



CITY OF MARTINEZ

**CITY COUNCIL AGENDA
December 19, 2007**

TO: Mayor and City Council

FROM: Lianne Marshall, Assistant City Manager-Administrative Services
Cathy Heater, Finance Manager

SUBJECT: Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ended
June 30, 2007

DATE: December 5, 2007

RECOMMENDATION:

Receive and file the Comprehensive Annual Financial Report (CAFR) for Fiscal Year ended June 30, 2007. The City's auditor and staff reviewed the report with the Budget Subcommittee on December 4, 2007 and the Subcommittee recommended forwarding to the City Council.

BACKGROUND:

The City is required to be audited annually by an independent certified public accountancy firm. Maze and Associates CPA performed the FY 2006-2007 audit. The CAFR for FY 2006-2007 meets all GASB requirements.

The General Fund ended Fiscal Year 2006-07 with revenues of \$21,135,864 and expenditures of \$18,527,252. The General Fund closed with an undesignated fund balance of \$7,200,355.

In addition to conducting the financial audit, Maze audited the City's internal control structure. No material findings were identified in the audit.

FISCAL IMPACT:

None.

ACTION:

Motion accepting the Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2007.

Attachment

APPROVED BY:


City Manager

APPROVED BY:


Assistant City Manager
Administration Services

**CITY OF MARTINEZ, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

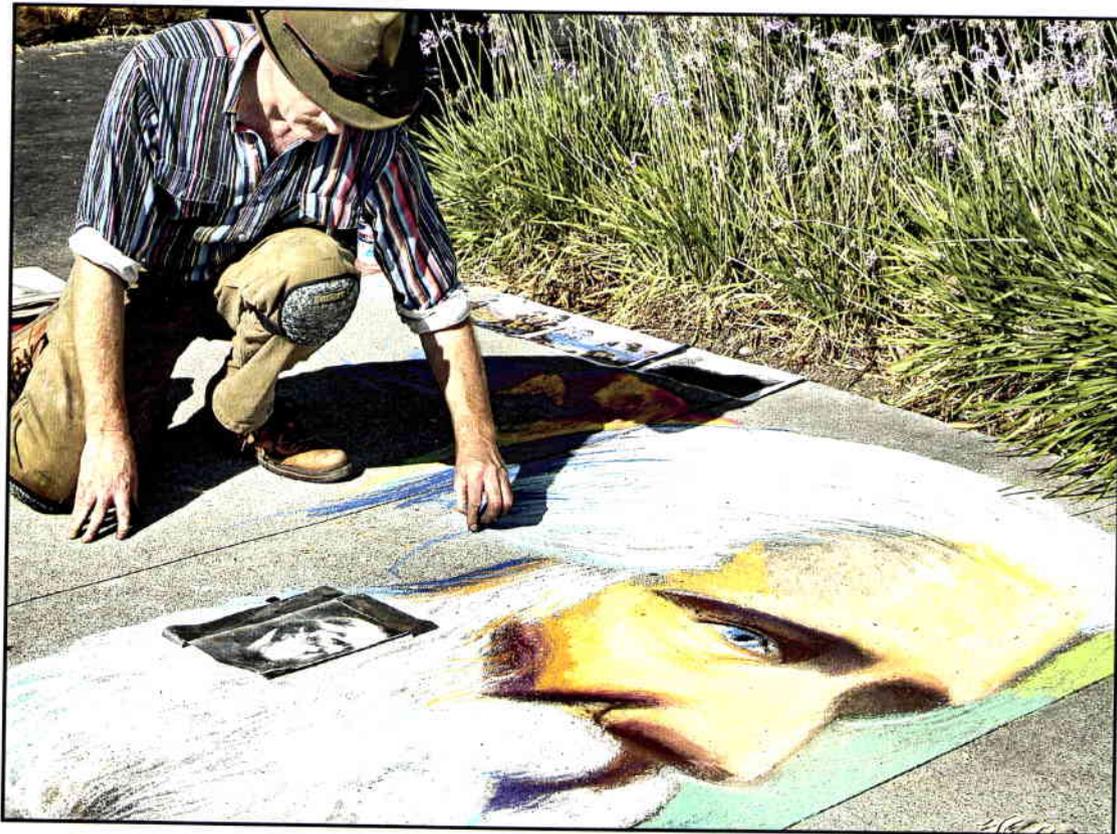


photo courtesy of Denis Shea

**Prepared by
ADMINISTRATIVE SERVICES DEPARTMENT**

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Comprehensive Annual Financial Report
For the Year Ended June 30, 2007

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November 15, 2007

Honorable Mayor and Council Members

We are pleased to present the City of Martinez' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. The Administrative Services Department 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 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.

The City has included in its basic financial statements all funds and entities over which the City Council has control, including the City and the Martinez Public Improvement Corporation. Control by or dependence on the City was determined on the basis of budget adoption, outstanding debt secured by revenues, general obligations of the City, or receipt of significant subsidies from the City. The City Council also serves as the Board of the Martinez Public Improvement Corporation.

City Overview

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 36,179 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.

Governmental Structure, Local Economic Condition and Outlook

The City provides a full range of services including police protection, community and economic development, recreation activities, parks and street maintenance, water utilities and general administration.

The City's General Fund supports most of these services. It is the primary reporting entity for general government operations of the City of Martinez. It accounts for all financial resources not required by law or administrative action to be accounted for in another fund. The General Fund is the City's largest operating fund.

General Fund revenues, including transfers in, totaled \$21,267,131 in fiscal year 2006-07, an increase of 5.8% over the prior fiscal year, with taxes representing approximately 75% of total General Fund revenues, or \$16,049,485. Property taxes increased \$700,481 over the prior year. Other revenue sources comprising the remaining 25% of General Fund revenues included licenses, permits and fees, intergovernmental, charges for services, fines and forfeits, use of money and property, and miscellaneous. City revenues in fiscal year 2006-07 exceeded projections by \$412,890. The General Fund ended fiscal year 2006-07 with an unreserved and undesignated fund balance of \$7.2 million.

The City's enterprise operations consist of the Parking Services, Water System, and Marina Services funds. Revenue to the Parking Services Fund is primarily generated from meter collections and parking permits, and expenditures represent enforcement and collection activities. The City's only parking district is the main downtown area. The Martinez Water System provides a reliable supply of high quality potable water in sufficient quantity to meet the needs of Martinez residents and businesses. The safety of the water and the health of the community are ensured through the use of advanced technology, proper water treatment, water quality analysis, treatment plant maintenance, backflow prevention, and maintenance of the water distribution system. The water system operates much in the same way as a private business. Revenues generated by the Martinez Water System are deposited into the Water System Fund. A private contractor operates the full-service Martinez Marina, with oversight by City staff and the Marina Commission. 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.

The outlook for Martinez is affected by the larger economies. The national economy grew at an annual rate of 3.8% in the second quarter of 2007, compared with 0.6% in the previous quarter, according to final estimates released by the U.S. Bureau of Economic Analysis. Strong spending by federal, state and local governments – combined with greater personal spending in the areas of services, exports, nonresidential structures, and equipment and software – accounted for the

period of a 45-year long-term sublease. New benches and railings were installed at the fishing pier for the comfort and safety of the City's many fishing enthusiasts, further contributing to the improving aesthetics of the marina complex. Additionally, the City recently received a grant of up to \$500,000 from the San Francisco Bay Conservation and Development Commission for removal of the old ferry pier – a high-priority project for the community over the past several years. The project is expected to be completed by the end of 2007.

Transportation Improvements. Numerous transportation-related capital projects were completed, including significant paving along Alhambra Avenue (one of the City's primary thoroughfares); construction of an 8-foot wide, 500-foot long pedestrian path with over 1900 feet of landscape beautification along Joe DiMaggio Drive (situated in a highly visible section of the downtown area directly adjacent to the marina complex); and replacement of two bridges in the Hidden Lakes Open Space (the City's third-largest park) in conjunction with the local sanitary district. Numerous other transportation projects are already underway in fiscal year 2007-08, including construction of sound walls, retaining walls, sidewalks, handicap ramps, storm drains, traffic signals and landscaping along Alhambra Avenue from Highway 4 south to Forest Way, at a cost of \$5.2 million. Paving projects involving numerous City streets are scheduled to be completed in the fall, including several in the downtown area such as Talbart, Main, Castro, and Green streets.

Environmental Protections. The City has committed \$20K in each of the next two fiscal years to coordinate a "Green Program" for City facilities. The goal of this program will be to reduce the City's "carbon footprint" through a variety of energy-efficient and eco-friendly initiatives.

Amphitheater Improvements. The City Council prioritized making the John Muir Amphitheater a venue for vibrant summer activities. Several physical upgrades have been completed, including landscape improvements, construction of permanent rest rooms, and installation of additional perimeter and security lighting. A variety of family-friendly events were held during the summer, including movies, magic shows, and musical performances.

Cultural, Parks and Recreational Efforts. The City's partnership with the Willows Theatre Company culminated in the May 2007 opening of the Campbell Theatre, a downtown building refurbished and converted into a 176-seat cabaret dinner theater. Productions of the hit comedy "Nonsense" will run until December. Additional funding was allocated to enhance parks maintenance efforts during the busiest months of April through October. Significant allocations for maintenance of the City's sports fields, monthly water treatments at Hidden Lakes Park, and upkeep of various Open Space areas were also designated. The City coordinated its annual "Restaurant Tour" featuring tastes of 15 local eateries, and once again hosted popular holiday events for the community including the Snow Park and Children's Light Parade. Several senior programs were offered, including a variety of active senior trips designed to promote exercise such as biking, hiking, and kayaking.

Local Cycling Events. After hosting the 2nd Stage of the inaugural Amgen Tour of California bike race (a world-class professional cycling competition) and local cycling events in February 2006, the City successfully hosted the 2nd annual "Martinez Celebrates Cycling" in February 2007. The first day of activities featured bike safety assemblies and a bicycle-themed film festival. Highlights of the second day were the 40-mile Alhambra Valley Bike Tour through

Franklin Canyon, and the Bay Front Classic Criterium, a series of closed-circuit races through the downtown area. This year 8 races took place, including 2 women's categories. The City has allocated funding to continue making "Martinez Celebrates Cycling" an annual event.

Technological Enhancements and Community Interaction. The City is following up its recent advancements to the City website with a slate of new improvements. In 2006, web-streaming of Council meetings and a "Citizen Relationship Management System" (which enables citizens to log on to the City's website to place requests for service or file complaints) were added. The City has now updated its website with a fresh new look. The new homepage, unveiled in September 2007, features "Latest News" and "Upcoming Events" sections. Soon to be added to the homepage is a "Community Movie Showcase." This feature will include videos that highlight various aspects of the community. The City is also evaluating significant upgrades to the audio/video systems in the Council Chambers. These improvements, funded by a technology grant from the cable franchise agreement, will dramatically improve the quality of the Council meeting broadcasts.

Financial Information

Accounting System and Budgeting Controls. In developing and evaluating the City's accounting system, consideration is given to the accuracy of internal accounting control. Internal accounting controls are designed to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, the accuracy and reliability of accounting data and the adherence to prescribed managerial policy. The concept of reasonable assurance recognizes that the cost of control should not exceed benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management.

The City's accounting and budgeting records for the basic financial statements in this report conform to generally accepted accounting principles according to standards established by the Governmental Accounting Standards Board.

The City maintains extensive budgetary controls. The City's Biennial Budget provides the overall control of its revenues and expenditures. The City's accounting system produces monthly reports on expenditures and encumbrance activity that assist Department Heads in managing their activities and programs. These reports are also reviewed by the Assistant City Manager-Administrative Services and the Finance Manager to assure budgetary compliance.

As a recipient of federal, state, and county financial assistance, the City is responsible for ensuring that an adequate control structure is in place to comply with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the finance staff of the City.

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 Assets.

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, discounts, and issuance costs 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 reported as deferred charges. The City's primary General Long-term Obligations consist of Certificates of Participation from 1992, which was refunded in March of 2003. This 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 on its portfolio. Bank deposits are either insured by the Federal Government or collateralized. All collateral on 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 \$20 million. The City has a deductible of up to \$5,000 per claim. The City's Safety Program, Property Insurance, and Workers' Compensation reporting are all coordinated through the MPA.

Please refer to the Management Discussion and Analysis (MD&A) and the notes to the financial statements for additional information. The City has refrained from duplicating information.

Other Information

Independent Audit. State statutes require an annual audit by independent certified public accountants. The City selected the accounting firm of Maze and Associates for these services. The auditor's opinion letter has been made a part of this report.

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, 2006. This was the sixth 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. The CSMFO Board of Directors determined in 2006 to return to the original intent of its awards program, which allows submissions from agencies who are participating in the CAFR review program for the first time or from agencies that do not participate in the rigorous GFOA program. Since the City submits its CAFR to GFOA for award consideration, it is no longer eligible to participate in the CSMFO award program.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report is the result of the hard work and dedicated efforts of the staff in the Administrative Services Department. Special thanks to the Finance Division, in particular, Cathy Heater, Finance Manager, and Kristine Sosa, Accountant, and to Michael Chandler, Senior Management Analyst, 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,



Lianne Marshall
Assistant City Manager – Administrative Services

City of Martinez Key Personnel

June 30, 2007

City Council

Rob Schroder, Mayor

Janet Kennedy, Vice Mayor

Lara DeLaney, Councilmember

Michael Menesini, Councilmember

Mark Ross, Councilmember

Council Appointees

Donald A. Blubaugh, City Manager

Elected Officials

Gary Hernandez, City Clerk

Carolyn Robinson, City Treasurer

City Staff

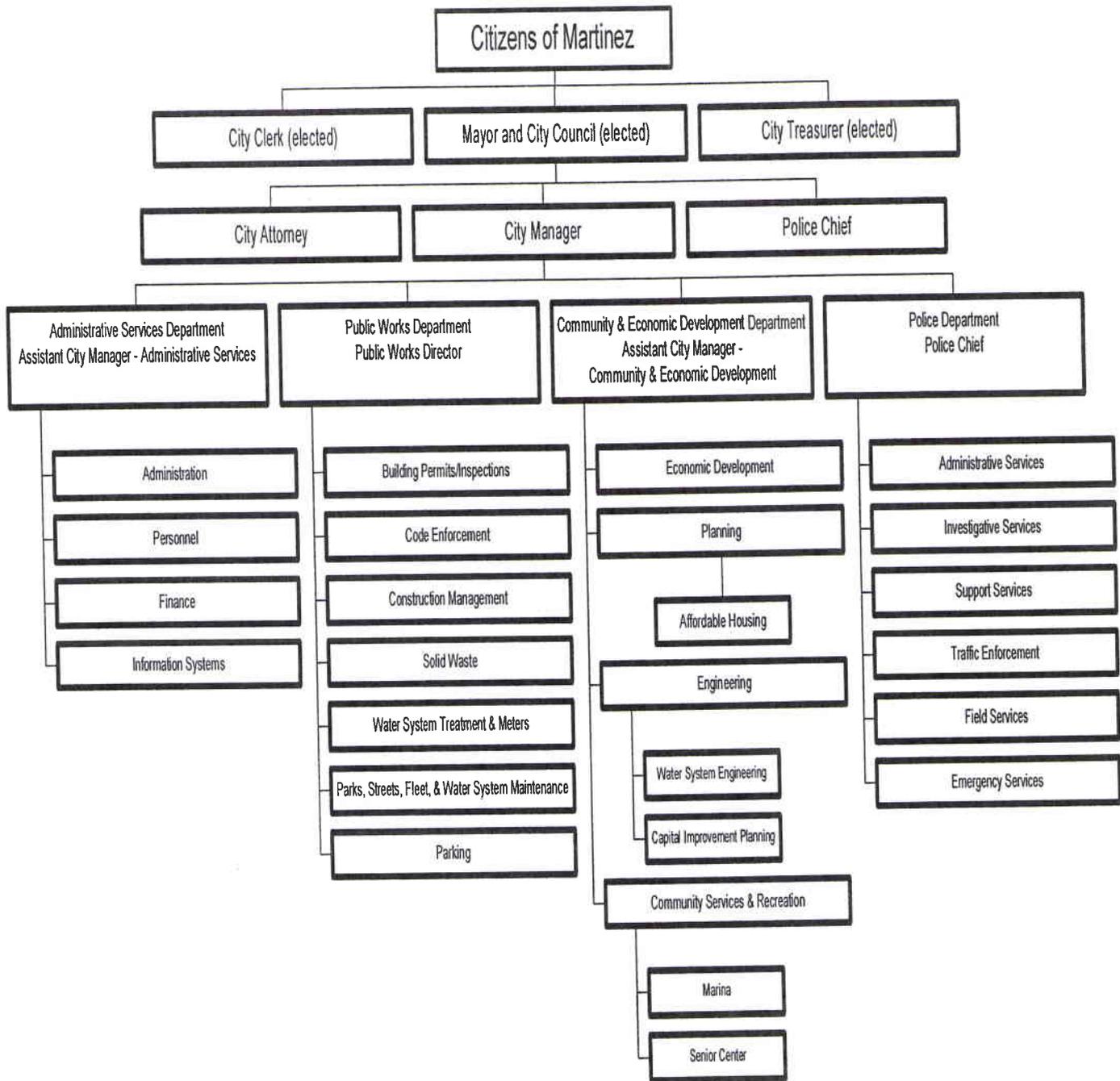
Lianne Marshall, Assistant City Manager-Administrative Services

Karen Majors, Assistant City Manager-Community & Economic Development

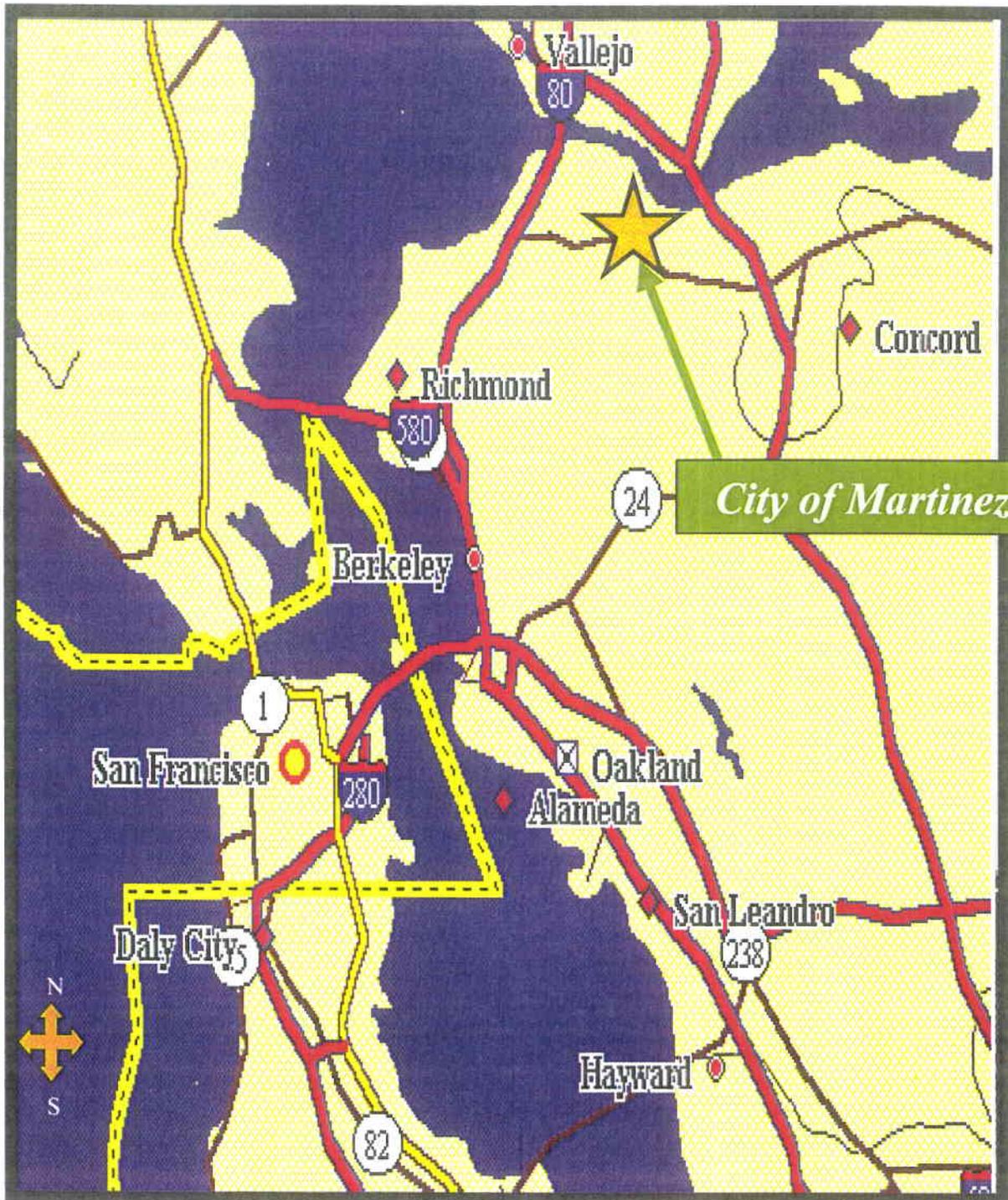
David Scola, Public Works Director

Dave Cutaia, Chief of Police

CITY OF MARTINEZ



AREA MAP



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, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

ACCOUNTANCY CORPORATION

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**INDEPENDENT AUDITOR'S REPORT ON
BASIC FINANCIAL STATEMENTS**

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

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the City of Martinez, California, as of June 30, 2007 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects the financial position of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the City of Martinez at June 30, 2007 and the respective changes in financial position and cash flows, where applicable there of, and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with principles generally accepted accounting in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Maze & Associates

September 13, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Accounting Standards Board Statement 34, "Basic Financial Statements---and Management's Discussion & Analysis---for Local Governments" (GASB 34) requires the City to provide this overview of its financial activities for the fiscal year, and should be read in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FISCAL 2007 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

City-wide Activities:

- The City's total net assets were \$85,508,015 at June 30, 2007, up \$3,329,005 from the prior year. Of this total, \$46,399,217 were Governmental assets and \$39,108,798 were Business-type assets.
- Total City revenues were \$36,230,031 in Fiscal 2007. General Revenues, which result from both Governmental and Business-type Activities, totaled \$19,319,371. Program Revenues from the Governmental Activities were \$6,532,231, and Program Revenues from the Business-type Activities were \$10,378,429.
- Total City expenses were \$32,901,026 in Fiscal 2007. Program Expenses from the Governmental Activities were \$21,861,595 and Program Expenses from the Business-type Activities were \$11,039,431.

General Fund Activities:

- General Fund revenues of \$21,135,864 in Fiscal 2007 represented an increase of \$1,180,447 from the prior year. General Fund expenditures of \$18,527,252 in Fiscal 2007 represented an increase of \$1,898,254 over the prior year expenditures.
- General Fund balance of \$15,319,313 at June 30, 2007 was \$2,472,244 higher than Fiscal 2006's fund balance of \$12,847,069.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in six parts:

- 1) Introductory section, which includes the Transmittal Letter and general information,
- 2) Management's Discussion and Analysis (this part),
- 3) The Basic Financial Statements, which include the City-wide and the Fund financial statements, along with the Notes to these financial statements,
- 4) Required Supplemental Information,
- 5) Combining Statements for Non-major Governmental Funds and Fiduciary Funds,
- 6) Statistical information.

THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements comprise the City-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position both long term and short term. The Fiduciary Funds are excluded from the Basic Financial Statements because the City cannot use these assets to finance its own operations.

The City-wide Financial Statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets 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 or expenses of each of the City's programs. The Statement of Activities explains in detail the Change in Net Assets for the year.

The City-wide Financial Statements group all the City's activities into Governmental Activities and Business-type Activities, as explained below. All the amounts in the Statement of Net Assets 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.

The Fund Financial Statements report the City's operations in more detail than the City-wide statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements 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.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major Funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

The City acts solely as a depository agent for various community groups and functions, as well as an Assessment District. The fiduciary statements provide information about the cash balances and activities of these functions. These statements are separate from, and their balances are excluded from, the City's financial statements.

The City-wide Financial Statements

The Statement of Net Assets and the Statement of Activities present information about the following:

- *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 charges paid by users based on the amount of the service they use.

Citywide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

Fund Financial Statements

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 include governmental, enterprise and internal service funds as discussed in the following:

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Enterprise and Internal Service Fund financial statements are prepared on the full accrual basis, as in the past, and include all their assets and liabilities, current and long-term.

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.

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

Fiduciary Statements

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 Assets and the Agency Funds Statement of Changes in Assets and Liabilities. As previously mentioned, these activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on the net assets and changes in net assets of the City's Governmental Activities (Tables 1, 2 and 3) and Business-type Activities (Tables 4 and 5) presented in the City-wide Statement of Net Assets and Statement of Activities that follow.

Governmental Activities

Table 1
Governmental Net Assets at June 30, 2007

	Governmental Activities	
	2007	2006
Cash and investments	\$23,455,788	\$20,090,863
Other assets	2,827,702	3,316,882
Capital assets	26,055,821	25,877,792
Total Assets	52,339,311	49,285,537
Long-term debt outstanding	1,605,000	1,805,000
Other Liabilities	4,335,094	4,645,850
Total Liabilities	5,940,094	6,450,850
Net assets:		
Invested in capital assets, net of debt	24,450,822	24,072,792
Restricted	1,647,325	1,805,299
Unrestricted	20,301,070	16,956,596
Total Net Assets	\$46,399,217	\$42,834,687

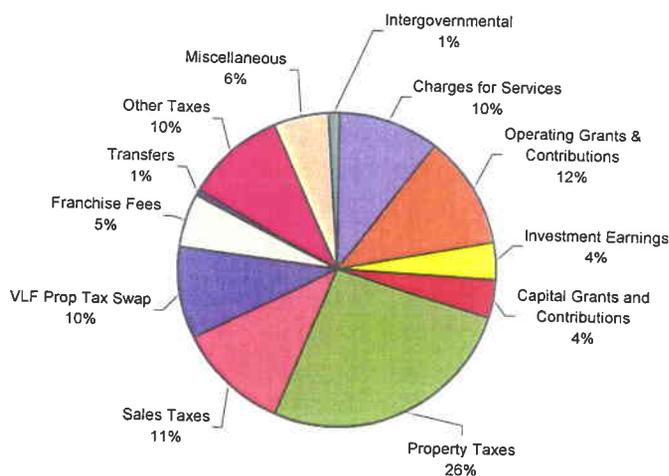
The City's net assets from governmental activities increased \$3,564,530 in Fiscal 2007 from \$42,834,687 in Fiscal 2006. This increase is the Change in Net Assets reflected in the Statement of Activities, as shown in Table 2, and is explained below:

- Cash and investments increased by \$3,364,925 from Fiscal 2006 due primarily to a reduction of \$723,523 to intergovernmental receivables over the prior year (indicative of collection of funds owed, particularly for capital projects); an insurance rebate of \$391,141; capital support payments of \$606,514 from the City's cable provider per the franchise agreement; and an increase in tax revenues of \$1,055,223.
- Other non-capital assets decreased \$489,180, primarily due to a decrease in intergovernmental receivables.
- Capital assets increased \$178,029, net of depreciation charges, due to work performed on capital projects in process and infrastructure.

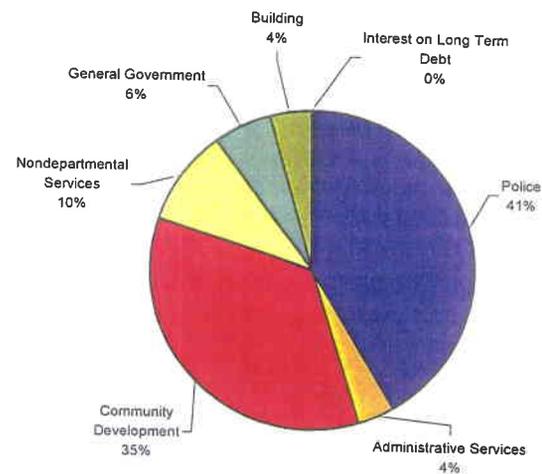
- Long-term debt declined \$200,000 as no new debt was issued in Fiscal 2007 and principal payments were made to reduce existing debt.
- Net assets invested in capital assets (net of related debt) increased \$378,030 to \$24,450,822 as discussed above.
- Restricted net assets are composed of \$572,289 in Capital Projects, \$603,566 in Special Revenue Projects, and \$471,470 in Debt Service.
- 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 assets were \$20,301,070 at June 30, 2007.

Fiscal Year 2007 Government Activities (see Table 2)

Sources of Revenue



Functional Expense



As the Sources of Revenue Chart shows, \$6,749,316 (or 26%) of the City's Fiscal 2007 Governmental Activities revenue came from Property Taxes; \$2,845,391, or 11%, came from Sales Taxes; 2,639,579, or 10%, came from Other Taxes; \$2,438,135, or 10%, came from VLF Property Tax Swap; \$1,377,064, or 5%, came from Franchise Fees; and \$138,832, or 1% came from transfers. The remaining \$9,237,808, or 37%, came primarily from Operating Grants and Contributions, and Charges for Services.

The Functional Expenses Chart includes only current year expenses, which are discussed in detail below. The largest expenses were in Police, which accounted for \$9,048,033, or 41%, of the City's Fiscal 2007 Governmental Activities expenses, followed by Community Development with \$7,640,086, or 35%, and Nondepartmental Services with \$2,100,557, or 10%. The remaining \$3,072,919, or 14%, was spread fairly evenly among General Government, Building, and Administrative Services, with interest on long-term debt amounting to less than 1%.

Expenses do not include capital outlays, which are now added to the City's capital assets. In Fiscal 2007, the City's capital assets increased \$178,029 as shown in detail in Table 7.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Assets as summarized below.

Table 2
Changes in Governmental Net Assets

	Governmental Activities	
	2007	2006
Expenses		
General government	\$1,275,521	\$1,220,112
Nondepartmental services	2,100,557	722,957
Administrative services	813,629	704,534
Building	931,263	831,843
Community development	7,640,086	7,281,906
Police	9,048,033	8,637,872
Interest on LTD	52,506	55,823
Total expenses	<u>21,861,595</u>	<u>19,455,047</u>
Revenues		
Program revenues:		
Charges for services	2,639,355	2,423,231
Operating contributions & grants	2,928,894	3,004,055
Capital grants	963,982	1,460,056
Total program revenues	<u>6,532,231</u>	<u>6,887,342</u>
General revenues:		
Property tax	6,749,316	6,048,835
Sales tax	2,845,391	3,196,164
VLF Property tax swap	2,438,135	2,387,675
Franchise Fees	1,377,064	1,294,839
Other taxes	2,639,579	2,066,749
Intergovernmental	281,669	344,160
Investment earnings	1,019,116	533,475
Miscellaneous	1,404,792	1,744,370
General revenues	<u>18,755,062</u>	<u>17,616,267</u>
Total revenues	<u>25,287,293</u>	<u>24,503,609</u>
Change in net assets before transfers	<u>3,425,698</u>	<u>5,048,562</u>
Transfers	138,832	163,815
Change in net assets	<u><u>\$3,564,530</u></u>	<u><u>\$5,212,377</u></u>

Table 2 shows that governmental expenses were \$21,861,595 in Fiscal 2007, up \$2,406,548 from the prior year, with increases in all categories, the largest increase being in Nondepartmental due to the payoff of a retirement liability.

Total government activities revenues before transfers of \$25,287,293 were up by \$783,684 in Fiscal 2007, with an increase in general revenues of \$1,138,795 and a decrease of \$355,111 in program revenues.

**Table 3
Governmental Activities**

	Net (Expense) Revenue From Services	
	2007	2006
Governmental Activities:		
Police	(\$7,785,164)	(\$7,635,209)
Community development	(3,581,010)	(2,363,525)
General government	(1,019,956)	(1,058,779)
Administrative services	(813,629)	(704,534)
Nondepartmental services	(2,100,557)	(722,957)
Building	23,458	(26,878)
Interest on long term debt	(52,506)	(55,823)
Total Governmental Activities	(\$15,329,364)	(\$12,567,705)

Governmental Activities

Table 3 presents the net cost of each of the City's programs. Net expense is defined as total program cost less the revenues generated by those specific activities. In the City's case, the net expenses, (expenses less program revenues) of Community Development and Building varied significantly from the total expenses in Table 2. Overall, program revenues reduced program expenses by an average of 30% of total expenses. The City's program revenues include developer fees, plan check fees, building inspection, traffic fines, recreation fees, police fees, grants, assessment revenues, and other charges for services. Nondepartmental experienced the largest variance in net expenses between Fiscal 2007 and 2006 with an increase of \$1,377,600. The increase resulted from a payment for a retirement fund liability. Community Development Capital Improvements increased \$358,180 from 2006; net expenses in Police increased \$149,955.

**Table 4
Business-type Net Assets at June 30, 2007**

	Business-type Activities	
	2007	2006
Cash and investments	\$10,511,460	\$9,961,499
Other assets	2,108,654	2,105,130
Capital assets	41,963,566	43,184,401
Total Assets	54,583,680	55,251,030
Long-term debt outstanding	14,035,680	14,490,680
Other Liabilities	1,439,202	1,416,027
Total Liabilities	15,474,882	15,906,707
Net assets:		
Invested in capital assets, net of debt	29,680,363	30,405,353
Restricted	473,896	465,980
Unrestricted	8,954,539	8,472,990
Total Net Assets	\$39,108,798	\$39,344,323

Business-type activities net assets totaled \$39,108,798 at June 30, 2007, a decrease of \$235,525 from the prior year.

Table 5
Changes in Business-type Net Assets

	Business-type Activities	
	2007	2006
Expenses		
Water System	\$10,221,974	\$9,419,852
Marina Services	441,823	381,516
Parking Services	375,634	426,565
Total expenses	11,039,431	10,227,933
Revenues		
Program revenues:		
Charges for services	10,378,429	9,988,617
Operating contributions & grants	0	0
Capital grants	0	114,843
Total program revenues	10,378,429	10,103,460
General revenues:		
Taxes	56,545	48,292
Investment earnings	507,764	317,631
Miscellaneous	0	0
General revenues	564,309	365,923
Total revenues	10,942,738	10,469,383
Change in net assets before transfers	(96,693)	241,450
Transfers	(138,832)	(163,815)
Change in net assets	(\$235,525)	\$77,635

Table 5 shows that the Business-type activities expenses were \$11,039,431 in Fiscal 2007, with most of the \$811,498 increase from Fiscal 2006 in the Water System.

Total Business-type activities revenues before transfers of \$10,942,738 were up \$473,355 in Fiscal 2007, with increases of \$274,969 in program revenues and \$198,386 in general revenues. Most of the program revenue increase was due to an increase in water sales. Most of the increase in general revenues was due to an increase in investment earnings over the prior year.

Table 6
Business-type Activities

	Net (Expense) Revenue From Services	
	2007	2006
Business-type Activities:		
Water System	(\$500,952)	(\$22,193)
Marina Services	(149,904)	(47,466)
Parking Services	(10,146)	(80,108)
Total Business-type Activities	(\$661,002)	(\$149,767)

THE CITY'S FUND FINANCIAL STATEMENTS

Governmental Funds

At June 30, 2007, the City's governmental funds reported a combined fund balance of \$20,615,213, an increase of \$2,888,034, or 16%, compared to the prior year. The General Fund increased by \$2,472,244; Capital Improvements increased by \$567,998; and Non-major Funds decreased by \$152,208.

Governmental Fund revenues increased by \$593,860 to a total of \$25,029,513. Non-major Fund revenues decreased by \$148,804; Capital Improvements revenues decreased by \$437,783; and General Fund revenues increased by \$1,180,447. Governmental Fund expenditures increased by \$1,729,564 to a total of \$22,280,331. General Fund expenses increased by \$1,898,254; Capital Improvements expenses decreased by \$238,310; and Non-major Fund expenses increased by \$69,620. Other financing uses, which is comprised of Transfers In and Transfers Out, decreased by \$24,983.

ANALYSES OF MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund revenues increased by \$1,180,447 to a total of \$21,135,864 in Fiscal 2007, due primarily to increases in Taxes of \$1,055,220. Use of Money & Property increased \$333,289 due to increased investment earnings. These increases were partially offset by a decline in miscellaneous revenue of \$472,088 due to one-time monies received in 2006 as part of a legal settlement. Other revenue increases were in Licenses, Permits and Fees, which were up \$208,782 due to growth in construction. Intergovernmental revenue increased \$283,091 over 2006, due primarily to receipt of State Mandated reimbursements for prior year claims. Fines and Forfeits increased \$11,531. Charges for Services decreased by \$239,378 over last year, with the largest decrease in planning and engineering fees of \$153,549 due to the collection of major project fees in 2006. Actual revenues exceeded budgeted amounts by \$412,890, or 2%, with Licenses, Permits and Fees accounting for \$214,062 and Taxes comprising \$172,498 of the increase. Transfers into the General Fund came in at \$131,267, which was slightly less than the transfers in from 2006.

General Fund expenditures increased overall from Fiscal 2006, but were less than originally budgeted. Expenditures increased \$1,898,254 in Fiscal 2007 to a total of \$18,527,252. Transfers out of the General Fund decreased \$94,500 in Fiscal 2007 to \$267,635. The largest transfers resulted from City Council decisions to use \$105,000 for paving projects, and \$50,000 for Alhambra Creek Plaza improvements.

Although the final expenditures for the General Fund at year-end were \$778,439 below budget, the fiscal year ended with encumbrances of \$206,524. Budget amendments and supplemental appropriations of \$1,449,893 were made during the year for unanticipated expenditures after adoption of the original budget. The largest amendment was to pay off the unfunded liability of one of the City's retirement plans in the amount of \$1,299,136. Total appropriations came in at \$19,305,691.

At June 30, 2007, the General Fund balance was comprised of \$787,770 in reserved balances and \$14,531,543 in unreserved balances, of which \$7,331,188 was designated by Council for certain purposes as referred to in Note 10C of the financial statements. Only the unreserved portion represents available liquid resources, since the reserved portion is represented by non-cash assets or by open purchase orders.

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 2007 included funding for projects from the Department of Transportation, CDBG, Contra Costa County and private funding in the amount of \$831,836. Another \$1,459,568 in funding came from transfers in from the General Fund; Gas Tax revenue; NPDES grants; and Measure C funds. The Fund also received \$455,548 in mitigation fees, interest and other revenue. Total revenue received, including transfers in, was \$2,746,952, a decrease of \$772,040 over the prior year. Expenditures, including transfers out, were down \$233,890 from Fiscal 2006. Work was done in Fiscal 2007 on several capital projects, and various paving and landscape projects.

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 workstations and overall use of technology.

Enterprise Funds

Enterprise Funds are used to account for operations (a) 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; or (b) which 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. Operating revenues increased slightly (by \$19,031) in Fiscal 2007 to a total of \$365,488. Operating expenses decreased by \$60,769 to \$372,384. Non-operating revenues increased by \$17,905 to \$69,363. Net assets increased by \$62,467 to \$1,184,891. The Parking Services Fund's fiscal year end unrestricted Net Assets was \$560,115.
- *Water System*—The Water System Fund is financed and operated in a manner similar to that of a private business. Net assets of the Water System Fund decreased \$146,949 in Fiscal 2007, compared to a \$93,287 increase in Fiscal 2006. Overall revenues increased by \$298,069, but were offset by increases to expense of \$739,686 due to an increase in the cost of raw water; costs associated with filter repairs; and the cost of repairing several water main breaks. Non-operating expenses decreased by \$12,528, and operating revenues increased by \$163,870 due to higher investment earnings. As of June 30, 2007, the Fund's Net Assets were \$40,400,666, with \$29,055,587 invested in capital assets and \$473,896 restricted for debt service. Only \$10,871,183 of the Fund's Net Assets was unrestricted at the close of Fiscal 2007, with \$4,236,407 set aside for capital projects. Due to the age of the Water System, significant investments will be required in future years to update water lines and equipment and enhance security.
- *Marina Services*—Marina Fund revenues include lease payments, charges for services, property taxes, and State grants for capital improvement projects. The Marina Fund incurred an operating loss of \$45,995 in the current year, which was less than the \$68,589 deficit from the prior year. Operating revenues increased \$72,712 due to a new management agreement for the operation of the Marina which resulted in increased fees. Operating expenses increased by \$50,118 due to contract services on the assessment of the Marina, but were largely offset by lower depreciation costs due to the full amortization of the 2003 dredging in 2006. The Fund's Net Assets decreased by \$122,338.

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, signals and similar assets used by the entire population.

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 in Fiscal 2003.

At the end of Fiscal 2007, Governmental Activities and Business-type Activities had invested in a broad range of capital assets, net of depreciation, in the amounts of \$26,055,821 and \$41,963,566, respectively, as shown in Table 7 on the following page:

**Table 7
Capital Assets at Year-end**

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
<i>Governmental Activities</i>		
Land	\$4,978,951	\$4,978,951
Construction in progress	1,997,953	1,519,168
Building and improvements	5,133,129	5,096,093
Equipment	4,328,446	4,211,299
Infrastructure	37,069,040	36,308,236
Less accumulated depreciation	(27,451,698)	(26,235,955)
Totals	<u>\$26,055,821</u>	<u>\$25,877,792</u>
 <i>Business-type Activities</i>		
Land	\$1,665,154	\$1,665,154
Construction in progress	1,191,667	872,989
Building and improvements	18,350,055	18,350,055
Equipment	1,816,199	1,816,199
Infrastructure	87,446,613	87,274,707
Less accumulated depreciation	(68,506,122)	(66,794,703)
Totals	<u>\$41,963,566</u>	<u>\$43,184,401</u>

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.

DEBT ADMINISTRATION

Each of the City's debt issues is discussed in detail in Note 7 to the financial statements.

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.

The Water Fund has two outstanding debt issues. In 1999 and 2003, the City issued Certificates of Participation (COPs) in the amounts of \$6,040,000 and \$5,595,000, respectively. COP proceeds were used to finance improvements to the Water Plant.

The table on the following page represents the City's debt as of June 30, 2007:

**Table 8
Outstanding Debt**

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Governmental Activity Debt		
<i>General Long-Term Debt</i>		
2003 Certificates of Participation	\$1,605,000	\$1,805,000
Total governmental activity debt	<u>\$1,605,000</u>	<u>\$1,805,000</u>
Business-type Activity Debt		
<i>Water Fund Long-Term Debt</i>		
1999 Water System Improvements	\$5,325,000	\$5,480,000
2003 Refinancing Project	4,410,000	4,710,000
Total principal	<u>9,735,000</u>	<u>10,190,000</u>
<i>Marina Long-term Debt, including accrued interest</i>		
1960 State of California	2,483,527	2,483,527
1973 State of California	301,523	301,523
1978 State of California	157,623	157,623
1982 State of California	370,071	370,071
1985 State of California	987,936	987,936
Total Marina Fund debt	<u>4,300,680</u>	<u>4,300,680</u>
Total business-type activity debt	<u>\$14,035,680</u>	<u>\$14,490,680</u>

SPECIAL ASSESSMENT DISTRICT DEBT

A special assessment district in the City has also issued debt to finance infrastructure and facilities construction for that district. No special assessment debt was issued in Fiscal 2007.

At June 30, 2007, a total of \$955,000 in special assessment district debt was outstanding, issued by one special assessment district. This debt is secured only by special assessments on the real property in the district issuing the debt and is not the City's responsibility, although the City does act as these Districts' 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 ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets 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 Assets 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 Assets focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets 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 assets. 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 Assets is computed and reconciled with the Statement of Net Assets.

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 ASSETS
JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3):			
Available for operations			
With fiscal agents	\$23,054,366	\$10,037,564	\$33,091,930
Receivables (net of allowance for uncollectible):	401,422	473,896	875,318
Accounts and other			
Intergovernmental	462,303	1,515,215	1,977,518
Interest	1,142,032		1,142,032
Loans receivable (Note 5)	406,420		406,420
Internal balances (Note 4)	262,010	22,920	284,930
Prepays and inventory (Note 1H)	545,770	(545,770)	
Bond issuance costs, net of amortization	9,167		9,167
Capital assets (Note 6):		1,116,289	1,116,289
Land and construction in progress			
Depreciable assets, net	6,976,904	2,856,821	9,833,725
	<u>19,078,917</u>	<u>39,106,745</u>	<u>58,185,662</u>
Total Assets	<u>52,339,311</u>	<u>54,583,680</u>	<u>106,922,991</u>
LIABILITIES			
Accounts payable	787,815	687,348	1,475,163
Accrued wages and benefits	679,157	60,547	739,704
Deposits	1,050,832	96,563	1,147,395
Unearned revenue	235,794	376,363	612,157
Claims payable due within one year (Note 14)	80,000		80,000
Accrued interest			80,000
Accrued compensated absences (Note 1G):		47,107	47,107
Due within one year			
Due in more than one year	224,500	30,500	255,000
Long-term debt (Notes 7 and 8):	1,276,996	140,774	1,417,770
Due within one year	205,000	470,000	675,000
Due in more than one year	1,400,000	13,565,680	14,965,680
Total Liabilities	<u>5,940,094</u>	<u>15,474,882</u>	<u>21,414,976</u>
NET ASSETS (Note 10)			
Invested in capital assets, net of related debt			
Restricted for:	24,450,822	29,680,363	54,131,185
Capital projects			
Debt service	572,289		572,289
Special revenue projects	471,470	473,896	945,366
	<u>603,566</u>	<u>473,896</u>	<u>603,566</u>
Total Restricted Net Assets	<u>1,647,325</u>	<u>473,896</u>	<u>2,121,221</u>
Unrestricted	<u>20,301,070</u>	<u>8,954,539</u>	<u>29,255,609</u>
Total Net Assets	<u>\$46,399,217</u>	<u>\$39,108,798</u>	<u>\$85,508,015</u>

See accompanying notes to financial statements

CITY OF MARTINEZ
STATEMENT OF ACTIVITIES
JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
General government	\$1,275,521	\$127,720	\$127,845		(\$1,019,956)	(\$1,019,956)
Nondepartmental services	2,100,557				(2,100,557)	(2,100,557)
Administrative services	813,629				(813,629)	(813,629)
Building	931,263	933,307	21,414		23,458	23,458
Community development	7,640,086	1,149,605	1,945,489	\$963,982	(3,581,010)	(3,581,010)
Police	9,048,033	428,723	834,146		(7,785,164)	(7,785,164)
Interest on long-term debt	52,506				(52,506)	(52,506)
Total Governmental Activities	21,861,595	2,639,355	2,928,894	963,982	(15,329,364)	(15,329,364)
Business-type Activities:						
Water system	10,221,974	9,721,022			(\$500,952)	(500,952)
Marina services	441,823	291,919			(149,904)	(149,904)
Parking services	375,634	365,488			(10,146)	(10,146)
Total Business-type Activities	11,039,431	10,378,429			(661,002)	(661,002)
Total	\$32,901,026	\$13,017,784	\$2,928,894	\$963,982	(15,329,364)	(15,990,366)
General revenues:						
Property taxes					6,749,316	6,749,316
Sales taxes					2,845,391	2,845,391
VLF Property Tax Swap					2,438,135	2,438,135
Franchise fees					1,377,064	1,377,064
Other taxes					2,639,579	2,639,579
Intergovernmental, unrestricted					281,669	281,669
Investment earnings					1,019,116	1,019,116
Miscellaneous					1,404,792	1,404,792
Transfers (Note 4A)					138,832	138,832
Total general revenues and transfers					18,893,894	19,319,371
Change in Net Assets					3,564,530	3,329,005
Net Assets-Beginning					42,834,687	82,179,010
Net Assets-Ending					\$46,399,217	\$85,508,015

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

GASB 34 revises the format of the Fund Financial Statements so that only individual major funds are presented, while non-major funds are combined in a single column. 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 2007. 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.

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, 2007

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments (Note 3):				
Available for operations				
With fiscal agents	\$15,690,537	\$3,684,348	\$1,177,937	\$20,552,822
Receivables:			401,422	401,422
Accounts				
Intergovernmental	411,105	49,542		460,647
Interest	774,501	188,168	179,363	1,142,032
Loans receivable (Note 5)	406,420			406,420
Prepays and inventory		262,010		262,010
Due from other funds (Note 4B)	9,167			9,167
Advances to other funds (Note 4C)	71,738			71,738
	532,409			532,409
Total Assets	<u>\$17,895,877</u>	<u>\$4,184,068</u>	<u>\$1,758,722</u>	<u>\$23,838,667</u>
LIABILITIES				
Accounts payable	\$433,602	\$201,745	\$26,168	\$661,515
Accrued wages and benefits	650,586		7,094	657,680
Claims payable (Note 14)	80,000			80,000
Deposits	1,044,435			1,050,832
Due to other funds (Note 4B)			6,397	71,738
Deferred revenue (Note 5)			71,738	71,738
	367,941	262,010	71,738	701,689
Total Liabilities	<u>2,576,564</u>	<u>463,755</u>	<u>183,135</u>	<u>3,223,454</u>
FUND BALANCES				
Fund balance (Note 10)				
Reserved for:				
Debt service				
Prepays and inventory	9,167		471,470	471,470
Special events	29,592			9,167
Police grants				29,592
Advances to other funds			144,532	144,532
Grants	532,409			532,409
Encumbrances	10,078			10,078
Unreserved, reported in:	206,524	146,670	4,592	357,786
General Fund	14,531,543			14,531,543
Special Revenue Funds			781,421	781,421
Capital Projects Funds		3,573,643	173,572	3,747,215
Total Fund Balances	<u>15,319,313</u>	<u>3,720,313</u>	<u>1,575,587</u>	<u>20,615,213</u>
Total Liabilities and Fund Balances	<u>\$17,895,877</u>	<u>\$4,184,068</u>	<u>\$1,758,722</u>	<u>\$23,838,667</u>

See accompanying notes to financial statements

CITY OF MARTINEZ
 Reconciliation of the
 GOVERNMENTAL FUNDS -- FUND BALANCES
 with the
 GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances reported on the governmental funds balance sheet	\$20,615,213
Amounts reported for Governmental Activities in the Statement of Net Assets 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.	25,104,478
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 Assets.	
Cash and investments	2,501,544
Accounts and other	1,656
Internal balances	13,361
Capital assets	951,343
Accounts payable	(126,300)
Accrued liabilities	(21,477)
Accrued compensated absences	(16,796)
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.	465,895
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	(1,605,000)
Non-current portion of compensated absences	(1,484,700)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$46,399,217

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, 2007

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$16,049,485			\$16,049,485
Special assessments				618,402
Licenses, permits, and fees	818,761	\$387,549	\$618,402	1,206,310
Intergovernmental	1,134,651	578,526		3,366,831
Charges for services	769,834		1,653,654	769,834
Fines and forfeits	287,997			295,334
Use of money and property	824,582	67,999	7,337	967,531
Miscellaneous	1,250,554	253,310	74,950	1,755,786
	<u>21,135,864</u>	<u>1,287,384</u>	<u>2,606,265</u>	<u>25,029,513</u>
EXPENDITURES				
Current:				
General government	1,249,523			1,249,523
Nondepartmental services	2,100,557			2,100,557
Administrative services	791,144			791,144
Building	904,338			904,338
Community development	4,619,296	933,905		6,664,397
Police	8,835,590		1,111,196	9,029,159
Debt service (Note 7):			193,569	
Principal				200,000
Interest and fiscal charges			200,000	200,000
Capital outlay	26,804	1,240,629	52,506	1,288,687
	<u>18,527,252</u>	<u>2,174,534</u>	<u>1,578,525</u>	<u>22,280,311</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>2,608,612</u>	<u>(887,150)</u>	<u>1,027,740</u>	<u>2,749,202</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4A)	131,267	1,459,568	32,720	1,623,555
Transfers (out) (Note 4A)	(267,635)	(4,420)	(1,212,668)	(1,484,723)
	<u>(136,368)</u>	<u>1,455,148</u>	<u>(1,179,948)</u>	<u>138,832</u>
NET CHANGE IN FUND BALANCES				
	2,472,244	567,998	(152,208)	2,888,034
BEGINNING FUND BALANCES				
	<u>12,847,069</u>	<u>3,152,315</u>	<u>1,727,795</u>	<u>17,727,179</u>
ENDING FUND BALANCES				
	<u>\$15,319,313</u>	<u>\$3,720,313</u>	<u>\$1,575,587</u>	<u>\$20,615,213</u>

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 ASSETS
 FOR THE YEAR ENDED JUNE 30, 2007

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 Assets 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 \$2,888,034

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 1,288,687

Net retirement of capital assets are deducted from fund balances

Depreciation expense is deducted from the fund balances

(Depreciation expense is net of internal service fund depreciation of \$334,544 which has already been allocated to serviced funds)

(1,055,051)

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 Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balances

200,000

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

126,381

Compensated absences

(1,681)

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 (expense) 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 Assets - All Internal Service Funds

118,160

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$3,564,530

See accompanying notes to financial statements

CITY OF MARTINEZ
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes				
Licenses, permits, and fees	\$15,686,870	\$15,876,987	\$16,049,485	\$172,498
Intergovernmental	522,100	604,699	818,761	214,062
Charges for services	725,316	1,067,316	1,134,651	67,335
Fines and forfeits	662,980	780,263	769,834	(10,429)
Use of money and property	349,000	303,000	287,997	(15,003)
Miscellaneous	303,900	782,726	824,582	41,856
	542,587	1,307,983	1,250,554	(57,429)
Total Revenues	18,792,753	20,722,974	21,135,864	412,890
EXPENDITURES:				
Current:				
General government				
Nondepartmental services	1,403,105	1,467,961	1,249,523	218,438
Administrative services	1,177,834	2,255,022	2,100,557	154,465
Building	769,099	805,694	791,144	14,550
Community development	923,305	972,994	904,338	68,656
Police	4,746,492	4,815,158	4,619,296	195,862
Capital outlay	8,809,159	8,962,058	8,835,590	126,468
	26,804	26,804	26,804	
Total Expenditures	17,855,798	19,305,691	18,527,252	778,439
EXCESS OF REVENUES OVER EXPENDITURES	936,955	1,417,283	2,608,612	1,191,329
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)	131,267	131,267	131,267	
	(190,635)	(267,635)	(267,635)	
Total other financing sources (uses)	(59,368)	(136,368)	(136,368)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	877,587	1,280,915	2,472,244	1,191,329
BEGINNING FUND BALANCES	12,847,069	12,847,069	12,847,069	
ENDING FUND BALANCES	\$13,724,656	\$14,127,984	\$15,319,313	\$1,191,329

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 2007.

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 ASSETS
 JUNE 30, 2007

ASSETS	Business-type Activities - Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water System	Marina Services	Parking Services		
Current Assets:					
Cash and investments (Note 3):					
Available for operations	\$9,212,593	\$257,001	\$567,970	\$10,037,564	\$2,501,544
With fiscal agent	473,896			473,896	
Receivables:					
Accounts and other	1,496,643	18,572		1,515,215	1,656
Total Current Assets	11,183,132	275,573	567,970	12,026,675	2,503,200
Capital Assets (Note 6):					
Land	630,912	800,165	234,077	1,665,154	
Buildings	15,335,900	282,821		15,618,721	
Improvements	13,929	2,472,283	245,122	2,731,334	
Equipment	1,301,624		514,574	1,816,198	3,070,702
Infrastructure	87,446,614			87,446,614	
Less: Accumulated depreciation	(67,130,060)	(1,007,065)	(368,997)	(68,506,122)	(2,203,277)
Total Capital Assets	37,598,919	2,548,204	624,776	40,771,899	867,425
Construction in progress (Note 6)	1,191,667			1,191,667	83,918
Net Capital Assets	38,790,586	2,548,204	624,776	41,963,566	951,343
Other Non-Current Assets:					
Loan receivable (Note 5)	22,920			22,920	
Bond issuance costs, net	1,116,289			1,116,289	
Total Non-Current Assets	39,929,795	2,548,204	624,776	43,102,775	951,343
Total Assets	51,112,927	2,823,777	1,192,746	55,129,450	3,454,543
LIABILITIES					
Current liabilities:					
Accounts payable	651,598	30,856	4,894	687,348	126,300
Accrued liabilities	58,300		2,247	60,547	21,477
Deferred revenue		376,363		376,363	
Deposits	49,696	46,867		96,563	
Accrued interest	47,107			47,107	
Current portion of compensated absences (Note 1G)	30,500			30,500	
Current portion of long-term debt (Note 7)	470,000			470,000	
Total Current Liabilities	1,307,201	454,086	7,141	1,768,428	147,777
Noncurrent Liabilities:					
Accrued compensated absences (Note 1G)	140,060		714	140,774	16,796
Advance from other funds (Note 4C)		532,409		532,409	
Long-term debt (Note 7)	9,265,000			9,265,000	
Loans payable (Note 8)		4,300,680		4,300,680	
Total Liabilities	10,712,261	5,287,175	7,855	16,007,291	164,573
NET ASSETS (Note 10)					
Invested in capital assets, net of related debt	29,055,587		624,776	29,680,363	951,344
Restricted for debt service	473,896			473,896	
Unrestricted	10,871,183	(2,463,398)	560,115	8,967,900	2,338,626
Total Net Assets (Deficit)	\$40,400,666	(\$2,463,398)	\$1,184,891	39,122,159	\$3,289,970
Some amounts reported for <i>business-type activities</i> in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.				(13,361)	
Net assets business-type activities				\$39,108,798	

See accompanying notes to financial statements

CITY OF MARTINEZ
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water System	Marina Services	Parking Services	Totals	
OPERATING REVENUES					
Water sales	\$9,215,311			\$9,215,311	
Rents and leases		\$282,782		282,782	
Charges for services	468,015		\$365,488	833,503	\$1,379,095
Other fees	11,769	9,137		20,906	
Refunds and rebates					10,512
Rents and leases	25,927			25,927	
Total Operating Revenues	<u>9,721,022</u>	<u>291,919</u>	<u>365,488</u>	<u>10,378,429</u>	<u>1,389,607</u>
OPERATING EXPENSES					
Filtration plant	4,651,792			4,651,792	
Maintenance, repairs, and distribution	1,552,812	80,387	7,651	1,640,850	1,091,241
Administration	1,555,654	216,683	293,097	2,065,434	
Depreciation and amortization	2,003,933	40,844	71,636	2,116,413	334,544
Total Operating Expenses	<u>9,764,191</u>	<u>337,914</u>	<u>372,384</u>	<u>10,474,489</u>	<u>1,425,785</u>
Operating Income (Loss)	<u>(43,169)</u>	<u>(45,995)</u>	<u>(6,896)</u>	<u>(96,060)</u>	<u>(36,178)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	467,380	16,183	24,201	507,764	114,696
Interest (expense)	(432,328)	(103,909)		(536,237)	
Gain on disposal of equipment					10,937
Taxes		11,383	45,162	56,545	
Total Nonoperating Revenues (Expenses)	<u>35,052</u>	<u>(76,343)</u>	<u>69,363</u>	<u>28,072</u>	<u>125,633</u>
Income (Loss) Before Transfers	<u>(8,117)</u>	<u>(122,338)</u>	<u>62,467</u>	<u>(67,988)</u>	<u>89,455</u>
Transfers in (Note 4A)	20,635			20,635	
Transfers (out) (Note 4A)	(159,467)			(159,467)	
Net transfers	<u>(138,832)</u>			<u>(138,832)</u>	
Change in net assets	<u>(146,949)</u>	<u>(122,338)</u>	<u>62,467</u>	<u>(206,820)</u>	<u>89,455</u>
BEGINNING NET ASSETS (DEFICIT)	<u>40,547,615</u>	<u>(2,341,060)</u>	<u>1,122,424</u>	<u>3,200,515</u>	
ENDING NET ASSETS (DEFICIT)	<u>\$40,400,666</u>	<u>(\$2,463,398)</u>	<u>\$1,184,891</u>	<u>\$3,289,970</u>	

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

(28,705)

Change in net assets of business-type activities

(\$235,525)

See accompanying notes to financial statements

CITY OF MARTINEZ
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2007

	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	\$9,544,472	\$281,063	\$365,488	\$10,191,023	\$1,387,951
Payments to suppliers	(6,120,888)	(281,440)	(240,420)	(6,642,748)	(763,075)
Payments to employees	(1,622,647)		(59,809)	(1,682,456)	(264,113)
Rent and lease payments received	25,927			25,927	
Cash Flows from Operating Activities	<u>1,826,864</u>	<u>(377)</u>	<u>65,259</u>	<u>1,891,746</u>	<u>360,763</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Taxes received		11,383	45,162	56,545	
Interfund receipt	(138,832)			(138,832)	
Cash Flows from Noncapital Financing Activities	<u>(138,832)</u>	<u>11,383</u>	<u>45,162</u>	<u>(82,287)</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Advances from other funds		(18,298)		(18,298)	
Received from other governments		50,000		50,000	
Acquisition of capital assets	(806,394)			(806,394)	(278,937)
Proceeds from sale of equipment					10,937
Principal payments on capital debt	(455,000)			(455,000)	
Interest paid	(433,661)	(103,909)		(537,570)	
Cash Flows from Capital and Related Financing Activities	<u>(1,695,055)</u>	<u>(72,207)</u>		<u>(1,767,262)</u>	<u>(268,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	467,380	16,183	24,201	507,764	114,696
Cash Flows from Investing Activities	<u>467,380</u>	<u>16,183</u>	<u>24,201</u>	<u>507,764</u>	<u>114,696</u>
Net Cash Flows	460,357	(45,018)	134,622	549,961	207,459
Cash and investments at beginning of period	9,226,132	302,019	433,348	9,961,499	2,294,085
Cash and investments at end of period	<u>\$9,686,489</u>	<u>\$257,001</u>	<u>\$567,970</u>	<u>\$10,511,460</u>	<u>\$2,501,544</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	(\$43,169)	(\$45,995)	(\$6,896)	(\$96,060)	(\$36,178)
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation and amortization	2,003,933	40,844	71,636	2,116,413	334,544
Change in assets and liabilities:					
Accounts receivable	(150,623)	(2,492)		(153,115)	(1,656)
Accounts payable and other liabilities	(13,816)	22,560	571	9,315	56,347
Deposits	18,321	(6,930)		11,391	
Accrued vacation and other fringe benefits	12,218		(52)	12,166	410
Accrued wages and benefits					7,296
Deferred revenue		(8,364)		(8,364)	
Cash Flows from Operating Activities	<u>\$1,826,864</u>	<u>(\$377)</u>	<u>\$65,259</u>	<u>\$1,891,746</u>	<u>\$360,763</u>

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 ASSETS
 JUNE 30, 2007

	<u>Agency Funds</u>	<u>Trust Fund</u>
ASSETS		
Restricted cash and investments (Note 3)	<u>\$410,517</u>	<u>\$117,258</u>
Total Assets	<u><u>\$410,517</u></u>	<u><u>\$117,258</u></u>
LIABILITIES		
Accounts payable	\$4,661	
Due to bondholders	203,956	
Due to members	<u>201,900</u>	
Total Liabilities	<u><u>\$410,517</u></u>	
NET ASSETS		
Reserved for private purpose activities		<u>\$117,258</u>
Total Net Assets		<u><u>\$117,258</u></u>

See accompanying notes to financial statements

CITY OF MARTINEZ
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Trust Funds</u>
ADDITIONS	
Donations	\$20,141
Interest	4,602
Total Additions	<u>24,743</u>
DEDUCTIONS	
Supplies	4,738
Beneficiary payments	17,624
Total Deductions	<u>22,362</u>
CHANGE IN NET ASSETS	2,381
NET ASSETS, BEGINNING OF YEAR	<u>114,877</u>
NET ASSETS, END OF YEAR	<u><u>\$117,258</u></u>

See accompanying notes to financial statements

CITY OF MARTINEZ
Notes to Financial Statements

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 development, building, 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.

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

Government-wide Statements: The Statement of Net Assets 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.

CITY OF MARTINEZ
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

CITY OF MARTINEZ
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, the Senior Center Club, and several private-purpose trusts. 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.

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.

CITY OF MARTINEZ
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City follows those Financial Accounting Standards Board Statements issued before November 30, 1989 unless they conflict with Governmental Accounting Standards Board Statements.

E. 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.

F. 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.

G. 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.

The changes of the compensated absences during the fiscal year ended June 30, 2007 were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$1,499,405	\$159,108	\$1,658,513
Additions	1,239,558	124,176	1,363,734
Payments	(1,237,467)	(112,010)	(1,349,477)
Ending Balance	<u>\$1,501,496</u>	<u>\$171,274</u>	<u>\$1,672,770</u>
Current Portion	<u>\$224,500</u>	<u>\$30,500</u>	<u>\$255,000</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.

CITY OF MARTINEZ
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventories

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.

I. Postemployment Health Care 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%; 11-15 years of service = 25%; 16-20 years of service = 50%; 21-25 years of service = 75%; 26 years or more of service = 100%. Currently, 37 retirees meet the eligibility requirements and receive reimbursements.

Additionally, the City provides the option of postretirement health benefits to sworn Police Personnel through the Public Employees' Retirement System 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, 30 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, 2007, those costs totaled \$530,121.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

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

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. The City Manager is authorized to revise the budget so long as the total revisions in any single budget year do not exceed 5% of the budget, and provided that sufficient revenues are available to offset such revisions. Council approval is required for additional appropriation from fund balances or new revenue sources. The legal level of budgetary control at the departmental level.

CITY OF MARTINEZ
Notes to Financial Statements

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

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.

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	\$33,091,930
Cash and investments with fiscal agents	875,318
Total Primary Government cash and investments	33,967,248
Restricted cash and investments	
in Fiduciary Funds (separate statement)	527,775
Total cash and investments	\$34,495,023

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.

CITY OF MARTINEZ
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

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	6 months	Top Four Rating Categories
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	A
Commercial Paper	270 days	Top Rating Category
Negotiable Certificates of Deposit	365 days	Top Rating Category
Time Certificates of Deposit	365 days	Top Rating Category
Guaranteed Investment Contract	N/A	Not lower than the bond rating of certain bonds of the City of Martinez
Shares of Beneficial Interest	N/A	Top Rating Category
Money Market Funds	N/A	Aaam or AAAM-G
Bankers' Acceptances	365 days	Top Rating Category
California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A
California Asset Management Program (CAMP)	Upon Demand	N/A

CITY OF MARTINEZ
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Interest Rate 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.

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	Total
U.S. Agencies Securities and U.S. Government Sponsored Enterprise		
Non-callable	\$3,290,719	\$3,290,719
Callable	660,211	660,211
California Local Agency Investment Fund	29,164,584	29,164,584
Money Market Funds	367,516	367,516
Total Investments	\$33,483,030	33,483,030
Cash in banks and on hand		1,011,993
Total Cash and Investments		\$34,495,023

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, 2007, these investments have an average maturity of 176 days.

CITY OF MARTINEZ
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2007 for each investment type as provided by Standard and Poor's.

Investment Type	AAA	AAAm	Total
U.S. Agencies Securities and U.S. Government Sponsored Enterprise:			
Non-callable	\$3,290,719		\$3,290,719
Callable	660,211		660,211
Money Market Funds		\$367,516	367,516
Totals	\$3,950,930	\$367,516	4,318,446
<i>Not rated:</i>			
California Local Agency Investment Fund			29,164,584
Cash in banks and on hand			1,011,993
Total Cash and Investments			\$34,495,023

G. Concentration of Credit Risk

Significant investments in the securities of any individual issuers, other than U.S. Treasury securities, mutual funds, are set forth below:

Reporting Unit	Issuer	Reported Amount
Entity-wide	Federal Home Loan Mortgage Corporation	\$3,931,580
Major Funds:		
General Fund	Federal Home Loan Mortgage Corporation	3,290,719
Non-Major Funds	Federal Home Loan Mortgage Corporation	192,740

CITY OF MARTINEZ
Notes to Financial Statements

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, 2007 were as follows:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>
General Fund	Water System Fund	\$131,267 A
Capital Improvements Fund	General Fund	220,000 B
	Water System Fund	28,200 B
Non-Major Governmental Funds	Non-Major Governmental Funds	1,211,368 A,B
	General Fund	27,000 A
	Capital Improvements Fund	4,420 B
Water System Fund	Non-Major Governmental Funds	1,300 A
	General Fund	20,635 A
	Total Interfund Transfers	<u><u>\$1,644,190</u></u>

A: To fund operations

B: To fund capital projects

B. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2007, the Alhambra Creek Improvements Capital Projects Fund owed the General Fund \$71,738.

C. 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. As of June 30, 2007, the balance was \$186,348.

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, 2007 its balance was \$73,025. 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. As of June 30, 2007 its balance was \$273,036.

D. 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

NOTE 5 – LOAN RECEIVABLE AND DEFERRED REVENUE

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, 2007 the loan balance was \$284,930.

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	40-50 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

NOTE 6 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital asset activities for the year ended June 30, 2007 comprise:

	June 30, 2006	Additions	Retirements	Transfers	June 30, 2007
<i>Governmental activities</i>					
Capital assets not being depreciated:					
Land	\$4,978,951				\$4,978,951
Construction in progress	1,519,168	\$1,150,610		(\$671,825)	1,997,953
Total capital assets not being depreciated	<u>6,498,119</u>	<u>1,150,610</u>		<u>(671,825)</u>	<u>6,976,904</u>
Capital assets being depreciated:					
Buildings	5,096,093	36,961		75	5,133,129
Equipment	4,211,299	252,840	(\$183,615)	47,922	4,328,446
Infrastructure	36,308,236	136,976		623,828	37,069,040
Total capital assets being depreciated	<u>45,615,628</u>	<u>426,777</u>	<u>(183,615)</u>	<u>671,825</u>	<u>46,530,615</u>
Less accumulated depreciation:					
Buildings	(2,480,472)	(102,652)			(2,583,124)
Equipment	(2,296,196)	(410,175)	173,852		(2,532,519)
Infrastructure	(21,459,287)	(876,768)			(22,336,055)
Total accumulated depreciation	<u>(26,235,955)</u>	<u>(1,389,595)</u>	<u>173,852</u>		<u>(27,451,698)</u>
Net capital assets being depreciated	<u>19,379,673</u>	<u>(962,818)</u>	<u>(9,763)</u>	<u>671,825</u>	<u>19,078,917</u>
Governmental activities capital assets, net	<u>\$25,877,792</u>	<u>\$187,792</u>	<u>(\$9,763)</u>		<u>\$26,055,821</u>
<i>Business-type activities</i>					
Capital assets, not being depreciated:					
Land	\$1,665,154				\$1,665,154
Construction in progress	872,989	\$689,345		(\$370,667)	1,191,667
Total capital assets not being depreciated	<u>2,538,143</u>	<u>689,345</u>		<u>(370,667)</u>	<u>2,856,821</u>
Capital assets being depreciated:					
Buildings	15,618,721				15,618,721
Improvements	2,731,334				2,731,334
Equipment	1,816,199				1,816,199
Infrastructure	87,274,707	117,049	(\$315,810)	370,667	87,446,613
Net capital assets being depreciated	<u>107,440,961</u>	<u>117,049</u>	<u>(315,810)</u>	<u>370,667</u>	<u>107,612,867</u>
Less accumulated depreciation for:					
Buildings	(6,408,948)	(397,446)			(6,806,394)
Improvements	(961,809)	(39,253)			(1,001,062)
Equipment	(1,115,439)	(98,484)			(1,213,923)
Infrastructure	(58,308,507)	(1,492,046)	315,810		(59,484,743)
Total accumulated depreciation	<u>(66,794,703)</u>	<u>(2,027,229)</u>	<u>315,810</u>		<u>(68,506,122)</u>
Net capital assets being depreciated	<u>40,646,258</u>	<u>(1,910,180)</u>		<u>370,667</u>	<u>39,106,745</u>
Business-type activities capital assets, net	<u>\$43,184,401</u>	<u>(\$1,220,835)</u>			<u>\$41,963,566</u>

CITY OF MARTINEZ
Notes to Financial Statements

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>	
Community Development	\$970,419
Police	61,008
General Government	23,624
Capital assets held by the City's Internal Service Funds	334,544
Total Governmental Activities	<u><u>\$1,389,595</u></u>
 <i>Business-Type Activities</i>	
Water System	\$1,914,749
Marina Services	40,844
Parking Services	71,636
Total Business-Type Activities	<u><u>\$2,027,229</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, as well as issuance costs, are recognized during the period of issuance. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF MARTINEZ
Notes to Financial Statements

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, 2006	Retirements	Balance at June 30, 2007	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	\$1,805,000	\$200,000	\$1,605,000	\$205,000
Total governmental activity debt	<u>\$2,200,000</u>	<u>\$1,805,000</u>	<u>\$200,000</u>	<u>\$1,605,000</u>	<u>\$205,000</u>
Business-Type Activity Debt					
<i>Enterprise Long-Term Debt</i>					
Certificates of Participation:					
1999 Water System Improvements, 4.2-5.375%, due 12/1/26	\$6,040,000	\$5,480,000	\$155,000	\$5,325,000	\$160,000
2003 Refinancing Project, 2-4%, due 12/01/18	<u>5,595,000</u>	<u>4,710,000</u>	<u>300,000</u>	<u>4,410,000</u>	<u>310,000</u>
Total business-type activity debt	<u>\$11,635,000</u>	<u>\$10,190,000</u>	<u>\$455,000</u>	<u>\$9,735,000</u>	<u>\$470,000</u>

B. 1999 Certificates of Participation

On August 1, 1999, the City issued Certificates of Participation (COPs) in the amount of \$6,040,000 to fund and retire the construction of various improvements to the City's existing municipal 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.

C. 2003 Certificates of Participation

On March 11, 2003, the City issued Certificates of Participation (COPs) in the amount of \$7,795,000 to refund and retire the outstanding 1992 City Hall Refurbishment Certificates of Participation and the 1993 Water System Improvements Certificates of Participation. Interest payments on the 2003 COPs are due semi annually on June 1 and December 1, and annual principal payments are due on December 1. Interest and principal payments are payable from lease revenues on City Hall and net revenues derived from the operation of the water system.

CITY OF MARTINEZ
Notes to Financial Statements

NOTE 7 – LONG TERM DEBT (Continued)

D. 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
2008	\$205,000	\$47,256	\$470,000	\$423,808
2009	215,000	42,519	485,000	410,263
2010	220,000	36,532	500,000	394,517
2011	230,000	29,638	520,000	376,326
2012	235,000	21,931	540,000	356,735
2013-2017	500,000	18,153	3,030,000	1,431,677
2018-2022			2,315,000	756,514
2023-2027			1,875,000	262,722
Total	<u>\$1,605,000</u>	<u>\$196,029</u>	<u>\$9,735,000</u>	<u>\$4,412,562</u>

E. 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.

The City has a commitment to borrow an additional \$2.93 million from the State to finance certain Marina improvements. As of June 30, 2007, the City was still in negotiations with the State for the term of this loan.

NOTE 8 – LOANS PAYABLE TO STATE OF CALIFORNIA

At June 30, 2007, the Marina Services Fund owed \$4,300,680 in loans to the State. The City made an interest payment of \$78,144 in fiscal 2007 to cover current year interest accrued on the unpaid loan balances. Principal payments were not made in fiscal year 2007.

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. At June 30, 2007, the amount payable to the State including interest amounted to \$2,483,527.

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.

CITY OF MARTINEZ
Notes to Financial Statements

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

- 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.

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, 2007, the amount payable to the State was \$301,523 including accrued interest. 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, 2004. During fiscal year 2005 the State amended the agreement to allow the City to make interest only annual payments until August 2008, at which time the City and State will renegotiate the terms of the loan.

- 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.

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, 2007 the amount payable to the State was \$157,623 including accrued interest. 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, 2008.

CITY OF MARTINEZ
Notes to Financial Statements

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

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, 2007, the amount payable to the State was \$370,071 including accrued interest. 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, 2014.

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, 2007, the amount payable to the State was \$987,936 including accrued interest. 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, 2017.
- 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.

The above loan agreements, except for the 1960 loan which has no specified repayment terms, require the Marina to remit approximately \$170,000 per year in each of the subsequent five years for debt service, and additional amounts thereafter. However, the Marina did not make any principal or interest payments on the above loans between fiscal 1996 and fiscal 2004. In June 2005, the State of California approved an extension which permitted the City to postpone principal payments on the above loans until fiscal year 2006-07. In fiscal year 2006-07, the State further agreed to allow the City to make interest-only annual payments until August 2008, at which time the City and State will renegotiate the terms of the loan. During the fiscal year ended June 30, 2007, interest payments of \$78,144 were made to the State.

The City has a commitment to borrow an additional \$2.93 million from the State to finance certain Marina improvements. As of June 30, 2007, the City was still in negotiations with the State for the term of this loan.

CITY OF MARTINEZ
Notes to Financial Statements

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, 2007, the District's outstanding debt amounted to \$955,000.

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 June 30, 2007 was \$2,780,000.

NOTE 10 – NET ASSETS AND FUND BALANCES

A. *Net Assets*

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

Invested in Capital Assets, net of related debt 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 Assets 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 Assets which is not restricted to use.

B. *Fund Equity*

Fund equity consists of reserved and unreserved amounts. Reserved fund equity represents that portion of a fund balance or net assets which has been appropriated for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved.

A portion of unreserved fund balance may be designated to indicate plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans are subject to change and may never be legally authorized or result in expenditures.

CITY OF MARTINEZ
Notes to Financial Statements

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

C. Designation

The City has designated portions of Fund Balance for certain purposes. These designations may be changed by the City. Details are as follows:

	<u>General</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>
Designated for:			
General liability	\$4,899,205		
Improvements	950,000	\$2,468,662	
Petty cash	1,395		
Pollution elimination			
Catastrophe	300,000		\$209,132
Contingencies	100,000		
PEG Access	468,733		
Deferred maintenance	111,855		
Legal	500,000		
Total	<u>7,331,188</u>	<u>2,468,662</u>	<u>209,132</u>
Undesignated	<u>7,200,355</u>	<u>1,104,981</u>	<u>745,861</u>
Total Unreserved	<u><u>\$14,531,543</u></u>	<u><u>\$3,573,643</u></u>	<u><u>\$954,993</u></u>

D. Fund Balance and Net Assets Deficits

At June 30, 2007 the Alhambra Creek Improvements Capital Projects Funds had a deficit fund balance of \$71,738. Future revenues are expected to offset this fund deficit.

The Marina Services Enterprise Fund has an accumulated net deficit of \$2,463,398 as of June 30, 2007 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, by entering into an operating agreement with an independent company to manage the Marina. In fiscal year 2006-07, the State of California approved an extension which permitted the City to postpone principal payments on the loans until fiscal year 2008-09. 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, 2007 the City had not received such notice.

CITY OF MARTINEZ
Notes to Financial Statements

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. 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, 2007, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>	<u>Miscellaneous Joint Facilities Agency</u>
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	50
Monthly benefits, as a % of annual salary	2% - 2.700%	1.426% - 2.418%	1.426% - 2.418%
Required employee contribution rates	9%	7%	7%
Required employer contribution rates	24.078%	10.635%	10.201%
* Rates include amortization of side fund			

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 years ended June 30, 2007, 2006 and 2005 amounted to \$1,608,807, \$1,588,530, and \$1,124,072 respectively.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. 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.

CITY OF MARTINEZ
Notes to Financial Statements

NOTE 11 – EMPLOYEES’ RETIREMENT SYSTEM (Continued)

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 amounting to \$1,299,136. For the Safety and Miscellaneous Joint Facilities Agency 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 12 years for Safety, and 10 years for the Miscellaneous Joint Facilities Agency Plans.

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

NOTE 12 – SOCIAL SECURITY

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

The City’s part-time, seasonal, and temporary employees are covered under Social Security, which requires these employees and the City to each contribute 6.2% of the employees’ pay. Total contributions to Social Security during the year ended June 30, 2007 amounted to \$81,299 of which the City paid half.

NOTE 13 – 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

NOTE 14 – 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 (\$5,000)	\$20,000,000
Vehicle - Physical Damage (\$3,000 for police vehicles, \$2,000 for all others)	250,000
Workers' Compensation (no deductible)	200,000,000
All Risk Fire & Property (\$5,000) *	350,000,000
Earthquake (\$100,000)	40,000,000
Flood (\$100,000)	20,000,000
Boiler & Machinery (\$5,000)	100,000,000

*The Authority's all risk fire, property, earthquake and flood coverage was reduced from \$1 billion for fiscal year ended June 30, 2006 to \$350 million for the year ended June 30, 2007.

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.

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.

CITY OF MARTINEZ
Notes to Financial Statements

NOTE 14 – RISK MANAGEMENT (Continued)

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:

	2007	2006
Beginning balance	\$80,000	\$80,000
Liability for current fiscal year claims	31,334	50,349
Increase (decrease) in liability for prior fiscal year claims and claims incurred but not reported (IBNR)	(22,112)	(15,717)
Claims paid	(9,222)	(34,632)
Ending balance	\$80,000	\$80,000

NOTE 15 - COMMITMENTS AND CONTINGENCIES

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.

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Gas Tax Funds

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

NPDES Stormwater Fund

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

Measure C 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.

Traffic Congestion Relief

To account for the revenues received from the State of California under AB2928. The allocations must be spent on local streets and roads maintenance, rehabilitation and reconstruction projects according to the State's Traffic Congestion Relief Plan.

DEBT SERVICE FUND

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

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.

CITY OF MARTINEZ
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2007

SPECIAL REVENUE FUNDS

	Gas Tax Funds	NPDES Stormwater Fund	Measure C Fund	COPS Grant Fund	Traffic Congestion Relief
ASSETS					
Cash and investments					
Available for operations	\$211,699	\$219,197	\$292,289	\$118,964	\$9,637
With fiscal agents					
Receivables:					
Intergovernmental	64,937			42,688	
Total Assets	<u>\$276,636</u>	<u>\$219,197</u>	<u>\$292,289</u>	<u>\$161,652</u>	<u>\$9,637</u>
LIABILITIES					
Accounts payable	\$3,595	\$7,167	\$2,678	\$6,527	
Accrued wages and benefits		2,898		4,196	
Deposits				6,397	
Due to other funds					
Deferred revenue					
Total Liabilities	<u>3,595</u>	<u>10,065</u>	<u>2,678</u>	<u>17,120</u>	
FUND EQUITY					
Fund balances					
Reserved for:					
Debt service					
Grants				144,532	
Encumbrances					
Unreserved:					
Special Revenue Funds	273,041	209,132	289,611		\$9,637
Capital Projects Funds					
Total Fund Balances (Deficit)	<u>273,041</u>	<u>209,132</u>	<u>289,611</u>	<u>144,532</u>	<u>9,637</u>
Total Liabilities and Fund Balances	<u>\$276,636</u>	<u>\$219,197</u>	<u>\$292,289</u>	<u>\$161,652</u>	<u>\$9,637</u>

CAPITAL PROJECTS FUNDS

<u>DEBT SERVICE FUND</u>	<u>Alhambra Creek Improvements</u>	<u>Lighting and Landscaping Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$70,048		\$256,103	\$1,177,937
401,422			401,422
	\$71,738		179,363
<u>\$471,470</u>	<u>\$71,738</u>	<u>\$256,103</u>	<u>\$1,758,722</u>
		\$6,201	\$26,168
			7,094
	\$71,738		6,397
	71,738		71,738
			71,738
	143,476	6,201	183,135
\$471,470			471,470
			144,532
		4,592	4,592
	(71,738)	245,310	781,421
			173,572
<u>471,470</u>	<u>(71,738)</u>	<u>249,902</u>	<u>1,575,587</u>
<u>\$471,470</u>	<u>\$71,738</u>	<u>\$256,103</u>	<u>\$1,758,722</u>

CITY OF MARTINEZ
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

SPECIAL REVENUE FUNDS

	Gas Tax Funds	NPDES Stormwater Fund	Measure C Fund	COPS Grant Fund	Traffic Congestion Relief
REVENUES					
Special assessments		\$495,562			
Intergovernmental	\$677,340		\$499,370	\$203,883	\$273,061
Fines and forfeits				7,337	
Use of money and property	7,889	6,378	11,609	5,846	9,637
Miscellaneous		156		10,460	
Total Revenues	685,229	502,096	510,979	227,526	282,698
EXPENDITURES					
Current:					
Community development	485,420	393,419	100,924		
Police				193,569	
Debt Service:					
Principal					
Interest and fiscal charges					
Capital outlay				21,254	
Total Expenditures	485,420	393,419	100,924	214,823	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	199,809	108,677	410,055	12,703	282,698
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers (out)	(260,000)	(51,300)	4,420 (537,494)		(363,874)
Total Other Financing Sources (Uses)	(260,000)	(51,300)	(533,074)		(363,874)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(60,191)	57,377	(123,019)	12,703	(81,176)
BEGINNING FUND BALANCES (DEFICITS)	333,232	151,755	412,630	131,829	90,813
ENDING FUND BALANCES (DEFICITS)	\$273,041	\$209,132	\$289,611	\$144,532	\$9,637

CAPITAL PROJECTS FUNDS

<u>DEBT SERVICE FUND</u>	<u>Alhambra Creek Improvements</u>	<u>Lighting and Landscaping Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	\$5,766	\$117,074	\$618,402
			1,653,654
\$22,053			7,337
241,306		11,538	74,950
			251,922
<u>263,359</u>	<u>5,766</u>	<u>128,612</u>	<u>2,606,265</u>
		131,433	1,111,196
			193,569
200,000			200,000
52,506			52,506
			21,254
<u>252,506</u>		<u>131,433</u>	<u>1,578,525</u>
10,853	5,766	(2,821)	1,027,740
		28,300	32,720
			(1,212,668)
		28,300	(1,179,948)
10,853	5,766	25,479	(152,208)
460,617	(77,504)	224,423	1,727,795
<u>\$471,470</u>	<u>(\$71,738)</u>	<u>\$249,902</u>	<u>\$1,575,587</u>

CITY OF MARTINEZ
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	GAS TAX FUNDS			NPDES STORMWATER FUND		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Special assessments				\$540,000	\$495,562	(\$44,438)
Intergovernmental	\$716,000	\$677,340	(\$38,660)			
Fines and forfeits						
Use of money and property					6,378	6,378
Miscellaneous	8,500	7,889	(611)		156	156
Total Revenues	<u>724,500</u>	<u>685,229</u>	<u>(39,271)</u>	<u>540,000</u>	<u>502,096</u>	<u>(37,904)</u>
EXPENDITURES						
Current:						
Community development						
Police	509,749	485,420	24,329	565,851	393,419	172,432
Capital outlay						
Total Expenditures	<u>509,749</u>	<u>485,420</u>	<u>24,329</u>	<u>565,851</u>	<u>393,419</u>	<u>172,432</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>214,751</u>	<u>199,809</u>	<u>(14,942)</u>	<u>(25,851)</u>	<u>108,677</u>	<u>134,528</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(260,000)	(260,000)		(51,300)	(51,300)	
Total Other Financing Sources (Uses)	<u>(260,000)</u>	<u>(260,000)</u>		<u>(51,300)</u>	<u>(51,300)</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$45,249)</u>	<u>(60,191)</u>	<u>(\$14,942)</u>	<u>(\$77,151)</u>	<u>57,377</u>	<u>\$134,528</u>
BEGINNING FUND BALANCES		<u>333,232</u>			<u>151,755</u>	
ENDING FUND BALANCES		<u>\$273,041</u>			<u>\$209,132</u>	

MEASURE C FUND			COPS GRANT FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$499,370	\$499,370	\$361,598	\$203,883	(\$157,715)
\$7,000	11,609	4,609	6,794	7,337	543
			2,000	5,846	3,846
			4,118	10,460	6,342
7,000	510,979	503,979	374,510	227,526	(146,984)
131,144	100,924	30,220			
			407,335	193,569	213,766
			24,250	21,254	2,996
131,144	100,924	30,220	431,585	214,823	216,762
(124,144)	410,055	534,199	(57,075)	12,703	69,778
4,420	4,420				
(537,494)	(537,494)				
(533,074)	(533,074)				
<u>(\$657,218)</u>	(123,019)	<u>\$534,199</u>	<u>(\$57,075)</u>	12,703	<u>\$69,778</u>
	412,630			131,829	
	<u>\$289,611</u>			<u>\$144,532</u>	

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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 Fund

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 ASSETS
JUNE 30, 2007

	Equipment Replacement	Management Information System	Total
ASSETS			
Current Assets:			
Cash and investments available for operations	\$1,991,376	\$510,168	\$2,501,544
Accounts Receivable:			
Other	1,656		1,656
Total Current Assets	1,993,032	510,168	2,503,200
Capital Assets:			
Construction in progress	83,918		83,918
Equipment	2,752,574	318,128	3,070,702
Accumulated depreciation	(1,974,712)	(228,565)	(2,203,277)
Net Capital Assets	861,780	89,563	951,343
Total Assets	2,854,812	599,731	3,454,543
LIABILITIES			
Current Liabilities:			
Accounts payable	108,832	17,468	126,300
Accrued liabilities	17,317	4,160	21,477
Accrued vacation and other fringe benefits	10,654	6,142	16,796
Total Liabilities	136,803	27,770	164,573
NET ASSETS			
Invested in capital assets	861,781	89,563	951,344
Unrestricted	1,856,228	482,398	2,338,626
Total Net Assets	\$2,718,009	\$571,961	\$3,289,970

CITY OF MARTINEZ
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	Equipment Replacement	Management Information System	Total
OPERATING REVENUES			
Charges for services	\$999,509	\$379,586	\$1,379,095
Refunds and rebate	10,512		10,512
Total Operating Revenues	1,010,021	379,586	1,389,607
OPERATING EXPENSES			
Maintenance and repairs	711,654	379,587	1,091,241
Depreciation	271,588	62,956	334,544
Total Operating Expenses	983,242	442,543	1,425,785
Operating Income (Loss)	26,779	(62,957)	(36,178)
NONOPERATING REVENUES			
Interest income	90,842	23,854	114,696
Gain on disposal of equipment	10,937		10,937
Total Nonoperating Revenues	101,779	23,854	125,633
Change in Net Assets	128,558	(39,103)	89,455
BEGINNING NET ASSETS	2,589,451	611,064	3,200,515
ENDING NET ASSETS	\$2,718,009	\$571,961	\$3,289,970

CITY OF MARTINEZ
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

	Equipment Replacement	Management Information System	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$1,008,365	\$379,586	\$1,387,951
Payments to suppliers	(487,176)	(275,899)	(763,075)
Payments to employees	(143,025)	(121,088)	(264,113)
Cash Flows from Operating Activities	<u>378,164</u>	<u>(17,401)</u>	<u>360,763</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(278,937)		(278,937)
Proceeds from sale of equipment	10,937		10,937
Cash Flows from Capital and Related Financing Activities	<u>(268,000)</u>		<u>(268,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	90,842	23,854	114,696
Cash Flows from Investing Activities	<u>90,842</u>	<u>23,854</u>	<u>114,696</u>
Net Cash Flows	201,006	6,453	207,459
Cash and investments at beginning of period	1,790,370	503,715	2,294,085
Cash and investments at end of period	<u>\$1,991,376</u>	<u>\$510,168</u>	<u>\$2,501,544</u>
Reconciliation of operating loss to net cash flows from operating activities:			
Operating income (loss)	\$26,779	(\$62,957)	(\$36,178)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	271,588	62,956	334,544
Change in assets and liabilities:			
Other receivables	(1,656)		(1,656)
Accounts payable	75,424	(19,077)	56,347
Accrued wages and benefits	8,516	(1,220)	7,296
Accrued vacation and other fringe benefits	(2,487)	2,897	410
Cash Flows from Operating Activities	<u>\$378,164</u>	<u>(\$17,401)</u>	<u>\$360,763</u>

FIDUCIARY 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, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>Alhambra Creek Assessment District</u>				
<u>Assets</u>				
Restricted cash and investments	\$197,408	\$117,355	\$110,807	\$203,956
Total assets	<u>\$197,408</u>	<u>\$117,355</u>	<u>\$110,807</u>	<u>\$203,956</u>
<u>Liabilities</u>				
Accounts payable	\$10		\$10	
Due to bondholders	197,398	\$117,355	110,797	\$203,956
Total liabilities	<u>\$197,408</u>	<u>\$117,355</u>	<u>\$110,807</u>	<u>\$203,956</u>
<u>Senior Center Club</u>				
<u>Assets</u>				
Restricted cash and investments	\$174,001	\$173,349	\$140,789	\$206,561
Total assets	<u>\$174,001</u>	<u>\$173,349</u>	<u>\$140,789</u>	<u>\$206,561</u>
<u>Liabilities</u>				
Accounts payable	\$2,726	\$4,661	\$2,726	\$4,661
Due to members	171,275	168,688	138,063	201,900
Total liabilities	<u>\$174,001</u>	<u>\$173,349</u>	<u>\$140,789</u>	<u>\$206,561</u>
<u>Total Agency Funds</u>				
<u>Assets</u>				
Restricted cash and investments	\$371,409	\$290,704	\$251,596	\$410,517
Total assets	<u>\$371,409</u>	<u>\$290,704</u>	<u>\$251,596</u>	<u>\$410,517</u>
<u>Liabilities</u>				
Accounts payable	\$2,736	\$4,661	\$2,736	\$4,661
Due to bondholders	197,398	117,355	110,797	203,956
Due to members	171,275	168,688	138,063	201,900
Total liabilities	<u>\$371,409</u>	<u>\$290,704</u>	<u>\$251,596</u>	<u>\$410,517</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 Assets by Component
2. Changes in Net Assets
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. Principal Property Tax Payers
4. Property Tax Levies and Collections
5. Water System Revenue

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:

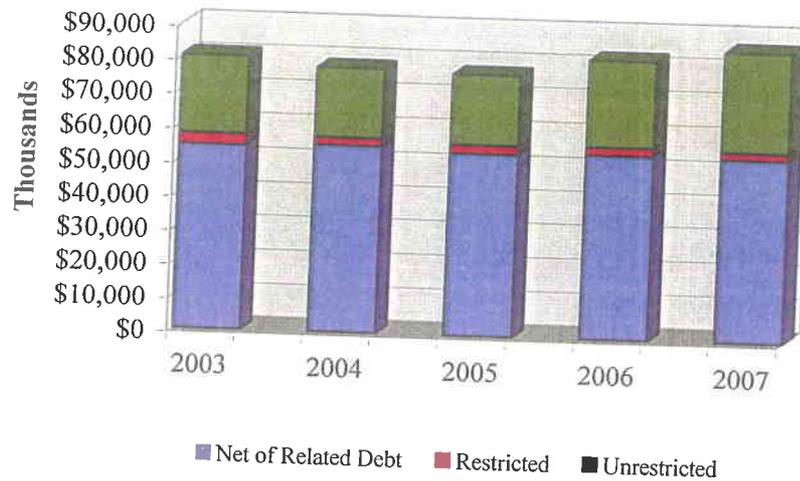
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

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 year.

CITY OF MARTINEZ
Net Assets by Component
Last Five Fiscal Years (A)
 (accrual basis of accounting)



	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$23,962,388	\$23,434,010	\$23,001,061	\$24,072,792	\$24,450,822
Restricted	2,758,880	1,860,177	1,968,361	1,805,299	1,647,325
Unrestricted	12,528,238	13,580,382	12,652,888	16,956,596	20,301,070
Total governmental activities net assets	<u>\$39,249,506</u>	<u>\$38,874,569</u>	<u>\$37,622,310</u>	<u>\$42,834,687</u>	<u>\$46,399,217</u>
Business-type activities					
Invested in capital assets, net of related debt	\$30,429,111	\$31,622,821	\$30,894,163	\$30,405,353	\$29,680,363
Restricted	465,144	478,686	492,014	465,980	473,896
Unrestricted	10,244,301	6,721,816	7,880,511	8,472,990	8,954,539
Total business-type activities net assets	<u>\$41,138,556</u>	<u>\$38,823,323</u>	<u>\$39,266,688</u>	<u>\$39,344,323</u>	<u>\$39,108,798</u>
Primary government					
Invested in capital assets, net of related debt	\$54,391,499	\$55,056,831	\$53,895,224	\$54,478,145	\$54,131,185
Restricted	3,224,024	2,338,863	2,460,375	2,271,279	2,121,221
Unrestricted	22,772,539	20,302,198	20,533,399	25,429,586	29,255,609
Total primary government net assets	<u>\$80,388,062</u>	<u>\$77,697,892</u>	<u>\$76,888,998</u>	<u>\$82,179,010</u>	<u>\$85,508,015</u>

(A) The City implemented GASB Statement 34 in 2003.

CITY OF MARTINEZ
Changes in Net Assets
Last Five Fiscal Years (A)
(Accrual Basis of Accounting)

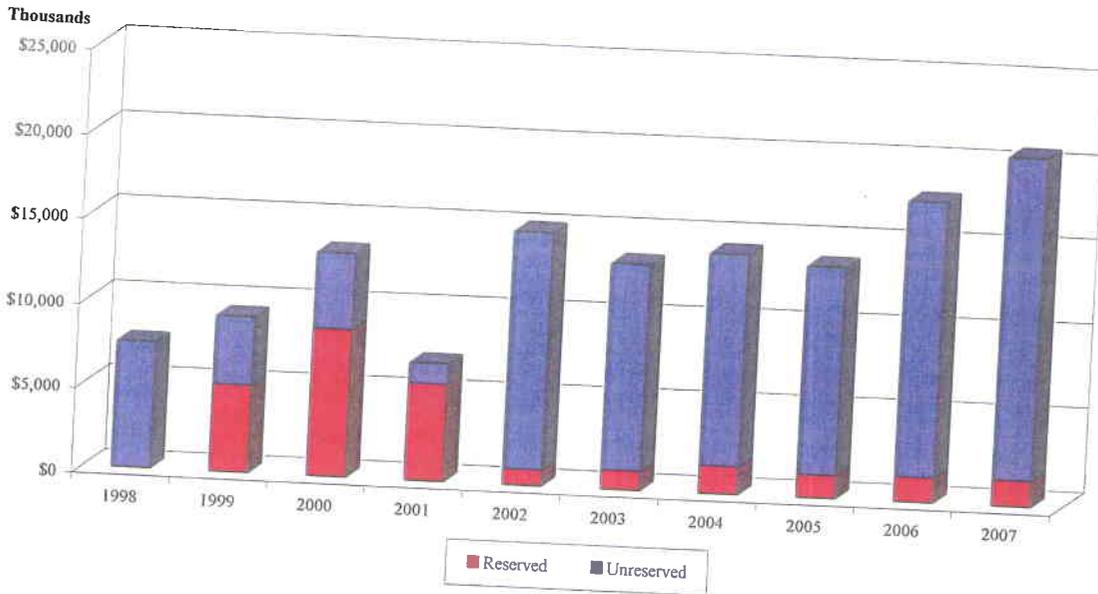
	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Expenses					
Governmental Activities:					
General Government	\$904,411	\$1,361,712	\$1,064,838	\$1,220,112	\$1,275,521
Nondepartmental Services	1,162,661	583,170	602,262	722,957	2,100,557
Administrative Services	412,644	597,450	611,904	704,534	813,629
Building	633,565	742,330	821,956	831,843	931,263
Community Development	6,656,236	7,673,229	8,871,098	7,281,906	7,640,086
Police	7,882,901	7,852,448	8,597,502	8,637,872	9,048,033
Interest on Long Term Debt	277,194	66,580	60,943	55,823	52,506
Total Governmental Activities Expenses	<u>17,929,612</u>	<u>18,876,919</u>	<u>20,630,503</u>	<u>19,455,047</u>	<u>21,861,595</u>
Business-Type Activities:					
Water System	8,994,202	10,088,366	10,019,095	9,419,852	10,221,974
Marina Services	404,774	470,175	472,205	381,516	441,823
Parking Services	330,031	547,454	532,367	426,565	375,634
Total Business-Type Activities Expenses	<u>9,729,007</u>	<u>11,105,995</u>	<u>11,023,667</u>	<u>10,227,933</u>	<u>11,039,431</u>
Total Primary Government Expenses	<u>\$27,658,619</u>	<u>\$29,982,914</u>	<u>\$31,654,170</u>	<u>\$29,682,980</u>	<u>\$32,901,026</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$1,447,732	\$112,806	\$123,738	\$112,254	\$127,720
Building	461,187	417,578	533,355	804,965	933,307
Community Development	897,812	819,377	1,032,160	1,166,315	1,149,605
Police	436,593	353,505	457,654	339,697	428,723
Operating Grants and Contributions	932,133	2,365,301	1,896,096	3,004,055	2,928,894
Capital Grants and Contributions	1,796,860	1,274,224	798,967	1,460,056	963,982
Total Government Activities Program Revenues	<u>5,972,317</u>	<u>5,342,791</u>	<u>4,841,970</u>	<u>6,887,342</u>	<u>6,532,231</u>
Business-Type Activities:					
Charges for Services:					
Water System	7,846,114	8,395,769	9,241,189	9,397,659	9,721,022
Marina Services	191,393	127,608	166,080	219,207	291,919
Parking Services	336,321	169,145	273,001	346,457	365,488
Capital Grants and Contributions			1,404,646	114,843	
Total Business-Type Activities Program Revenues	<u>8,373,828</u>	<u>8,692,522</u>	<u>11,084,916</u>	<u>10,078,166</u>	<u>10,378,429</u>
Total Primary Government Program Revenues	<u>\$14,346,145</u>	<u>\$14,035,313</u>	<u>\$15,926,886</u>	<u>\$16,965,508</u>	<u>\$16,910,660</u>
Net (Expense)/Revenue					
Governmental Activities	(\$11,957,295)	(\$13,534,128)	(\$15,788,533)	(\$12,567,705)	(\$15,329,364)
Business-Type Activities	(1,355,179)	(2,413,473)	61,249	(149,767)	(661,002)
Total Primary Government Net Expense	<u>(\$13,312,474)</u>	<u>(\$15,947,601)</u>	<u>(\$15,727,284)</u>	<u>(\$12,717,472)</u>	<u>(\$15,990,366)</u>

CITY OF MARTINEZ
Changes in Net Assets
(continued)
Last Five Fiscal Years (A)
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Property Taxes	\$4,591,561	\$5,072,317	\$5,603,872	\$6,048,835	\$6,749,316
Sales Taxes	2,981,530	3,683,973	3,012,701	3,196,164	2,845,391
VLF Property Tax Swap	3,634,912	2,167,772	4,605,311	5,749,263	2,438,135
Franchise fees	474,473	1,762,251	881,895	344,160	1,377,064
Other Taxes	600	199,788	267,746	533,475	2,639,579
Intergovernmental	958,136	63,389	124,181	281,669	281,669
Investment Earnings		19,701	158,568	1,744,370	1,019,116
Rents & Leases		190,000	(118,000)	163,815	
Miscellaneous					1,404,792
Transfers					138,832
Total Government Activities	<u>12,641,212</u>	<u>13,159,191</u>	<u>14,536,274</u>	<u>17,780,082</u>	<u>18,893,894</u>
Business-Type Activities:					
Other Taxes		62,306	56,769	48,292	56,545
Investment Earnings	214,941	139,026	184,977	317,631	507,764
Rents & Leases	22,176	25,231	22,370	25,294	
Miscellaneous	65,920	61,677			
Transfers		(190,000)	118,000	(163,815)	(138,832)
Total Business-Type Activities	<u>303,037</u>	<u>98,240</u>	<u>382,116</u>	<u>227,402</u>	<u>425,477</u>
Total Primary Government	<u>\$12,944,249</u>	<u>\$13,257,431</u>	<u>\$14,918,390</u>	<u>\$18,007,484</u>	<u>\$19,319,371</u>
Change in Net Assets					
Governmental Activities	\$683,917	(\$374,937)	(\$1,252,259)	\$5,212,377	\$3,564,530
Business-Type Activities	(1,052,142)	(2,315,233)	443,365	77,635	(235,525)
Total Primary Government	<u>(\$368,225)</u>	<u>(\$2,690,170)</u>	<u>(\$808,894)</u>	<u>\$5,290,012</u>	<u>\$3,329,005</u>

(A) The City implemented GASB Statement 34 in 2003.

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



	Fiscal Year Ended June 30,									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$413,350	\$536,326	\$356,747	\$128,256	\$48,397	\$278,429	\$659,139	\$573,040	\$793,427	\$787,770
Unreserved	2,695,595	3,928,328	6,761,452	9,021,010	10,092,248	9,834,407	8,573,920	9,174,295	12,053,642	14,531,543
Total General Fund	<u>\$3,108,945</u>	<u>\$4,464,654</u>	<u>\$7,118,199</u>	<u>\$9,149,266</u>	<u>\$10,140,645</u>	<u>\$10,112,836</u>	<u>\$9,233,059</u>	<u>\$9,747,335</u>	<u>\$12,847,069</u>	<u>\$15,319,313</u> (a)
All Other Governmental Funds										
Reserved	\$7,043,575	\$4,615,142	\$8,358,592	\$5,596,525	\$887,177	\$855,382	\$977,684	\$803,791	\$686,781	\$767,264
Unreserved, reported in:										
Special revenue funds	(3,869,641)	(831,347)	(2,154,317)	949,895	2,427,125	1,424,758	670,733	940,575	957,109	781,421
Capital project funds	953,939	975,657	(108,307)	(8,758,499)	1,496,910	958,579	3,307,186	2,186,757	3,236,220	3,747,215
Total all other governmental funds	<u>\$4,127,873</u>	<u>\$4,759,452</u>	<u>\$6,095,968</u>	<u>(\$2,212,079)</u>	<u>\$4,811,212</u>	<u>\$3,238,719</u>	<u>\$4,955,603</u>	<u>\$3,931,123</u>	<u>\$4,880,110</u>	<u>\$5,295,900</u>

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

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

	Fiscal Year Ended June 30,				
	1998	1999	2000	2001	2002
Revenues					
Taxes	\$8,033,063	\$9,333,165	\$9,787,930	\$9,497,109	\$11,116,572
Special assessments	845,253	903,373	1,002,307	803,240	633,183
Licenses, permits and fees	1,569,309	2,129,405	2,420,810	2,178,443	2,143,691
Intergovernmental revenues	4,984,846	4,631,083	12,597,018	4,924,247	9,244,563
Charges for services	836,185	855,562	1,202,740	1,146,787	1,243,195
Fines and forfeits	173,354	234,651	189,891	229,903	280,697
Use of money and property	780,538	772,822	823,291	1,002,092	723,871
Miscellaneous	1,448,866	4,044,902	1,565,632	810,365	491,171
Total Revenues	<u>18,671,414</u>	<u>22,904,963</u>	<u>29,589,619</u>	<u>20,592,186</u>	<u>25,876,943</u>
Expenditures					
Current:					
General government	1,851,528	2,281,942	3,332,788	2,033,269	981,212
Nondepartmental services					672,191
Administrative services					596,745
Building					580,976
Community development	925,604	1,013,767	995,221		5,606,656
Police	5,415,681	5,990,554	5,904,393	6,028,963	6,569,037
Streets & buildings	3,249,506	4,078,554	4,704,775	2,617,817	
Community services	2,094,802	1,830,043	1,866,708	1,117,326	
Miscellaneous	63,022	57,122	303,788		
Capital outlay	3,421,698	4,623,856	8,848,801	9,245,925	4,794,086
Debt service:					
Principal repayment	471,000	308,534	335,000	121,977	127,307
Interest and fiscal charges	265,977	223,302	239,256	386,902	287,275
Total Expenditures	<u>17,758,818</u>	<u>20,407,674</u>	<u>26,530,730</u>	<u>21,552,179</u>	<u>20,215,485</u>
Excess (deficiency) of revenues over (under) expenditures	<u>912,596</u>	<u>2,497,289</u>	<u>3,058,889</u>	<u>(959,993)</u>	<u>5,661,458</u>
Other Financing Sources (Uses)					
Transfers in	1,082,977	1,077,455	1,678,726	265,422	565,447
Transfers (out)	(879,292)	(1,587,454)	(1,712,327)	(788,230)	(915,447)
Certificates of participation issued			964,773		
Payments to refunded bond escrow					
Total other financing sources (uses)	<u>203,685</u>	<u>(509,999)</u>	<u>931,172</u>	<u>(522,808)</u>	<u>(350,000)</u>
Net Change in fund balances	<u>\$1,116,281</u>	<u>\$1,987,290</u>	<u>\$3,990,061</u>	<u>(\$1,482,801)</u>	<u>\$5,311,458</u>
Debt service as a percentage of noncapital expenditures	(a)	(a)	(a)	(a)	(a)

NOTE:

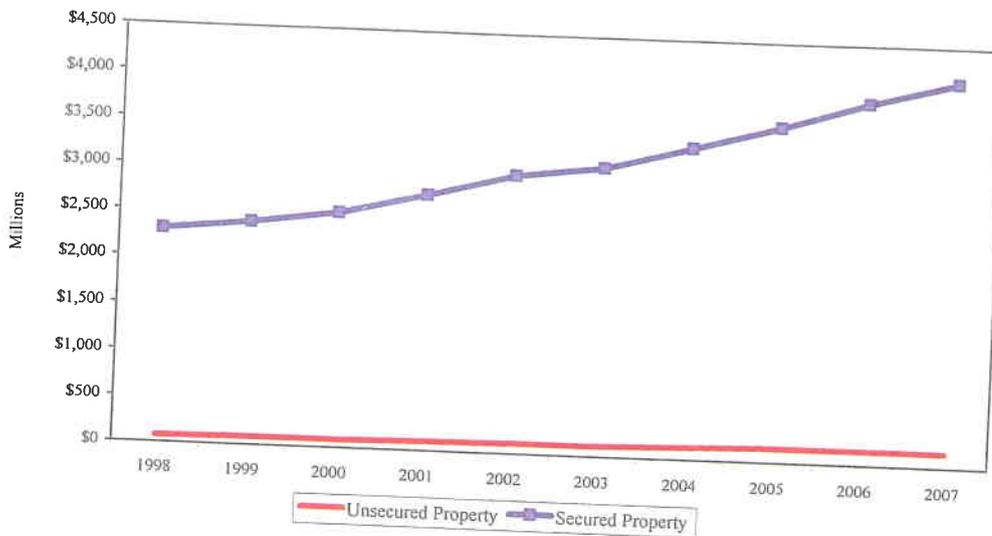
(a) The City implemented GASB Statement 34 in fiscal year 2003. Therefore this calculation is included only for fiscal years subsequent to that date.

(b) The City reorganized departments in 2002.

Fiscal Year Ended June 30,

2003	2004	2005	2006	2007
\$10,670,402	\$11,295,326	\$13,221,884	\$14,994,265	\$16,049,485
654,990	604,659	654,028	648,225	618,402
2,068,185	489,276	779,784	829,438	1,206,310
2,493,944	4,613,687	3,109,850	4,293,695	3,366,831
1,475,313	722,266	706,670	1,009,212	769,834
387,676	231,412	333,075	284,486	295,334
493,025	200,309	308,809	585,146	967,531
132,326	202,556	324,923	1,791,186	1,755,786
<u>18,375,861</u>	<u>18,359,491</u>	<u>19,439,023</u>	<u>24,435,653</u>	<u>25,029,513</u>
801,417	850,845	827,226	1,253,927	1,249,523
1,149,672	583,170	602,262	722,957	2,100,557
402,692	578,412	596,296	691,218	791,144
609,678	618,243	763,635	826,781	904,338
5,628,996	6,651,965	6,959,750	6,271,909	6,664,397
7,681,814	7,740,536	8,589,785	8,532,786	9,029,159
3,402,047	614,619	1,236,330	1,995,346	1,288,687
137,653	8,014	195,000	200,000	200,000
172,212	66,580	60,943	55,823	52,506
<u>19,986,181</u>	<u>17,712,384</u>	<u>19,831,227</u>	<u>20,550,747</u>	<u>22,280,311</u>
<u>(1,610,320)</u>	<u>647,107</u>	<u>(392,204)</u>	<u>3,884,906</u>	<u>2,749,202</u>
920,164	5,074,830	864,960	1,934,775	1,623,555
(945,164)	(4,884,830)	(982,960)	(1,770,960)	(1,484,723)
2,200,000				
<u>(2,164,982)</u>				
<u>10,018</u>	<u>190,000</u>	<u>(118,000)</u>	<u>163,815</u>	<u>138,832</u>
<u>(\$1,600,302)</u>	<u>\$837,107</u>	<u>(\$510,204)</u>	<u>\$4,048,721</u>	<u>\$2,888,034</u>
(a)	0.4%	1.4%	1.4%	1.2%

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

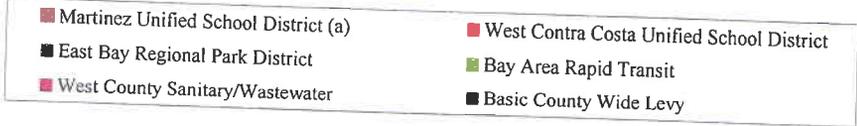
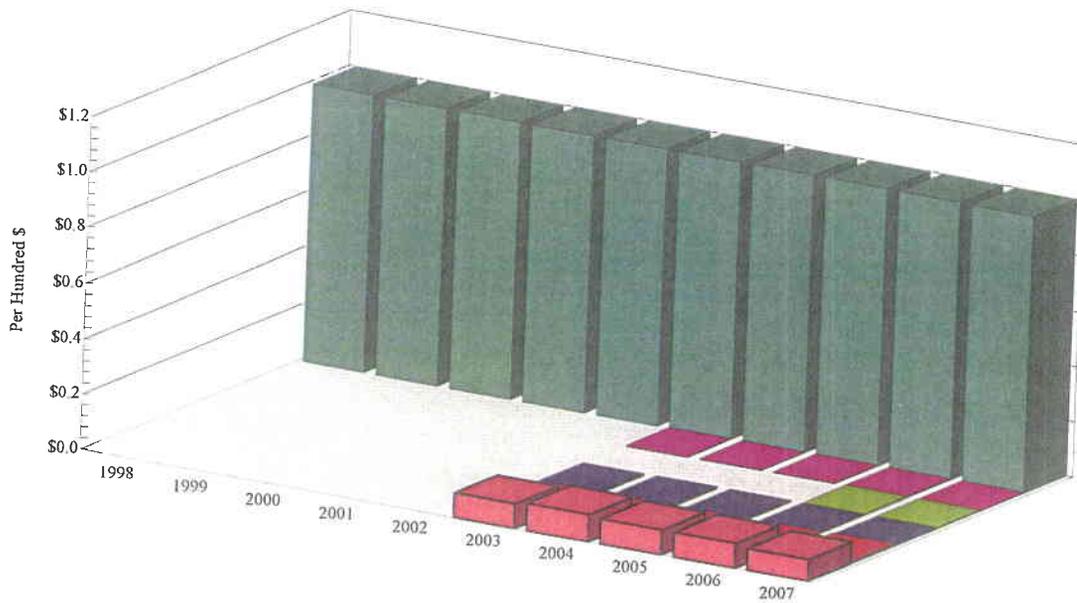


Fiscal Year	Real Property				Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other					
1998	\$1,761,932,673	\$160,969,424	\$76,901,954	\$223,776,960	\$2,223,581,011	\$77,173,748	\$2,300,754,759	\$2,300,754,759	1%
1999	1,803,363,521	165,741,366	264,575,065	73,420,388	2,307,100,340	90,434,609	2,397,534,949	2,397,534,949	1%
2000	1,954,181,059	199,392,927	(c)	283,210,339	2,436,784,325	87,049,640	2,523,833,965	2,523,833,965	1%
2001	2,112,037,502	175,242,368	296,754,537	56,173,850	2,640,208,257	103,657,475	2,743,865,732	2,743,865,732	1%
2002	2,276,803,980	189,132,984	362,317,910	51,311,610	2,879,566,484	112,037,636	2,991,604,120	2,991,604,120	1%
2003	2,446,841,113	221,143,170	277,022,355	45,793,860	2,990,800,498	118,371,038	3,109,171,536	3,109,171,536	1%
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	154,169,708	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	153,320,879	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		4,127,296,465	4,127,296,465	1%

Source: Contra Costa County Auditor Controller Office Certificate of Assessed Valuations

- (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.
- (c) Information is not available

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



Fiscal Year	Basic County Wide Levy	Bart	Contra Costa Community College (a)	Contra Costa Water Land Levy (a)	East Bay Regional Park (a)	Martinez Unified School District (a)	Total
1998	\$1.0000						
1999	1.0000						\$1.0000
2000	1.0000						1.0000
2001	1.0000						1.0000
2002	1.0000						1.0000
2003	1.0000						1.0000
2004	1.0000		\$0.0040	\$0.0072	\$0.0065	\$0.0901	1.1078
2005	1.0000		0.0038	0.0063	0.0057	0.1000	1.1158
2006	1.0000	\$0.0048	0.0042	0.0057	0.0057	0.0923	1.1079
2007	1.0000	0.0050	0.0047	0.0050	0.0057	0.0904	1.1106
			0.0043	0.0043	0.0085	0.0794	1.1015

Source: Muni Services, LLC
 Note: (a) Information not available prior to FY 2003

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

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Total Operating Revenue</u>	<u>Percentage of Water Sales to Operating Revenue</u>
1998	\$6,982,536	\$7,081,709	98.60%
1999	6,990,886	7,107,781	98.36%
2000	7,453,918	7,581,993	98.31%
2001	7,560,252	7,703,625	98.14%
2002	7,547,981	7,705,142	97.96%
2003	7,581,904	7,909,137	95.86%
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%

Source: City of Martinez Administrative Services Department

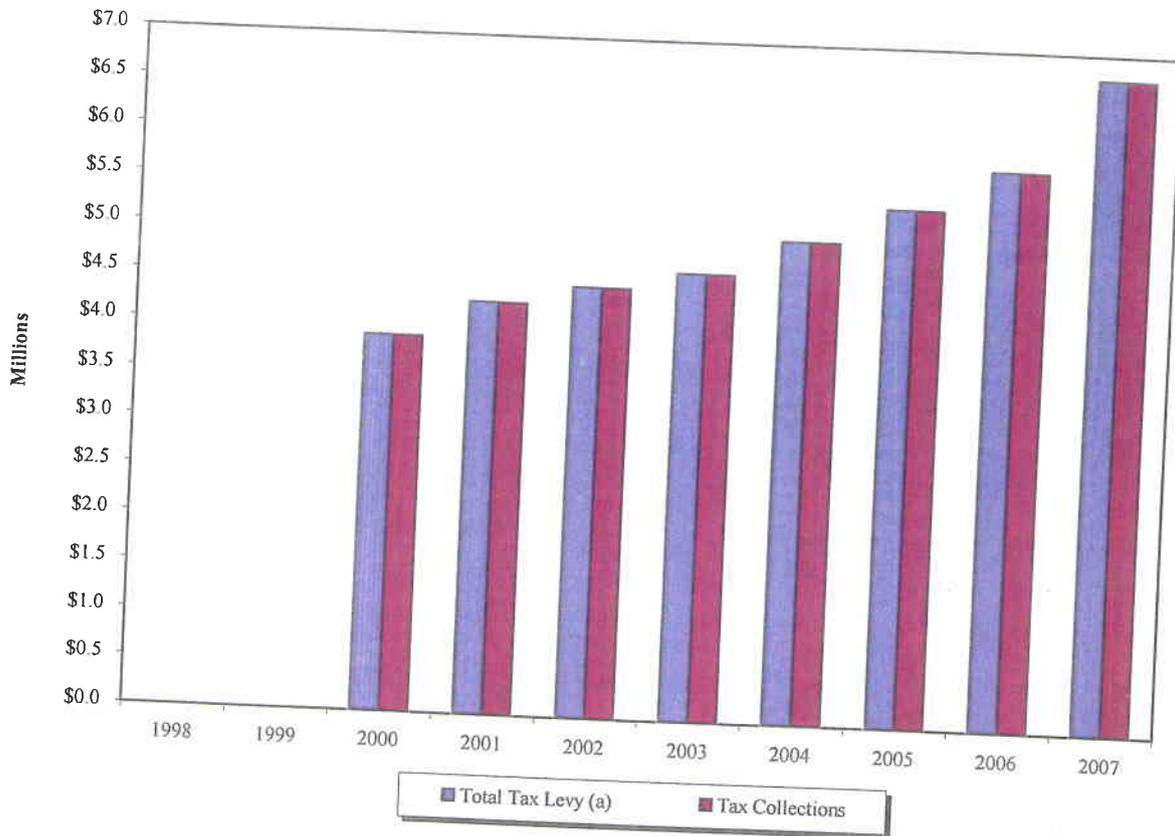
CITY OF MARTINEZ
Principal Property Tax Payers
Current Year and Four Years Ago

Taxpayer	2006-07			2002-03 (a)		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Equilon Enterprises LLC	\$120,741,562	1	2.9%	\$118,029,089	1	3.8%
Pacific Atlantic Terminals LLC	47,682,046	2	1.2%			0.0%
Stauffer Chemical Company	31,276,628	3	0.8%	32,662,330	2	1.1%
Shell Chemical Limited Partnership	21,197,022	4	0.5%	20,752,083	4	0.7%
Kenneth H. & Martha Hofmann Trust	18,096,069	5	0.4%	16,739,808	5	0.5%
Wal Mart Real Estate	17,901,161	6	0.4%	16,498,680	6	0.5%
Muir Station Center LLC	17,849,998	7	0.4%			0.0%
Muirwood Square Investors	17,399,025	8	0.4%	16,095,000	7	0.5%
Marine Spill Response Corporation	17,377,269	9	0.4%			0.0%
Center Martinez	11,572,753	10	0.3%			0.0%
Shore Terminals LLC				33,661,625	3	1.1%
George Ogino LLC				15,300,000	8	0.5%
Collier Village Oaks				15,425,790	9	0.5%
Ultramar Inc.				11,701,252	10	0.4%
Subtotal	<u>\$321,093,533</u>		<u>7.8%</u>	<u>\$296,865,657</u>		<u>9.5%</u>
Total Net Assessed Valuation:						
Fiscal Year 2006-2007	\$4,127,296,465					
Fiscal Year 2002-2003	\$3,109,171,536					

(a) Data for Fiscal Year 1997-98 is not available.

Source: Muni Services, LLC

**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	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1998	(b)					
1999	(b)					
2000	\$3,876,427	\$3,876,427	100.00%	\$0	\$3,876,427	100.00%
2001	4,239,616	4,239,616	100.00%	0	4,239,616	100.00%
2002	4,429,397	4,429,397	100.00%	0	4,429,397	100.00%
2003	4,609,086	4,609,086	100.00%	0	4,609,086	100.00%
2004	4,978,305	4,978,305	100.00%	0	4,978,305	100.00%
2005	5,344,212	5,344,212	100.00%	0	5,344,212	100.00%
2006	5,767,625	5,767,625	100.00%	0	5,767,625	100.00%
2007	6,749,316	6,749,316	100.00%	0	6,749,316	100.00%

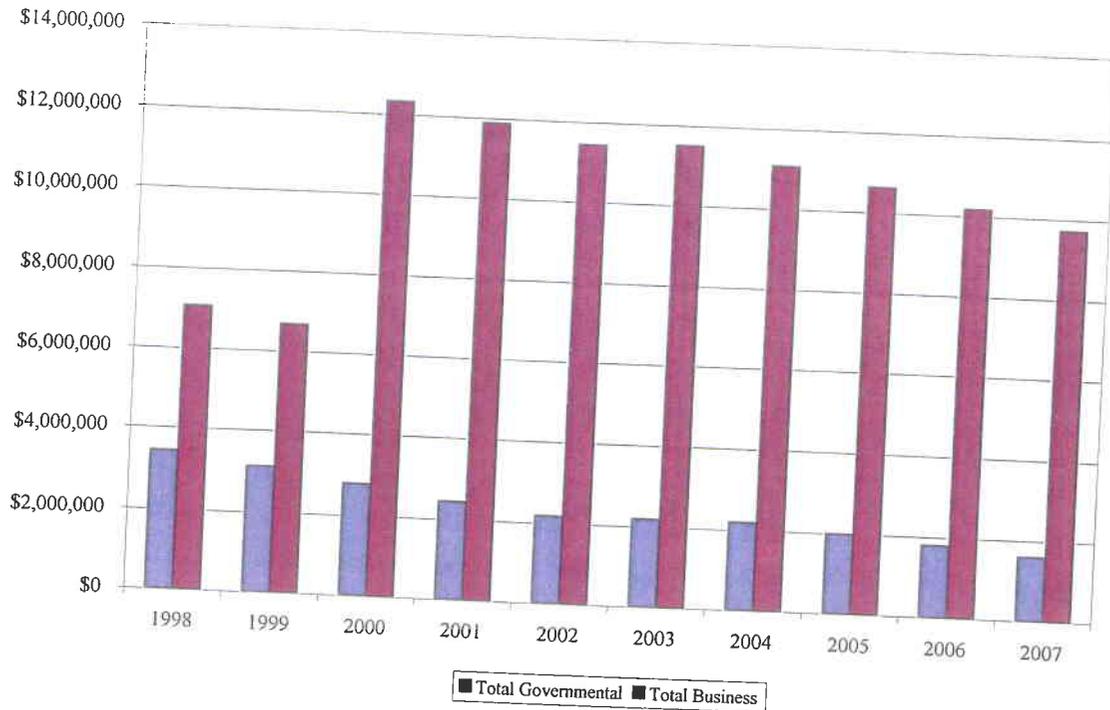
Source: Contra Costa County Auditor-Controller

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.

(b) Information not available for Fiscal Years 1998-1999

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



Fiscal Year	Governmental Activities		Total
	Certificates of Participation	Special Assessment Debt	
1998	\$2,640,000	\$803,534	\$3,443,534
1999	2,535,000	605,000	3,140,000
2000	2,425,000	380,000	2,805,000
2001	2,310,000	150,000	2,460,000
2002	2,190,000		2,190,000
2003	2,200,000		2,200,000
2004	2,200,000		2,200,000
2005	2,005,000		2,005,000
2006	1,805,000		1,805,000
2007	1,605,000		1,605,000

Fiscal Year	Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Water Revenue Bonds	Certificates of Participation	Total			
1998	\$910,000	\$6,150,000	\$7,060,000	\$10,503,534	0.79%	\$297.13
1999	705,000	5,975,000	6,680,000	9,820,000	0.69%	274.69
2000	485,000	11,830,000	12,315,000	15,120,000	0.94%	419.42
2001	250,000	11,640,000	11,890,000	14,350,000	0.88%	393.15
2002		11,440,000	11,440,000	13,630,000	0.85%	371.24
2003		11,505,000	11,505,000	13,705,000	0.85%	373.43
2004		11,080,000	11,080,000	13,280,000	0.78%	360.82
2005		10,640,000	10,640,000	12,645,000	0.71%	343.45
2006		10,190,000	10,190,000	11,995,000	(a)	327.89
2007		9,735,000	9,735,000	11,340,000	(a)	313.44

Note : Debt amounts exclude any premiums, discounts, or other amortization amounts.

Sources: City of Martinez
 State of California, Department of Finance (population)
 U.S. Department of commerce, Bureau of the Census (income)
 (a) Personal Income data not available for Fiscal Years 2006 and 2007

**CITY OF MARTINEZ
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2007**

2006-07 Assessed Valuation

\$4,127,296,465

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</u>	Net Total Debt 06/30/07	(1) % Applicable	City's Share of Debt 6/30/07
Bay Area Rapid Transit District	\$87,185,000	1.063%	\$926,777
East Bay Regional Park District	166,295,000	1.545%	2,569,258
Contra Costa Community College District	112,900,000	3.298%	3,723,442
Martinez Unified School District	29,962,135	48.923%	14,658,375
Mount Diablo Unified School District	222,500,000	6.038%	13,434,550
Mount Diablo Unified School District Community Facilities District #1	70,205,000	6.038%	4,238,978
City of Martinez Special Assessment District 1915 Act Bonds	955,000	100.000%	955,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	<u>\$690,002,135</u>		<u>\$40,506,380</u>
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>			
Contra Costa County Certificates of Participation	\$295,705,000	3.290%	\$9,728,695
Contra Costa County Pension Obligations	515,710,000	3.290%	16,966,859
Contra Costa County Board of Education Certificates of Participation	900,000	3.290%	29,610
Contra Costa County Mosquito Abatement District Certificates of Participation	1,165,000	3.298%	38,422
Contra Costa Community College District Certificates of Participation	6,100,000	6.038%	368,318
City of Martinez Certificates of Participation	1,605,000	100.000%	1,605,000
Mount Diablo Unified School District Certificates of Participation	128,280,000	7.188%	9,220,766
TOTAL DIRECT OVERLAPPING GENERAL FUND OBLIGATION DEBT	<u>\$949,465,000</u>		<u>\$37,957,670</u>
 COMBINED TOTAL DEBT			 <u><u>\$78,464,050</u></u> (2)

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

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

RATIOS TO 2006-07 ASSESSED VALUATION:

Combined Direct Debt	0.04%
Total Direct and Overlapping Tax Assessment Debt	0.98%
Combined Total Debt	1.90%

Source: California Municipal Statistics, Inc.

**CITY OF MARTINEZ
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2007**

ASSESSED VALUATION:

Secured property assessed value, net of
exempt real property

\$3,973,975,586

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)

\$149,024,084

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt

\$1,605,000

Less Tax Allocation Bonds and Sales Tax Revenue
Bonds, Certificate of Participation not subject to limit

1,605,000

Amount of debt subject to limit

0

LEGAL BONDED DEBT MARGIN

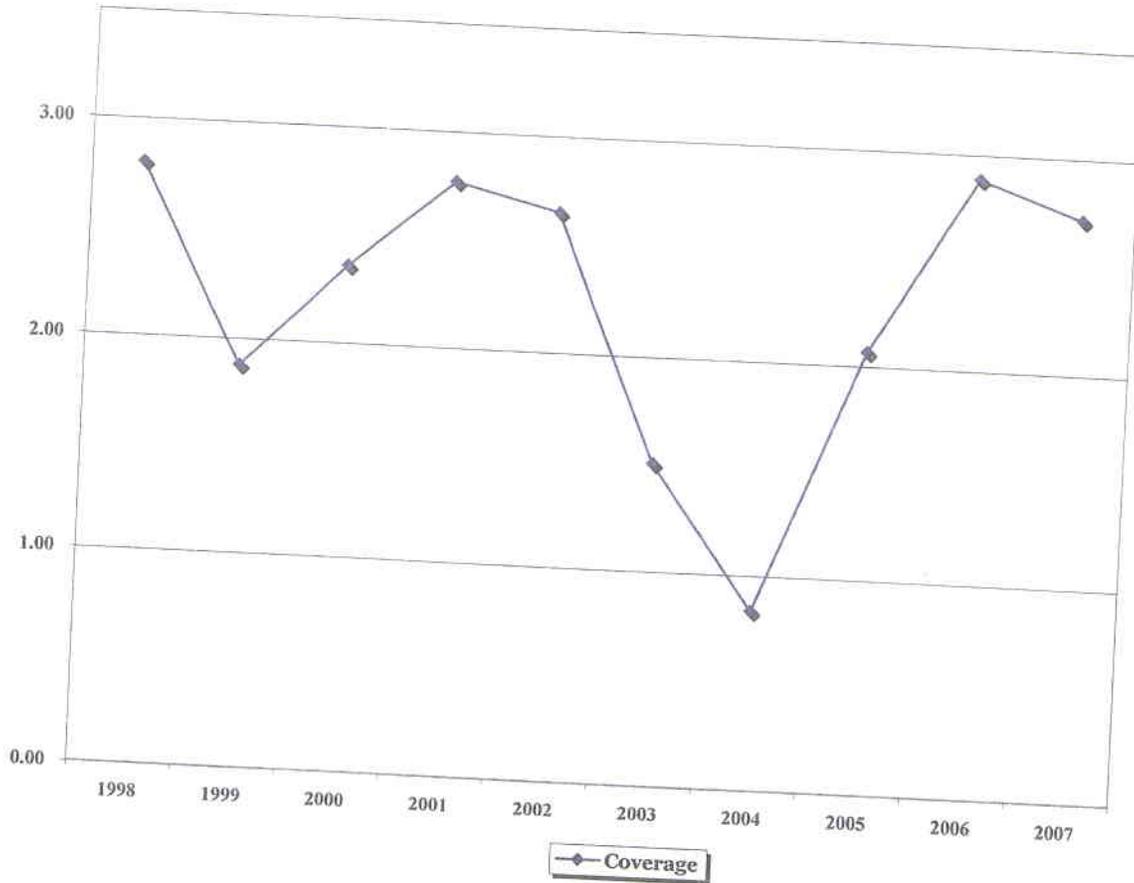
\$149,024,084

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
1998	\$345,113,214	\$0	\$345,113,214	0.00%
1999	359,630,242	0	359,630,242	0.00%
2000	378,575,095	0	378,575,095	0.00%
2001	411,579,860	0	411,579,860	0.00%
2002	448,740,618	0	448,740,618	0.00%
2003	466,375,730	0	466,375,730	0.00%
2004	502,873,709	0	502,873,709	0.00%
2005	540,528,077	0	540,528,077	0.00%
2006	140,035,535	0	140,035,535	0.00%
2007	149,024,084	0	149,024,084	0.00%

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**

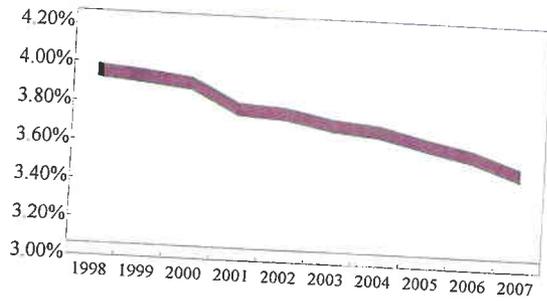


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1998	\$7,305,012	\$5,111,604	\$2,193,408	\$380,000	\$404,539	\$784,539	2.80
1999	7,337,446	5,537,786	1,799,660	405,000	554,259	959,259	1.88
2000	8,169,284	5,657,972	2,511,312	425,000	638,480	1,063,480	2.36
2001	8,237,045	5,421,206	2,815,839	450,000	568,295	1,018,295	2.77
2002	7,993,114	6,394,582	1,598,532	130,000	472,599	602,599	2.65
2003	8,113,806	6,745,535	1,368,271	425,000	481,589	906,589	1.51
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

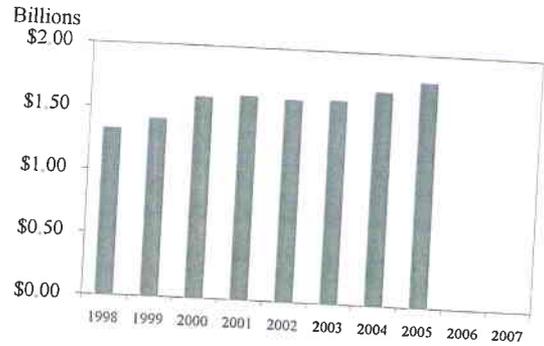
Notes: (1) Includes all Water Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenue
(2) Includes all Water Operating Expenses less Depreciation and Interest

Source: City of Martinez Annual Financial Statements

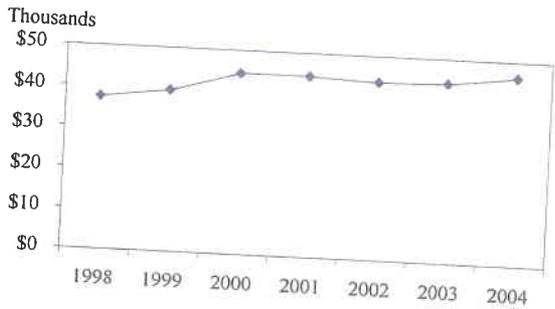
CITY OF MARTINEZ DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS



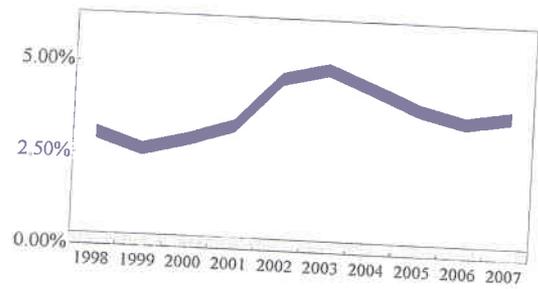
■ City Population as a % of County Population



■ Total Personal Income (a)



◆ Per Capita Personal Income (a)



■ Unemployment Rate (%)

Fiscal Year	City Population	Total Personal Income (a)	Per Capita Personal Income (a)	Unemployment Rate (%)	Contra Costa County Population	City Population % of County
1998	35,350	\$1,326,508,750	\$37,525	2.9%	900,688	3.92%
1999	35,750	1,416,522,250	39,623	2.5%	915,793	3.90%
2000	36,050	1,603,467,950	44,479	2.8%	930,025	3.88%
2001	36,500	1,624,578,500	44,509	3.2%	972,103	3.75%
2002	36,715	1,608,594,295	43,813	4.5%	981,600	3.74%
2003	36,700	1,621,846,400	44,192	4.8%	994,900	3.69%
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	(b)	(b)	3.5%	1,029,377	3.55%
2007	36,179	(b)	(b)	3.7%	1,042,341	3.47%

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 2006 and 2007 not available

Source: California State Department of Finance
 Labor Market Information Division
 California State Employment Development Department

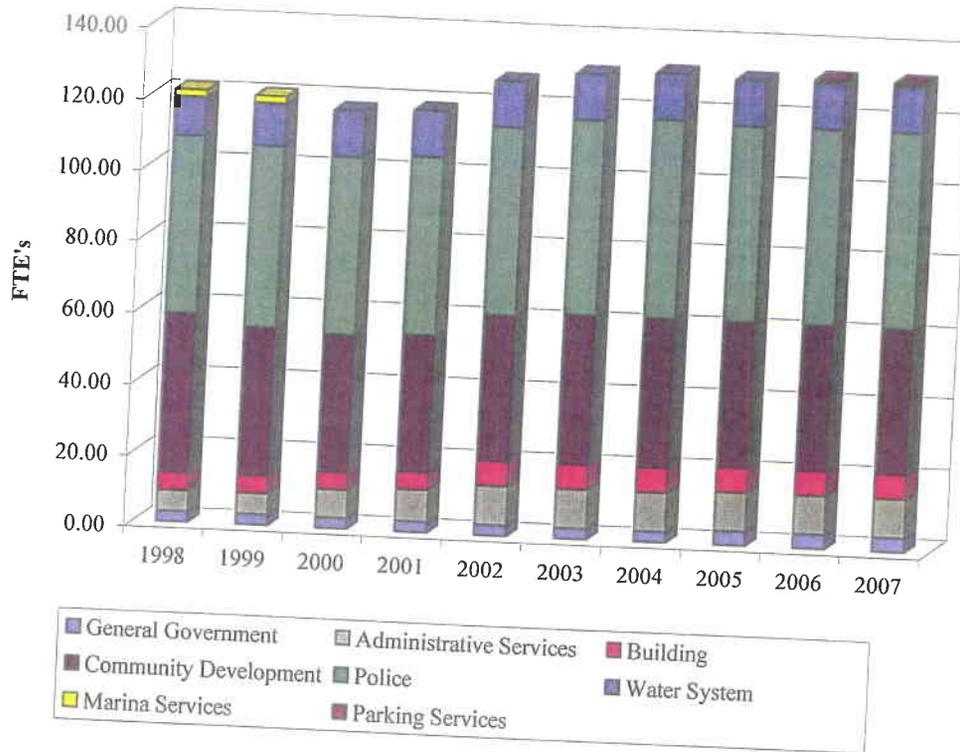
CITY OF MARTINEZ
Principal Employers
Current Year and One Year Ago

<u>Employer</u>	<u>2006-07</u>			<u>2005-06 (a)</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	5,079	1	56.1%	1,700	1	27.7%
Kaiser Permanente	1,097	2	12.1%	1,000	2	16.3%
Shell Oil Refinery	715	3	7.9%	700	4	11.4%
Veterans Administration Medical Center	661	4	7.3%	950	3	15.5%
Martinez Unified School District	425	5	4.7%	425	6	6.9%
Contra Costa Electric	395	6	4.4%	500	5	8.1%
Wal-Mart Store	278	7	3.1%	350	7	5.7%
California Grand Casino	145	8	1.6%			0.0%
Home Depot Store	135	9	1.5%	250	8	4.1%
City of Martinez	129	10	1.4%	170	9	2.8%
Telfer Oil Lines				100	10	1.6%
Subtotal	<u>9,059</u>		<u>25.0%</u>	<u>6,145</u>		<u>17.0%</u>
Total City Population	<u><u>36,179</u></u>			<u><u>36,582</u></u>		

(a) Data for Fiscal Year 1997-98 is not available

Source: Muni Services, LLC

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



Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government	3.00	3.00	3.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00
Administrative Services	6.00	6.00	8.00	9.00	11.00	11.00	11.00	11.00	11.00	11.00
Building	5.00	5.00	5.00	5.00	7.00	7.00	7.00	7.00	7.00	7.00
Community Development	44.50	41.50	38.50	38.50	40.80	41.80	41.80	40.80	40.80	40.80
Police	50.00	51.00	50.00	50.00	53.00	55.00	56.00	55.00	55.00	55.00
Water System	11.00	12.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Marina Services	2.00	2.00								
Parking Services										
Total	<u>121.50</u>	<u>120.50</u>	<u>117.50</u>	<u>118.50</u>	<u>127.80</u>	<u>130.80</u>	<u>131.80</u>	<u>130.80</u>	<u>131.80</u>	<u>131.80</u>

Source: City of Martinez Administrative Services

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

Function/Program	Fiscal Year				
	1998	1999	2000	2001	2002
Public safety:					
Police:					
Police calls for Service	26,337	26,042	25,166	25,298	26,439
Law violations:					
Part I and Part II crimes	4,977	4,915	4,153	7,711	5,123
Physical arrests (adult and juvenile)	1,470	1,347	1,070	1,351	1,556
Traffic violations	2,268	2,190	2,168	2,625	2,233
Parking violations	11,444	9,915	2,971	9,662	16,976
Public works					
Street resurfacing					
Seal Coat (miles)	n/a	n/a	n/a	n/a	2
Asphalt overlay (miles)	n/a	n/a	n/a	n/a	3
Culture and recreation:					
Community Services:					
Number of recreation classes	n/a	n/a	n/a	n/a	n/a
Number of community events	n/a	n/a	n/a	n/a	n/a
Number of facility rentals	n/a	n/a	n/a	n/a	n/a
Water					
Water service connections	n/a	n/a	n/a	9,766	n/a
Water main breaks	n/a	n/a	83	66	45
Average daily consumption (thousands of gallons)	5,030	5,370	5,420	5,390	5,650

Source: City of Martinez

Note: n/a denotes information not available.

Fiscal Year				
2003	2004	2005	2006	2007
26,621	31,013	35,621	32,071	30,710
5,663	5,742	5,989	5,753	5,460
1,716	1,828	2,213	1,886	1,693
2,507	3,477	3,117	1,872	1,642
8,454	7,505	8,267	4,992	5,929
3.68	9.47	n/a	6	5.42
n/a	1	1.89	2.40	0.70
n/a	413	434	459	595
n/a	48	45	52	55
n/a	323	415	413	253
9,714	9,814	9,900	9,902	9,900
n/a	61	51	54	35
5,290	5,770	5,060	5,210	5,214

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

Function/Program	Fiscal Year				
	1998	1999	2000	2001	2002
Public safety:					
Police stations	1	1	1	1	1
Police sworn officers	38	38	38	38	39
Public works					
Miles of streets	122	122	122	122	122
Street lights	n/a	n/a	n/a	n/a	n/a
Traffic Signals	n/a	n/a	n/a	n/a	n/a
Culture and recreation:					
Community services:					
City parks	16	16	16	16	16
City parks acreage	271	271	271	271	271
Playgrounds	11	11	10	10	10
City trails	9	9	9	9	9
Roadway landscaping acreage	11	11	11	11	11
Community gardens	1	1	1	1	1
Senior centers	1	1	1	1	1
Performing arts centers	1	1	1	1	1
Swimming pools	1	1	1	1	1
Tennis courts	9	9	9	9	9
Skateboard Park	8	8	8	8	8
Baseball/softball diamonds	7	7	7	7	7
Soccer fields					
Water					
Miles of water lines	100	100	100	100	100
Storage capacity (thousands of gallons)	8,012,000	8,012,000	8,012,000	9,522,000	9,522,000

Source: City of Martinez

Note: n/a denotes information is not available.

Fiscal Year				
2003	2004	2005	2006	2007
1	1	1	1	1
39	39	39	39	39
122	122	122	122	122
4,994	4,994	4,994	4,994	4,994
253	253	253	253	253
16	16	16	16	17
271	271	271	271	271
10	10	10	10	14
9	9	9	9	9
11	11	11	11	11
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
9	9	9	9	10
	1	1	1	1
8	8	8	8	11
7	7	7	7	7
100	100	100	100	100
9,522,000	9,522,000	9,522,000	9,522,000	9,522,000