due semi-annually on February 1 and August 1. 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 after. At June 30, 2015, sufficient cash existed in the debt service fund and on August 1, 2015, the trustee called and redeemed the remaining outstanding balance.

2007 Pension Obligation Bonds

In April 2007, the City issued \$4,315,000 Pension Obligation Bonds for the purpose of refinancing an unfunded CalPERS pension liability. The bonds were part of a larger offering facilitated by the California Statewide Communities Development Authority and bear interest at 5.21% to 5.3%. The bonds mature in June 2019. Principal payments of \$15,000 to \$625,000 are due annually on June 1. Interest payments are due semi-annually on June 1 and December 1. Future debt service payments are as follows:

For the Year Ending June 30	Principal	Interest	Total
2017	\$ 625,000	\$ 48,330	\$ 673,330
2018	130,000	14,768	144,768
2019	<u>145,000</u>	<u>7,787</u>	<u>152,787</u>
Total	<u>\$ 900,000</u>	<u>\$ 70,885</u>	<u>\$ 970,885</u>

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

2015 General Obligation Refunding Bonds

In May 2015, the City issued \$7,640,000 General Obligation Bonds for the purpose of refunding \$7,885,000 of the City's General Obligation Bonds, Election of 2002, Series 2005 which was issued for the purpose of constructing and supplying a library facility in the City. The bonds bear interest at 1.5% to 5%. The bonds mature in August 2035. Principal payments of \$85,000 to \$605,000 are due annually on August 1. Interest payments are due semi-annually on February 1 and August 1.

<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 85,000	\$ 259,106	\$ 344,106
2018	165,000	255,356	420,356
2019	195,000	250,931	445,931
2020	225,000	244,481	469,481
2021	260,000	238,031	498,031
2022 - 2026	1,600,000	1,060,431	2,660,431
2027 - 2031	2,280,000	667,269	2,947,269
Thereafter	<u>2,830,000</u>	<u>249,803</u>	<u>3,079,803</u>
Total	\$ <u>7,640,000</u>	\$ <u>3,225,408</u>	\$ <u>10,865,408</u>

2006 Abrams B Housing Revenue Bonds

In November 2006, the City issued \$14,360,000 Multi-family Housing Revenue Bonds for the purpose of financing the acquisition of the Abrams B Apartments. The bonds bear interest at 3.45% to 3.95%. The bonds mature in November 2036. Principal payments of \$110,000 to \$160,000 are due annually on November 1. Interest payments are due semi-annually on May 1 and November 1.

<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 380,000	\$ 442,787	\$ 822,787
2018	385,000	427,927	812,927
2019	405,000	412,628	817,628
2020	420,000	396,571	816,571
2021	435,000	379,921	814,921
2022 - 2026	2,455,000	1,627,124	4,082,124
2027 - 2031	2,975,000	1,102,035	4,077,035
2032 - 2036	3,615,000	464,767	4,079,767
2037	<u>395,000</u>	<u>6,425</u>	<u>401,425</u>
Total	\$ <u>11,465,000</u>	\$ <u>5,260,185</u>	\$ <u>16,725,185</u>

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Capital Leases

In July 2012, the City entered into a lease agreement in the amount of \$285,595 at 3% to finance the purchase of NGEN emergency communications equipment. Quarterly principal and interest payments of \$18,894 are due through July 2016. The outstanding balance on the lease as of June 30, 2016 was \$18,767.

Future debt service payments are as follows:

<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>18,767</u>	<u>127</u>	<u>18,894</u>
Total	\$ <u>18,767</u>	\$ <u>127</u>	\$ <u>18,894</u>

B. Business-type Activities

Preston Park Loan

On January 7, 2016, the City entered into a loan agreement in the amount of \$35,950,000 at 4.15% to finance the costs of acquisition of a leasehold interest in property of Preston Park Apartments. The loan is a full-term interest only loan with the entire principal balance due on February 1, 2026. Interest payments are made through January of 2026

Future debt service payments are as follows:

<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 1,512,646	\$ 1,512,646
2018	-	1,511,646	1,511,646
2019	-	1,512,646	1,512,646
2020	-	1,516,790	1,516,790
2021	-	1,512,646	1,512,646
2022 - 2026	<u>35,950,000</u>	<u>7,198,538</u>	<u>43,148,538</u>
Total	\$ <u>35,950,000</u>	\$ <u>14,764,912</u>	\$ <u>50,714,912</u>

NOTE 7: DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within the safety risk pool (police and fire) and the miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety and miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the safety and miscellaneous pools. The City sponsors five rate plans (three safety and two miscellaneous). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 (age 52 for Miscellaneous Plan members if membership date is on or after January 1, 2013) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Special Death Benefit (Safety only), 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, 2016 are summarized as follows:

Hire Date	Miscellaneous	
	Tier I (Classic) Prior to January 1, 2013	Tier II (PEPRA) On or After January 1, 2013
Benefit Formula	2.0% @ 55	2.0% @ 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 and up	52 and up
Monthly Benefits, as a % of Eligible Compensation	1.426% to 2.418%	1.0% - 2.5%
Required Employee Contribution Rates	7.000%	6.250%
Required Employer Contribution Rates	8.512%	6.237%

Hire Date	Safety	
	Tier I (Classic) Prior to January 1, 2013	Tier II (PEPRA) On or After January 1, 2013
Benefit Formula	3.0% @ 50	2.7% @ 57
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 and up	50 and up
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.7%	2.0% to 2.7%
Required Employee Contribution Rates	9.000%	11.500%
Required Employer Contribution Rates	18.524%	11.153%

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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The City's contributions to the Plan for the measurement period ending June 30, 2015 were \$1,839,393.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

As of June 30, 2016, the City reported a net pension liability of \$12,351,371. The City's net pension liability is measured as a proportionate share of the Plan's net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the Plan's 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 the Plan as of June 30, 2014 and 2015 was as follows:

Proportion - June 30, 2014	0.18297 %
Proportion - June 30, 2015	0.17995 %
Change - Increase (Decrease)	(0.00302)%

For the year ended June 30, 2016, the City recognized pension expense of \$3,222,178. At June 30, 2016, 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 the measurement date	\$ 2,069,732	\$ -
Difference between actual contributions made by employer and the employer's proportionate share of the risk pool's total contribution	241,503	-
Differences between actual and expected experience	-	131,849
Changes in assumptions	-	897,318
Adjustment due to differences in proportions	-	265,706
Net differences between projected and actual earnings on plan investments	-	453,691
Total	<u>\$ 2,311,235</u>	<u>\$ 1,748,564</u>

Deferred outflows of resources totaling \$2,069,732 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,		
2016	\$	(706,980)
2017	\$	(711,323)
2018	\$	(650,663)
2019	\$	561,905

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	<u>Cost-Sharing Miscellaneous & Safety Plans</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% net of pension plan investment expenses; includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) The mortality table used 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, please refer to the 201 Experience Study Report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Changes in Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. These tests revealed that Plan assets would not run out. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

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 (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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. The target allocation shown was adopted by the CalPERS Board effective July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)

(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 the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Net Pension Liability (Asset)	\$ 21,089,766	\$ 12,351,371	\$ 5,169,980

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB)

Description of the Plan

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 their labor agreement. The City provides health care benefits for all retired employees based on retirement age of 50 with 5 years of service. Retirees can enroll in any of the available CalPERS medical plans and the 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. Retirees must pay any premium amounts in excess of the City's 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 OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Funding Policy

As of the July 1, 2013 actuarial valuation date, the funding status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 2,698,857
Actuarial value of assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,698,857</u>
Funded ratio	0 %
Covered payroll, year ended June 30, 2016	\$ 8,415,719
UAAL as a percentage of covered payroll	0.32 %

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2016, the City's annual cost for the healthcare plan was \$281,076. The City's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2016 were as follows:

Annual required contribution	
Service cost at year-end	\$ 152,803
30-year amortization of unfunded liability	<u>134,487</u>
Total annual required contribution	<u>287,290</u>
Interest on net OPEB obligation	57,883
Adjustment to net OPEB obligation	<u>(64,097)</u>
Total annual OPEB cost	<u>281,076</u>
Employer contributions	(24,095)
Net OPEB obligation, July 1, 2015	<u>1,304,561</u>
Net OPEB obligation, June 30, 2016	<u>\$ 1,561,542</u>

<u>Year Ended</u>	<u>Annual OPEB cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB</u>
June 30, 2014	\$ 239,878	\$ 22,831	10 %	\$ 1,063,880
June 30, 2015	\$ 259,873	\$ 23,320	9 %	\$ 1,304,561
June 30, 2016	\$ 281,076	\$ 24,095	9 %	\$ 1,561,542

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on the values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because 2009 was the year

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

of implementation of GASB Statement No. 45 and the City elected to apply the statement prospectively, only the most recent actuarial plan data is presented. In future years, required trend data will be presented.

Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The annual required contribution was determined as part of the July 1, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a discount rate of 4.5% and medical premium inflation rates increase by 4.5% per year. The actuarial present value of future benefits was calculated for each individual using the economic assumptions and specific member data, then aggregated. The amortization component of the unfunded actuarial accrued liability was based on a 30-year amortization period.

NOTE 9: DEFERRED COMPENSATION

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. The assets and liabilities of these plans have been excluded from the accompanying financial statements.

NOTE 10: FUND BALANCE

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Committed Fund Balance: Only the City Council may have the authority to create or change a fund balance commitment. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally.

Assigned Fund Balance: Intent is expressed by the City Council or the City Manager to which the City Council has delegated authority to assign amounts to be used for specific purposes.

The accounting policies of the City consider restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, and unassigned amounts.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10: FUND BALANCE (CONTINUED)

As of June 30, 2016, fund balances consisted of the following:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Abrams B Bonds Debt Service</u>	<u>Non-Major Funds</u>	<u>Total</u>
Nonspendable:					
Advances	\$ 543,713	\$ -	\$ -	\$ -	\$ 543,713
Total Nonspendable	<u>543,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>543,713</u>
Restricted:					
Economic Development	-	-	-	216,929	216,929
Debt Service	103	-	187,458	374,224	561,785
Capital Projects	-	-	-	5,334,254	5,334,254
Community Development	213,510	-	-	-	213,510
Public Safety	<u>232,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,716</u>
Total Restricted	<u>446,329</u>	<u>-</u>	<u>187,458</u>	<u>5,925,407</u>	<u>6,559,194</u>
Committed:					
OPEB	200,000	-	-	-	200,000
Library Maintenance	370,730	-	-	-	370,730
Capital Projects	-	8,028,870	-	-	8,028,870
Public Education	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,961</u>	<u>130,961</u>
Government					
Total Committed	570,730	8,028,870	-	130,961	8,730,561
Assigned:					
Unassigned	<u>6,340,666</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>6,340,668</u>
Total	<u>\$ 7,901,438</u>	<u>\$ 8,028,870</u>	<u>\$ 187,458</u>	<u>\$ 6,056,370</u>	<u>\$ 22,174,136</u>

NOTE 11: RISK MANAGEMENT

Coverage

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction on 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, 2016, the City paid a total of \$1,369,162 to MBASIA for insurance coverage; \$386,133 and \$983,029 for liability and workers compensation insurance, respectively and did not receive a rebate from the program.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12: CONTINGENCIES AND COMMITMENTS

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

Grant Awards

The City participates in certain Federal and State assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Construction and Other Commitments

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.

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. Due to the delay in opening the hotel, the City Council approved the first amendment on to this agreement on September 7, 2016, which reduced the economic incentive to \$634,608. 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 the application, the City agreed to defer impact fees of approximately \$634,608. 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 \$634,608, toward the funding of deferred impact fees and other construction costs. In the event the hotel closes or fails within the first 10 years of operation, the hotel owner shall immediately pay to the City the full amount of the economic incentive. The hotel owner is also obligated to pay the City \$100,000 as consideration for the September 2016 extension. The \$100,000 is to be paid over time with the first payment to be no later than the 3rd anniversary of the opening of the hotel and the final payment to be no later than the 5th anniversary of the opening of the hotel. The \$100,000 payment bears interest at the LIBOR rate plus 3.75%. As of the date of our audit report, the hotel had not been completed and opened for operation and no cash incentive payments have been made by the City.

NOTE 13: SUBSEQUENT EVENT

On November 15, 2016, a \$190,000 principal payment was made on the 2006 Abrams B bonds as scheduled. Immediately after the payment was made, the bonds were remarketed for \$11,275,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	2015 - 2016			
	Budgeted Amounts			Variance
	Original	Final	Actual	with Final
			Amounts	Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Taxes and assessments	\$ 12,760,800	\$ 13,451,200	\$ 13,737,673	\$ 286,473
License, permits, and fees	548,600	446,100	545,288	99,188
Fines and forfeitures	204,100	204,100	144,598	(59,502)
Investment earnings	30,000	30,000	41,376	11,376
Intergovernmental	569,800	854,300	925,417	71,117
Charges for services	3,173,285	3,173,285	3,385,998	212,713
Other revenues	<u>120,000</u>	<u>38,032,869</u>	<u>38,056,105</u>	<u>23,236</u>
Total Revenues	<u>17,406,585</u>	<u>56,191,854</u>	<u>56,836,455</u>	<u>644,601</u>
<u>EXPENDITURES</u>				
Current:				
General government	2,115,950	3,158,450	2,765,029	393,421
Public safety	10,327,550	10,841,076	10,425,058	416,018
Public works	1,193,650	1,382,450	1,200,231	182,219
Economic & community development	2,258,810	2,411,096	2,117,120	293,976
Recreation & cultural services	908,200	956,200	939,508	16,692
Capital outlay	394,000	38,386,869	38,372,703	14,166
Principal	-	-	570,000	(570,000)
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>78,888</u>	<u>(78,888)</u>
Total Expenditures	<u>17,198,160</u>	<u>57,136,141</u>	<u>56,468,537</u>	<u>667,604</u>
Excess (deficiency) of revenues over expenditures	<u>208,425</u>	<u>(944,287)</u>	<u>367,918</u>	<u>1,312,205</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	112,424	112,424	219,123	106,699
Transfers out	<u>(7,428)</u>	<u>(146,050)</u>	<u>(543,752)</u>	<u>(397,702)</u>
Total Other Financing Sources (Uses)	<u>104,996</u>	<u>(33,626)</u>	<u>(324,629)</u>	<u>(291,003)</u>
Net change in fund balance	<u>\$ 313,421</u>	<u>\$ (977,913)</u>	<u>43,289</u>	<u>\$ 1,021,202</u>
Fund balance - July 1, 2015			7,858,149	
Fund balance - June 30, 2016			<u>\$ 7,901,438</u>	

CITY OF MARINA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	2015 - 2016			
	Budgeted Amounts			Variance
	Original	Final	Actual	with Final
			Amounts	Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Intergovernmental	-	\$ 956,550	\$ 1,659,474	\$ 702,924
Charges for services	-	-	25,000	25,000
Other revenues	<u>30,000</u>	<u>79,750</u>	<u>629,642</u>	<u>549,892</u>
Total Revenues	<u>30,000</u>	<u>1,036,300</u>	<u>2,314,116</u>	<u>1,277,816</u>
<u>EXPENDITURES</u>				
Current:				
Capital outlay	5,284,061	6,713,283	2,828,595	3,884,688
Debt service:				
Principal	69,878	69,878	74,007	(4,129)
Interest and fiscal charges	<u>5,698</u>	<u>5,698</u>	<u>1,570</u>	<u>4,128</u>
Total Expenditures	<u>5,359,637</u>	<u>6,783,161</u>	<u>2,904,172</u>	<u>3,880,559</u>
Excess (deficiency) of revenues over expenditures	<u>(5,329,637)</u>	<u>(5,746,861)</u>	<u>(590,056)</u>	<u>(2,602,743)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	3,608,428	3,939,350	3,939,350	-
Transfers out	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Total Other Financing Sources (Uses)	<u>3,608,428</u>	<u>3,939,350</u>	<u>3,839,350</u>	<u>(100,000)</u>
Net change in fund balance	<u>\$ (1,721,209)</u>	<u>\$ (1,807,511)</u>	<u>3,249,294</u>	<u>\$ (2,702,743)</u>
Fund balance - July 1, 2015			4,779,576	
Fund balance - June 30, 2016			<u>\$ 8,028,870</u>	

CITY OF MARINA
ABRAMS B DEBT SERVICE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	2015 - 2016 Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Investment earnings	\$ -	\$ -	\$ 36	\$ 36
Other revenues	<u>827,715</u>	<u>827,715</u>	<u>886,307</u>	<u>58,592</u>
Total Revenues	<u>827,715</u>	<u>827,715</u>	<u>886,343</u>	<u>58,628</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	355,000	355,000	355,000	-
Interest and fiscal charges	<u>472,715</u>	<u>472,715</u>	<u>458,038</u>	<u>14,677</u>
Total Expenditures	<u>827,715</u>	<u>827,715</u>	<u>813,038</u>	<u>14,677</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>73,305</u>	<u>73,305</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	112,424	-	(112,424)
Transfers out	<u>-</u>	<u>(146,050)</u>	<u>-</u>	<u>146,050</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(33,626)</u>	<u>-</u>	<u>33,626</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (33,626)</u>	<u>73,305</u>	<u>\$ 106,931</u>
Fund balance - July 1, 2015			114,153	
Fund balance - June 30, 2016			<u>\$ 187,458</u>	

**CITY OF MARINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

Budgetary Control and Budgetary Accounting

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

1. Each May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen's comments.
3. The budget is legally enacted by City Council resolution.
4. All budget adjustments over \$5,000 and transfers between funds must be approved by the City Council by resolution during the fiscal year. The City Manager is authorized to transfer any unencumbered appropriations within a fund or department, and may authorize encumbrances under \$5,000. The Department heads are authorized to transfer any unencumbered appropriations within their department, and may authorize encumbrances under \$1,000. The legally adopted budget requires that expenditures not exceed total appropriations within each fund.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for governmental funds. Budgets are adopted for the General Fund, all Special Revenue Funds except the Asset Forfeiture Fund, all Capital Projects Funds, and the Debt Service Fund.
6. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
7. Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.

**CITY OF MARINA
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Prepared for the City's Miscellaneous and Safety Plans, Cost Sharing Defined Benefit Pension Plans
As of June 30, 2016
Last 10 Years ***

	Measurement Period	
	2015	2014
Proportion of the net pension liability	0.17995 %	0.18297 %
Proportionate share of the net pension liability	\$ 12,351,371	\$ 11,385,528
Covered - employee payroll	\$ 8,472,033	\$ 8,696,119
Proportionate share of the net pension liability as a percentage of covered - employee payroll	145.79 %	130.93 %
Plan fiduciary net position as a percentage of the total pension liability	80.66 %	82.25 %

Notes to Schedule:

Changes in assumptions - The discount rate was changed from 7.50 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**CITY OF MARINA
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS
Prepared for the City's Miscellaneous and Safety Plan,
Cost Sharing Defined Benefit Pension Plans
As of June 30, 2016
Last 10 Years ***

	Fiscal Year End	
	2016	2015
Contractually required contribution (actuarially determined)	\$ 2,069,732	\$ 1,428,070
Contributions in relation to the actuarially determined contributions	<u>2,069,732</u>	<u>1,428,070</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	9,775,574	7,932,622
Contributions as a percentage of covered - employee payroll	21.17 %	18.00 %

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**CITY OF MARINA
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Actuarial Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2010	\$ 1,617,429	\$ -	\$ 1,617,429	0%	\$ 8,724,150	18.5 %
July 1, 2013	\$ 2,059,801	\$ -	\$ 2,059,801	0%	\$ 8,790,527	23.4 %

COMBINING FINANCIAL SCHEDULES AND OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

The following funds are reported in total on the Governmental Fund Financial Statements under the column Other Governmental Funds.

SPECIAL REVENUE FUNDS

CDBG: Accounts for various U.S. Housing and Urban Development Department, Community Development Block Grant, non-housing programs, including grant revenues, grant expenditures and program income.

Impact Fee Fund: Accounts for impact fees imposed on new development as permitted by law, and related impact remediation costs. Remediation costs are not accounted for within this fund, but are recorded as transfers to the Capital Projects Fund, where remediation project costs are accumulated.

CDBG Housing: Accounts for various U.S. Housing and Urban Development Department, Community Development Block Grant, housing programs

Public Education Government: Accounts for franchise tax fees collected with cable television bills. Fees collected through the cable provider finance the operating and capital costs of broadcasting city council and other meetings of public interest over a dedicated TV channel.

Gas Tax Streets: Accounts for State gas tax revenues and occasional city cash and staffing contributions, and the costs of allowable streets maintenance and repair projects.

National Parks Recreation Services: Accounts for revenues generated by land and antennal rentals, and from various recreation activities conducted on the site, as well as costs for facilities improvements, repairs, maintenance, staffing and support costs related to recreational activities. All activities are conducted on property granted to the City upon Fort Ord Army Base Closure. Use of these resources is limited to recreation activities conducted on these premises.

Seabreeze Assessment District: Accounts for assessments collected from property owners within the boundaries of the district, and related landscape maintenance costs.

Monterey Bay Estates Assessment District: Accounts for assessments collected from property owners within the boundaries of the district, and related landscape maintenance costs.

Cypress Cove II Assessment District: Accounts for assessments collected from property owners within the boundaries of the district, and related landscape maintenance costs.

CFD 2007-2 Locke-Paddon: A Community Facilities District (CFD) accounts for annual assessments against property owners within the boundaries of the district and related improvement and maintenance costs.

CFD 2015-1 Dunes: A Community Facilities Districts (CFD) accounts for annual assessments against property owners within the boundaries of the district and related improvement and maintenance costs.

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

Airport: Accounts for federal and state grant revenues, city-match and other resources that are dedicated and/or restricted to creating, expanding or otherwise improving infrastructure and other long-lived assets at the Marina Municipal Airport

Park Facilities: Over a period of time, this fund has accounted for Residential Park Development Taxes, Park Facility Improvement Fees, Park Facility Use Fees, Mitigation Fees for New Development, Parks In-Lieu Fees, grant revenues, private and public donations, antenna rents and other resources dedicated or restricted to the acquisition, construction and/or improvement of park and recreational facilities. Resources in this fund were expended for their required purposes, and since implementation of Parks Impact Fees (accounted for in the Impact Fee Fund) the fund has become inactive. The small remaining cash balance will be transferred to the appropriate successor fund.

DEBT SERVICE FUNDS

1998 GO Refunding Bonds: Accounted for tax revenues, bond principal and interest payments, and debt administration costs of the 1998 general obligation bond issue, which refunded a 1989 general obligation issue. These bonds were liquidated in their entirety in September, 2015, and the fund is now inactive.

Marina Landing Bonds: Accounted for special assessment revenues, bond principal and interest payments, and debt administration costs. Bonds were originally issued to finance certain infrastructure improvements to properties in the Marina Landing Assessment.

Marina Greens Bonds: Accounted for special assessment revenues, bond principal and interest payments, and debt administration costs. Bonds were originally issued to finance certain infrastructure improvements to properties in the Marina Greens Assessment District. All bonds have been liquidated but the fund has a residual cash balance which will be disbursed and the fund deactivated when appropriate.

2015 GO Refunding Bonds: Accounts for tax revenues that provide resources to make bond principal and interest payments, and to pay costs of administering the 2015 general obligation refunding bonds, which refinanced the 2005 library construction general obligation bonds.

CITY OF MARINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2016

	Special Revenue Funds						
	CDBG	Impact Fee	CDBG Housing	Public Education Government	Gas Tax Streets	National Parks Recreation Services	
ASSETS							
Cash and investments	\$ 409,244	\$ 4,585,968	\$ 3,882	\$ 130,961	\$ 143,059	\$ 397,063	
Accounts receivable	8	3,282	3	24,954	240	303	
Due from other funds	-	-	-	-	92,098	-	
Notes receivable	499,800	-	76,500	-	-	-	
Total Assets	\$ 909,052	\$ 4,589,250	\$ 80,385	\$ 155,915	\$ 235,397	\$ 397,366	
LIABILITIES:							
Accounts payable and accrued expenses	\$ 196,207	\$ -	\$ -	\$ 24,954	\$ 11,411	\$ -	
Accrued payroll and benefits	-	-	-	-	5,691	154	
Deposits payable	-	-	-	-	-	249	
Total Liabilities	196,207	-	-	24,954	17,102	403	
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - CDBG loans	499,800	-	76,500	-	-	-	
FUND BALANCES (DEFICITS):							
Restricted	213,045	4,589,250	3,885	-	218,295	396,963	
Committed	-	-	-	130,961	-	-	
Unassigned	-	-	-	-	-	-	
Total Fund Balances (Deficits)	213,045	4,589,250	3,885	130,961	218,295	396,963	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 909,052	\$ 4,589,250	\$ 80,385	\$ 155,915	\$ 235,397	\$ 397,366	

CITY OF MARINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2016

	Special Revenue Funds					Capital Projects Funds
	Seabreeze Assessment District	Monterey Bay Estates Assessment District	Cypress Cove II Assessment District	CFD 2007-2 Locke-Paddon	CFD 2015-1 Dunes	Airport
ASSETS						
Cash and investments	\$ 4,754	\$ 5,164	\$ 6,020	\$ 6,286	\$ 51,551	\$ 58,491
Accounts receivable	4	5	9	6	42	35
Due from other funds	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Total Assets	\$ 4,758	\$ 5,169	\$ 6,029	\$ 6,292	\$ 51,593	\$ 58,526
LIABILITIES:						
Accounts payable and accrued expenses	\$ 175	\$ 1,558	\$ 526	\$ 479	\$ 683	\$ -
Accrued payroll and benefits	-	-	-	-	-	1
Deposits payable	-	-	-	-	-	-
Total Liabilities	175	1,558	526	479	683	1
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - CDBG loans	-	-	-	-	-	-
FUND BALANCES (DEFICITS):						
Restricted	4,582	3,611	5,503	5,813	50,910	58,525
Committed	-	-	-	-	-	-
Unassigned	1	-	-	-	-	-
Total Fund Balances (Deficits)	4,583	3,611	5,503	5,813	50,910	58,525
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 4,758	\$ 5,169	\$ 6,029	\$ 6,292	\$ 51,593	\$ 58,526

CITY OF MARINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2016

	Capital Projects Funds	Debt Service Funds					Total Non-Major Governmental Funds
	Park Facilities	1998 GO Refunding Bonds	Marina Landing Bonds	Marina Greens Bonds	2015 GO Refunding Bonds		
ASSETS							
Cash and investments	\$ 803	\$ -	\$ 58,892	\$ 46,018	\$ 268,909	\$	\$ 6,177,065
Accounts receivable	1	-	48	37	318		29,295
Due from other funds	-	-	-	-	-		92,098
Notes receivable	-	-	-	-	-		576,300
Total Assets	<u>\$ 804</u>	<u>\$ -</u>	<u>\$ 58,940</u>	<u>\$ 46,055</u>	<u>\$ 269,227</u>	<u>\$</u>	<u>\$ 6,874,758</u>
LIABILITIES:							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	-	\$	\$ 235,993
Accrued payroll and benefits	-	-	-	-	-		5,846
Deposits payable	-	-	-	-	-		249
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,088</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - CDBG loans	-	-	-	-	-		576,300
FUND BALANCES (DEFICITS):							
Restricted	803	-	58,940	46,055	269,227		5,925,407
Committed	-	-	-	-	-		130,961
Unassigned	1	-	-	-	-		2
Total Fund Balances (Deficits)	<u>804</u>	<u>-</u>	<u>58,940</u>	<u>46,055</u>	<u>269,227</u>	<u>-</u>	<u>6,056,370</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 804</u>	<u>\$ -</u>	<u>\$ 58,940</u>	<u>\$ 46,055</u>	<u>\$ 269,227</u>	<u>\$</u>	<u>\$ 6,874,758</u>

CITY OF MARINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds					
	CDBG	Impact Fee	CDBG Housing	Public Education Government	Gas Tax Streets	National Parks Recreation Services
<u>REVENUES</u>						
Taxes and assessments	\$ -	\$ -	\$ -	\$ 102,923	\$ 470,938	\$ -
Investment earnings	12,058	17,707	411	-	828	1,824
Intergovernmental	-	-	-	-	-	-
Charges for services	-	1,790,346	-	-	-	114,014
Other revenue	-	-	-	-	92,801	-
Total Revenues	<u>12,058</u>	<u>1,808,053</u>	<u>411</u>	<u>102,923</u>	<u>564,567</u>	<u>115,838</u>
<u>EXPENDITURES</u>						
Current:						
General government	-	-	-	-	-	-
Public works	-	-	-	-	550,859	-
Economic & community development	193,931	-	-	130,926	-	-
Recreation & cultural services	-	-	-	-	-	25,105
Capital outlay	-	-	-	-	9,377	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>193,931</u>	<u>-</u>	<u>-</u>	<u>130,926</u>	<u>560,236</u>	<u>25,105</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(181,873)</u>	<u>1,808,053</u>	<u>411</u>	<u>(28,003)</u>	<u>4,331</u>	<u>90,733</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers in	397,702	-	-	-	-	-
Transfers out	-	(3,717,450)	-	-	(7,000)	(131,549)
Total Other Financing Sources (Uses)	<u>397,702</u>	<u>(3,717,450)</u>	<u>-</u>	<u>-</u>	<u>(7,000)</u>	<u>(131,549)</u>
Net change in fund balances	215,829	(1,909,397)	411	(28,003)	(2,669)	(40,816)
Fund balances (deficits) - July 1, 2015	<u>(2,784)</u>	<u>6,498,647</u>	<u>3,474</u>	<u>158,964</u>	<u>220,964</u>	<u>437,779</u>
Fund balances (deficits) - June 30, 2016	<u>\$ 213,045</u>	<u>\$ 4,589,250</u>	<u>\$ 3,885</u>	<u>\$ 130,961</u>	<u>\$ 218,295</u>	<u>\$ 396,963</u>

CITY OF MARINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds						Capital Projects Funds
	Seabreeze Assessment District	Monterey Bay Estates Assessment District	Cypress Cove II Assessment District	CFD 2007-2 Locke-Paddon	CFD 2015-1 Dunes	Airport	
<u>REVENUES</u>							
Taxes and assessments	\$ 7,191	\$ 12,547	\$ 21,032	\$ -	\$ 54,041	\$ -	
Investment earnings	9	14	20	25	87	69	
Intergovernmental	-	-	-	-	-	64,222	
Charges for services	-	-	-	-	-	-	
Other revenue	-	-	-	-	-	-	
Total Revenues	<u>7,200</u>	<u>12,561</u>	<u>21,052</u>	<u>25</u>	<u>54,128</u>	<u>64,291</u>	
<u>EXPENDITURES</u>							
Current:							
General government	-	-	-	-	-	-	
Public works	2,319	9,316	16,950	4,579	683	-	
Economic & community development	-	-	-	-	-	-	
Recreation & cultural services	-	-	-	-	-	-	
Capital outlay	-	-	-	-	-	103,828	
Debt service:							
Principal	-	-	-	-	-	-	
Interest and fiscal charges	-	-	-	-	-	-	
Total Expenditures	<u>2,319</u>	<u>9,316</u>	<u>16,950</u>	<u>4,579</u>	<u>683</u>	<u>103,828</u>	
Excess (Deficiency) of Revenues over Expenditures	<u>4,881</u>	<u>3,245</u>	<u>4,102</u>	<u>(4,554)</u>	<u>53,445</u>	<u>(39,537)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers in	-	-	-	-	-	83,795	
Transfers out	<u>(1,740)</u>	<u>(2,871)</u>	<u>(2,751)</u>	<u>-</u>	<u>(2,535)</u>	<u>-</u>	
Total Other Financing Sources (Uses)	<u>(1,740)</u>	<u>(2,871)</u>	<u>(2,751)</u>	<u>-</u>	<u>(2,535)</u>	<u>83,795</u>	
Net change in fund balances	3,141	374	1,351	(4,554)	50,910	44,258	
Fund balances (deficits) - July 1, 2015	<u>1,442</u>	<u>3,237</u>	<u>4,152</u>	<u>10,367</u>	<u>-</u>	<u>14,267</u>	
Fund balances (deficits) - June 30, 2016	<u>\$ 4,583</u>	<u>\$ 3,611</u>	<u>\$ 5,503</u>	<u>\$ 5,813</u>	<u>\$ 50,910</u>	<u>\$ 58,525</u>	

CITY OF MARINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Capital Projects Funds		Debt Service Funds				Total
	Park Facilities	1998 GO Refunding Bonds	Marina Landing Bonds	Marina Greens Bonds	2015 GO Refunding Bonds	Non-Major Governmental Funds	
REVENUES							
Taxes and assessments	\$ -	\$ 1,281	\$ -	\$ -	\$ 368,652	\$ 1,038,605	
Investment earnings	3	64	174	134	745	34,172	
Intergovernmental	-	-	-	-	-	64,222	
Charges for services	-	-	-	-	-	1,904,360	
Other revenue	-	-	-	-	-	92,801	
Total Revenues	<u>3</u>	<u>1,345</u>	<u>174</u>	<u>134</u>	<u>369,397</u>	<u>3,134,160</u>	
EXPENDITURES							
Current:							
General government	-	-	-	-	845	845	
Public works	-	-	-	-	-	584,706	
Economic & community development	-	-	-	-	-	324,857	
Recreation & cultural services	-	-	-	-	-	25,105	
Capital outlay	-	-	-	-	-	113,205	
Debt service:							
Principal	-	285,000	-	-	-	285,000	
Interest and fiscal charges	-	<u>8,155</u>	-	-	<u>187,504</u>	<u>195,659</u>	
Total Expenditures	<u>-</u>	<u>293,155</u>	<u>-</u>	<u>-</u>	<u>188,349</u>	<u>1,529,377</u>	
Excess (Deficiency) of Revenues over Expenditures	<u>3</u>	<u>(291,810)</u>	<u>174</u>	<u>134</u>	<u>181,048</u>	<u>1,604,783</u>	
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	29,342	510,839	
Transfers out	-	<u>(30,499)</u>	<u>(2,389)</u>	<u>(1,181)</u>	-	<u>(3,899,965)</u>	
Total Other Financing Sources (Uses)	<u>-</u>	<u>(30,499)</u>	<u>(2,389)</u>	<u>(1,181)</u>	<u>29,342</u>	<u>(3,389,126)</u>	
Net change in fund balances	3	(322,309)	(2,215)	(1,047)	210,390	(1,784,343)	
Fund balances (deficits) - July 1, 2015	<u>801</u>	<u>322,309</u>	<u>61,155</u>	<u>47,102</u>	<u>58,837</u>	<u>7,840,713</u>	
Fund balances (deficits) - June 30, 2016	<u>804</u>	<u>\$ -</u>	<u>\$ 58,940</u>	<u>\$ 46,055</u>	<u>\$ 269,227</u>	<u>\$ 6,056,370</u>	

CITY OF MARINA
COMBINING SCHEDULE FIDUCIARY NET POSITION
SUCCESSOR AGENCY FUNDS
AS OF JUNE 30, 2016

	Successor Agency Obligation Retirement Fund	Successor Agency Housing Assets Fund	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,247,788	\$ 206,124	\$ 1,453,912
Accounts receivables	651	116	767
Prepaid expenses	11,162	-	11,162
Advances (to)from other funds, net	(56,902)	56,902	-
Long-term receivable, State of California	470,000	-	470,000
Capital assets, land	<u>-</u>	<u>900,000</u>	<u>900,000</u>
Total Assets	<u>1,672,699</u>	<u>1,163,142</u>	<u>2,835,841</u>
<u>LIABILITIES</u>			
Accounts payable	249	-	249
Accrued salaries and benefits	2,162	159	2,321
Due to City of Marina Funds	328,713	-	328,713
Bonds payable:			
Due within one year	20,000	-	20,000
Due in more than one year	<u>450,000</u>	<u>-</u>	<u>450,000</u>
Total Liabilities	<u>801,124</u>	<u>159</u>	<u>801,283</u>
<u>DEFERRED INFLOW OF RESOURCES</u>			
Property taxes received in advance	<u>617,037</u>	<u>-</u>	<u>617,037</u>
Total Deferred Inflows of Resources	<u>617,037</u>	<u>-</u>	<u>617,037</u>
<u>NET POSITION</u>			
Held in trust for private purposes	\$ <u>254,538</u>	\$ <u>1,162,983</u>	\$ <u>1,417,521</u>

CITY OF MARINA
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
SUCCESSOR AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Successor Agency Obligation Retirement Fund	Successor Agency Housing Assets Fund	Total
<u>ADDITIONS</u>			
Property taxes	\$ 1,402,054	\$ -	\$ 1,402,054
Investment earnings	2,025	366	2,391
Property tax in-lieu	<u>29,139</u>	<u>-</u>	<u>29,139</u>
Total Additions	<u>1,433,218</u>	<u>366</u>	<u>1,433,584</u>
<u>DEDUCTIONS</u>			
Program costs	750,996	-	750,996
Legal and professional fees	13,907	988	14,895
Employee costs	161,328	5,628	166,956
Occupancy and operating costs	<u>31,369</u>	<u>-</u>	<u>31,369</u>
Total Deductions	<u>957,600</u>	<u>6,616</u>	<u>964,216</u>
Change in Net Position	475,618	(6,250)	469,368
NET POSITION - JULY 1, 2015	<u>(221,080)</u>	<u>1,169,233</u>	<u>948,153</u>
NET POSITION - JUNE 30, 2016	<u>\$ 254,538</u>	<u>\$ 1,162,983</u>	<u>\$ 1,417,521</u>

GENERAL FUNDS

The General Fund is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. For the City, the general funds used by the City are shown below:

General Fund

This fund is the primary source for discretionary spending that is not restricted by the source of the funds received. It serves the administration, development services, community facilities, public safety, and non-departmental divisions.

GASB 45 OPEB Obligation Fund

Accumulates resources committed to partial satisfaction of the City's Other Post Employment Benefits (OPEB); (retiree healthcare) obligation.

Library Maintenance Fund

Accounts for resources dedicated to maintain the City's public library.

Marina Technology Cluster Fund

Accounted for grant revenue as well as rents and City matching resources that were restricted and/or dedicated to assisting small business start-ups. This fund was deactivated in FY 2015-16, as this program was discontinued.

Development Activity Fund

Accounted for neogotiation costs and developer contributions related to large scale development activities on and within properties acquired by the City from the federal government as a result of closure of the Fort Ord Army Base.

CITY OF MARINA
GENERAL FUND
COMBINING BALANCE SHEETS
JUNE 30, 2016

<u>ASSETS</u>						
Cash and cash equivalents	\$ 7,799,254	\$ 200,000	\$ 371,275	\$ -	\$ (1,590,197)	\$ 6,780,332
Restricted cash	103	-	-	-	-	103
Accounts receivable	2,230,435	-	-	-	54,969	2,285,404
Prepaid expenses	12,000	-	-	-	-	12,000
Due from other funds	813,139	-	-	-	-	813,139
Advances to other funds	318,713	-	-	-	-	318,713
Total Assets	<u>\$ 11,173,644</u>	<u>\$ 200,000</u>	<u>\$ 371,275</u>	<u>\$ -</u>	<u>\$ (1,535,228)</u>	<u>\$ 10,209,691</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 905,963	\$ -	\$ 545	\$ -	\$ -	\$ 906,508
Accrued payroll and benefits	771,307	-	-	-	-	771,307
Unearned revenue	37,315	-	-	-	-	37,315
Deposits payable	256,044	-	-	-	-	256,044
Advances to other funds	-	-	-	-	50,000	50,000
Total Liabilities	<u>1,970,629</u>	<u>-</u>	<u>545</u>	<u>-</u>	<u>50,000</u>	<u>2,021,174</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenues - State of CA SB 90 claims	262,079	-	-	-	-	262,079
Unavailable revenues - FORA	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total Deferred Inflows of Resources	287,079	-	-	-	-	287,079
FUND BALANCES (DEFICITS):						
Reserved for:						
Nonspendable	543,713	-	-	-	-	543,713
Restricted	446,329	-	-	-	-	446,329
Committed	-	200,000	370,730	-	-	570,730
Unassigned	7,925,894	-	-	-	(1,585,228)	6,340,666
Total Fund Balances (Deficits)	<u>8,915,936</u>	<u>200,000</u>	<u>370,730</u>	<u>-</u>	<u>(1,585,228)</u>	<u>7,901,438</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,911,565</u>	<u>\$ 200,000</u>	<u>\$ 371,275</u>	<u>\$ -</u>	<u>\$ (1,535,228)</u>	<u>\$ 9,947,612</u>

CITY OF MARINA
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	GASB 45 OPEB Obligation	Library Maintenance Fund	Marina Technology Cluster Fund	Development Activity Fund	Total General Fund
REVENUES						
Taxes and assessments	\$ 13,737,673	\$ -	\$ -	\$ -	\$ -	\$ 13,737,673
Licence, permits, and fees	545,288	-	-	-	-	545,288
Fines and forfeitures	144,598	-	-	-	-	144,598
Investment earnings	41,376	-	-	-	-	41,376
Intergovernmental	925,417	-	-	-	-	925,417
Charges for services	3,385,998	-	-	-	-	3,385,998
Other revenues	<u>38,056,105</u>	-	-	-	-	<u>38,056,105</u>
Total Revenues	<u>56,836,455</u>	-	-	-	-	<u>56,836,455</u>
EXPENDITURES						
General government	2,732,037	-	32,975	-	17	2,765,029
Public safety	10,425,058	-	-	-	-	10,425,058
Public works	1,200,231	-	-	-	-	1,200,231
Economic & community development	2,117,120	-	-	-	-	2,117,120
Recreation & cultural services	939,508	-	-	-	-	939,508
Capital outlay	<u>38,372,703</u>	-	-	-	-	<u>38,372,703</u>
Principal	570,000	-	-	-	-	570,000
Interest and fiscal charges	<u>78,888</u>	-	-	-	-	<u>78,888</u>
Total Expenditures	<u>56,435,545</u>	-	<u>32,975</u>	-	<u>17</u>	<u>56,468,537</u>
Excess (deficiency) of revenues over expenditures	<u>400,910</u>	-	<u>(32,975)</u>	-	<u>(17)</u>	<u>367,918</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	219,123	-	-	6,337	-	225,460
Transfers out	<u>(550,089)</u>	-	-	-	-	<u>(550,089)</u>
Total Other Financing Sources (Uses)	<u>(330,966)</u>	-	-	<u>6,337</u>	-	<u>(324,629)</u>
Net Change in Fund Balance	69,944	-	(32,975)	6,337	(17)	43,289
Fund Balances (Deficits) - July 1, 2015	<u>8,845,992</u>	<u>200,000</u>	<u>403,705</u>	<u>(6,337)</u>	<u>(1,585,211)</u>	<u>7,858,149</u>
Fund Balances (Deficits) - June 30, 2016	<u>\$ 8,915,936</u>	<u>\$ 200,000</u>	<u>\$ 370,730</u>	<u>\$ -</u>	<u>\$ (1,585,228)</u>	<u>\$ 7,901,438</u>

January 13, 2017

Item No. **8j(2)**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of February 22, 2017

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2017-
RECEIVING AND FILING CITY OF MARINA AUDITED ANNUAL
FINANCIAL REPORTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016.**

REQUEST:

It is requested that the City Council:

1. Consider adopting Resolution No. 2017- receiving and filing City of Marina audited Annual Financial Reports for the fiscal year ended June 30, 2016.

BACKGROUND:

After each fiscal year, independent auditors examine and test the underlying controls, fiscal records and financial transactions from which the City's Annual Financial Reports are prepared, and issue their opinion on the basic financial statements contained in the reports.

The purpose of the audit is to determine whether, in the auditor's opinion, the financial statements present fairly in all material respects the City's financial position and results of operations for the fiscal year; whether the City is in compliance with significant laws, regulations contracts and grants; and to evaluate the City's system of internal controls.

ANALYSIS:

The auditors, Mann, Urrutia, Nelson CPAs, issued unqualified ("clean") opinion as of and for the year ended June 30, 2016, on the City of Marina financial statements dated January 6, 2017. **(EXHIBIT A)**. The audit report states "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, 2016, 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."

In accordance with GASB Statement No. 34, the financial reports include: Management's Discussion and Analysis (MD&A); Basic Financial Statements (including Notes to Financial Statements); Required Supplementary Information; and Supplementary Information.

The auditors' unqualified opinions on the City's 2015-16 financial statements are indicative of superior financial records, an accomplishment made possible through exceptional expertise, dedication and commitment to excellence on the part of Finance Consultant Richard B. Standridge, CPA and Finance Department staff, Accounting Technicians Monika Collier, Lily Suarez and Janet Villavisencio.

FISCAL IMPACT:

None

CONCLUSION:

This request is submitted for City Council consideration and possible action.

Respectfully submitted,

Lauren Lai, CPA
Finance Director
City of Marina

REVIEWED/CONCUR:

Layne P. Long
City Manager
City of Marina