

City of
MARTINEZ
California



**Comprehensive
Annual Financial Report
for the
Fiscal Year Ended
June 30, 2015**

**CITY OF MARTINEZ, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015**



**Prepared by
ADMINISTRATIVE SERVICES DEPARTMENT**

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City of Martinez

525 Henrietta Street, Martinez CA 94553-2394

November 4, 2015

Honorable Mayor and Council Members

State law requires that all general-purpose local governments publish a complete set of financial statements, presented in conformity with Generally Accepted Accounting Principles (GAAP), within six months of the close of each fiscal year. Therefore, we are pleased to present the City of Martinez' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. The City is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly set forth the financial position and results of operations of the City measured by the financial activity of its funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Government Code of the State of California requires general law cities, such as the City of Martinez, to have its financial statements audited by an independent certified public accountant. Accordingly, this year's audit was completed by the accounting firm of Maze & Associates. The firm was engaged by the City Council to render an opinion of the City's financial statements in accordance with generally accepted auditing standards. To ensure complete independence, Maze & Associates has full access to the City Council to discuss the results of their assessment of the adequacy of internal accounting controls and the quality of financial reporting. The auditor's report on the basic financial statements is the first item in the accompanying financial statements.

Generally accepted accounting principles require that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Profile of Martinez

The City's roots can be traced back to 1824 when the Alhambra Valley was included in the Rancho El Pinole Mexican land grant to Ygnacio Martinez. By the late 1840's, the City was a ferryboat transit point across the Carquinez straits on the way to the gold fields of California. The City was officially incorporated in 1876 and serves as the County seat of Contra Costa County. It is located along the Sacramento and San Joaquin rivers in the central part of the County. By the time of its incorporation, Martinez had evolved into one of the area's most significant trading posts and shipping ports. Today, the City covers 13.1 square miles and has approximately 37,400 residents. As one of California's first towns, Martinez retains a strong sense of history and family. The renowned naturalist John Muir made Martinez his home for nearly a quarter century and in 1914, the year of Muir's death, the legendary baseball great Joe DiMaggio was born here. One of the unique aspects of Martinez is its architecture. Many of the downtown shops still retain their early 20th century look and charm, with some homes dating back more than 125 years.

The City operates under the Council-Manager form of government. The City Manager is responsible for the efficient implementation of Council policy and the effective administration of all City government affairs. The City is organized into four departments reporting directly to the City Manager. They are Administrative Services, Community and Economic Development, Police and Public Works.

The City provides a full range of services including police, public works, community and economic development, planning, building, engineering and inspection, parks and recreation, and general administrative services. The City's General Fund supports these services. The City's enterprise operations consist of the Parking Services, Water System, and Marina Services funds. All these services are accounted for in the City's financial statements.

Economic Outlook

The national economic recovery continues to show signs of improvement despite global economic weakness among major international leaders such as Europe, China and Russia. The revised Second Quarter 2015 Gross Domestic Product (GDP) released by the *U.S. Department of Commerce Bureau of Economic Analysis* showed an annual increase of 3.9%. Economic growth in the areas of consumer spending, exports, nonresidential fixed investment, state and local government spending, and residential fixed investment were partially offset by weakness in private inventory investment and federal government spending. Imports (which have a negative impact on GDP), decelerated in the 2nd quarter and also contributed to the growth in GDP. In a recent economic outlook report, economists with the Federal Reserve Bank of San Francisco projected overall economic growth for the next four quarters to exceed 2%. The national economy still faces risks from the aforementioned global economic issues and resulting strong dollar, which negatively affect net exports.

California is projected to continue to lead the national economic recovery for at least the next two years according to a recent report prepared by Beacon Economics, LLC for the East Bay Economic Development Alliance. The City, much like the larger economies of the State and surrounding region, continues to show strength as it emerges from the long-term impacts of the recent recession. The improving economy is evident in the latest employment trend data as of August 2015. Since April 2011, the County's rate has dropped from 10.5% to 5.0%, and the City's rate dropped from 8.4% to 4.5%. These local figures compare favorably to the statewide rate of 6.1% and the national rate of 5.1%. The City will continue to look for opportunities to attract new businesses like Siemens Corporation, which moved its Bay Area Healthcare and Industry divisions from Concord to Martinez in February 2013 and added approximately 100 new jobs to the local economy. Additionally, over 60 new jobs were created through the new shopping center along Arnold Drive with three more businesses at that location poised to open this fall.

The East Bay housing market continues to recover at a rapid pace. After the precipitous housing value decline in 2008 and 2009, median home sales prices stabilized to some degree throughout the majority of 2010 and 2011. By 2012, the City saw its first annual increase to median home sales prices in four years with modest growth of 3.3%. This initial positive trend quickly increased to annual median sales price growth of 26.5% in 2013 and 12.8% in 2014. The median home sales price in Martinez increased from \$340,000 in 2012 to \$485,000 in just two years' time, but it is important to remember significant ground remains to attain the high-water mark of \$590,000 from 2005. The number of Martinez home sales continues at a steady clip. In 2014, 409 homes were sold compared to 405 from the year before (and 175 from the low-water mark of 2008). If these favorable trends in sales price and homes sold increase, it will have a positive impact not only on the City's property tax base, but also its Document Transfer Tax revenues.

Martinez, like most local agencies, faces considerable challenges in the near term as financial conditions have affected most of its major revenue sources including property and sales taxes, and development fees. The City must also deal with its financial obligations for retirement and other post employment benefits (OPEB), as well as ever-escalating healthcare costs, while trying to maintain current service levels. The City expects retirement costs to continue to increase due to the dramatic market losses of the stock market turmoil in 2008 and 2009, which eroded the value of the CalPERS pension fund. Retirement costs are also anticipated to rise because of the recent decision by the CalPERS Board of Administration to change their amortization and smoothing policy. In April of 2013, CalPERS approved an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period, as opposed to the previous policy which spread investment returns over a 15-year period with gains and losses paid over a rolling 30-year period. Starting with FY 2015-16, public agencies are billed a contribution rate as a percentage of payroll plus a lump sum dollar payment towards the City's unfunded liability. CalPERS pension costs are now projected to account for 15.8% of total operating expense in FY 2015-16 and 16.9% in FY 2016-07.

To help meet these and other budgetary challenges, the City strives to develop and diversify its economy in ways that will increase revenues and embrace its heritage. The downtown area historically accounts for only around 5% of the City's total sales tax revenues. Pursuing smart development opportunities as a mechanism to help revitalize the downtown area is crucial to the City's long-term economic health.

Major Initiatives and Objectives

Public Safety. In a continued effort to promote crime prevention activities and awareness, and strengthen relationships created through our Neighborhood Policing Area initiative, the Police Department participated in "National Night Out" for the fourth consecutive year. Over 1,000 citizens joined in multiple events throughout the city. Additionally, the Department conducted 24 "Neighborhood Police Area" meetings during FY 2014-2015 that allowed citizens of Martinez to share their concerns on issues they observed on a routine basis while providing helpful information to resolve those issues

The Department continued their advancement in technology by replacing the outdated dispatch telephone system with a state of the art system capable of receiving "text to 911" service requests. The "text to 911" feature is new to the law enforcement industry and our dispatch center is one of the first centers in the state to have this capability. The Department also created a Facebook page, Twitter account, and joined Nextdoor (a private social network for neighborhoods) to enhance the ability to communicate with the citizens of Martinez.

The Department enhanced their commitment to traffic safety by implementing a multi-agency major accident investigation team with San Ramon and Walnut Creek police departments. The creation of this team allowed the Department to maximize resources and increased capabilities while they investigated major traffic accidents as well as provided quarterly saturation patrol targeting problem areas. The team was activated two times during FY 2014-2015 to investigate fatal accidents and conducted one saturation patrol throughout the City. The Department joined the Contra Costa County Vehicle Suppression Enforcement Team in an effort to combat the increase in stolen vehicles. Additional patrol enforcement was targeted toward the recovery of stolen vehicles and the apprehension of individuals who committed those crimes.

The Department entered into an agreement with the U.S Department of Homeland Security to cross-designate two detectives as federal agents, with the option to train additional detectives. Through this agreement, the City was able to utilize federal resources during investigations of difficult human trafficking cases and major internet crimes against children. As a result, the Department, with the assistance of Department of Homeland Security Investigations, conducted a major child enticement via internet investigation that covered two states and resulted in the arrest of one individual. This investigation revealed over 50 victims.

Measure H Projects. The residents of Martinez approved Measure H, a \$30 million Parks, Pool and Library Bond measure in November 2008. \$15 million in bonds were issued in May 2009 and an additional \$10 million in bonds were issued in April 2012. The first projects supported by this bond included: construction of the Rankin Aquatic Center; renovation and expansion of the City library; renovations to Holiday Highlands, Hidden Lakes, Highland, Nancy Boyd and Rankin parks and Tavan Field; and improvements to tennis and basketball courts at various parks.

The Rankin Aquatic Center project was completed in July 2011. This project, supported through a Council-designated allocation of \$6 million in Measure H funds, included the complete demolition of the site and the following new construction: a play and recreational pool; pool house building with equipment rooms and administrative spaces; decking and miscellaneous site and frontage improvements. The pool reopened on July 23, 2011 and achieved record participation rates through the first three pool seasons. The facility received the California Parks and Recreation Services Award for “Outstanding Aquatic Facility” in March 2013. The City recently extended the pool season to run through October given the popularity of the new facility.

Holiday Highlands Park, Rankin Park and Tavan Field were completely renovated. The projects included ADA compliance, playground, hardscape, landscape, irrigation, field and lighting improvements. Additionally, a new restroom was constructed at Holiday Highlands, and the restrooms and concessions buildings at Rankin and Tavan were replaced.

The playground renovation project at Hidden Lakes Park was completed, as well as the tree replacement project at Nancy Boyd and Highland parks. The Sports Court Renovation project was also completed, which included the resurfacing of several basketball and tennis courts throughout the City.

Hidden Valley, Cappy Ricks and Nancy Boyd (Phase 2) parks were renovated. At Hidden Valley Park, two new little league baseball fields were reconstructed, along with a regraded turf area, circuit workout equipment, new walking trail and paths, parking area, and restroom/maintenance facility. New group and individual picnic areas were constructed at all three parks and a new restroom and tennis courts were constructed at Cappy Ricks Park.

Most recently, the Susana and Mountain View Park renovations have been completed. At Susana Park, new ADA accessible pathways and sidewalks were constructed along with site lighting and new seating areas and picnic tables. At Mountain View Park, the play areas were reconstructed in a central location. New benches and picnic areas were constructed. The existing baseball field was renovated with new fencing, dugouts, backstop and seating areas.

The designs for the Waterfront Park Renovation and Hidden Lakes Soccer Field replacement (both funded through Measure H) are currently underway. These improvements, slated to commence later this fiscal year, will involve ADA compliance, playground, picnic areas and field renovations. The final \$5 million in authorized bonds will need to be sold to complete Waterfront Park and the remaining park projects.

Transportation Improvements. The project scoping document for the Alternative Waterfront Access Study, formerly known as the North Court Street Overcrossing, was completed. The preferred alternative was a bridge over Alhambra Creek connecting Berrellesa Street to the new Intermodal parking lot and Ferry Street. The project provides a long planned secondary access to the waterfront and marina. Staff is working with the Contra Costa Transportation Authority to fund the project as part of the 2014 Measure J Strategic Plan Update.

Construction of the intermodal parking lot north of the railroad tracks is completed. Design of the pedestrian overcrossing to the existing Amtrak station, realigned entrance to Ferry Street is well underway. The Alhambra Creek Bridge construction contract has been awarded. Work will begin in the spring of 2016. The Downtown Bicycle and Pedestrian Safety Improvement project was completed. The Shell Avenue and Alhambra Valley Road Pedestrian Safety projects, as well as the Marina Vista/ I-680 Bicycle and Pedestrian Safety project, were completed this fiscal year. Additionally, construction of the Pacheco Transit Hub and Park and Ride Facility was completed in the spring of 2014. The project provides approximately 114 parking spaces and 6 bus bays. The transit hub will be served by County Connection, WestCAT and Tri-Delta buses.

The Reliez Valley Road Pavement Rehabilitation project was completed last year. The project involved resurfacing the entire road within the City limits of just under a mile long. In addition, the Arnold Drive Pavement Rehabilitation Project was completed. The limits of the project stretched from Glacier Drive to Pacheco Boulevard.

The 2015 Pavement Program will be completed this fiscal year. Streets included in the project are portions of Morello and Pine/Center Avenue at Highway 4 and “C” Street. In addition, several streets will receive a base failure repair in anticipation of a future seal coat (slurry or cape seal) project. Lastly, the Measure J Pacheco Boulevard Widening Project Study is underway. A Project Study Report will be completed over this fiscal year and a portion of next year. The study area is in both the unincorporated County areas and the City, along Pacheco Boulevard from Blum Road to Morello Avenue. It is anticipated design and construction of road improvements within the City limits will follow the completion of the Study.

Water System Capital Improvements. The City Water System is in the process of major renovations and improvements. In 2014, the City completed the installation of a chemical containment facility. Chemicals are now stored in a safe and easily accessible location allowing for covenant unloading and storage of liquid chemicals used in the water treatment process. In 2015 the City awarded a contract to install electrical upgrades throughout the Water Treatment Plant. The new electrical infrastructure will significantly increase the reliability of the Plant. This two year project should be completed in early 2017. In 2015 a construction contract was awarded to seismically upgrade the 1967 portion of the plant along with pipe and other equipment supports throughout the Plant. The addition of sheer walls, pipe supports and reducing the weight of the roof structure should significantly increase the chances of quickly returning the Plant on-line following a major earthquake event. This project will be completed in 2017. The Harbor View Reservoir Replacement Project was completed in 2015. This project replaced a smaller, out of service tank, on the same site. The tank was lowered approximately 20 feet to better work with other storage tanks in the system and was increased from 1.25 million gallon (MG) to 1.65 MG capacity. This project helps provides adequate water supply and fire

protection for the lower elevation areas of the City. Lastly, the City will continue to replace undersized, old and/or deteriorated waterlines on a bi-annual basis.

General Plan Update. The City of Martinez is in the process of updating its General Plan, the comprehensive, long-term plan for the physical development of the City. Much of the City's existing General Plan was adopted in 1973. After more than three and half decades of use, it is appropriate to re-evaluate the scope and content of the document, which exists as the community's statement of its fundamental values and as a shared vision for its future development. The General Plan is intended to articulate how the citizens of Martinez view the community, both now and in the future, and where the community stands on current and future planning and development issues. The General Plan is scheduled to be adopted in early 2016. The Planning Division also has begun a Zoning Ordinance update that will be completed in 2016.

Long Range Planning. The City will complete a market and fiscal analysis that will provide an assessment of current and local market conditions and long range marketability of the within the Priority Development Area. The Priority Development Area was designated in 2007 and its boundaries replicate the Downtown Specific Plan boundaries. The study is being conducted as part of funding opportunity from the Contra Costa Transportation Authority. The project is being funded in part by Federal Surface Transportation Program funds, with the remainder of the funding to be provided through an 11.47 percent local match.

The Planning Division completed the Housing Element (2015-2023) update. The Housing Element was certified by the Department of Housing and Community Development on May 1, 2015. The City Council adopted the Housing Element on May 20, 2015.

Economic Development. The City's priority of economic development is particularly important to increase and diversify revenues. Several key commercial and residential development applications that were recently completed or are currently underway will add to the City's tax base in the long term. These include the adaptive reuse of the 610 and 630 Court Street downtown cornerstone properties; the Arnold Shopping Center entering its third phase of development to complete construction on the remaining parcel; the Cascara Canyon apartment complex nearing completion; the Paseos 70-unit single family detached residential development currently under construction; the Village at Arnold 43-unit single family attached residential project ready to begin development, and commencement of the Laurel Knoll 76-unit project attached townhomes. Completion of a substantial remodel at 721-737 Castro Street provides the City with four upgraded storefronts, three of which have been leased to a sports fitness studio, coffee shop and roaster. Main Street has benefitted from several new commercial businesses, including three residential units above a remodeled storefront located at 714 Main Street. In addition, a proposed residential development of 12 apartment units is scheduled to be developed at 710 Green Street. Realizing the potential of these projects is crucial to improving and maintaining the City's long term fiscal health.

Marina. Planning for the long-term future of the marina has been a key issue for many years. The City received a new grant of marina trust lands in September 2014 through Senate Bill 1424 which requires trust lands be held by the City, as trustee, for the benefit of all the people of the State for purposes consistent with the public trust doctrine. The doctrine includes protecting

maritime or water dependent commerce, navigation, and fisheries, and the preservation of the lands in their natural state for scientific study, open space, wildlife habitat and water-oriented recreation. The land grant allows the City to manage and lease the granted lands according to the public trust doctrine with 100% of the revenue generated from the marina going back into the City's enterprise fund that supports operation of the marina. The marina is an integral part of the shoreline experience that many residents of the region enjoy on a regular basis. It provides opportunities for landside and water recreational experiences, as well as education and research. SB 1424 will help maintain and preserve the Martinez Marina for the enjoyment and use by residents, businesses and public service agencies. As a condition of the land grant, the City must initiate development of a marina master waterfront plan and complete this process by 2020.

Climate Action Plan/Sustainability Programs. The City made significant progress in 2014-15 implementing its Climate Action Plan. Continuing to implement dedicated recycling infrastructure and educational programming in area schools remains a priority. The City recently was awarded a \$92K competitive grant from the California Department of Resources, Recycling and Recovery as one of only two cities in California to receive the grant. A portion of the funding is being used to purchase and install new recycling infrastructure in various City parks and the downtown area, and the remainder is being used for recycling education. In conjunction with the local franchised hauler, Republic Services, and New Leaf Collaborative, a local non-profit continuing education program focusing on environmental initiatives), the City is developing specialized, campus-specific recycling education programming for Martinez K-5 students. Additionally, the City is fostering the Martinez Junior High recycling program it helped initiate in 2014 and coordinating directly with management at Alhambra High School to help introduce a recycling program for that campus.

The City also initiated and secured the City's second year of participation in the California Youth Energy Services Program provided by Rising Sun Energy Center. This Program provided a paid workforce training and development opportunity for 9 Martinez youth and served almost 250 Martinez residences with free energy and water conservation assessments, infrastructure, and installation services. Program partners Republic Services (\$5K), and the Martinez Unified School District (in-kind office space and workstations) helped enable the City's continued participation in this community benefit program.

The City Council adopted a single-use plastic bag ban on June 18, 2014, with a start date of January 1, 2015. Martinez became the sixth city in Contra Costa County to adopt such a ban. The City began a concerted public outreach and education campaign surrounding the ban, which included informational workshops for merchants and citizens and distribution of approximately 5,000 reusable bags to area residents (primarily through events held at local schools). The City also partnered with the local Chamber of Commerce and Main Street Martinez business organizations to distribute information, storefront decal signage and other promotional materials to local merchants to help educate both the business community and the customers about the ban. Numerous spot checks conducted in 2015 have indicated a high level of merchant compliance and widespread adoption of reusable bags by customers.

In response to the extreme drought conditions, the City created another specialized workshop on Water Conservation. This workshop was held on July 18, 2015 and videotaped for rebroadcast on the local City Channel. The City expects the extended playback of this important educational

workshop will result in this important information being viewed by hundreds of area residents.

High-Performing Government Programs

The City is also embarking on a continuous improvement project for redesign of its website to make it more user-friendly and navigable within each department, division or program/function page. This project will include the use of software tools to the extent practicable to provide online services (e.g. online business licenses, building permits, recreation registrations, sign-up and terminate water service) and resources of interest to residents and visitors.

The City is also implementing use of the National Citizen Survey instrument to scientifically track and measure City services and progress over time. This survey will be completed every two years and provide City leaders information they can use to make informed decisions regarding areas of primary concern and interest to residents.

Financial Information

Accounting System and Internal Controls. In developing and evaluating the City's accounting system, consideration is given to the accuracy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurances regarding the safeguarding of assets against loss from unauthorized use or disposition, as well as the accuracy and reliability of accounting data and the adherence to prescribed managerial policy. The Administrative Services Department has been delegated the responsibility to maintain the integrity of the City's recorded financial data. Accounting for all of the City's activities is centralized under the Finance Division. The Administrative Services Department, in conjunction with City management, is also responsible for establishing and maintaining an internal control structure designed to ensure that the City's assets are protected from loss, theft, or misuse. As a recipient of federal, state, and county financial assistance for a variety of projects or programs, the City is responsible for ensuring that an adequate control structure is in place to comply with applicable laws and regulations related to those projects or programs. City administration believes the existing internal control systems are adequate to provide reasonable assurance the City's assets are safeguarded against loss and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. This belief is supported by the City's "Unqualified" Audit issued for 2015.

Budgeting Controls. The City maintains extensive budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the biennial appropriated budget approved by City Council. Activities of all government and business type funds are included in the biennial budget. The budgetary level of control, the level at which expenditures cannot legally exceed the appropriated amount, for the operating budget is at the department level. For the capital improvement budget, the level of control is at the individual project level. The City also utilizes the encumbrance system as a management control to assist in controlling expenditures. All appropriations lapse at year-end; however, encumbrances and appropriations for unfinished capital and other projects are reviewed and, when warranted, reappropriated as part of the following year's budget. Budget-to-budget comparisons are included in the Financial Section for the General Fund and Special Revenue Funds.

Debt Administration. The City generally incurs long-term debt to finance projects or purchase assets that will have useful lives equal to or greater than the related debt.

The General Long-term Obligations Account Group provides accounting control over the principal of the City's general long-term debt. This debt will be repaid only out of governmental funds, but is not accounted for in these funds because this debt does not require an appropriation or expenditure in this accounting period. The City's long-term obligations are reported in the Statement of Net Position.

Proprietary Fund (Enterprise and Internal Service) long-term debt is maintained in the fund that will repay the debt because the City accounts for these funds on a full-accrual basis in a manner similar to that of commercial operations.

Bond premiums and discounts are recognized during the period of issuance for governmental fund types. Bond proceeds are reported at par value as another financing source. For proprietary fund types, the bond premiums, and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. All issuance costs are expensed when incurred. The City's debt is explained in detail in Note 7 to the Financial Statements.

Other Information

Awards. The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Martinez for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the 14th consecutive award the City has received from GFOA. In order to be awarded a Certificate of Achievement, a City must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Staff believes that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and as such, will submit it to GFOA to determine its eligibility for another award.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the Administrative Services Department. Special recognition is given to the Finance Division for their efforts in preparing this report. I would also like to thank the City Council and the City Manager for their support in planning and directing the financial operations of the City.

Respectfully submitted,

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

Alan Shear
Assistant City Manager

City of Martinez Key Personnel

June 30, 2015

City Council

Rob Schroder, Mayor

Mark Ross, Vice Mayor

AnaMarie Avila Farias, Councilmember

Lara DeLaney, Councilmember

Debbie McKillop, Councilmember

Council Appointees

Rob Braulik, City Manager

Eric Ghisletta, Interim Chief of Police

Elected Officials

Gary Hernandez, City Clerk

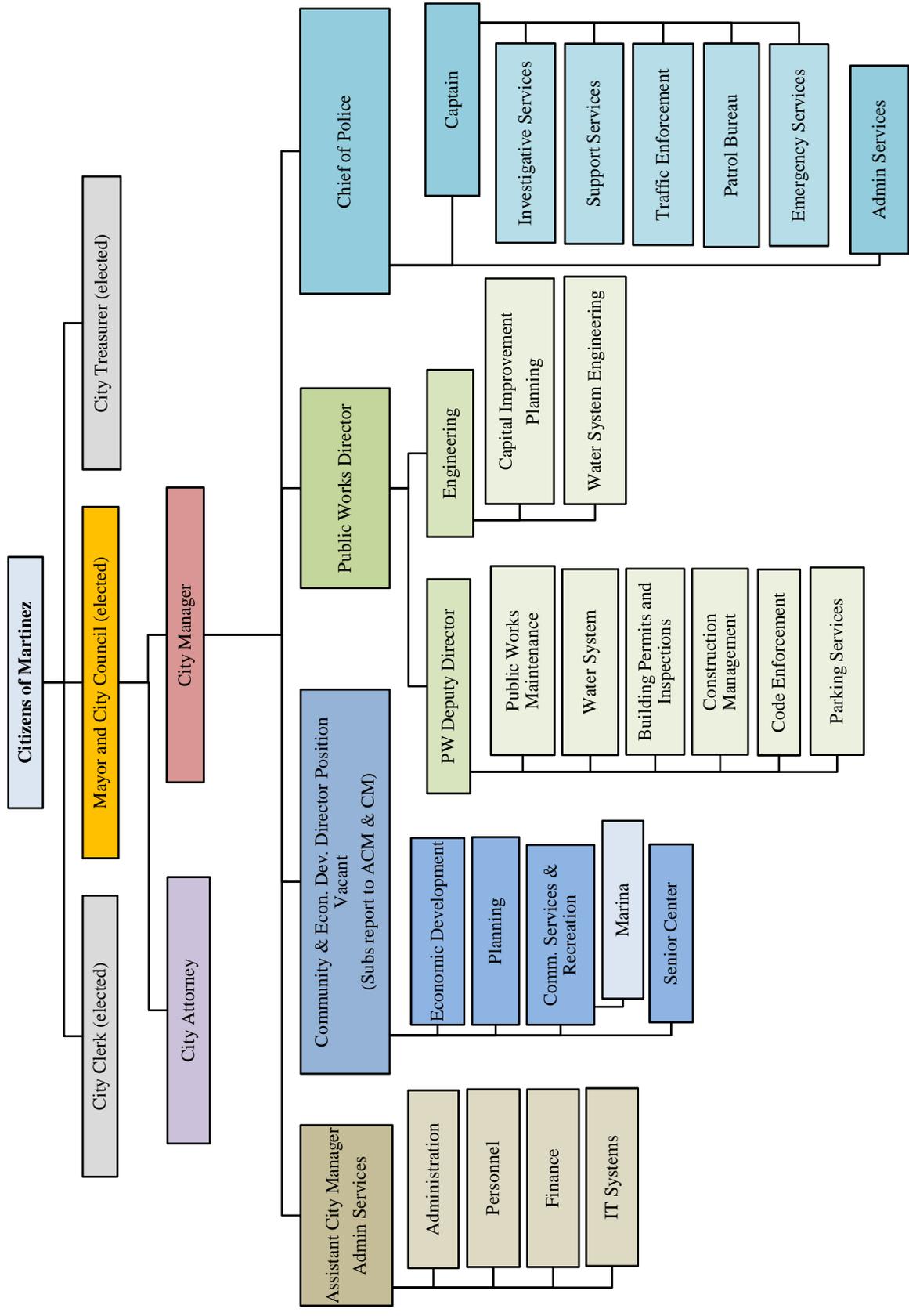
Carolyn Robinson, City Treasurer

City Staff

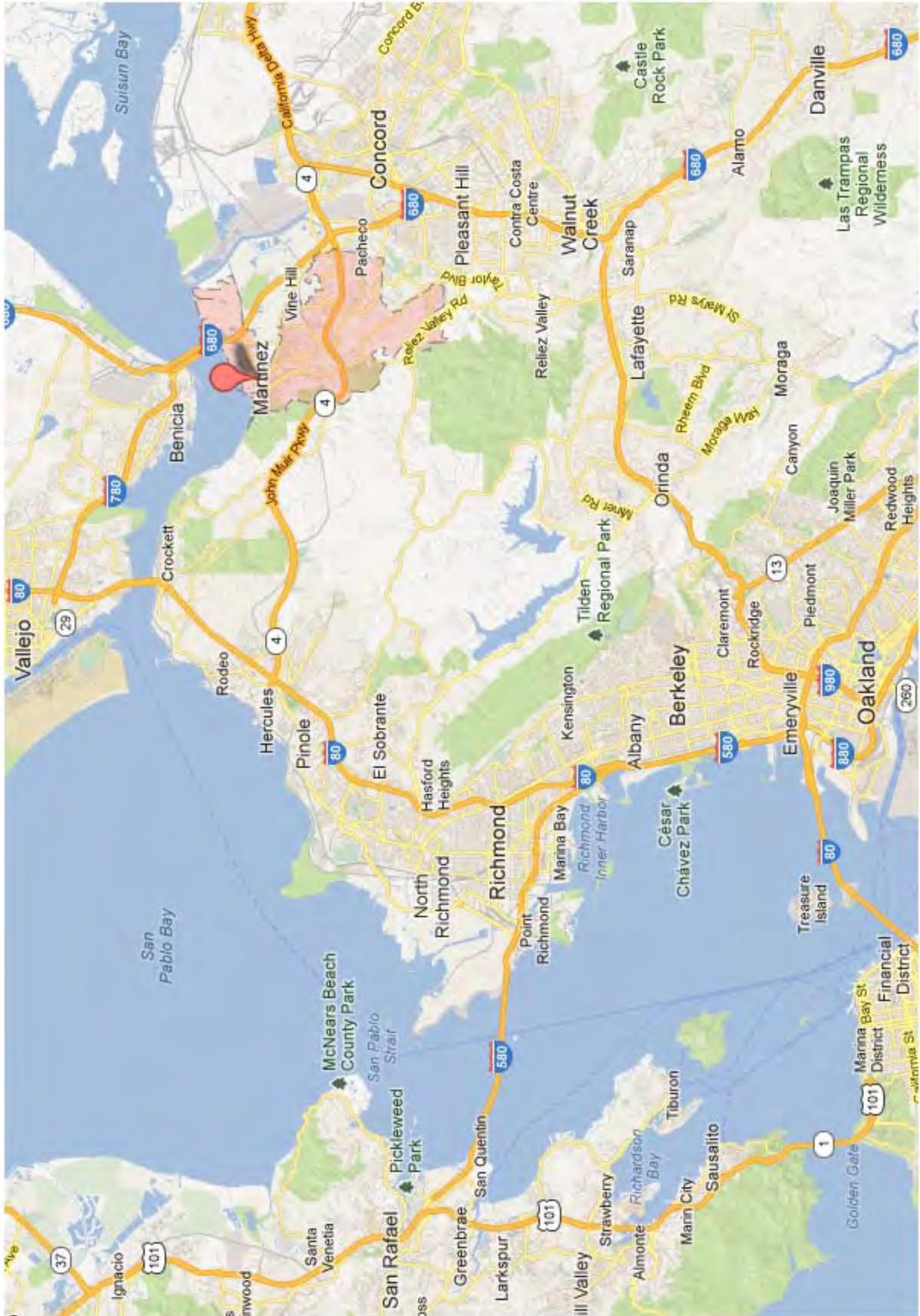
Alan Shear, Assistant City Manager

Cathy Spinella, Finance Manager

David Scola, Public Works Director



AREA MAP





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Martinez
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the City Council
City of Martinez, California

Report on 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 Martinez as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the City's Marina will continue as a going concern. As discussed in Note 10D to the financial statements, the City's Marina Services Enterprise Fund has an accumulated net deficit of \$3,367,692 as of June 30, 2015 made up primarily of State loans which the City has not had sufficient operating revenues to pay. During the fiscal year ended June 30, 2015, the City did not pay the principal portion due on the State loans that are recorded in the Marina Services Enterprise Fund as discussed in Note 8. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 10D. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 and required the restatement of net position as discussed in Note 10E to the financial statements:

- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.*

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Maze + Associates

Pleasant Hill, California

October 26, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Martinez's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the accompanying transmittal letter, the Basic Financial Statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

City-wide Activities:

- The assets and deferred outflows of resources of the City of Martinez exceeded its liabilities and deferred inflows of resources at the close of June 30, 2015 by \$80,065,324. Of this amount \$42,891,994 is Governmental Activities and \$37,173,330 is Business-type Activities.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$28,360,214, an increase of \$3,236,359 in comparison with the prior year. Of this amount, the unassigned fund balance was \$7,713,166 which is available for discretionary spending.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$7,736,927, or 41% of general fund expenditures. The general fund has an additional unassigned fund balance of \$1,000,000 set aside for contingencies.
- The City of Martinez's total debt decreased by \$1,166,752 during the fiscal year to \$23,055,000 for Governmental Activities and \$13,121,103 for Business-type Activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three components: 1) Government-wide Financial Statements, 2) Fund financial statements and 3) Notes to the Basic Financial Statements. The two sets of financial statements provide two different views of the City's financial activities and financial position both long term and short term.

Government-Wide Financial Statements: The Government-wide financial statements are designed to provide the readers with a broader, long term view of the City's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City in its entirety, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues and expenses of each of the City's programs. All the amounts in the Statement of Net Position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

- *Governmental Activities*—All of the City's basic services are considered to be governmental activities, including general government; community and economic development; public safety; public works; recreation, parks, and community services; public improvements; building inspection and code enforcement; planning and zoning; and general administration services. These services are supported by general City revenues such as taxes, and by specific program revenues such as mitigation/impact fees.

- *Business-type Activities*—The City’s three enterprise activities, Parking Services, Water System, and Marina Services, are reported here. Unlike governmental services, these services are supported through user fees based on the amount of the service they use.

The Statement of Net Position and the Statement of Activities report information about the City as a whole. In addition, these two statements report the City’s net position and changes for the year. Over time, increases or decreases in the City’s net position are one indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it’s meeting legal responsibilities for using certain grants and other money.

The City’s fund financial statements are divided into three categories; Governmental Funds, Proprietary Funds and Fiduciary Funds. The Governmental Fund financials are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The Proprietary Fund financials are prepared using the economic resources measurement focus and the accrual basis of accounting. The Fiduciary Funds include agency funds, which are custodial in nature and do not involve a measurement of operational results, and trust funds which, in addition to being custodial in nature, include operational activities. Only trust funds include a Statement of Changes in Net Position.

The Fund Financial Statements provide detailed information about each of the City’s most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major Funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City’s activities.

- *Governmental Funds* – Most of the City’s basic services are reported in Governmental Funds, which focus on how much money flows into and out of those funds and the balances left at year-end that are available for spending. The Governmental Fund statements provide a detailed, short term view of the City’s general government operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. The fund financial statements, of governmental funds measure only current revenues and expenditures, current assets, liabilities and fund balances; they exclude capital assets, long-term debt and other long-term obligation amounts. The City’s Governmental Funds are comprised of the General Fund, Measure H Fund and Capital Improvements Fund, which are considered Major Funds. Non-Major Funds consist of Gas Tax, NPDES Stormwater, Measure J, COPS Grant, Housing In-lieu Fund, PEG Access, Recycling, Debt Service, Alhambra Creek Improvements and Lighting & Landscape.

- *Proprietary Funds* – When the City charges customers for services it provides, whether to outside customers or other units of the City, these monies are generally reported in Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial Statements. The City uses three enterprise funds to account for Water System, Marina Services and Parking Services. *Internal Service funds* are used to report activities which provide supplies and services for the City’s other programs and activities. The City uses internal service funds to account for its fleet of vehicles and for its management information systems. Since the City’s Internal Service Funds are proprietary funds used by the City to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City funds. These revenues are eliminated in the City-wide Financial Statements and any related profits or losses are returned to the activities that created them, along with any residual net assets of the Internal Service Funds. Enterprise and Internal Service Fund financial statements are prepared on the full accrual basis and as in the past, include all their assets and liabilities, current and long-term.
- *Fiduciary Funds* - The City is the agent for one assessment district, the Alhambra Creek Special Assessment District, and is responsible for holding amounts collected from property owners that await transfer to the District’s bond trustees. The City is also an agent for certain community organizations, for which it collects and disburses cash and maintains separate cash accounts. The City’s fiduciary activities are reported in the separate Statements of Fiduciary Net Position and the Agency Funds Statement of Changes in Assets and Liabilities. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the City’s other financial statements because the City cannot use these assets to finance its own operations.

Comparisons of Budget and Actual financial information are presented only for the General Fund and other Major Funds that are Special Revenue Funds.

Notes to the Basic Financial Statement: The Notes to the Basic Financial Statements provide additional information that is essential to gain a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Basic Financial Statements can be found on pages 35 – 76 of this report. Note 10D on page 59 provides information about the Marina Services Enterprise Fund’s ability to continue as a going concern. Note 11 on pages 60 – 68 provides the City’s progress in funding of its obligation to provide pension benefits to its employees.

Supplemental Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information that combines statements referred to earlier in connection with non-major governmental funds, internal service funds and agency funds. Supplemental information is presented after the notes and can be found on pages 79 to 81.

Statistical Section: This section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net position for the City decreased \$27,232,567 in 2015 to \$80,065,324 due to the implementation of GASB No. 68. The annual change comes from the change in net position as recorded in the Statement of Activities which flows through the Statement of Net Position. Governmental Activities are shown in Tables 1 and 2. Business-type Activities is shown in Tables 3 and 4.

Net investment of capital assets, net of related debt of \$66,040,478 represents the City's investment in capital assets net of amounts borrowed to finance that investment. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources which are subject to external restrictions on how they may be used. This restricted amount totaled \$19,125,214 at June 30, 2015. The remaining balance of unrestricted net position, is normally the part of net position that may be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. At June 30, 2015 the unrestricted net position was a negative \$5,100,368 due to the implementation of GASB Statement No. 68.

| | Governmental Activities | | Business-type Activities | | Totals |
|----------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2015 | 2014* | 2015 | 2014* | 2015 |
| Cash and investments | \$30,564,220 | \$27,503,471 | \$18,590,247 | \$20,299,867 | \$49,154,467 |
| Other assets | 7,255,652 | 7,363,498 | 1,298,092 | 1,508,369 | 8,553,744 |
| Capital assets | <u>62,257,457</u> | <u>62,313,550</u> | <u>33,711,449</u> | <u>31,539,228</u> | <u>95,968,906</u> |
| Total Assets | 100,077,329 | 97,180,519 | 53,599,788 | 53,347,464 | 153,677,117 |
| Deferred outflows of resources | 2,691,786 | | 217,287 | | 2,909,073 |
| Long-term debt outstanding | 23,055,000 | 23,365,000 | 13,121,103 | 13,977,855 | 36,176,103 |
| Net pension liability | 25,743,841 | | 1,585,346 | | 27,329,187 |
| Other Liabilities | <u>4,923,205</u> | <u>4,385,970</u> | <u>1,404,168</u> | <u>1,501,267</u> | <u>6,327,373</u> |
| Total Liabilities | 53,722,046 | 27,750,970 | 16,110,617 | 15,479,122 | 69,832,663 |
| Deferred inflows of resources | 6,155,075 | | 533,128 | | 6,688,203 |
| Net position: | | | | | |
| Net investment in capital assets | 45,450,132 | 45,809,594 | 20,590,346 | 19,877,117 | 66,040,478 |
| Restricted | 11,108,552 | 12,532,439 | 8,016,662 | 10,711,495 | 19,125,214 |
| Unrestricted | <u>(13,666,690)</u> | <u>11,087,516</u> | <u>8,566,322</u> | <u>7,279,730</u> | <u>(5,100,368)</u> |
| Total Net Position | <u>\$42,891,994</u> | <u>\$69,429,549</u> | <u>\$37,173,330</u> | <u>\$37,868,342</u> | <u>\$80,065,324</u> |

*The prior year has not been restated for the implementation of GASB Statement No. 68.

Governmental activities – The Governmental activities increased the City’s net position by \$3,062,455 to \$42,891,994 at June 30, 2015. Below are the changes in net position:

| Table 1 | Governmental Activities | | ** |
|---|--------------------------------|---------------------|----|
| | 2015 | 2014 | |
| Expenses | | | |
| General government | \$1,611,595 | \$1,372,623 | |
| Administrative services | 1,068,860 | 1,132,197 | |
| Public works | 3,886,364 | 3,790,730 | |
| Community & economic dev | 6,213,848 | 8,103,341 | |
| Police | 10,113,586 | 10,993,156 | |
| Interest on long-term debt | 1,134,763 | 1,152,130 | |
| Total expenses | 24,029,016 | 26,544,177 | |
| Revenues | | | |
| Program revenues: | | | |
| Charges for services | 3,079,955 | 3,575,943 | |
| Operating grants & contributions | 3,004,759 | 2,643,701 | |
| Capital grants & contributions | 2,700,158 | 4,658,843 | |
| Total program revenues | 8,784,872 | 10,878,487 | |
| General revenues: | | | |
| Property tax | 7,165,086 | 6,603,214 | |
| Sales tax | 3,088,342 | 3,775,971 | |
| VLF Property tax swap | 2,733,906 | 2,538,617 | |
| Other taxes | 2,175,417 | 3,752,913 | |
| Franchise Fees | 1,546,295 | 1,516,127 | |
| Business License | 683,676 | 671,708 | |
| Intergovernmental | 476,267 | 62,369 | |
| Investment earnings | 53,549 | 61,227 | |
| Sale of Property | 8,250 | 31,841 | |
| Miscellaneous | 397,049 | 631,486 | |
| General revenues | 18,327,837 | 19,645,473 | |
| Total revenues | 27,112,709 | 30,523,960 | |
| Change in net position before transfers | 3,083,693 | 3,979,783 | |
| Transfers | (21,238) | (122,601) | |
| Change in net position | \$3,062,455 | \$3,857,182 | |
| Beginning Net Position | 39,829,539 * | 65,572,367 | |
| Total Net Position | \$42,891,994 | \$69,429,549 | |

*As restated

**The prior year has not been restated for the implementation of GASB Statement No. 68.

The cost of all Governmental activities was \$24,029,016 in Fiscal Year 2015. A portion of the cost for these activities was paid either by those who directly benefited from the programs, by other governments and organizations that subsidized certain programs with operating grants and contributions, or capital grants and contributions. Overall, the City’s Governmental activities program revenues during the year were \$8,784,872.

Program revenues totaled \$8,784,872 or 32.4% of total revenues for Fiscal Year 2015, down \$2,093,615 from 2014. The largest decrease is in Capital Grants, due to grant funding on two intermodal projects in 2014. The City's program revenues include developer fees, plan check fees, building inspections, traffic fines, recreation fees, police fees, grants, assessment revenues, and other charges for services. Program revenues are categorized in three groups: Charges for Services of \$3,079,955 which are intended to help cover the expenses incurred in providing a variety of City services; Operating Contributions and Grants of \$3,004,759, which is attributable to special revenue funds such as Gas Tax, Measure J and police services; and Capital Grants of \$2,700,158, which includes federal, state and local funding.

General revenues are not allocable to programs but are used to pay for the net cost of government services. General revenues totaled \$18,327,837 or 67.6% of total revenues, down \$1,317,636 from Fiscal Year 2014. Table 1 shows that \$17,392,722 or 94.9% of general revenues came from taxes, and the balance of \$935,115, or 5.10%, came from intergovernmental, investment earnings and miscellaneous. Transfers out totaled \$21,238 and were from the General Fund to the Water System.

Net expense is defined as total program costs less program revenues generated by those specific activities. In the City's case, program revenues of \$8,784,872, reduced the total expenses of \$24,029,016 by approximately 36.6% to \$15,244,144. It is clear in that the City's program revenues do not approach the cost of program expenses. This shows how dependent the City is on taxes to pay for City services. Table 2 below is the net expense by department.

| Table 2 | Net (Expense) Revenue and Changes in Net Position | |
|--------------------------------------|--|-----------------------|
| | 2015 | 2014 |
| Governmental Activities: | | |
| General government | (\$1,497,229) | (\$1,255,492) |
| Administrative services | (1,044,382) | (1,002,085) |
| Public works | (2,671,751) | (2,547,509) |
| Community & economic development | (83,686) | 168,185 |
| Police | (8,812,333) | (9,876,659) |
| Interest on long term debt | (1,134,763) | (1,152,130) |
| Total Governmental Activities | (\$15,244,144) | (\$15,665,690) |

Business-type activities – The Business-type activities increased the City’s net position by \$1,261,405 in 2015 to \$37,173,330. Below are the changes in net position:

| Table 3 | Business-type Activities | |
|---|---------------------------------|---------------------|
| | 2015 | 2014 |
| Expenses | | |
| Water System | \$11,521,664 | \$10,849,585 |
| Marina Services | 210,585 | 253,902 |
| Parking Services | 200,029 | 229,773 |
| Total expenses | 11,932,278 | 11,333,260 |
| Revenues | | |
| Program revenues: | | |
| Charges for services | 12,041,560 | 12,337,807 |
| Operating grants & contributions | 0 | 0 |
| Capital grants & contributions | 1,019,923 | 0 |
| Total program revenues | 13,061,483 | 12,337,807 |
| General revenues: | | |
| Taxes | 67,888 | 69,169 |
| Investment earnings | 43,074 | 46,304 |
| General revenues | 110,962 | 115,473 |
| Total revenues | 13,172,445 | 12,453,280 |
| Change in net position before transfers | 1,240,167 | 1,120,020 |
| Transfers | 21,238 | 122,601 |
| Change in net position | \$1,261,405 | \$1,242,621 |
| Beginning Net Position | 35,911,925 | 36,625,721 |
| Total Net Position | \$37,173,330 | \$37,868,342 |

The cost of business-type activities was \$11,932,278 in Fiscal Year 2015. A portion of the cost for these activities was paid either by those who directly benefited from the programs, by other governments and organizations that subsidized certain programs with operating grants and contributions, or capital grants and contributions. Overall, the City’s Business-type activities program revenues during the year were \$13,061,483. General revenues are not allocable to programs but are used to pay for the net cost of services. General revenues totaled \$110,962 which came from taxes, investment earnings and miscellaneous revenues.

Net expense is defined as total program costs less program revenues generated by those specific activities. In the City’s case, program revenues of \$13,061,483 along with expenses of \$11,932,278 for net revenues as shown in the Statement of Activities of \$1,129,205, the detail is broken out below in table 4.

| Table 4 | Net (Expense) Revenue and Changes in Net Position | |
|---------------------------------------|--|--------------------|
| | 2015 | 2014 |
| Business-type Activities: | | |
| Water System | (\$85,406) | \$829,042 |
| Marina Services | 946,068 | (75,885) |
| Parking Services | 268,543 | 251,390 |
| Total Business-type Activities | \$1,129,205 | \$1,004,547 |

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

At June 30, 2015, the City's governmental funds reported a combined fund balance of \$28,360,214, an increase of \$3,236,359 compared to the prior year. The General Fund increased by \$2,236,908, Capital Improvements increased by \$2,417,455, Measure H decreased by \$839,393 and a decrease of \$578,611 in Non-major Funds.

ANALYSES OF MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund revenues totaled \$21,147,536 in Fiscal Year 2014-15 an increase of \$619,264 from Fiscal Year 2013-14. The increase is comprised of the following: \$81,848 in Taxes, primarily property tax; Intergovernmental of \$632,639, due to repayment of state mandates of \$381,813 and Measure WW of \$262,500; and Licenses, Permits and Fees of \$113,077. These increases were offset by a decline of \$10,535 in Use of Money & Property; \$160,167 in Charges for Services; \$12,847 in Fines and Forfeits; and \$24,757 in Miscellaneous. Taxes totaling \$17,392,721 represented approximately 82% of total General Fund revenues, with \$7,227,747 (or 34% of the total General Fund revenues) coming from Property Taxes. Other revenue sources comprising the remaining 18% of General Fund revenues included Licenses, Permits and Fees; Intergovernmental; Charges for Services; Fines and Forfeits; Use of Money and Property; and Miscellaneous.

General Fund expenditures totaled \$18,864,390, a decrease of \$217,182 from Fiscal Year 2014. Transfers out of the General Fund decreased \$107,363 in Fiscal Year 2015 to \$46,238. This decrease was mostly attributable to a transfer of \$100,000 to the Marina Fund in 2014.

Final expenditures for the General Fund at year-end were \$935,787 below budget, however, the fiscal year ended with encumbrances of \$44,846. Budget amendments and supplemental appropriations of \$597,190 were made during the year for unanticipated expenditures after adoption of the original budget. Total final budget appropriations came in at \$19,800,177.

At the end of Fiscal Year 2015 the fund balance for the City's General Fund was \$10,509,493, an increase of \$2,236,908 over last year. The General Fund fund balance was comprised of the following: \$67,211 of nonspendable; \$2,705,355 assigned; and \$7,736,927 unassigned, of which \$1,000,000 was designated by Council for contingencies due to unforeseen occurrences referred to in Note 10C of the financial statements. Only the unassigned \$6,736,927 portion represents available liquid resources.

Measure H Fund

The Measure H Fund accounts for the bond proceeds of \$25,000,000 received in 2009 and 2012. The Fund is budgeted on a project length basis and therefore is not comparable on an annual basis.

The revenue received was investment earnings of \$16,759. The expenses of \$856,152 were based on project activity for the reconstruction of parks.

Capital Improvement Fund

The Capital Improvement Fund accounts for major City capital improvement projects. The Fund is budgeted on a project length basis and therefore is not comparable on an annual basis.

Revenue received in Fiscal Year 2015 included funding for projects from Contra Costa Transportation Authority in the amount of \$1,122,795; \$3,489 from Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA); \$67,886 Proposition 1B funds; \$50,000 in CDBG funds; and \$228,027 from State Toll grant funds; \$45,650 was for reimbursement for rebates from PG&E for LED lighting and reimbursement from other agencies. Another \$2,449,391 in funding came from net transfers from Gas Tax revenue, Local J, NPDES and General Fund. The fund also received \$411,958 in mitigation fees and interest. Total revenue received, including net transfers, was \$4,425,200. This is a decrease of \$1,570,122 over the prior year and is primarily from funding for two intermodal projects. There was also a decrease in expenditures of \$2,871,373 from Fiscal Year 2014.

Other Governmental Funds

These funds are not presented separately in the Basic Financial Statements, but are individually presented as Supplemental Information.

Internal Service Funds

Internal Service Funds are proprietary funds used by the City to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's Internal Service Funds are the Equipment Replacement Fund and the Management Information System (MIS) Fund.

- *Equipment Replacement Fund*—Costs for the Equipment Replacement Fund are considered to be “direct costs” that are readily identifiable with a specific service. The Equipment Replacement Fund charges departments' equipment and vehicle rates based on value and overall maintenance costs.
- *Management Information System (MIS) Fund*—Costs for the MIS Fund are considered to be “indirect costs” that are not easily associated with a specific service. These costs are distributed by both number of computer workstations and overall use of technology.

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis, are financed or recovered primarily through user charges. Enterprise Funds are also used when the City has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's Enterprise Funds include Parking Services, Water System, and Marina Services and are described as follows:

- *Parking Services*—Parking Services Fund revenue is generated from parking meters and parking permits in the downtown area. Operating revenues decreased by \$12,591 in Fiscal Year 2015 to a total of \$468,572. Operating expenses decreased by \$32,589 to \$199,791. Non-operating revenues decreased by \$2,505 to \$55,377. Net position increased by \$324,158 to \$2,089,980. The Parking Services Fund's fiscal year end unrestricted Net Position was \$1,574,623.
- *Water System*— The Water System Fund is financed and operated in a manner similar to that of a private business. Net position of the Water System Fund decreased \$22,327 in Fiscal Year 2015. Overall operating revenues decreased by \$242,369, and operating expenses increased by \$671,662. Non-operating expenses decreased by \$22,848, and non-operating revenues decreased by \$3,553 in interest income. As of June 30, 2015, the Fund's Net Position was \$38,472,838, with \$23,363,329 investment in capital assets net of related debt, \$1,175,521 restricted for debt service, and \$6,705,947 restricted for capital projects. Only \$7,228,041 of the Fund's Net Position was unrestricted at the close of Fiscal Year 2015. Due to the age of the Water System infrastructure, significant investments will be required in future years to update water lines and equipment and enhance security.

- *Marina Services*—Marina Fund revenues include lease payments, charges for services, property taxes, and government grants for capital improvement projects. Operating revenues decreased by \$41,287, offset with an increase in non-operating revenues of \$1,547. Operating expenses decreased \$41,232 in 2015. The Fund's Net Position increased by \$961,821 with a contribution from the State of California for land of \$1,019,923 to a deficit of \$3,367,692 at June 30, 2015. The Marina has \$4,222,723 in outstanding loans to the State of California; approximately half of that amount is the total of four individual loans with an annual debt repayment schedule. The City had been making this full payment until a recent declining trend in marina revenues that has hindered the City's ability to pay the principal and interest. The other half of the deficit to the State originates back to the 1964 Agreement with the State to construct the marina. The City is working with the State on alternatives to pay back all of the loans.

CAPITAL ASSETS

GASB 34 requires the City to record all of its capital assets, including infrastructure, which was not recorded in prior years. Infrastructure includes roads, bridges, traffic signals and similar assets used by the entire population. Beginning in Fiscal Year 2003, in accordance with GASB 34, the City began recording the cost of all its infrastructure assets and computing the amount of accumulated depreciation for these assets based on their original acquisition dates.

At the end of Fiscal 2015, Governmental Activities and Business-type Activities had invested in a broad range of capital assets, net of depreciation, in the amounts of \$62,257,457 and \$33,711,449, respectively, as shown below.

The City depreciates all its capital assets over their estimated useful lives, as required by GASB 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its life so that an allocable portion of the cost of the asset is borne by all users. Additional information on capital assets and depreciation may be found in Note 6.

| | June 30, 2015 | June 30, 2014 |
|--|----------------------------|----------------------------|
| <i>Governmental Activities</i> | | |
| Land | \$16,055,114 | \$16,055,114 |
| Construction in progress | 3,296,959 | 1,283,479 |
| Building and improvements | 12,517,249 | 13,511,364 |
| Equipment | 7,290,777 | 7,136,882 |
| Infrastructure | 64,692,510 | 64,119,695 |
| Less accumulated depreciation | (41,595,152) | (38,792,984) |
| Totals | <u>\$62,257,457</u> | <u>\$63,313,550</u> |
| <i>Business-Type Activities</i> | | |
| Land | \$1,917,444 | \$897,521 |
| Construction in progress | 5,647,019 | 4,935,611 |
| Building and improvements | 17,264,242 | 16,498,043 |
| Equipment | 2,288,005 | 1,990,723 |
| Infrastructure | 89,375,680 | 88,189,973 |
| Less accumulated depreciation | (82,780,941) | (80,792,643) |
| Totals | <u>\$33,711,449</u> | <u>\$31,719,228</u> |

DEBT ADMINISTRATION

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs (other than those paid for by the Enterprise Funds). In May 2009 and April 2012, the City issued General Obligation Bonds totaling \$25,000,000 to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements.

The Water Fund has two outstanding debt issues. In 2003 and 2012, the City issued Certificates of Participation (COPs) in the amounts of \$5,595,000 and \$8,025,000, respectively. COP proceeds were used to finance improvements to the Water Plant.

Each of the City's debt issues are discussed in detail in Notes 7 and 8 to the financial statements. The table below represents the City's outstanding debt at June 30, 2015.

| | June 30, 2015 | June 30, 2014 |
|--|---------------------|---------------------|
| Governmental Activity Debt | | |
| <i>General Long-Term Debt</i> | | |
| General Obligation Bonds | \$23,055,000 | \$23,365,000 |
| Total governmental activity debt | \$23,055,000 | \$23,365,000 |
| Business-Type Activity Debt | | |
| <i>Water Fund Long-Term Debt</i> | | |
| 2003 Refinancing Project | \$1,675,000 | \$2,055,000 |
| 2012 Refinancing Project | 6,680,000 | 7,135,000 |
| Unamortized Bond Premium | 543,380 | 590,632 |
| Total Water Fund debt | \$8,898,380 | \$9,780,632 |
| <i>Marina Long-term Debt</i> | | |
| 1964 State of California | \$2,639,014 | \$2,613,514 |
| 1973 State of California | 251,136 | 251,136 |
| 1978 State of California | 131,574 | 131,574 |
| 1982 State of California | 323,922 | 323,922 |
| 1985 State of California | 877,077 | 877,077 |
| Total Marina Fund debt | \$4,222,723 | \$4,197,223 |
| Total business-type activity debt | \$13,121,103 | \$13,977,855 |

SPECIAL ASSESSMENT DISTRICT DEBT

Alhambra Creek Assessment District, a special assessment district in the City, has also issued debt to finance infrastructure and facilities construction for that district. No special assessment debt was issued in Fiscal Year 2015.

At June 30, 2015, a total of \$430,000 in special assessment district debt was outstanding. This debt is secured only by assessments on the real property in the district issuing the debt and is not the City's responsibility, although the City does act as the district's agent in the collection and remittance of assessments.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The economy of the City and its major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the Administrative Services Department, at 525 Henrietta Street, Martinez, CA 94553.

CITY OF MARTINEZ

**STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Position summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds primarily, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, deferred outflows/inflows of resources, available revenues and measurable expenditures.

The format of the Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and the Martinez Public Improvement Corporation. The Corporation is legally separate but is a component unit of the City because it is controlled by the City, which is financially accountable for the activities of the Corporation.

CITY OF MARTINEZ
STATEMENT OF NET POSITION
JUNE 30, 2015

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and investments (Note 3) | | | |
| Available for operations | \$22,886,596 | \$17,414,726 | \$40,301,322 |
| Restricted | 7,677,624 | 1,175,521 | 8,853,145 |
| Receivables (net of allowance for uncollectible): | | | |
| Accounts and other | 586,439 | 1,296,968 | 1,883,407 |
| Intergovernmental | 1,835,817 | | 1,835,817 |
| Interest | 29,484 | | 29,484 |
| Loans receivable (Note 5) | 431,690 | 22,920 | 454,610 |
| Internal balances (Note 4C) | 21,796 | (21,796) | |
| Prepays and inventory (Note 1I) | 43,450 | | 43,450 |
| Net OPEB Asset (Note 12) | 4,306,976 | | 4,306,976 |
| Capital assets (Note 6) | | | |
| Land and construction in progress | 19,352,073 | 7,564,463 | 26,916,536 |
| Depreciable assets, net | 42,905,384 | 26,146,986 | 69,052,370 |
| Total Assets | <u>100,077,329</u> | <u>53,599,788</u> | <u>153,677,117</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions (Note 11) | <u>2,691,786</u> | <u>217,287</u> | <u>2,909,073</u> |
| LIABILITIES | | | |
| Accounts payable | 1,138,490 | 604,426 | 1,742,916 |
| Accrued wages and benefits | 671,999 | 76,624 | 748,623 |
| Deposits | 782,077 | 95,057 | 877,134 |
| Unearned revenue | 541,483 | 310,886 | 852,369 |
| Claims payable due within one year (Note 15) | 80,000 | | 80,000 |
| Accrued interest | | 84,640 | 84,640 |
| Accrued compensated absences (Note 1H) | | | |
| Due within one year | 982,000 | 138,000 | 1,120,000 |
| Due in more than one year | 727,156 | 94,535 | 821,691 |
| Long-term debt (Notes 7 and 8) | | | |
| Due within one year | 110,000 | 1,037,256 | 1,147,256 |
| Due in more than one year | 22,945,000 | 12,083,847 | 35,028,847 |
| Net pension liability (Note 11) | <u>25,743,841</u> | <u>1,585,346</u> | <u>27,329,187</u> |
| Total Liabilities | <u>53,722,046</u> | <u>16,110,617</u> | <u>69,832,663</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions (Note 11) | <u>6,155,075</u> | <u>533,128</u> | <u>6,688,203</u> |
| NET POSITION (Note 10) | | | |
| Net investment in capital assets | <u>45,450,132</u> | <u>20,590,346</u> | <u>66,040,478</u> |
| Restricted for: | | | |
| Capital projects | 8,240,603 | 6,841,141 | 15,081,744 |
| Debt service | 1,429,949 | 1,175,521 | 2,605,470 |
| Special revenue projects | <u>1,438,000</u> | <u>1,438,000</u> | <u>1,438,000</u> |
| Total Restricted Net Position | <u>11,108,552</u> | <u>8,016,662</u> | <u>19,125,214</u> |
| Unrestricted | <u>(13,666,690)</u> | <u>8,566,322</u> | <u>(5,100,368)</u> |
| Total Net Position | <u>\$42,891,994</u> | <u>\$37,173,330</u> | <u>\$80,065,324</u> |

See accompanying notes to financial statements

CITY OF MARTINEZ
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | Total |
|---|---------------------|----------------------|------------------------------------|---|-------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | |
| Governmental Activities: | | | | | | |
| General government | \$1,611,595 | \$54,962 | | \$59,404 | (\$1,497,229) | (\$1,497,229) |
| Administrative services | 1,068,860 | 3,268 | \$21,210 | | (1,044,382) | (1,044,382) |
| Public works | 3,886,364 | 1,214,613 | | | (2,671,751) | (2,671,751) |
| Community & economic development | 6,213,848 | 1,108,481 | 2,380,927 | 2,640,754 | (83,686) | (83,686) |
| Police | 10,113,586 | 698,631 | 602,622 | | (8,812,333) | (8,812,333) |
| Interest on long-term debt | 1,134,763 | | | | (1,134,763) | (1,134,763) |
| Total Governmental Activities | 24,029,016 | 3,079,955 | 3,004,759 | 2,700,158 | (15,244,144) | (15,244,144) |
| Business-type Activities: | | | | | | |
| Water system | 11,521,664 | 11,436,258 | | | (\$85,406) | (85,406) |
| Marina services | 210,585 | 136,730 | | 1,019,923 | 946,068 | 946,068 |
| Parking services | 200,029 | 468,572 | | | 268,543 | 268,543 |
| Total Business-type Activities | 11,932,278 | 12,041,560 | | 1,019,923 | 1,129,205 | 1,129,205 |
| Total | \$35,961,294 | \$15,121,515 | \$3,004,759 | \$3,720,081 | (15,244,144) | 1,129,205 |
| General revenues: | | | | | | |
| Property taxes | | | | | 7,165,086 | 7,165,086 |
| Sales taxes | | | | | 3,088,342 | 3,088,342 |
| VLF Property Tax Swap | | | | | 2,733,906 | 2,733,906 |
| Other taxes | | | | | 2,175,417 | 2,243,305 |
| Franchise fees | | | | | 1,546,295 | 1,546,295 |
| Business Licenses | | | | | 683,676 | 683,676 |
| Intergovernmental, unrestricted | | | | | 476,267 | 476,267 |
| Investment earnings | | | | | 53,549 | 96,623 |
| Sale of property | | | | | 8,250 | 8,250 |
| Miscellaneous | | | | | 397,049 | 397,049 |
| Transfers (Note 4A) | | | | | (21,238) | 21,238 |
| Total general revenues and transfers | | | | | 18,306,599 | 18,438,799 |
| Change in Net Position | | | | | 3,062,455 | 4,323,860 |
| Net Position-Beginning, As Restated (Notes 10E and 11) | | | | | 39,829,539 | 75,741,464 |
| Net Position-Ending | | | | | \$42,891,994 | \$80,065,324 |

See accompanying notes to financial statements

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| |
|----------------------------------|
| FUND FINANCIAL STATEMENTS |
|----------------------------------|

Major funds are defined generally as having significant activities or balances in the current year.

| |
|---------------------------------|
| MAJOR GOVERNMENTAL FUNDS |
|---------------------------------|

The funds described below are determined to be major funds by the City in Fiscal 2015. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of the City which are not accounted for in another fund.

MEASURE H FUND

Accounts for the \$25,000,000 of General Obligation Bonds issued in May 2009 and March 2012. These funds are to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements.

CAPITAL IMPROVEMENTS

To account for the expenditures spent and revenue received for various capital projects within the City.

CITY OF MARTINEZ
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

| | General | Measure H | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|---|----------------------------|---------------------------|---------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and investments (Note 3) | | | | | |
| Available for operations | \$11,570,392 | | \$5,740,696 | \$4,043,065 | \$21,354,153 |
| Restricted | | \$6,247,675 | | 1,429,949 | 7,677,624 |
| Receivables: | | | | | |
| Accounts | 490,778 | | 72,311 | 21,510 | 584,599 |
| Intergovernmental | 615,028 | | 1,173,194 | 47,595 | 1,835,817 |
| Interest | 25,038 | 4,446 | | | 29,484 |
| Loans receivable (Note 5) | 169,680 | | 262,010 | | 431,690 |
| Prepays and inventory (Note 11) | 43,450 | | | | 43,450 |
| Advances to other funds (Note 4B) | 23,761 | | | | 23,761 |
| Total Assets | <u>\$12,938,127</u> | <u>\$6,252,121</u> | <u>\$7,248,211</u> | <u>\$5,542,119</u> | <u>\$31,980,578</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$384,517 | \$512,922 | \$148,260 | \$32,932 | \$1,078,631 |
| Accrued wages and benefits | 655,375 | | | 3,586 | 658,961 |
| Claims payable (Note 15) | 80,000 | | | | 80,000 |
| Deposits | 669,590 | | | 112,487 | 782,077 |
| Unearned revenue | 469,472 | | 72,011 | | 541,483 |
| Advance from other funds (Note 4B) | | | | 23,761 | 23,761 |
| Total Liabilities | <u>2,258,954</u> | <u>512,922</u> | <u>220,271</u> | <u>172,766</u> | <u>3,164,913</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - miscellaneous receivables | | | | 23,761 | 23,761 |
| Unavailable revenue - loans receivable | 169,680 | | 262,010 | | 431,690 |
| FUND BALANCES | | | | | |
| Fund balance (Note 10) | | | | | |
| Nonspendable | 67,211 | | | | 67,211 |
| Restricted | | 5,739,199 | 6,765,930 | 5,369,353 | 17,874,482 |
| Assigned | 2,705,355 | | | | 2,705,355 |
| Unassigned | 7,736,927 | | | (23,761) | 7,713,166 |
| Total Fund Balances | <u>10,509,493</u> | <u>5,739,199</u> | <u>6,765,930</u> | <u>5,345,592</u> | <u>28,360,214</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$12,938,127</u> | <u>\$6,252,121</u> | <u>\$7,248,211</u> | <u>\$5,542,119</u> | <u>\$31,980,578</u> |

See accompanying notes to financial statements

CITY OF MARTINEZ
Reconciliation of the
GOVERNMENTAL FUNDS -- FUND BALANCES
with the
GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
JUNE 30, 2015

| | |
|---|----------------------------|
| Total fund balances reported on the governmental funds balance sheet | \$28,360,214 |
| <p>Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:</p> | |
| CAPITAL ASSETS | |
| Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. | 60,980,337 |
| ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS | |
| <p>Internal Service Funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position.</p> | |
| Cash and investments | 1,532,443 |
| Internal balances | 21,796 |
| Other receivables | 1,840 |
| Capital assets | 1,277,120 |
| Accounts payable | (59,859) |
| Accrued liabilities | (13,038) |
| Accrued compensated absences | (66,486) |
| ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES | |
| Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. | 455,451 |
| DEFERRED INFLOWS AND OUTFLOWS | |
| Deferred outflows related to pensions | 2,691,786 |
| Deferred inflows related to pensions | (6,155,075) |
| LONG-TERM ASSETS AND LIABILITIES | |
| <p>The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:</p> | |
| Net OPEB asset | 4,306,976 |
| Compensated absences | (1,642,670) |
| Long-term debt | (23,055,000) |
| Net pension liability | (25,743,841) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$42,891,994</u></u> |

See accompanying notes to financial statements

CITY OF MARTINEZ
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

| | General | Measure H | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------|-------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Taxes | \$17,392,721 | | | | \$17,392,721 |
| Special assessments | | | | \$1,865,833 | 1,865,833 |
| Licenses, permits, and fees | 796,903 | | \$407,785 | 130 | 1,204,818 |
| Intergovernmental | 1,181,627 | | 1,472,197 | 2,550,344 | 5,204,168 |
| Charges for services | 1,006,584 | | 46,004 | 2,345 | 1,054,933 |
| Fines and forfeits | 419,100 | | | 3,604 | 422,704 |
| Use of money and property | 134,954 | \$16,759 | 4,173 | 10,065 | 165,951 |
| Miscellaneous | 215,647 | | 45,650 | 101,293 | 362,590 |
| Total Revenues | 21,147,536 | 16,759 | 1,975,809 | 4,533,614 | 27,673,718 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,311,797 | | | | 1,311,797 |
| Nondepartmental services | 1,151,381 | | | | 1,151,381 |
| Administrative services | 895,776 | | | 141,406 | 1,037,182 |
| Public works | 3,754,724 | | | | 3,754,724 |
| Community & economic development | 2,359,215 | | 335,321 | 980,653 | 3,675,189 |
| Police | 9,326,888 | | | 117,511 | 9,444,399 |
| Debt service (Note 7): | | | | | |
| Principal | | | | 310,000 | 310,000 |
| Interest and fiscal charges | | | | 1,134,763 | 1,134,763 |
| Capital outlay | 64,609 | 856,152 | 1,672,424 | 3,501 | 2,596,686 |
| Total Expenditures | 18,864,390 | 856,152 | 2,007,745 | 2,687,834 | 24,416,121 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 2,283,146 | (839,393) | (31,936) | 1,845,780 | 3,257,597 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in (Note 4A) | | | 2,449,391 | 17,700 | 2,467,091 |
| Transfers (out) (Note 4A) | (46,238) | | | (2,442,091) | (2,488,329) |
| Total Other Financing Sources (Uses) | (46,238) | | 2,449,391 | (2,424,391) | (21,238) |
| NET CHANGE IN FUND BALANCES | 2,236,908 | (839,393) | 2,417,455 | (578,611) | 3,236,359 |
| BEGINNING FUND BALANCES | 8,272,585 | 6,578,592 | 4,348,475 | 5,924,203 | 25,123,855 |
| ENDING FUND BALANCES | \$10,509,493 | \$5,739,199 | \$6,765,930 | \$5,345,592 | \$28,360,214 |

See accompanying notes to financial statements

CITY OF MARTINEZ
 Reconciliation of the
 NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the Change in
 GOVERNMENTAL NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$3,236,359

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. The capital outlay expenditures are therefore added back to fund balances 2,596,686
 Net retirements are deducted from the fund balance
 Depreciation expense is deducted from the fund balance
 (Depreciation expense is net of internal service fund depreciation of \$238,033 which has already been allocated to serviced funds) (2,697,124)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.
 Repayment of debt principal is added back to fund balances 310,000

PENSION TRANSACTIONS

Payment of pension plan contributions is an expenditure in the governmental funds, but in the Statement of Net Position the payment is a deferred outflow. 392,880

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):
 Net OPEB asset 21,691
 Compensated absences (110,276)
 Unavailable revenue (592,923)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, and maintenance to individual funds. The portion of the net revenue of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.
 Change in Net Position - All Internal Service Funds (94,838)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$3,062,455

See accompanying notes to financial statements

CITY OF MARTINEZ
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Taxes | \$16,618,401 | \$16,726,001 | \$17,392,721 | \$666,720 |
| Licenses, permits, and fees | 666,500 | 666,500 | 796,903 | 130,403 |
| Intergovernmental | 505,800 | 858,300 | 1,181,627 | 323,327 |
| Charges for services | 706,513 | 869,453 | 1,006,584 | 137,131 |
| Fines and forfeits | 365,000 | 365,000 | 419,100 | 54,100 |
| Use of money and property | 107,070 | 138,796 | 134,954 | (3,842) |
| Miscellaneous | 210,000 | 200,187 | 215,647 | 15,460 |
| | <u>19,179,284</u> | <u>19,824,237</u> | <u>21,147,536</u> | <u>1,323,299</u> |
| Total Revenues | | | | |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 1,166,538 | 1,464,197 | 1,311,797 | 152,400 |
| Nondepartmental services | 1,276,319 | 1,188,919 | 1,151,381 | 37,538 |
| Administrative services | 876,059 | 916,771 | 895,776 | 20,995 |
| Public works | 3,746,108 | 3,802,732 | 3,754,724 | 48,008 |
| Community & economic development | 2,141,208 | 2,365,658 | 2,359,215 | 6,443 |
| Police | 9,996,755 | 9,995,585 | 9,326,888 | 668,697 |
| Capital outlay | | 66,315 | 64,609 | 1,706 |
| | <u>19,202,987</u> | <u>19,800,177</u> | <u>18,864,390</u> | <u>935,787</u> |
| Total Expenditures | | | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(23,703)</u> | <u>24,060</u> | <u>2,283,146</u> | <u>2,259,086</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (out) (Note 4A) | <u>(26,000)</u> | <u>(51,000)</u> | <u>(46,238)</u> | <u>4,762</u> |
| | <u>(26,000)</u> | <u>(51,000)</u> | <u>(46,238)</u> | <u>4,762</u> |
| Total other financing sources (uses) | | | | |
| NET CHANGE IN FUND BALANCE | <u>(\$49,703)</u> | <u>(\$26,940)</u> | <u>2,236,908</u> | <u>\$2,263,848</u> |
| BEGINNING FUND BALANCE | | | <u>8,272,585</u> | |
| ENDING FUND BALANCE | | | <u>\$10,509,493</u> | |

See accompanying notes to financial statements

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of major funds established by GASB Statement 34 extends to Proprietary Funds. The City has identified all of its Proprietary Funds as major funds in Fiscal 2015.

GASB 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

WATER SYSTEM FUND

To account for the funds received from customers receiving water service provided by the City and the related expenditures for administration, system improvements, maintenance and repairs, and debt service for bond issues related to the provision of water to the customers.

MARINA SERVICES FUND

To account for the activities related to the operations at the municipal marina.

PARKING SERVICES FUND

To account for the activities related to the various parking lots in the downtown area, including parking meters and shuttle services.

CITY OF MARTINEZ
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities- Internal Service Funds |
|---|---|-----------------|---------------------|--------------|--|
| | Water System | Marina Services | Parking Services | Totals | |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and investments (Note 3): | | | | | |
| Available for operations | \$15,495,597 | \$209,025 | \$1,710,104 | \$17,414,726 | \$1,532,443 |
| Restricted | 1,175,521 | | | 1,175,521 | |
| Receivables: | | | | | |
| Accounts and other | 1,292,034 | 3,854 | 1,080 | 1,296,968 | 1,840 |
| Total Current Assets | 17,963,152 | 212,879 | 1,711,184 | 19,887,215 | 1,534,283 |
| Capital Assets (Note 6): | | | | | |
| Buildings | 15,734,063 | 308,594 | | 16,042,657 | |
| Improvements | 976,463 | | 245,122 | 1,221,585 | |
| Equipment | 1,645,276 | | 642,729 | 2,288,005 | 4,161,708 |
| Infrastructure | 89,352,180 | | 23,500 | 89,375,680 | |
| Less: Accumulated depreciation | (81,724,204) | (291,472) | (765,265) | (82,780,941) | (3,024,271) |
| | 25,983,778 | 17,122 | 146,086 | 26,146,986 | 1,137,437 |
| Land | 630,912 | 1,052,455 | 234,077 | 1,917,444 | |
| Construction in progress (Note 6) | 5,647,019 | | | 5,647,019 | 139,683 |
| Net Capital Assets | 32,261,709 | 1,069,577 | 380,163 | 33,711,449 | 1,277,120 |
| Other Non-Current Assets: | | | | | |
| Loan receivable (Note 5) | 22,920 | | | 22,920 | |
| Total Non-Current Assets | 32,284,629 | 1,069,577 | 380,163 | 33,734,369 | 1,277,120 |
| Total Assets | 50,247,781 | 1,282,456 | 2,091,347 | 53,621,584 | 2,811,403 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred outflows related to pensions (Note 11) | 217,287 | | | 217,287 | |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 591,767 | 11,292 | 1,367 | 604,426 | 59,859 |
| Accrued liabilities | 76,624 | | | 76,624 | 13,038 |
| Unearned revenue | 1,435 | 309,451 | | 310,886 | |
| Deposits | 48,190 | 46,867 | | 95,057 | |
| Accrued interest | 24,825 | 59,815 | | 84,640 | |
| Current portion of compensated absences (Note 1H) | 138,000 | | | 138,000 | |
| Current portion of long-term debt (Note 7) | 855,000 | | | 855,000 | |
| Current portion of loans payable (Note 8) | | 182,256 | | 182,256 | |
| Total Current Liabilities | 1,735,841 | 609,681 | 1,367 | 2,346,889 | 72,897 |
| Noncurrent Liabilities: | | | | | |
| Accrued compensated absences (Note 1H) | 94,535 | | | 94,535 | 66,486 |
| Long-term debt (Note 7) | 8,043,380 | | | 8,043,380 | |
| Loans payable (Note 8) | | 4,040,467 | | 4,040,467 | |
| Net pension liability (Note 11) | 1,585,346 | | | 1,585,346 | |
| Total Liabilities | 11,459,102 | 4,650,148 | 1,367 | 16,110,617 | 139,383 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows related to pensions (Note 11) | 533,128 | | | 533,128 | |
| NET POSITION (Note 10) | | | | | |
| Net investment in capital assets | 23,363,329 | (3,153,146) | 380,163 | 20,590,346 | 1,277,120 |
| Restricted for debt service | 1,175,521 | | | 1,175,521 | |
| Restricted for capital projects | 6,705,947 | | 135,194 | 6,841,141 | |
| Unrestricted | 7,228,041 | (214,546) | 1,574,623 | 8,588,118 | 1,394,900 |
| Total Net Position (Deficit) | \$38,472,838 | (\$3,367,692) | \$2,089,980 | 37,195,126 | \$2,672,020 |

Some amounts reported for *business-type activities* in the Statement of Net Position are different because certain internal service fund assets and liabilities are included with business-type activities.

| | |
|---------------------------------------|--------------|
| | (21,796) |
| Net position business-type activities | \$37,173,330 |

See accompanying notes to financial statements

CITY OF MARTINEZ
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities- Internal Service Funds |
|---|---|----------------------|---------------------|-------------------|--|
| | Water System | Marina Services | Parking Services | Totals | |
| OPERATING REVENUES | | | | | |
| Water sales | \$10,166,736 | | | \$10,166,736 | |
| Rents and leases | 51,109 | \$136,590 | | 187,699 | |
| Charges for services | 1,198,646 | 140 | \$468,572 | 1,667,358 | \$1,327,796 |
| Other fees | 525 | | | 525 | |
| Other revenue | 19,242 | | | 19,242 | 26,671 |
| Total Operating Revenues | 11,436,258 | 136,730 | 468,572 | 12,041,560 | 1,354,467 |
| OPERATING EXPENSES | | | | | |
| Filtration plant | 4,693,782 | | | 4,693,782 | |
| Maintenance, repairs, and distribution | 2,020,302 | 44,754 | | 2,065,056 | 1,235,539 |
| Administration | 2,488,346 | 69,196 | 177,859 | 2,735,401 | |
| Depreciation | 2,056,922 | 5,707 | 21,932 | 2,084,561 | 238,033 |
| Total Operating Expenses | 11,259,352 | 119,657 | 199,791 | 11,578,800 | 1,473,572 |
| Operating Income (loss) | 176,906 | 17,073 | 268,781 | 462,760 | (119,105) |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Interest income | 39,832 | 389 | 2,853 | 43,074 | 3,000 |
| Interest (expense) | (260,303) | (90,928) | | (351,231) | |
| Gain on disposal of equipment | | | | | 19,020 |
| Taxes | | 15,364 | 52,524 | 67,888 | |
| Total Nonoperating Revenues (Expenses) | (220,471) | (75,175) | 55,377 | (240,269) | 22,020 |
| Income (loss) before contributions and transfers | (43,565) | (58,102) | 324,158 | 222,491 | (97,085) |
| Contributions (Note 8) | | 1,019,923 | | 1,019,923 | |
| Transfers in (Note 4A) | 21,238 | | | 21,238 | |
| Change in net position | (22,327) | 961,821 | 324,158 | 1,263,652 | (97,085) |
| BEGINNING NET POSITION (DEFICIT) | | | | | |
| (AS RESTATED) (Note 10E and 11) | 38,495,165 | (4,329,513) | 1,765,822 | | 2,769,105 |
| ENDING NET POSITION (DEFICIT) | \$38,472,838 | (\$3,367,692) | \$2,089,980 | | \$2,672,020 |

Some amounts reported for *business-type activities* in the Statement of Activities are different because the portion of the net income of certain internal service funds is reported with the business-type activities which those funds service (2,247)

Change in net position of business-type activities \$1,261,405

See accompanying notes to financial statements

CITY OF MARTINEZ
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015

| | Business-type Activities-Enterprise Funds | | | | Governmental Activities- Internal Service Funds |
|--|---|------------------|---------------------|---------------------|--|
| | Water System | Marina Services | Parking Services | Totals | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | \$11,623,268 | \$127,864 | \$470,852 | \$12,221,984 | \$1,354,099 |
| Payments to suppliers | (6,328,872) | (106,046) | (178,037) | (6,612,955) | (828,272) |
| Payments to employees | (2,264,141) | | | (2,264,141) | (411,155) |
| Rent and lease payments received | 19,242 | | | 19,242 | |
| Cash Flows from Operating Activities | 3,049,497 | 21,818 | 292,815 | 3,364,130 | 114,672 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Taxes received | | 15,364 | 52,523 | 67,887 | |
| Transfers in | 21,238 | | | 21,238 | |
| Cash Flows from Noncapital Financing Activities | 21,238 | 15,364 | 52,523 | 89,125 | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Acquisition of capital assets | (3,994,117) | | | (3,994,117) | (282,378) |
| Proceeds from sale of equipment | | | | | 19,020 |
| Principal payments on capital debt | (835,000) | | | (835,000) | |
| Interest paid | (309,485) | (67,347) | | (376,832) | |
| Cash Flows from Capital and Related Financing Activities | (5,138,602) | (67,347) | | (5,205,949) | (263,358) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest | 39,832 | 389 | 2,853 | 43,074 | 3,000 |
| Cash Flows from Investing Activities | 39,832 | 389 | 2,853 | 43,074 | 3,000 |
| Net Cash Flows | (2,028,035) | (29,776) | 348,191 | (1,709,620) | (145,686) |
| Cash and investments at beginning of period | 18,699,153 | 238,801 | 1,361,913 | 20,299,867 | 1,678,129 |
| Cash and investments at end of period | <u>\$16,671,118</u> | <u>\$209,025</u> | <u>\$1,710,104</u> | <u>\$18,590,247</u> | <u>\$1,532,443</u> |
| Reconciliation of Operating Income to Cash Flows from Operating Activities: | | | | | |
| Operating income (loss) | \$176,906 | \$17,073 | \$268,781 | \$462,760 | (\$119,105) |
| Adjustments to reconcile operating income (loss) to cash flows from operating activities: | | | | | |
| Depreciation | 2,056,922 | 5,707 | 21,932 | 2,084,561 | 238,033 |
| Retirement of capital assets | 757,258 | | | 757,258 | |
| Change in assets and liabilities: | | | | | |
| Accounts receivable | 206,252 | (502) | 2,280 | 208,030 | (368) |
| Accounts payable and other liabilities | (132,961) | 7,904 | (178) | (125,235) | (25,929) |
| Deposits | (2,626) | | | (2,626) | |
| Accrued vacation and other fringe benefits | 42,976 | | | 42,976 | 21,608 |
| Accrued wages and benefits | | | | | 433 |
| Unearned revenue | | (8,364) | | (8,364) | |
| Retirement system | (55,230) | | | (55,230) | |
| Cash Flows from Operating Activities | \$3,049,497 | \$21,818 | \$292,815 | \$3,364,130 | \$114,672 |
| Non cash transactions: | | | | | |
| Retirement of capital assets | \$757,258 | | | \$757,258 | |
| Contribution of capital asset | | \$1,019,923 | | \$1,019,923 | |

See accompanying notes to financial statements

| |
|------------------------|
| FIDUCIARY FUNDS |
|------------------------|

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the City as an agent or in trust for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF MARTINEZ
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2015

| | <u>Trust Fund</u> | <u>Agency Funds</u> |
|---|-----------------------------|-------------------------|
| ASSETS | | |
| Restricted cash and investments (Note 3) | <u>\$98,774</u> | <u>\$352,091</u> |
| Total Assets | <u><u>\$98,774</u></u> | <u><u>\$352,091</u></u> |
| LIABILITIES | | |
| Accounts payable | | \$3,257 |
| Due to bondholders | | 217,432 |
| Due to members | <u> </u> | <u>131,402</u> |
| Total Liabilities | <u> </u> | <u><u>\$352,091</u></u> |
| NET POSITION | | |
| Restricted for private purpose activities | <u>\$98,774</u> | |
| Total Net Position | <u><u>\$98,774</u></u> | |

See accompanying notes to financial statements

CITY OF MARTINEZ
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

| | Trust Fund |
|---------------------------------|---------------|
| ADDITIONS: | |
| Donations | \$23,112 |
| Interest | 138 |
| Total Additions | 23,250 |
| DEDUCTIONS: | |
| Supplies | 130 |
| Beneficiary payments | 1,299 |
| Improvements | 15,785 |
| Total Deductions | 17,214 |
| CHANGE IN NET POSITION | 6,036 |
| NET POSITION, BEGINNING OF YEAR | 92,738 |
| NET POSITION, END OF YEAR | \$98,774 |

See accompanying notes to financial statements

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CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Martinez was incorporated in 1876 and operates under an elected Mayor/Council form of government. The City’s major operations include public safety, water system, marina, parking, community and economic development, public works, recreation and parks, and general administrative services.

A. Reporting Entity

The financial statements of the City of Martinez include the financial activities of the City as well as the Martinez Public Improvement Corporation which is controlled by and dependent on the City. While the Corporation is a separate legal entity, the City Council serves in a separate session as its governing body and the financial activities of the Corporation are integral to those of the City. Corporation financial activities have been aggregated and merged (termed “blended”) with those of the City in the accompanying financial statements.

The **Martinez Public Improvement Corporation** is a nonprofit public benefit corporation organized and existing under the Nonprofit Public Benefit Corporation Law of the State of California. The purposes for which the Corporation was formed include, among others, (i) rendering financial assistance to the City by financing, refinancing, acquiring, constructing, improving, leasing and selling of buildings, building improvements, equipment, electrical, water, sewer, road and other public improvements, lands and any other real or personal property for the benefits of the City and surrounding areas; (ii) acquiring by lease, purchase or otherwise, real or personal property or any interest therein; and (iii) constructing, reconstructing, modifying, adding to, improving or otherwise acquiring or equipping buildings, structures or improvements and (by sale, lease, sublease, leaseback, gift or otherwise) making any part or all of any such real or personal property available to or for the benefit of the residents of the City. The Corporation is reported as part of the City’s operations because of its purpose to provide financing for the City.

The **Pleasant Hill/Martinez Joint Facilities Agency** is established for the purpose of providing cost-effective services for employees participating in the Miscellaneous CALPERS retirement plan. The Agency is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Agency.

Separate financial statements for the Martinez Public Improvement Corporation and the Pleasant Hill/Martinez Joint Facilities Agency are not issued.

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 U.S.A.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These Standards require that the financial statements described below be presented:

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except for interfund services provided and used. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. Major Funds

Major funds are defined as funds that have either assets, and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. Major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

General Fund - The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of the City which are not accounted for in another fund.

Measure H Fund - Accounts for the \$25,000,000 of General Obligation Bonds issued in May 2009 and March 2012. These funds are to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements.

Capital Improvements Fund - To account for the funds spent and revenue received for various capital projects within the City.

The City reported all its enterprise funds as major funds in the accompanying financial statements:

Water System Fund - To account for the funds received from customers receiving water service provided by the City and the related expenditures for administration, system improvements, maintenance and repairs, and debt service for bond issues related to the provision of water to the customers.

Marina Services Fund - To account for the activities related to the operations at the municipal marina.

Parking Services Fund - To account for the activities related to the various parking lots in the downtown area, including parking meters and shuttle services.

The City also reports the following fund types:

Internal Service Funds - To account for equipment replacement and management information Services; all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds - The City maintains two types of Fiduciary Funds - Trust Funds and Agency Funds. Trust Funds account for activities of individual private trust funds for the benefit of the Alhambra Cemetery. Agency Funds are used to account for assets held by the City as an agent for the Alhambra Creek Assessment District and the Senior Center Club. The financial activities of these funds are excluded from the Government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

D. Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *full accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property, sales and franchise taxes, certain other intergovernmental revenues, special assessments and interest revenue. Fines, permits, licenses and charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be 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.

Certain indirect costs are included in program expenses reported for individual functions and activities.

E. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category, deferred outflows related to pensions. For further discussion see Note 11 below.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. The separate financial element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from miscellaneous receivables and loans receivable. The City has one type of deferred inflow which arises only under a full accrual basis of accounting, deferred inflows related to pensions.

F. *Revenue Recognition for Water System Enterprise Fund*

Revenues are recognized based on cycle billings rendered to customers. Revenues for services provided but not billed at the end of the year are accrued.

G. *Property Taxes and Special Assessment Revenue*

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa levies, bills and collects property taxes for the City; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the personal property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above.

H. *Compensated Absences*

Compensated absences comprise unused vacation leave, vested sick pay and other employee benefits which are accrued as earned. The City’s liability for compensated absences is recorded in various governmental funds or proprietary funds as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be permanently liquidated are recorded as fund liabilities; the remaining portion is recorded in the Statement of Net Position.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes of the compensated absences during the fiscal year ended June 30, 2015 were as follows:

| | Governmental Activities | Business-Type Activities | Total |
|-------------------|----------------------------|-----------------------------|--------------------|
| Beginning Balance | \$1,577,272 | \$189,559 | \$1,766,831 |
| Additions | 1,092,060 | 162,748 | 1,254,808 |
| Payments | (960,176) | (119,772) | (1,079,948) |
| Ending Balance | <u>\$1,709,156</u> | <u>\$232,535</u> | <u>\$1,941,691</u> |
| Current Portion | <u>\$982,000</u> | <u>\$138,000</u> | <u>\$1,120,000</u> |

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.

I. *Prepays and Inventory*

Prepaid items in governmental funds are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

Inventories are valued at cost (on the first-in, first-out basis). Inventories of the General Fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure in the General Fund at the time individual inventory items are consumed. Reported General Fund inventories are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

J. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

The City adopts a biennial budget for the General Fund and all Special Revenue Funds with the exception of the Housing In-Lieu Special Revenue Fund, on or before June 30 of even-numbered years for each of the ensuing two fiscal years. The operating budget takes the form of a two-year budget, which is adopted in its entirety by the City Council by resolution. This budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year-end. Capital Projects Funds are budgeted on a project-length basis.

On or before the last day in March of each year, all departments of the City submit requests for appropriations to the City Manager so that a budget may be prepared on or by May 1, for even-numbered years. The proposed budget is presented to the City's Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. The City Manager is authorized to make revisions up to 1% any single budget year. Council approval is required for additional appropriation from fund balances or new revenue sources. The legal level of budgetary control is at the departmental level.

The budget is revised in February to take into consideration information available during the fiscal year. Budget amounts presented in the accompanying financial statements reflect original appropriations modified by supplemental amendments discussed above which were not material.

NOTE 3 - CASH AND INVESTMENTS

The City pools cash from all sources and all funds, except Cash and Investments held by Trustees, so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements.

| | |
|--|--------------|
| Cash and investments available for operations | \$40,301,322 |
| Restricted cash and investments | 8,853,145 |
| Total Primary Government cash and investments | 49,154,467 |
| | |
| Restricted cash and investments in Fiduciary Funds (separate statement) | 450,865 |
| Total cash and investments | \$49,605,332 |

Cash and Investments Available for Operations is used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded.

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage Allowed |
|--|---------------------|------------------------------|----------------------------------|
| Shares of Beneficial Interest | N/A | Top rating category | 20% |
| California Local Agency Investment Fund (LAIF Pool) | Upon Demand | N/A | No limit |
| U.S. Treasury Obligations | 5 Years | N/A | No limit |
| U.S. Agency Securities and U.S. Government Sponsored Enterprise Obligations | 5 Years | N/A | No limit |

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. 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 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 resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality |
|--|---------------------|--------------------------------|
| Repurchase Agreements | 30 days | A |
| U.S. Treasury Obligations | N/A | N/A |
| U.S. Agency Securities and U.S. Government Sponsored Enterprise | N/A | N/A |
| State Obligations | N/A | Second Highest Rating Category |
| Commercial Paper | 270 days | A-1 |
| Negotiable Certificates of Deposit | N/A | N/A |
| Time Certificates of Deposit | N/A | N/A |
| Shares of Beneficial Interest | N/A | Top Rating Category |
| Money Market Funds | N/A | Aam |
| Bankers' Acceptances | 360 days | A-1 |
| California Local Agency Investment Fund (LAIF Pool) | Upon Demand | N/A |
| California Asset Management Program (CAMP) | Upon Demand | N/A |

E. Interest Rate Risk and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 3 - CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

| Investment Type | 12 Months or less | 13 to 24 Months | 25 to 60 Months | Total |
|---|----------------------|--------------------|--------------------|--------------|
| California Local Agency Investment Fund | \$43,043,602 | | | \$43,043,602 |
| Money market funds | 1,314 | | | 1,314 |
| Certificates of deposit | 330,000 | \$480,000 | | 810,000 |
| US treasury notes | | | \$1,400,000 | 1,400,000 |
| Federal agency securities | | | 3,463,000 | 3,463,000 |
| Total Investments | \$43,374,916 | \$480,000 | \$4,863,000 | 48,717,916 |
| Cash in banks and on hand | | | | 887,416 |
| Total Cash and Investments | | | | \$49,605,332 |

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2015, these investments have an average maturity of 239 days and were not rated.

Money market mutual funds are available for withdrawal on demand and at June 30, 2015, have an average maturity of 42 days. Money market mutual funds were rated AAAM by Standard and Poor's investment rating system. Federal Agency securities were rated AA+ by Standard and Poor's investment rating system. The certificates of deposit were not rated as of June 30, 2015. U.S. treasury notes are exempt from rating.

F. Concentration Risk

Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools, which represent a significant portion of total investments, are as follows at June 30, 2015:

| Reporting Unit | Issuer | Investment Type | Reported Amount |
|-------------------|-------------------------|---------------------------------------|--------------------|
| Entity-Wide | Federal Agency Security | Federal National Mortgage Association | \$3,463,000 |
| Agency Fund | Goldman Sachs Bank | Certificate of Deposit | 105,000 |

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2015 were as follows:

| Fund Receiving Transfers | Fund Making Transfers | Amount Transferred |
|------------------------------|---------------------------|--------------------|
| Capital Improvements Fund | General Fund | \$15,000 A |
| | Non-Major Funds | 2,434,391 A |
| Non-Major Funds | General Fund | 10,000 B |
| | Non-Major Funds | 7,700 B |
| Water System Enterprise Fund | General Fund | 21,238 B |
| | Total Interfund Transfers | <u>\$2,488,329</u> |

A: To fund capital projects

B: To fund operations

B. Long-Term Interfund Advance

In fiscal year 2007-08 the General Fund made an advance to the Alhambra Creek Improvements Capital Projects Fund in the amount of \$65,828, to be repaid in annual installments. The advance bears no interest. As of June 30, 2015, the balance was \$23,761.

C. Internal Balances

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 5 – LOAN RECEIVABLE AND UNAVAILABLE REVENUE

A. Riverhouse Associates

The City made a loan to Riverhouse Associates, which was used to rehabilitate the Riverhouse Hotel, an affordable housing project. The loan is secured by a deed of trust, bears no interest, and is due August 14, 2021. At June 30, 2015 the loan balances of \$262,010 and \$22,920 were owed to the Capital Improvements Capital Projects Fund and Water System Enterprise Fund, respectively.

B. Martinez Unified School District

The Martinez Unified School District (MUSD) requested financial assistance from the City in order to retain seventeen teachers. Without the City's assistance the District would not have been able to maintain class room sizes in the District's Kindergarten – 3rd grades. On July 27, 2009 the City advanced the MUSD \$500,000 and entered into a fee service and joint facility use agreement for the repayment. The fee service portion of the agreement was terminated on July 27, 2014. The joint facility use portion of the agreement was for the District to maintain \$150,000 in the District's Capital Improvement Fund for the purpose of a joint facility, which terminates July 27, 2019. At the end of the fee service agreement the District opted to increase the restricted capital funds for the remaining 5 years of the agreement to the actual amount owed. As of June 30, 2015 the balance owed to the City was \$169,680.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 6 - CAPITAL ASSETS

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 all capital assets with values greater than \$5,000.

Capital assets with limited useful lives are depreciated over their estimated useful lives. 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. 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 City has assigned the useful lives listed below to capital assets:

| | |
|----------------|-------------|
| Buildings | 30-50 years |
| Improvements | 30-50 years |
| Equipment | 3-25 years |
| Infrastructure | 10-67 years |

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 6 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital asset activities for the year ended June 30, 2015 comprise:

| | Balance at June 30, 2014 | Additions | Retirements | Transfers | Balance at June 30, 2015 |
|--|-----------------------------|--------------------|--------------------|--------------------|-----------------------------|
| Governmental activities | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$16,055,114 | | | | \$16,055,114 |
| Construction in progress | 1,283,479 | \$2,175,470 | | (\$161,990) | 3,296,959 |
| Total capital assets not being depreciated | <u>17,338,593</u> | <u>2,175,470</u> | | <u>(161,990)</u> | <u>19,352,073</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 12,474,444 | 5,885 | | | 12,480,329 |
| Improvements | 36,920 | | | | 36,920 |
| Equipment | 7,136,882 | 201,420 | (\$132,989) | 85,464 | 7,290,777 |
| Infrastructure | 64,119,695 | 496,289 | | 76,526 | 64,692,510 |
| Total capital assets being depreciated | <u>83,767,941</u> | <u>703,594</u> | <u>(132,989)</u> | <u>161,990</u> | <u>84,500,536</u> |
| Less accumulated depreciation: | | | | | |
| Buildings | (3,146,449) | (305,850) | | | (3,452,299) |
| Improvements | (6,155) | (1,231) | | | (7,386) |
| Equipment | (4,551,497) | (477,302) | 132,989 | | (4,895,810) |
| Infrastructure | (31,088,883) | (2,150,774) | | | (33,239,657) |
| Total accumulated depreciation | <u>(38,792,984)</u> | <u>(2,935,157)</u> | <u>132,989</u> | | <u>(41,595,152)</u> |
| Net capital assets being depreciated | <u>44,974,957</u> | <u>(2,231,563)</u> | | <u>161,990</u> | <u>42,905,384</u> |
| Governmental activities capital assets, net | <u>\$62,313,550</u> | <u>(\$56,093)</u> | | | <u>\$62,257,457</u> |
| | | | | | |
| | Balance at June 30, 2014 | Additions | Retirements | Transfers | Balance at June 30, 2015 |
| Business-type activities | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$897,521 | \$1,019,923 | | | \$1,917,444 |
| Construction in progress | 4,935,611 | 3,757,606 | (\$757,258) | (\$2,288,940) | 5,647,019 |
| Total capital assets not being depreciated | <u>5,833,132</u> | <u>4,777,529</u> | <u>(757,258)</u> | <u>(2,288,940)</u> | <u>7,564,463</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 16,102,337 | 83,387 | (143,067) | | 16,042,657 |
| Improvements | 395,706 | 29,994 | | 795,885 | 1,221,585 |
| Equipment | 1,990,723 | 51,367 | | 245,915 | 2,288,005 |
| Infrastructure | 88,189,973 | 71,763 | (133,196) | 1,247,140 | 89,375,680 |
| Net capital assets being depreciated | <u>106,678,739</u> | <u>236,511</u> | <u>(276,263)</u> | <u>2,288,940</u> | <u>108,927,927</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (9,841,906) | (474,319) | 143,067 | | (10,173,158) |
| Improvements | (262,317) | (28,432) | | | (290,749) |
| Equipment | (1,739,077) | (102,092) | | | (1,841,169) |
| Infrastructure | (69,129,343) | (1,479,718) | 133,196 | | (70,475,865) |
| Total accumulated depreciation | <u>(80,972,643)</u> | <u>(2,084,561)</u> | <u>276,263</u> | | <u>(82,780,941)</u> |
| Net capital assets being depreciated | <u>25,706,096</u> | <u>(1,848,050)</u> | | <u>2,288,940</u> | <u>26,146,986</u> |
| Business-type activities capital assets, net | <u>\$31,539,228</u> | <u>\$2,929,479</u> | <u>(\$757,258)</u> | | <u>\$33,711,449</u> |

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 6 - CAPITAL ASSETS (Continued)

B. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

C. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function, or program, are as follows:

| | |
|--|----------------------------------|
| <i>Governmental Activities</i> | |
| General Government | \$23,439 |
| Public Works | 31,680 |
| Community & Economic Development | 2,543,905 |
| Police | 98,100 |
| Capital assets held by the City's Internal Service Funds | <u>238,033</u> |
| Total Governmental Activities | <u><u>\$2,935,157</u></u> |
| <i>Business-Type Activities</i> | |
| Water System | \$2,056,922 |
| Marina Services | 5,707 |
| Parking Services | <u>21,932</u> |
| Total Business-Type Activities | <u><u>\$2,084,561</u></u> |

NOTE 7 – LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

Proprietary Fund (Enterprise and Internal Service) long-term debt is accounted for in the proprietary funds which will repay the debt because these funds are accounted for on the full-accrual basis in a similar manner to commercial operations.

For governmental fund types, bond premiums and discounts are recognized during the period of issuance. For proprietary fund types, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. All issuance costs are expensed when incurred. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 7 – LONG TERM DEBT (Continued)

The City's debt issues and transactions are summarized below and discussed in detail thereafter.

A. Current Year Transactions and Balances

| | Original Issue Amount | Balance at June 30, 2014 | Retirements | Balance at June 30, 2015 | Current Portion |
|--|--------------------------|-----------------------------|------------------|-----------------------------|--------------------|
| Governmental Activity Debt | | | | | |
| <i>General Long-Term Debt</i> | | | | | |
| 2009 General Obligation Bonds | | | | | |
| Election of 2008, Series A, | | | | | |
| 4-5.875%, due 2/01/39 | \$15,000,000 | \$14,135,000 | \$45,000 | \$14,090,000 | \$65,000 |
| 2012 General Obligation Bonds | | | | | |
| Election of 2008, Series B, | | | | | |
| 4-5%, due 8/01/42 | 10,000,000 | 9,230,000 | 265,000 | 8,965,000 | 45,000 |
| Total governmental activity debt | | <u>\$23,365,000</u> | <u>\$310,000</u> | <u>\$23,055,000</u> | <u>\$110,000</u> |
| Business-Type Activity Debt | | | | | |
| <i>Enterprise Long-Term Debt</i> | | | | | |
| Certificates of Participation: | | | | | |
| 2003 Refinancing Project, | | | | | |
| 2-4%, due 12/01/18 | \$5,595,000 | \$2,055,000 | \$380,000 | \$1,675,000 | \$395,000 |
| 2012 Refunding Water System | | | | | |
| Improvements, 2-4%, due 12/01/26 | 8,025,000 | 7,135,000 | 455,000 | 6,680,000 | 460,000 |
| Plus: Unamortized Bond Premium | 696,947 | 590,632 | 47,252 | 543,380 | |
| Total business-type activity debt | | <u>\$9,780,632</u> | <u>\$882,252</u> | <u>\$8,898,380</u> | <u>\$855,000</u> |

B. General Obligation Bonds

On May 5, 2009, the City issued the General Obligation Election of 2008, Series A Bonds (GOs) in the amount of \$15,000,000 to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements in the City.

On March 21, 2012, the City issued the General Obligation Election of 2008, Series B Bonds (GOs) in the amount of \$10,000,000 to finance the costs of acquiring and constructing parks, library improvements, and pool and safety improvements in the City.

The Bonds were authorized at an election held on November 4, 2008, at which more than two-thirds of the voters approved. Interest payments on the GOs are due semi-annually on February 1 and August 1, and annual principal payments are due on February or August 1. Interest and principal payments are payable from ad valorem property taxes levied by the City and collected by the County. The total principal and interest remaining to be paid on the bonds is \$23,055,000 and \$22,293,627, respectively. Principal and interest paid for the current fiscal year and total Ad Valorem Property Tax Revenues were \$1,444,762 and \$1,745,704, respectively.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 7 – LONG TERM DEBT (Continued)

C. 2003 Certificates of Participation

On March 11, 2003, the City issued Certificates of Participation (COPs) in the amount of \$7,795,000 to refund and retire the outstanding 1992 City Hall Refurbishment Certificates of Participation and the 1993 Water System Improvements Certificates of Participation. Interest payments on the 2003 COPs are due semi-annually on June 1 and December 1, and annual principal payments are due on December 1. Interest and principal payments are payable from lease revenues on City Hall and net revenues derived from the operation of the water system. The City's total principal and interest remaining to be paid on the business type portion of the bonds is \$1,809,183. The City's principal and interest paid for the current year was \$452,184.

D. 2012 Certificates of Participation

On February 10, 2012, the City issued Certificates of Participation (COPs) in the amount of \$8,025,000 to refund the 1999 COPs and for the acquisition and construction of improvements to the City's existing water system. Semi-annual interest payments are due on June 1 and December 1 of each year, and annual principal payments are due on December 1. Interest and principal payments are payable from net revenues derived from the operation of the water system. The total principal and interest remaining to be paid on the certificates is \$8,301,525. The City's principal and interest paid for the current fiscal year is \$692,300.

The City has pledged future Water System Enterprise Fund revenues, net of specified operating expenses, to repay the installment agreement portion of the 2003 COPs and the 2012 Certificates of Participation through 2027. Annual principal and interest payments on the 2003 bonds are expected to require less than 16.71 percent and 3.17 percent of net water revenues. Annual principal and interest payments on the 2012 bonds are expected to require less than 20.01 percent and 10.44 percent of net water revenues. The Water Fund's total principal and interest remaining to be paid on the bonds is \$10,110,708. The Water Fund's principal and interest paid for the current year and total customer net revenues were \$1,144,485 and \$2,273,660 respectively. The City is in compliance with its debt covenants for the year ended June 30, 2015.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 7 – LONG TERM DEBT (Continued)

E. Debt Service Requirements

Annual debt service requirements are shown below:

| For the Year Ending June 30 | Governmental Activities | | Business-type Activities | |
|--------------------------------|-------------------------|---------------------|--------------------------|--------------------|
| | Principal | Interest | Principal | Interest |
| 2016 | \$110,000 | \$1,126,362 | \$855,000 | \$285,799 |
| 2017 | 125,000 | 1,121,662 | 890,000 | 258,528 |
| 2018 | 145,000 | 1,116,262 | 920,000 | 227,681 |
| 2019 | 175,000 | 1,109,862 | 940,000 | 195,725 |
| 2020 | 205,000 | 1,102,262 | 520,000 | 171,650 |
| 2021 - 2025 | 1,620,000 | 5,341,733 | 2,900,000 | 562,725 |
| 2026 - 2030 | 2,915,000 | 4,824,589 | 1,330,000 | 53,600 |
| 2031 - 2035 | 4,700,000 | 3,888,620 | | |
| 2036 - 2040 | 7,225,000 | 2,279,667 | | |
| 2041 - 2043 | 5,835,000 | 382,608 | | |
| Total | \$23,055,000 | \$22,293,627 | 8,355,000 | \$1,755,708 |
| Plus: Unamortized Bond Premium | | | 543,380 | |
| Gross Long-term Debt | | | \$8,898,380 | |

F. Authorized but Unissued Debt

The City has previously issued Water Revenue Bonds authorized by the electorate at a bond election held on June 7, 1966. Series A, B, and C Bonds in the amount of \$3,250,000 were previously issued and have been fully retired; \$1,400,000 remains authorized but unissued as of June 30, 2015.

In addition, the City issued General Obligation Election of 2008, Series A Bonds (GOs) that were ratified by two-thirds of the voters on November 4, 2008 in the amount of \$30,000,000. \$5,000,000 remains authorized but unissued as of June 30, 2015.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 8 – LOANS PAYABLE TO STATE OF CALIFORNIA

At June 30, 2015, the Marina Services Fund owed \$4,222,723 in loans to the State. The City made an interest payment of \$67,347 to the Department of Boating and Waterways in fiscal 2015 to cover current year interest accrued on the unpaid loan balances.

A. Current Year Transactions and Balances

| | Original Issue Amount | Balance at June 30, 2014 | Additions | Balance at June 30, 2015 | Current Portion |
|---------------------------|--------------------------|-----------------------------|-----------------|-----------------------------|--------------------|
| Marina Loans | | | | | |
| Loan Payable - 1964 | \$1,300,000 | \$850,000 | | \$850,000 | |
| Accrued interest | | 1,763,514 | \$25,500 | 1,789,014 | |
| Loan Payable - 1973 | 450,000 | 251,136 | | 251,136 | \$51,698 |
| Loan Payable - 1978 | 175,000 | 131,574 | | 131,574 | 20,964 |
| Loan Payable - 1982 | 300,000 | 323,922 | | 323,922 | 35,603 |
| Loan Payable - 1984 | 750,000 | 877,077 | | 877,077 | 73,991 |
| Total Marina Loans | | <u>\$4,197,223</u> | <u>\$25,500</u> | <u>\$4,222,723</u> | <u>\$182,256</u> |

During fiscal year 2003, accrued interest was added to the outstanding principal for all the State loans with the exception of the 1964 agreement.

B. Loan Payable – 1964

In January of 1960, the City entered into an agreement with the State of California, whereby a loan of \$1,300,000 was granted to the City for the construction of a Marina. In October of 1964, a Memorandum of Agreement which superseded the 1960 loan agreement was entered into. At June 30, 2015, the amount payable to the State including interest amounted to \$2,639,014.

The agreement was modified in 1964 with the following conditions:

Net income from the operations of the Marina is distributable as follows:

- Pro rata reimbursement to contributors of initial development costs as described in the agreement.
- 80% of the annual net income to the State, until the sum of \$1,300,000 is paid; the remaining 20% to be paid to the City.
- After the principal portion of the loan is repaid to the State, 80% of the annual net income shall be paid to the City; the remaining 20% shall be paid to the State until the State has been paid 3% interest per annum on the unpaid principal of the loan for each year starting with January 1, 1961. The agreement will terminate upon completion of the foregoing payments.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 8 – LOANS PAYABLE TO STATE OF CALIFORNIA (Continued)

The loan payment date and maturity date of the loan is being negotiated between the City and the State.

C. *Loan Payable – 1973*

On December 20, 1973, the City entered into another agreement with the State of California, whereby a loan of \$450,000 was granted to the City to complete the Martinez Small Craft Harbor (MSCH). At June 30, 2015, the amount payable to the State was \$251,136. The terms are as follows:

- The loan is payable from the gross revenues from operations of the facilities located or erected within the MSCH Project, prior to any other expenditures from such revenues.
- Payments of principal and interest at 4.5% shall be payable in equal annual installments on August 1 of each year with a final payment due on August 1, 2026.
- Any retained earnings arising from the operation of the MSCH Project after deductions for repayments of the State loan, operating and maintenance expenses and reserve funds provided for by the State, shall be invested in reasonably liquid assets. No transfer of such funds, other than for advance repayment of the State loan, shall be made so long as any principal or interest remains unpaid.
- Whenever the retained earnings exceeds two years of MSCH Project operating and loan repayment expenses, such excess may be required by the State for advance repayment of the loan.

D. *Loan Payable – 1978*

On January 30, 1978, the City entered into another agreement with the State of California, whereby a loan of \$175,000 was granted to the City for construction of Marina Improvements. At June 30, 2015 the amount payable to the State was \$131,574. The terms are as follows:

- The loan is payable from the gross revenues from operation of the facilities located or erected within the Project Area.
- Payments of principal and interest at 4.5% in equal annual installments shall be payable on August 1 of each year with a final payment due August 1, 2029.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 8 – LOANS PAYABLE TO STATE OF CALIFORNIA (Continued)

E. *Loan Payable – 1982*

On November 1, 1982, the City entered into another agreement with the State of California, whereby a loan of \$300,000 was granted to the City for the construction of new berthings and improvements to the Marina. The loan was to be based on stages of completion. At June 30, 2015, the amount payable to the State was \$323,922. The loan terms are as follows:

- The loan is payable from the gross revenues originating from the operations of the Marina. These gross revenues constitute sole security for the loan.
- The loan shall bear compound interest at 4.5% per annum on the unpaid balance.
- Repayment of the loan shall be in equal annual installments on August 1 of each year with final payment due August 1, 2034.

F. *Loan Payable – 1985*

On January 14, 1985 the City entered into another agreement with the State of California, whereby a loan of \$770,425 was granted to the City for twelve capital improvement projects at the Marina. At June 30, 2015, the amount payable to the State was \$877,077. The loan terms are as follows:

- The loan is payable from the gross revenues from the operation of the facilities located within the project area.
- The loan shall bear compound interest at 4.5% per annum on the unpaid balance.
- Repayment of the loan shall be in equal annual installments on August 1 of each year with a final payment due on August 1, 2038.
- Berthing rates may not average less than \$3.75 per foot of boat or berth length and are subject to annual adjustments based on the consumer price index.
- A survey of berthing charges in the same market as the Marina shall be conducted on an annual basis.

G. *Loan Repayment*

The above loan agreements, except for the 1960 loan which has no specified repayment terms, require the Marina to remit annual debt service payments. The City failed to make the current year principal payment of \$48,616, in addition to the non-payment of principal in the prior fiscal years in the amount of \$87,178, the City has not made total principal payments in the amount of \$135,794 since August 1, 2013. The past due amounts have been included in the current portion of the loans payable. The State has assessed a late penalty fee of 6% of the unpaid balances. See discussion in Note 10D.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 8 – LOANS PAYABLE TO STATE OF CALIFORNIA (Continued)

On September 26, 2014, Senate Bill 1424 (SB1424) was approved by the Governor. SB1424 grants four parcels of land at the marina in the amount of \$1,019,923 to the City. In addition to the grant of lands and in recognition of the deteriorated condition of the City’s marina, the City is able to defer its revenue sharing agreement with the State on an annual basis, until fiscal year 2021. This will make it possible for the City to retain the 10% payment to put towards corrective actions at the Marina.

H. Debt Service Requirements

| For the Year Ending June 30 | Principal | Interest |
|--------------------------------|--------------------|------------------|
| 2016 | \$182,256 | \$65,250 |
| 2017 | 50,803 | 63,063 |
| 2018 | 53,090 | 60,776 |
| 2019 | 55,477 | 58,389 |
| 2020 | 57,975 | 55,891 |
| 2021 - 2025 | 331,436 | 237,895 |
| 2026 - 2030 | 339,598 | 159,508 |
| 2031 - 2035 | 309,399 | 88,791 |
| 2036 - 2039 | 203,675 | 23,413 |
| Total | 1,583,709 | <u>\$812,976</u> |
| Plus: Marina Loan 1964 | 850,000 | |
| Plus: Accrued interest | <u>1,789,014</u> | |
| Total | <u>\$4,222,723</u> | |

NOTE 9 – DEBT WITHOUT CITY COMMITMENT

A. Special Assessment Bonds

The Alhambra Creek Assessment District issued Assessment Bonds of 1999, but the City has no legal or moral liability with respect to the payment of this debt, which is secured only by assessments on the properties in this District. Therefore, this debt is not included as debt of the City. At June 30, 2015, the District’s outstanding debt amounted to \$430,000.

B. Home Mortgage Revenue Bonds

Home mortgage revenue bonds have been issued to finance secured mortgage loans for low-income housing projects. The bonds do not constitute indebtedness to which the good faith and credit of the City is pledged. The City is not obligated to pay the principal, interest or other payments associated with the bonds. The payments on the bonds are payable solely from monies received from mortgage loans, security agreements or insurance. Accordingly, the bonds have not been recorded in the basic financial statements of the City. The total amount of mortgage revenue bonds outstanding as of June 30, 2015 was \$1,940,000.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 – NET POSITION AND FUND BALANCES

A. *Net Position*

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

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include capital projects, debt service requirements, and special revenue programs restricted to special revenue purposes such as transportation grants and revenues, stormwater and COPs grants.

Unrestricted describes the portion of Net Position which is not restricted to use.

B. *Fund Balances*

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items not available as spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources. As of June 30, 2015, the City does not have committed fund balance.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or the City Manager and may be changed at the discretion of the City Council or the City Manager. This category includes encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City’s fund balances, as of June 30, 2015, are below:

| <u>Fund Balance Classifications</u> | <u>General Fund</u> | <u>Capital Project Funds</u> | | <u>Other Governmental Funds</u> | <u>Total</u> |
|---|---------------------|------------------------------|-----------------------------|---------------------------------|---------------------|
| | | <u>Measure H</u> | <u>Capital Improvements</u> | | |
| Nonspendable: | | | | | |
| Advance to Other Funds | \$23,761 | | | | \$23,761 |
| Inventory and prepaids | 43,450 | | | | 43,450 |
| Total Nonspendable Fund Balances | 67,211 | | | | 67,211 |
| Restricted for: | | | | | |
| Debt Service | | | | \$1,429,949 | 1,429,949 |
| Park & Facilities Improvements | | | \$4,719,066 | | 4,719,066 |
| Street Improvements | | \$5,739,199 | | 2,585,525 | 8,324,724 |
| Housing | | | | 351,058 | 351,058 |
| Recycle | | | | 65,735 | 65,735 |
| PEG Access | | | | 495,364 | 495,364 |
| Lighting & Landscape | | | | 236,234 | 236,234 |
| Traffic Mitigation | | | 148,356 | | 148,356 |
| Park Impact | | | 1,107,053 | | 1,107,053 |
| Child Care | | | 50,678 | | 50,678 |
| Drainage | | | 123,937 | | 123,937 |
| Cultural Facilities | | | 550,306 | | 550,306 |
| Public Safety | | | 66,534 | 205,488 | 272,022 |
| Total Restricted Fund Balances | | 5,739,199 | 6,765,930 | 5,369,353 | 17,874,482 |
| Assigned to: | | | | | |
| Insurance | 582,425 | | | | 582,425 |
| Pension Obligation | 250,000 | | | | 250,000 |
| Improvements | 1,416,553 | | | | 1,416,553 |
| Health Benefits | 360,363 | | | | 360,363 |
| Professional Service Consultants | 44,846 | | | | 44,846 |
| Special Events | 48,404 | | | | 48,404 |
| SB1186 - Disability Access | 2,558 | | | | 2,558 |
| Seismic | 206 | | | | 206 |
| Total Assigned Fund Balances | 2,705,355 | | | | 2,705,355 |
| Unassigned: | | | | | |
| General Fund | 7,736,927 | | | | 7,736,927 |
| Other Governmental Fund Deficit | | | | (23,761) | (23,761) |
| Total Unassigned Fund Balances | 7,736,927 | | | (23,761) | 7,713,166 |
| Total Fund Balances | \$10,509,493 | \$5,739,199 | \$6,765,930 | \$5,345,592 | \$28,360,214 |

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

C. Contingency Arrangements

The City’s annual budget requires the City to implement and maintain fund balance to handle any unforeseen contingencies in the future, rather than continued reliance on the City’s operating General Fund reserves. These unforeseen contingencies include Economic Uncertainty, Catastrophes and Contingencies. As of June 30, 2015, the following are reported within the unassigned fund balance of the General Fund:

| | Amount |
|----------------------|-------------|
| Economic Uncertainty | \$600,000 |
| Catastrophes | 300,000 |
| Contingencies | 100,000 |
| Total | \$1,000,000 |

D. Fund Balance and Net Position Deficits

At June 30, 2015 the Alhambra Creek Improvements Capital Projects Fund had a deficit fund balance of \$23,761. Future revenues are expected to offset this fund deficit.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Marina as a going concern. The Marina Services Enterprise Fund has an accumulated net deficit of \$3,367,692 as of June 30, 2015 made up primarily of State loans which the City has not had sufficient operating revenues to repay. The fund is used to account for the operation of the City’s Marina. Management has taken steps to remedy this situation by privatizing the Marina and entering into an operating agreement with an independent company to manage the Marina. In fiscal year 2006-07, the State agreed to allow the City to make interest-only annual payments until August 2008, at which time the City commenced making principal payments on the loans. During fiscal year 2013, 2014, and 2015 the City was again unable to make principal payments on the loans. See discussion in Note 8. Contained in the loan agreements with the State is a provision which allows the State to take over the Marina with a 90 day notice. As of June 30, 2015, the City had not received such notice.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying statement of net position is dependent upon continued operations of the Marina, which in turn is dependent upon the Marina’s ability to meet its financing requirements on a continuing basis, to maintain present financing and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Marina be unable to continue in existence.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

E. Prior Period Adjustments

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2015.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The intension of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

GASB Statement No. 71 – In 2014, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The intension of this Statement is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

The implementation of the above Statements required the City to make prior period adjustments. As a result, the beginning net positions of the Governmental Activities were reduced by \$29,600,010 and the Business-Type Activities and Water System Enterprise Fund were reduced by \$1,956,417. See Note 11 for additional information.

NOTE 11 – PENSION PLANS

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 Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police), Miscellaneous (all other), and Miscellaneous Joint Facilities Agency Employee Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). 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 MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 – PENSION PLANS (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 to 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The City's labor contracts of miscellaneous employees require the City to pay 4% of the employee contribution of 7% and the full employer contribution. The City's labor contracts for safety employees require the City to pay the full 9% of the employee contribution, with the employee paying 4% of the employer contribution.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

| | Miscellaneous | | |
|---|----------------------|------------------|------------------|
| | Tier 1 | Tier 2** | PEPRA ** |
| | Prior to | On or after | On or after |
| Hire date | July 1, 2012* | July 1, 2012* | January 1, 2013 |
| Benefit formula | 2% @ 55 | 2% @ 60 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 | 50 | 52 |
| Monthly benefits, as a % of eligible compensation | 1.426% to 2.418% | 1.092% to 2.418% | 1.000% to 2.500% |
| Required employee contribution rates | 7% | 7% | 6.25% |
| Required employer contribution rates | 11.522% | 8.005% | 6.25% |

| | Miscellaneous Joint Facilities Agency | | |
|---|--|------------------|------------------|
| | Tier 1 | Tier 2 | PEPRA |
| | Prior to | On or after | On or after |
| Hire date | July 1, 2012* | July 1, 2012* | January 1, 2013 |
| Benefit formula | 2% @ 55 | 2% @ 60 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 | 50 | 52 |
| Monthly benefits, as a % of eligible compensation | 1.426% to 2.418% | 1.092% to 2.418% | 1.000% to 2.500% |
| Required employee contribution rates | 7% | 7% | 6.25% |
| Required employer contribution rates | 11.522% | 8.005% | 6.25% |

| | Safety | | |
|---|------------------|------------------|------------------|
| | Tier 1 | Tier 2 | PEPRA |
| | Prior to | On or after | On or after |
| Hire date | July 1, 2012* | July 1, 2012* | January 1, 2013 |
| Benefit formula | 3% @ 50 | 3% @ 55 | 2.7% @ 57 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 | 50 | 50 |
| Monthly benefits, as a % of eligible compensation | 3.0% | 2.4% to 3.0% | 2.0% to 2.7% |
| Required employee contribution rates | 9% | 9% | 11.50% |
| Required employer contribution rates | 50.667% | 20.20% | 11.50% |

*A Classic PERS member is an employee who qualifies under one of the following categories: An employee who was brought into CalPERS membership for the first time prior to January 1, 2013. An employee that was hired after January 1, 2013, yet is eligible for reciprocity with another public retirement system. An employee who is hired by a different CalPERS employer after January 1, 2013, after a break in service of less than six months. An employee who is brought back by the same CalPERS employer, regardless of the length of the break in service.

**There were no employees in the Miscellaneous Tier 2 and PEPRA Plans as of the Valuation Date. Therefore the plans are not included in the net pension liability at June 30, 2015.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 – PENSION PLANS (Continued)

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 the 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.

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

| | Miscellaneous | Miscellaneous Joint Facilities Agency | | |
|---|---------------|---------------------------------------|----------|----------|
| | | Tier 1 | Tier 2 | PEPRA |
| Contributions - employer | \$8,423 | \$711,895 | \$20,380 | \$28,590 |
| Contributions - employee (paid by employer) | 3,107 | 244,557 | 11,226 | 8,206 |
| | | Safety | | |
| | Tier 1 | Tier 2 | PEPRA | |
| Contributions - employer | \$1,313,027 | \$52,741 | \$21,216 | |
| Contributions - employee (paid by employer) | 250,320 | 26,695 | 16,604 | |

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

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

| | Proportionate Share of Net Pension Liability |
|--|---|
| Miscellaneous | \$2,701,972 |
| Miscellaneous Joint Facilities Agency: | |
| Tier 1 | 7,842,313 |
| Tier 2 | 1,593 |
| PEPRA | 458 |
| Safety: | |
| Tier 1 | 16,782,150 |
| Tier 2 | 619 |
| PEPRA | 82 |
| Total Net Pension Liability | \$27,329,187 |

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 – PENSION PLANS (Continued)

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

| | Miscellaneous | Miscellaneous Joint Facilities Agency | | |
|------------------------------|---------------|---------------------------------------|--------|-------|
| | | Tier 1 | Tier 2 | PEPRA |
| Proportion - June 30, 2013 | 0.00% | 0.33% | 0.01% | 0.00% |
| Proportion - June 30, 2014 | 0.00% | 0.32% | 0.01% | 0.00% |
| Change - Increase (Decrease) | 0.00% | -0.01% | 0.00% | 0.00% |

| | Safety | | |
|------------------------------|--------|--------|-------|
| | Tier 1 | Tier 2 | PEPRA |
| Proportion - June 30, 2013 | 0.41% | 0.00% | 0.00% |
| Proportion - June 30, 2014 | 0.45% | 0.00% | 0.00% |
| Change - Increase (Decrease) | 0.03% | 0.00% | 0.00% |

For the year ended June 30, 2015, the City recognized pension expense of \$448,110. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$2,716,987 | |
| Differences between actual and expected experience | | |
| Changes in assumptions | | |
| Net difference between projected and actual on pension plan investments | | (\$6,650,928) |
| Adjustments due to differences in proportion | 192,086 | (37,275) |
| Total | \$2,909,073 | (\$6,688,203) |

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 – PENSION PLANS (Continued)

\$2,716,987 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended | |
|------------|---------------|
| June 30 | |
| 2015 | (\$1,607,444) |
| 2016 | (1,607,444) |
| 2017 | (1,618,497) |
| 2018 | (1,662,732) |

Actuarial Assumptions – For the measurement period ended June 30, 2014, the total pension liabilities were determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

| | All Plans (4) |
|----------------------------------|---|
| Valuation Date | June 30, 2013 |
| Measurement Date | June 30, 2014 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.5% |
| Inflation | 2.75% |
| Projected Salary Increase | (1) |
| Investment Rate of Return | 7.5% (2) |
| Mortality | Derived using CalPERS' Membership Data for all funds (3) |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75 % thereafter |

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) 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 CalPERS 2014 experience study report available on CalPERS website.
- (4) All of the City's plan for Miscellaneous, Miscellaneous Joint Facilities Agency and Safety employed the same assumptions.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 – PENSION PLANS (Continued)

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

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

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 – PENSION PLANS (Continued)

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10(a) | Real Return Years 11+(b) |
|-------------------------------|--------------------------------|--------------------------------|-----------------------------|
| Global Equity | 47.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0% | 0.99% | 2.43% |
| Inflation Sensitive | 6.0% | 0.45% | 3.36% |
| Private Equity | 12.0% | 6.83% | 6.95% |
| Real Estate | 11.0% | 4.50% | 5.13% |
| Infrastructure and Forestland | 3.0% | 4.50% | 5.09% |
| Liquidity | 2.0% | -0.55% | -1.05% |
| Total | <u>100%</u> | | |

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the 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:

| | Miscellaneous | Miscellaneous Joint Facilities Agency | | |
|-----------------------|---------------|---------------------------------------|---------|-------|
| | | Tier 1 | Tier 2 | PEPRA |
| 1% Decrease | 6.50% | 6.50% | 6.50% | 6.50% |
| Net Pension Liability | \$4,814,079 | \$13,972,578 | \$2,839 | \$815 |
| Current Discount Rate | 7.50% | 7.50% | 7.50% | 7.50% |
| Net Pension Liability | \$2,701,972 | \$7,842,313 | \$1,593 | \$458 |
| 1% Increase | 8.50% | 8.50% | 8.50% | 8.50% |
| Net Pension Liability | \$949,124 | \$2,754,776 | \$560 | \$161 |
| | | Safety | | |
| | | Tier 1 | Tier 2 | PEPRA |
| 1% Decrease | 6.50% | 6.50% | 6.50% | 6.50% |
| Net Pension Liability | \$25,069,064 | \$1,066 | \$142 | |
| Current Discount Rate | 7.50% | 7.50% | 7.50% | 7.50% |
| Net Pension Liability | \$16,782,150 | \$619 | \$82 | |
| 1% Increase | 8.50% | 8.50% | 8.50% | 8.50% |
| Net Pension Liability | \$9,954,091 | \$251 | \$34 | |

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 – PENSION PLANS (Continued)

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

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

The City provides health care benefits for retired employees and spouses based on negotiated employee bargaining unit contracts. Substantially all of the City’s employees may become eligible for those benefits if they reach the normal retirement age and have a minimum ten years of service while working for the City. The premium reimbursement benefits are as follows: 0-10 years of service = 0%; 10-15 years of service = 25%; 15-20 years of service = 50%; 20-25 years of service = 75%; 26 years or more of service = 100%. Currently, 43 retirees meet the eligibility requirements and receive reimbursements.

Additionally, the City provides the option of postretirement health benefits to sworn Police Personnel through the Public Employees’ Retirement System (PERS) in lieu of the reimbursement plan, in accordance with the MOU for that represented group. The City covers 100% of the Kaiser cost for retirees prior to January 1, 2005. Those employees who retire after January 1, 2005 pay a percentage of the cost increase. Currently, 49 retirees meet the eligibility requirements and are either receiving reimbursements or health benefits paid directly by the City to PERS.

The cost of retiree health care benefits is recognized as an expenditure when health care premiums are paid. For the year ending June 30, 2015, those costs totaled \$943,750.

During fiscal year 2008, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this statement are applied prospectively and do not affect prior years’ financial statements. Required disclosures are presented below.

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees (spouses and dependents are not included) under third-party insurance plans. A summary of eligibility and retiree contribution requirements are shown below by bargaining unit:

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Martinez Police Officers’ Association

Health Benefits - Employees represented by the Association who retire for service or disability on PERS shall receive retirement health benefits in accordance with the PERS Health Plan provisions. The City shall pay one hundred percent of the premium cost at the Kaiser North premium level. Employees selecting plans other than Kaiser North shall receive the same dollar contribution as for Kaiser.

Effective January 1, 2005, the City shall pay eighty percent of the increase in the Kaiser premium.

Effective January 1, of each successive year of the Memorandum of Understanding when the premiums are increased by the carrier, the City will pay seventy-five percent of any increase in the Kaiser premium.

Dental Benefits – The City agrees to pay ten dollars per month to Police Officers who retire after July 1, 1991 toward the retirement dental benefit. Such payment will be discontinued for employees who retire after January 1, 2006.

Non-Sworn Employees; Management Association; and Laborers’ International Union of North America (LiUNA) Local #324

Health Benefits – Employees represented by the Association and by LiUNA, Local #324 who retire from service or disability on PERS shall receive retirement health benefits in accordance with the following:

Benefits shall be paid at the retirement health benefit rate for the least costly of the health benefit insurances. At the present time the least costly of the plans offered is Kaiser. For those hired prior to January 1, 2007, the City shall pay one hundred percent of the premium prorated based on the percentages shown below.

For those retirees who were hired on or after January 1, 2007, the retiree shall be ninety-three and a half percent reimbursed the amount of the Kaiser premium in effect on January 1, 2007 plus eighty percent of each increase in the premium, prorated based on the percentages shown below.

| Years of Service with the City | Percent of Health Insurance To be Paid by City |
|--------------------------------|---|
| 0 through 9 years | 0% |
| 10 through 14 years | 25% |
| 15 through 19 years | 50% |
| 20 through 24 years | 75% |
| Over 25 years | 100% |

For retirees hired before January 1, 2006, the City will also pay for the cost of Medicare Part B. The above percentages also apply to the payment of Medicare Part B.

As of June 30, 2015, approximately 79 plan participants were eligible to receive retirement health care benefits.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

A. *Funding Policy and Actuarial Assumptions*

The annual required contribution (ARC) was determined as part of a July 1, 2013 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.61% discount rate; (b) 3.25% projected annual salary increase, (c) inflation 3.00% and (d) 4.64% - 8.50% health inflation increases. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City 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 City and plan members to that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a closed 30 year amortization period.

In accordance with the City's budget, the annual required contribution (ARC) is to be funded throughout the year as a percentage of payroll. Concurrent with implementing Statement No. 45, the City Council passed a resolution to participate the California Employers Retirees Benefit Trust, (CERBT), an irrevocable trust established to fund OPEB. CERBT is an agent multiple-employer plan, consisting of an aggregation of single-employer plans, with pooled administrative and investment functions. CERBT is administrated by CALPERS, and is managed by an appointed board not under the control of City Council. This Trust is not considered a component unit by the City and has been excluded from these financial statements. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

B. *Funding Progress and Funded Status*

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability (AAL) when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2015, the City contributed the ARC amounting to \$1,166,595 to the Plan which represented 11.9% of the \$9,802,211 of covered payroll. The City also contributed additional funds to CERBT representing funds accumulated in prior years in the City's General Fund. As a result, the City has recorded the Net OPEB Asset, representing the difference between the ARC, the amortization of the Net OPEB Asset and actual contributions, as presented on the following page.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

| | |
|--|--------------------|
| Annual required contribution (ARC) | (\$1,166,595) |
| Interest on net OPEB asset | 326,093 |
| Adjustment to annual required contribution | (304,402) |
| Annual OPEB cost | (1,144,904) |
| Contributions made: | |
| City portion of current year premiums paid | 943,750 |
| Additional contributions to CERBT | 222,845 |
| Total contributions | 1,166,595 |
| Change in net OPEB asset | 21,691 |
| Net OPEB Asset at June 30, 2014 | 4,285,285 |
| Net OPEB Asset at June 30, 2015 | \$4,306,976 |

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated July 1, 2013, amounted to \$17,039,752 and was partially funded since assets have been transferred into CERBT. The City's prior year contributions, the current year annual required contribution, along with investment income net of current year premiums resulted in assets with CERBT of \$8,925,767 as of June 30, 2015, which partially reduced the unfunded actuarial accrued liability. The Plan's annual OPEB cost and actual contributions for the fiscal year ended 2015 is set forth below. Multi-year trend information is presented in the required supplementary information immediately following the notes to the financial statements.

| Fiscal Year | Annual OPEB Cost | Actual Contribution | Percentage of OPEB Cost Contributed | Net OPEB (Obligation) Asset |
|---------------|---------------------|------------------------|---|-----------------------------------|
| June 30, 2015 | \$1,144,904 | \$1,166,595 | 102% | \$4,306,976 |

The Schedule of Funding Progress below and the required supplementary information immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the most recent actuarial study is presented below:

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Entry Age Actuarial Accrued Liability (B) | Unfunded (Overfunded) Actuarial Accrued Liability (B-A) | Funded Ratio (A/B) | Covered Payroll (C) | Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(B-A)/C] |
|--------------------------------|--|---|--|--------------------------|---------------------------|--|
| July 1, 2013 | \$7,257,908 | \$17,039,752 | \$9,781,844 | 42.59% | \$9,802,211 | 99.79% |

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 13 – SOCIAL SECURITY

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employers existing system as of January 1, 1992 be covered by either Social Security or an alternative plan.

The City's part-time, seasonal, and temporary employees are covered under Social Security, which requires these employees and the City to each contribute 6.2% of the employees' pay. Total contributions to Social Security during the year ended June 30, 2015 amounted to \$76,294 of which the City paid \$38,147.

NOTE 14 – DEFERRED COMPENSATION PLAN

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 15 – RISK MANAGEMENT

A. *Municipal Pooling Authority*

The City is a member of the Municipal Pooling Authority. The Authority provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

| Type of Coverage (Deductible) | Coverage Limits |
|--|------------------|
| Liability (\$25,000) | \$29,000,000 |
| Employment Risk Management Authority (\$50,000) | 2,000,000 |
| Vehicle - Physical Damage (\$3,000 for police vehicles, \$2,000 for all others) | 250,000 |
| Government Crime (\$10,000) | 1,000,000 |
| Workers' Compensation (no deductible) | Statutory Limits |
| All Risk Fire & Property (\$25,000, except water claims \$150,000) | 1,000,000,000 |
| Earthquake (20% of replacement cost values, \$25,000 minimum) | 7,317,864 |
| Flood (\$100,000 per occurrence) | 25,000,000 |
| Boiler & Machinery (\$5,000) | 100,000,000 |
| Cyber Liability (\$50,000) | 2,000,000 |
| Public Entity Pollution Liability (\$100,000) | 1,000,000 |

The Authority is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the Authority are available from Municipal Pooling Authority, 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 15 – RISK MANAGEMENT (Continued)

B. *Liability for Uninsured Claims*

The City provides for the uninsured portion of claims and judgments, including a provision for claims incurred but not reported, when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable.

The City’s liability for uninsured claims at June 30 was estimated by management based on claims experience reported by Municipal Pooling Authority and was computed as follows:

| | 2015 | 2014 |
|---|----------|----------|
| Beginning balance | \$80,000 | \$80,000 |
| Liability for current fiscal year claims | 83,624 | 30,978 |
| Increase (decrease) in liability for prior fiscal year claims and claims incurred but not reported (IBNR) | (50,591) | (11,212) |
| Claims paid | (33,033) | (19,766) |
| Ending balance | \$80,000 | \$80,000 |

NOTE 16 - COMMITMENTS AND CONTINGENCIES

A. *Litigation*

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued)

B. Encumbrances

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically re-appropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2015 were as listed below:

| | Amount |
|--------------------------------|-------------|
| Governmental funds: | |
| General Fund | \$44,846 |
| Measure H Capital Project Fund | 845,209 |
| Capital Improvements | 3,214,633 |
| Non-Major Governmental Funds | 265,827 |
| Total | \$4,370,515 |

C. Midhill/Morello Sales Tax Sharing Agreement

In fiscal year 1992, the City entered into a sales tax sharing agreement with Contra Costa County. The agreement became effective in fiscal year 1992 and the City is to make semi-annual payments each year equal to 60% of the total sales tax generated by the Midhill/Morello Annexation Area and received by the City. During fiscal year 2015, payments made to the County under the agreement totaled \$197,037.

D. Golden Gate Petroleum Sales Tax Sharing Agreement

In fiscal year 2010, the City entered into a sales tax sharing agreement with Golden Gate Petroleum. The agreement became effective in fiscal year 2010 and the City is to make quarterly payments each year equal to 60% of the total sales tax generated by Golden Gate Petroleum and received by the City. The agreement terminates on December 31, 2021, however there are two five year renewal options that may follow the termination date. During fiscal year 2015, payments made to Golden Gate Petroleum under the agreement totaled \$491,400.

E. Pleasant Hill-Martinez Joint Facilities Agency

During the fiscal year ended June 30, 2015, the California Public Employees' Retirement System (CalPERS) issued an audit report concerning the Pleasant Hill-Martinez Joint Facilities Agency (Agency). CalPERS found that the Agency was unable to provide the information necessary to determine the correctness of retirement benefits, enrollment processes and changes to its initial formation and structure. CalPERS also found that individuals enrolled in by the Agency appeared to be common law employees of the City.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued)

As a result of the findings noted above, employees that are included in the Agency's Miscellaneous pension plans will need to be transferred into the City's Miscellaneous pension plans. The City is currently working with CalPERS to determine the effect of the above findings on the City and any potential cost or liability related to the issue cannot be determined at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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| REQUIRED SUPPLEMENTARY INFORMATION |
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COST-SHARING MULTIPLE-EMPLOYER DEFINED PENSION PLAN – LAST 10 YEARS*

SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE

| | Miscellaneous Joint Facilities Agency | | | |
|---|---------------------------------------|------------------|------------------|------------------|
| | Miscellaneous | Tier 1 | Tier 2 | PEPRA |
| | <u>6/30/2015</u> | <u>6/30/2015</u> | <u>6/30/2015</u> | <u>6/30/2015</u> |
| Plan's proportion of the Net Pension Liability (Asset) | 0.04342% | 0.12603% | 0.00003% | 0.00001% |
| Plan's proportion share of the Net Pension Liability (Asset) | \$2,701,972 | \$7,842,313 | \$1,593 | \$458 |
| Plan's Covered Employee Payroll | \$259,522 | \$6,640,556 | \$132,817 | \$55,171 |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll | 1041.13% | 118.10% | 1.20% | 83.00% |
| Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | 83.03% | 83.03% | 83.04% | 83.02% |
| | | Safety | | |
| | Tier 1 | Tier 2 | PEPRA | |
| | <u>6/30/2015</u> | <u>6/30/2015</u> | <u>6/30/2015</u> | |
| Plan's proportion of the Net Pension Liability (Asset) | 0.26970% | 0.00001% | 0.00000% | |
| Plan's proportion share of the Net Pension Liability (Asset) | \$16,782,150 | \$619 | \$82 | |
| Plan's Covered Employee Payroll | \$3,484,953 | \$204,610 | \$64,481 | |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll | 481.56% | 0.30% | 0.13% | |
| Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | 72.87% | 81.42% | 81.45% | |

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

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| REQUIRED SUPPLEMENTARY INFORMATION |
|---|

COST-SHARING MULTIPLE-EMPLOYER DEFINED PENSION PLAN – LAST 10 YEARS*

SCHEDULE OF CONTRIBUTIONS

| | Miscellaneous Joint Facilities Agency | | | |
|---|---------------------------------------|-------------|-----------|----------|
| | Miscellaneous | Tier 1 | Tier 2 | PEPRA |
| | 2015 | 2015 | 2015 | 2015 |
| Actuarially determined contribution | \$11,530 | \$956,452 | \$31,606 | \$36,796 |
| Contributions in relation to the actuarially determined contributions | (11,530) | (956,452) | (31,606) | (36,796) |
| Contribution deficiency (excess) | \$0 | \$0 | \$0 | \$0 |
| | | | | |
| Covered-employee payroll | \$259,522 | \$6,640,556 | \$132,817 | \$55,171 |
| | | | | |
| Contributions as a percentage of covered-employee payroll | 4.44% | 23.54% | 23.80% | 66.69% |
| | | | | |
| | Safety | | | |
| | Tier 1 | Tier 2 | PEPRA | |
| | 2015 | 2015 | 2015 | |
| Actuarially determined contribution | \$1,563,347 | \$79,436 | \$37,820 | |
| Contributions in relation to the actuarially determined contributions | (1,563,347) | (79,436) | (37,820) | |
| Contribution deficiency (excess) | \$0 | \$0 | \$0 | |
| | | | | |
| Covered-employee payroll | \$3,484,953 | \$204,610 | \$64,481 | |
| | | | | |
| Contributions as a percentage of covered-employee payroll | 44.86% | 38.82% | 58.65% | |

Notes to Schedule

Valuation date: 6/30/2013

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 30 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.75% |
| Salary increases | 3.3% to 14.2%, depending on Age, Service and type of employment |
| Investment rate of return | 7.50%, net of pension plan investment expense, including inflation |
| Retirement age | 59 yrs. Misc., 54 yrs. Safety |
| Mortality | The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. |

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

| |
|---|
| REQUIRED SUPPLEMENTARY INFORMATION |
|---|

POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN

SCHEDULE OF CONTRIBUTIONS

| Fiscal Year | Annual OPEB Cost | Actual Contribution | Percentage of OPEB Cost Contributed | Net OPEB (Obligation) Asset |
|---------------|---------------------|------------------------|---|-----------------------------------|
| June 30, 2013 | \$1,214,000 | \$1,246,000 | 103% | \$4,256,000 |
| June 30, 2014 | 1,044,335 | 1,073,620 | 103% | 4,285,285 |
| June 30, 2015 | 1,144,904 | 1,166,595 | 102% | 4,306,976 |

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Entry Age Actuarial Accrued Liability (B) | Unfunded (Overfunded) Actuarial Accrued Liability (B-A) | Funded Ratio (A/B) | Covered Payroll (C) | Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(B-A)/C] |
|--------------------------------|--|---|--|--------------------------|---------------------------|--|
| June 30, 2011 | \$4,990,000 | \$15,734,000 | \$10,744,000 | 31.71% | \$10,735,000 | 100.08% |
| January 1, 2013 | 6,667,146 | 16,612,936 | 9,945,790 | 40.13% | 9,802,211 | 101.46% |
| July 1, 2013 | 7,257,908 | 17,039,752 | 9,781,844 | 42.59% | 9,802,211 | 99.79% |

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| |
|-------------------------------------|
| NON-MAJOR GOVERNMENTAL FUNDS |
|-------------------------------------|

SPECIAL REVENUE FUNDS**Gas Tax Funds**

To account for the funds received from the State of California under code 2105, 2106, and 2107 to use for street and highway related projects.

NPDES Stormwater Fund

To account for the revenues and expenditures from assessments levied on all real property in the City in compliance with the provisions of the National Pollutant Discharge Elimination System for prevention of stormwater and flood related damage.

Measure J Fund

This fund receives voter-approved, half cent countywide sales taxes levied to fund transportation improvements and disburses these funds to pay for local street improvements.

COPS Grant Fund

To account for the funds received from the federal government and State of California to be used specifically for public safety equipment and personnel.

Housing In-Lieu Fund

This fund accounts for developer fees which are paid in-lieu of affordable housing. The funds are to be used at the City's discretion for the provision of affordable housing to low and moderate income households.

PEG Access Fund

This fund accounts for the payments received by the City's cable provider to be used for public, educational and governmental capital support as provided by the City's franchise agreement.

Recycling Fund

This fund accounts for grants the City receives for the disposal of used oil and recycling of material and for monies received to cover the implementation of the City's Assembly Bill 939 programs and Climate Action Plan initiatives.

DEBT SERVICE FUND**Measure H Debt Service Fund**

Accounts for funds to be used for payment of debt service on the General Obligation Bonds issued in May, 2009 and March, 2012. Debt service is funded from *ad valorem* taxes levied upon all property within the City subject to taxation.

| |
|---|
| NON-MAJOR GOVERNMENTAL FUNDS (Continued) |
|---|

CAPITAL PROJECTS FUNDS**Alhambra Creek Improvements**

To account for the funds spent on the Alhambra Creek channel improvements in an effort to curb flooding and related damage to property within the special assessment district.

Lighting and Landscaping Fund

To account for the installation, maintenance and improvement of subdivision landscape and lighting within the special districts. Monies are collected through an annual levy on the property owners within each district.

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CITY OF MARTINEZ
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2015

| | SPECIAL REVENUE FUNDS | | | |
|--|-----------------------|-----------------------------|--------------------|-----------------------|
| | Gas Tax Funds | NPDES Stormwater Fund | Measure J Fund | COPS Grant Fund |
| ASSETS | | | | |
| Cash and investments | | | | |
| Available for operations | \$658,605 | \$712,946 | \$991,981 | \$318,297 |
| Restricted | | | | |
| Receivables: | | | | |
| Accounts receivables (net of allowance for uncollectibles) | | | | |
| Intergovernmental | | | 11,813 | 11,021 |
| Total Assets | <u>\$658,605</u> | <u>\$712,946</u> | <u>\$1,003,794</u> | <u>\$329,318</u> |
| LIABILITIES | | | | |
| Accounts payable | \$1,923 | \$12 | \$5,494 | \$11,343 |
| Accrued wages and benefits | | 3,166 | | |
| Deposits | | | | 112,487 |
| Advance from other funds | | | | |
| Total Liabilities | <u>1,923</u> | <u>3,178</u> | <u>5,494</u> | <u>123,830</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - miscellaneous receivables | | | | |
| FUND EQUITY | | | | |
| Fund balances: | | | | |
| Restricted | 656,682 | 709,768 | 998,300 | 205,488 |
| Unassigned | | | | |
| Total Fund Balances (Deficit) | <u>656,682</u> | <u>709,768</u> | <u>998,300</u> | <u>205,488</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$658,605</u> | <u>\$712,946</u> | <u>\$1,003,794</u> | <u>\$329,318</u> |

| SPECIAL REVENUE FUNDS | | | DEBT SERVICE FUND | CAPITAL PROJECTS FUNDS | | Total Nonmajor Governmental Funds |
|-----------------------|------------------|------------------|-----------------------------|-----------------------------|-------------------------------|-----------------------------------|
| Housing In-Lieu Fund | PEG Access | Recycling Fund | Measure H Debt Service Fund | Alhambra Creek Improvements | Lighting and Landscaping Fund | |
| \$351,058 | \$480,325 | \$292,513 | \$1,429,949 | | \$237,340 | \$4,043,065 |
| | 15,039 | 6,471 | | \$23,761 | | 21,510 |
| | | 1,000 | | | | 47,595 |
| <u>\$351,058</u> | <u>\$495,364</u> | <u>\$299,984</u> | <u>\$1,429,949</u> | <u>\$23,761</u> | <u>\$237,340</u> | <u>\$5,542,119</u> |
| | | \$13,054 | | | \$1,106 | \$32,932 |
| | | 420 | | | | 3,586 |
| | | | | \$23,761 | | 112,487 |
| | | | | | | 23,761 |
| | | 13,474 | | 23,761 | 1,106 | 172,766 |
| | | | | 23,761 | | 23,761 |
| \$351,058 | \$495,364 | 286,510 | \$1,429,949 | (23,761) | 236,234 | 5,369,353 |
| | | | | | | (23,761) |
| <u>351,058</u> | <u>495,364</u> | <u>286,510</u> | <u>1,429,949</u> | <u>(23,761)</u> | <u>236,234</u> | <u>5,345,592</u> |
| <u>\$351,058</u> | <u>\$495,364</u> | <u>\$299,984</u> | <u>\$1,429,949</u> | <u>\$23,761</u> | <u>\$237,340</u> | <u>\$5,542,119</u> |

CITY OF MARTINEZ
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

| | SPECIAL REVENUE FUNDS | | | |
|--|-----------------------|-----------------------------|-------------------|-----------------------|
| | Gas Tax Funds | NPDES Stormwater Fund | Measure J Fund | COPS Grant Fund |
| REVENUES | | | | |
| Special assessments | | | | |
| Licenses, permits, and fees | | | | |
| Intergovernmental | \$935,790 | \$506,775 | \$949,559 | \$131,047 |
| Charges for services | | 369 | | |
| Fines and forfeits | | | | 3,604 |
| Use of money and property | 3,802 | 1,085 | 2,590 | 160 |
| Miscellaneous | | 248 | | 9,279 |
| | <u>939,592</u> | <u>508,477</u> | <u>952,149</u> | <u>144,090</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administrative services | | | | |
| Community & economic development | 438,861 | 317,852 | 95,133 | |
| Police | | | | 117,511 |
| Debt Service: | | | | |
| Principal | | | | |
| Interest and fiscal charges | | | | |
| Capital outlay | | | | 3,501 |
| | <u>438,861</u> | <u>317,852</u> | <u>95,133</u> | <u>121,012</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>500,731</u> | <u>190,625</u> | <u>857,016</u> | <u>23,078</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | | | | |
| Transfers (out) | (1,604,779) | (25,700) | (756,612) | (55,000) |
| | <u>(1,604,779)</u> | <u>(25,700)</u> | <u>(756,612)</u> | <u>(55,000)</u> |
| NET CHANGE IN FUND BALANCES | (1,104,048) | 164,925 | 100,404 | (31,922) |
| BEGINNING FUND BALANCES (DEFICIT) | <u>1,760,730</u> | <u>544,843</u> | <u>897,896</u> | <u>237,410</u> |
| ENDING FUND BALANCES (DEFICIT) | <u>\$656,682</u> | <u>\$709,768</u> | <u>\$998,300</u> | <u>\$205,488</u> |

| SPECIAL REVENUE FUNDS | | | DEBT SERVICE FUND | CAPITAL PROJECTS FUNDS | | Total Nonmajor Governmental Funds |
|-----------------------|------------------|------------------|-----------------------------|-----------------------------|-------------------------------|-----------------------------------|
| Housing In-Lieu Fund | PEG Access | Recycling Fund | Measure H Debt Service Fund | Alhambra Creek Improvements | Lighting and Landscaping Fund | |
| | | \$130 | \$1,745,704 | | \$120,129 | \$1,865,833 |
| | | 21,210 | | \$5,963 | | 130 |
| | | 1,976 | | | | 2,550,344 |
| \$697 | | | 1,272 | | 459 | 2,345 |
| | \$59,404 | 32,362 | | | | 3,604 |
| | | | | | | 10,065 |
| | | | | | | 101,293 |
| <u>697</u> | <u>59,404</u> | <u>55,678</u> | <u>1,746,976</u> | <u>5,963</u> | <u>120,588</u> | <u>4,533,614</u> |
| | 2,100 | 139,306 | | 80 | 128,727 | 141,406 |
| | | | 310,000 | | | 980,653 |
| | | | 1,134,763 | | | 117,511 |
| | | | | | | 310,000 |
| | | | | | | 1,134,763 |
| | | | | | | 3,501 |
| | 2,100 | 139,306 | 1,444,763 | 80 | 128,727 | 2,687,834 |
| <u>697</u> | <u>57,304</u> | <u>(83,628)</u> | <u>302,213</u> | <u>5,883</u> | <u>(8,139)</u> | <u>1,845,780</u> |
| | | | | | 17,700 | 17,700 |
| | | | | | | (2,442,091) |
| | | | | | 17,700 | (2,424,391) |
| 697 | 57,304 | (83,628) | 302,213 | 5,883 | 9,561 | (578,611) |
| 350,361 | 438,060 | 370,138 | 1,127,736 | (29,644) | 226,673 | 5,924,203 |
| <u>\$351,058</u> | <u>\$495,364</u> | <u>\$286,510</u> | <u>\$1,429,949</u> | <u>(\$23,761)</u> | <u>\$236,234</u> | <u>\$5,345,592</u> |

CITY OF MARTINEZ
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015

| | GAS TAX FUNDS | | | NPDES STORMWATER FUND | | |
|--|----------------------|--------------------|------------------------------------|-----------------------|------------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Licenses, permits, and fees | | | | | | |
| Intergovernmental | \$1,076,300 | \$935,790 | (\$140,510) | \$492,000 | \$506,775 | \$14,775 |
| Charges for services | | | | | 369 | 369 |
| Fines and forfeits | | | | | | |
| Use of money and property | 1,100 | 3,802 | 2,702 | 800 | 1,085 | 285 |
| Miscellaneous | | | | | 248 | |
| Total Revenues | 1,077,400 | 939,592 | (137,808) | 492,800 | 508,477 | 15,429 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Administrative services | | | | | | |
| Community development | 510,267 | 438,861 | 71,406 | 441,171 | 317,852 | 123,319 |
| Police | | | | | | |
| Capital outlay | | | | | | |
| Total Expenditures | 510,267 | 438,861 | 71,406 | 441,171 | 317,852 | 123,319 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 567,133 | 500,731 | (66,402) | 51,629 | 190,625 | 138,996 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers (out) | (1,607,000) | (1,604,779) | 2,221 | (25,700) | (25,700) | |
| Total Other Financing Sources (Uses) | (1,607,000) | (1,604,779) | 2,221 | (25,700) | (25,700) | |
| NET CHANGE IN FUND BALANCES | (\$1,039,867) | (1,104,048) | (\$64,181) | \$25,929 | 164,925 | \$138,996 |
| BEGINNING FUND BALANCES | | 1,760,730 | | | 544,843 | |
| ENDING FUND BALANCES | | \$656,682 | | | \$709,768 | |

| MEASURE J FUND | | | COPS GRANT FUND | | | PEG ACCESS | | |
|----------------|-----------|------------------------------------|-----------------|-----------|------------------------------------|------------|-----------|------------------------------------|
| Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| \$435,000 | \$949,559 | \$514,559 | \$301,326 | \$131,047 | (\$170,279) | | | |
| 2,000 | 2,590 | 590 | | 3,604 | 3,604 | | | |
| | | | | 160 | 160 | | | |
| | | | | 9,279 | 9,279 | \$55,000 | \$59,404 | \$4,404 |
| 437,000 | 952,149 | 515,149 | 301,326 | 144,090 | (157,236) | 55,000 | 59,404 | 4,404 |
| | | | | | | 65,000 | 2,100 | 62,900 |
| 218,089 | 95,133 | 122,956 | 342,718 | 117,511 | 225,207 | | | |
| | | | 40,618 | 3,501 | 37,117 | | | |
| 218,089 | 95,133 | 122,956 | 383,336 | 121,012 | 262,324 | 65,000 | 2,100 | 62,900 |
| 218,911 | 857,016 | 638,105 | (82,010) | 23,078 | 105,088 | (10,000) | 57,304 | 67,304 |
| (758,000) | (756,612) | 1,388 | (55,000) | (55,000) | | | | |
| (758,000) | (756,612) | 1,388 | (55,000) | (55,000) | | | | |
| (\$539,089) | 100,404 | \$639,493 | (\$137,010) | (31,922) | \$105,088 | (\$10,000) | 57,304 | \$67,304 |
| | 897,896 | | | 237,410 | | | 438,060 | |
| | \$998,300 | | | \$205,488 | | | \$495,364 | |

(Continued)

CITY OF MARTINEZ
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015

| | RECYCLING FUND | | |
|--|--------------------|------------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | |
| Licenses, permits, and fees | \$300 | \$130 | (\$170) |
| Intergovernmental | 102,840 | 21,210 | (81,630) |
| Charges for services | 5,000 | 1,976 | (3,024) |
| Fines and forfeits | | | |
| Use of money and property | | | |
| Miscellaneous | 31,000 | 32,362 | 1,362 |
| Total Revenues | 139,140 | 55,678 | (83,462) |
| EXPENDITURES | | | |
| Current: | | | |
| Administrative services | 362,478 | 139,306 | 223,172 |
| Community development | | | |
| Police | | | |
| Capital outlay | | | |
| Total Expenditures | 362,478 | 139,306 | 223,172 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (223,338) | (83,628) | 139,710 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers (out) | | | |
| Total Other Financing Sources (Uses) | | | |
| NET CHANGE IN FUND BALANCES | (\$223,338) | (83,628) | \$139,710 |
| BEGINNING FUND BALANCES | | 370,138 | |
| ENDING FUND BALANCES | | \$286,510 | |

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to Internal Service Funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, Internal Service Funds are still presented separately in the Fund financial statements, including the funds below.

Equipment Replacement

To account for the accumulation of funds for equipment replacement and the subsequent replacement and maintenance of the equipment under City control.

Management Information System

To account for the services rendered to all City departments for management of the City's hardware and software needs.

CITY OF MARTINEZ
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

| | Equipment Replacement | Management Information System | Total |
|---|--------------------------|-------------------------------------|-------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and investments available for operations | \$894,618 | \$637,825 | \$1,532,443 |
| Accounts Receivable | 1,840 | | 1,840 |
| Total Current Assets | 896,458 | 637,825 | 1,534,283 |
| Capital Assets: | | | |
| Equipment | 3,763,397 | 398,311 | 4,161,708 |
| Accumulated depreciation | (2,634,902) | (389,369) | (3,024,271) |
| | 1,128,495 | 8,942 | 1,137,437 |
| Construction in process | 139,683 | | 139,683 |
| Net Capital Assets | 1,268,178 | 8,942 | 1,277,120 |
| Total Assets | 2,164,636 | 646,767 | 2,811,403 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | 46,505 | 13,354 | 59,859 |
| Accrued liabilities | 7,023 | 6,015 | 13,038 |
| Accrued vacation and other fringe benefits | 40,997 | 25,489 | 66,486 |
| Total Liabilities | 94,525 | 44,858 | 139,383 |
| NET POSITION | | | |
| Net investment in capital assets | 1,268,178 | 8,942 | 1,277,120 |
| Unrestricted | 801,933 | 592,967 | 1,394,900 |
| Total Net Position | \$2,070,111 | \$601,909 | \$2,672,020 |

CITY OF MARTINEZ
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

| | Equipment Replacement | Management Information System | Total |
|------------------------------------|--------------------------|-------------------------------------|--------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$895,060 | \$432,736 | \$1,327,796 |
| Other revenue | 912 | 25,759 | 26,671 |
| Total Operating Revenues | 895,972 | 458,495 | 1,354,467 |
| OPERATING EXPENSES | | | |
| Maintenance and repairs | 799,120 | 436,419 | 1,235,539 |
| Depreciation | 229,198 | 8,835 | 238,033 |
| Total Operating Expenses | 1,028,318 | 445,254 | 1,473,572 |
| Operating Income (Loss) | (132,346) | 13,241 | (119,105) |
| NONOPERATING REVENUES | | | |
| Interest income | 1,808 | 1,192 | 3,000 |
| Gain on disposal of equipment | 19,020 | | 19,020 |
| Total Nonoperating Revenues | 20,828 | 1,192 | 22,020 |
| Income (Loss) | (111,518) | 14,433 | (97,085) |
| Change in Net Position | (111,518) | 14,433 | (97,085) |
| BEGINNING NET POSITION | 2,181,629 | 587,476 | 2,769,105 |
| ENDING NET POSITION | \$2,070,111 | \$601,909 | \$2,672,020 |

CITY OF MARTINEZ
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

| | Equipment Replacement | Management Information System | Total |
|---|--------------------------|-------------------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$895,604 | \$458,495 | \$1,354,099 |
| Payments to suppliers | (588,491) | (239,781) | (828,272) |
| Payments to employees | (231,107) | (180,048) | (411,155) |
| | <u>76,006</u> | <u>38,666</u> | <u>114,672</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | (272,332) | (10,046) | (282,378) |
| Proceeds from sale of equipment | 19,020 | | 19,020 |
| | <u>(253,312)</u> | <u>(10,046)</u> | <u>(263,358)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest | 1,808 | 1,192 | 3,000 |
| | <u>1,808</u> | <u>1,192</u> | <u>3,000</u> |
| Net Cash Flows | (175,498) | 29,812 | (145,686) |
| Cash and investments at beginning of period | <u>1,070,116</u> | <u>608,013</u> | <u>1,678,129</u> |
| Cash and investments at end of period | <u><u>\$894,618</u></u> | <u><u>\$637,825</u></u> | <u><u>\$1,532,443</u></u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities: | | | |
| Operating income (loss) | (\$132,346) | \$13,241 | (\$119,105) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities: | | | |
| Depreciation | 229,198 | 8,835 | 238,033 |
| Change in assets and liabilities: | | | |
| Other receivables | (368) | | (368) |
| Accounts payable | (34,539) | 8,610 | (25,929) |
| Accrued wages and benefits | 112 | 321 | 433 |
| Accrued vacation and other fringe benefits | 13,949 | 7,659 | 21,608 |
| Cash Flows from Operating Activities | <u><u>\$76,006</u></u> | <u><u>\$38,666</u></u> | <u><u>\$114,672</u></u> |

| |
|---------------------|
| AGENCY FUNDS |
|---------------------|

Agency Funds account for assets held by the City as agent for individuals, governmental entities, and non-public organizations. These funds include the following:

Alhambra Creek Assessment District

To account for the special assessment district funds received from property owners within the district to repay the debt issued for the Alhambra Creek Channel improvements.

Senior Center Club

To account for the assets held for the Senior Center Club usage.

CITY OF MARTINEZ
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015

| | Balance June 30, 2014 | Additions | Deductions | Balance June 30, 2015 |
|---|--------------------------|------------------|------------------|--------------------------|
| <hr/> <u>Alhambra Creek Assessment District</u> <hr/> | | | | |
| <u>Assets</u> | | | | |
| Restricted cash and investments | \$213,622 | \$112,747 | \$108,937 | \$217,432 |
| Total assets | <u>\$213,622</u> | <u>\$112,747</u> | <u>\$108,937</u> | <u>\$217,432</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$88 | | \$88 | |
| Due to bondholders | 213,534 | \$112,747 | 108,849 | \$217,432 |
| Total liabilities | <u>\$213,622</u> | <u>\$112,747</u> | <u>\$108,937</u> | <u>\$217,432</u> |
| <hr/> <u>Senior Center Club</u> <hr/> | | | | |
| <u>Assets</u> | | | | |
| Restricted cash and investments | \$194,273 | \$114,034 | \$173,648 | \$134,659 |
| Total assets | <u>\$194,273</u> | <u>\$114,034</u> | <u>\$173,648</u> | <u>\$134,659</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$9,330 | \$3,257 | \$9,330 | \$3,257 |
| Due to members | 184,943 | 110,777 | 164,318 | 131,402 |
| Total liabilities | <u>\$194,273</u> | <u>\$114,034</u> | <u>\$173,648</u> | <u>\$134,659</u> |
| <hr/> <u>Total Agency Funds</u> <hr/> | | | | |
| <u>Assets</u> | | | | |
| Restricted cash and investments | \$407,895 | \$226,781 | \$282,585 | \$352,091 |
| Total assets | <u>\$407,895</u> | <u>\$226,781</u> | <u>\$282,585</u> | <u>\$352,091</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$9,418 | \$3,257 | \$9,418 | \$3,257 |
| Due to bondholders | 213,534 | 112,747 | 108,849 | 217,432 |
| Due to members | 184,943 | 110,777 | 164,318 | 131,402 |
| Total liabilities | <u>\$407,895</u> | <u>\$226,781</u> | <u>\$282,585</u> | <u>\$352,091</u> |

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Water System Revenue
4. Principal Property Tax Payers
5. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Revenue Bond Coverage, Water Fund Certificates of Participation

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

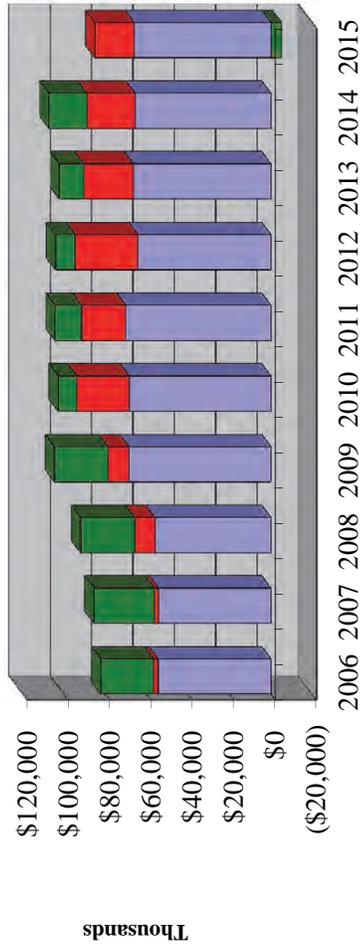
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

| |
|--|
| STATISTICAL SECTION (Continued) |
|--|

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003.

CITY OF MARTINEZ
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)



| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 (A) | 2014 | 2015 |
|---|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$24,072,792 | \$24,450,822 | \$29,045,551 | \$42,645,250 | \$43,328,577 | \$46,268,501 | \$44,385,099 | \$45,011,693 | \$45,809,594 | \$45,450,132 |
| Restricted | 1,805,299 | 1,647,325 | 3,091,564 | 2,947,166 | 17,697,648 | 13,524,459 | 18,207,558 | 16,908,562 | 12,532,439 | 11,108,552 |
| Unrestricted | 16,956,596 | 20,301,070 | 20,294,772 | 19,638,559 | 2,805,660 | 5,722,653 | 3,189,334 | 3,652,112 | 11,087,516 | (13,666,690) |
| Total governmental activities net position | \$42,834,687 | \$46,399,217 | \$52,431,887 | \$65,230,975 | \$63,831,885 | \$65,515,613 | \$65,781,991 | \$65,572,367 | \$69,429,549 | \$42,891,994 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$30,405,353 | \$29,680,363 | \$27,073,604 | \$25,908,195 | \$25,104,326 | \$23,863,759 | \$19,898,904 | \$21,503,114 | \$19,877,117 | \$20,590,346 |
| Restricted | 465,980 | 473,896 | 6,613,067 | 7,224,675 | 7,620,488 | 7,941,902 | 12,086,217 | 7,116,866 | 10,711,495 | 8,016,662 |
| Unrestricted | 8,472,990 | 8,954,539 | 5,890,545 | 6,280,210 | 6,301,271 | 6,960,954 | 6,466,983 | 8,005,741 | 7,279,730 | 8,566,322 |
| Total business-type activities net position | \$39,344,323 | \$39,108,798 | \$39,577,216 | \$39,413,080 | \$39,026,085 | \$38,766,615 | \$38,452,104 | \$36,625,721 | \$37,868,342 | \$37,173,330 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$54,478,145 | \$54,131,185 | \$56,119,155 | \$68,553,445 | \$68,432,903 | \$70,132,260 | \$64,284,003 | \$66,514,807 | \$65,686,711 | \$66,040,478 |
| Restricted | 2,271,279 | 2,121,221 | 9,704,631 | 10,171,841 | 25,318,136 | 21,466,361 | 30,293,775 | 24,025,428 | 23,243,934 | 19,125,214 |
| Unrestricted | 25,429,586 | 29,255,609 | 26,185,317 | 25,918,769 | 9,106,931 | 12,683,607 | 9,656,317 | 11,657,853 | 18,367,246 | (5,100,368) |
| Total primary government net position | \$76,888,998 | \$82,179,010 | \$85,508,015 | \$92,009,103 | \$104,644,055 | \$102,857,970 | \$104,282,228 | \$102,198,088 | \$107,297,891 | \$80,065,324 |

(A) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

CITY OF MARTINEZ
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

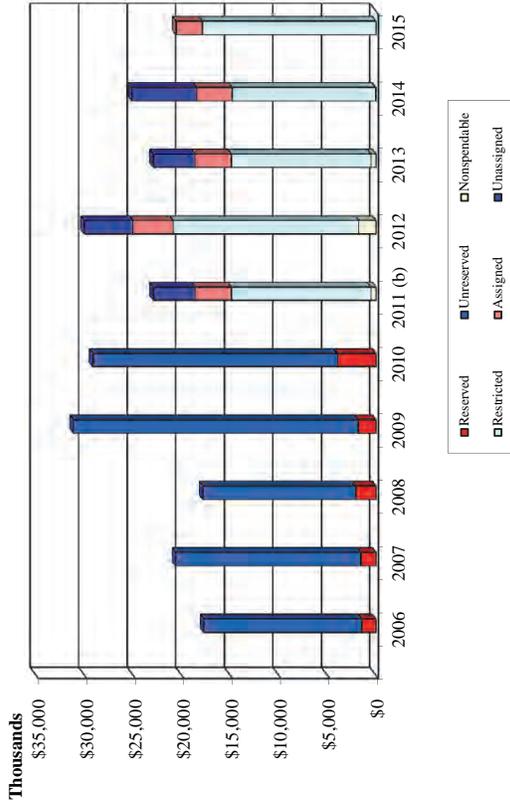
| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 (A) | 2014 | 2015 |
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Government | \$1,220,112 | \$1,275,521 | \$982,551 | \$1,328,858 | \$1,860,433 | \$1,888,212 | \$1,545,222 | \$1,628,907 | \$1,372,623 | \$1,611,595 |
| Nondepartmental Services | 722,957 | 2,100,557 | 1,295,821 | 1,114,785 | | | | | | |
| Administrative Services | 704,534 | 813,629 | 724,408 | 781,593 | 695,828 | 912,678 | 945,076 | 1,000,933 | 1,132,197 | 1,068,860 |
| Public Works | 831,843 | 931,263 | 3,515,810 | 3,369,089 | 3,842,513 | 4,181,381 | 3,466,780 | 3,975,144 | 3,790,730 | 3,886,364 |
| Community & Economic Development | 7,281,906 | 7,640,086 | 6,000,157 | 5,856,950 | 6,725,653 | 6,024,757 | 5,917,326 | 5,887,738 | 8,103,341 | 6,213,848 |
| Police | 8,637,872 | 9,048,033 | 9,660,925 | 9,853,949 | 10,616,620 | 10,665,218 | 10,483,295 | 10,932,911 | 10,993,156 | 10,113,586 |
| Interest on Long-Term Debt | 55,823 | 52,506 | 50,630 | 291,152 | 584,615 | 813,299 | 1,102,335 | 1,106,817 | 1,152,130 | 1,134,763 |
| Total Governmental Activities Expenses | 19,455,047 | 21,861,595 | 22,230,302 | 22,596,376 | 24,325,662 | 24,485,545 | 24,532,450 | 24,532,450 | 26,544,177 | 24,029,016 |
| Business-Type Activities: | | | | | | | | | | |
| Water System | 9,419,852 | 10,221,974 | 10,068,412 | 10,317,436 | 10,200,676 | 9,891,686 | 10,782,125 | 10,854,257 | 10,849,585 | 11,521,664 |
| Marina Services | 381,516 | 441,823 | 797,453 | 345,533 | 388,591 | 558,512 | 410,669 | 707,155 | 253,902 | 210,585 |
| Parking Services | 426,565 | 375,634 | 391,841 | 454,122 | 451,488 | 483,876 | 365,585 | 232,110 | 229,773 | 200,029 |
| Total Business-Type Activities Expenses | 10,227,933 | 11,039,431 | 11,257,706 | 11,117,091 | 11,040,755 | 10,934,074 | 11,793,522 | 11,793,522 | 11,333,260 | 11,932,278 |
| Total Primary Government Expenses | \$29,682,980 | \$32,901,026 | \$33,488,008 | \$33,713,467 | \$35,366,417 | \$35,419,619 | \$36,325,972 | \$36,325,972 | \$37,877,437 | \$35,961,294 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| General Government | \$112,254 | \$127,720 | \$48,383 | \$27,359 | \$32,079 | \$26,863 | \$29,694 | \$37,921 | \$58,935 | \$54,962 |
| Administrative Services | | | | | | \$49,145 | 49,492 | 3,511 | 109,688 | 3,268 |
| Public Works | 804,965 | 933,307 | 775,303 | 660,516 | 585,117 | 580,520 | 666,808 | 848,572 | 991,335 | 1,214,613 |
| Community & Economic Development | 1,166,315 | 1,149,605 | 954,885 | 731,853 | 549,109 | 547,115 | 708,532 | 1,143,313 | 1,921,226 | 1,108,481 |
| Police | 339,697 | 428,723 | 381,602 | 398,088 | 376,514 | 441,982 | 282,683 | 358,692 | 494,759 | 698,631 |
| Operating Grants and Contributions | 3,004,055 | 2,928,894 | 2,978,771 | 2,645,990 | 2,414,403 | 3,034,131 | 2,617,726 | 2,472,936 | 2,643,701 | 3,004,759 |
| Capital Grants and Contributions | 1,460,056 | 963,982 | 5,166,574 | 13,319,245 | 2,124,450 | 4,308,479 | 1,861,281 | 2,882,306 | 4,658,843 | 2,700,158 |
| Total Government Activities Program Revenues | 6,887,342 | 6,532,231 | 10,305,518 | 17,783,051 | 6,081,672 | 8,988,235 | 7,747,251 | 7,747,251 | 10,878,487 | 8,784,872 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Water System | 9,397,659 | 9,721,022 | 9,844,373 | 10,044,919 | 9,830,348 | 9,746,857 | 10,438,993 | 11,244,347 | 11,678,627 | 11,436,258 |
| Marina Services | 219,207 | 291,919 | 273,732 | 241,247 | 245,157 | 227,759 | 362,067 | 143,244 | 178,017 | 136,730 |
| Parking Services | 346,457 | 365,488 | 405,351 | 387,388 | 398,591 | 368,673 | 327,253 | 367,904 | 481,163 | 468,572 |
| Operating Grants and Contributions | 114,843 | | | | | | | | | |
| Capital Grants and Contributions | | | 430,343 | | | | | | | 1,019,923 |
| Total Business-Type Activities Program Revenues | 10,078,166 | 10,378,429 | 10,953,799 | 10,673,554 | 10,474,096 | 10,343,289 | 11,128,313 | 11,755,495 | 12,337,807 | 13,061,483 |
| Total Primary Government Program Revenues | \$16,965,508 | \$16,910,660 | \$21,259,317 | \$28,456,605 | \$16,555,768 | \$19,331,524 | \$17,344,529 | \$19,502,746 | \$23,216,294 | \$21,846,355 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | (\$12,567,705) | (\$15,329,364) | (\$11,924,784) | (\$4,813,325) | (\$18,243,990) | (\$15,497,310) | (\$17,243,818) | (\$16,785,199) | (\$15,665,690) | (\$15,244,144) |
| Business-Type Activities | (149,767) | (661,002) | (303,907) | (443,537) | (566,659) | (590,785) | (430,096) | (38,027) | 1,004,547 | 1,129,205 |
| Total Primary Government Net Expense | (\$12,717,472) | (\$15,990,366) | (\$12,228,691) | (\$5,256,862) | (\$18,810,649) | (\$16,088,095) | (\$17,673,914) | (\$16,823,226) | (\$14,661,143) | (\$14,114,939) |

CITY OF MARTINEZ
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(continued)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 (A) | 2014 | 2015 |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property Taxes | \$6,048,835 | \$6,749,316 | \$6,778,683 | \$6,833,240 | \$6,440,055 | \$6,413,918 | \$6,262,596 | \$6,154,962 | \$6,603,214 | \$7,165,086 |
| Sales Taxes | 4,271,279 | 2,845,391 | 2,910,391 | 2,548,963 | 2,890,078 | 3,216,371 | 3,239,219 | 3,544,810 | 3,775,971 | 3,088,342 |
| State Tax Shift - ERAF III | (399,067) | | | | | | | | | |
| VLF Property Tax Swap | 1,390,701 | 2,438,135 | 2,619,831 | 2,663,236 | 2,553,503 | 2,516,117 | 2,465,909 | 2,428,253 | 2,538,617 | 2,733,906 |
| Other Taxes | 1,294,839 | 2,639,579 | 2,502,998 | 2,475,992 | 2,563,498 | 2,257,290 | 2,667,102 | 2,779,809 | 4,424,621 | 2,175,417 |
| Franchise Fees | | 1,377,064 | 1,432,161 | 1,380,404 | 1,355,211 | 1,356,952 | 1,379,610 | 1,468,924 | 1,516,127 | 1,546,295 |
| Business Licenses | | | | | | | | | | 683,676 |
| Intergovernmental | 344,160 | 281,669 | 231,037 | 192,805 | 178,083 | 238,498 | 85,068 | 72,276 | 62,369 | 476,267 |
| Investment Earnings | 533,475 | 1,019,116 | 955,422 | 412,821 | 187,035 | 123,304 | 75,843 | 74,686 | 61,227 | 53,549 |
| Miscellaneous | 1,744,370 | 1,404,792 | 760,256 | 1,055,423 | 893,942 | 1,259,193 | 1,157,849 | 775,704 | 631,486 | 397,049 |
| Gain on sale of capital assets | | | | | | | | | | 8,250 |
| Transfers | 163,815 | 138,832 | (233,325) | 49,529 | (16,605) | (200,605) | 177,000 | (723,849) | (122,601) | (21,238) |
| Total Government Activities | 17,780,082 | 18,893,894 | 17,957,454 | 17,612,413 | 16,844,800 | 17,181,038 | 17,510,196 | 16,575,575 | 19,522,872 | 18,306,599 |
| Business-Type Activities: | | | | | | | | | | |
| Other Taxes | 48,292 | 56,545 | 63,240 | 64,263 | 61,579 | 67,403 | 62,620 | 70,237 | 69,169 | 67,888 |
| Investment Earnings | 317,631 | 507,764 | 475,760 | 263,207 | 82,093 | 63,307 | 52,965 | 45,531 | 46,304 | 43,074 |
| Rents & Leases | 25,294 | | | | | | | | | |
| Miscellaneous | | | | 1,460 | | | | | | |
| Contributions | | | | | | | | | | |
| Transfers | (163,815) | (138,832) | 233,325 | (49,529) | 16,605 | 200,605 | | 723,849 | 122,601 | 21,238 |
| Total Business-Type Activities | 227,402 | 425,477 | 772,325 | 279,401 | 179,664 | 331,315 | 115,585 | 839,617 | 238,074 | 132,200 |
| Total Primary Government | \$18,007,484 | \$19,319,371 | \$18,729,779 | \$17,891,814 | \$17,024,464 | \$17,512,353 | \$17,625,781 | \$17,415,192 | \$19,760,946 | \$18,438,799 |
| Change in Net Position | | | | | | | | | | |
| Governmental Activities | \$5,212,377 | \$3,564,530 | \$6,032,670 | \$12,799,088 | (\$1,399,090) | \$1,683,728 | \$266,378 | (\$209,624) | \$3,857,182 | \$3,062,455 |
| Business-Type Activities | 77,635 | (235,525) | 468,418 | (164,136) | (386,995) | (259,470) | (314,511) | 801,590 | 1,242,621 | 1,261,405 |
| Total Primary Government | \$5,290,012 | \$3,329,005 | \$6,501,088 | \$12,634,952 | (\$1,786,085) | \$1,424,258 | (\$48,133) | \$591,966 | \$5,099,803 | \$4,323,860 |

(A) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

CITY OF MARTINEZ
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



| | June 30, | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 (b) | 2012 | 2013 | 2014 | 2015 |
| General Fund | | | | | | | | | | |
| Reserved | \$793,427 | \$787,770 | \$1,041,261 | \$853,371 | \$809,098 | | | | | |
| Unreserved | 12,053,642 | 14,531,543 | 9,618,304 | 8,973,975 | 7,692,426 | 536,597 | 526,565 | \$75,090 | \$77,969 | \$67,211 |
| Nonspendable | | | | | | 2,974 | 1,053 | | 1,473,738 | 2,705,355 |
| Restricted | | | | | | 2,071,135 | 1,961,611 | 1,633,745 | 6,720,878 | 7,736,927 |
| Assigned | | | | | | 4,323,175 | 5,040,539 | 5,270,651 | | |
| Unassigned | | | | | | \$6,933,881 | \$7,529,768 | \$6,979,486 | \$8,272,585 | \$10,509,493 |
| Total General Fund | \$12,847,069 | \$15,319,313 | \$10,659,565 | \$9,827,346 | \$8,501,524 | | | | | |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$686,781 | \$767,264 | \$1,036,074 | \$951,122 | \$3,149,573 | | | | | |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 957,109 | 781,421 | 2,014,107 | 1,789,329 | 1,837,726 | 14,361,436 | 19,116,926 | \$18,159,246 | 14,703,857 | \$17,874,482 |
| Capital project funds | 3,236,220 | 3,747,215 | 4,087,770 | 18,567,181 | 15,641,080 | 1,668,389 | 2,179,333 | 1,981,587 | 2,177,057 | (23,761) |
| Unreserved | | | | | | (48,017) | (41,976) | (35,473) | (29,644) | |
| Nonspendable | | | | | | | 1,250,684 | | | |
| Restricted | | | | | | | | | | |
| Assigned | | | | | | | | | | |
| Unassigned | | | | | | | | | | |
| Total all other governmental funds | \$4,880,110 | \$5,295,900 | \$7,137,951 | \$21,307,652 | \$20,628,579 | \$15,981,808 | \$22,504,967 | \$20,105,360 | \$16,851,270 | \$17,850,721 |

(a) The change in total fund balance for the General Fund and other governmental funds is explained in the Management's Discussion and Analysis.

(b) The City implemented the provisions of GASB Statement 54 in fiscal year 2011.

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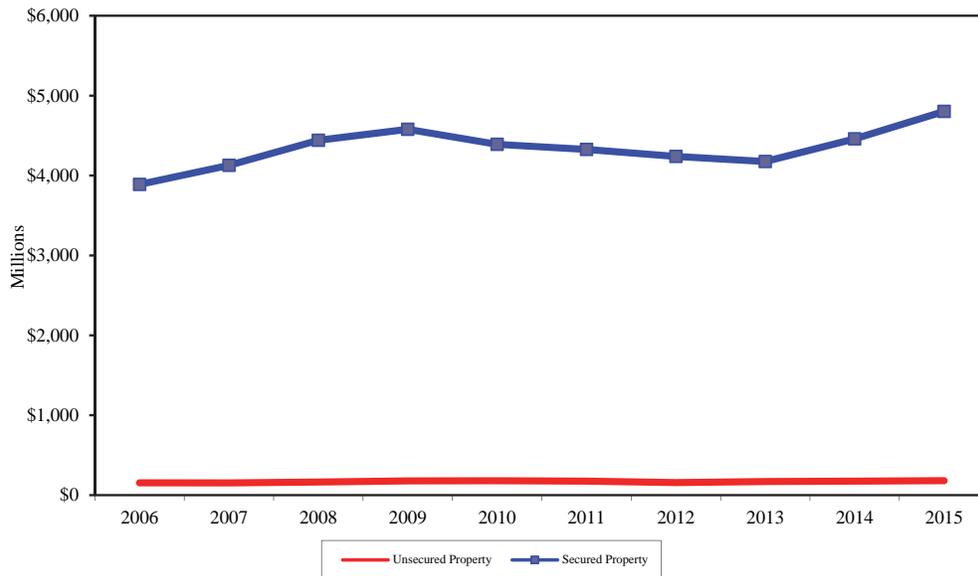
CITY OF MARTINEZ
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

| | Fiscal Year Ended June 30, | | | |
|--|----------------------------|--------------------|--------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 |
| Revenues | | | | |
| Taxes | \$14,994,265 | \$16,049,485 | \$16,244,064 | \$15,901,834 |
| Special assessments | 648,225 | 618,402 | 592,675 | 593,327 |
| Licenses, permits and fees | 829,438 | 1,206,310 | 901,504 | 569,653 |
| Intergovernmental revenues | 4,293,695 | 3,366,831 | 7,854,354 | 14,976,879 |
| Charges for services | 1,009,212 | 769,834 | 714,089 | 716,173 |
| Fines and forfeits | 284,486 | 295,334 | 360,409 | 376,179 |
| Use of money and property | 585,146 | 967,531 | 907,560 | 403,693 |
| Miscellaneous | 1,791,186 | 1,755,786 | 942,321 | 1,126,603 |
| Total Revenues | 24,435,653 | 25,029,513 | 28,516,976 | 34,664,341 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,253,927 | 1,249,523 | 1,055,630 | 1,327,384 |
| Nondepartmental services | 722,957 | 2,100,557 | 1,294,070 | 1,156,191 |
| Administrative services | 691,218 | 791,144 | 710,163 | 757,298 |
| Public works | 826,781 | 904,338 | 3,515,167 | 3,773,961 |
| Community & economic development | 6,271,909 | 6,664,397 | 4,899,818 | 4,975,417 |
| Police | 8,532,786 | 9,029,159 | 9,744,360 | 9,755,501 |
| Capital outlay | 1,995,346 | 1,288,687 | 5,488,729 | 14,524,632 |
| Debt service: | | | | |
| Principal repayment | 200,000 | 200,000 | 205,000 | 215,000 |
| Interest and fiscal charges | 55,823 | 52,506 | 50,630 | 291,152 |
| Total Expenditures | 20,550,747 | 22,280,311 | 26,963,567 | 36,776,536 |
| Excess (deficiency) of revenues over (under) expenditures | 3,884,906 | 2,749,202 | 1,553,409 | (2,112,195) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 1,934,775 | 1,623,555 | 1,837,479 | 1,514,146 |
| Transfers (out) | (1,770,960) | (1,484,723) | (2,208,585) | (1,464,617) |
| Issuance of long-term debt | | | | 15,000,000 |
| Bond premium | | | | 400,128 |
| Sale of property | | | | |
| Total other financing sources (uses) | 163,815 | 138,832 | (371,106) | 15,449,657 |
| Special Item: | | | | |
| OPEB funding | | | (4,000,000) | |
| Loan to Martinez Unified School District | | | | |
| Net Change in fund balances | \$4,048,721 | \$2,888,034 | \$1,182,303 | \$13,337,462 |
| Debt service as a percentage of noncapital expenditures | 1.4% | 1.2% | 1.2% | 2.3% |

Fiscal Year Ended June 30,

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------------|---------------------|--------------------|----------------------|----------------------|--------------------|
| \$15,602,345 | \$15,809,271 | \$16,063,061 | \$16,376,758 | \$17,310,873 | \$17,392,721 |
| 1,391,343 | 2,110,101 | 2,131,149 | 2,103,941 | 1,667,428 | 1,865,833 |
| 451,972 | 537,305 | 599,672 | 1,073,745 | 1,984,339 | 1,204,818 |
| 3,985,583 | 5,536,564 | 2,351,629 | 3,074,644 | 6,735,114 | 5,204,168 |
| 562,189 | 470,550 | 658,908 | 771,351 | 1,168,252 | 1,054,933 |
| 360,431 | 429,593 | 260,961 | 328,365 | 533,779 | 422,704 |
| 249,043 | 172,727 | 131,211 | 136,927 | 178,395 | 165,951 |
| 911,374 | 1,281,478 | 1,338,225 | 840,525 | 687,225 | 362,590 |
| <u>23,514,280</u> | <u>34,664,341</u> | <u>23,534,816</u> | <u>24,706,256</u> | <u>\$30,265,405</u> | <u>27,673,718</u> |
| 1,324,418 | 1,312,555 | 1,119,861 | 1,232,407 | 1,189,903 | 1,311,797 |
| 816,510 | 1,712,090 | 1,140,089 | 1,248,093 | 1,206,920 | 1,151,381 |
| 725,585 | 816,218 | 881,894 | 913,886 | 933,807 | 1,037,182 |
| 3,742,399 | 3,627,781 | 3,551,258 | 3,764,743 | 3,569,702 | 3,754,724 |
| 5,321,903 | 4,162,888 | 3,692,811 | 3,741,772 | 5,832,338 | 3,675,189 |
| 9,972,242 | 10,013,872 | 9,651,789 | 10,064,111 | 10,013,626 | 9,444,399 |
| 2,295,078 | 9,332,495 | 6,766,413 | 2,724,783 | 7,655,369 | 2,596,686 |
| 220,000 | 570,000 | 595,000 | 885,000 | 550,000 | 310,000 |
| 584,615 | 813,299 | 1,102,335 | 1,106,817 | 1,152,130 | 1,134,763 |
| <u>25,002,750</u> | <u>36,776,536</u> | <u>28,501,450</u> | <u>25,681,612</u> | <u>32,103,795</u> | <u>24,416,121</u> |
| <u>(1,488,470)</u> | <u>(2,112,195)</u> | <u>(4,966,634)</u> | <u>(975,356)</u> | <u>(1,838,390)</u> | <u>3,257,597</u> |
| 609,610 | 963,037 | 1,135,700 | 529,742 | 377,353 | 2,467,091 |
| (626,215) | (1,163,642) | (1,135,700) | (1,253,591) | (499,954) | (2,488,329) |
| | | 10,000,000 | | | |
| | | 279,996 | | | |
| | | 555,000 | | | |
| <u>(16,605)</u> | <u>15,449,657</u> | <u>10,834,996</u> | <u>(723,849)</u> | <u>(122,601)</u> | <u>(21,238)</u> |
| <u>(500,000)</u> | | | | | |
| <u>(\$1,505,075)</u> | <u>\$13,337,462</u> | <u>\$5,868,362</u> | <u>(\$1,699,205)</u> | <u>(\$1,960,991)</u> | <u>\$3,236,359</u> |
| 3.5% | 6.0% | 7.8% | 8.7% | 7.0% | 6.6% |

**CITY OF MARTINEZ
ASSESSED AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**



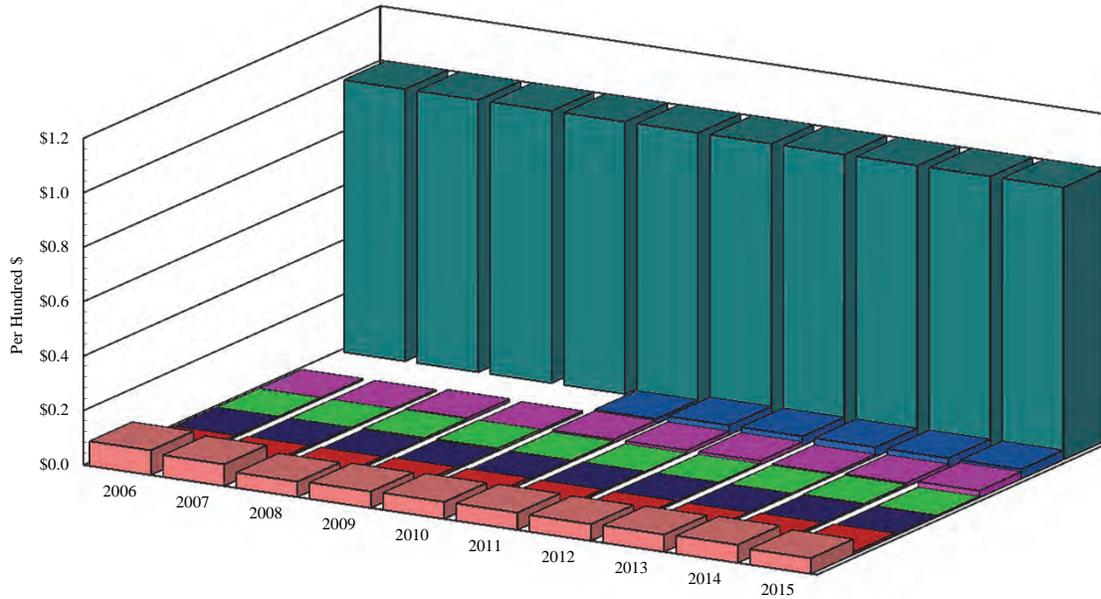
| Fiscal Year | Real Property | | | | Total Real Secured Property | Unsecured Property | Total Assessed (a) | Estimated Full Market (a) | Total Direct Tax Rate (b) |
|-------------|----------------------|---------------------|---------------------|--------------|-----------------------------|--------------------|--------------------|---------------------------|---------------------------|
| | Residential Property | Commercial Property | Industrial Property | Other | | | | | |
| 2006 | \$3,118,221,619 | \$247,416,988 | \$305,547,262 | \$63,095,076 | \$3,734,280,945 | \$154,169,708 | \$3,888,450,653 | \$3,888,450,653 | 1% |
| 2007 | 3,337,522,088 | 251,751,868 | 311,532,867 | 73,168,763 | 3,973,975,586 | 153,320,879 | 4,127,296,465 | 4,127,296,465 | 1% |
| 2008 | 3,526,510,149 | 270,957,611 | 403,333,442 | 76,161,039 | 4,276,962,241 | 164,132,730 | 4,441,094,971 | 4,441,094,971 | 1% |
| 2009 | 3,633,226,219 | 275,675,065 | 425,243,421 | 66,391,574 | 4,400,536,279 | 177,818,280 | 4,578,354,559 | 4,578,354,559 | 1% |
| 2010 | 3,396,269,139 | 281,325,148 | 469,892,706 | 62,478,908 | 4,209,965,901 | 180,171,657 | 4,390,137,558 | 4,390,137,558 | 1% |
| 2011 | 3,344,430,122 | 283,901,765 | 466,229,666 | 57,623,622 | 4,152,185,175 | 174,543,244 | 4,326,728,419 | 4,326,728,419 | 1% |
| 2012 | 3,270,983,316 | 278,173,641 | 475,085,062 | 58,146,935 | 4,082,388,954 | 157,024,907 | 4,239,413,861 | 4,239,413,861 | 1% |
| 2013 | 3,180,388,843 | 273,588,400 | 483,885,447 | 67,569,176 | 4,005,431,866 | 170,207,139 | 4,175,639,005 | 4,175,639,005 | 1% |
| 2014 | 3,450,089,512 | 272,590,309 | 496,280,160 | 65,053,984 | 4,284,013,965 | 175,316,982 | 4,459,330,947 | 4,459,330,947 | 1% |
| 2015 | 3,790,278,674 | 275,814,808 | 478,871,404 | 76,665,537 | 4,621,630,423 | 180,770,037 | 4,802,400,460 | 4,802,400,460 | 1% |

(a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Martinez encompasses more than 15 tax rate areas.

Source: Contra Costa County Auditor Controller Office Certificate of Assessed Valuations and HDL Coren & Cone

**CITY OF MARTINEZ
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**



| Fiscal Year | Basic County Wide Levy | Bay Area Rapid Transit | Contra Costa Community College | Contra Costa Water Land Levy | East Bay Regional Park | Martinez Unified School District | City of Martinez Bond | Total |
|-------------|------------------------|------------------------|--------------------------------|------------------------------|------------------------|----------------------------------|-----------------------|----------|
| 2006 | \$1.0000 | \$0.0048 | \$0.0047 | \$0.0050 | \$0.0057 | \$0.0904 | | \$1.1106 |
| 2007 | 1.0000 | 0.0050 | 0.0043 | 0.0043 | 0.0085 | 0.0794 | | 1.1015 |
| 2008 | 1.0000 | 0.0076 | 0.0108 | 0.0039 | 0.0080 | 0.0557 | | 1.0860 |
| 2009 | 1.0000 | 0.0090 | 0.0066 | 0.0041 | 0.0100 | 0.0597 | | 1.0894 |
| 2010 | 1.0000 | 0.0057 | 0.0126 | 0.0048 | 0.0108 | 0.0619 | \$0.0181 | 1.1139 |
| 2011 | 1.0000 | 0.0031 | 0.0133 | 0.0049 | 0.0084 | 0.0629 | 0.0347 | 1.1273 |
| 2012 | 1.0000 | 0.0041 | 0.0144 | 0.0051 | 0.0071 | 0.0608 | 0.0347 | 1.1262 |
| 2013 | 1.0000 | 0.0043 | 0.0087 | 0.0045 | 0.0051 | 0.0633 | 0.0347 | 1.1206 |
| 2014 | 1.0000 | 0.0075 | 0.0133 | 0.0042 | 0.0078 | 0.0658 | 0.0347 | 1.1333 |
| 2015 | 1.0000 | 0.0045 | 0.0252 | 0.0037 | 0.0085 | 0.0568 | 0.0347 | 1.1334 |

Source: Contra Costa County Auditor Controller

**CITY OF MARTINEZ
Water System Revenue
Last Ten Fiscal Years**

| Fiscal Year | Water Sales | Total Operating Revenue | Percentage of Water Sales to Operating Revenue |
|------------------------|------------------------|------------------------------------|---|
| 2006 | \$8,937,741 | \$9,422,953 | 94.85% |
| 2007 | 9,215,311 | 9,721,022 | 94.80% |
| 2008 | 9,523,618 | 9,844,373 | 96.74% |
| 2009 | 9,603,050 | 10,046,379 | 95.59% |
| 2010 | 9,484,712 | 9,830,348 | 96.48% |
| 2011 | 9,413,940 | 9,746,857 | 96.58% |
| 2012 | 10,058,440 | 10,438,993 | 96.35% |
| 2013 | 10,688,120 | 11,244,347 | 95.05% |
| 2014 | 10,902,108 | 11,678,627 | 93.35% |
| 2015 | 10,166,736 | 11,436,258 | 88.90% |

Source: City of Martinez Administrative Services Department

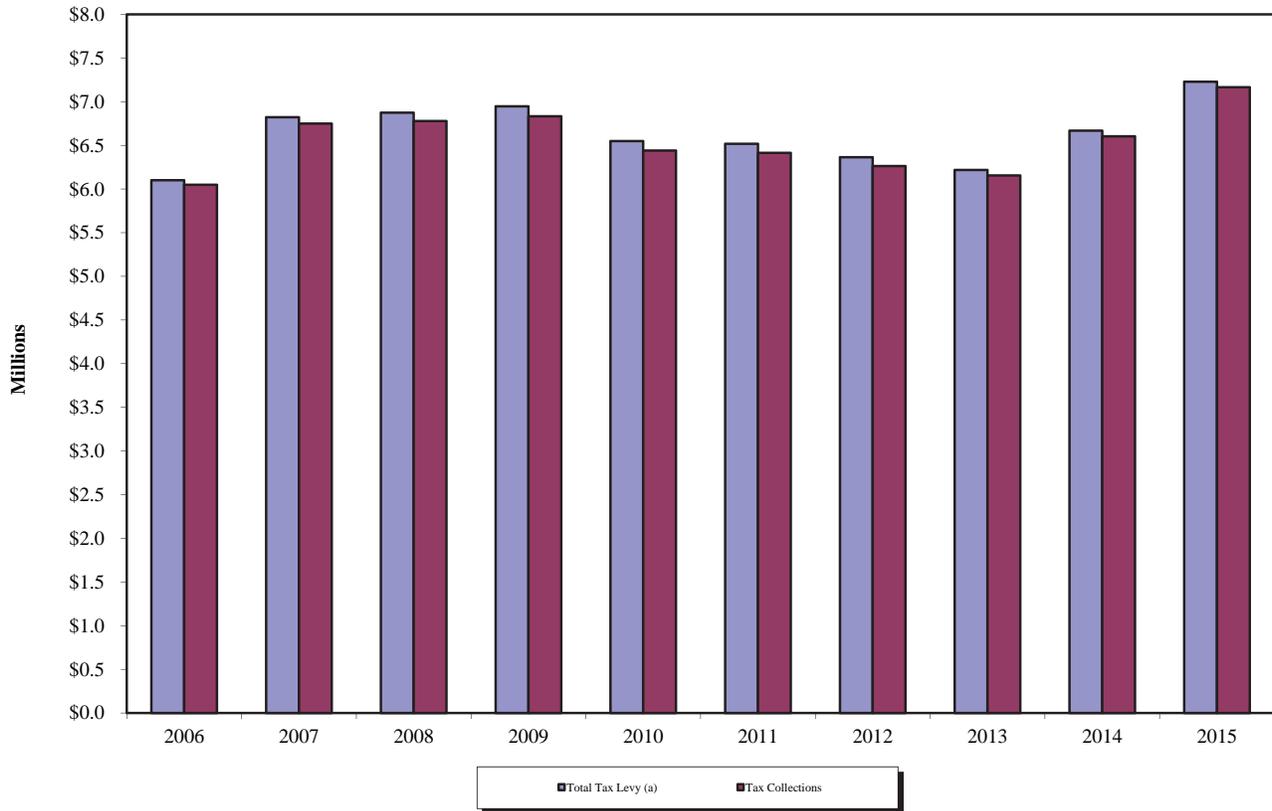
CITY OF MARTINEZ
Principal Property Tax Payers
Current Year and Nine Years Ago

| Taxpayer | 2014-15 | | | 2005-06 | | |
|-------------------------------------|---|-------------|--|---|-------------|--|
| | Taxable Assessed Value Secured & Unsecured | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value Secured & Unsecured | Rank | Percentage of Total City Taxable Assessed Value |
| Equilon Enterprises LLC | \$224,340,172 | 1 | 4.7% | \$124,699,905 | 1 | 3.2% |
| Pacific Atlantic Terminals LLC | 110,364,784 | 2 | 2.3% | 44,989,466 | 2 | 1.2% |
| Tesoro Refining & Marketing Company | 37,806,803 | 3 | 0.8% | | | |
| Comcast | 33,374,572 | 4 | 0.7% | | | |
| ECO Services Operations, LLC | 28,172,045 | 5 | 0.6% | | | |
| IEC Hidden Creek LLC | 21,784,404 | 6 | 0.5% | | | |
| Muir Station Center LLC | 19,899,098 | 7 | 0.4% | 17,500,000 | 7 | 0.5% |
| Wal Mart Real Estate | 19,778,452 | 8 | 0.4% | 17,541,275 | 6 | 0.5% |
| Muirwood Square Investors | 19,396,362 | 9 | 0.4% | 17,057,869 | 9 | 0.4% |
| Swan Lake Apartments LP | 18,543,194 | 10 | 0.4% | | | |
| Marine Spill Response Corporation | | | | 17,452,993 | 8 | 0.4% |
| Stauffer Chemical Company | | | | 31,472,017 | 3 | 0.8% |
| Shell Chemical Limited Partnership | | | | 21,373,750 | 4 | 0.5% |
| Kenneth H. & Martha Hofmann Trust | | | | 17,741,247 | 5 | 0.5% |
| Collier Village Oaks LLC | | | | 13,987,904 | 10 | 0.4% |
| Subtotal | \$533,459,886 | | 11.1% | \$323,816,426 | | 8.4% |

Total Net Assessed Valuation:
Fiscal Year 2014-15 \$4,802,400,460
Fiscal Year 2005-2006 \$3,888,450,653

Source: HDL Coren & Cone

**CITY OF MARTINEZ
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



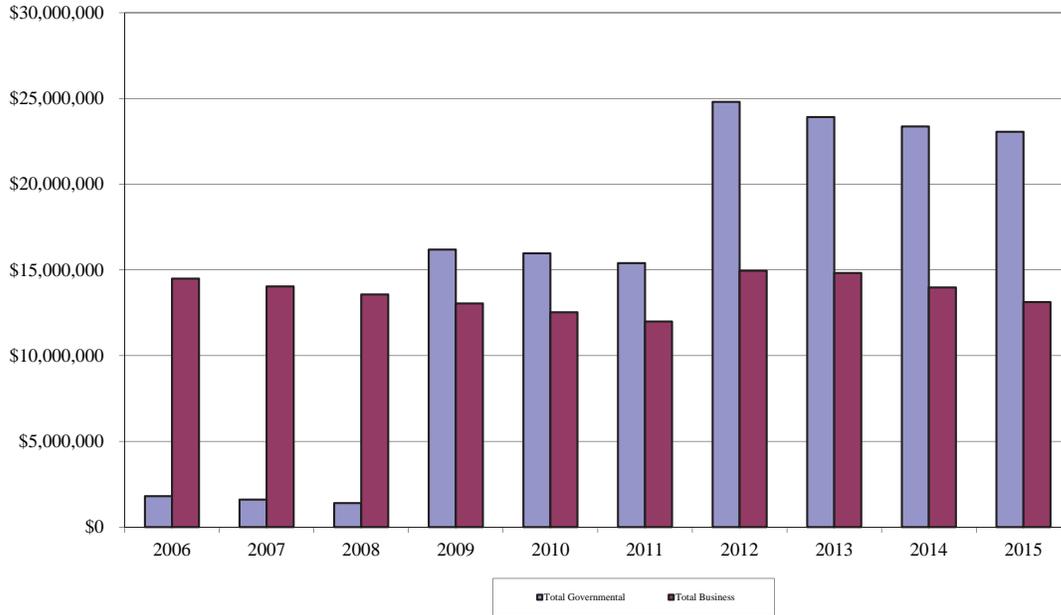
| Fiscal Year | Total Tax Levy (a) | Current Tax Collections | Percent of Levy Collected | Delinquent Tax Collections | County Administrative Fee | Total Tax Collections | Percent of Total Tax Collections to Tax Levy |
|--------------------|---------------------------|--------------------------------|----------------------------------|-----------------------------------|----------------------------------|------------------------------|---|
| 2006 | \$6,100,187 | \$6,100,187 | 100.00% | \$0 | (\$51,352) | \$6,048,835 | 100.00% |
| 2007 | 6,822,167 | 6,822,167 | 100.00% | 0 | (72,851) | 6,749,316 | 100.00% |
| 2008 | 6,873,959 | 6,873,959 | 100.00% | 0 | (95,276) | 6,778,683 | 100.00% |
| 2009 | 6,946,652 | 6,946,652 | 100.00% | 0 | (113,412) | 6,833,240 | 100.00% |
| 2010 | 6,548,656 | 6,548,656 | 100.00% | 0 | (108,601) | 6,440,055 | 100.00% |
| 2011 | 6,517,643 | 6,517,643 | 100.00% | 0 | (103,726) | 6,413,918 | 100.00% |
| 2012 | 6,364,044 | 6,364,044 | 100.00% | 0 | (101,448) | 6,262,596 | 100.00% |
| 2013 | 6,218,195 | 6,218,195 | 100.00% | 0 | (63,233) | 6,154,962 | 100.00% |
| 2014 | 6,668,234 | 6,668,234 | 100.00% | 0 | (65,020) | 6,603,214 | 100.00% |
| 2015 | 7,227,747 | 7,227,747 | 100.00% | 0 | (62,661) | 7,165,086 | 100.00% |

NOTE: Current tax collections beginning in 1993 have been reduced by a mandatory tax reallocation imposed by the State of California

(a) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

Source: Contra Costa County Auditor-Controller

CITY OF MARTINEZ
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



| Governmental Activities | | | | | |
|--------------------------------|--------------------------|-------------------------------|-------------|--|--------------------------------|
| Fiscal Year | General Obligation Bonds | Certificates of Participation | Total | Percentage of Actual Taxable Value of Property | General Bonded Debt Per Capita |
| 2006 | | \$1,805,000 | \$1,805,000 | | |
| 2007 | | 1,605,000 | 1,605,000 | | |
| 2008 | | 1,400,000 | 1,400,000 | | |
| 2009 | \$15,000,000 | 1,185,000 | 16,185,000 | 0.33% | \$412.68 |
| 2010 | 15,000,000 | 965,000 | 15,965,000 | 0.34% | 409.13 |
| 2011 | 14,660,000 | 735,000 | 15,395,000 | 0.34% | 409.13 |
| 2012 | 24,300,000 | 500,000 | 24,800,000 | 0.57% | 407.70 |
| 2013 | 23,660,000 | 255,000 | 23,915,000 | 0.57% | 670.81 |
| 2014 | 23,365,000 | | 23,365,000 | 0.52% | 635.97 |
| 2015 | 23,055,000 | | 23,055,000 | 0.48% | 616.71 |

| Business-Type Activities | | | | | | |
|---------------------------------|-------------------------------|---------------|--------------|--------------------------|-----------------------------------|------------|
| Fiscal Year | Certificates of Participation | Loans Payable | Total | Total Primary Government | Percentage of Personal Income (a) | Per Capita |
| 2006 | \$10,190,000 | \$4,300,680 | \$14,490,680 | \$16,295,680 | 0.84% | \$445.46 |
| 2007 | 9,735,000 | 4,300,680 | 14,035,680 | 15,640,680 | 0.78% | 432.31 |
| 2008 | 9,265,000 | 4,300,680 | 13,565,680 | 14,965,680 | 0.72% | 414.06 |
| 2009 | 8,780,000 | 4,264,958 | 13,044,958 | 14,444,958 | 0.70% | 397.41 |
| 2010 | 8,280,000 | 4,247,215 | 12,527,215 | 28,492,215 | 1.40% | 777.14 |
| 2011 | 7,760,000 | 4,228,497 | 11,988,497 | 27,383,497 | 1.34% | 761.54 |
| 2012 | 10,805,000 | 4,146,224 | 14,951,224 | 39,751,224 | 1.78% | 1,097.34 |
| 2013 | 10,647,884 | 4,171,723 | 14,819,607 | 38,096,723 | 1.64% | 1,041.52 |
| 2014 | 9,780,632 | 4,197,223 | 13,977,855 | 37,342,855 | (a) | 1,016.44 |
| 2015 | 8,898,380 | 4,222,723 | 13,121,103 | 36,176,103 | (a) | 967.69 |

(a) Personal Income data not available for fiscal years 2014 through 2015

Sources: City of Martinez
State of California, Department of Finance (population)
U.S. Department of commerce, Bureau of the Census (income)

**CITY OF MARTINEZ
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2015**

2014-15 Assessed Valuation \$4,802,400,460

| DIRECT LONG-TERM DEBT | Total Debt 06/30/15 | (1) % Applicable | City's Share of Debt 6/30/15 |
|---|--------------------------------|-----------------------------|---|
| City of Martinez | \$23,055,000 | 100.000% | \$23,055,000 |
| Subtotal Direct Long-term Debt | 23,055,000 | | 23,055,000 |
| OVERLAPPING TAX AND ASSESSMENT DEBT | | | |
| Bay Area Rapid Transit District | 630,795,000 | 0.856% | 5,399,605 |
| East Bay Regional Park District | 176,790,000 | 1.315% | 2,324,789 |
| Contra Costa Community College District | 455,860,000 | 3.004% | 13,694,034 |
| Martinez Unified School District | 44,998,563 | 56.165% | 25,273,443 |
| Mount Diablo Unified School District | 422,100,057 | 5.266% | 22,227,789 |
| Mount Diablo Unified School District Community Facilities District #1 | 25,890,000 | 5.266% | 1,363,367 |
| City of Martinez 1915 Act Bonds | 430,000 | 100.000% | 430,000 |
| Contra Costa County Certificates of Participation | 252,508,977 | 2.993% | 7,557,594 |
| Contra Costa County Pension Obligations | 236,920,000 | 2.993% | 7,091,016 |
| Contra Costa Community College District Certificates of Participation | 615,000 | 3.004% | 18,475 |
| Contra Costa Fire Protection District Pension Obligations | 92,805,000 | 6.483% | 6,016,548 |
| Subtotal Overlapping Long-term Debt | 2,339,712,597 | | 91,396,660 |
| TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | | 114,451,660 (2) |
| Less: Contra Costa County supported obligations | | | 2,955,782 |
| TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | | \$111,495,878 |

(1) The percentage of overlapping agency's assessed valuation located within the boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

RATIOS TO 2014-15 ASSESSED VALUATION:

| | |
|-------------------------|-------|
| Direct Debt | 0.48% |
| Total Overlapping Debt | 1.90% |
| Net Combined Total Debt | 2.32% |

Source: California Municipal Statistics, Inc.

**CITY OF MARTINEZ
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2015**

ASSESSED VALUATION:

| | |
|---|-----------------|
| Secured property assessed value, net of exempt real property | \$4,802,400,460 |
|---|-----------------|

| | |
|---|---------------|
| BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a) | \$180,090,017 |
|---|---------------|

AMOUNT OF DEBT SUBJECT TO LIMIT:

| | |
|---|------------|
| Total Bonded Debt | 23,055,000 |
| Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit | _____ |
| Amount of debt subject to limit | 23,055,000 |

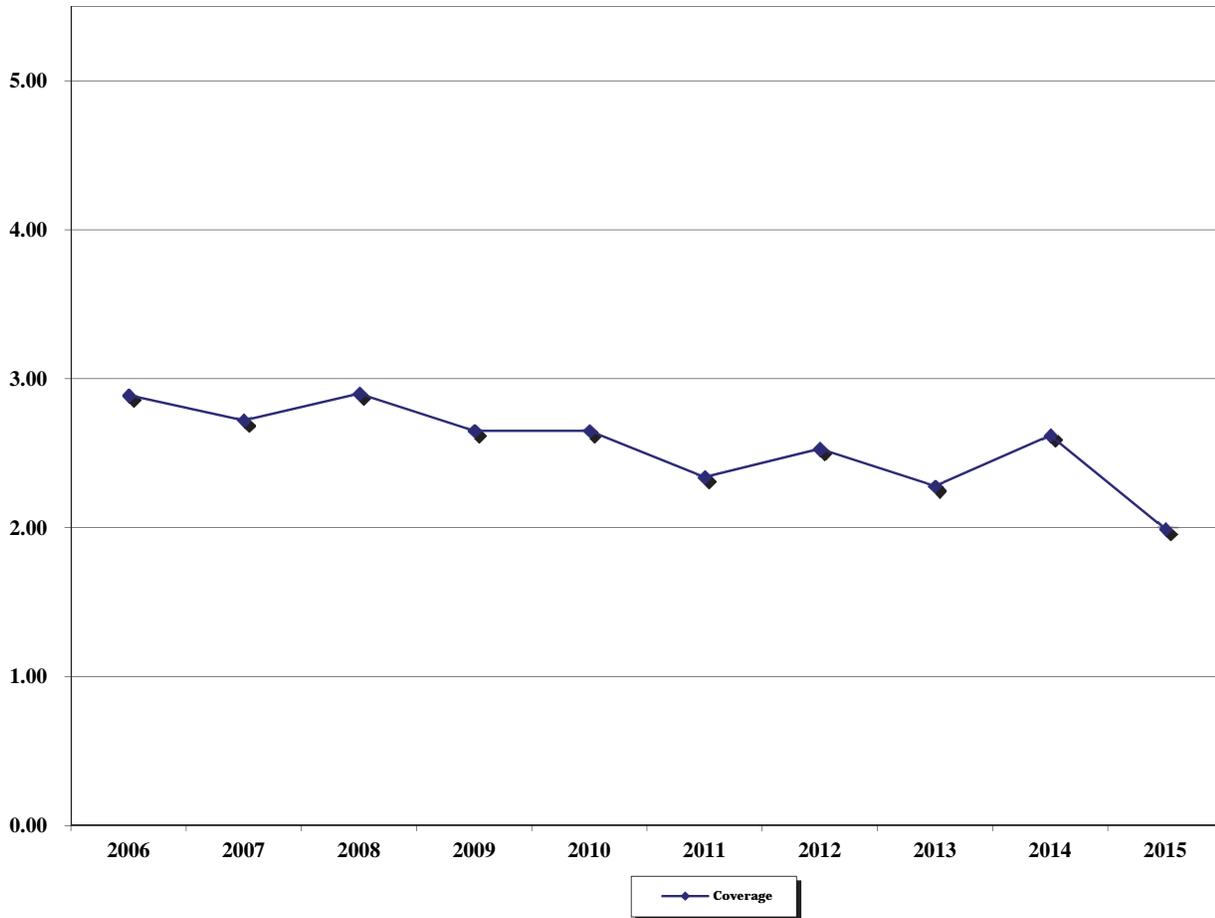
| | |
|--------------------------|---------------|
| LEGAL BONDED DEBT MARGIN | \$157,035,017 |
|--------------------------|---------------|

| Fiscal Year | Debt Limit | Total Net Debt Applicable to Limit | Legal Debt Margin | Total net debt applicable to the limit as a percentage of debt limit |
|----------------|---------------|--|-------------------------|---|
| 2006 | \$140,035,535 | | \$140,035,535 | |
| 2007 | 149,024,084 | | 149,024,084 | |
| 2008 | 160,386,084 | | 160,386,084 | |
| 2009 | 165,020,110 | \$15,000,000 | 150,020,110 | 10.00% |
| 2010 | 157,873,721 | 15,000,000 | 142,873,721 | 10.50% |
| 2011 | 155,706,944 | 14,660,000 | 141,046,944 | 10.39% |
| 2012 | 153,089,586 | 24,300,000 | 128,929,463 | 18.85% |
| 2013 | 156,586,463 | 23,660,000 | 132,926,463 | 17.80% |
| 2014 | 167,224,911 | 23,365,000 | 143,859,911 | 16.24% |
| 2015 | 180,090,017 | 23,055,000 | 157,035,017 | 14.68% |

NOTE:

- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

**CITY OF MARTINEZ
REVENUE BOND COVERAGE
WATER FUND CERTIFICATES OF PARTICIPATION
LAST TEN FISCAL YEARS**



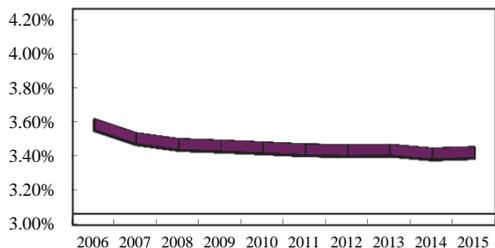
| Fiscal Year | Gross Revenue (1) | Operating Expenses (2) | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|-------------|-------------------|------------------------|--|---------------------------|-----------|-----------|----------|
| | | | | Principal | Interest | Total | |
| 2006 | \$9,726,463 | \$7,160,841 | \$2,565,622 | \$450,000 | \$449,143 | \$888,661 | 2.89 |
| 2007 | 10,188,402 | 7,760,258 | 2,428,144 | 455,000 | 433,661 | 893,808 | 2.72 |
| 2008 | 10,287,823 | 7,706,998 | 2,580,825 | 470,000 | 423,808 | 891,326 | 2.90 |
| 2009 | 10,285,545 | 7,924,631 | 2,360,914 | 485,000 | 406,326 | 889,642 | 2.65 |
| 2010 | 9,906,086 | 7,823,809 | 2,082,277 | 500,000 | 389,642 | 889,642 | 2.65 |
| 2011 | 9,805,813 | 7,548,774 | 2,257,039 | 520,000 | 371,092 | 891,092 | 2.34 |
| 2012 | 10,488,260 | 8,318,126 | 2,170,134 | 345,000 | 181,771 | 890,698 | 2.53 |
| 2013 | 11,286,802 | 8,670,144 | 2,616,658 | 795,000 | 354,089 | 1,149,089 | 2.28 |
| 2014 | 11,722,012 | 8,703,244 | 3,018,768 | 820,000 | 332,370 | 1,152,370 | 2.62 |
| 2015 | 11,476,090 | 9,202,430 | 2,273,660 | 835,000 | 309,485 | 1,144,485 | 1.99 |

Notes: (1) Includes all Water Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenues

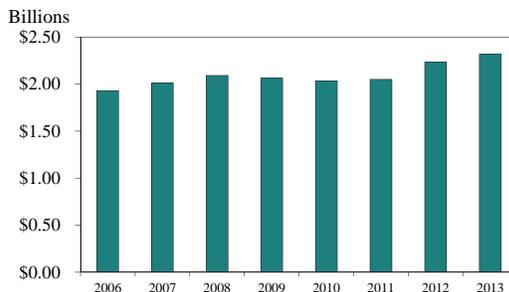
(2) Includes all Water Operating Expenses less Depreciation and Interest

Source: City of Martinez Annual Financial Statements

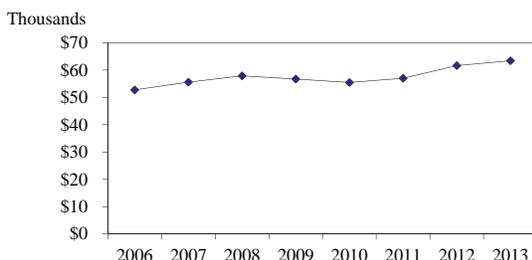
**CITY OF MARTINEZ
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



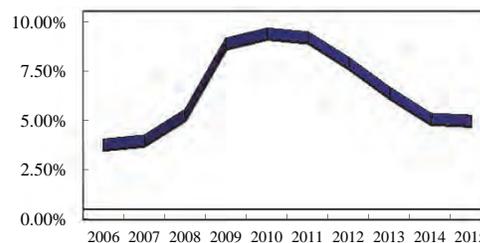
■ City Population as a % of County Population



■ Total Personal Income (a)



◆ Per Capita Personal Income (a)



■ Unemployment Rate (%)

| Fiscal Year | City Population | Total Personal Income (a) | Per Capita Personal Income (a) | Unemployment Rate (%) | Contra Costa County Population | City Population % of County |
|-------------|-----------------|---------------------------|--------------------------------|-----------------------|--------------------------------|-----------------------------|
| 2006 | 36,582 | \$1,928,968,860 | \$52,730 | 3.5% | 1,029,377 | 3.55% |
| 2007 | 36,179 | 2,010,828,820 | 55,580 | 3.7% | 1,042,341 | 3.47% |
| 2008 | 36,144 | 2,091,797,856 | 57,874 | 5.0% | 1,051,674 | 3.44% |
| 2009 | 36,348 | 2,061,040,644 | 56,703 | 8.6% | 1,060,435 | 3.43% |
| 2010 | 36,663 | 2,033,513,295 | 55,465 | 9.1% | 1,073,055 | 3.42% |
| 2011 | 35,958 | 2,050,001,538 | 57,001 | 8.9% | 1,056,064 | 3.40% |
| 2012 | 36,225 | 2,232,836,550 | 61,638 | 7.6% | 1,065,117 | 3.40% |
| 2013 | 36,578 | 2,319,154,934 | 63,403 | 6.1% | 1,074,702 | 3.40% |
| 2014 | 36,739 | (b) | (b) | 4.8% | 1,086,553 | 3.38% |
| 2015 | 37,384 | (b) | (b) | 4.7% | 1,102,871 | 3.39% |

NOTES: (a) Per capita personal income are only available for Contra Costa County.
 Personal income is the product of the countywide per capita amount multiplied by the City's population.
 (b) Data for fiscal years 2014 - 2015 not available

Source: California State Department of Finance
 Bureau of Economic Analysis
 California State Employment Development Department

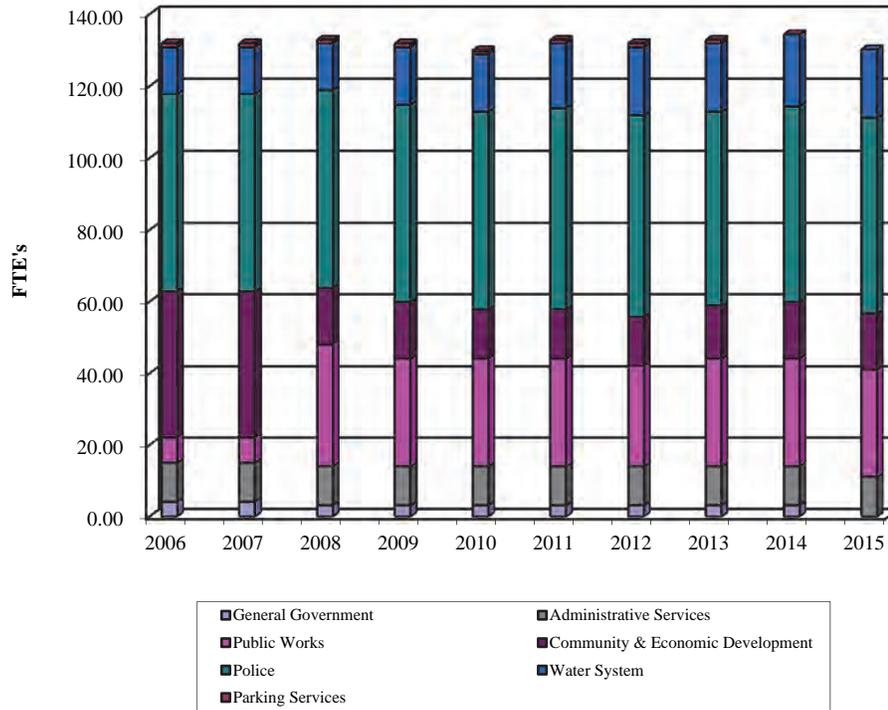
CITY OF MARTINEZ
Principal Employers
Current Year and Nine Years Ago

| <u>Employer</u> | <u>2014-15</u> | | | <u>2005-06</u> | | |
|---------------------------------------|----------------------------|-------------|--|----------------------------|-------------|--|
| | <u>Number of Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Number of Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| Contra Costa County (a) | 8,557 | 1 | 41.95% | 1,700 | 1 | 8.06% |
| Veterans Admin Medical Center | 962 | 2 | 4.72% | 950 | 3 | 4.50% |
| Kaiser Permanente | 730 | 3 | 3.58% | 1,000 | 2 | 4.74% |
| Shell Oil Refinery | 702 | 4 | 3.44% | 700 | 4 | 3.32% |
| Martinez Unified School District | 696 | 5 | 3.41% | 425 | 6 | 2.01% |
| Wal-Mart Store | 275 | 6 | 1.35% | 350 | 7 | 1.66% |
| Safeway Stores | 190 | 7 | 0.93% | | | |
| Home Depot | 125 | 8 | 0.61% | 250 | 8 | 1.18% |
| City of Martinez | 120 | 9 | 0.59% | 170 | 9 | 0.81% |
| Brand Energy & Infrastructure Service | 120 | 10 | 0.59% | | | |
| Contra Costa Electric | | | | 500 | 5 | 2.37% |
| Telfer Oil Lines | | | | 100 | 10 | 0.47% |
| Total Top Employers | <u>12,477</u> | | <u>61.16%</u> | <u>6,145</u> | | <u>30.12%</u> |
| Total City Employment | <u>20,400</u> | | | <u>21,100</u> | | |

(a) Contra Costa County employee count represents the entire county.

Source: Muni Services, LLC

CITY OF MARTINEZ
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years



| | June 30, | | | | | | | | | |
|----------------------------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Function | | | | | | | | | | |
| General Government | 4.00 | 4.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Administrative Services | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 |
| Public Works | 7.00 | 7.00 | 34.00 | 30.00 | 30.00 | 30.00 | 28.00 | 30.00 | 30.00 | 30.00 |
| Community & Economic Development | 40.80 | 40.80 | 15.80 | 15.80 | 13.80 | 13.80 | 13.80 | 14.80 | 15.80 | 15.60 |
| Police | 55.00 | 55.00 | 55.00 | 55.00 | 55.00 | 56.00 | 56.00 | 54.00 | 54.50 | 54.50 |
| Water System | 13.00 | 13.00 | 13.00 | 16.00 | 16.00 | 18.00 | 19.00 | 19.00 | 20.00 | 19.00 |
| Parking Services | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | | |
| Total | 131.80 | 131.80 | 132.80 | 131.80 | 129.80 | 132.80 | 131.80 | 132.80 | 134.30 | 133.10 |

Source: City of Martinez Administrative Services Department

CITY OF MARTINEZ
Operating Indicators by Function/Program
Last Ten Fiscal Years

| | Fiscal Year | | | |
|--|--------------------|-------------|-------------|-------------|
| | 2006 | 2007 | 2008 | 2009 |
| Function/Program | | | | |
| Public safety: | | | | |
| Police: | | | | |
| Police calls for Service | 32,071 | 30,710 | 30,354 | 30,794 |
| Law violations: | | | | |
| Part I and Part II crimes | 5,753 | 5,460 | 5,970 | 4,923 |
| Physical arrests (adult and juvenile) | 1,886 | 1,693 | 1,714 | 1,585 |
| Traffic violations | 1,872 | 1,642 | 1,340 | 2,598 |
| Parking violations | 4,992 | 5,929 | 8,895 | 8,790 |
| Public works | | | | |
| Street resurfacing | | | | |
| Seal Coat (miles) | 6 | 5 | 5.60 | 3.41 |
| Asphalt overlay (miles) | 2.40 | 0.70 | 0.57 | 0.89 |
| Culture and recreation: | | | | |
| Community Services: | | | | |
| Number of recreation classes | 459 | 595 | 596 | 462 |
| Number of community events | 52 | 55 | 55 | 67 |
| Number of facility rentals | 413 | 253 | 286 | 273 |
| Water | | | | |
| Water service connections - active | 9,731 | 9,739 | 9,745 | 9,751 |
| Water main breaks | 54 | 35 | 52 | 46 |
| Average daily consumption (thousands of gallons) | 5,210 | 5,214 | 4,948 | 4,663 |

Note: n/a denotes information not available.

Source: City of Martinez

| Fiscal Year | | | | | |
|--------------------|-------------|-------------|-------------|-------------|-------------|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| 29,463 | 27,501 | 24,700 | 27,584 | 28,782 | 32,234 |
| 4,343 | 4,079 | 3,612 | 3,857 | 3,854 | 3,802 |
| 1,655 | 1,622 | 1,162 | 1,348 | 1,417 | 1,394 |
| 2,985 | 1,738 | 1,040 | 1,012 | 1,464 | 886 |
| 8,864 | 9,226 | 3,143 | 7,554 | 12,153 | 9,739 |
| 14.75 | 0.00 | 0.00 | 0.00 | 1.82 | 0.10 |
| 1.70 | 1.90 | 0.50 | 0.87 | 0.15 | 0.10 |
| 504 | 458 | 520 | 726 | 730 | 720 |
| 69 | 72 | 72 | 150 | 162 | 170 |
| 290 | 416 | 263 | 521 | 532 | 660 |
| 9,755 | 9,767 | 9,777 | 9,768 | 9,807 | 9,846 |
| 38 | 34 | 40 | 52 | 33 | 23 |
| 3,970 | 3,470 | 3,594 | 3,770 | 3,779 | 3,829 |

CITY OF MARTINEZ
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

| Function/Program | Fiscal Year | | | |
|---|--------------------|-------------|-------------|-------------|
| | 2006 | 2007 | 2008 | 2009 |
| Public safety: | | | | |
| Police stations | 1 | 1 | 1 | 1 |
| Police sworn officers | 39 | 39 | 39 | 39 |
| Public works | | | | |
| Miles of streets | 122 | 122 | 122 | 122 |
| Street lights | 4,994 | 4,994 | 4,996 | 5,005 |
| Traffic Signals | 253 | 253 | 265 | 265 |
| Culture and recreation: | | | | |
| Community services: | | | | |
| City parks | 16 | 17 | 17 | 17 |
| City parks acreage | 271 | 271 | 271 | 271 |
| Playgrounds | 10 | 14 | 14 | 14 |
| City trails | 9 | 9 | 9 | 9 |
| Roadway landscaping acreage | 11 | 11 | 12 | 12 |
| Community gardens | 1 | 1 | 1 | 1 |
| Senior centers | 1 | 1 | 1 | 1 |
| Performing arts centers | 1 | 1 | 1 | 1 |
| Swimming pools | 1 | 1 | 1 | 1 |
| Tennis courts | 9 | 10 | 10 | 10 |
| Skateboard Park | 1 | 1 | 1 | 1 |
| Baseball/softball diamonds | 8 | 11 | 11 | 11 |
| Soccer fields | 7 | 7 | 7 | 7 |
| Water | | | | |
| Miles of water lines | 100 | 100 | 100 | 100 |
| Storage capacity (thousands of gallons) | 9,522,000 | 9,522,000 | 9,522,000 | 9,522,000 |

Note: n/a denotes information is not available.

Source: City of Martinez

| Fiscal Year | | | | | |
|--------------------|-------------|-------------|-------------|-------------|-------------|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 39 | 39 | 37 | 37 | 37 | 37 |
| 122 | 122 | 122 | 122 | 122 | 122 |
| 5,005 | 5,005 | 5,005 | 5,017 | 5,017 | 5,017 |
| 265 | 265 | 265 | 265 | 265 | 265 |
| 17 | 17 | 17 | 17 | 17 | 17 |
| 271 | 271 | 271 | 271 | 271 | 271 |
| 14 | 14 | 14 | 14 | 14 | 14 |
| 9 | 9 | 9 | 9 | 9 | 9 |
| 12 | 12 | 12 | 12 | 12 | 12 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 10 | 10 | 10 | 10 | 10 | 10 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 11 | 11 | 11 | 11 | 11 | 11 |
| 7 | 7 | 7 | 7 | 7 | 7 |
| 100 | 100 | 100 | 100 | 100 | 100 |
| 9,522,000 | 9,522,000 | 9,522,000 | 9,522,000 | 9,522,000 | 9,522,000 |

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