

RESOLUTION NO. 2018-06

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, 2017

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, 2017, on the City of Marina's financial statements dated January 9, 2018, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.," 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, 2017.

PASSED AND ADOPTED by the City Council of the City of Marina at a regular meeting duly held on the 18th day of January 2018, by the following vote:

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

NOES, COUNCIL MEMBERS: None

ABSENT, COUNCIL MEMBERS: None

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, 2017

CITY OF MARINA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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INTRODUCTORY SECTION

CITY OF MARINA
ELECTED OFFICIALS
AND
EXECUTIVE STAFF
June 30, 2017

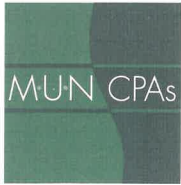
ELECTED OFFICIALS

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

EXECUTIVE STAFF

City Manager	Layne Long
Acting City Clerk	Anita Shepherd-Sharp
Finance Director	Lauren Lai, CPA
Police Chief	Tina M. Nieto
Fire Chief	Doug McCoun
Community Development Director	Fred Aegerter
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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison 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 governmental fund financial statements, and the combining fiduciary fund and general fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor governmental fund financial statements, the combining fiduciary fund and general fund statements, and the schedule of expenditures of federal awards 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 governmental fund financial statements, the combining fiduciary fund and general fund statements, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2018, 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 the effectiveness of the City of Marina's 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.

Morm, Ursula, Nelson CPAs

Sacramento, California
January 9, 2018

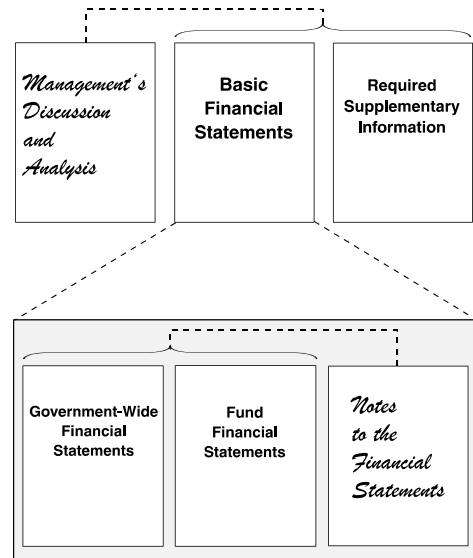
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The City of Marina annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2017. It should be read in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The City's net position at June 30, 2017 was \$135.8 million, which is a \$6 million or 4.6% increase from the June 30, 2016 net position of \$129.8 million. Reflected in this increase are slightly less than a \$3.0 million increase in general capital assets net of depreciation, a \$1 million capital assets contribution to the airport enterprise fund and a \$1.5 million developer infrastructure dedication at the Dunes Project (formerly University Villages), and general long-term debt reductions of slightly more than \$0.9 million. The remaining change resulted from improvements in on-going governmental and enterprise activities. For more detailed information, see Notes to Financial Statements.
- During Fiscal 2016/17, total City-wide revenues of \$40.5 million exceeded total City-wide total expenditures and expenses of \$34.6 million by \$5.9 million. City-wide FY 2016/17 revenues, including interfund transfers-in and non-cash property contributions of \$2.6 million reported as revenue, totaled \$40.5 million - 2015/16 revenues including non-cash contributions and one-time non-cash property sales of \$37.9 million totaled 72.8 million. Reduced by the non-cash transactions, 2016/17 revenues plus interfund transfers-in were \$37.9 million while 2015/16 revenues similarly reduced, were \$34.9 million, which is a \$3 million, 8.9% increase from FY2015/16 to FY2016/17. City-wide expenditures and expenses increased by \$4.7 million, from \$29.9 million in 2015/16 to \$34.6 million in 2016/17, reflecting increases in both governmental and enterprise costs.
- 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 and capital asset donations, for fiscal year 2016/17 of \$19.4 million increased by \$0.5 million or 2.6% from \$18.9 million the previous year, which is primarily due to increased economic development projects. While charges for services and program revenues (rents, licenses, permits, grants, contributions, etc.) of \$3.9 million decreased slightly compared to the previous year, property taxes, sales taxes, transient occupancy taxes of \$5.4 million, \$5.3 million, \$2.7 million and \$1.0 million increased by 9.25%, 1.5% and 5.2% respectively, while Franchise taxes of \$1.0 million declined by about 5.2%. Property tax increased primarily due to the construction of the new Veteran's Administration medical clinic, Marriott's Springhill Suite Hotel, California State University student housing, and other commercial and residential housing projects throughout Marina. Other general fund revenues fluctuated in non-material amounts; however, investment earnings of \$97,000 increased by more than 100% from the previous year due to higher earnings rates paid by the California Local Agency Investment Fund (LAIF).
- Government costs naturally fluctuate from year-to-year due to program changes, policy implementation and the normal ebb and flow of business activities. The City remains focused on cost management. For fiscal 2016/17, on-going General Fund expenditures (excluding non-cash contributions recorded as expenditures and interfund transfers-out) of \$18.3 million decreased by \$0.2 million from FY 2015/16 expenditures of \$18.5 million. The largest decrease, \$0.3 million (13.9%) occurred in economic and community development costs, but was offset by slight increases in both general government and public safety costs.
- The City's General Fund reported a fund balance at June 30, 2017 of \$9.1 million, which is a \$1.2 million or 15% increase from the June 30, 2016 balance of \$7.9 million. This resulted from general fund revenues of \$21.1 million (including interfund transfers-in and non-cash contributions) that exceeded expenditures of \$19.9 million (including interfund transfers-out and capital expenditures) by \$1.2 million. Fiscal management and sustainability remains a priority as the City increases economic development, manages its expenditures and improves its financial position.

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



Summary ↔ **Detail**

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 \$9.1 million equals approximately forty-five percent (45%) of annual recurring revenues.

The government-wide financial statements of the City include both Governmental and enterprise 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 \$135.8 at June 30, 2017 is detailed in Table 1, and results of operations in Table 2. General Fund budget comparison is presented in Table 3. *More detailed information is contained in the financial statements and notes thereto.*

Table 1
Net Position
(in thousands, rounded)
Governmental
Activities

	2016	2017	Business-type Activities 2016	2017	Total 2016	2017
Assets						
Current Assets						
Cash and Cash Equivalents (rounded)	20,161	23,972	7,180	7,443	27,341	31,416
Prepaid Expenses	12	12	1,274	1,321	1,286	1,333
Internal Balances	13,085	10,983	-13,085	-10,983	-	-
Accts Receivable	3,223	4,036	1,623	247	4,846	4,283
Fuel Inventory	-	-	34	21	34	21
Advances to Successor Agency	244	244	85	85	329	329
Land, Bldgs & Equipment	102,789	108,123	105,101	106,162	207,890	214,285
(Accumulated Depreciation)	-22,205	-24,391	-15,385	-16,731	-37,590	-41,122
Total Assets	117,309	122,979	86,827	87,566	204,136	210,545
Deferred Outflow – Net Pension Liability	2,211	4,518	-	-	2,311	4,518
Liabilities						
Current Liabilities						
Accounts Payable	1,433	2,074	1,033	1,117	2,466	3,191
Accrued Liabilities	777	423	23	20	800	443
Interest Payable	170	147	-	-	170	147
Unearned Revenue	37	-	-	-	37	-
Deposits & Other Liabilities	257	285	31	43	288	328
Notes Payable	-	-	35,950	35,950	35,950	35,950
Other Postemployment Benefits	1,561	1,884	-	-	1,561	1,884
Net Pension Liability	12,351	16,194	-	-	12,351	16,194
Leases Payable	19	-	-	-	19	-
Bonds	20,005	19,105	-	-	20,005	19,105
Compensated Absences	1,223	1,290	-	-	1,223	1,290
Total Liabilities	37,833	41,402	37,037	37,130	74,870	78,532
Deferred Inflows – Net Pension Liability	1,749	736	-	-	1,749	736
Net Position	80,038	85,359	49,790	50,436	129,828	135,795
Net Investment in Capital Assets	61,460	64,902	42,332	42,448	103,792	107,350
Restricted	6,559	10,288	-	-	6,559	10,288
Unrestricted	12,019	10,169	7,458	7,988	19,477	18,157
Total Net Position	80,038	85,359	49,790	50,436	129,828	135,795

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 artificial classification scheme more confusing than illuminating.

Changes in net position. (Table 2)

- **REVENUES** Fiscal 2016/17 City-wide revenues including interfund transfers and one-time non-cash capital assets contributions of \$40.5 million was \$32.3 lower than the same revenue totals for the previous year. However, if non-cash property contributions and a one-time leasehold sale in 2015/16 are eliminated from 2015/16 and 2016/17 transactions, revenues for 2016/17 increased by about \$3.0 million from the previous year. The revenue increased primarily due to higher tax revenues and proprietary fund rent revenues. FY2016/17 reflects a full year of rent revenues for Preston Park, which was acquired at mid-year fiscal 2015/16.
- **COSTS** Fiscal 2016/17 City-wide costs (excluding interfund transfers and one-time non-cash capital assets transactions) of \$34.6 million exceeded previous year on-going costs (excluding similar transactions) of \$29.9 million, by about \$4.7 million. All increases were within normal operating expectations. Total enterprise costs increased by \$1.7 million due primarily to a full year of operating costs for Preston Park, which was acquired mid-year Fiscal 2015/16.

Table 2

Change in Net Position
(in thousands, rounded)

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Revenues						
Program Revenues:						
Charges for Services	6,545	7,303	9,267	10,750	15,812	18,053
Operating Grants	381	390	10	-	391	390
Capital Grants/ Contributions	4,585	3,987	-	1,036	4,585	5,023
General Revenues:						
Taxes	14,776	15,623	-	-	14,776	15,623
Investment Earnings	76	149	7	11	83	160
Other General Revenues	37,062	528	-	-	37,062	528
Transfers In	126	752	-	-	126	752
Total Revenues	63,551	28,732	9,284	11,797	72,835	40,529
Expenditures						
General Government	3,480	4,693	-	-	3,480	4,693
Public Safety	9,855	11,351	-	-	9,855	11,351
Economic Development	2,441	1,928	-	-	2,441	1,928
Recreation	1,180	1,173	-	-	1,180	1,173
Public Works	1,874	1,908	-	-	1,874	1,908
Public Improvements	1,505	1,690	-	-	1,505	1,690
Interest & Fiscal Charges	797	668	-	-	797	668
Enterprise Operations	-	-	8,618	10,399	8,618	10,399
Transfers Out	-	-	126	752	126	752
Total Expenditures	21,132	23,411	8,744	11,151	29,876	34,562
Revenues Over (-)under Expenditures	42,419	5,321	540	646	42,959	5,967
Net Position Beginning	37,619	80,038	49,250	49,790	86,869	129,828
Net Position Ending	80,038	85,359	49,790	50,436	129,828	135,795

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. Total actual General Fund revenues of \$21.0 million exceeded the final budget by slightly more than \$0.3 million (or 1.4% favorable). Management attributes the positive revenue performance to improved general economy and completion of specific economic development projects such as the construction of the new Veteran's Administration medical clinic, Marriott's Springhill Suite Hotel, California State University student housing, and other commercial and residential housing projects throughout Marina. General Fund actual expenditures of \$19.9 million was almost \$1.2 million less (or 6% favorable) than the final budget, reflecting on-going expenditure controls implemented and several deferred project costs.

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	14,211	98	14,309	14,582	273
Licenses & Permits	457	22	479	673	194
Fines & Penalties	204	-	204	146	-58
Investment Earnings	50	-	50	97	47
Intergovernmental	583	268	851	823	-28
Chrgs for Svcs/Program Rev	3,023	22	3,045	2,896	-149
Other Revenues	126	1,585	1,711	1,781	70
Total Revenues	18,654	1,995	20,649	20,998	349
Expenditures					
General Government	3,206	217	3,423	3,039	384
Public Safety	10,201	333	10,534	10,581	-48
Economic/Community Develop	2,418	59	2,477	1,823	654
Recreation	901	-	901	936	-35
Public Works	1,423	75	1,498	1,240	258
Capital Outlay	70	1,609	1,679	1,612	67
Debt Service Principal	549	-	549	595	-46
Debt Service Interest/Charges	-	-	-	79	-79
Total Expenditures	18,768	2,293	21,061	19,905	1,155
Revenues Over(Under)					
Expenditures	-114	-298	-412	1,092	1,504
Net Interfund Transfers In(Out)	54	75	129	94	-35
Revenues Over(Under)					
Expenditures, Transfers & Other Financing Sources	-60	-223	-283	1,186	1,469

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the City has slightly more than \$214 million capital assets (before depreciation) including land, equipment, vehicles, buildings, improvements, infrastructure, rental housing, leasehold interests and airport facilities. Detailed discussion of acquisition, disposition and depreciation of capital assets can be found in the Financial Statements and Notes. The City's 2017/18 budget provides for various public improvements, most of which are funded by Federal, State and local grants.

Table 4

Capital Assets
(in thousands, rounded)

	Governmental Activities		Business-type Activity		Total	
	2016	2017	2016	2017	2016	2017
Land	22,081	22,081	36,900	36,900	58,981	58,981
Bldgs, Imprvmnts, Leaseholds	49,839	49,839	68,017	69,034	117,856	118,873
Vehicles & Equipment	6810	6,835	184	228	6,994	7,063
Infrastructure	24,059	29,368	-	-	24,059	29,368
Totals at Historical Cost	102,789	108,123	105,101	106,162	207,890	214,285
Accumulated Depreciation	-22,205	-24,391	-15,385	-16,731	-37,590	-41,122
Net Capital Assets	80,584	83,732	89,716	89,431	170,300	173,163

Long Term Debt

At year-end the City had about \$20.4 million general (non-enterprise) long-term debt consisting of bonds and compensated absences (vested benefits payable to employees) outstanding. During the prior fiscal year, the Preston Park Sustainable Community Nonprofit Corporation incurred a \$35,950,000 interest-only 10-year promissory note to finance the purchase and related costs of the Preston Park Housing Project. The entire loan balance remains outstanding at June 30, 2017. All City long-term debt payable to third parties is summarized below in Table 5. During fiscal 2016/17, the City paid \$918,767 against pre-existing long-term debt. Compensated absences increased nominally by \$66,346 as a result of employees earning slightly more compensable time off than they used. Additional information about general and enterprise long-term debt, as well as accrued bond interest, post-employment benefit and pension obligations can be found in the Notes to Financial Statements.

Table 5

Long-term Debt
(in thousands, rounded)

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Bonds Payable	20,005	19,105	-	-	20,005	19,105
Leases Payable	19	-	-	-	19	-
Compensated Absences	1,223	1,290	-	-	1,223	1,290
General Long-Term Debt	21,247	20,395	-	-	21,247	20,395
Enterprise Debt	-	-	35,950	35,950	35,950	35,950
Total Long-Term Debt	21,247	20,395	35,950	35,950	57,197	56,345

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In November 2016, City voters approved Measure U, which permanently updated the City's business license tax rate effective July 1, 2017. Also, in November 2016, the Monterey County voters approved a regional transportation ballot measure of 0.375 percent sales tax effective April 1, 2017. Additionally, the State Senate Bill 1 the "Road Repair and Accountability Act" of 2017 was signed into law on April 28, 2017, which will provide funds to State and local communities. All such funds will be realized in fiscal year 2017/18 and thereafter until such tax measures expire. With that said, the City continues engagement with the community for additional resources to fund the backlog of infrastructure repairs and increasing service demands.

As evidence in fiscal year 2016/17 results, the general economy is improving and the City economic development projects are well under construction. Both the Sea Haven and Dunes residential development projects are actively constructing new homes and the consumer demand has been responsive. The Marina Downtown Specific Plan is being updated to encourage the economic development in central Marina and improve the planning process.

Various economic and fiscal indicators were considered, and numerous assumptions necessarily made, when adopting the fiscal year 2017/18 budget. The adopted fiscal year 2017/18 general fund budget includes estimated June 30, 2017 fund balance of \$7.8 million, revenues of \$20.5 million, expenditures/appropriation of \$20.4 million and estimated June 30, 2018 fund balance of \$7.9 million. If during the fiscal year it becomes sufficiently clear that budgeted revenues and/or expenditures should be adjusted, the City Council will adopt budget amendments accordingly.

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.

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CITY OF MARINA
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and investments (Note 2)	\$ 23,113,066	\$ 7,443,129	\$ 30,556,195
Restricted cash and investments (Note 2)	859,353	3	859,356
Accounts receivable, net	4,035,723	247,341	4,283,064
Notes receivable, net of allowance (Note 3)	-	-	-
Internal balances	10,982,913	(10,982,913)	-
Advances to Successor Agency	243,713	85,000	328,713
Prepaid items and deposits	12,000	1,321,253	1,333,253
Inventory	-	20,864	20,864
Capital assets (Note 5)			
Land and construction in progress	22,080,651	36,900,000	58,980,651
Capital assets being depreciated, net	<u>61,651,372</u>	<u>52,531,323</u>	<u>114,182,695</u>
Total capital assets	<u>83,732,023</u>	<u>89,431,323</u>	<u>173,163,346</u>
Total Assets	<u>122,978,791</u>	<u>87,566,000</u>	<u>210,544,791</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Changes in the net pension liability (Note 7)	<u>4,518,435</u>	<u>-</u>	<u>4,518,435</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	2,074,095	1,116,581	3,190,676
Accrued payroll and benefits	422,777	20,401	443,178
Interest payable	147,275	-	147,275
Deposits payable	285,441	43,096	328,537
Unearned revenue	-	-	-
Compensated absences (Note 6):			
Due in more than one year	1,289,557	-	1,289,557
Long-term liabilities (Note 6):			
Due within one year	710,000	-	710,000
Due in more than one year	18,395,000	35,950,000	54,345,000
Other postemployment benefits (Note 8)			
Due in more than one year	1,883,868	-	1,883,868
Net pension liability (Note 7)			
Due in more than one year	<u>16,193,904</u>	<u>-</u>	<u>16,193,904</u>
Total Liabilities	<u>41,401,917</u>	<u>37,130,078</u>	<u>78,531,995</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Changes in the net pension liability (Note 7)	<u>736,279</u>	<u>-</u>	<u>736,279</u>
<u>NET POSITION</u>			
Net investment in capital assets	64,902,023	42,448,410	107,350,433
Restricted for:			
Debt service	860,226	-	860,226
Public improvements	8,284,423	-	8,284,423
Public Safety	210,668	-	210,668
Unrestricted	<u>11,101,690</u>	<u>7,987,512</u>	<u>19,089,202</u>
Total Net Position	<u>\$ 85,359,030</u>	<u>\$ 50,435,922</u>	<u>\$ 135,794,952</u>

See accompanying notes to the basic financial statements.

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

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	\$ 4,692,664	\$ 2,499,202	\$ -	\$ -	\$ (2,193,462)	\$ -	\$ (2,193,462)
Public safety	11,351,326	733,781	342,170	820,222	(9,455,153)	-	(9,455,153)
Public works	1,908,465	599	5,612	-	(1,902,254)	-	(1,902,254)
Economic & community development	1,927,976	1,685,111	-	-	(242,865)	-	(242,865)
Recreation & cultural activities	1,173,364	77,361	42,569	-	(1,053,434)	-	(1,053,434)
Public Improvements	1,689,946	2,306,877	-	3,166,583	3,783,514	-	3,783,514
Interest and fiscal charges	667,627	-	-	-	(667,627)	-	(667,627)
Total governmental activities	<u>23,411,368</u>	<u>7,302,931</u>	<u>390,351</u>	<u>3,986,805</u>	<u>(11,731,281)</u>	<u>-</u>	<u>(11,731,281)</u>
Business-type activities:							
Marina Municipal Airport	1,171,290	1,157,167	-	1,036,227	-	1,022,104	1,022,104
Abrams B Non-profit Corporation	2,792,041	3,264,067	-	-	-	472,026	472,026
Preston Park Non-profit Corporation	6,435,459	6,328,162	-	-	-	(107,297)	(107,297)
Total business-type activities	<u>10,398,790</u>	<u>10,749,396</u>	<u>-</u>	<u>1,036,227</u>	<u>-</u>	<u>1,386,833</u>	<u>1,386,833</u>
Total primary government	<u>\$ 33,810,158</u>	<u>\$ 18,052,327</u>	<u>\$ 390,351</u>	<u>\$ 5,023,032</u>	<u>\$ (11,731,281)</u>	<u>\$ 1,386,833</u>	<u>\$ (10,344,448)</u>
General revenues:							
Property taxes					\$ 3,018,698	\$ -	\$ 3,018,698
Sales taxes					5,366,144	-	5,366,144
Transient occupancy taxes					2,680,928	-	2,680,928
Franchise taxes					1,084,574	-	1,084,574
Property tax in-lieu of VLF					2,934,743	-	2,934,743
Other taxes					537,779	-	537,779
Investment earnings					149,622	10,824	160,446
Other general revenue					527,972	-	527,972
Transfers					<u>751,686</u>	<u>(751,686)</u>	<u>-</u>
Total general revenues					<u>17,052,146</u>	<u>(740,862)</u>	<u>16,311,284</u>
Change in net position					5,320,865	645,971	5,966,836
Net position - July 1, 2016					<u>80,038,165</u>	<u>49,789,951</u>	<u>129,828,116</u>
Net position - June 30, 2017					<u>\$ 85,359,030</u>	<u>\$ 50,435,922</u>	<u>\$ 135,794,952</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Abrams B Debt Service</u>	<u>Impact Fee</u>
<u>ASSETS</u>				
Cash and investments	\$ 8,655,971	\$ 5,209,684	\$ -	\$ 7,735,967
Restricted cash and investments	702	-	404,282	-
Accounts receivable	2,276,226	556,474	-	648,893
Prepaid expenses	12,000	-	-	-
Notes receivable	-	-	-	-
Advances to other funds	75,000	-	11,032,913	-
Advances to Successor Agency	<u>243,713</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 11,263,612</u>	<u>\$ 5,766,158</u>	<u>\$ 11,437,195</u>	<u>\$ 8,384,860</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 976,885	\$ 389,660	\$ -	\$ -
Accrued payroll and benefits	408,990	909	-	-
Deposits payable	285,441	-	-	-
Advances from other funds	<u>50,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,721,316</u>	<u>465,569</u>	<u>-</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenues - State of CA				
SB 90 claims	325,690	-	-	-
Unavailable revenues - other	103,558	-	-	634,608
Unavailable revenues - FORA	25,000	-	-	-
Unavailable revenues - CDBG loans	-	-	-	-
Unavailable revenues - Interfund loans	<u>-</u>	<u>-</u>	<u>11,032,913</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>454,248</u>	<u>-</u>	<u>11,032,913</u>	<u>634,608</u>
<u>FUND BALANCES</u>				
Nonspendable	530,713	-	-	-
Restricted	211,371	-	404,282	7,750,252
Committed	7,027,012	5,300,589	-	-
Unassigned	<u>1,318,952</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>9,088,048</u>	<u>5,300,589</u>	<u>404,282</u>	<u>7,750,252</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,263,612</u>	<u>\$ 5,766,158</u>	<u>\$ 11,437,195</u>	<u>\$ 8,384,860</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
BALANCE SHEET (continued)
GOVERNMENTAL FUNDS
JUNE 30, 2017

	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>		
Cash and investments	\$ 1,511,444	\$ 23,113,066
Restricted cash and investments	454,369	859,353
Accounts receivable	554,130	4,035,723
Prepaid expenses	-	12,000
Notes receivable	569,219	569,219
Advances to other funds	-	11,107,913
Advances to Successor Agency	-	243,713
	<u> </u>	<u> </u>
Total Assets	\$ <u>3,089,162</u>	\$ <u>39,940,987</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 707,550	\$ 2,074,095
Accrued payroll and benefits	12,878	422,777
Deposits payable	-	285,441
Advances from other funds	-	125,000
	<u> </u>	<u> </u>
Total Liabilities	<u>720,428</u>	<u>2,907,313</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unavailable revenues - State of CA		
SB 90 claims	-	325,690
Unavailable revenues - other	-	738,166
Unavailable revenues - FORA	-	25,000
Unavailable revenues - CDBG loans	569,219	569,219
Unavailable revenues - Interfund loans	-	11,032,913
	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>569,219</u>	<u>12,690,988</u>
<u>FUND BALANCES</u>		
Nonspendable	-	530,713
Restricted	1,688,270	10,054,175
Committed	111,908	12,439,509
Unassigned	(663)	1,318,289
	<u> </u>	<u> </u>
Total Fund Balances	<u>1,799,515</u>	<u>24,342,686</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>3,089,162</u>	\$ <u>39,940,987</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, 2017

Total fund balances of governmental funds	\$ 24,342,686
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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 \$24,390,809.	83,732,023
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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.	12,121,769
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Deferred outflows of resources related to changes in the net pension liability are not reported in the governmental funds.	4,518,435
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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	(19,105,000)
Compensated absences	(1,289,557)
Net OPEB obligation	(1,883,868)
Interest payable	(147,275)
Net pension liability	(16,193,904)
Deferred inflows related to changes in the net pension liability	<u>(736,279)</u>

Net position of governmental activities	\$ <u>85,359,030</u>
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CITY OF MARINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED June 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Abrams B Debt Service</u>	<u>Impact Fee</u>
<u>REVENUES</u>				
Taxes and assessments	\$ 14,582,005	\$ -	\$ -	\$ -
Licenses, permits, and fees	672,613	-	-	-
Fines and forfeitures	146,415	-	-	-
Investment earnings	96,574	-	378	34,986
Intergovernmental	822,741	1,581,483	-	-
Charges for services	2,896,435	-	-	2,203,871
Other revenues	<u>1,781,486</u>	<u>282,595</u>	<u>761,891</u>	<u>-</u>
Total Revenues	<u>20,998,269</u>	<u>1,864,078</u>	<u>762,269</u>	<u>2,238,857</u>
<u>EXPENDITURES</u>				
Current:				
General government	3,038,730	-	291,683	-
Public safety	10,581,491	-	-	-
Public works	1,240,352	-	-	-
Economic & community development	1,822,892	-	-	-
Recreation & cultural services	936,202	-	-	-
Capital outlay	1,611,734	3,651,006	-	-
Debt service:				
Principal	595,636	19,050	190,000	-
Interest and fiscal charges	<u>78,888</u>	<u>157</u>	<u>378,325</u>	<u>-</u>
Total Expenditures	<u>19,905,925</u>	<u>3,670,213</u>	<u>860,008</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,092,344</u>	<u>(1,806,135)</u>	<u>(97,739)</u>	<u>2,238,857</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	94,267	301,406	314,563	1,051,303
Transfers out	<u>-</u>	<u>(1,223,551)</u>	<u>-</u>	<u>(129,158)</u>
Total Other Financing Sources (Uses)	<u>94,267</u>	<u>(922,145)</u>	<u>314,563</u>	<u>922,145</u>
Net Change in Fund Balances	1,186,611	(2,728,280)	216,824	3,161,002
Fund Balances - July 1, 2016	<u>7,901,437</u>	<u>8,028,869</u>	<u>187,458</u>	<u>4,589,250</u>
Fund Balances - June 30, 2017	<u>\$ 9,088,048</u>	<u>\$ 5,300,589</u>	<u>\$ 404,282</u>	<u>\$ 7,750,252</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, 2017

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>		
Taxes and assessments	\$ 1,040,861	\$ 15,622,866
Licenses, permits, and fees	-	672,613
Fines and forfeitures	-	146,415
Investment earnings	17,684	149,622
Intergovernmental	820,222	3,224,446
Charges for services	103,006	5,203,312
Other revenues	<u>67,522</u>	<u>2,893,494</u>
Total Revenues	<u>2,049,295</u>	<u>27,912,768</u>
<u>EXPENDITURES</u>		
Current:		
General government	19,693	3,350,106
Public safety	-	10,581,491
Public works	558,430	1,798,782
Economic & community development	100,983	1,923,875
Recreation & cultural services	14,552	950,754
Capital outlay	1,019,114	6,281,854
Debt service:		
Principal	85,000	889,686
Interest and fiscal charges	<u>261,984</u>	<u>719,354</u>
Total Expenditures	<u>2,059,756</u>	<u>26,495,902</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(10,461)</u>	<u>1,416,866</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers in	395,323	2,156,862
Transfers out	<u>(52,467)</u>	<u>(1,405,176)</u>
Total Other Financing Sources (Uses)	<u>342,856</u>	<u>751,686</u>
Net Change in Fund Balances	332,395	2,168,552
Fund Balances - July 1, 2016	<u>1,467,120</u>	<u>22,174,134</u>
Fund Balances - June 30, 2017	<u>\$ 1,799,515</u>	<u>\$ 24,342,686</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, 2017

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	\$ 2,168,552
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	5,333,992
Depreciation expense	(2,186,230)
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	918,767
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.	(66,346)
Receipts of payments and disbursements of funds related to notes and loans receivable are reported as revenue and expenditures, respectively, in governmental funds, but an increase and decrease, respectively, in notes receivable in the Statement of Net Position.	
Loan program receipts	(50,000)
Loans made during the year and accrued interest	42,919
Accrued interest payable is interest due on long-term liabilities. This is the net change in accrued interest in the current period.	22,646
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	(623,048)
Other postemployment benefits	(322,326)
Change in allowance for notes receivable	7,081
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>74,858</u>
Change in net position of governmental activities	<u>\$ 5,320,865</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-type Activities - Enterprise Funds			
	Marina Municipal Airport	Abrams B Housing	Preston Park Housing	Totals
<u>ASSETS</u>				
Current Assets				
Cash and investments	\$ 1,377,521	\$ 2,844,491	\$ 3,221,117	\$ 7,443,129
Restricted cash and investments	-	3	-	3
Accounts receivable, net	23,542	51,002	172,797	247,341
Prepaid expenses	-	862,413	458,840	1,321,253
Inventory	20,864	-	-	20,864
Total Current Assets	<u>1,421,927</u>	<u>3,757,909</u>	<u>3,852,754</u>	<u>9,032,590</u>
Non Current Assets				
Advances to other funds	50,000	-	-	50,000
Advances to Successor Agency	85,000	-	-	85,000
Capital assets:				
Land and construction in progress	36,900,000	-	-	36,900,000
Depreciable assets, net	7,831,881	10,616,150	34,083,292	52,531,323
Total Non-Current Assets	<u>44,866,881</u>	<u>10,616,150</u>	<u>34,083,292</u>	<u>89,566,323</u>
Total Assets	<u>46,288,808</u>	<u>14,374,059</u>	<u>37,936,046</u>	<u>98,598,913</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	\$ 33,440	\$ -	\$ -	\$ 33,440
Accrued salaries and benefits	20,401	-	-	20,401
Accrued liabilities	-	346,775	736,366	1,083,141
Deposits payable	43,096	-	-	43,096
Total Current Liabilities	<u>96,937</u>	<u>346,775</u>	<u>736,366</u>	<u>1,180,078</u>
Non-Current Liabilities				
Advances from other funds	-	11,032,913	-	11,032,913
Loan payable - noncurrent	-	-	35,950,000	35,950,000
Total Non-Current Liabilities	<u>-</u>	<u>11,032,913</u>	<u>35,950,000</u>	<u>46,982,913</u>
Total Liabilities	<u>96,937</u>	<u>11,379,688</u>	<u>36,686,366</u>	<u>48,162,991</u>
<u>NET POSITION:</u>				
Net investment in capital assets	44,731,881	(416,763)	(1,866,708)	42,448,410
Unrestricted	1,459,990	3,411,134	3,116,388	7,987,512
Total Net Position	<u>\$ 46,191,871</u>	<u>\$ 2,994,371</u>	<u>\$ 1,249,680</u>	<u>\$ 50,435,922</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, 2017

	Business-type Activities - Enterprise Funds			
	Marina Municipal Airport	Abrams B Housing	Preston Park Housing	Totals
<u>OPERATING REVENUES</u>				
Rental income	\$ 777,539	\$ 3,234,318	\$ 6,273,413	\$ 10,285,270
Sale of fuel	248,453	-	-	248,453
Grant revenue	-	-	-	-
Other revenue	<u>131,175</u>	<u>29,749</u>	<u>54,749</u>	<u>215,673</u>
Total Operating Revenue	<u>1,157,167</u>	<u>3,264,067</u>	<u>6,328,162</u>	<u>10,749,396</u>
<u>OPERATING EXPENSES</u>				
Salaries and benefits	202,684	-	-	202,684
Services and supplies	192,285	513,756	1,379,688	2,085,729
Repairs and maintenance	128,645	774,170	678,599	1,581,414
Cost of sales - aviation fuel	197,137	-	-	197,137
Utilities	68,358	64,224	92,525	225,107
Taxes	11,684	67,265	253,997	332,946
Rent	-	737,203	1,811,004	2,548,207
Depreciation and amortization	<u>370,497</u>	<u>268,665</u>	<u>707,000</u>	<u>1,346,162</u>
Total Operating Expenses	<u>1,171,290</u>	<u>2,425,283</u>	<u>4,922,813</u>	<u>8,519,386</u>
Operating Income (Loss)	<u>(14,123)</u>	<u>838,784</u>	<u>1,405,349</u>	<u>2,230,010</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest income	8,369	2,370	85	10,824
Interest expense	<u>-</u>	<u>(366,758)</u>	<u>(1,512,646)</u>	<u>(1,879,404)</u>
Total Non-Operating Revenues (Expenses)	<u>8,369</u>	<u>(364,388)</u>	<u>(1,512,561)</u>	<u>(1,868,580)</u>
Income (Loss) Before Transfers	<u>(5,754)</u>	<u>474,396</u>	<u>(107,212)</u>	<u>361,430</u>
<u>TRANSFERS AND CONTRIBUTIONS</u>				
Transfers in	-	-	-	-
Transfers out	(437,123)	(314,563)	-	(751,686)
Capital contributions	<u>1,036,227</u>	<u>-</u>	<u>-</u>	<u>1,036,227</u>
Total Transfers and Contributions	<u>599,104</u>	<u>(314,563)</u>	<u>-</u>	<u>284,541</u>
Change in Net Position	593,350	159,833	(107,212)	645,971
Net Position - July 1, 2016	<u>45,598,521</u>	<u>2,834,538</u>	<u>1,356,892</u>	<u>49,789,951</u>
Net Position - June 30, 2017	<u>\$ 46,191,871</u>	<u>\$ 2,994,371</u>	<u>\$ 1,249,680</u>	<u>\$ 50,435,922</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	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	\$ 1,167,773	\$ 3,907,356	\$ 7,145,466	\$ 12,220,595
Cash paid to suppliers	(584,082)	(2,240,436)	(4,179,637)	(7,004,155)
Cash paid to employees	(205,033)	-	-	(205,033)
Net Cash Provided by Operating Activities	<u>378,658</u>	<u>1,666,920</u>	<u>2,965,829</u>	<u>5,011,407</u>
<u>CASH FLOWS FROM NON-CAPITAL</u>				
<u>FINANCING ACTIVITIES</u>				
Due (to) from other funds	-	(314,563)	(713,139)	(1,027,702)
Transfers to other funds	(437,123)	(988,489)	-	(1,425,612)
Net Cash Used for Non-Capital Financing Activities	<u>(437,123)</u>	<u>(1,303,052)</u>	<u>(713,139)</u>	<u>(2,453,314)</u>
<u>CASH FLOWS FROM CAPITAL AND</u>				
<u>RELATED FINANCING ACTIVITIES</u>				
Acquisition of capital assets	(25,679)	-	-	(25,679)
Principal paid on advances	-	(400,418)	-	(400,418)
Interest paid on advances	-	(366,758)	(1,512,647)	(1,879,405)
Net Cash Used for Capital and Related Financing Activities	<u>(25,679)</u>	<u>(767,176)</u>	<u>(1,512,647)</u>	<u>(2,305,502)</u>
<u>CASH FLOWS FROM INVESTING</u>				
<u>ACTIVITIES</u>				
Interest and dividends	<u>8,369</u>	<u>2,370</u>	<u>85</u>	<u>10,824</u>
Net Cash Provided by Investing Activities	<u>8,369</u>	<u>2,370</u>	<u>85</u>	<u>10,824</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(75,775)	(400,938)	740,128	263,415
Cash and Cash Equivalents - July 1, 2016	<u>1,453,296</u>	<u>3,245,432</u>	<u>2,480,989</u>	<u>7,179,717</u>
Cash and Cash Equivalents - June 30, 2017	<u>\$ 1,377,521</u>	<u>\$ 2,844,494</u>	<u>\$ 3,221,117</u>	<u>\$ 7,443,132</u>
<u>Reconciliation of Cash and Cash Equivalents</u>				
<u>to the Statement of Net Position</u>				
Cash and investments	\$ 1,377,521	\$ 2,844,491	\$ 3,221,117	\$ 7,443,129
Restricted cash and investments	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>
Cash and Cash Equivalents - June 30, 2017	<u>\$ 1,377,521</u>	<u>\$ 2,844,494</u>	<u>\$ 3,221,117</u>	<u>\$ 7,443,132</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, 2017

	<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 OPERATING ACTIVITIES:</u>				
Operating Income (loss)	\$ (14,123)	\$ 838,784	\$ 1,405,349	\$ 2,230,010
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	370,497	268,665	707,000	1,346,162
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	(3,048)	672,493	705,785	1,375,230
(Increase) decrease in prepaid expenses	-	(83,168)	36,176	(46,992)
Decrease in inventory	13,654	-	-	13,654
Increase (decrease) in accounts payable	1,891	(650)	-	1,241
Decrease in accrued liabilities	(2,349)	(29,204)	-	(31,553)
Increase in other liabilities obligation	<u>12,136</u>	<u>-</u>	<u>111,519</u>	<u>123,655</u>
Net Cash Provided by Operating Activities	<u>\$ 378,658</u>	<u>\$ 1,666,920</u>	<u>\$ 2,965,829</u>	<u>\$ 5,011,407</u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Successor Agency to Redevelopment Agency
<u>ASSETS</u>	
Cash and investments (Note 2)	\$ 2,268,661
Interest receivable	1,307
Prepaid expenses	10,687
Long-term receivable - State of CA	450,000
Capital assets, non-depreciable	<u>900,000</u>
Total Assets	\$ <u>3,630,655</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 10,173
Accrued liabilities	10,962
Advances to other funds	328,713
Long-term liabilities	<u>450,000</u>
Total Liabilities	\$ <u>799,848</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
ROPS payments	<u>1,018,421</u>
<u>NET POSITION</u>	
Held in trust for private purposes	\$ <u>1,812,386</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, 2017

	Successor Agency to Redevelopment Agency
<u>ADDITIONS</u>	
Property taxes	\$ 1,655,787
Investment earnings	4,979
Property tax in lieu	<u>29,139</u>
Total Additions	<u>1,689,905</u>
<u>DEDUCTIONS</u>	
Program costs	1,107,239
Legal and professional fees	47,131
Salaries and benefits	117,532
Occupancy and operating costs	<u>23,141</u>
Total Deductions	<u>1,295,043</u>
Change in Fiduciary Net Position	394,862
Fiduciary Net Position - July 1, 2016	<u>1,417,524</u>
Fiduciary Net Position - June 30, 2017	<u><u>\$ 1,812,386</u></u>

See accompanying notes to the basic financial statements.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 units, which are entities 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 units, which are described below, are 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.

Preston Park Sustainable Community Non-Profit Corporation

The Preston Park Sustainable Community Non-Profit Corporation (the Property) was formed to account for operations of a 354 unit multi-family apartment complex known as Preston Park. The Property is owned by the City of Marina. Although a legally separate entity, the Property 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.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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, 2017

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.

Impact Fee - This 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.

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

Marina Municipal 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.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

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.

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.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Residential Company ("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. Local Agency Investment Fund ("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, 2017

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. Leasehold interests are assigned a useful life of fifty 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.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 Net 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 Net 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) plan (the "Plan") and additions to/deductions from the Plan's 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".

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, 2017

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, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2016, the City implemented the following accounting and financial reporting standards:

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.

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.

R. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2017 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.

Government Accounting Standards Board Statement No. 83

In December 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement seeks to provide financial statement users with information concerning asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement establishes criteria for determining the timing and the pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. 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, 2019.

Government Accounting Standards Board Statement No. 84

In February 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Additionally, this Statement describes four fiduciary funds that should be reported, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. 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, 2020.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Accounting Standards Board Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement seeks to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (i.e., pensions and other post-employment benefits (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.

Government Accounting Standards Board Statement No. 86

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources (i.e., resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the purpose of extinguishing debt. Additionally, this Statement amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in-substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. 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.

Government Accounting Standards Board Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The 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, 2021.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2017 were classified in the accompanying financial statements as follows:

	<u>Cash and Investments</u>	<u>Restricted Cash and Investments</u>	<u>Total</u>
Governmental activities	\$ 23,113,066	\$ 859,353	\$ 23,972,419
Business-type activities	<u>7,443,129</u>	<u>3</u>	<u>7,443,132</u>
Total government-wide cash and investments	<u>30,556,195</u>	<u>859,356</u>	<u>31,415,551</u>
Fiduciary activities	<u>2,268,661</u>	<u>-</u>	<u>2,268,661</u>
Total cash and investments	<u>\$ 32,824,856</u>	<u>\$ 859,356</u>	<u>\$ 33,684,212</u>

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Cash and investments were carried at fair value as of June 30, 2017 and consisted of the following:

Cash and Investments

Deposits:

Cash on hand	\$ 5,898
Cash in banks	1,423,078
Cash with fiscal agents	<u>5,668,125</u>

Total cash 7,097,101

Money market funds	404,285
Local Agency Investment Fund (LAIF)	<u>26,182,826</u>

Total investments 26,587,111

Total cash and investments \$ 33,684,212

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
Banker's Acceptances	180 days	N/A	30%	One (1) Commercial Bank
Certificates of Deposit	5 years	N/A	15%	(B)
Commercial Paper	270 days	N/A	15%	Highest Rating by an NRSRO*
Commercial Paper	31 days	N/A	30%	Highest Rating by an NRSRO*
Corporate Notes	5 Years	N/A	30%	No Limit
Mutual Funds	N/A	N/A	20%	Highest Rating by an NRSRO*
Reverse Repurchase Agreements	92 Days	N/A	20%	No Limit
Repurchase Agreements	1 Year	N/A	No Limit	No Limit
California Local Agency Investment Fund	N/A	N/A	No Limit	\$40,000,000 per account

(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.

* Nationally Recognized Statistical Rating Organization

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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:

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, 2017:

Investments	Fair Value Measurements Using			Fair Value
	Level 1 Inputs	Level 2 inputs	Level 3 inputs	
Money market funds	\$ -	\$ 404,285	\$ -	\$ 404,285
Total Investments	<u>\$ -</u>	<u>\$ 404,285</u>	<u>\$ -</u>	<u>\$ 404,285</u>

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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.

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, 2017:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Local Agency Investment Fund	\$ 26,182,826	\$ -	\$ 26,182,826
Held by bond trustee:			
Money market funds	<u>404,285</u>	<u>-</u>	<u>404,285</u>
	<u>\$ 26,587,111</u>	<u>\$ -</u>	<u>\$ 26,587,111</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, 2017.

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	\$ 26,182,826			Not rated
Held by bond trustee:				
Money market funds	<u>404,285</u>	AAA	Aaa	
	<u>\$ 26,587,111</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, 2017

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, 2017 were \$569,219. 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 loans were fully allowed for in the Statement of Net Position.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4: INTERFUND TRANSACTIONS

Advances to/from Other Funds

The composition of interfund balances as of June 30, 2017 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
Abrams B Debt Service Fund	Abrams B Housing Fund	<u>11,032,913</u>
Total Governmental Funds Advances		\$ <u>11,351,626</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, 2017.

On November 1, 2006, the Marina Joint Powers Financing Authority issued \$14,360,000 revenue bonds for the purpose of financing a loan in the same amount to the Abrams-B Non-Profit Corporation. Simultaneously, the corporation paid the entire \$14,360,000 back to the City of Marina, to pay loan costs and to acquire a 50-year leasehold interest in the Abrams-B Apartments housing project. Also simultaneously, the City paid that cash to The Fort Ord Reuse Authority to purchase the Abrams-B property. Monthly note payments are made by the corporation to the City according to an original amortization schedule which was subsequently revised on November 15, 2016, at a lower interest rate, resulting in smaller monthly payments. Payments on the note are structured to be sufficient for the bond trustee to pay semi-annual principal and interest on the revenue bonds. Payments are made semi-annually and will be fully re-paid in 2036. The balance of the loan was \$11,032,913 at June 30, 2017.

The Airport fund loaned the former Marina Redevelopment Agency \$85,000 in 2007 to help defray the cost of redevelopment plan amendments and fiscal merger of the three redevelopment areas. 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, 2017.

In 2007, the Airport Fund loaned the Development Activity Fund \$50,000 to finance development of a comprehensive business plan and related strategy for the Airport Economic Development Area. Pursuant to Governmental Accounting Standards Board Statement No. 54, for fiscal year 2010/2011 and thereafter the Development Activity Fund has been merged, for financial reporting purposes, with the General Fund, which now reports that interfund receivable. It is the City's intention to recover the \$50,000 as part of developer negotiations and to repay the loan to the airport fund under terms to be determined at a later time.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4: INTERFUND TRANSACTIONS (CONTINUED)

Interfund Transfers to/from Other Funds

Transfers between funds during the fiscal year ended June 30, 2017 were as follows:

<u>Transfer from</u>	<u>Transfer To</u>	<u>Description of Transfers</u>	<u>Amount</u>
<u>Governmental Funds</u>			
City Capital Projects Fund	Impact Fees Fund	Refund Impact Fees - Del Monte	\$ 1,051,303
Impact Fees Fund	Capital Projects Fund	To fund CIP projects with Impact fees	<u>129,158</u>
Total Major Governmental Interfund Transfers			<u>1,180,461</u>
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	32,000
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
2015 GO Refunding Bonds	General Fund	To close out debt service fund	2,535
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			<u>52,467</u>
<u>Proprietary Funds</u>			
Airport Fund	General Fund	To fund airport costs	41,800
Airport Fund	Airport Capital Projects	To fund capital projects	395,323
Abrams B Housing	Abrams B Debt Service	To fund debt service payments	<u>314,563</u>
Total Proprietary Interfund Transfers			<u>751,686</u>
Total Interfund Transfers			\$ <u>1,984,614</u>

Intra-Fund Transfers between Funds

The following table represents intra-fund transfers made during the fiscal year ended June 30, 2017:

<u>Transfer from</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
<u>General Fund</u>			
General Fund	Vehicle and Equipment Fund	Vehicle replacement	\$ 1,075,000
City Capital Projects Fund	City Capital Projects Fund	Close out completed projects	<u>190,775</u>
Total General Fund Intra-Fund Transfers			<u>1,265,775</u>
Total Intra-fund Transfers			\$ <u>1,265,775</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 74 presents both general fund interfund transfers and intra-fund transfers.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5: CAPITAL ASSETS

Governmental activities:

	Balance at July 1, 2016	Additions	Retirements	Balance at June 30, 2017
Capital assets not being depreciated				
Land	\$ 22,080,651	\$ -	\$ -	\$ 22,080,651
Total capital assets not being depreciated	<u>22,080,651</u>	<u>-</u>	<u>-</u>	<u>22,080,651</u>
Capital assets being depreciated				
Buildings and improvements	49,839,190	-	-	49,839,190
Equipment	6,810,017	24,999	-	6,835,016
Infrastructure	<u>24,058,982</u>	<u>5,308,993</u>	<u>-</u>	<u>29,367,975</u>
Total capital assets being depreciated	<u>80,708,189</u>	<u>5,333,992</u>	<u>-</u>	<u>86,042,181</u>
Less accumulated depreciation				
Buildings and improvements	(13,970,698)	(1,282,942)	-	(15,253,640)
Equipment	(5,231,323)	(280,561)	-	(5,511,884)
Infrastructure	<u>(3,002,558)</u>	<u>(622,727)</u>	<u>-</u>	<u>(3,625,285)</u>
Total accumulated depreciation	<u>(22,204,579)</u>	<u>(2,186,230)</u>	<u>-</u>	<u>(24,390,809)</u>
Total capital assets, net	\$ <u>80,584,261</u>	\$ <u>3,147,762</u>	\$ <u>-</u>	\$ <u>83,732,023</u>

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

Governmental Activities:

General government	\$ 1,036,525
Public safety	129,018
Public works	81,464
Economic & community development	5,985
Recreation & cultural services	214,896
Public improvements	<u>718,342</u>
Total governmental activities depreciation expense	\$ <u>2,186,230</u>

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5: CAPITAL ASSETS (CONTINUED)

Business-type activities:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2017</u>
Nondepreciable assets:				
Land	\$ 36,900,000	\$ -	\$ -	\$ 36,900,000
Total nondepreciable assets	<u>36,900,000</u>	<u>-</u>	<u>-</u>	<u>36,900,000</u>
Capital assets being depreciated				
Leasehold interest	48,783,242	-	-	48,783,242
Buildings	8,579,544	213,309	-	8,792,853
Improvements	10,653,931	804,545	-	11,458,476
Equipment	<u>183,816</u>	<u>44,052</u>	<u>-</u>	<u>227,868</u>
Total capital assets being depreciated	<u>68,200,533</u>	<u>1,061,906</u>	<u>-</u>	<u>69,262,439</u>
Less accumulated depreciation				
Leasehold interest	(3,108,135)	(975,665)	-	(4,083,800)
Buildings	(4,382,782)	(241,302)	-	(4,624,084)
Improvements	(7,710,221)	(122,010)	-	(7,832,231)
Equipment	<u>(183,816)</u>	<u>(7,185)</u>	<u>-</u>	<u>(191,001)</u>
Total accumulated depreciation	<u>(15,384,954)</u>	<u>(1,346,162)</u>	<u>-</u>	<u>(16,731,116)</u>
Total capital assets, net	<u>\$ 89,715,579</u>	<u>\$ (284,256)</u>	<u>\$ -</u>	<u>\$ 89,431,323</u>

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

Airport	\$ 370,497
Abrams B Housing	268,665
Preston Park	<u>707,000</u>
Total business-type activities depreciation expense	<u>\$ 1,346,162</u>

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017:

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017	Current Portion
Governmental activities:					
2007 Pension Obligation Bonds	\$ 900,000	\$ -	\$ (625,000)	\$ 275,000	\$ 130,000
2015 General Obligation Refunding Bonds	7,640,000	-	(85,000)	7,555,000	165,000
2006 Abrams B Housing Revenue Bonds	11,465,000	-	(190,000)	11,275,000	415,000
Capital Lease Obligation	18,767	-	(18,767)	-	-
Compensated absences*	<u>1,223,211</u>	<u>66,346</u>	<u>-</u>	<u>1,289,557</u>	<u>-</u>
Total Governmental activities	<u>\$ 21,246,978</u>	<u>\$ 66,346</u>	<u>\$ (918,767)</u>	<u>\$ 20,394,557</u>	<u>\$ 710,000</u>
	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017	Current Portion
Business-type activities:					
Berkeley Capital Loan	<u>\$ 35,950,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,950,000</u>	<u>\$ -</u>
Total Business-type activities	<u>\$ 35,950,000</u>	<u>\$ -</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, 2017 follows:

A. Governmental Activities

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
2018	\$ 130,000	\$ 14,768	\$ 144,768
2019	<u>145,000</u>	<u>7,787</u>	<u>152,787</u>
Total	<u>\$ 275,000</u>	<u>\$ 22,555</u>	<u>\$ 297,555</u>

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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>
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	280,000	236,081	516,081
2023 - 2027	1,720,000	990,481	2,710,481
2028 - 2032	2,410,000	590,981	3,000,981
Thereafter	<u>2,300,000</u>	<u>162,759</u>	<u>2,462,759</u>
Total	\$ <u>7,555,000</u>	\$ <u>2,969,101</u>	\$ <u>10,524,101</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 0.95% to 3.55%. 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>
2018	\$ 415,000	\$ 306,949	\$ 721,949
2019	425,000	302,640	727,640
2020	430,000	297,615	727,615
2021	440,000	291,848	731,848
2022	450,000	285,280	735,280
2023 - 2027	2,725,000	1,288,834	4,013,834
2028 - 2032	3,040,000	883,830	3,923,830
2033 - 2037	<u>3,350,000</u>	<u>306,188</u>	<u>3,656,188</u>
Total	\$ <u>11,275,000</u>	\$ <u>3,963,184</u>	\$ <u>15,238,184</u>

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 were due through July 2016. There was no outstanding balance on the lease as of June 30, 2017.

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>
2018	\$ -	\$ 1,512,646	\$ 1,512,646
2019	-	1,512,646	1,512,646
2020	-	1,516,790	1,516,790
2021	-	1,512,646	1,512,646
2022	-	1,512,646	1,512,646
2023 - 2026	<u>35,950,000</u>	<u>5,557,421</u>	<u>41,507,421</u>
Total	\$ <u>35,950,000</u>	\$ <u>13,124,795</u>	\$ <u>49,074,795</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 be found on the CalPERS website.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2017 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	8.880%	6.555%

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	19.536%	12.082%

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, 2017 were \$1,766,010.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, the City reported a net pension liability of \$16,193,904. 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, 2017, 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, 2015 rolled forward to June 30, 2017 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, 2015 and 2016 was as follows:

Proportion - June 30, 2015	0.17995 %
Proportion - June 30, 2017	0.18715 %
Change - Increase (Decrease)	0.00720 %

For the year ended June 30, 2017, the City recognized pension expense of \$613,562. At June 30, 2017, 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	\$ 1,766,010	\$ -
Difference between actual contributions made by employer and the employer's proportionate share of the risk pool's total contribution	31,047	141,852
Differences between actual and expected experience	-	78,724
Changes in assumptions	-	515,703
Adjustment due to differences in proportions	150,631	-
Net differences between projected and actual earnings on plan investments	<u>2,570,747</u>	<u>-</u>
Total	<u>\$ 4,518,435</u>	<u>\$ 736,279</u>

Deferred outflows of resources totaling \$1,766,010 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, 2018. 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,		
2018	\$	54,962
2019	\$	107,304
2020	\$	1,185,513
2021	\$	668,367

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	<u>Cost-Sharing Miscellaneous & Safety Plans</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2017
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, 2015 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

There were no changes of assumptions during the measurement period ended June 30, 2016. Deferred inflows of resources for changes in assumptions presented in the deferred outflows/inflows table above represents the portion of the changes of assumptions related to prior measurement periods.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for 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.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 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, 2015.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	20.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(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:

	<u>Discount Rate -1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate +1% (8.65%)</u>
Net Pension Liability (Asset)	\$ 25,242,080	\$ 16,193,904	\$ 8,749,962

Pension Plan Fiduciary Net Position

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

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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.

Funding Policy

As of the July 1, 2015 actuarial valuation date, the funding status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 3,503,871
Actuarial value of assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,503,871</u>
Funded ratio	0 %
Covered payroll, year ended June 30, 2017	\$ 7,904,043
UAAL as a percentage of covered payroll	44 %

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2017, the City's annual cost for the healthcare plan was \$345,237. The City's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2017 were as follows:

Annual required contribution	
Service cost at year-end	\$ 174,413
30-year amortization of unfunded liability	<u>195,357</u>
Total annual required contribution	<u>369,770</u>
Interest on net OPEB obligation	71,595
Adjustment to net OPEB obligation	<u>(96,128)</u>
Total annual OPEB cost	<u>345,237</u>
Employer contributions	(22,911)
Net OPEB obligation, July 1, 2016	<u>1,561,542</u>
Net OPEB obligation, June 30, 2017	<u>\$ 1,883,868</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, 2015	\$ 259,873	\$ 23,320	9 %	\$ 1,304,561
June 30, 2016	\$ 281,076	\$ 24,095	9 %	\$ 1,561,542
June 30, 2017	\$ 345,237	\$ 22,911	7 %	\$ 1,883,868

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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

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 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, 2015 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a discount rate of 4.50% and medical premium inflation rates increase by 4.00% 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 24-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

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* 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, 2017

NOTE 10: FUND BALANCE (CONTINUED)

As of June 30, 2017, fund balances consisted of the following:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Abrams B Debt Service</u>	<u>Impact Fee</u>	<u>Non-Major Funds</u>	<u>Total</u>
Nonspendable:						
Advances	\$ 530,713	\$ -	\$ -	\$ -	\$ -	\$ 530,713
Total Nonspendable	<u>530,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>530,713</u>
Restricted:						
Economic Development	-	-	-	-	277,445	277,445
Debt Service	703	-	404,282	-	455,241	860,226
Capital Projects	-	-	-	-	256,726	256,726
Street & Special District	-	-	-	-	242,742	242,742
Community Development	-	-	-	7,750,252	-	7,750,252
Recreation	-	-	-	-	456,117	456,117
Public Safety	210,668	-	-	-	-	210,668
Total Restricted	<u>211,371</u>	<u>-</u>	<u>404,282</u>	<u>7,750,252</u>	<u>1,688,271</u>	<u>10,054,176</u>
Committed:						
OPEB	200,000	-	-	-	-	200,000
Library Maintenance	351,143	-	-	-	-	351,143
Future Vehicle & Equipment Replacement	1,075,000	-	-	-	-	1,075,000
Future Facility Repairs	500,000	-	-	-	-	500,000
Community Improvement	641,268	-	-	-	-	641,268
Employee Compensated Absenses	400,000	-	-	-	-	400,000
Capital Projects	-	5,300,589	-	-	-	5,300,589
Emergency Reserves	3,859,600	-	-	-	-	3,859,600
Public Education Government	-	-	-	-	111,906	111,906
Total Committed	<u>7,027,011</u>	<u>5,300,589</u>	<u>-</u>	<u>-</u>	<u>111,906</u>	<u>12,439,506</u>
Assigned:						
Unassigned	<u>1,318,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(662)</u>	<u>1,318,291</u>
Total	<u>\$ 9,088,048</u>	<u>\$ 5,300,589</u>	<u>\$ 404,282</u>	<u>\$ 7,750,252</u>	<u>\$ 1,799,515</u>	<u>\$ 24,342,686</u>

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10: FUND BALANCE (CONTINUED)

Fund Balance Deficits

As of June 30, 2017, the following funds had a deficit:

Fund	Deficit
Cypress Cove II Assessment District	\$ <u>663</u>

The fund deficit was a result of expenditures incurred in advance of receipt of revenue and will be eliminated through future revenues.

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 \$29,000,000 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, 2017, the City paid a total of \$1,364,059 to MBASIA for insurance coverage; \$260,146 and \$1,103,913 for liability and workers compensation insurance, respectively and did not receive a rebate from the program.

NOTE 12: EXCESS EXPENDITURES AND TRANSFERS OVER APPROPRIATIONS

The following funds incurred expenditures and/or transfers in excess of appropriations in the following amounts for the year ended June 30, 2017:

Fund	Final Budget	Actual	Variance
Community Development Block Grant	\$ -	\$ 150	\$ (150)
PEG	110,000	119,886	(9,886)
Impact Fee	116,450	129,158	(12,708)
Monterey Bay Estates	11,754	13,569	(1,815)
Cypress Cove	18,594	26,157	(7,563)
CFD Locke Paddon	7,410	9,781	(2,371)
CFD Dunes	-	4,948	(4,948)

The excess expenditures were covered by available fund balance in the funds.

CITY OF MARINA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13: 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.

NOTE 14: SUBSEQUENT EVENT

On September 25, 2017, The City and the owners of the Peninsula Hotels Group settled a dispute related to the compliance with the terms of the agreement by the hotel owner agreeing to pay to the City the full amount of the economic incentive of \$634,608 pursuant to the terms of a promissory note given by the hotel owner to the City.

Under the terms of the note, payments are deferred until March 2018 when payments in the amount of \$5,000 per month will be due. Beginning on March 1, 2019 payments will be due monthly in an amount necessary to fully amortize the note balance over the remaining term of the note. The note is due in full no later than March 1, 2025. The note bears an interest rate of 3.25%. Both the \$634,608 note and the \$100,000 note are secured by deeds of trust on the property owned by the hotel owner.

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, 2017

	2016 - 2017 Budgeted Amounts			Variance with Final Budget Positive Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes and assessments	\$ 14,210,600	\$ 14,308,700	\$ 14,582,005	\$ 273,305
License, permits, and fees	456,600	478,600	672,613	194,013
Fines and forfeitures	204,100	204,100	146,415	(57,685)
Investment earnings	50,000	50,000	96,574	46,574
Intergovernmental	582,800	850,800	822,741	(28,059)
Charges for services	3,023,275	3,045,375	2,896,435	(148,940)
Other revenues	<u>126,158</u>	<u>1,711,258</u>	<u>1,781,486</u>	<u>70,228</u>
Total Revenues	<u>18,653,533</u>	<u>20,648,833</u>	<u>20,998,269</u>	<u>349,436</u>
EXPENDITURES				
Current:				
General government	3,206,305	3,423,305	3,038,730	384,575
Public safety	10,201,028	10,533,692	10,581,491	(47,799)
Public works	1,422,669	1,497,669	1,240,352	257,317
Economic & community development	2,417,598	2,476,898	1,822,892	654,006
Recreation & cultural services	900,995	900,995	936,202	(35,207)
Capital outlay	70,000	1,679,100	1,611,734	67,366
Principal	549,206	549,206	595,636	(46,430)
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>78,888</u>	<u>(78,888)</u>
Total Expenditures	<u>18,767,801</u>	<u>21,060,865</u>	<u>19,905,925</u>	<u>1,154,940</u>
Excess (deficiency) of revenues over expenditures	<u>(114,268)</u>	<u>(412,032)</u>	<u>1,092,344</u>	<u>1,504,376</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	129,267	1,204,267	94,267	(1,110,000)
Transfers out	<u>(75,000)</u>	<u>(1,075,000)</u>	<u>-</u>	<u>1,075,000</u>
Total Other Financing Sources (Uses)	<u>54,267</u>	<u>129,267</u>	<u>94,267</u>	<u>(35,000)</u>
Net change in fund balance	<u>\$ (60,001)</u>	<u>\$ (282,765)</u>	<u>1,186,611</u>	<u>\$ 1,469,376</u>
Fund balance - July 1, 2016			7,901,437	
Fund balance - June 30, 2017			<u>\$ 9,088,048</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, 2017

	2016 - 2017 Budgeted Amounts			Variance with Final Budget Positive Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental	2,200,033	\$ 2,200,033	\$ 1,581,483	\$ (618,550)
Other revenues	<u>(136,750)</u>	<u>(136,750)</u>	<u>282,595</u>	<u>419,345</u>
Total Revenues	<u>2,063,283</u>	<u>2,063,283</u>	<u>1,864,078</u>	<u>(199,205)</u>
EXPENDITURES				
Capital outlay	4,312,067	4,473,751	3,651,006	822,745
Debt service:				
Principal	18,767	18,767	19,050	(283)
Interest and fiscal charges	<u>126</u>	<u>126</u>	<u>157</u>	<u>(31)</u>
Total Expenditures	<u>4,330,960</u>	<u>4,492,518</u>	<u>3,670,213</u>	<u>822,462</u>
Excess (deficiency) of revenues over expenditures	<u>(2,267,677)</u>	<u>(2,429,235)</u>	<u>(1,806,135)</u>	<u>623,257</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	650,000	116,450	301,406	184,956
Transfers out	<u>(1,175,800)</u>	<u>(1,008,258)</u>	<u>(1,223,551)</u>	<u>(215,293)</u>
Total Other Financing Sources (Uses)	<u>(525,800)</u>	<u>(891,808)</u>	<u>(922,145)</u>	<u>(30,337)</u>
Net change in fund balance	<u>\$ (2,793,477)</u>	<u>\$ (3,321,043)</u>	<u>(2,728,280)</u>	<u>\$ 592,920</u>
Fund balance - July 1, 2016			8,028,869	
Fund balance - June 30, 2017			\$ <u>5,300,589</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, 2017

	2016 - 2017			
	Budgeted Amounts			Variance
	Original	Final	Actual	with Final
			Amounts	Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Investment earnings	\$ -	\$ -	\$ 378	\$ 378
Other revenues	<u>827,715</u>	<u>827,715</u>	<u>761,891</u>	<u>(65,824)</u>
Total Revenues	<u>827,715</u>	<u>827,715</u>	<u>762,269</u>	<u>(65,446)</u>
<u>EXPENDITURES</u>				
Current:				
General government	-	291,683	291,683	-
Debt service:				
Principal	355,000	355,000	190,000	165,000
Interest and fiscal charges	<u>472,715</u>	<u>472,715</u>	<u>378,325</u>	<u>94,390</u>
Total Expenditures	<u>827,715</u>	<u>1,119,398</u>	<u>860,008</u>	<u>259,390</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(291,683)</u>	<u>(97,739)</u>	<u>193,944</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>-</u>	<u>314,563</u>	<u>314,563</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>314,563</u>	<u>314,563</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 22,880</u>	<u>216,824</u>	<u>\$ 193,944</u>
Fund balance - July 1, 2016			187,458	
Fund balance - June 30, 2017			<u>\$ 404,282</u>	

CITY OF MARINA
IMPACT FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2017

	2016 - 2017			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Investment earnings	\$ -	\$ -	\$ 34,986	\$ 34,986
Charges for services	<u>2,075,000</u>	<u>2,075,000</u>	<u>2,203,871</u>	<u>128,871</u>
Total Revenues	<u>2,075,000</u>	<u>2,075,000</u>	<u>2,238,857</u>	<u>163,857</u>
Excess (deficiency) of revenues over expenditures	<u>2,075,000</u>	<u>2,075,000</u>	<u>2,238,857</u>	<u>163,857</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,175,800	1,008,258	1,051,303	43,045
Transfers out	<u>(650,000)</u>	<u>(116,450)</u>	<u>(129,158)</u>	<u>(12,708)</u>
Total Other Financing Sources (Uses)	<u>525,800</u>	<u>891,808</u>	<u>922,145</u>	<u>30,337</u>
Net change in fund balance	<u>\$ 2,600,800</u>	<u>\$ 2,966,808</u>	<u>3,161,002</u>	<u>\$ 194,194</u>
Fund balance - July 1, 2016			4,589,250	
Fund balance - June 30, 2017			<u>\$ 7,750,252</u>	

**CITY OF MARINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

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 increasing fund revenue or expenditures, including transfers between funds, must be approved by the City Council by resolution during the fiscal year. The City Manager is authorized to make adjustments within a 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 Plan, Cost Sharing Defined Benefit Pension Plan
As of June 30, 2017
Last 10 Years ***

	Measurement Period		
	2016	2015	2014
Proportion of the net pension liability	0.18715 %	0.17995 %	0.18297 %
Proportionate share of the net pension liability	\$ 16,193,904	\$ 12,351,371	\$ 11,385,528
Covered - employee payroll	\$ 7,904,043	\$ 8,472,033	\$ 8,696,119
Proportionate share of the net pension liability as a percentage of covered - employee payroll	204.88 %	145.79 %	130.93 %
Plan fiduciary net position as a percentage of the total pension liability	74.06 %	78.40 %	79.82 %

Notes to Schedule:

Changes in assumptions - In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.50 percent discount rate.

* Fiscal year 2015 was the 1st year of implementation, therefore only three 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 Plan
As of June 30, 2017
Last 10 Years ***

	Fiscal Year End		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 1,766,010	\$ 2,069,732	\$ 1,428,070
Contributions in relation to the actuarially determined contributions	<u>1,766,010</u>	<u>2,069,732</u>	<u>1,428,070</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	7,904,043	9,775,574	7,932,622
Contributions as a percentage of covered - employee payroll	22.34 %	21.17 %	18.00 %

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

**CITY OF MARINA
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

<u>Actuarial Valuation Date</u>	<u>Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Liability (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
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 %
July 1, 2015	\$ 3,503,871	\$ -	\$ 3,503,871	0%	\$ 7,904,043	44.3 %

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.

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 antenna 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

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, 2017

	Special Revenue Funds				
	<u>CDBG</u>	<u>CDBG Housing</u>	<u>Public Education Government</u>	<u>Gas Tax Streets</u>	<u>National Parks Recreation Services</u>
<u>ASSETS</u>					
Cash and investments	\$ 338,247	\$ 3,900	\$ 111,908	\$ 113,854	\$ 455,871
Restricted cash and investments	-	-	-	-	-
Accounts receivable	691	8	25,217	184	956
Notes receivable	<u>492,719</u>	<u>76,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 831,657</u>	<u>\$ 80,408</u>	<u>\$ 137,125</u>	<u>\$ 114,038</u>	<u>\$ 456,827</u>
<u>LIABILITIES:</u>					
Accounts payable and accrued expenses	\$ 65,402	\$ -	\$ 25,217	\$ 17,053	\$ -
Accrued payroll and benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,892</u>	<u>710</u>
Total Liabilities	<u>65,402</u>	<u>-</u>	<u>25,217</u>	<u>25,945</u>	<u>710</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenues - CDBG loans	<u>492,719</u>	<u>76,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES (DEFICITS):</u>					
Restricted	273,536	3,908	-	88,093	456,117
Committed	-	-	111,908	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>273,536</u>	<u>3,908</u>	<u>111,908</u>	<u>88,093</u>	<u>456,117</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 831,657</u>	<u>\$ 80,408</u>	<u>\$ 137,125</u>	<u>\$ 114,038</u>	<u>\$ 456,827</u>

CITY OF MARINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2017

	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	\$ 7,206	\$ 1,813	\$ 94	\$ 4,691	\$ 145,051	\$ 328,001
Restricted cash and investments	-	-	-	-	-	-
Accounts receivable	14	9	11	11	279	525,878
Notes receivable	-	-	-	-	-	-
Total Assets	<u>\$ 7,220</u>	<u>\$ 1,822</u>	<u>\$ 105</u>	<u>\$ 4,702</u>	<u>\$ 145,330</u>	<u>\$ 853,879</u>
LIABILITIES:						
Accounts payable and accrued expenses	\$ 175	\$ 933	\$ 768	\$ 2,777	\$ 540	\$ 594,685
Accrued payroll and benefits	-	-	-	-	-	3,276
Total Liabilities	<u>175</u>	<u>933</u>	<u>768</u>	<u>2,777</u>	<u>540</u>	<u>597,961</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - CDBG loans	-	-	-	-	-	-
FUND BALANCES (DEFICITS):						
Restricted	7,045	889	-	1,925	144,790	255,918
Committed	-	-	-	-	-	-
Unassigned	-	-	(663)	-	-	-
Total Fund Balances (Deficits)	<u>7,045</u>	<u>889</u>	<u>(663)</u>	<u>1,925</u>	<u>144,790</u>	<u>255,918</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 7,220</u>	<u>\$ 1,822</u>	<u>\$ 105</u>	<u>\$ 4,702</u>	<u>\$ 145,330</u>	<u>\$ 853,879</u>

CITY OF MARINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2017

	Capital Projects Funds	Debt Service Funds			
	<u>Park Facilities</u>	<u>Marina Landing Bonds</u>	<u>Marina Greens Bonds</u>	<u>2015 GO Refunding Bonds</u>	<u>Total Non-Major Governmental Funds</u>
<u>ASSETS</u>					
Cash and investments	\$ 807	\$ -	\$ -	\$ 1	\$ 1,511,444
Restricted cash and investments	-	56,786	45,059	352,524	454,369
Accounts receivable	2	116	92	662	554,130
Notes receivable	-	-	-	-	569,219
Total Assets	<u>\$ 809</u>	<u>\$ 56,902</u>	<u>\$ 45,151</u>	<u>\$ 353,187</u>	<u>\$ 3,089,162</u>
<u>LIABILITIES:</u>					
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ 707,550
Accrued payroll and benefits	-	-	-	-	12,878
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>720,428</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenues - CDBG loans	-	-	-	-	569,219
<u>FUND BALANCES (DEFICITS):</u>					
Restricted	809	56,902	45,151	353,187	1,688,270
Committed	-	-	-	-	111,908
Unassigned	-	-	-	-	(663)
Total Fund Balances (Deficits)	<u>809</u>	<u>56,902</u>	<u>45,151</u>	<u>353,187</u>	<u>1,799,515</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 809</u>	<u>\$ 56,902</u>	<u>\$ 45,151</u>	<u>\$ 353,187</u>	<u>\$ 3,089,162</u>

CITY OF MARINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds				
	<u>CDBG</u>	<u>CDBG Housing</u>	<u>Public Education Government</u>	<u>Gas Tax Streets</u>	<u>National Parks Recreation Services</u>
<u>REVENUES</u>					
Taxes and assessments	\$ -	\$ -	\$ 100,833	\$ 382,996	\$ -
Investment earnings	10,642	17	-	838	2,701
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	103,006
Other revenue	<u>50,000</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>60,642</u>	<u>23</u>	<u>100,833</u>	<u>383,834</u>	<u>105,707</u>
<u>EXPENDITURES</u>					
Current:					
General government	-	-	19,053	5	-
Public works	-	-	-	507,033	-
Economic & community development	150	-	100,833	-	-
Recreation & cultural services	-	-	-	-	14,552
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>150</u>	<u>-</u>	<u>119,886</u>	<u>507,038</u>	<u>14,552</u>
Excess (Deficiency) of Revenues over Expenditures	<u>60,492</u>	<u>23</u>	<u>(19,053)</u>	<u>(123,204)</u>	<u>91,155</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(7,000)	(32,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,000)</u>	<u>(32,000)</u>
Net change in fund balances	60,492	23	(19,053)	(130,204)	59,155
Fund balances (deficits) - July 1, 2016	<u>213,044</u>	<u>3,885</u>	<u>130,961</u>	<u>218,297</u>	<u>396,962</u>
Fund balances (deficits) - June 30, 2017	<u>\$ 273,536</u>	<u>\$ 3,908</u>	<u>\$ 111,908</u>	<u>\$ 88,093</u>	<u>\$ 456,117</u>

CITY OF MARINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	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
REVENUES						
Taxes and assessments	\$ 6,733	\$ 10,821	\$ 19,952	\$ 5,865	\$ 98,268	\$ -
Investment earnings	35	25	40	28	559	962
Intergovernmental	-	-	-	-	-	820,222
Charges for services	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenues	<u>6,768</u>	<u>10,846</u>	<u>19,992</u>	<u>5,893</u>	<u>98,827</u>	<u>821,184</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public works	2,565	10,697	23,406	9,781	4,948	-
Economic & community development	-	-	-	-	-	-
Recreation & cultural services	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	1,019,114
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>2,565</u>	<u>10,697</u>	<u>23,406</u>	<u>9,781</u>	<u>4,948</u>	<u>1,019,114</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,203</u>	<u>149</u>	<u>(3,414)</u>	<u>(3,888)</u>	<u>93,879</u>	<u>(197,930)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	395,323
Transfers out	(1,740)	(2,871)	(2,751)	-	-	-
Total Other Financing Sources (Uses)	<u>(1,740)</u>	<u>(2,871)</u>	<u>(2,751)</u>	<u>-</u>	<u>-</u>	<u>395,323</u>
Net change in fund balances	2,463	(2,722)	(6,165)	(3,888)	93,879	197,393
Fund balances (deficits) - July 1, 2016	<u>4,582</u>	<u>3,611</u>	<u>5,502</u>	<u>5,813</u>	<u>50,911</u>	<u>58,525</u>
Fund balances (deficits) - June 30, 2017	<u>\$ 7,045</u>	<u>\$ 889</u>	<u>\$ (663)</u>	<u>\$ 1,925</u>	<u>\$ 144,790</u>	<u>\$ 255,918</u>

CITY OF MARINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Capital Projects Funds	Debt Service Funds			Total Non-Major Governmental Funds
	<u>Park Facilities</u>	<u>Marina Landing Bonds</u>	<u>Marina Greens Bonds</u>	<u>2015 GO Refunding Bonds</u>	
REVENUES					
Taxes and assessments	\$ -	\$ -	\$ -	\$ 415,393	\$ 1,040,861
Investment earnings	6	351	276	1,204	17,684
Intergovernmental	-	-	-	-	820,222
Charges for services	-	-	-	-	103,006
Other revenue	-	-	-	17,516	67,522
Total Revenues	<u>6</u>	<u>351</u>	<u>276</u>	<u>434,113</u>	<u>2,049,295</u>
EXPENDITURES					
Current:					
General government	-	-	-	635	19,693
Public works	-	-	-	-	558,430
Economic & community development	-	-	-	-	100,983
Recreation & cultural services	-	-	-	-	14,552
Capital outlay	-	-	-	-	1,019,114
Debt service:					
Principal	-	-	-	85,000	85,000
Interest and fiscal charges	-	-	-	261,984	261,984
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,619</u>	<u>2,059,756</u>
Excess (Deficiency) of Revenues over Expenditures	<u>6</u>	<u>351</u>	<u>276</u>	<u>86,494</u>	<u>(10,461)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	395,323
Transfers out	-	(2,389)	(1,181)	(2,535)	(52,467)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,389)</u>	<u>(1,181)</u>	<u>(2,535)</u>	<u>342,856</u>
Net change in fund balances	6	(2,038)	(905)	83,959	332,395
Fund balances (deficits) - July 1, 2016	<u>803</u>	<u>58,940</u>	<u>46,056</u>	<u>269,228</u>	<u>1,467,120</u>
Fund balances (deficits) - June 30, 2017	<u>\$ 809</u>	<u>\$ 56,902</u>	<u>\$ 45,151</u>	<u>\$ 353,187</u>	<u>\$ 1,799,515</u>

CITY OF MARINA
COMBINING SCHEDULE FIDUCIARY NET POSITION
SUCCESSOR AGENCY FUNDS
AS OF JUNE 30, 2017

	Successor Agency Obligation Retirement Fund	Successor Agency Housing Assets Fund	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,021,730	\$ 246,931	\$ 2,268,661
Accounts receivables	1,181	126	1,307
Prepaid expenses	10,687	-	10,687
Advances (to)from other funds, net	(11,522)	11,522	-
Long-term receivable, State of California	450,000	-	450,000
Capital assets, land	<u>-</u>	<u>900,000</u>	<u>900,000</u>
Total Assets	<u>2,472,076</u>	<u>1,158,579</u>	<u>3,630,655</u>
<u>LIABILITIES</u>			
Accounts payable	10,173	-	10,173
Accrued salaries and benefits	10,806	156	10,962
Due to City of Marina Funds	328,713	-	328,713
Bonds payable:			
Due within one year	25,000	-	25,000
Due in more than one year	<u>425,000</u>	<u>-</u>	<u>425,000</u>
Total Liabilities	<u>799,692</u>	<u>156</u>	<u>799,848</u>
<u>DEFERRED INFLOW OF RESOURCES</u>			
Property taxes received in advance	<u>1,018,421</u>	<u>-</u>	<u>1,018,421</u>
Total Deferred Inflows of Resources	<u>1,018,421</u>	<u>-</u>	<u>1,018,421</u>
<u>NET POSITION</u>			
Held in trust for private purposes	\$ <u>653,963</u>	\$ <u>1,158,423</u>	\$ <u>1,812,386</u>

CITY OF MARINA
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
SUCCESSOR AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Successor Agency Obligation Retirement Fund	Successor Agency Housing Assets Fund	Total
<u>ADDITIONS</u>			
Property taxes	\$ 1,655,787	\$ -	\$ 1,655,787
Investment earnings	4,484	495	4,979
Property tax in-lieu	<u>29,139</u>	<u>-</u>	<u>29,139</u>
Total Additions	<u>1,689,410</u>	<u>495</u>	<u>1,689,905</u>
<u>DEDUCTIONS</u>			
Program costs	1,107,239	-	1,107,239
Legal and professional fees	47,131	-	47,131
Employee costs	112,476	5,056	117,532
Occupancy and operating costs	<u>23,141</u>	<u>-</u>	<u>23,141</u>
Total Deductions	<u>1,289,987</u>	<u>5,056</u>	<u>1,295,043</u>
Change in Net Position	399,423	(4,561)	394,862
Net Position - JULY 1, 2016	<u>254,540</u>	<u>1,162,984</u>	<u>1,417,524</u>
Net Position - June 30, 2017	<u>\$ 653,963</u>	<u>\$ 1,158,423</u>	<u>\$ 1,812,386</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.

Vehicle & Equipment Replacement Fund

The fund accumulates resources for vehicle and equipment purchases.

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.

Development Activity Fund

Accounted for negotiation 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, 2017

	<u>General Fund</u>	<u>Vehicle & Equipment Replacement</u>	<u>GASB 45 OPEB Obligation</u>	<u>Library Maintenance Fund</u>	<u>Development Activity Fund</u>	<u>Total General Fund</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 8,618,554	\$ 1,075,000	\$ 200,000	\$ 352,614	\$ (1,590,197)	\$ 8,655,971
Restricted cash	702	-	-	-	-	702
Accounts receivable	2,221,257	-	-	-	54,969	2,276,226
Prepaid expenses	12,000	-	-	-	-	12,000
Advances to other funds	75,000	-	-	-	-	75,000
Advances to Successor Agency	243,713	-	-	-	-	243,713
Total Assets	<u>\$ 11,171,226</u>	<u>\$ 1,075,000</u>	<u>\$ 200,000</u>	<u>\$ 352,614</u>	<u>\$ (1,535,228)</u>	<u>\$ 11,263,612</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 975,415	\$ -	\$ -	\$ 1,470	\$ -	\$ 976,885
Accrued payroll and benefits	408,990	-	-	-	-	408,990
Deposits payable	285,441	-	-	-	-	285,441
Advances to other funds	-	-	-	-	50,000	50,000
Total Liabilities	<u>1,669,846</u>	<u>-</u>	<u>-</u>	<u>1,470</u>	<u>50,000</u>	<u>1,721,316</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenues - State of CA SB 90 claims	325,690	-	-	-	-	325,690
Unavailable revenues - Other	103,558	-	-	-	-	103,558
Unavailable revenues - FORA	25,000	-	-	-	-	25,000
Total Deferred Inflows of Resources	<u>454,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>454,248</u>
<u>FUND BALANCES (DEFICITS):</u>						
Reserved for:						
Nonspendable	530,713	-	-	-	-	530,713
Restricted	211,371	-	-	-	-	211,371
Committed	5,400,868	1,075,000	200,000	351,144	-	7,027,012
Unassigned	2,904,180	-	-	-	(1,585,228)	1,318,952
Total Fund Balances (Deficits)	<u>9,047,132</u>	<u>1,075,000</u>	<u>200,000</u>	<u>351,144</u>	<u>(1,585,228)</u>	<u>9,088,048</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,171,226</u>	<u>\$ 1,075,000</u>	<u>\$ 200,000</u>	<u>\$ 352,614</u>	<u>\$ (1,535,228)</u>	<u>\$ 11,263,612</u>

CITY OF MARINA
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Vehicle & Equipment Replacement	GASB 45 OPEB Obligation	Library Maintenance Fund	Development Activity Fund	Total General Fund
<u>REVENUES</u>						
Taxes and assessments	\$ 14,582,005	\$ -	\$ -	\$ -	\$ -	\$ 14,582,005
Licence, permits, and fees	672,613	-	-	-	-	672,613
Fines and forfeitures	146,415	-	-	-	-	146,415
Investment earnings	96,574	-	-	-	-	96,574
Intergovernmental	822,741	-	-	-	-	822,741
Charges for services	2,896,435	-	-	-	-	2,896,435
Other revenues	<u>1,781,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,781,486</u>
Total Revenues	<u>20,998,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,998,269</u>
<u>EXPENDITURES</u>						
General government	3,019,144	-	-	19,586	-	3,038,730
Public safety	10,581,491	-	-	-	-	10,581,491
Public works	1,240,352	-	-	-	-	1,240,352
Economic & community development	1,822,892	-	-	-	-	1,822,892
Recreation & cultural services	936,202	-	-	-	-	936,202
Capital outlay	1,611,734	-	-	-	-	1,611,734
Principal	595,636	-	-	-	-	595,636
Interest and fiscal charges	<u>78,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,888</u>
Total Expenditures	<u>19,886,339</u>	<u>-</u>	<u>-</u>	<u>19,586</u>	<u>-</u>	<u>19,905,925</u>
Excess (deficiency) of revenues over expenditures	<u>1,111,930</u>	<u>-</u>	<u>-</u>	<u>(19,586)</u>	<u>-</u>	<u>1,092,344</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers in	94,267	1,075,000	-	-	-	1,169,267
Transfers out	<u>(1,075,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,075,000)</u>
Total Other Financing Sources (Uses)	<u>(980,733)</u>	<u>1,075,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,267</u>
Net Change in Fund Balance	131,197	1,075,000	-	(19,586)	-	1,186,611
Fund Balances (Deficits) - July 1, 2016	<u>8,915,935</u>	<u>-</u>	<u>200,000</u>	<u>370,730</u>	<u>(1,585,228)</u>	<u>7,901,437</u>
Fund Balances (Deficits) - June 30, 2017	<u>\$ 9,047,132</u>	<u>\$ 1,075,000</u>	<u>\$ 200,000</u>	<u>\$ 351,144</u>	<u>\$ (1,585,228)</u>	<u>\$ 9,088,048</u>

OTHER REPORTS



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
Marina, California

We have audited, in accordance with the 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, the 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, 2017, and the related notes to the financial statements, which collectively comprise City of Marina's basic financial statements and have issued our report thereon dated January 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Marina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Marina's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Marina's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Marina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mama, Ursutia, Nelson CPAs

Sacramento, California
January 9, 2018



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
Marina, California

Report on Compliance for Each Major Federal Program

We have audited the City of Marina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Marina's major federal programs for the year ended June 30, 2017. City of Marina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Marina's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Marina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Marina's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Marina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City of Marina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Marina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Marina's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maun, Ursutia, Nelson CPAs

Sacramento, California
January 9, 2018

CITY OF MARINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Program Title	Federal CFDA Number	Grantor's/ Pass-Through Entity Number	Expenditures
Department of Homeland Security			
Direct Grants:			
Hazard Mitigation Grant	97.039		\$ <u>9,015</u>
Total Department of Homeland Security			<u>9,015</u>
United States Department of Justice			
Direct Grants:			
Public Safety Partnership and Community Policing Grants	16.710		<u>257,072</u>
Total United States Department of Justice			<u>257,072</u>
Department of Transportation			
Direct Grants:			
Airport Improvement Program - Perimeter Fencing	20.106		612,015
Airport Improvement Program - Master Plan Update	20.106		2,400
Airport Improvement Program - Beacon Replacement	20.106		<u>113,513</u>
Total Airport Improvement Program			<u>727,928</u>
Highway Planning and Construction - Traffic Signal	20.205		1,260,415
Highway Planning and Construction - Imjin Bike Lane	20.205		<u>272,130</u>
Total Highway Planning and Construction			<u>1,532,545</u>
Total Department of Transportation			<u>2,260,473</u>
Total Federal Expenditures			\$ <u><u>2,526,560</u></u>

CITY OF MARINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

NOTE 1: REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Marina. The City of Marina reporting entity is defined in Note 1 of the City's Annual Financial Report. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule. When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented on the accrual basis of accounting and in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's basic financial statements. Federal award revenues are reported principally in the City's financial statements as intergovernmental revenues in the governmental funds.

NOTE 4: CLAIMS

The City of Marina has received federal grants for specific purposes that are subject to review and audit by the Federal Government pass-through entity. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material which have not already been recorded.

NOTE 5: INDIRECT COSTS

The City of Marina did not use the 10% de minimis indirect cost rate. Indirect costs were determined as part of the respective Grant's approved budget.

CITY OF MARINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Significant deficiencies?	None reported
Material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Significant deficiencies?	None reported
Material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance	No
Major programs are as follows: Highway Planning and Construction (20.205)	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

CITY OF MARINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

Findings relating to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards.

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings and questioned costs for Federal Awards, which includes audit findings and defined in Section 200.516 of the Uniform Guidance.

None.

CITY OF MARINA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

There were no findings to report for the year ended June 30, 2016.

January 10, 2018

Item No. **8i(3)**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of January 17, 2018

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2018-
RECEIVING AND FILING CITY OF MARINA AUDITED ANNUAL
FINANCIAL REPORTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017.**

REQUEST:

It is requested that the City Council:

1. Consider adopting Resolution No. 2018- receiving and filing City of Marina audited Annual Financial Reports for the fiscal year ended June 30, 2017.

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, 2017, on the City of Marina financial statements dated January 9, 2018. **(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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America."

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 2016-17 financial statements are indicative of superior financial records, an accomplishment made possible through exceptional expertise, dedication and commitment to excellence by City finance staff Stephen Green, Monika Collier, Lily Suarez and Janet Villavisencio and finance consultant Richard B. Standridge, CPA.

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