

City of
MARTINEZ
California



**Comprehensive
Annual Financial Report
for the
Fiscal Year Ended
June 30, 2013**

**CITY OF MARTINEZ, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013**



**Prepared by
ADMINISTRATIVE SERVICES DEPARTMENT**

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For the Year Ended June 30, 2013

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City of Martinez

525 Henrietta Street, Martinez CA 94553-2394

October 16, 2013

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, 2013. 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.

The City of Martinez is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued single audit report.

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

Established in 1876, Martinez is the County seat of Contra Costa County. It is located along the Sacramento and San Joaquin rivers in the central part of the County. The City's roots can be traced to the late 1840's, when it served as a ferryboat transit point across the Carquinez straits on the way to the gold fields. 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 12.5 square miles and has approximately 36,578 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 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 City, much like the larger economies of the State and surrounding region, continues to emerge from the long-term impacts of the recent recession. According to a recent report prepared by Beacon Economics for the East Bay Business Development Alliance, employment has steadily grown throughout the East Bay since the middle of 2010. Although much of the recent job growth in the region has been in part-time and temporary employment, growth in the professional sector has been strong over the past 18 months. This sector includes jobs in technology and science-related fields, such as research, and is a source of relative strength for the East Bay. As these jobs continue to grow, it signals an important trend toward higher-skill positions and business expansion in the region that will strengthen the economic base and speed the recovery.

The improving employment trend is evident in the latest unemployment data for Contra Costa County and Martinez. Since April 2011, the County's rate has dropped from 10.5% to 7.3%, and the City's rate has dropped from 8.4% to 5.8%. Of particular note in Martinez were the move by Siemens Corporation's Bay Area healthcare and industry divisions from Concord to Martinez which resulted in approximately 100 new jobs in February 2013, and creation of approximately 50 new jobs at the new Schrader Shopping Center along Arnold Drive. This shopping center opened in March 2013 and includes Starbucks, Verizon, Dollar Tree and Chipotle as business establishments. The City's new Deputy Director of Strategic Planning and Community Development will be tasked with looking for other opportunities to attract new businesses to Martinez to further expand the City's employment base.

Governor Brown announced at the May Revision that the State expects to end fiscal year 2013-14 with a \$1.1B reserve, a welcome change from budget projections from recent years that had predicted enormous deficits. According to the non-partisan Legislative Analyst's Office, the revenue projections are likely too conservative, largely in part due to the significant gains in the stock market which translate into additional capital gains tax for the State. Regardless of whose forecast is more accurate, the underlying theme of improving revenues at the State level bodes well for local governments such as Martinez. The State has raided local coffers in the past due to budget deficits, and as recently as 2009 invoked the fiscal hardship provisions of Prop 1A, which diverted over \$800,000 in City property tax revenues to the State (revenues that were made whole to the City through the selling of repayment bonds from the State to California Communities). The risk remains, however, for the State to expand on its longstanding practice of mandating additional unfunded requirements and services on local government.

The East Bay housing market continues to rebound at a rapid pace. After the precipitous decline to housing values in 2008 and 2009, median home sales prices stabilized to some degree and fluctuated both up and down throughout the majority of 2010 and 2011. For the first time since 2005, the City's annual home sales median price increased, with a 3.3% increase to \$340,000 in 2012. The number of home sales is starting to accelerate as well. The 383 homes sold in 2012 was up slightly from the 366 of the year before, and significantly higher than the 175 of the low-water mark from 2008. If these 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 Documentary Transfer Tax revenues. Just as the County Assessor made wholesale downward adjustments to property tax values in recent years as market values were shown to be well below assessed values, the possibility of widespread positive "readjustments," or increasing a property's assessed value by more than 2% following the aforementioned reductions, exists for a significant number of properties. Recent comments by the County Assessor to the press indicate an appreciable number of these readjustments may occur in the near future. City staff and the City's property tax consultant HdL will be closely monitoring the tax roll to evaluate the trend. The housing market recovery still has a long way to go to achieve historical valuations, though. As a point of reference, the median home sale value in Martinez in February 2005 was \$590,000.

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 current policy which spread investment returns over a 15-year period with gains and losses paid over a rolling 30-year period. The new amortization and smoothing policy will be used for the first time in the June 30, 2013 actuarial valuations. These valuations will be performed in the fall of 2014 and will set employer contribution rates for fiscal year 2015-16.

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. Revitalization of the downtown and marina areas is crucial to the City's long-term economic health.

Major Initiatives and Objectives

Public Safety. In order to promote crime prevention activities and awareness, and nurture the partnerships created by our Neighborhood Policing Initiative, the Police Department participated in "National Night Out" against crime for the second straight year and had more than 1,200 citizens attend several events throughout the City. Additionally, the Department conducted 16 neighborhood policing area meetings in fiscal year 2012-13 as the initiative introduced in May 2011 continued to establish a presence through the community. The code enforcement function has migrated to the Police Department and is also being integrated into the neighborhood policing areas.

The Department has also continued its work with a coalition of stakeholders to develop realistic solutions to problems associated with homelessness in the downtown, such as adopting an ordinance banning aggressive panhandling in November 2012.

The Department recently implemented a Regional SWAT concept to maximize resources, minimize expenditures and leverage partnerships. Moving forward, the Department is looking for other partnership opportunities, such as offering a Citizen Police Academy to the community in fiscal year 2013-2014.

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 pool and recreational pool; pool house building with equipment rooms and administrative spaces; decking and miscellaneous site and frontage improvements. The City reopened the pool 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 is presently evaluating options for extending the pool season 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 restroom buildings and the 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. It included resurfacing of several basketball and tennis courts throughout the city.

A variety of other parks projects funded through Measure H are underway, as final design of improvements at Cappy Ricks, Nancy Boyd and Hidden Valley Parks have been completed. These improvements, slated for later this fiscal year, will involve ADA compliance, playground, and other site improvements. Similar improvements planned for Waterfront Park are expected to commence this fiscal year.

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 underway and scheduled to be completed by early 2014. Design of the pedestrian overcrossing to the existing Amtrak station, the Alhambra Creek bridge and realigned entrance to Ferry Street are well underway.

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 are currently in the design phase.

Construction of the Pacheco Transit Hub and Park and Ride Facility is scheduled to be completed by early 2014. The project will provide 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 the resurfacing of all of the road within the City limits, just under a mile long.

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 City's General Plan, 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.

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, including the adaptive reuse of the 610 and 630 Court Street downtown cornerstone properties; the Arnold Shopping Center (completed); Cascara Canyon apartment complex (pending); Village at Arnold 43-unit single family attached residential development (pending); and The Paseos 70-unit single family detached residential development (pending). Realizing the potential of these projects is crucial to improving and maintaining the City’s long term fiscal health. Additionally, the City made a commitment to its economic development efforts by making its first significant hire in four years with the addition of the Deputy Director of Strategic Planning and Community Development position. The cost of this position is approximately \$160,000 and is funded with a combination of base level and one-time funding. This position will be evaluated in two years to determine future funding options.

The City is using the government access “City Channel” as a means to promote economic development in Martinez, and has enlisted the Chamber of Commerce and Main Street Martinez to provide promotional content. Soon to come are features on various business corridors throughout Martinez that will help market the City to potential customers and developers. The City is also expanding its use of digital media for marketing through its website and social media outlets.

Downtown Dining Platforms. The City worked with civic leaders and downtown merchants to develop a program that allows businesses to lease from the City removable “dining platforms” suitable for outdoor use that are placed within the public right of way. These portable platforms replaced the permanent pockets formerly located along the 500 block of Main Street and are now being used in other parts of the City’s downtown to promote Martinez as an outdoor dining destination. A related aspect of this project was improving the traffic flow throughout downtown by repaving and restriping several one-way streets to two-way. The City has received extensive praise from the business community and public for both the dining platform program and the traffic flow improvements.

Marina. A private contractor operates the full-service Martinez Marina, with oversight by City staff and the Park, Recreation, Marina and Cultural Commission (PRMCC). The City is working to establish a long-term lease arrangement to provide for the marina’s financial stability and ensure that the facility is available for the enjoyment of marina users, residents and visitors for years to come.

Climate Action Plan/Sustainability Programs. The City continued to make significant progress in 2012-13 implementing its Climate Action Plan. The City implemented a recycling infrastructure and education project with the local school district in which it used over \$10,000 of beverage container grant funds received from the California Department of Resources, Recycling and Recovery (“CalRecycle”). Through this project, the City procured over 40 new recycling receptacles for the schools and also began providing an educational component to ensure the staff and students effectively utilize the new infrastructure.

The City also secured the services of a Climate Corps Bay Area member for a 6-month engagement to assist with the advancement of numerous Climate Action Plan initiatives, such as greatly enhancing the City's website to become a valuable resource to the public for information regarding sustainability and conservation opportunities, incentives, and advantages. The City hosted a public workshop on Energy Efficiency Rebates and Incentives, and is presently airing a rebroadcast on the City Channel with hopes of expanding the program's audience.

The City is also actively seeking ways to improve the energy efficiency of its municipal facilities. The conversion of City-owned streetlights to LED technology that started with a federal grant from the U.S. Department of Energy in 2009 for the downtown area is now expanding to encompass all City-owned streetlights. This project will involve the conversion of over 500 additional streetlights throughout the City. The City has also worked extensively with third-party specialists to evaluate opportunities at City Hall and the Water Treatment Plant, the two largest energy consumers. Projects for both facilities are expected to initiate later this fiscal year.

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 assurance 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 2013.

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 appropriated 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 proprietary 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, discounts, and issuance costs are recognized during the period of issuance for governmental fund types. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. 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. Issuance costs are expensed in the year they are incurred. The City's debt is explained in detail in Note 7 to the financial statements.

Cash Management Policies and Practices. The City's investment policy is to minimize credit and market risks while maintaining an optimal yield in its portfolio. Bank deposits are either insured by the Federal Government or collateralized. All collateral deposits were held either by the City or its agent in the City's name. Idle cash is primarily invested in the State of California Local Agency Investment Fund (LAIF).

Risk Management. The City is a member of the Municipal Pooling Authority (MPA) a Joint Powers Agency that covers general liability losses up to \$29 million. The City has a deductible of up to \$10,000 per claim. The City's Safety Program, Property Insurance, and Workers' Compensation reporting are all coordinated through the MPA.

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, 2012. This was the 12th 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. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting 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 a large, stylized 'A' followed by a long horizontal line extending to the right.

Alan Shear
Assistant City Manager

City of Martinez Key Personnel

June 30, 2013

City Council

Rob Schroder, Mayor

Lara DeLaney, Vice Mayor

AnaMarie Avila Farias, Councilmember

Mark Ross, Councilmember

Michael Menesini, Councilmember

Council Appointees

Philip Vince, City Manager

Gary Peterson, Chief of Police

Elected Officials

Gary Hernandez, City Clerk

Carolyn Robinson, City Treasurer

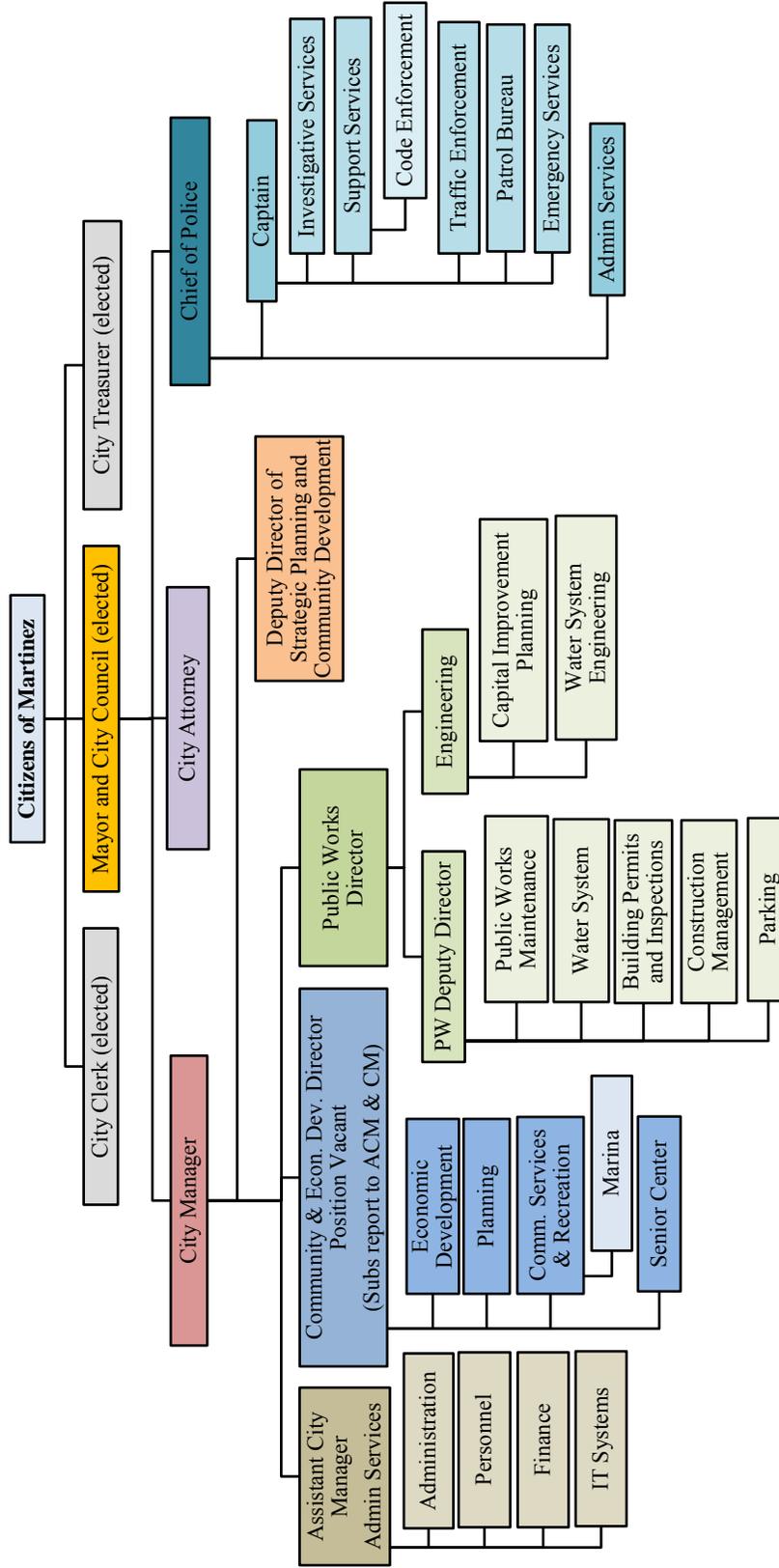
City Staff

Alan Shear, Assistant City Manager

Cathy Spinella, Finance Manager

David Scola, Public Works Director

CITY OF MARTINEZ FUNCTIONAL ORGANIZATION CHART





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, 2012

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, 2013, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, 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 \$4,367,834 as of June 30, 2013 made up primarily of State loans which the City has not had sufficient operating revenues to pay. 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

During the fiscal year ended June 30, 2013, it was determined that the Marina Services Enterprise Fund would never be able to repay the long-term interfund advances in the amount of \$473,849 to the General Fund due to the Marina Services Fund's ongoing deficit and going concern issues as discussed in Note 4B and Note 10D and therefore the loans were forgiven. In addition, the City was unable to pay the principal due on the State loans during the fiscal year as discussed in Note 8.

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2013 that resulted in certain changes in nomenclature on the financial statements:

Statement 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. See Note 1E to the financial statements for relevant disclosures.

Management early-implemented the provisions of the following Governmental Accounting Standards Board Statements during the year ended June 30, 2013 that had material effects on the financial statements:

Statement 65 - Items Previously Report as Assets and Liabilities. See Note 10E to the financial statement for relevant disclosures.

As discussed in Note 10E, the City also restated the Marina Services Enterprise Fund's capital assets and beginning net position.

The emphasis of these matters do not constitute a modification to our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, 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

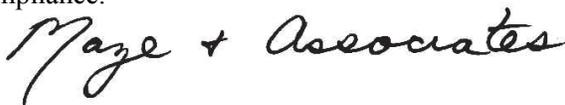
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information and Statistical Section as listed in the Table of Contents are presented for purposes 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California
September 13, 2013

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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, 2013. 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 of the City of Martinez exceeded its liabilities at the close of June 30, 2013 by \$102,198,088. Of this amount \$11,657,853 may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$27,084,846, a decrease of \$1,699,205 in comparison with the prior year. Of this amount, the unassigned fund balance was \$5,235,178 which is available for discretion spending.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$5,270,651, or 27.8% of general fund expenditures. The general fund has an additional unassigned fund balance of \$1,000,000 set aside for contingency.
- The City of Martinez's total debt decreased by \$1,701,751 during the fiscal year to \$23,915,000 for Governmental Activities and \$14,819,607 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 Activities explains in detail the Change in Net Position 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. 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. 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 are agency funds which only report a balance sheet and do not have a measurement focus.

- *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, Proposition 1B, 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 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 - 68 of this report. Note 10 on page 59 provides information about the Marina Services Enterprise Fund's ability to continue as a going concern. Note 10E on page 59 discusses restatements that were made to the Water System Enterprise Fund with the early implementation of Governmental Accounting Standards Board Statement 65 and restatements made to the Marina Services Enterprise Fund in relation to capital assets. The 2012 comparison information in this discussion and analysis has been updated to reflect the aforementioned restatements. Note 11 on pages 59 - 62 provides the City's progress in funding of its obligation to provide pension benefits to its employees. 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 and internal service funds are presented following the Notes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net position for the City decreased \$910,909 in 2013 to \$102,198,088. 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 is shown in Table 1 and 2. Business-type Activities is shown in Table 3 and 4.

Net investment in capital assets of \$66,514,807 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. Restricted net position totaled \$24,025,428 at June 30, 2013. Unrestricted net assets are normally the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. Unrestricted net position was \$11,657,853.

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Totals</u> |
|----------------------------------|--------------------------------|----------------------------|---------------------------------|----------------------------|-----------------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012*</u> | <u>2013</u> |
| Cash and investments | \$29,212,169 | \$31,430,530 | \$19,735,996 | \$19,587,391 | \$ 48,948,165 |
| Other assets | 7,299,664 | 6,920,071 | 1,615,734 | 957,299 | 8,915,398 |
| Capital assets | <u>57,041,085</u> | <u>56,571,832</u> | <u>31,405,904</u> | <u>32,627,293</u> | <u>88,446,989</u> |
| Total Assets | 93,552,918 | 94,922,433 | 52,757,634 | 53,171,983 | 146,310,552 |
| Long-term debt outstanding | 23,915,000 | 24,800,000 | 14,819,607 | 15,636,358 | 38,734,607 |
| Other Liabilities | <u>4,065,551</u> | <u>4,340,442</u> | <u>1,312,306</u> | <u>2,030,437</u> | <u>5,377,857</u> |
| Total Liabilities | 27,980,551 | 29,140,442 | 16,131,913 | 17,666,795 | 44,112,464 |
| Net position: | | | | | |
| Net investment in capital assets | 45,011,693 | 44,385,099 | 21,503,114 | 22,037,317 | 66,514,807 |
| Restricted | 16,908,562 | 18,207,558 | 7,116,866 | 8,752,351 | 24,025,428 |
| Unrestricted | <u>3,652,112</u> | <u>3,189,334</u> | <u>8,005,741</u> | <u>4,715,520</u> | <u>11,657,853</u> |
| Total Net Position | <u>\$65,572,367</u> | <u>\$65,781,991</u> | <u>\$36,625,721</u> | <u>\$35,505,188</u> | <u>\$102,198,088</u> |

*As restated

Governmental activities – The Governmental activities decreased the City’s net position by \$209,624 to \$65,572,367 at June 30, 2013. Below are the changes in net position.

| Table 1 | Governmental Activities | |
|---|-------------------------|-------------------|
| | 2013 | 2012 |
| Expenses | | |
| General government | \$ 1,628,907 | \$ 1,545,222 |
| Administrative services | 1,000,933 | 945,076 |
| Public works | 3,975,144 | 3,466,780 |
| Community & economic development | 5,887,738 | 5,917,326 |
| Police | 10,932,911 | 10,483,295 |
| Interest on LTD | 1,106,817 | 1,102,335 |
| Total expenses | 24,532,450 | 23,460,034 |
| Revenues | | |
| Program revenues: | | |
| Charges for services | 2,392,009 | 1,737,209 |
| Operating contributions & grants | 2,472,936 | 2,617,726 |
| Capital grants | 2,882,306 | 1,861,281 |
| Total program revenues | 7,747,251 | 6,216,216 |
| General revenues: | | |
| Property tax | 6,154,962 | 6,262,596 |
| Sales tax | 3,544,810 | 3,239,219 |
| VLF Property tax swap | 2,428,253 | 2,465,909 |
| Franchise Fees | 1,468,924 | 1,379,610 |
| Other taxes | 2,779,809 | 2,667,102 |
| Intergovernmental | 72,276 | 85,068 |
| Investment earnings | 74,686 | 75,843 |
| Miscellaneous | 775,704 | 1,157,849 |
| Gain on sale of capital assets | 0 | 177,000 |
| General revenues | 17,299,424 | 17,510,196 |
| Total revenues | 25,046,675 | 23,726,412 |
| Change in net position before transfers | 514,225 | 266,378 |
| Transfers | (723,849) | 0 |
| Change in net position | \$ (209,624) | \$ 266,378 |

The cost of all Governmental activities was \$24,532,450 in fiscal 2013. 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 \$7,747,251.

Program revenues totaled \$7,747,251 or 30.93% of total revenues for fiscal Year 2013, up \$1,531,035 from 2012. The large increase is in Capital Grants due to grant funding on two intermodal projects of \$899,104, a Transportation Development Act grant of \$18,320 and \$93,250 of local grant funding. 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 \$2,392,009 which are intended to help cover the expenses incurred in providing a variety of City services; Operating Contributions and Grants of \$2,472,936, which is attributable to special revenue funds such as Gas Tax, Measure J and police services; and Capital Grants of \$2,882,306, 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 \$17,299,424 or 69.07% of total revenues, down \$210,772 from Fiscal 2012. Table 1 shows that \$16,376,758 or 94.67% of general revenues came from taxes and the balance of \$922,666 or 5.33% came from intergovernmental, investment earnings and miscellaneous. Transfers out totaled \$723,849, which caused the negative change in position. The transfers were from the General Fund to the Marina Services Fund.

Net expense is defined as total program costs less program revenues generated by those specific activities. In the City's case, program revenues of \$7,747,251, reduced expenses of \$24,532,450 by approximately 31.6% to \$16,785,199. 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 | |
|--------------------------------------|--|------------------------|
| | 2013 | 2012 |
| Governmental Activities: | | |
| General government | \$ (1,538,173) | \$ (1,453,003) |
| Administrative services | (987,041) | (865,232) |
| Public works | (2,800,437) | (2,799,972) |
| Community & economic development | (368,585) | (1,365,863) |
| Police | (9,984,146) | (9,657,413) |
| Interest on long term debt | (1,106,817) | (1,102,335) |
| Total Governmental Activities | \$ (16,785,199) | \$ (17,243,818) |

Business-type activities – The Business-type activities increased the City's net position by \$1,120,533 in 2013 to \$36,625,721. Below are the changes in net position.

| Table 3 | Business-type Activities | |
|---|--------------------------|---------------------|
| | 2013 | 2012* |
| Expenses | | |
| Water System | \$ 10,854,257 | \$ 10,746,658 |
| Marina Services | 707,155 | 377,246 |
| Parking Services | 232,110 | 365,585 |
| Total expenses | 11,793,522 | 11,558,409 |
| Revenues | | |
| Program revenues: | | |
| Charges for services | 12,074,438 | 11,128,313 |
| Operating contributions & grants | 0 | 0 |
| Capital grants | 0 | 0 |
| Total program revenues | 12,074,438 | 11,128,313 |
| General revenues: | | |
| Taxes | 70,237 | 62,620 |
| Investment earnings | 45,531 | 52,965 |
| General revenues | 115,768 | 115,585 |
| Total revenues | 12,190,206 | 11,243,898 |
| Change in net position before transfers | 396,684 | (245,591) |
| Transfers | 723,849 | 0 |
| Change in net position | \$ 1,120,533 | \$ (245,591) |

*As restated

The cost of business-type activities was \$11,793,522 in fiscal year 2013. 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 \$12,074,438. General revenues are not allocable to programs but are used to pay for the net cost of services. General revenues totaled \$839,617 which came from taxes, investment earnings, miscellaneous and transfers from Governmental Activities.

Net expense is defined as total program costs less program revenues generated by those specific activities. In the City's case, program revenues of \$12,074,438 along with expenses of \$11,793,522 for net revenues as shown in the Statement of Activities of \$280,916, the detail is broken out below in table 4.

| Table 4 | Net (Expense) Revenue and Changes in Net Position | |
|---------------------------------------|--|--------------------|
| | 2013 | 2012* |
| Business-type Activities: | | |
| Water System | \$390,090 | \$(307,665) |
| Marina Services | (244,968) | (15,179) |
| Parking Services | 135,794 | (38,332) |
| Total Business-type Activities | \$280,916 | \$(361,176) |
| *As restated | | |

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

At June 30, 2013, the City's governmental funds reported a combined fund balance of \$27,084,846, a decrease of \$1,699,205 compared to the prior year. The General Fund decreased by \$550,282. Capital Improvements increased by \$143,570, Measure H decreased by \$1,003,939 and a decrease of \$288,554 in Non-major Funds.

ANALYSES OF MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund revenues totaled \$19,303,868 in Fiscal Year 2012-13 an increase of \$25,632 over last year. The increase is comprised of the following: \$313,697 in Taxes, primarily sales tax; Licenses, Permits and Fees by \$154,325; Intergovernmental of \$19,150; Charges for Services of \$112,443; Fines and Forfeits of \$68,150; and \$472 in Use of Money & Property. These increases were offset by a decline in \$87,605 in Miscellaneous and \$555,000 in Sale of Property. Taxes totaling \$16,376,758 represented approximately 85% of total General Fund revenues, with \$6,154,962 (or 32% of the total General Fund revenues) coming from Property Taxes. Other revenue sources comprising the remaining 15% 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 \$18,993,301, an increase of \$390,952 from fiscal year 2012. Transfers out of the General Fund increased \$780,849 in Fiscal 2013 to \$860,849. This increase was mostly attributable to a transfer of \$723,849 to the Marina Fund. \$473,849 was for inter-fund advances due to an ongoing deficit that was forgiven, \$20,000 for consultant costs and \$230,000 for capital projects.

Final expenditures for the General Fund at year-end were \$188,557 below budget, however, the fiscal year ended with encumbrances of \$29,783. Budget amendments and supplemental appropriations of \$621,813 were made during the year for unanticipated expenditures after adoption of the original budget. Total final budget appropriations came in at \$19,181,858.

At the end of fiscal year 2013 the fund balance for the City's General Fund was \$6,979,486, a decrease of \$550,282 over last year. General Fund balance was comprised of the following: \$75,090, which is nonspendable and restricted; \$1,633,745 assigned; and \$5,270,651 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 \$4,270,651 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 \$36,531. The expenses of \$1,032,389 were based on project activity for the reconstruction of parks and \$8,081 in cost of issuance on the prior year's bond proceeds.

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 2013 included funding for projects from Contra Costa Transportation Authority in the amount of \$992,354; \$8,249 from Congestion Mitigation and Air Quality funding and \$18,320 from a Transportation Development Act grant. Another \$514,282 in funding came from net transfers from Gas Tax revenue, NPDES, General Fund and Local J funds. The fund also received \$392,185 in mitigation fees and interest. Total revenue received, including net transfers, was \$1,925,390. This is an increase of \$559,541 over the prior year and is primarily from CCTA funding for two intermodal projects. There was also an increase in expenditures of \$999,306 from fiscal year 2012.

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 increased by \$40,651 in fiscal year 2013 to a total of \$367,904. Operating expenses decreased by \$130,470 to \$233,153. Non-operating revenues increased by \$7,507 to \$59,538. Net position increased by \$194,289 to \$1,459,157. The Parking Services Fund's fiscal year end unrestricted net position were \$1,011,044.
- *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 increased \$423,299 in Fiscal Year 2013. Overall operating revenues increased by \$805,354, and operating expenses increased by \$186,658. Non-operating expenses decreased by \$52,178, and non-operating revenues decreased by \$6,812 in interest income. As of June 30, 2013, the Fund's net position were \$39,577,810, with \$23,537,828 net investment in capital assets, \$1,211,780 restricted for debt service and \$5,780,086 restricted for capital projects. Only \$9,048,116 of the Fund's net position was unrestricted at the close of fiscal year 2013. 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 Services Fund revenues include lease payments, charges for services, property taxes, and government grants for capital improvement projects. Operating revenues increased by \$100,120 due to a contribution of \$318,943 for dredging, offset with reduced rents and leases of \$40,766. Operating expenses increased \$331,818 in 2013 due to dredging. The Fund's net position increased by \$492,656 with transfers from the General Fund of \$723,849 to a deficit of \$4,367,834 at June 30, 2013. The Marina has \$4,171,723 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 2013, Governmental Activities and Business-type Activities had invested in a broad range of capital assets, net of depreciation, in the amounts of \$57,041,085 and \$31,405,904, 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.

| | <u>June 30, 2013</u> | <u>June 30, 2012</u> |
|---------------------------------|-----------------------------|-----------------------------|
| Governmental Activities | | |
| Land | \$ 16,055,114 | \$ 16,055,114 |
| Construction in progress | 3,037,950 | 4,378,823 |
| Building and improvements | 12,495,490 | 12,318,593 |
| Equipment | 6,665,379 | 6,143,524 |
| Infrastructure | 55,952,772 | 52,555,857 |
| Less accumulated depreciation | <u>(37,165,620)</u> | <u>(34,880,079)</u> |
| Totals | <u>\$ 57,041,085</u> | <u>\$ 56,571,832</u> |
| | <u>June 30, 2013</u> | <u>June 30, 2012*</u> |
| Business-Type Activities | | |
| Land | \$ 897,521 | \$ 897,521 |
| Construction in progress | 2,976,302 | 2,256,087 |
| Building and improvements | 16,498,043 | 16,498,043 |
| Equipment | 1,892,157 | 1,892,157 |
| Infrastructure | 88,299,973 | 88,299,973 |
| Less accumulated depreciation | <u>(79,158,092)</u> | <u>(77,216,488)</u> |
| Totals | <u>\$ 31,405,904</u> | <u>\$ 32,627,293</u> |

*As restated

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 March 2003, the City issued Certificates of Participation (COPs) in the amount of \$2,200,000 to refund and retire the outstanding 1992 proceeds that were used to finance the rehabilitation and expansion of the Martinez City Hall. 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, 2013.

| | <u>June 30, 2013</u> | <u>June 30, 2012</u> |
|--|-----------------------------|-----------------------------|
| Governmental Activity Debt | | |
| <i>General Long-Term Debt</i> | | |
| 2003 Certificates of Participation | \$ 255,000 | \$ 500,000 |
| General Obligation Bonds | <u>23,660,000</u> | <u>24,300,000</u> |
| Total governmental activity debt | <u>\$ 23,915,000</u> | <u>\$ 24,800,000</u> |
| Business-Type Activity Debt | | |
| <i>Water Fund Long-Term Debt</i> | | |
| 2003 Refinancing Project | \$ 2,425,000 | \$ 2,780,000 |
| 2012 Refinancing Project | 7,585,000 | 8,025,000 |
| Unamortized Bond Premium | <u>637,884</u> | <u>685,134</u> |
| Total Water Fund debt | <u>\$ 10,647,884</u> | <u>\$ 11,490,134</u> |
| <i>Marina Long-term Debt</i> | | |
| 1964 State of California | \$ 2,588,014 | \$ 2,562,515 |
| 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 | <u>877,077</u> | <u>877,077</u> |
| Total Marina Fund debt | <u>\$ 4,171,723</u> | <u>\$ 4,146,224</u> |
| Total business-type activity debt | <u>\$ 14,819,607</u> | <u>\$ 15,636,358</u> |

SPECIAL ASSESSMENT DISTRICT DEBT

Alhambra creek Assessment District, 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 2013.

At June 30, 2013, a total of \$575,000 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.

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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 the City's total liabilities, 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, 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, 2013

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and investments (Note 3) | | | |
| Available for operations | \$15,911,923 | \$15,345,413 | \$31,257,336 |
| Restricted | 13,300,246 | 4,390,583 | 17,690,829 |
| Receivables (net of allowance for uncollectible): | | | |
| Accounts and other | 769,190 | 1,636,226 | 2,405,416 |
| Intergovernmental | 1,707,415 | | 1,707,415 |
| Interest | 26,429 | | 26,429 |
| Loans receivable (Note 5) | 457,601 | 22,920 | 480,521 |
| Internal balances (Note 4C) | 43,412 | (43,412) | |
| Prepays and inventory (Note 11) | 39,617 | | 39,617 |
| Net OPEB Asset (Note 12) | 4,256,000 | | 4,256,000 |
| Capital assets (Note 6) | | | |
| Land and construction in progress | 19,093,064 | 3,873,823 | 22,966,887 |
| Depreciable assets, net | 37,948,021 | 27,532,081 | 65,480,102 |
| Total Assets | 93,552,918 | 52,757,634 | 146,310,552 |
| LIABILITIES | | | |
| Accounts payable | 1,114,739 | 532,129 | 1,646,868 |
| Accrued wages and benefits | 654,322 | 66,973 | 721,295 |
| Deposits | 504,079 | 93,419 | 597,498 |
| Unearned revenue | 180,501 | 327,615 | 508,116 |
| Claims payable due within one year (Note 15) | 80,000 | | 80,000 |
| Accrued interest | | 92,194 | 92,194 |
| Accrued compensated absences (Note 1H) | | | |
| Due within one year | 75,000 | 25,000 | 100,000 |
| Due in more than one year | 1,456,910 | 174,976 | 1,631,886 |
| Long-term debt (Notes 7 and 8) | | | |
| Due within one year | 550,000 | 907,118 | 1,457,118 |
| Due in more than one year | 23,365,000 | 13,912,489 | 37,277,489 |
| Total Liabilities | 27,980,551 | 16,131,913 | 44,112,464 |
| NET POSITION (Note 10) | | | |
| Net investment in capital assets | 45,011,693 | 21,503,114 | 66,514,807 |
| Restricted for: | | | |
| Capital projects | 14,121,135 | | 14,121,135 |
| Debt service | 1,500,985 | 1,211,780 | 2,712,765 |
| Special revenue projects | 1,286,442 | 5,905,086 | 7,191,528 |
| Total Restricted Net Position | 16,908,562 | 7,116,866 | 24,025,428 |
| Unrestricted | 3,652,112 | 8,005,741 | 11,657,853 |
| Total Net Position | \$65,572,367 | \$36,625,721 | \$102,198,088 |

See accompanying notes to financial statements

CITY OF MARTINEZ
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

| 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 | \$1,628,907 | \$37,921 | | \$52,813 | (\$1,538,173) | (\$1,538,173) |
| Administrative services | 1,000,933 | 3,511 | \$10,381 | | (987,041) | (987,041) |
| Public works | 3,975,144 | 848,572 | 875 | 325,260 | (2,800,437) | (2,800,437) |
| Community & economic development | 5,887,738 | 1,143,313 | 1,871,607 | 2,504,233 | (368,585) | (368,585) |
| Police | 10,932,911 | 358,692 | 590,073 | | (9,984,146) | (9,984,146) |
| Interest on long-term debt | 1,106,817 | | | | (1,106,817) | (1,106,817) |
| Total Governmental Activities | 24,532,450 | 2,392,009 | 2,472,936 | 2,882,306 | (16,785,199) | (16,785,199) |
| Business-type Activities: | | | | | | |
| Water system | 10,854,257 | 11,244,347 | | | \$390,090 | 390,090 |
| Marina services | 707,155 | 143,244 | 318,943 | | (244,968) | (244,968) |
| Parking services | 232,110 | 367,904 | | | 135,794 | 135,794 |
| Total Business-type Activities | 11,793,522 | 11,755,495 | 318,943 | | 280,916 | 280,916 |
| Total | \$36,325,972 | \$14,147,504 | \$2,791,879 | \$2,882,306 | (16,785,199) | 280,916 |
| General revenues: | | | | | | |
| Property taxes | | | | | 6,154,962 | 6,154,962 |
| Sales taxes | | | | | 3,544,810 | 3,544,810 |
| VLF Property Tax Swap | | | | | 2,428,253 | 2,428,253 |
| Franchise fees | | | | | 1,468,924 | 1,468,924 |
| Other taxes | | | | | 2,779,809 | 70,237 |
| Intergovernmental, unrestricted | | | | | 72,276 | 72,276 |
| Investment earnings | | | | | 74,686 | 45,531 |
| Miscellaneous | | | | | 775,704 | 775,704 |
| Transfers | | | | | (723,849) | 723,849 |
| Total general revenues and transfers | | | | | 16,575,575 | 839,617 |
| Change in Net Position | | | | | (209,624) | 1,120,533 |
| Net Position-Beginning, (as restated) (Note 10E) | | | | | 65,781,991 | 35,505,188 |
| Net Position-Ending | | | | | \$65,572,367 | \$36,625,721 |

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 2013. 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, 2013

| | General | Measure H | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|---------------------|-------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and investments (Note 3) | | | | | |
| Available for operations | \$7,816,042 | | \$2,808,945 | \$3,459,995 | \$14,084,982 |
| Restricted | | \$11,885,608 | | 1,414,638 | 13,300,246 |
| Receivables: | | | | | |
| Accounts | 429,096 | | 325,960 | 14,134 | 769,190 |
| Intergovernmental | 497,193 | | 602,131 | 608,091 | 1,707,415 |
| Interest | 19,396 | 7,013 | | 20 | 26,429 |
| Loans receivable (Note 5) | 195,591 | | 262,010 | | 457,601 |
| Prepays and inventory (Note 11) | 39,617 | | | | 39,617 |
| Advances to other funds (Note 4B) | 35,473 | | | | 35,473 |
| | <u>\$9,032,408</u> | <u>\$11,892,621</u> | <u>\$3,999,046</u> | <u>\$5,496,878</u> | <u>\$30,420,953</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$474,493 | \$358,044 | \$179,505 | \$63,769 | \$1,075,811 |
| Accrued wages and benefits | 638,776 | | | 3,133 | 641,909 |
| Claims payable (Note 15) | 80,000 | | | | 80,000 |
| Deposits | 483,561 | | | 20,518 | 504,079 |
| Advance from other funds (Note 4B) | | | | 35,473 | 35,473 |
| | <u>1,676,830</u> | <u>358,044</u> | <u>179,505</u> | <u>122,893</u> | <u>2,337,272</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - miscellaneous receivables | 180,501 | | | 35,473 | 215,974 |
| Unavailable revenue - grants | | | 325,260 | | 325,260 |
| Unavailable revenue - loans receivable | 195,591 | | 262,010 | | 457,601 |
| | <u>2,052,922</u> | <u>358,044</u> | <u>766,775</u> | <u>158,366</u> | <u>3,336,107</u> |
| FUND BALANCES | | | | | |
| Fund balance (Note 10) | | | | | |
| Nonspendable | 75,090 | | | | 75,090 |
| Restricted | | 11,534,577 | 1,250,684 | 5,373,985 | 18,159,246 |
| Assigned | 1,633,745 | | 1,981,587 | | 3,615,332 |
| Unassigned | 5,270,651 | | | (35,473) | 5,235,178 |
| | <u>6,979,486</u> | <u>11,534,577</u> | <u>3,232,271</u> | <u>5,338,512</u> | <u>27,084,846</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$9,032,408</u> | <u>\$11,892,621</u> | <u>\$3,999,046</u> | <u>\$5,496,878</u> | <u>\$30,420,953</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, 2013

Total fund balances reported on the governmental funds balance sheet \$27,084,846

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:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and
 therefore are not reported in the Governmental Funds. 55,898,480

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

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.

| | |
|------------------------------|-----------|
| Cash and investments | 1,826,941 |
| Internal balances | 43,412 |
| Capital assets | 1,142,605 |
| Accounts payable | (38,928) |
| Accrued liabilities | (12,413) |
| Accrued compensated absences | (54,575) |

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently
 are taken into revenue in the Statement of Activities. 818,334

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not
 reported in the Funds:

| | |
|---|--------------|
| Long-term debt | (23,915,000) |
| Non-current portion of compensated absences | (1,477,335) |
| Net OPEB asset | 4,256,000 |

NET POSITION OF GOVERNMENTAL ACTIVITIES \$65,572,367

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, 2013

| | General | Measure H | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|---------------------|-------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Taxes | \$16,376,758 | | | | \$16,376,758 |
| Special assessments | | | | \$2,103,941 | 2,103,941 |
| Licenses, permits, and fees | 684,713 | | \$388,899 | 133 | 1,073,745 |
| Intergovernmental | 528,459 | | 1,018,923 | 1,527,262 | 3,074,644 |
| Charges for services | 771,351 | | | | 771,351 |
| Fines and forfeits | 327,503 | | | 862 | 328,365 |
| Use of money and property | 87,400 | \$36,531 | 3,286 | 9,710 | 136,927 |
| Miscellaneous | 527,684 | | | 312,841 | 840,525 |
| Total Revenues | 19,303,868 | 36,531 | 1,411,108 | 3,954,749 | 24,706,256 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,232,407 | | | | 1,232,407 |
| Nondepartmental services | 1,248,093 | | | | 1,248,093 |
| Administrative services | 743,661 | | | 170,225 | 913,886 |
| Public works | 3,764,743 | | | | 3,764,743 |
| Community & economic development | 2,093,174 | 8,081 | 716,352 | 924,165 | 3,741,772 |
| Police | 9,911,223 | | | 152,888 | 10,064,111 |
| Debt service (Note 7): | | | | | |
| Principal | | | | 885,000 | 885,000 |
| Interest and fiscal charges | | | | 1,106,817 | 1,106,817 |
| Capital outlay | | 1,032,389 | 1,065,468 | 626,926 | 2,724,783 |
| Total Expenditures | 18,993,301 | 1,040,470 | 1,781,820 | 3,866,021 | 25,681,612 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 310,567 | (1,003,939) | (370,712) | 88,728 | (975,356) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in (Note 4A) | | | 514,282 | 15,460 | 529,742 |
| Transfers (out) (Note 4A) | (860,849) | | | (392,742) | (1,253,591) |
| Total Other Financing Sources (Uses) | (860,849) | | 514,282 | (377,282) | (723,849) |
| NET CHANGE IN FUND BALANCES | (550,282) | (1,003,939) | 143,570 | (288,554) | (1,699,205) |
| BEGINNING FUND BALANCES | 7,529,768 | 12,538,516 | 3,088,701 | 5,627,066 | 28,784,051 |
| ENDING FUND BALANCES | \$6,979,486 | \$11,534,577 | \$3,232,271 | \$5,338,512 | \$27,084,846 |

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, 2013

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 (\$1,699,205)

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 | 2,724,783 |
| Net retirements are deducted from the fund balance | (218) |
| Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$236,815 which has already been allocated to serviced funds) | (2,183,491) |

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 | 885,000 |
|--|---------|

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):

| | |
|----------------------|----------|
| Deferred revenue | 303,006 |
| Compensated absences | (29,743) |
| Net OPEB asset | 32,000 |

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 | <u>(241,756)</u> |
|---|------------------|

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (\$209,624)

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, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|----------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Taxes | \$16,207,348 | \$16,207,348 | \$16,376,758 | \$169,410 |
| Licenses, permits, and fees | 473,765 | 520,015 | 684,713 | 164,698 |
| Intergovernmental | 590,036 | 475,036 | 528,459 | 53,423 |
| Charges for services | 552,881 | 707,581 | 771,351 | 63,770 |
| Fines and forfeits | 379,252 | 315,729 | 327,503 | 11,774 |
| Use of money and property | 124,736 | 124,736 | 87,400 | (37,336) |
| Miscellaneous | 234,311 | 353,711 | 527,684 | 173,973 |
| Total Revenues | <u>18,562,329</u> | <u>18,704,156</u> | <u>19,303,868</u> | <u>599,712</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 1,172,706 | 1,260,082 | 1,232,407 | 27,675 |
| Nondepartmental services | 1,175,722 | 1,259,938 | 1,248,093 | 11,845 |
| Administrative services | 748,806 | 753,229 | 743,661 | 9,568 |
| Public works | 3,507,893 | 3,770,664 | 3,764,743 | 5,921 |
| Community & economic development | 1,964,655 | 2,174,925 | 2,093,174 | 81,751 |
| Police | 9,990,263 | 9,963,020 | 9,911,223 | 51,797 |
| Total Expenditures | <u>18,560,045</u> | <u>19,181,858</u> | <u>18,993,301</u> | <u>188,557</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>2,284</u> | <u>(477,702)</u> | <u>310,567</u> | <u>788,269</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (out) (Note 4A) | | (860,849) | (860,849) | |
| Total other financing sources (uses) | | <u>(860,849)</u> | <u>(860,849)</u> | |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | <u>\$2,284</u> | <u>(\$1,338,551)</u> | <u>(550,282)</u> | <u>\$788,269</u> |
| BEGINNING FUND BALANCE | | | <u>7,529,768</u> | |
| ENDING FUND BALANCE | | | <u>\$6,979,486</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 2013.

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, 2013

| | 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 | \$14,018,533 | \$187,057 | \$1,139,823 | \$15,345,413 | \$1,826,941 |
| Restricted | 4,390,583 | | | 4,390,583 | |
| Receivables: | | | | | |
| Accounts and other | 1,630,962 | 2,564 | 2,700 | 1,636,226 | |
| Total Current Assets | <u>20,040,078</u> | <u>189,621</u> | <u>1,142,523</u> | <u>21,372,222</u> | <u>1,826,941</u> |
| Capital Assets (Note 6) | | | | | |
| Land | 630,912 | 32,532 | 234,077 | 897,521 | |
| Buildings | 15,793,743 | 308,594 | | 16,102,337 | |
| Improvements | 150,584 | | 245,122 | 395,706 | |
| Equipment | 1,347,994 | | 544,163 | 1,892,157 | 3,962,476 |
| Infrastructure | 88,276,473 | | 23,500 | 88,299,973 | |
| Less: Accumulated depreciation | <u>(78,169,099)</u> | <u>(265,244)</u> | <u>(723,749)</u> | <u>(79,158,092)</u> | <u>(2,819,871)</u> |
| | 28,030,607 | 75,882 | 323,113 | 28,429,602 | 1,142,605 |
| Construction in progress (Note 6) | <u>2,976,302</u> | | | <u>2,976,302</u> | |
| Net Capital Assets | 31,006,909 | 75,882 | 323,113 | 31,405,904 | 1,142,605 |
| Other Non-Current Assets: | | | | | |
| Loan receivable (Note 5) | <u>22,920</u> | | | <u>22,920</u> | |
| Total Non-Current Assets | <u>31,029,829</u> | <u>75,882</u> | <u>323,113</u> | <u>31,428,824</u> | <u>1,142,605</u> |
| Total Assets | <u>51,069,907</u> | <u>265,503</u> | <u>1,465,636</u> | <u>52,801,046</u> | <u>2,969,546</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 505,703 | 24,997 | 1,429 | 532,129 | 38,928 |
| Accrued liabilities | 64,293 | | 2,680 | 66,973 | 12,413 |
| Unearned revenue | 1,436 | 326,179 | | 327,615 | |
| Deposits | 46,552 | 46,867 | | 93,419 | |
| Accrued interest | 28,623 | 63,571 | | 92,194 | |
| Current portion of compensated absences (Note 1H) | 25,000 | | | 25,000 | |
| Current portion of long-term debt (Note 7) | 820,000 | | | 820,000 | |
| Current portion of loans payable (Note 8) | | <u>87,118</u> | | <u>87,118</u> | |
| Total Current Liabilities | <u>1,491,607</u> | <u>548,732</u> | <u>4,109</u> | <u>2,044,448</u> | <u>51,341</u> |
| Noncurrent Liabilities: | | | | | |
| Accrued compensated absences (Note 1H) | 172,606 | | 2,370 | 174,976 | 54,575 |
| Long-term debt (Note 7) | 9,827,884 | | | 9,827,884 | |
| Loans payable (Note 8) | | <u>4,084,605</u> | | <u>4,084,605</u> | |
| Total Liabilities | <u>11,492,097</u> | <u>4,633,337</u> | <u>6,479</u> | <u>16,131,913</u> | <u>105,916</u> |
| NET POSITION (Note 10) | | | | | |
| Net investment in capital assets | 23,537,828 | (2,357,827) | 323,113 | 21,503,114 | 1,142,605 |
| Restricted for debt service | 1,211,780 | | | 1,211,780 | |
| Restricted for capital projects | 5,780,086 | | 125,000 | 5,905,086 | |
| Unrestricted | <u>9,048,116</u> | <u>(2,010,007)</u> | <u>1,011,044</u> | <u>8,049,153</u> | <u>1,721,025</u> |
| Total Net Position (Deficit) | <u>\$39,577,810</u> | <u>(\$4,367,834)</u> | <u>\$1,459,157</u> | <u>36,669,133</u> | <u>\$2,863,630</u> |
| Some amounts reported for <i>business-type activities</i> in the Statement of Net Position are different because certain internal service fund assets and liabilities are included with business-type activities. | | | | <u>(43,412)</u> | |
| Net position business-type activities | | | | <u>\$36,625,721</u> | |

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, 2013

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities- Internal Service Funds |
|--|---|-----------------|---------------------|--------------|--|
| | Water System | Marina Services | Parking Services | Totals | |
| OPERATING REVENUES | | | | | |
| Water sales | \$10,688,120 | | | \$10,688,120 | |
| Rents and leases | 28,924 | \$140,244 | | 169,168 | |
| Charges for services | 490,390 | | \$355,652 | 846,042 | \$1,250,806 |
| Other fees | 856 | | | 856 | |
| Contribution | | 318,943 | | 318,943 | |
| Other revenue | 36,057 | 3,000 | 12,252 | 51,309 | 2,164 |
| Total Operating Revenues | 11,244,347 | 462,187 | 367,904 | 12,074,438 | 1,252,970 |
| OPERATING EXPENSES | | | | | |
| Filtration plant | 4,822,559 | | | 4,822,559 | |
| Maintenance, repairs, and distribution | 2,014,654 | 324,621 | | 2,339,275 | 1,269,284 |
| Administration | 1,832,931 | 242,251 | 225,111 | 2,300,293 | |
| Depreciation and amortization | 1,888,290 | 45,272 | 8,042 | 1,941,604 | 236,815 |
| Total Operating Expenses | 10,558,434 | 612,144 | 233,153 | 11,403,731 | 1,506,099 |
| Operating Income (loss) | 685,913 | (149,957) | 134,751 | 670,707 | (253,129) |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Interest income | 42,455 | 884 | 2,192 | 45,531 | 5,470 |
| Interest (expense) | (305,069) | (95,011) | | (400,080) | |
| Gain on disposal of equipment | | | | | 16,192 |
| Taxes | | 12,891 | 57,346 | 70,237 | |
| Total Nonoperating Revenues (Expenses) | (262,614) | (81,236) | 59,538 | (284,312) | 21,662 |
| Income ((loss) before transfers | 423,299 | (231,193) | 194,289 | 386,395 | (231,467) |
| Transfers in (Note 4A) | | 723,849 | | 723,849 | |
| Change in net position | 423,299 | 492,656 | 194,289 | 1,110,244 | (231,467) |
| BEGINNING NET POSITION (DEFICIT)(as restated)(Note 10E) | 39,154,511 | (4,860,490) | 1,264,868 | | 3,095,097 |
| ENDING NET POSITION (DEFICIT) | \$39,577,810 | (\$4,367,834) | \$1,459,157 | | \$2,863,630 |
| Some amounts reported for <i>business-type activities</i> 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 | | | | 10,289 | |
| Change in net position of business-type activities | | | | \$1,120,533 | |

See accompanying notes to financial statements

CITY OF MARTINEZ
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2013

| | 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 | \$11,037,882 | \$134,047 | \$352,952 | \$11,524,881 | \$1,255,270 |
| Payments to suppliers | (6,919,667) | (570,766) | (149,578) | (7,640,011) | (1,237,780) |
| Payments to employees | (2,124,782) | | (84,988) | (2,209,770) | (401,489) |
| Rent and lease payments received | 36,057 | | 12,252 | 48,309 | |
| Cash Flows from Operating Activities | 2,029,490 | (436,719) | 130,638 | 1,723,409 | (383,999) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Taxes received | | 12,891 | 57,346 | 70,237 | |
| Borrowings of Advances to other funds | | (473,849) | | (473,849) | |
| Transfers in | | 723,849 | | 723,849 | |
| Cash Flows from Noncapital Financing Activities | | 262,891 | 57,346 | 320,237 | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Acquisition of capital assets | (720,215) | | | (720,215) | (164,994) |
| Proceeds from sale of equipment | | | | | 16,192 |
| Principal payments on capital debt | (842,250) | | | (842,250) | |
| Interest paid | (306,838) | (71,269) | | (378,107) | |
| Cash Flows from Capital and Related Financing Activities | (1,869,303) | (71,269) | | (1,940,572) | (148,802) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest | 42,455 | 884 | 2,192 | 45,531 | 5,470 |
| Cash Flows from Investing Activities | 42,455 | 884 | 2,192 | 45,531 | 5,470 |
| Net Cash Flows | 202,642 | (244,213) | 190,176 | 148,605 | (527,331) |
| Cash and investments at beginning of period | 18,206,474 | 431,270 | 949,647 | 19,587,391 | 2,354,272 |
| Cash and investments at end of period | <u>\$18,409,116</u> | <u>\$187,057</u> | <u>\$1,139,823</u> | <u>\$19,735,996</u> | <u>\$1,826,941</u> |
| Reconciliation of Operating Income to Cash Flows from Operating Activities: | | | | | |
| Operating income (loss) | \$685,913 | (\$149,957) | \$134,751 | \$670,707 | (\$253,129) |
| Adjustments to reconcile operating income (loss) to cash flows from operating activities: | | | | | |
| Depreciation and amortization | 1,888,290 | 45,272 | 8,042 | 1,941,604 | 236,815 |
| Change in assets and liabilities: | | | | | |
| Accounts receivable | (170,764) | (833) | (2,700) | (174,297) | 2,300 |
| Accounts payable and other liabilities | (328,255) | (3,896) | (6,153) | (338,304) | (365,141) |
| Deposits | 227 | 2 | | 229 | |
| Accrued vacation and other fringe benefits | (46,277) | | (3,302) | (49,579) | 1,919 |
| Accrued wages and benefits | | | | | (6,763) |
| Unearned revenue | 356 | (327,307) | | (326,951) | |
| Cash Flows from Operating Activities | \$2,029,490 | (\$436,719) | \$130,638 | \$1,723,409 | (\$383,999) |

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, 2013

| | <u>Trust Fund</u> | <u>Agency Funds</u> |
|---|-------------------------|-------------------------|
| ASSETS | | |
| Restricted cash and investments (Note 3) | <u>\$126,008</u> | <u>\$392,772</u> |
| Total Assets | <u><u>\$126,008</u></u> | <u><u>\$392,772</u></u> |
| LIABILITIES | | |
| Accounts payable | \$1,298 | \$8,737 |
| Due to bondholders | | 209,185 |
| Due to members | | <u>174,850</u> |
| Total Liabilities | <u>1,298</u> | <u><u>\$392,772</u></u> |
| NET POSITION | | |
| Restricted for private purpose activities | <u>124,710</u> | |
| Total Net Position | <u><u>\$124,710</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, 2013

| | Trust Fund |
|---------------------------------|---------------|
| ADDITIONS: | |
| Donations | \$14,599 |
| Interest | 212 |
| Total Additions | 14,811 |
| DEDUCTIONS: | |
| Supplies | 900 |
| Beneficiary payments | 1,347 |
| Improvements | 14,033 |
| Total Deductions | 16,280 |
| CHANGE IN NET POSITION | (1,469) |
| NET POSITION, BEGINNING OF YEAR | 126,179 |
| NET POSITION, END OF YEAR | \$124,710 |

See accompanying notes to financial statements

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CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 2013

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, liabilities, 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, 2013

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, 2013

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 will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category this fiscal year.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position will sometimes report 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. 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, grants and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 Assets.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes of the compensated absences during the fiscal year ended June 30, 2013 were as follows:

| | Governmental Activities | Business-Type Activities | Total |
|-------------------|----------------------------|-----------------------------|--------------------|
| Beginning Balance | \$1,500,248 | \$249,555 | \$1,749,803 |
| Additions | 1,042,453 | 132,765 | 1,175,218 |
| Payments | (1,010,791) | (182,344) | (1,193,135) |
| Ending Balance | <u>\$1,531,910</u> | <u>\$199,976</u> | <u>\$1,731,886</u> |
| Current Portion | <u>\$75,000</u> | <u>\$25,000</u> | <u>\$100,000</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.

K. *Closed and Renamed Funds*

The Proposition 1B Special Revenue Fund was closed as of June 30, 2013. In addition, the 2009 Debt Service Fund was renamed to the Measure H Debt Service Fund as of June 30, 2013.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

The City adopts a biennial budget for the General Fund and all Special Revenue Funds, 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, 2013

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 | \$31,257,336 |
| Restricted cash and investments | <u>17,690,829</u> |
| Total Primary Government cash and investments | 48,948,165 |
| | |
| Restricted cash and investments in Fiduciary Funds (separate statement) | <u>518,780</u> |
| Total cash and investments | <u><u>\$49,466,945</u></u> |

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, 2013

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, 2013

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 | 25 to 36 Months | More than 36 Months | Total |
|---|----------------------|--------------------|------------------------|---------------------|
| California Local Agency Investment Fund | \$44,290,387 | | | \$44,290,387 |
| Money market funds | 4,702 | | | 4,702 |
| Certificates of deposit | 245,000 | \$330,000 | \$480,000 | 1,055,000 |
| Total Investments | <u>44,540,089</u> | <u>330,000</u> | <u>480,000</u> | 45,350,089 |
| Cash in banks and on hand | | | | <u>4,116,856</u> |
| Total Cash and Investments | | | | <u>\$49,466,945</u> |

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, 2013, these investments have an average maturity of 278 days and were not rated.

Money Market mutual funds are available for withdrawal on demand and at June 30, 2013, have an average maturity of 47 to 54 days. Money Market Mutual funds were rated AAAM by Standard and Poor's investment rating system.

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, 2013 were as follows:

| Fund Receiving Transfers | Fund Making Transfers | Amount Transferred |
|---------------------------------|---------------------------|----------------------------|
| Capital Improvements Fund | General Fund | \$125,000 A |
| Capital Improvements Fund | Non-Major Funds | 389,282 A |
| Non-Major Funds | General Fund | 12,000 B |
| Non-Major Funds | Non-Major Funds | 3,460 B |
| Marina Services Enterprise Fund | General Fund | <u>723,849 A, B</u> |
| | Total Interfund Transfers | <u>\$1,253,591</u> |

A: To fund capital projects

B: To fund operations

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

B. Long-Term Interfund Advances

In fiscal year 2004-2005 the General Fund made an advance to the Marina Services Enterprise Fund in the amount of \$225,000, to be repaid monthly until 2018. Annual interest at 4.96% is accrued on the unpaid balance.

In fiscal year 2005-2006 the General Fund made two additional advances to the Marina Services Enterprise Fund in the amount of \$82,000 and \$275,000. The \$82,000 advance is to be repaid at the same repayment terms as the original \$225,000 advance discussed above. As of June 30, 2013 its balance was \$0, as the City liquidated the remaining \$52,176 owed by the Marina Services Fund. The second advance for \$275,000 is to be repaid over the next 45 years. Annual interest at 4.53% is accrued on the unpaid balance.

In fiscal year 2007-08 the General Fund made an advance to the Marina Services Enterprise Fund in the amount of \$110,000, to be repaid monthly until 2023 at an interest rate of 3.11%. The project was completed under budget and \$67,408 of the loan was unused and returned to the General Fund.

During the fiscal year ended June 30, 2013, it was determined that the Marina Services Enterprise Fund would never be able to repay the long-term interfund advances to the General Fund due to the Marina Services Fund's ongoing deficit and going concern issues as discussed in Note 8, therefore the loans were forgiven.

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, 2013, the balance was \$35,473.

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.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 5 – LOAN RECEIVABLE AND DEFERRED 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, 2013 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 17 teachers. Without the City's assistance the District would not have been able to maintain classroom 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 repayment which terminates on July 27, 2014. It is anticipated that the Fee for Service and Joint Facilities Agreement shall provide the City an amount equal to the \$500,000 over the five years. As of June 30, 2013 the MUSD owed the City \$195,591.

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, 2013

NOTE 6 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital asset activities for the year ended June 30, 2013 comprise:

| | Balance at June 30, 2012 | Additions | Retirements | Transfers | Balance at June 30, 2013 |
|--|--|----------------------|--------------------|--------------------|-----------------------------|
| Governmental activities | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$16,055,114 | | | | \$16,055,114 |
| Construction in progress | 4,378,823 | \$2,109,369 | (\$218) | (\$3,450,024) | 3,037,950 |
| Total capital assets not being depreciated | <u>20,433,937</u> | <u>2,109,369</u> | <u>(218)</u> | <u>(3,450,024)</u> | <u>19,093,064</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 12,281,673 | 176,897 | | | 12,458,570 |
| Improvements | 36,920 | | | | 36,920 |
| Equipment | 6,143,524 | 217,579 | (134,768) | 439,044 | 6,665,379 |
| Infrastructure | 52,555,857 | 385,935 | | 3,010,980 | 55,952,772 |
| Total capital assets being depreciated | <u>71,017,974</u> | <u>780,411</u> | <u>(134,768)</u> | <u>3,450,024</u> | <u>75,113,641</u> |
| Less accumulated depreciation: | | | | | |
| Buildings | (2,674,474) | (350,022) | | | (3,024,496) |
| Improvements | (3,693) | (1,231) | | | (4,924) |
| Equipment | (3,875,084) | (462,253) | 134,768 | | (4,202,569) |
| Infrastructure | (28,326,828) | (1,606,803) | | | (29,933,631) |
| Total accumulated depreciation | <u>(34,880,079)</u> | <u>(2,420,309)</u> | <u>134,768</u> | | <u>(37,165,620)</u> |
| Net capital assets being depreciated | <u>36,137,895</u> | <u>(1,639,898)</u> | | <u>3,450,024</u> | <u>37,948,021</u> |
| Governmental activities capital assets, net | <u>\$56,571,832</u> | <u>\$469,471</u> | <u>(\$218)</u> | | <u>\$57,041,085</u> |
| | Balance at June 30, 2012 (As Restated) See Note 10E | Additions | Retirements | Transfers | Balance at June 30, 2013 |
| Business-type activities | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$897,521 | | | | \$897,521 |
| Construction in progress | 2,256,087 | \$836,443 | (\$116,228) | | 2,976,302 |
| Total capital assets not being depreciated | <u>3,153,608</u> | <u>836,443</u> | <u>(116,228)</u> | | <u>3,873,823</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 16,102,337 | | | | 16,102,337 |
| Improvements | 395,706 | | | | 395,706 |
| Equipment | 1,892,157 | | | | 1,892,157 |
| Infrastructure | 88,299,973 | | | | 88,299,973 |
| Net capital assets being depreciated | <u>106,690,173</u> | | | | <u>106,690,173</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (8,918,898) | (473,879) | | | (9,392,777) |
| Improvements | (234,644) | (15,759) | | | (250,403) |
| Equipment | (1,668,755) | (29,390) | | | (1,698,145) |
| Infrastructure | (66,394,191) | (1,422,576) | | | (67,816,767) |
| Total accumulated depreciation | <u>(77,216,488)</u> | <u>(1,941,604)</u> | | | <u>(79,158,092)</u> |
| Net capital assets being depreciated | <u>29,473,685</u> | <u>(1,941,604)</u> | | | <u>27,532,081</u> |
| Business-type activities capital assets, net | <u>\$32,627,293</u> | <u>(\$1,105,161)</u> | <u>(\$116,228)</u> | | <u>\$31,405,904</u> |

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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 | \$63,975 |
| Public Works | 1,020 |
| Community & Economic Development | 2,011,698 |
| Police | 106,801 |
| Capital assets held by the City's Internal Service Funds | 236,815 |
| Total Governmental Activities | <u><u>\$2,420,309</u></u> |
| <i>Business-Type Activities</i> | |
| Water System | \$1,888,290 |
| Marina Services | 45,272 |
| Parking Services | 8,042 |
| Total Business-Type Activities | <u><u>\$1,941,604</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, 2013

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, 2012 | Retirements | Balance at June 30, 2013 | Current Portion |
|---|--------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|
| Governmental Activity Debt | | | | | |
| <i>General Long-Term Debt</i> | | | | | |
| 2003 Certificates of Participation | | | | | |
| Refinancing Project, 2-4%, due 12/01/13 | \$2,200,000 | \$500,000 | \$245,000 | \$255,000 | \$255,000 |
| 2009 General Obligation Bonds | | | | | |
| Election of 2008, Series A, 4-5.875%, due 2/01/39 | 15,000,000 | 14,300,000 | 160,000 | 14,140,000 | 5,000 |
| 2012 General Obligation Bonds | | | | | |
| Election of 2008, Series B, 4-5%, due 8/01/42 | 10,000,000 | <u>10,000,000</u> | <u>480,000</u> | <u>9,520,000</u> | <u>290,000</u> |
| Total governmental activity debt | | <u><u>\$24,800,000</u></u> | <u><u>\$885,000</u></u> | <u><u>\$23,915,000</u></u> | <u><u>\$550,000</u></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 | \$2,780,000 | \$355,000 | \$2,425,000 | \$370,000 |
| 2012 Refunding Water System Improvements, 2-4%, due 12/01/26 | 8,025,000 | 8,025,000 | 440,000 | 7,585,000 | 450,000 |
| Plus: Unamortized Bond Premium | 696,947 | <u>685,134</u> | <u>47,250</u> | <u>637,884</u> | |
| Total business-type activity debt | | <u><u>\$11,490,134</u></u> | <u><u>\$842,250</u></u> | <u><u>\$10,647,884</u></u> | <u><u>\$820,000</u></u> |

B. 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 governmental and business type portions of the bonds is \$2,976,909. The City's principal and interest paid for the current year both the governmental and business type portions of the bonds is \$712,370.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 7 – LONG TERM DEBT (Continued)

C. 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 \$23,660,000 and \$24,575,251 respectively. Principal and interest paid for the current fiscal year and total Ad Valorem Property Tax Revenues were \$1,730,664 and \$1,485,310, respectively.

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 \$9,690,175. The City's principal and interest paid for the current fiscal year is \$695,250.

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 2003 the bonds are expected to require less than 14.06 percent and 3.91 percent of net water revenues. Annual principal and interest payments on the 2012 bonds are expected to require less than 17.42 percent and 10.11 percent of net water revenues. The Water Fund's total principal and interest remaining to be paid on the bonds is \$12,407,462. The Water Fund's principal and interest paid for the current year and total customer net revenues were \$1,149,089 and \$2,525,205 respectively. The City is in compliance with its debt covenants for the year ended June 30, 2013.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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 |
| 2014 | \$550,000 | \$1,151,484 | \$820,000 | \$332,270 |
| 2015 | 310,000 | 1,134,762 | 835,000 | 309,484 |
| 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 - 2023 | 1,220,000 | 5,459,091 | 3,130,000 | 773,900 |
| 2024 - 2028 | 2,345,000 | 5,076,157 | 2,560,000 | 209,800 |
| 2029 - 2033 | 3,920,000 | 4,319,120 | | |
| 2034 - 2038 | 6,080,000 | 3,050,370 | | |
| 2039 - 2043 | 9,110,000 | 1,024,603 | | |
| Total | <u>\$23,915,000</u> | <u>\$24,579,873</u> | 10,010,000 | <u>\$2,397,462</u> |
| Plus: Unamortized Bond Premium | | | <u>637,884</u> | |
| Gross Long-term debt | | | <u>\$10,647,884</u> | |

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, 2013.

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, 2013.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 8 – LOANS PAYABLE TO STATE OF CALIFORNIA

At June 30, 2013, the Marina Services Fund owed \$4,171,723 in loans to the State. The City made an interest payment of \$71,267 to the Department of Boating and Waterways in fiscal 2013 to cover current year interest accrued on the unpaid loan balances.

A. Current Year Transactions and Balances

| | <u>Original Issue Amount</u> | <u>Balance at June 30, 2012</u> | <u>Additions</u> | <u>Balance at June 30, 2013</u> | <u>Current Portion</u> |
|---------------------------|----------------------------------|-------------------------------------|------------------|-------------------------------------|----------------------------|
| Marina Loans | | | | | |
| Loan Payable - 1964 | \$1,300,000 | \$850,000 | | \$850,000 | |
| Accrued interest | | 1,712,515 | \$25,499 | 1,738,014 | |
| Loan Payable - 1973 | 450,000 | 251,136 | | 251,136 | \$24,712 |
| Loan Payable - 1978 | 175,000 | 131,574 | | 131,574 | 10,021 |
| Loan Payable - 1982 | 300,000 | 323,922 | | 323,922 | 17,018 |
| Loan Payable - 1984 | 750,000 | <u>877,077</u> | | <u>877,077</u> | <u>35,367</u> |
| Total Marina Loans | | <u>\$4,146,224</u> | | <u>\$4,171,723</u> | <u>\$87,118</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, 2013, the amount payable to the State including interest amounted to \$2,588,014.

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, 2013

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, 2013, 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, 2013 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, 2013

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, 2013, 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, 2013, 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 \$42,599 of the principal portion of the debt service payments for the loans that were due on August 1, 2012. The State has assessed a late penalty fee of 5% of the unpaid balances. See discussion in Note 10E.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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

H. Debt Service Requirements

| For the Year Ending June 30 | Marina Activities | |
|--------------------------------|--------------------|------------------|
| | Principal | Interest |
| 2014 | \$87,118 | \$69,347 |
| 2015 | 46,522 | 67,344 |
| 2016 | 48,616 | 65,250 |
| 2017 | 50,803 | 63,063 |
| 2018 | 53,090 | 60,776 |
| 2019 - 2023 | 303,505 | 265,825 |
| 2024 - 2028 | 354,821 | 191,109 |
| 2029 - 2033 | 303,639 | 116,249 |
| 2034 - 2038 | 281,243 | 48,260 |
| 2039 | 54,352 | 2,444 |
| Total | 1,583,709 | <u>\$949,667</u> |
| Plus: Marina Loan 1964 | 850,000 | |
| Plus: Accrued interest | <u>1,738,014</u> | |
| Total | <u>\$4,171,723</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, 2013, the District's outstanding debt amounted to \$575,000.

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, 2013 was \$2,190,000.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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 Assets 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.

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, 2013, the City does not have committed fund balance.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

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.

Detailed classifications of the City’s Fund Balances, as of June 30, 2013, are below:

| Fund Balance Classifications | General Fund | Special Revenue Measure H | Capital Project Capital Improvements | Other Governmental Funds | Total |
|---------------------------------------|---------------------|--------------------------------------|---|-------------------------------------|---------------------|
| Nonspendable: | | | | | |
| Advance to Other Funds | \$35,473 | | | | \$35,473 |
| Inventory and prepaids | 39,617 | | | | 39,617 |
| Total Nonspendable Fund | 75,090 | | | | 75,090 |
| Restricted for: | | | | | |
| Debt Service | | | | \$1,500,985 | 1,500,985 |
| Grants | | | | | |
| Park & Facilities Improvements | | \$11,534,577 | | | 11,534,577 |
| Street Improvements | | | | 2,920,271 | 2,920,271 |
| Recycle | | | | 20,235 | 20,235 |
| PEG Access | | | | 423,591 | 423,591 |
| Lighting & Landscape | | | | 246,571 | 246,571 |
| Traffic Mitigation | | | \$412,778 | | 412,778 |
| Park Impact | | | 372,772 | | 372,772 |
| Child Care | | | 107,476 | | 107,476 |
| Drainage | | | 105,927 | | 105,927 |
| Cultural Facilities | | | 232,180 | | 232,180 |
| Public Safety | | | 19,551 | 262,332 | 281,883 |
| Total Restricted Fund Balances | | 11,534,577 | 1,250,684 | 5,373,985 | 18,159,246 |
| Assigned to: | | | | | |
| Insurance | 582,425 | | | | 582,425 |
| Pension Obligation | 250,000 | | | | 250,000 |
| Improvements | 191,553 | | 1,981,587 | | 2,173,140 |
| Health Benefits | 360,363 | | | | 360,363 |
| Marina Improvements | 100,000 | | | | 100,000 |
| Rent at 636 Ward Street | 82,000 | | | | 82,000 |
| Professional Service Consultants | 26,211 | | | | 26,211 |
| Special Events | 33,449 | | | | 33,449 |
| SB1186 - Disability Access | 1,256 | | | | 1,256 |
| Seismic | 2,916 | | | | 2,916 |
| Supplies | 3,572 | | | | 3,572 |
| Total Assigned Fund Balances | 1,633,745 | | 1,981,587 | | 3,615,332 |
| Unassigned: | | | | | |
| General Fund | 5,293,681 | | | | 5,293,681 |
| Other Governmental Fund Deficit | | | | (35,473) | (35,473) |
| Total Unassigned Fund Balances | 5,293,681 | | | (35,473) | 5,258,208 |
| Total Fund Balances | \$7,002,516 | \$11,534,577 | \$3,232,271 | \$5,338,512 | \$27,107,876 |

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 2013, 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, 2013 the Alhambra Creek Improvements Capital Projects Fund had a deficit fund balance of \$35,473. 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 \$4,367,834 as of June 30, 2013 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 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, 2013, 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 assets 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, 2013

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

E. Restatements

Marina Services Enterprise Fund - During the current fiscal year the City determined real property in the amount of \$800,165 and improvements in the amount of \$1,672,642 were not considered to be City Assets that were recorded as capital assets with associated accumulated depreciation in the amount of \$217,443. In addition, the City also determined that land that had been granted to them in the past in the amount of \$32,532 was not recorded. The City restated the Marina Services Enterprise Fund in the amount of \$2,222,832 which is included in the Statement of Revenues, Expenses and Changes in Fund Net Position.

GASB 65 - With early implementation of Governmental Accounting Standards Board Statement 65, *Items Previously Reported as Assets and Liabilities*, the City has restated and eliminated the deferred bond issuance costs previously recognized. The net impact to the beginning balance of net position in the amount of \$724,084 is included in the Statement of Revenue, Expenses and Changes in Net Position in the Water System Enterprise Fund.

NOTE 11 – EMPLOYEES’ RETIREMENT SYSTEM

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City’s employees participate in the separate Safety (police), Miscellaneous (all other), and Miscellaneous Joint Facilities Agency Employee Plans. Benefit provisions under the Plans are established by State statute and City ordinance or resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The City’s labor contracts require it to pay employee contributions as well as its own. The Plans’ provisions and benefits in effect at June 30, 2013, are summarized as follows:

Safety Plan

| | <u>3 @ 50</u> | <u>3 @ 55</u> | <u>2.7 @ 57</u> |
|---------------------------------------|---------------------|---|--|
| Hire Date | Before July 1, 2012 | After July 1, 2012 for Classic Members* | After January 1, 2013 for non- classic members |
| Benefit Vesting Schedule | 5 years of service | 5 years of service | 5 years of service |
| Retirement Age Monthly Benefits | 50 | 50 | 50 |
| Monthly benefit as % of annual salary | 3% | 2.4% - 3% | 2.0% - 2.7% |
| EE contribution rate | 9% | 9% | 11.500% |
| ER contribution rate | 43.821% | 19.057% | 11.500% |

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 11 – EMPLOYEES’ RETIREMENT SYSTEM (Continued)

Miscellaneous

| | <u>2 @ 55</u> | <u>2 @ 60</u> | <u>2 @ 62</u> |
|---------------------------------------|---------------------|---|--|
| Hire Date | Before July 1, 2012 | After July 1, 2012 for Classic Members* | After January 1, 2013 for non- classic members |
| Benefit Vesting Schedule | 5 years of service | 5 years of service | 5 years of service |
| Retirement Age Monthly Benefits | 50 | 50 | 52 |
| Monthly benefit as % of annual salary | 1.426% - 2.418% | 1.092% - 2.418% | 1.000% - 2.500% |
| EE contribution rate | 7% | 7% | 6.250% |
| ER contribution rate | 10.238% | 7.846% | 6.250% |

Miscellaneous Joint Facilities

| | <u>2 @ 55</u> | <u>2 @ 60</u> | <u>2 @ 62</u> |
|---------------------------------------|---------------------|---|--|
| Hire Date | Before July 1, 2012 | After July 1, 2012 for Classic Members* | After January 1, 2013 for non- classic members |
| Benefit Vesting Schedule | 5 years of service | 5 years of service | 5 years of service |
| Retirement Age Monthly Benefits | 50 | 50 | 52 |
| Monthly benefit as % of annual salary | 1.426% - 2.418% | 1.092% - 2.418% | 1.000% - 2.500% |
| EE contribution rate | 7% | 7% | 6.250% |
| ER contribution rate | 10.238% | 7.846% | 6.250% |

*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.

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City’s total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee’s projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the last three fiscal years were as follows:

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 11 – EMPLOYEES’ RETIREMENT SYSTEM (Continued)

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|--|---------------------------------|-------------------------------------|------------------------------|
| <i>Safety Plan</i> | | | |
| June 30, 2011 | \$1,470,275 | 100% | \$0 |
| June 30, 2012 | 1,618,813 | 100% | 0 |
| June 30, 2013 | 1,539,780 | 100% | 0 |
| <i>Miscellaneous Plan</i> | | | |
| June 30, 2011 | \$23,453 | 100% | \$0 |
| June 30, 2012 | 26,259 | 100% | 0 |
| June 30, 2013 | 26,337 | 100% | 0 |
| <i>Miscellaneous Joint Facilities Agency</i> | | | |
| June 30, 2011 | \$761,593 | 100% | \$0 |
| June 30, 2012 | 690,701 | 100% | 0 |
| June 30, 2013 | 692,455 | 100% | 0 |

CALPERS uses the market related value method of valuing the Plan’s assets. An investment rate of return of 7.5% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

As required by State law, effective July 1, 2005, the City’s Safety, Miscellaneous and Miscellaneous Joint Facilities Agency Plans were terminated, and the employees in those plans were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the City true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. In March 2007, the City paid off the unfunded liability of the Miscellaneous Plan. In April 2011 the City satisfied its Miscellaneous Joint Facilities Agency Plan’s unfunded liability. For the Safety Plan, the City will satisfy its Plans’ unfunded liability by contributing to the Side Fund through an addition to its normal contribution rates over the next 9 years.

The schedule of funding progress 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. CALPERS’ latest actuarial value (which differs from market value) and funding progress for the State-wide pools are shown below:

Safety Plan:

| Valuation Date | Entry Age Accrued Liability | Actuarial | | | Annual Covered Payroll | Unfunded (Overfunded) Liability as % of Payroll |
|-------------------|-----------------------------------|--------------------|---------------------------------------|-----------------|------------------------------|--|
| | | Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | | |
| 2009 | \$9,721,675,347 | \$8,027,158,724 | \$1,694,516,623 | 82.6% | \$973,814,168 | 174.0% |
| 2010 | 10,165,475,166 | 8,470,235,152 | 1,695,240,014 | 83.3% | 955,980,815 | 177.3% |
| 2011 | 10,951,745,049 | 9,135,654,246 | 1,816,090,803 | 83.4% | 949,833,090 | 191.2% |

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 11 – EMPLOYEES’ RETIREMENT SYSTEM (Continued)

The City’s Safety Plan represents approximately 0.40%, 0.40%, and 0.36% of the State-wide pool for the years ended June 30, 2011, 2010, and 2009, respectively, based on covered payroll of \$3,765,849, \$3,802, 257, and \$3,467,818 for those years.

Miscellaneous Plan:

| Actuarial | | | | | | |
|----------------|-----------------------------------|--------------------|---------------------------------------|-----------------|------------------------------|--|
| Valuation Date | Entry Age Accrued Liability | Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) Liability as % of Payroll |
| 2009 | \$3,104,798,222 | \$2,758,511,101 | \$346,287,121 | 88.9% | \$742,981,488 | 46.6% |
| 2010 | 3,309,064,934 | 2,946,408,106 | 362,656,828 | 89.0% | 748,401,352 | 48.5% |
| 2011 | 3,619,835,876 | 3,203,214,899 | 416,620,977 | 88.5% | 759,263,518 | 54.9% |

The City’s Miscellaneous Plan represents approximately 0.03%, 0.03%, and 0.03% of the State-wide pool for the years ended June 30, 2011, 2010, and 2009, respectively, based on covered payroll of \$261,051, \$258,724, and \$250,061 for those years.

Miscellaneous Joint Facilities Agency Plan:

| Actuarial | | | | | | |
|----------------|-----------------------------------|--------------------|---------------------------------------|-----------------|------------------------------|--|
| Valuation Date | Entry Age Accrued Liability | Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) Liability as % of Payroll |
| 2009 | \$3,104,798,222 | \$2,758,511,101 | \$346,287,121 | 88.9% | \$742,981,488 | 46.6% |
| 2010 | 3,309,064,934 | 2,946,408,106 | 362,656,828 | 89.0% | 748,401,352 | 48.5% |
| 2011 | 3,619,835,876 | 3,203,214,899 | 416,620,977 | 88.5% | 759,263,518 | 54.9% |

The City’s Miscellaneous Joint Facilities Agency Plan represents approximately 0.95 %, 0.96%, and 0.95% of the State-wide pool for the years ended June 30, 2011, 2010, and 2009, respectively, based on covered payroll of \$7,227,796, \$7,160,574, and \$7,060,240 for those years.

Audited annual financial statements and ten-year statistical information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

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, 42 retirees meet the eligibility requirements and receive reimbursements.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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, 43 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, 2013, those costs totaled \$858,284.

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:

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-five 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 eighty 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:

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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 reimbursed the amount of the Kaiser premium in effect on January 1, 2007 plus eighty-five 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, 2013, approximately 86 plan participants were eligible to receive retirement health care benefits.

A. *Funding Policy and Actuarial Assumptions*

The annual required contribution (ARC) was determined as part of a June 30, 2012 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% and (d) 5%-9.4% 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.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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, 2013, the City contributed the ARC amounting to \$1,246,000 to the Plan which represented 11.6% of the \$10,735,000 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.

| | |
|--|---------------------------|
| Annual required contribution (ARC) | (\$1,246,000) |
| Interest on net OPEB asset | 289,000 |
| Adjustment to annual required contribution | <u>(257,000)</u> |
| Annual OPEB cost | <u>(1,214,000)</u> |
| Contributions made: | |
| City portion of current year premiums paid | 858,284 |
| Additional contributions to CERBT | <u>387,716</u> |
| Total contributions | <u>1,246,000</u> |
| Change in net OPEB asset | 32,000 |
| Net OPEB Asset at June 30, 2012 | <u>4,224,000</u> |
| Net OPEB Asset at June 30, 2013 | <u><u>\$4,256,000</u></u> |

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated June 30, 2011, amounted to \$15,734,000 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 \$7,257,908 as of June 30, 2013, which partially reduced the unfunded actuarial accrued liability. The Plan’s annual OPEB cost and actual contributions for fiscal years ended June 30, 2011, 2012 and 2013 are set forth below:

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

| Fiscal Year | Annual OPEB Cost | Actual Contribution | Percentage of OPEB Cost Contributed | Net OPEB (Obligation) Asset |
|---------------|---------------------|------------------------|---|-----------------------------------|
| June 30, 2011 | \$877,000 | \$934,000 | 106% | \$4,183,000 |
| June 30, 2012 | 1,138,000 | 1,179,000 | 104% | 4,224,000 |
| June 30, 2013 | 1,214,000 | 1,246,000 | 103% | 4,256,000 |

The Schedule of Funding Progress 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 actuarial studies 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, 2007 | \$0 | \$14,010,000 | \$14,010,000 | 0.00% | \$9,579,000 | 146.26% |
| July 1, 2009 | 3,566,000 | 13,633,000 | 10,067,000 | 26.16% | 10,088,000 | 99.79% |
| June 30, 2011 | 4,990,000 | 15,734,000 | 10,744,000 | 31.71% | 10,735,000 | 100.08% |

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. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 provided a two percentage point payroll tax cut for employees, reducing their Social Security tax withholdings rate from 6.2% to 4.2% of wages paid in calendar 2012. The rate was increased back to 6.2% for the calendar year 2013. This reduced Social Security withholding will have no effect on the employee's future Social Security benefits. Total contributions to Social Security during the year ended June 30, 2013 amounted to \$72,309 of which the City paid \$39,053.

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, 2013

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 (\$10,000) | \$29,000,000 |
| Employment Risk Management Authority (\$50,000) | 1,000,000 |
| Vehicle - Physical Damage (\$3,000 for police vehicles, \$2,000 for all others) | 250,000 |
| Workers' Compensation (no deductible) | Statutory Limits |
| All Risk Fire & Property (\$25,000) | 1,000,000,000 |
| Earthquake (5% - 10% per location, \$25,000 to \$100,000 minimum) | 6,892,678 |
| 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, 2013

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:

| | 2013 | 2012 |
|---|----------|----------|
| Beginning balance | \$80,000 | \$80,000 |
| Liability for current fiscal year claims | 48,884 | 43,063 |
| Increase (decrease) in liability for prior fiscal year claims and claims incurred but not reported (IBNR) | (20,504) | (16,592) |
| Claims paid | (28,380) | (26,471) |
| 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.

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, 2013 were as listed below:

| Governmental funds: | Amount |
|--------------------------------|-------------|
| General Fund | \$29,783 |
| Measure H Special Revenue Fund | 3,878,447 |
| Capital Improvements | 365,360 |
| Other Governmental Funds | 3,556 |
| Total | \$4,277,146 |

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.

Proposition 1B Fund

This fund accounts for the 2006 voter approved Proposition 1B funds to be used for street improvements, including pavement rehabilitation projects.

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 FUNDS

2003 Debt Service Fund

To account for the accumulation of resources for, and the payment of long-term debt principal, interest and related costs for the 2003 Certificates of Participation (other than those paid for by Proprietary Funds).

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, 2013

| | SPECIAL REVENUE FUNDS | | | | |
|--|-----------------------|-----------------------------|--------------------|-----------------------|-------------------|
| | Gas Tax Funds | NPDES Stormwater Fund | Measure J Fund | COPS Grant Fund | Proposition 1B |
| ASSETS | | | | | |
| Cash and investments | | | | | |
| Available for operations | \$1,088,131 | \$411,087 | \$572,831 | \$262,855 | |
| Restricted | | | | | |
| Receivables: | | | | | |
| Accounts receivables (net of allowance for uncollectibles) | | | | | |
| Intergovernmental | 74,608 | | 458,886 | 39,124 | |
| Interest | | | | 20 | |
| Total Assets | <u>\$1,162,739</u> | <u>\$411,087</u> | <u>\$1,031,717</u> | <u>\$301,999</u> | |
| LIABILITIES | | | | | |
| Accounts payable | \$30,514 | \$420 | \$975 | \$19,149 | |
| Accrued wages and benefits | | 3,133 | | | |
| Deposits | | | | 20,518 | |
| Unavailable revenue | | | | | |
| Advance from other funds | | | | | |
| Total Liabilities | <u>30,514</u> | <u>3,553</u> | <u>975</u> | <u>39,667</u> | |
| FUND EQUITY | | | | | |
| Fund balances | | | | | |
| Restricted | 1,132,225 | 407,534 | 1,030,742 | 262,332 | |
| Unassigned | | | | | |
| Total Fund Balances (Deficit) | <u>1,132,225</u> | <u>407,534</u> | <u>1,030,742</u> | <u>262,332</u> | |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$1,162,739</u> | <u>\$411,087</u> | <u>\$1,031,717</u> | <u>\$301,999</u> | |

| | | DEBT SERVICE FUNDS | | CAPITAL PROJECTS FUNDS | | Total Nonmajor Governmental Funds |
|------------------|-------------------|------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|--|
| PEG Access | Recycling Fund | 2003 Debt Service Fund | Measure H Debt Service Fund | Alhambra Creek Improvements | Lighting and Landscaping Fund | |
| \$409,551 | \$376,590 | \$86,347 393,841 | \$1,020,797 | | \$252,603 | \$3,459,995 1,414,638 |
| 14,040 | 94 | | | \$35,473 | | 14,134 608,091 20 |
| <u>\$423,591</u> | <u>\$376,684</u> | <u>\$480,188</u> | <u>\$1,020,797</u> | <u>\$35,473</u> | <u>\$252,603</u> | <u>\$5,496,878</u> |
| | \$6,679 | | | | \$6,032 | \$63,769 3,133 20,518 |
| | | | | \$35,473 35,473 | | 35,473 35,473 |
| | 6,679 | | | 70,946 | 6,032 | 158,366 |
| \$423,591 | 370,005 | \$480,188 | \$1,020,797 | (35,473) | 246,571 | 5,373,985 (35,473) |
| 423,591 | 370,005 | 480,188 | 1,020,797 | (35,473) | 246,571 | 5,338,512 |
| <u>\$423,591</u> | <u>\$376,684</u> | <u>\$480,188</u> | <u>\$1,020,797</u> | <u>\$35,473</u> | <u>\$252,603</u> | <u>\$5,496,878</u> |

CITY OF MARTINEZ
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

| | SPECIAL REVENUE FUNDS | | | | |
|--|---------------------------|-----------------------------|---------------------------|-------------------------|-------------------|
| | Gas Tax Funds | NPDES Stormwater Fund | Measure J Fund | COPS Grant Fund | Proposition 1B |
| REVENUES | | | | | |
| Special assessments | | \$493,498 | | | |
| Licenses, permits, and fees | | | | | |
| Intergovernmental | \$841,630 | | \$536,479 | \$138,772 | |
| Fines and forfeits | | | | 862 | |
| Use of money and property | 3,336 | 794 | 1,809 | 284 | \$1,379 |
| Miscellaneous | | | | 962 | |
| Total Revenues | <u>844,966</u> | <u>494,292</u> | <u>538,288</u> | <u>140,880</u> | <u>1,379</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Administrative services | | | | | |
| Community & economic development | 371,333 | 352,161 | 77,739 | | |
| Police | | | | 152,888 | |
| Debt Service: | | | | | |
| Principal | | | | | |
| Interest and fiscal charges | | | | | |
| Capital outlay | | | | 84,751 | 542,175 |
| Total Expenditures | <u>371,333</u> | <u>352,161</u> | <u>77,739</u> | <u>237,639</u> | <u>542,175</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>473,633</u> | <u>142,131</u> | <u>460,549</u> | <u>(96,759)</u> | <u>(540,796)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | | | | 5,000 | |
| Transfers (out) | (326,042) | (25,700) | (41,000) | | |
| Total Other Financing Sources (Uses) | <u>(326,042)</u> | <u>(25,700)</u> | <u>(41,000)</u> | <u>5,000</u> | |
| NET CHANGE IN FUND BALANCES | 147,591 | 116,431 | 419,549 | (91,759) | (540,796) |
| BEGINNING FUND BALANCES (DEFICIT) | <u>984,634</u> | <u>291,103</u> | <u>611,193</u> | <u>354,091</u> | <u>540,796</u> |
| ENDING FUND BALANCES (DEFICIT) | <u><u>\$1,132,225</u></u> | <u><u>\$407,534</u></u> | <u><u>\$1,030,742</u></u> | <u><u>\$262,332</u></u> | |

| SPECIAL REVENUE FUNDS | | DEBT SERVICE FUNDS | | CAPITAL PROJECTS FUNDS | | Total Nonmajor Governmental Funds |
|-----------------------|-------------------|------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|--|
| PEG Access | Recycling Fund | 2003 Debt Service Fund | Measure H Debt Service Fund | Alhambra Creek Improvements | Lighting and Landscaping Fund | |
| | \$133 10,381 | | \$1,485,310 | \$5,834 | \$119,299 | \$2,103,941 133 1,527,262 862 |
| \$52,813 | 27,960 | \$167 230,358 | 1,229 | 748 | 712 | 9,710 312,841 |
| 52,813 | 38,474 | 230,525 | 1,486,539 | 6,582 | 120,011 | 3,954,749 |
| 52,987 | 117,238 | | 1,250 | 79 | 121,603 | 170,225 924,165 152,888 |
| | | 245,000 16,152 | 640,000 1,090,665 | | | 885,000 1,106,817 626,926 |
| 52,987 | 117,238 | 261,152 | 1,731,915 | 79 | 121,603 | 3,866,021 |
| (174) | (78,764) | (30,627) | (245,376) | 6,503 | (1,592) | 88,728 |
| | | | | | 10,460 | 15,460 (392,742) |
| | | | | | 10,460 | (377,282) |
| (174) | (78,764) | (30,627) | (245,376) | 6,503 | 8,868 | (288,554) |
| 423,765 | 448,769 | 510,815 | 1,266,173 | (41,976) | 237,703 | 5,627,066 |
| \$423,591 | \$370,005 | \$480,188 | \$1,020,797 | (\$35,473) | \$246,571 | \$5,338,512 |

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, 2013

| | GAS TAX FUNDS | | | NPDES STORMWATER FUND | | |
|--|------------------|--------------------|------------------------------------|-----------------------|------------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Special assessments | | | | \$492,000 | \$493,498 | \$1,498 |
| Licenses, permits, and fees | | | | | | |
| Intergovernmental | \$997,000 | \$841,630 | (\$155,370) | | | |
| Fines and forfeits | | | | | | |
| Use of money and property | 1,100 | 3,336 | 2,236 | 800 | 794 | (6) |
| Miscellaneous | | | | | | |
| Total Revenues | <u>998,100</u> | <u>844,966</u> | <u>(153,134)</u> | <u>492,800</u> | <u>494,292</u> | <u>1,492</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Administrative services | | | | | | |
| Community development | 498,125 | 371,333 | 126,792 | 480,173 | 352,161 | 128,012 |
| Police | | | | | | |
| Capital outlay | | | | | | |
| Total Expenditures | <u>498,125</u> | <u>371,333</u> | <u>126,792</u> | <u>480,173</u> | <u>352,161</u> | <u>128,012</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>499,975</u> | <u>473,633</u> | <u>(26,342)</u> | <u>12,627</u> | <u>142,131</u> | <u>129,504</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | | | | | | |
| Transfers (out) | (426,042) | (326,042) | 100,000 | (25,700) | (25,700) | |
| Total Other Financing Sources (Uses) | <u>(426,042)</u> | <u>(326,042)</u> | <u>100,000</u> | <u>(25,700)</u> | <u>(25,700)</u> | |
| NET CHANGE IN FUND BALANCES | <u>\$73,933</u> | <u>147,591</u> | <u>\$73,658</u> | <u>(\$13,073)</u> | <u>116,431</u> | <u>\$129,504</u> |
| BEGINNING FUND BALANCES | | <u>984,634</u> | | | <u>291,103</u> | |
| ENDING FUND BALANCES | | <u>\$1,132,225</u> | | | <u>\$407,534</u> | |

| MEASURE J FUND | | | COPS GRANT FUND | | | PEG ACCESS | | |
|----------------|-------------|------------------------------|-----------------|-----------|------------------------------|------------|-----------|------------------------------|
| Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| \$415,000 | \$536,479 | \$121,479 | \$150,745 | \$138,772 | (\$11,973) | | | |
| 20,000 | 1,809 | (18,191) | | 862 | 862 | | | |
| | | | 822 | 284 | 284 | \$55,000 | \$52,813 | (\$2,187) |
| | | | | 962 | 140 | | | |
| 435,000 | 538,288 | 103,288 | 151,567 | 140,880 | (10,687) | 55,000 | 52,813 | (2,187) |
| | | | | | | 75,700 | 52,987 | 22,713 |
| 162,357 | 77,739 | 84,618 | 200,959 | 152,888 | 48,071 | | | |
| | | | 210,905 | 84,751 | 126,154 | | | |
| 162,357 | 77,739 | 84,618 | 411,864 | 237,639 | 174,225 | 75,700 | 52,987 | 22,713 |
| 272,643 | 460,549 | 187,906 | (260,297) | (96,759) | 163,538 | (20,700) | (174) | 20,526 |
| (41,000) | (41,000) | | 5,000 | 5,000 | | | | |
| (41,000) | (41,000) | | 5,000 | 5,000 | | | | |
| \$231,643 | 419,549 | \$187,906 | (\$255,297) | (91,759) | \$163,538 | (\$20,700) | (174) | \$20,526 |
| | 611,193 | | | 354,091 | | | 423,765 | |
| | \$1,030,742 | | | \$262,332 | | | \$423,591 | |

(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, 2013

| | RECYCLING FUND | | |
|--|----------------|-----------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | |
| Special assessments | | | |
| Licenses, permits, and fees | | \$133 | \$133 |
| Intergovernmental | \$12,211 | 10,381 | (1,830) |
| Fines and forfeits | | | |
| Use of money and property | | | |
| Miscellaneous | 27,054 | 27,960 | 906 |
| Total Revenues | 39,265 | 38,474 | (791) |
| EXPENDITURES | | | |
| Current: | | | |
| Administrative services | 181,108 | 117,238 | 63,870 |
| Community development | | | |
| Police | | | |
| Capital outlay | | | |
| Total Expenditures | 181,108 | 117,238 | 63,870 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (141,843) | (78,764) | 63,079 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | | | |
| Transfers (out) | | | |
| Total Other Financing Sources (Uses) | | | |
| NET CHANGE IN FUND BALANCES | (\$141,843) | (78,764) | \$63,079 |
| BEGINNING FUND BALANCES | | 448,769 | |
| ENDING FUND BALANCES | | \$370,005 | |

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 Assets.

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, 2013

| | <u>Equipment Replacement</u> | <u>Management Information System</u> | <u>Total</u> |
|---|----------------------------------|--|--------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and investments available for operations | <u>\$1,225,815</u> | <u>\$601,126</u> | <u>\$1,826,941</u> |
| Total Current Assets | <u>1,225,815</u> | <u>601,126</u> | <u>1,826,941</u> |
| Capital Assets: | | | |
| Equipment | 3,567,820 | 394,656 | 3,962,476 |
| Accumulated depreciation | <u>(2,438,432)</u> | <u>(381,439)</u> | <u>(2,819,871)</u> |
| Net Capital Assets | <u>1,129,388</u> | <u>13,217</u> | <u>1,142,605</u> |
| Total Assets | <u>2,355,203</u> | <u>614,343</u> | <u>2,969,546</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | 37,011 | 1,917 | 38,928 |
| Accrued liabilities | 6,951 | 5,462 | 12,413 |
| Accrued vacation and other fringe benefits | <u>30,705</u> | <u>23,870</u> | <u>54,575</u> |
| Total Liabilities | <u>74,667</u> | <u>31,249</u> | <u>105,916</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,129,388 | 13,217 | 1,142,605 |
| Unrestricted | <u>1,151,148</u> | <u>569,877</u> | <u>1,721,025</u> |
| Total Net Position | <u>\$2,280,536</u> | <u>\$583,094</u> | <u>\$2,863,630</u> |

CITY OF MARTINEZ
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Equipment Replacement</u> | <u>Management Information System</u> | <u>Total</u> |
|------------------------------------|----------------------------------|--|--------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$827,626 | \$423,180 | \$1,250,806 |
| Other revenue | 1,961 | 203 | 2,164 |
| Total Operating Revenues | <u>829,587</u> | <u>423,383</u> | <u>1,252,970</u> |
| OPERATING EXPENSES | | | |
| Maintenance and repairs | 832,635 | 436,649 | 1,269,284 |
| Depreciation | 233,574 | 3,241 | 236,815 |
| Total Operating Expenses | <u>1,066,209</u> | <u>439,890</u> | <u>1,506,099</u> |
| Operating Income (Loss) | <u>(236,622)</u> | <u>(16,507)</u> | <u>(253,129)</u> |
| NONOPERATING REVENUES | | | |
| Interest income | 3,709 | 1,761 | 5,470 |
| Gain on disposal of equipment | 16,192 | | 16,192 |
| Total Nonoperating Revenues | <u>19,901</u> | <u>1,761</u> | <u>21,662</u> |
| Income (Loss) | <u>(216,721)</u> | <u>(14,746)</u> | <u>(231,467)</u> |
| Change in Net Position | <u>(216,721)</u> | <u>(14,746)</u> | <u>(231,467)</u> |
| BEGINNING NET POSITION | <u>2,497,257</u> | <u>597,840</u> | <u>3,095,097</u> |
| ENDING NET POSITION | <u>\$2,280,536</u> | <u>\$583,094</u> | <u>\$2,863,630</u> |

CITY OF MARTINEZ
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

| | Equipment Replacement | Management Information System | Total |
|---|---------------------------|-------------------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$831,887 | \$423,383 | \$1,255,270 |
| Payments to suppliers | (955,247) | (282,533) | (1,237,780) |
| Payments to employees | (235,795) | (165,694) | (401,489) |
| Cash Flows from Operating Activities | (359,155) | (24,844) | (383,999) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | (148,536) | (16,458) | (164,994) |
| Proceeds from sale of equipment | 16,192 | | 16,192 |
| Cash Flows from Capital and Related Financing Activities | (132,344) | (16,458) | (148,802) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest | 3,709 | 1,761 | 5,470 |
| Cash Flows from Investing Activities | 3,709 | 1,761 | 5,470 |
| Net Cash Flows | (487,790) | (39,541) | (527,331) |
| Cash and investments at beginning of period | 1,713,605 | 640,667 | 2,354,272 |
| Cash and investments at end of period | <u>\$1,225,815</u> | <u>\$601,126</u> | <u>\$1,826,941</u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities: | | | |
| Operating income (loss) | (\$236,622) | (\$16,507) | (\$253,129) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities: | | | |
| Depreciation | 233,574 | 3,241 | 236,815 |
| Change in assets and liabilities: | | | |
| Other receivables | 2,300 | | 2,300 |
| Accounts payable | (347,639) | (17,502) | (365,141) |
| Accrued wages and benefits | (6,952) | 189 | (6,763) |
| Accrued vacation and other fringe benefits | (3,816) | 5,735 | 1,919 |
| Cash Flows from Operating Activities | <u>(\$359,155)</u> | <u>(\$24,844)</u> | <u>(\$383,999)</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, 2013

| | <u>Balance</u> <u>June 30, 2012</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2013</u> |
|---|--|------------------|-------------------|--|
| <hr/> <u>Alhambra Creek Assessment District</u> <hr/> | | | | |
| <u>Assets</u> | | | | |
| Restricted cash and investments | \$209,639 | \$111,641 | \$111,978 | \$209,302 |
| Total assets | <u>\$209,639</u> | <u>\$111,641</u> | <u>\$111,978</u> | <u>\$209,302</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$152 | \$117 | \$152 | \$117 |
| Due to bondholders | 209,487 | 111,524 | 111,826 | 209,185 |
| Total liabilities | <u>\$209,639</u> | <u>\$111,641</u> | <u>\$111,978</u> | <u>\$209,302</u> |
| <hr/> <u>Senior Center Club</u> <hr/> | | | | |
| <u>Assets</u> | | | | |
| Restricted cash and investments | \$166,946 | \$172,341 | \$155,817 | \$183,470 |
| Total assets | <u>\$166,946</u> | <u>\$172,341</u> | <u>\$155,817</u> | <u>\$183,470</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$7,368 | \$8,620 | \$7,368 | \$8,620 |
| Deposits in trust | 159,578 | 163,721 | 148,449 | 174,850 |
| Total liabilities | <u>\$166,946</u> | <u>\$172,341</u> | <u>\$155,817</u> | <u>\$183,470</u> |
| <hr/> <u>Total Agency Funds</u> <hr/> | | | | |
| <u>Assets</u> | | | | |
| Restricted cash and investments | \$376,585 | \$283,982 | \$267,795 | \$392,772 |
| Total assets | <u>\$376,585</u> | <u>\$283,982</u> | <u>\$267,795</u> | <u>\$392,772</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$7,520 | \$8,737 | \$7,520 | \$8,737 |
| Due to bondholders | 209,487 | 111,524 | 111,826 | 209,185 |
| Due to members | 159,578 | 163,721 | 148,449 | 174,850 |
| Total liabilities | <u>\$376,585</u> | <u>\$283,982</u> | <u>\$267,795</u> | <u>\$392,772</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:

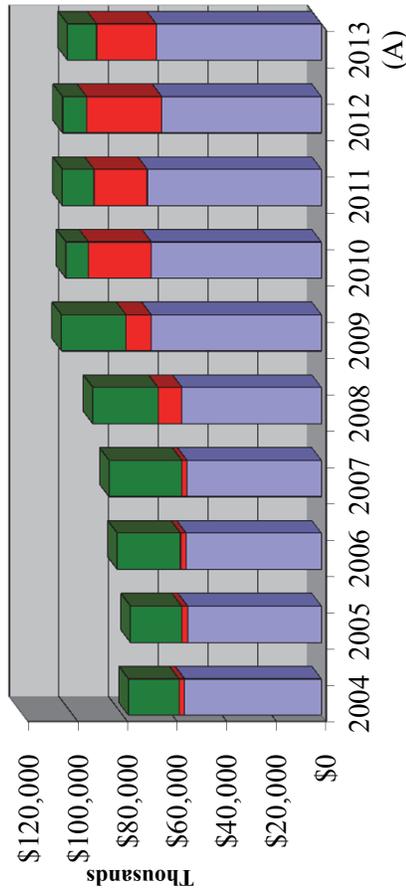
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

| |
|--|
| 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; schedules presenting government-wide information include information beginning in that fiscal year.

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



■ Net of Related Debt ■ Restricted ■ Unrestricted

(A)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 (A) |
|---|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$23,434,010 | \$23,001,061 | \$24,072,792 | \$24,450,822 | \$29,045,551 | \$42,645,250 | \$43,328,577 | \$46,268,501 | \$44,385,099 | \$45,011,693 |
| Restricted | 1,860,177 | 1,968,361 | 1,805,299 | 1,647,325 | 3,091,564 | 2,947,166 | 17,697,648 | 13,524,459 | 18,207,558 | 16,908,562 |
| Unrestricted | 13,580,382 | 12,652,888 | 16,956,596 | 20,301,070 | 20,294,772 | 19,638,559 | 2,805,660 | 5,722,653 | 3,189,334 | 3,652,112 |
| Total governmental activities net position | \$38,874,569 | \$37,622,310 | \$42,834,687 | \$46,399,217 | \$52,431,887 | \$65,230,975 | \$63,831,885 | \$65,515,613 | \$65,781,991 | \$65,572,367 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$31,622,821 | \$30,894,163 | \$30,405,353 | \$29,680,363 | \$27,073,604 | \$25,908,195 | \$25,104,326 | \$23,863,759 | \$19,898,904 | \$21,503,114 |
| Restricted | 478,686 | 492,014 | 465,980 | 473,896 | 6,613,067 | 7,224,675 | 7,620,488 | 7,941,902 | 12,086,217 | 7,116,866 |
| Unrestricted | 6,721,816 | 7,880,511 | 8,472,990 | 8,954,539 | 5,890,545 | 6,280,210 | 6,301,271 | 6,960,954 | 6,466,983 | 8,005,741 |
| Total business-type activities net position | \$38,823,323 | \$39,266,688 | \$39,344,323 | \$39,108,798 | \$39,577,216 | \$39,413,080 | \$39,026,085 | \$38,766,615 | \$38,452,104 | \$36,625,721 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$55,056,831 | \$53,895,224 | \$54,478,145 | \$54,131,185 | \$56,119,155 | \$68,553,445 | \$68,432,903 | \$70,132,260 | \$64,284,003 | \$66,514,807 |
| Restricted | 2,338,863 | 2,460,375 | 2,271,279 | 2,121,221 | 9,704,631 | 10,171,841 | 25,318,136 | 21,466,361 | 30,293,775 | 24,025,428 |
| Unrestricted | 20,302,198 | 20,533,399 | 25,429,586 | 29,255,609 | 26,185,317 | 25,918,769 | 9,106,931 | 12,683,607 | 9,656,317 | 11,657,853 |
| Total primary government net position | \$77,697,892 | \$76,888,998 | \$82,179,010 | \$85,508,015 | \$92,009,103 | \$104,644,055 | \$102,857,970 | \$104,282,228 | \$104,234,095 | \$102,198,088 |

(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)

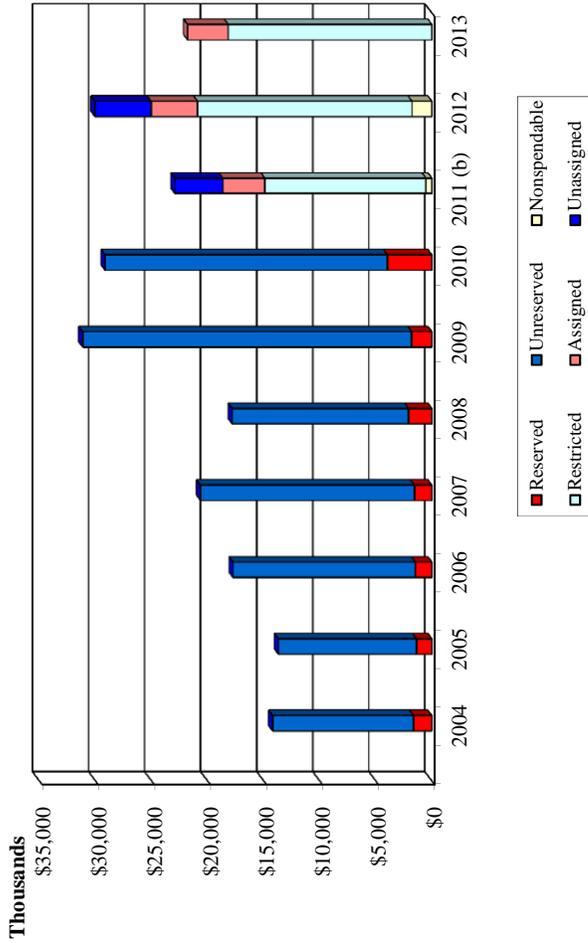
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 (A) |
|---|----------------|----------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Government | \$1,361,712 | \$1,064,838 | \$1,220,112 | \$1,275,521 | \$982,551 | \$1,328,858 | \$1,860,433 | \$1,888,212 | \$1,545,222 | \$1,628,907 |
| Nondepartmental Services | 583,170 | 602,262 | 722,957 | 2,100,557 | 1,295,821 | 1,114,785 | | | | |
| Administrative Services | 597,450 | 611,904 | 704,534 | 813,629 | 724,408 | 781,593 | 695,828 | 912,678 | 945,076 | 1,000,933 |
| Public Works | 742,330 | 821,956 | 831,843 | 931,263 | 3,515,810 | 3,369,089 | 3,842,513 | 4,181,381 | 3,466,780 | 3,975,144 |
| Community & Economic Development | 7,673,229 | 8,871,098 | 7,281,906 | 7,640,086 | 6,000,157 | 5,856,950 | 6,725,653 | 6,024,757 | 5,917,326 | 5,887,738 |
| Police | 7,852,448 | 8,597,502 | 8,637,872 | 9,048,033 | 9,660,925 | 9,853,949 | 10,616,620 | 10,665,218 | 10,483,295 | 10,932,911 |
| Interest on Long-Term Debt | 66,580 | 60,943 | 55,823 | 52,506 | 50,630 | 291,152 | 584,615 | 813,299 | 1,102,335 | 1,106,817 |
| Total Governmental Activities Expenses | 18,876,919 | 20,630,503 | 19,455,047 | 21,861,595 | 22,230,302 | 22,596,376 | 24,325,662 | 24,485,545 | 23,460,034 | 24,532,450 |
| Business-Type Activities: | | | | | | | | | | |
| Water System | 10,088,366 | 10,019,095 | 9,419,852 | 10,221,974 | 10,068,412 | 10,317,436 | 10,200,676 | 9,891,686 | 10,782,125 | 10,854,257 |
| Marina Services | 470,175 | 472,205 | 381,516 | 441,823 | 797,453 | 345,533 | 388,591 | 558,512 | 410,669 | 707,155 |
| Parking Services | 5,474,54 | 532,367 | 426,565 | 375,634 | 391,841 | 454,122 | 451,488 | 483,876 | 365,585 | 232,110 |
| Total Business-Type Activities Expenses | 11,105,995 | 11,023,667 | 10,227,933 | 11,039,431 | 11,257,706 | 11,117,091 | 11,040,755 | 10,934,074 | 11,558,379 | 11,793,522 |
| Total Primary Government Expenses: | \$29,982,914 | \$31,654,170 | \$29,682,980 | \$32,901,026 | \$33,488,008 | \$33,713,467 | \$35,366,417 | \$35,419,619 | \$35,018,413 | \$36,325,972 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| General Government | \$112,806 | \$123,738 | \$112,254 | \$127,720 | \$48,383 | \$27,359 | \$32,079 | \$26,863 | \$29,694 | \$37,921 |
| Administrative Services | | | | | | | | | | |
| Public Works | 417,578 | 533,355 | 804,965 | 933,307 | 775,303 | 660,516 | 585,117 | 49,145 | 49,492 | 3,511 |
| Community & Economic Development | 819,377 | 1,032,160 | 1,166,315 | 1,149,605 | 954,885 | 731,853 | 549,109 | 580,520 | 666,808 | 848,572 |
| Police | 353,505 | 457,654 | 339,697 | 428,723 | 381,602 | 398,088 | 376,514 | 441,982 | 708,532 | 1,143,313 |
| Operating Grants and Contributions | 2,365,301 | 1,896,096 | 3,004,055 | 2,928,894 | 2,978,771 | 2,645,990 | 2,414,403 | 3,034,131 | 2,617,726 | 2,472,936 |
| Capital Grants and Contributions | 1,274,224 | 798,967 | 1,460,056 | 963,982 | 5,166,574 | 13,319,245 | 2,124,450 | 4,308,479 | 1,861,281 | 2,882,306 |
| Total Government Activities Program Revenues | 5,342,791 | 4,841,970 | 6,887,342 | 6,532,231 | 10,305,518 | 17,783,051 | 6,081,672 | 8,988,235 | 6,216,216 | 7,747,251 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Water System | 8,395,769 | 9,241,189 | 9,397,659 | 9,721,022 | 9,844,373 | 10,044,919 | 9,830,348 | 9,746,857 | 10,438,993 | 11,244,347 |
| Marina Services | 127,608 | 166,080 | 219,207 | 291,919 | 273,732 | 241,247 | 245,157 | 227,759 | 362,067 | 143,244 |
| Parking Services | 169,145 | 273,001 | 346,457 | 365,488 | 405,351 | 387,388 | 398,591 | 368,673 | 327,253 | 367,904 |
| Operating Grants and Contributions | | | 114,843 | | | | | | | |
| Capital Grants and Contributions | | 1,404,646 | | | 430,343 | | | | | |
| Total Business-Type Activities Program Revenues | 8,692,522 | 11,084,916 | 10,078,166 | 10,378,429 | 10,953,799 | 10,673,554 | 10,474,096 | 10,343,289 | 11,128,313 | 11,755,495 |
| Total Primary Government Program Revenue: | \$14,035,313 | \$15,926,886 | \$16,965,508 | \$16,910,660 | \$21,259,317 | \$28,456,605 | \$16,555,768 | \$19,331,524 | \$17,344,529 | \$19,502,746 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | (\$13,534,128) | (\$15,788,533) | (\$12,567,705) | (\$15,329,364) | (\$11,924,784) | (\$4,813,325) | (\$18,243,990) | (\$15,497,310) | (\$17,243,818) | (\$16,785,199) |
| Business-Type Activities | (2,413,473) | 61,249 | (149,767) | (661,002) | (303,907) | (443,537) | (566,659) | (590,785) | (430,096) | (38,027) |
| Total Primary Government Net Expense | (\$15,947,601) | (\$15,727,284) | (\$12,717,472) | (\$15,990,366) | (\$12,228,691) | (\$5,256,862) | (\$18,810,649) | (\$16,088,095) | (\$17,673,914) | (\$16,823,226) |

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

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 (A) |
|---|---------------|---------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property Taxes | \$5,072,317 | \$5,603,872 | \$6,048,835 | \$6,749,316 | \$6,778,683 | \$6,833,240 | \$6,440,055 | \$6,413,918 | \$6,262,596 | \$6,154,962 |
| Sales Taxes | 3,683,973 | 3,770,934 | 4,271,279 | 2,845,391 | 2,910,391 | 2,548,963 | 2,890,078 | 3,216,371 | 3,239,219 | 3,544,810 |
| State Tax Shift - ERAF III | | (399,067) | (399,067) | | | | | | | |
| VLF Property Tax Swap | | 1,971,541 | 2,387,675 | 2,438,135 | 2,619,831 | 2,663,236 | 2,553,503 | 2,516,117 | 2,465,909 | 2,428,253 |
| Franchise fees | 962,045 | 946,323 | 1,294,839 | 1,377,064 | 1,432,161 | 1,380,404 | 1,355,211 | 1,356,952 | 1,379,610 | 1,468,924 |
| Other Taxes | 1,205,727 | 1,328,281 | 1,390,701 | 2,639,579 | 2,502,998 | 2,475,992 | 2,363,498 | 2,257,290 | 2,667,102 | 2,779,809 |
| Intergovernmental | 1,762,251 | 881,895 | 344,160 | 281,669 | 231,037 | 192,805 | 178,083 | 238,498 | 85,068 | 72,276 |
| Investment Earnings | 199,788 | 267,746 | 533,475 | 1,019,116 | 955,422 | 412,821 | 187,035 | 123,304 | 75,843 | 74,686 |
| Miscellaneous | 83,090 | 282,749 | 1,744,370 | 1,404,792 | 760,256 | 1,055,423 | 893,942 | 1,259,193 | 1,157,849 | 775,704 |
| Gain on sale of capital assets | | | | | | | | | 177,000 | |
| Transfers | 190,000 | (118,000) | 163,815 | 138,832 | (233,325) | 49,529 | (16,605) | (200,605) | 17,510,196 | (723,849) |
| Total Government Activities | 13,159,191 | 14,536,274 | 17,780,082 | 18,893,894 | 17,957,454 | 17,612,413 | 16,844,800 | 17,181,038 | 17,510,196 | 16,575,575 |
| Business-Type Activities: | | | | | | | | | | |
| Other Taxes | 62,306 | 56,769 | 48,292 | 56,545 | 63,240 | 64,263 | 61,579 | 67,403 | 62,620 | 70,237 |
| Investment Earnings | 139,026 | 184,977 | 317,631 | 507,764 | 475,760 | 263,207 | 82,093 | 63,307 | 52,965 | 45,531 |
| Rents & Leases | 25,231 | 22,370 | 25,294 | | | | | | | |
| Miscellaneous | 61,677 | | | | | 1,460 | | | | |
| Contributions | | | | | | | | | | |
| Transfers | (190,000) | 118,000 | (163,815) | (138,832) | 233,325 | (49,529) | 16,605 | 200,605 | 115,585 | 723,849 |
| Total Business-Type Activities | 98,240 | 382,116 | 227,402 | 425,477 | 772,325 | 279,401 | 179,664 | 331,315 | 115,585 | 839,617 |
| Total Primary Government | \$13,257,431 | \$14,918,390 | \$18,007,484 | \$19,319,371 | \$18,729,779 | \$17,891,814 | \$17,024,464 | \$17,512,353 | \$17,625,781 | \$17,415,192 |
| Change in Net Position | | | | | | | | | | |
| Governmental Activities | (\$374,937) | (\$1,252,259) | \$5,212,377 | \$3,564,530 | \$6,032,670 | \$12,799,088 | (\$1,399,090) | \$1,683,728 | \$266,378 | (\$209,624) |
| Business-Type Activities | (2,315,233) | 443,365 | 77,635 | (235,525) | 468,418 | (164,136) | (386,995) | (259,470) | (314,511) | 801,590 |
| Total Primary Government | (\$2,690,170) | (\$808,894) | \$5,290,012 | \$3,329,005 | \$6,501,088 | \$12,634,952 | (\$1,786,085) | \$1,424,258 | (\$88,133) | \$591,966 |

(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)



| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 (b) | 2012 | 2013 |
|---|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------------------|---------------------|---------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$659,139 | \$573,040 | \$793,427 | \$787,770 | \$1,041,261 | \$853,371 | \$809,098 | | | |
| Unreserved | 8,573,920 | 9,174,295 | 12,053,642 | 14,531,543 | 9,618,304 | 8,973,975 | 7,692,426 | | | |
| Nonspendable | | | | | | | | \$536,597 | \$526,565 | \$75,090 |
| Restricted | | | | | | | | 2,974 | 1,053 | |
| Assigned | | | | | | | | 2,071,135 | 1,961,611 | 1,633,745 |
| Unassigned | | | | | | | | 4,323,175 | 5,040,539 | 5,270,651 |
| Total General Fund | \$9,233,059 | \$9,747,335 | \$12,847,069 | \$15,319,313 | \$10,659,565 | \$9,827,346 | \$8,501,524 | \$6,933,881 (a) | \$7,529,768 | \$6,979,486 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$977,684 | \$803,791 | \$686,781 | \$767,264 | \$1,036,074 | \$951,122 | \$3,149,573 | | | |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 670,733 | 940,575 | 957,109 | 781,421 | 2,014,107 | 1,789,329 | 1,837,726 | | | |
| Capital project funds | 3,307,186 | 2,186,757 | 3,236,220 | 3,747,215 | 4,087,770 | 18,567,181 | 15,641,080 | | | |
| Unreserved | | | | | | | | | | |
| Nonspendable | | | | | | | | | \$1,250,684 | |
| Restricted | | | | | | | | \$14,361,436 | 19,116,926 | \$18,159,246 |
| Assigned | | | | | | | | 1,668,389 | 2,179,333 | 1,981,587 |
| Unassigned | | | | | | | | (48,017) | (41,976) | (35,473) |
| Total all other governmental funds | \$4,955,603 | \$3,931,123 | \$4,880,110 | \$5,295,900 | \$7,137,951 | \$21,307,632 | \$20,628,379 | \$15,981,808 | \$22,504,967 | \$20,105,360 |

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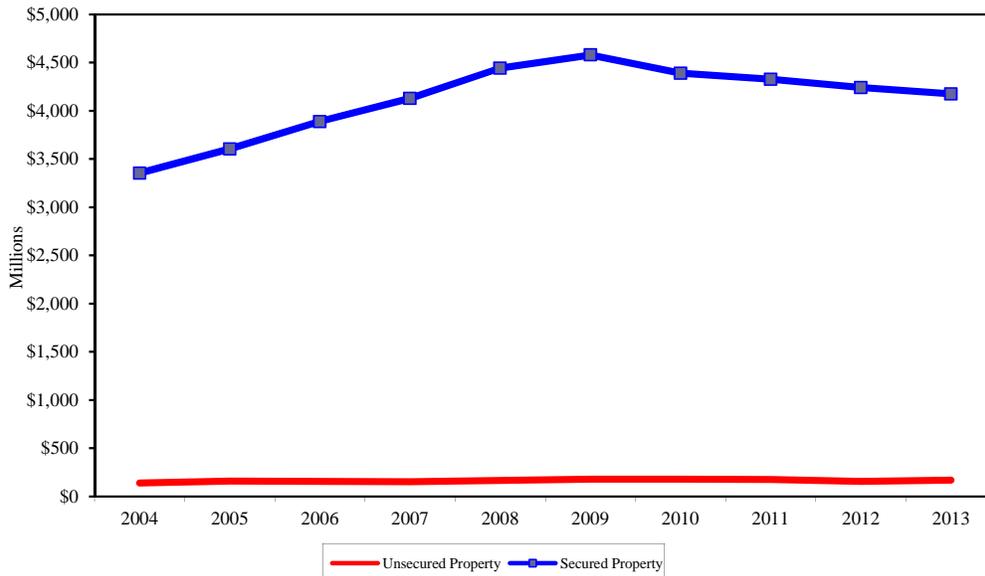
CITY OF MARTINEZ
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

| | Fiscal Year Ended June 30, | | | |
|--|-----------------------------------|--------------------|--------------------|--------------------|
| | 2004 | 2005 | 2006 | 2007 |
| Revenues | | | | |
| Taxes | \$11,295,326 | \$13,221,884 | \$14,994,265 | \$16,049,485 |
| Special assessments | 604,659 | 654,028 | 648,225 | 618,402 |
| Licenses, permits and fees | 489,276 | 779,784 | 829,438 | 1,206,310 |
| Intergovernmental revenues | 4,613,687 | 3,109,850 | 4,293,695 | 3,366,831 |
| Charges for services | 722,266 | 706,670 | 1,009,212 | 769,834 |
| Fines and forfeits | 231,412 | 333,075 | 284,486 | 295,334 |
| Use of money and property | 200,309 | 308,809 | 585,146 | 967,531 |
| Miscellaneous | 202,556 | 324,923 | 1,791,186 | 1,755,786 |
| Total Revenues | <u>18,359,491</u> | <u>19,439,023</u> | <u>24,435,653</u> | <u>25,029,513</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 850,845 | 827,226 | 1,253,927 | 1,249,523 |
| Nondepartmental services | 583,170 | 602,262 | 722,957 | 2,100,557 |
| Administrative services | 578,412 | 596,296 | 691,218 | 791,144 |
| Public works | 618,243 | 763,635 | 826,781 | 904,338 |
| Community & economic development | 6,651,965 | 6,959,750 | 6,271,909 | 6,664,397 |
| Police | 7,740,536 | 8,589,785 | 8,532,786 | 9,029,159 |
| Capital outlay | 614,619 | 1,236,330 | 1,995,346 | 1,288,687 |
| Debt service: | | | | |
| Principal repayment | 8,014 | 195,000 | 200,000 | 200,000 |
| Interest and fiscal charges | 66,580 | 60,943 | 55,823 | 52,506 |
| Total Expenditures | <u>17,712,384</u> | <u>19,831,227</u> | <u>20,550,747</u> | <u>22,280,311</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>647,107</u> | <u>(392,204)</u> | <u>3,884,906</u> | <u>2,749,202</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 5,074,830 | 864,960 | 1,934,775 | 1,623,555 |
| Transfers (out) | (4,884,830) | (982,960) | (1,770,960) | (1,484,723) |
| Issuance of long-term debt | | | | |
| Bond premium | | | | |
| Sale of property | | | | |
| Total other financing sources (uses) | <u>190,000</u> | <u>(118,000)</u> | <u>163,815</u> | <u>138,832</u> |
| Special Item: | | | | |
| OPEB funding | | | | |
| Loan to Martinez Unified School District | | | | |
| Net Change in fund balances | <u>\$837,107</u> | <u>(\$510,204)</u> | <u>\$4,048,721</u> | <u>\$2,888,034</u> |
| Debt service as a percentage of noncapital expenditures | 0.4% | 1.4% | 1.4% | 1.2% |

Fiscal Year Ended June 30,

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------|---------------------|----------------------|----------------------|---------------------|----------------------|
| \$16,244,064 | \$15,901,834 | \$15,602,345 | \$15,809,271 | \$16,063,061 | \$16,376,758 |
| 592,675 | 593,327 | 1,391,343 | 2,110,101 | 2,131,149 | 2,103,941 |
| 901,504 | 569,653 | 451,972 | 537,305 | 599,672 | 1,073,745 |
| 7,854,354 | 14,976,879 | 3,985,583 | 5,536,564 | 2,351,629 | 3,074,644 |
| 714,089 | 716,173 | 562,189 | 470,550 | 658,908 | 771,351 |
| 360,409 | 376,179 | 360,431 | 429,593 | 260,961 | 328,365 |
| 907,560 | 403,693 | 249,043 | 172,727 | 131,211 | 136,927 |
| 942,321 | 1,126,603 | 911,374 | 1,281,478 | 1,338,225 | 840,525 |
| <u>28,516,976</u> | <u>34,664,341</u> | <u>23,514,280</u> | <u>26,347,589</u> | <u>\$23,534,816</u> | <u>24,706,256</u> |
| 1,055,630 | 1,327,384 | 1,324,418 | 1,312,555 | 1,119,861 | 1,232,407 |
| 1,294,070 | 1,156,191 | 816,510 | 1,712,090 | 1,140,089 | 1,248,093 |
| 710,163 | 757,298 | 725,585 | 816,218 | 881,894 | 913,886 |
| 3,515,167 | 3,773,961 | 3,742,399 | 3,627,781 | 3,551,258 | 3,764,743 |
| 4,899,818 | 4,975,417 | 5,321,903 | 4,162,888 | 3,692,811 | 3,741,772 |
| 9,744,360 | 9,755,501 | 9,972,242 | 10,013,872 | 9,651,789 | 10,064,111 |
| 5,488,729 | 14,524,632 | 2,295,078 | 9,332,495 | 6,766,413 | 2,724,783 |
| 205,000 | 215,000 | 220,000 | 570,000 | 595,000 | 885,000 |
| 50,630 | 291,152 | 584,615 | 813,299 | 1,102,335 | 1,106,817 |
| <u>26,963,567</u> | <u>36,776,536</u> | <u>25,002,750</u> | <u>32,361,198</u> | <u>28,501,450</u> | <u>25,681,612</u> |
| <u>1,553,409</u> | <u>(2,112,195)</u> | <u>(1,488,470)</u> | <u>(6,013,609)</u> | <u>(4,966,634)</u> | <u>(975,356)</u> |
| 1,837,479 | 1,514,146 | 609,610 | 963,037 | 1,135,700 | 529,742 |
| (2,208,585) | (1,464,617) | (626,215) | (1,163,642) | (1,135,700) | (1,253,591) |
| | 15,000,000 | | | 10,000,000 | |
| | 400,128 | | | 279,996 | |
| | | | | 555,000 | |
| <u>(371,106)</u> | <u>15,449,657</u> | <u>(16,605)</u> | <u>(200,605)</u> | <u>10,834,996</u> | <u>(723,849)</u> |
| (4,000,000) | | | | | |
| | | (500,000) | | | |
| <u>(\$2,817,697)</u> | <u>\$13,337,462</u> | <u>(\$2,005,075)</u> | <u>(\$6,214,214)</u> | <u>5,868,362</u> | <u>(\$1,699,205)</u> |
| 1.2% | 2.3% | 3.5% | 6.0% | 7.8% | 8.7% |

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



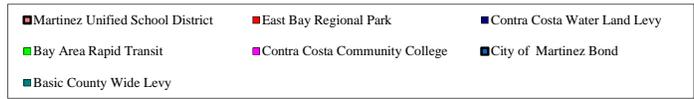
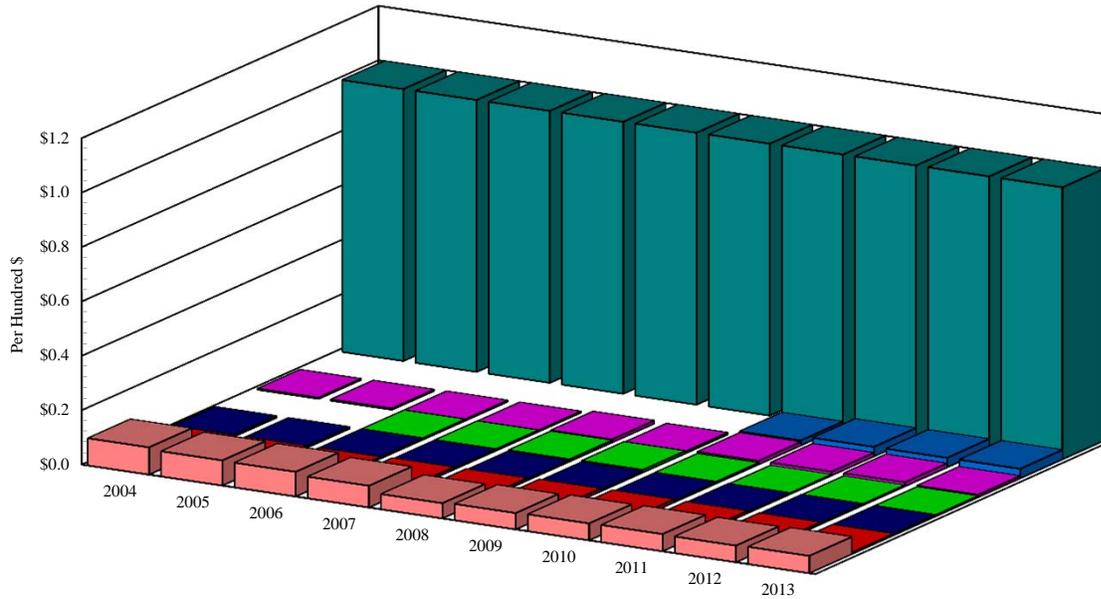
| Fiscal Year | Real Property | | | | Total Real Secured Property | Unsecured Property | Total Assessed (a) | Estimated Full Market (a) | Total Direct Tax Rate (b) |
|-------------|----------------------|---------------------|---------------------|--------------|-----------------------------|--------------------|--------------------|---------------------------|---------------------------|
| | Residential Property | Commercial Property | Industrial Property | Other | | | | | |
| 2004 | \$2,648,146,047 | \$227,098,395 | \$295,631,337 | \$43,601,867 | \$3,214,477,646 | \$138,013,747 | \$3,352,491,393 | \$3,352,491,393 | 1% |
| 2005 | 2,859,236,600 | 234,959,433 | 297,127,470 | 53,304,392 | 3,444,627,895 | 158,892,616 | 3,603,520,511 | 3,603,520,511 | 1% |
| 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% |

(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 |
|--------------------|-------------------------------|-------------------------------|---------------------------------------|-------------------------------------|-------------------------------|---|------------------------------|--------------|
| 2004 | \$1.0000 | | \$0.0038 | \$0.0063 | \$0.0057 | \$0.1000 | | \$1.1158 |
| 2005 | 1.0000 | | 0.0042 | 0.0057 | 0.0057 | 0.0923 | | 1.1079 |
| 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 |

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 |
|------------------------|------------------------|------------------------------------|---|
| 2004 | \$8,058,204 | \$8,402,307 | 95.90% |
| 2005 | 8,718,295 | 9,241,189 | 94.34% |
| 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% |

Source: City of Martinez Administrative Services Department

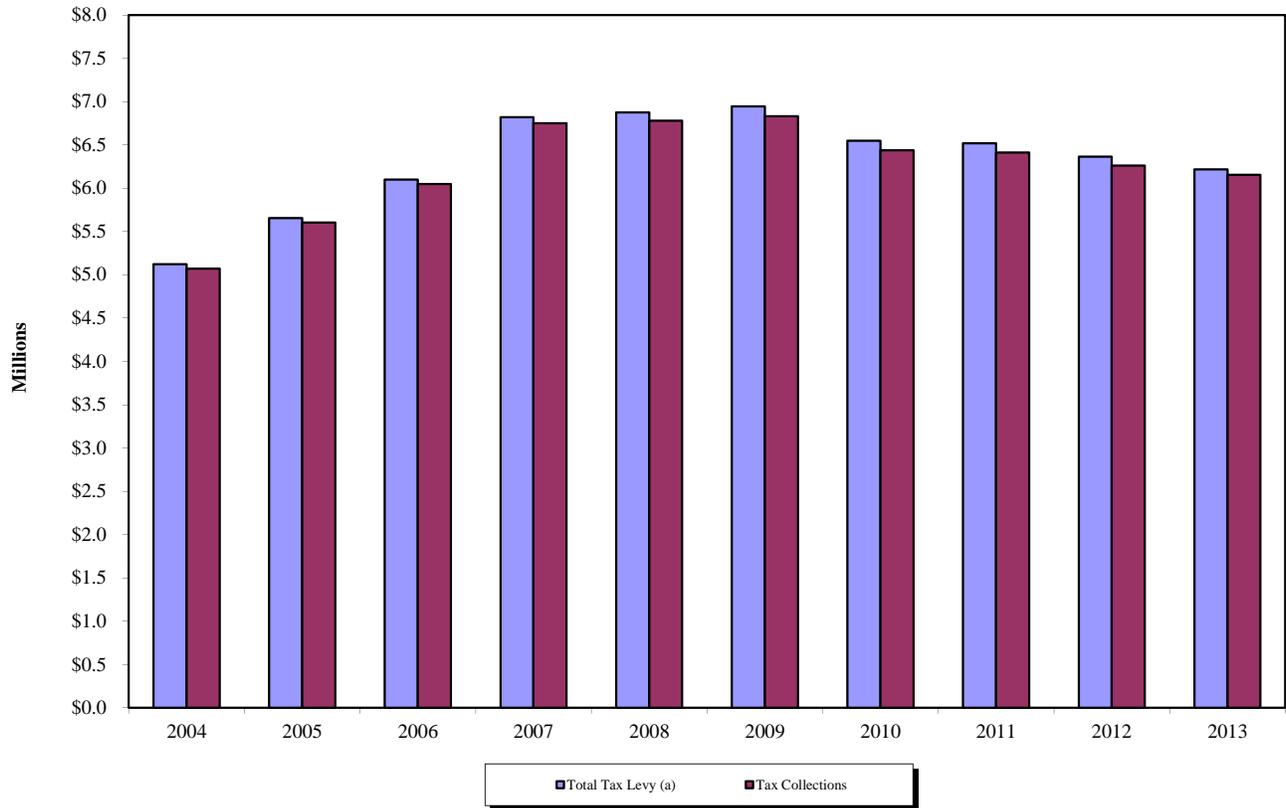
CITY OF MARTINEZ
Principal Property Tax Payers
Current Year and Nine Years Ago

| <u>Taxpayer</u> | <u>2012-13</u> | | | <u>2003-04</u> | | |
|-------------------------------------|---|-------------|--|---|-------------|--|
| | <u>Taxable Assessed Value Secured & Unsecured</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> | <u>Taxable Assessed Value Secured & Unsecured</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> |
| Equilon Enterprises LLC | \$192,903,262 | 1 | 4.6% | \$120,246,026 | 1 | 3.6% |
| Pacific Atlantic Terminals LLC | 142,362,236 | 2 | 3.4% | | | 0.0% |
| Tesoro Refining & Marketing Company | 43,356,655 | 3 | 1.0% | | | 0.0% |
| Stauffer Chemical Company | 29,054,683 | 4 | 0.7% | 34,287,215 | 3 | 1.0% |
| IEC Hidden Creek LLC | 21,257,539 | 5 | 0.5% | | | 0.0% |
| Wal Mart Real Estate | 20,216,015 | 6 | 0.5% | 17,001,885 | 6 | 0.5% |
| Muir Station Center LLC | 19,420,753 | 7 | 0.5% | | | 0.0% |
| Muirwood Square Investors | 18,930,101 | 8 | 0.5% | 16,416,899 | 7 | 0.5% |
| Marine Spill Response Corporation | 16,688,579 | 9 | 0.4% | | | |
| Swan Lake Apartments LP | 15,131,811 | 10 | | | | |
| Rhodia | | | 0.0% | 44,946,225 | 2 | 1.3% |
| Shell Chemical Limited Partnership | | | 0.0% | 20,765,178 | 4 | 0.6% |
| Kenneth H. & Martha Hofmann Trust | | | 0.0% | 17,074,602 | 5 | 0.5% |
| George Ogino LLC | | | 0.0% | 15,606,000 | 8 | 0.5% |
| Collier Village Oaks LLC | | | 0.0% | 13,462,297 | 9 | 0.4% |
| The Center Martinez | | | 0.0% | 10,919,511 | 10 | 0.3% |
| Subtotal | <u>\$519,321,634</u> | | <u>12.4%</u> | <u>\$310,725,838</u> | | <u>9.3%</u> |

Total Net Assessed Valuation:
Fiscal Year 2012-13 \$4,175,639,005
Fiscal Year 2003-2004 \$3,352,491,393

Source: HDL Coren & Cone

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



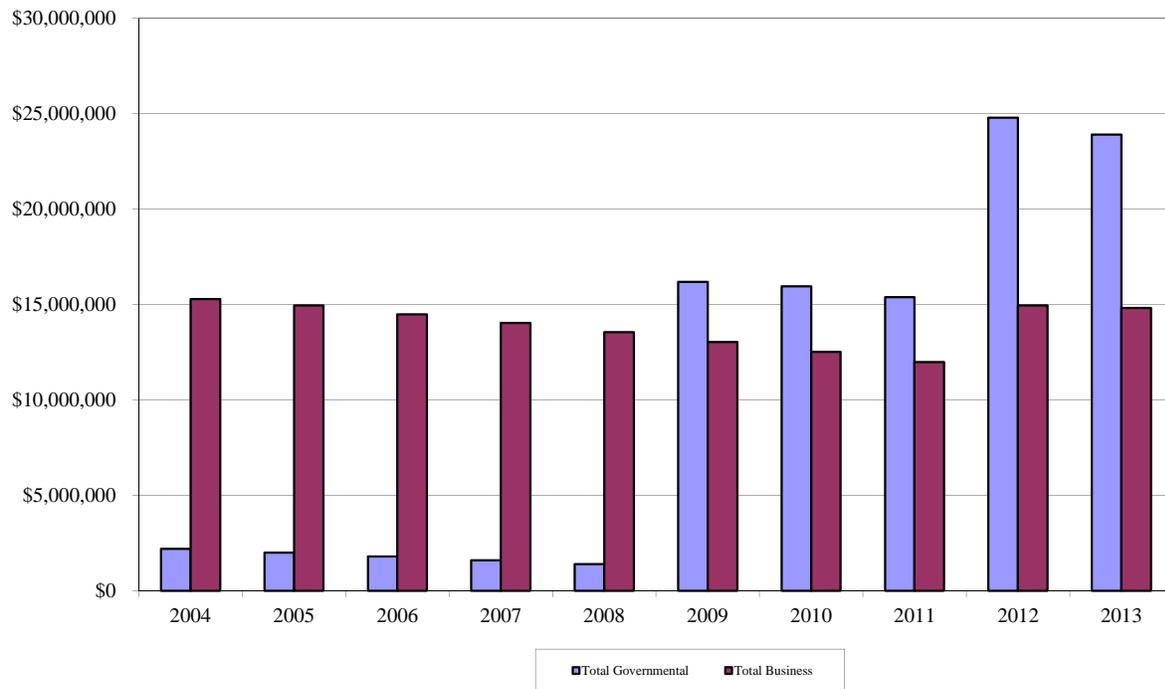
| Fiscal Year | Total Tax Levy (a) | Current Tax Collections | Percent of Levy Collected | Delinquent Tax Collections | County Administrative Fee | Total Tax Collections | Percent of Total Tax Collections to Tax Levy |
|--------------------|---------------------------|--------------------------------|----------------------------------|-----------------------------------|----------------------------------|------------------------------|---|
| 2004 | \$5,124,479 | \$5,124,479 | 100.00% | 0 | (\$52,170) | \$5,072,309 | 100.00% |
| 2005 | 5,655,854 | 5,655,854 | 100.00% | 0 | (51,982) | 5,603,872 | 100.00% |
| 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% |

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 |
| 2004 | | \$2,200,000 | \$2,200,000 | 0.00% | \$0.00 |
| 2005 | | 2,005,000 | 2,005,000 | 0.00% | 0.00 |
| 2006 | | 1,805,000 | 1,805,000 | 0.00% | 0.00 |
| 2007 | | 1,605,000 | 1,605,000 | 0.00% | 0.00 |
| 2008 | | 1,400,000 | 1,400,000 | 0.00% | 0.00 |
| 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% | 407.70 |
| 2012 | 24,300,000 | 500,000 | 24,800,000 | 0.57% | 670.81 |
| 2013 | 23,660,000 | 255,000 | 23,915,000 | 0.57% | 646.84 |

| Business-Type Activities | | | | | | |
|---------------------------------|--------------------------------------|----------------------|--------------|---------------------------------|--|-------------------|
| Fiscal Year | Certificates of Participation | Loans Payable | Total | Total Primary Government | Percentage of Personal Income (a) | Per Capita |
| 2004 | \$11,080,000 | \$4,206,586 | \$15,286,586 | \$17,486,586 | 1.03% | \$475 |
| 2005 | 10,640,000 | 4,310,680 | 14,950,680 | 16,955,680 | 0.95% | 460.53 |
| 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 | (a) | 1,097.34 |
| 2013 | 10,647,884 | 4,171,723 | 14,819,607 | 38,096,723 | (a) | 1,041.52 |

(a) Personal Income data not available for fiscal years 2011 through 2012

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, 2013

2012-13 Assessed Valuation \$4,174,703,671

| | Total Debt 06/30/13 | (1) % Applicable | City's Share of Debt 6/30/13 |
|---|------------------------|---------------------|---------------------------------|
| <u>DIRECT LONG-TERM DEBT</u> | | | |
| City of Martinez | \$23,660,000 | 100.000% | \$23,660,000 |
| City of Martinez Certificates of Participation | 255,000 | 100.000% | 255,000 |
| Subtotal Direct Long-term Debt | <u>\$23,915,000</u> | | <u>\$23,915,000</u> |
| <u>OVERLAPPING LONG-TERM DEBT</u> | | | |
| Bay Area Rapid Transit District | \$410,690,000 | 0.831% | \$3,412,834 |
| East Bay Regional Park District | 135,565,000 | 1.284% | 1,740,655 |
| Contra Costa Community College District | 209,930,000 | 2.955% | 6,203,432 |
| Martinez Unified School District | 42,858,563 | 46.832% | 20,071,522 |
| Mount Diablo Unified School District | 449,305,057 | 5.202% | 23,372,849 |
| Mount Diablo Unified School District Community Facilities District #1 | 48,770,000 | 5.202% | 2,537,015 |
| Contra Costa County Certificates of Participation | 282,641,006 | 2.944% | 8,320,951 |
| Contra Costa County Pension Obligations | 310,110,000 | 2.944% | 9,129,638 |
| Contra Costa Community College District Certificates of Participation | 780,000 | 2.955% | 23,049 |
| Contra Costa Fire Protection District Pension Obligations | 106,185,000 | 6.517% | 6,920,076 |
| Subtotal Overlapping Long-term Debt | <u>1,996,834,626</u> | | <u>81,732,021</u> |
| TOTAL GROSS DIRECT AND OVERLAPPING LONG-TERM DEBT | | | <u>\$105,647,021</u> (2) |
| Less: Contra Costa County supported obligations | | | <u>3,090,986</u> |
| TOTAL NET DIRECT AND OVERLAPPING LONG-TERM DEBT | | | <u>\$102,556,035</u> |

(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 2012-13 ASSESSED VALUATION:

| | |
|-------------------------|-------|
| Direct Debt | 0.57% |
| Total Overlapping Debt | 1.96% |
| Net Combined Total Debt | 2.46% |

Source: California Municipal Statistics, Inc.

**CITY OF MARTINEZ
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2013**

ASSESSED VALUATION:

| | |
|---|-----------------|
| Secured property assessed value, net of exempt real property | \$4,175,639,005 |
|---|-----------------|

| | |
|---|---------------|
| BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a) | \$156,586,463 |
|---|---------------|

AMOUNT OF DEBT SUBJECT TO LIMIT:

| | |
|-------------------|------------|
| Total Bonded Debt | 23,915,000 |
|-------------------|------------|

| | |
|---|---------|
| Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit | 255,000 |
|---|---------|

| | |
|---------------------------------|------------|
| Amount of debt subject to limit | 23,660,000 |
|---------------------------------|------------|

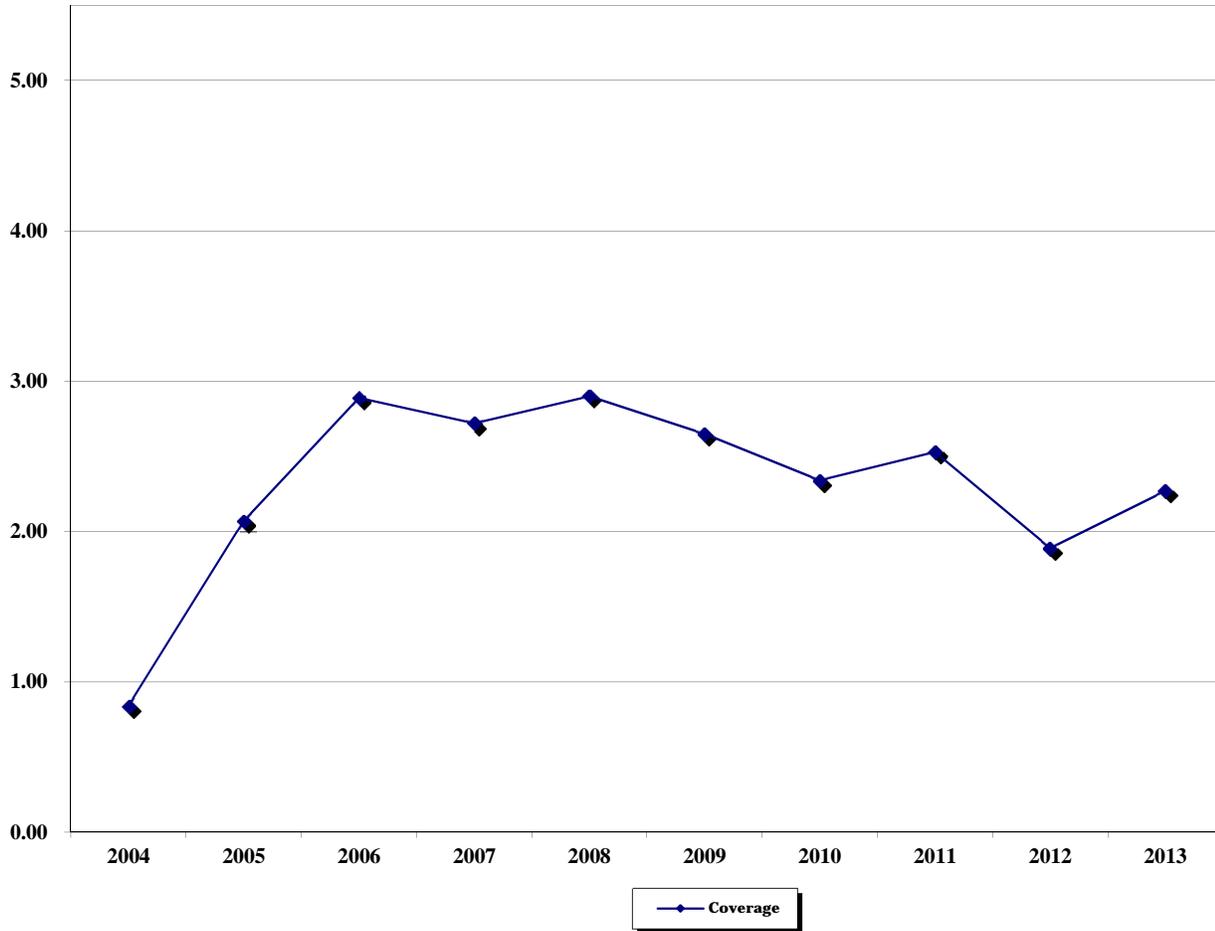
| | |
|--------------------------|---------------|
| LEGAL BONDED DEBT MARGIN | \$132,926,463 |
|--------------------------|---------------|

| 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 |
|----------------|---------------|--|-------------------------|---|
| 2004 | \$502,873,709 | | \$502,873,709 | |
| 2005 | 540,528,077 | | 540,528,077 | |
| 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% |

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**

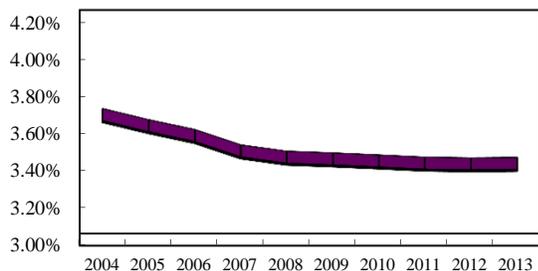


| Fiscal Year | Gross Revenue (1) | Operating Expenses (2) | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|-------------|-------------------|------------------------|--|---------------------------|-----------|-----------|----------|
| | | | | Principal | Interest | Total | |
| 2004 | \$8,545,760 | \$7,795,532 | \$750,228 | \$440,000 | \$457,036 | \$897,036 | 0.84 |
| 2005 | 9,435,677 | 7,573,964 | 1,861,713 | 450,000 | 449,143 | 899,143 | 2.07 |
| 2006 | 9,726,463 | 7,160,841 | 2,565,622 | 455,000 | 433,661 | 888,661 | 2.89 |
| 2007 | 10,188,402 | 7,760,258 | 2,428,144 | 470,000 | 423,808 | 893,808 | 2.72 |
| 2008 | 10,287,823 | 7,706,998 | 2,580,825 | 485,000 | 406,326 | 891,326 | 2.90 |
| 2009 | 10,285,545 | 7,924,631 | 2,360,914 | 500,000 | 389,642 | 889,642 | 2.65 |
| 2010 | 9,906,086 | 7,823,809 | 2,082,277 | 520,000 | 371,092 | 891,092 | 2.34 |
| 2011 | 9,805,813 | 7,548,774 | 2,257,039 | 540,000 | 350,698 | 890,698 | 2.53 |
| 2012 | 10,488,260 | 8,318,126 | 2,170,134 | 795,000 | 354,089 | 1,149,089 | 1.89 |
| 2013 | 11,286,802 | 8,670,144 | 2,616,658 | 820,000 | 332,370 | 1,152,370 | 2.27 |

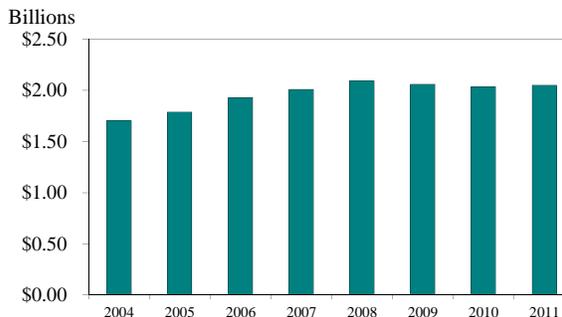
Notes: (1) Includes all Water Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Re
(2) Includes all Water Operating Expenses less Depreciation and Interest

Source: City of Martinez Annual Financial Statements

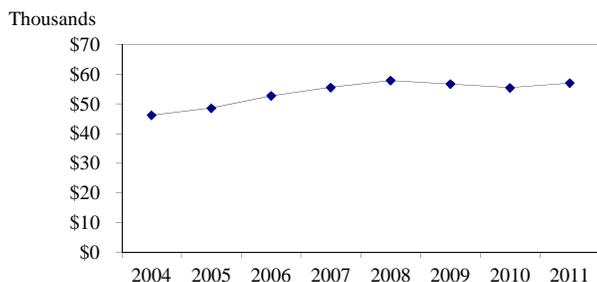
**CITY OF MARTINEZ
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



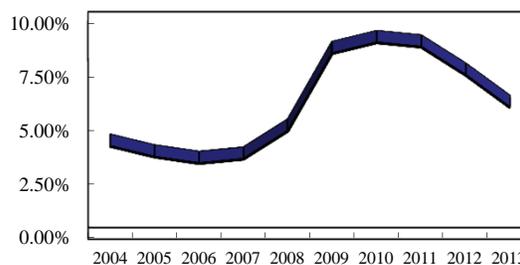
■ City Population as a % of County Population



■ Total Personal Income (a)



◆ Per Capita Personal Income (a)



■ Unemployment Rate (%)

| <u>Fiscal Year</u> | <u>City Population</u> | <u>Total Personal Income (a)</u> | <u>Per Capita Personal Income (a)</u> | <u>Unemployment Rate (%)</u> | <u>Contra Costa County Population</u> | <u>City Population % of County</u> |
|--------------------|------------------------|----------------------------------|---------------------------------------|------------------------------|---------------------------------------|------------------------------------|
| 2004 | 36,805 | \$1,700,795,855 | \$46,211 | 4.3% | 1,003,909 | 3.67% |
| 2005 | 36,818 | 1,790,017,524 | 48,618 | 3.8% | 1,020,898 | 3.61% |
| 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 | (b) | (b) | 7.6% | 1,065,117 | 3.40% |
| 2013 | 36,578 | (b) | (b) | 6.1% | 1,074,702 | 3.40% |

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 2012 - 2013 not available

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

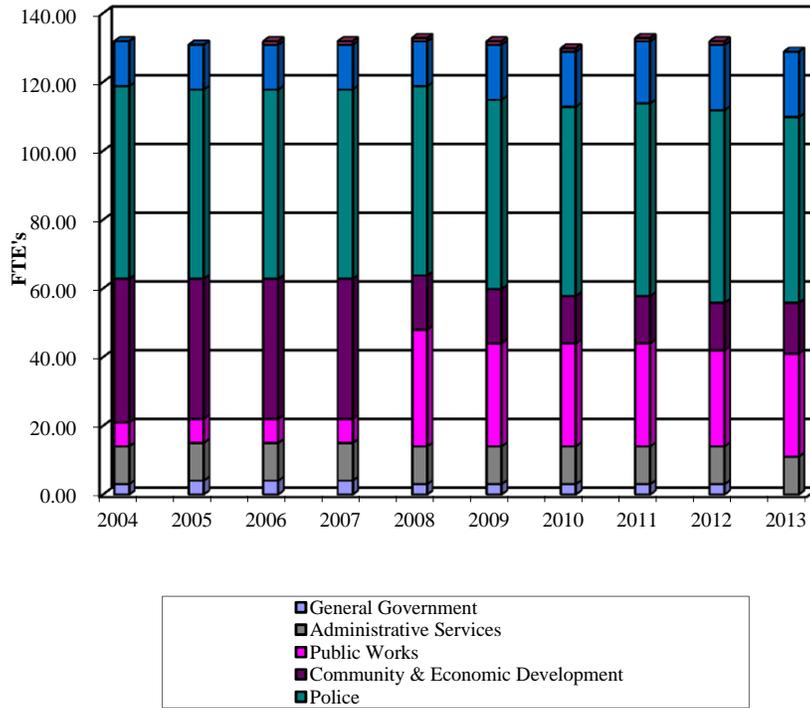
CITY OF MARTINEZ
Principal Employers
Current Year and Seven Years Ago

| <u>Employer</u> | <u>2012-13</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) | 9,880 | 1 | 44.11% | 1,700 | 1 | 8.06% |
| Veterans Admin Medical Center | 822 | 2 | 3.67% | 950 | 3 | 4.50% |
| Kaiser Permanente | 730 | 3 | 3.26% | 1,000 | 2 | 4.74% |
| Shell Oil Refinery | 709 | 4 | 3.17% | 700 | 4 | 3.32% |
| Martinez Unified School District | 577 | 5 | 2.58% | 425 | 6 | 2.01% |
| Wal-Mart Store | 246 | 6 | 1.10% | 350 | 7 | 1.66% |
| Safeway Stores | 160 | 7 | 0.71% | | | 0.00% |
| City of Martinez | 122 | 8 | 0.54% | 170 | 9 | 0.81% |
| Home Depot | 121 | 9 | | 250 | 8 | 1.18% |
| Brand Energy | 120 | 10 | 0.54% | | | |
| Contra Costa Electric | | | | 500 | 5 | 2.37% |
| Telfer Oil Lines | | | | 100 | 10 | 0.47% |
| Total Top Employers | <u>13,487</u> | | <u>60.21%</u> | <u>6,145</u> | | <u>27.43%</u> |
| Total City Employment | <u>22,400</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, | | | | | | | | | | |
|----------------------------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | |
| Function | | | | | | | | | | | |
| General Government | 3.00 | 4.00 | 4.00 | 4.00 | 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 | 7.00 | 7.00 | 34.00 | 30.00 | 30.00 | 30.00 | 28.00 | 30.00 | |
| Community & Economic Development | 41.80 | 40.80 | 40.80 | 40.80 | 15.80 | 15.80 | 13.80 | 13.80 | 13.80 | 14.80 | |
| Police | 56.00 | 55.00 | 55.00 | 55.00 | 55.00 | 55.00 | 55.00 | 56.00 | 56.00 | 54.00 | |
| Water System | 13.00 | 13.00 | 13.00 | 13.00 | 13.00 | 16.00 | 16.00 | 18.00 | 19.00 | 19.00 | |
| Parking Services | | | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | |
| Total | 131.80 | 130.80 | 131.80 | 131.80 | 132.80 | 131.80 | 129.80 | 132.80 | 131.80 | 132.80 | |

Source: City of Martinez Administrative Services Department

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

| | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|--|-------------|-------------|-------------|
| Function/Program | | | |
| Public safety: | | | |
| Police: | | | |
| Police calls for Service | 31,013 | 35,621 | 32,071 |
| Law violations: | | | |
| Part I and Part II crimes | 5,742 | 5,989 | 5,753 |
| Physical arrests (adult and juvenile) | 1,828 | 2,213 | 1,886 |
| Traffic violations | 3,477 | 3,117 | 1,872 |
| Parking violations | 7,505 | 8,267 | 4,992 |
| Public works | | | |
| Street resurfacing | | | |
| Seal Coat (miles) | 9.47 | n/a | 6 |
| Asphalt overlay (miles) | 1 | 1.89 | 2.40 |
| Culture and recreation: | | | |
| Community Services: | | | |
| Number of recreation classes | 413 | 434 | 459 |
| Number of community events | 48 | 45 | 52 |
| Number of facility rentals | 323 | 415 | 413 |
| Water | | | |
| Water service connections - active | 9,719 | 9,728 | 9,731 |
| Water main breaks | 61 | 51 | 54 |
| Average daily consumption (thousands of gallons) | 5,770 | 5,060 | 5,210 |

Note: n/a denotes information not available.
Source: City of Martinez

| Fiscal Year | | | | | | |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 30,710 | 30,354 | 30,794 | 29,463 | 27,501 | 24,700 | 27,584 |
| 5,460 | 5,970 | 4,923 | 4,343 | 4,079 | 3,612 | 3,857 |
| 1,693 | 1,714 | 1,585 | 1,655 | 1,622 | 1,162 | 1,348 |
| 1,642 | 1,340 | 2,598 | 2,985 | 1,738 | 1,040 | 1,012 |
| 5,929 | 8,895 | 8,790 | 8,864 | 9,226 | 3,143 | 7,554 |
| 5.42 | 5.60 | 3.41 | 14.75 | 0.00 | 0.00 | 0.00 |
| 0.70 | 0.57 | 0.89 | 1.70 | 1.90 | 0.50 | 0.87 |
| 595 | 596 | 462 | 504 | 458 | 520 | 726 |
| 55 | 55 | 67 | 69 | 72 | 72 | 150 |
| 253 | 286 | 273 | 290 | 416 | 263 | 521 |
| 9,739 | 9,745 | 9,751 | 9,755 | 9,767 | 9,777 | 9,768 |
| 35 | 52 | 46 | 38 | 34 | 40 | 52 |
| 5,214 | 4,948 | 4,663 | 3,970 | 3,470 | 3,594 | 3,770 |

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

| Function/Program | 2004 | 2005 | 2006 |
|---|-------------|-------------|-------------|
| Public safety: | | | |
| Police stations | 1 | 1 | 1 |
| Police sworn officers | 39 | 39 | 39 |
| Public works | | | |
| Miles of streets | 122 | 122 | 122 |
| Street lights | 4,994 | 4,994 | 4,994 |
| Traffic Signals | 253 | 253 | 253 |
| Culture and recreation: | | | |
| Community services: | | | |
| City parks | 16 | 16 | 16 |
| City parks acreage | 271 | 271 | 271 |
| Playgrounds | 10 | 10 | 10 |
| City trails | 9 | 9 | 9 |
| Roadway landscaping acreage | 11 | 11 | 11 |
| Community gardens | 1 | 1 | 1 |
| Senior centers | 1 | 1 | 1 |
| Performing arts centers | 1 | 1 | 1 |
| Swimming pools | 1 | 1 | 1 |
| Tennis courts | 9 | 9 | 9 |
| Skateboard Park | 1 | 1 | 1 |
| Baseball/softball diamonds | 8 | 8 | 8 |
| Soccer fields | 7 | 7 | 7 |
| Water | | | |
| Miles of water lines | 100 | 100 | 100 |
| Storage capacity (thousands of gallons) | 9,522,000 | 9,522,000 | 9,522,000 |

Note: n/a denotes information is not available.

Source: City of Martinez

| Fiscal Year | | | | | | |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 39 | 39 | 39 | 39 | 39 | 37 | 37 |
| 122 | 122 | 122 | 122 | 122 | 122 | 122 |
| 4,994 | 4,996 | 5,005 | 5,005 | 5,005 | 5,005 | 5,017 |
| 253 | 265 | 265 | 265 | 265 | 265 | 265 |
| 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| 271 | 271 | 271 | 271 | 271 | 271 | 271 |
| 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| 11 | 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 | 1 | 1 | 1 | 1 |
| 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| 9,522,000 | 9,522,000 | 9,522,000 | 9,522,000 | 9,522,000 | 9,522,000 | 9,522,000 |

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