

CITY OF MARTINEZ, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

Prepared by
ADMINISTRATIVE SERVICES DEPARTMENT

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CITY OF MARTINEZ

Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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December 20, 2017

Honorable Mayor and Council Members

State law requires that all general-purpose local governments publish a complete set of financial statements, presented in conformity with Generally Accepted Accounting Principles (GAAP), within six months of the close of each fiscal year. Therefore, we are pleased to present the City of Martinez' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. The City is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly set forth the financial position and results of operations of the City measured by the financial activity of its funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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



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

Profile of Martinez

The City's roots can be traced back to 1824 when the Alhambra Valley was included in the Rancho El Pinole Mexican land grant to Ygnacio Martinez. By the late 1840's, the City was a ferryboat transit point across the Carquinez straits on the way to the gold fields of California. The City was officially incorporated in 1876 and serves as the County seat of Contra Costa County. It is located along the Sacramento and San Joaquin rivers in the central part of the County. By the time of its incorporation, Martinez had evolved into one of the area's most significant trading posts and shipping ports. Today, the City covers over 13 square miles and has approximately 37,658 residents. As one of California's first towns, Martinez retains a strong sense of history and family. The renowned naturalist John Muir made Martinez his home for nearly a quarter century and in 1914, the year of Muir's death, the legendary baseball great Joe DiMaggio was born here. One of the unique aspects of Martinez is its architecture. Many of the downtown shops still retain their early 20th century look and charm, with some homes dating back more than 125 years.

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

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



Economic Outlook

The revised Third Quarter 2017 Gross Domestic Product (GDP) released by the U.S. Department of Commerce Bureau of Economic Analysis showed an annual increase of 3.3%, and an increase 3.1% from the Second Quarter. Economic growth in the areas of personal consumer spending, private inventory investment, non-residential fixed investment, and exports. These gains were partially offset by weakness in residential fixed investment. National unemployment has held steady at 4.9%, which reflects continuing strength in the U.S. labor markets.

California's economy has continued to grow, but job creation has slowed considerably since 2016, according to a recent report prepared by Beacon Economics, LLC for the East Bay Economic Development Alliance. Labor market constraints, housing affordability, and uncertainty over federal policy implications are cited as reasons for this slowdown. The City, much like the larger economies of the State and surrounding region, continues to show strength as it emerges from the long-term impacts of the recent recession. The improving economy is evident in the latest employment trend data as of October 2017. Since April 2011, the County's rate has dropped from 10.5% to 3.5%, and the City's rate dropped from 8.4% to 3.2%. These local figures compare favorably to the statewide and national rates, both at 4.9%.

The East Bay housing market continues to remain strong and has now fully recovered from the precipitous decline in housing values from 2008-09. The median home sales value in Martinez as of the end of October 2017 is \$592,100, according to the Zillow Home Value Index. Home values are expected to remain somewhat steady for the next year. The City monitors trends in the median home sales price and homes sold as indicators of the strength of the City's property tax base as well as its Document Transfer Tax revenues.

The City has prioritized the pursuit of smart development opportunities as a means to help revitalize the downtown area and other areas of Martinez to the benefit of the City's long-term economic health. The City has begun to take affirmative measures to facilitate these opportunities, including the reinstatement of the Community and Economic Development Director position, which had been vacant since 2010, and creation of a new Economic Development Coordinator position. Additionally, the City is developing and implementing a market study, building and site inventory, and related marketing materials for launch of the citywide economic development program.



Major Initiatives and Objectives

Public Safety. The Department has been focused on recruiting police officers and dispatchers to fill vacancies in a fairly challenging and competitive job market. Recruitment efforts are continuous in order to fill vacancies and expand our capacity to provide services. The Department was recently able to select an officer as a Community Resource Officer to focus on homelessness as well as serve as a liaison for the business and residential community on quality of life issues. We now have two specialty positions – as fulltime Traffic Enforcement Officer and a Community Resource Officer. As staffing improves, we plan on adding another Traffic Enforcement Officer, a School Resource Officer, and an additional investigator.

We have also embarked on a collaborative effort to impact homelessness. The City of Martinez has partnered with the City of Pleasant Hill and the Contra Costa County Division of Health, Housing, and Homeless Services to deploy outreach workers in both cities to focus on homeless outreach. Martinez and Pleasant Hill were the first cities in the county to pioneer this effort as a means to develop trust with the homeless population and help them obtain services as well as work toward long term housing.

The Department engaged in a meeting with all employees to discuss the organization, mission, and our future endeavors; the meeting was a prelude to Team Building Workshop that will require all employees to participate in the coming year.

The Department initiated an Automated License Plate Reader program and has equipped three patrol cars and one intersection with the technology. The technology allows officers to quickly identify stolen cars as well as cars that have been involved in crimes. We recently received a generous donation of \$100,000 to expand the program to four additional patrol cars and one more intersection for camera coverage. The initial purchase was made with State allocated funding.

Measure H Projects. The residents of Martinez approved Measure H, a \$30 million Parks, Pool and Library Bond measure in November 2008. \$15 million in bonds were issued in May 2009 and an additional \$10 million in bonds were issued in April 2012. It is anticipated the final \$5 million in bonds will be issued in late 2017. The projects supported by this bond included: construction of the Rankin Aquatic Center; renovation and expansion of the City library; renovations to Holiday Highlands, Hidden Lakes, Highland, Nancy Boyd, Hidden Valley, Susana Street, Mt. View and Rankin parks and Tavan Field; and improvements to tennis and basketball courts at various parks.



The Waterfront Park Rehabilitation Project, totaling over \$8 million, commenced early in 2017-18. Improvements include renovation of sports fields, the addition of lights for the softball and baseball fields, renovation of individual and group picnic areas, park safety lighting, pathways and ADA improvements. Enhancements are being made to Field 3 to accommodate a professional baseball team within a Bay Area independent league.

Additional Measure H renovation projects utilizing the last of the bond funding are planned for Golden Hills and Holiday Highland parks, along with upgrades to the pathways and picnic areas in John Muir Park and Alhambra Park.

Transportation Improvements. The project scoping document for the Alternative Waterfront Access Study, formerly known as the North Court Street Overcrossing, was completed. The preferred alternative was a bridge over Alhambra Creek connecting Berrellesa Street to the new Intermodal parking lot and Ferry Street. The project provides a long planned secondary access to the waterfront and marina.

Construction of the intermodal parking lot north of the railroad tracks was completed in 2014. Design of the pedestrian overcrossing to the existing Amtrak station, realigned entrance to Ferry Street is completed and are scheduled to be constructed starting the spring of 2018.

Lastly, the Measure J Pacheco Boulevard Widening Project Study Report was completed in April of 2017. The study area is in both the unincorporated County areas and the City, along Pacheco Boulevard from Blum Road to Morello Avenue. Project financing was recently secured for signal and intersection improvements at Arnold Drive within the City limits.

The outlook for substantial road pavement and repair work in Martinez looks bright. Martinez voters overwhelmingly adopted Measure D in November 2016, a half-cent sales tax initiative projected to supply approximately \$2 million per year for paving from now until 2032. Additionally, Gas Tax revenues are expected to increase by approximately \$250,000 in FY 2017-18, and \$775,000 annually beginning in FY 2018-19, thanks to the April 2017 passage of SB 1, the \$52 billion State transportation bill. With these substantial new recurring funding sources, the City will be better equipped than ever before to address much-needed paving concerns.



Water System Capital Improvements. The City Water System is in the process of major renovations and improvements over a multi-year period. In 2015, the City awarded a contract to install electrical upgrades throughout the Water Treatment Plant. The new electrical infrastructure will significantly increase the reliability of the Plant. This multi-year project was substantially completed in October of 2017. In 2015, a construction contract was awarded to seismically upgrade the 1967 portion of the plant along with pipe and other equipment supports throughout the Plant. The addition of sheer walls, pipe supports and reducing the weight of the roof structure should significantly increase the chances of quickly returning the Plant on-line following a major earthquake event. This project was completed in mid-2017. The Harbor View Reservoir Replacement Project was completed in 2015. This project replaced a smaller, out of service tank, on the same site. The tank was lowered approximately 20 feet to better work with other storage tanks in the system and was increased from 1.25 million gallon (MG) to 1.65 MG capacity. This project helps provides adequate water supply and fire protection for the lower elevation areas of the City. The City Water Treatment Plant will be converting to anhydrous ammonia by installing a new 10,000 gallon tank, controls, pumps and piping. The 2016 Flocculator Paddle Replacement Project was awarded in December of 2016 with construction scheduled for winter 2017. Lastly, the City is continuing to replace undersized, old and/or deteriorated waterlines on a bi-annual basis. A multi-million dollar project was awarded in November of 2016 and construction is currently underway in the downtown area to implement the work.

General Plan Update. The City of Martinez is in the process of updating its General Plan, the comprehensive, long-term plan for the physical development of the City. Much of the City's existing General Plan was adopted in 1973. After more than three and half decades of use, it is appropriate to re-evaluate the scope and content of the document, which exists as the community's statement of its fundamental values and as a shared vision for its future development. The General Plan is intended to articulate how the citizens of Martinez view the community, both now and in the future, and where the community stands on current and future planning and development issues. Due to staffing shortages, this project was delayed from last year. The General Plan is scheduled to be adopted in mid-2018. A comprehensive Zoning Ordinance update will be initiated after the adoption of the updated General Plan.



Strategic Planning. In December 2016, the City of Martinez conducted a high-level review of the organization to develop recommendations that will support the City in meeting Council priorities and delivering high-quality municipal services to the community. This organizational scan assessed the City's existing staffing to determine whether the City is positioned well to deliver essential services and implement City Council priorities. The recommendations resulting from the scan called for a realignment of the City's organization structure, a renewed focus on strategic planning and economic development, as well as serious consideration of additional positions in critical service areas that are currently under-resourced. Soon after completion of this report, the City initiated a strategic planning process in preparation for the FY 2017-19 Budget, and utilized the scan as a resource during that process.

As a result of the strategic planning study sessions, the Council identified updated Vision, Mission and Goal statements, as well as gained consensus on a number of action items consistent with the identified Goal categories and organized by three "tiers." The City is in the process of both implementing and updating its Strategic Plan to track key projects and ensure adequate City resources are devoted to the highest-priority areas.

Long Range Economic Planning. The City will complete a market and fiscal analysis in early 2018 that will provide an assessment of current and local market conditions and long range marketability of the within the Priority Development Area. The Priority Development Area was designated in 2007 and its boundaries replicate the Downtown Specific Plan boundaries. The study is being conducted as part of funding opportunity from the Contra Costa Transportation Authority. The project is being funded in part by Federal Surface Transportation Program funds, with the remainder of the funding to be provided through an 11.47 percent local match.

Economic Development. The City's priority of economic development is particularly important to increase and diversify revenues. The Council showed its commitment to this venture by creating two new positions: Community and Economic Development Director and Economic Development Coordinator. These positions were filled in mid-late 2017 and the team is working on several key economic development projects. Work includes reaching out to the community, including individual businesses, property owners, and brokers, as well as the Chamber of Commerce and Main Street Martinez in the development of The Economic Development Action Plan. Other work includes developing marketing materials and tools to aid in business retention and attraction.



Updating the General Plan and Zoning Ordinance (discussed above) is another means of helping not only the residents, but creating a transparent, consistent and predictable permitting path for developers and businesses; making Martinez a great place to live and do business.

Cannabis. In 2018 the City will be crafting a Cannabis Management Plan that will include regulations and a potential tax measure placed on the ballot. The potential for revenue from medicinal and adult use cannabis sales is expected to add diversity to the City's economic base.

Marina. Planning for the long-term future of the marina has been a key issue for many years. The City received a new grant of marina trust lands in September 2014 through Senate Bill 1424 which requires trust lands be held by the City, as trustee, for the benefit of all the people of the State for purposes consistent with the public trust doctrine. The doctrine includes protecting maritime or water dependent commerce, navigation, and fisheries, and the preservation of the lands in their natural state for scientific study, open space, wildlife habitat and water-oriented recreation. The land grant allows the City to manage and lease the granted lands according to the public trust doctrine with 100% of the revenue generated from the marina going back into the City's enterprise fund that supports operation of the marina. The marina is an integral part of the shoreline experience that many residents of the region enjoy on a regular basis. It provides opportunities for landside and water recreational experiences, as well as education and research. SB 1424 will help maintain and preserve the Martinez Marina for the enjoyment and use by residents, businesses and public service agencies. As a condition of the land grant, the City must initiate development of a marina master waterfront plan and complete this process by 2020. In 2018, the City will begin the process of developing a Trust Lands Use Plan, with the goal of not only satisfying the State requirement, but creating a plan that will dovetail into a comprehensive specific plan for the Waterfront that emphasizes linkages to downtown and the rest of the community.

Partial Marina dredging to be completed in 2017 will allow a private ferry, Prop SF, to begin service in early 2018. This coordination with our intermodal facility will add private ferry to existing bus and rail service options in Martinez. The City will continue to explore the potential of public ferry service in Martinez as a future transportation option.



Climate Action Plan/Sustainability Programs. The City made significant progress in 2016-17 implementing its Climate Action Plan. Continuing to implement dedicated recycling infrastructure and educational programming in area schools remains a priority. The City recently executed a transitional agreement with the Martinez Unified School District in which the City will contribute \$15K toward supporting recycling education services. This agreement follows two years of extensive CalRecycle grant support utilized to launch the program, particularly for K-5 students. The goal of the program is for MUSD to take more ownership of its recycling programs and develop sustainable systems which will build upon the previous year's success.

The City also initiated and secured the City's fourth year of participation in the California Youth Energy Services Program provided by Rising Sun Energy Center. This Program provided a paid workforce training and development opportunity for Martinez youth and served 180 Martinez residences with free energy and water conservation assessments, infrastructure, and installation services. Program partners Andeavor (formerly the Tesoro Foundation) and Republic Services provided the City with funding support, and the Boys and Girls Clubs of Contra Costa – Martinez Clubhouse, provided in-kind office space and workstations to enable the City's continued participation in this community benefit program.

For the first time since adopting the Climate Action Plan in June 2009, the City calculated its Greenhouse Gas (GHG) emissions inventory. The initial results revealed the City is making good progress toward meeting the reduction targets for 2020 set by Assembly Bill 32. The City plans to further refine the GHG data and develop tools to allow for better tracking of the GHG inventory.



Financial Information

Accounting System and Internal Controls. In developing and evaluating the City's accounting system, consideration is given to the accuracy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurances regarding the safeguarding of assets against loss from unauthorized use or disposition, as well as the accuracy and reliability of accounting data and the adherence to prescribed managerial policy. The Administrative Services Department has been delegated the responsibility to maintain the integrity of the City's recorded financial data. Accounting for all of the City's activities is centralized under the Finance Division. The Administrative Services Department, in conjunction with City management, is also responsible for establishing and maintaining an internal control structure designed to ensure that the City's assets are protected from loss, theft, or misuse. As a recipient of federal, state, and county financial assistance for a variety of projects or programs, the City is responsible for ensuring that an adequate control structure is in place to comply with applicable laws and regulations related to those projects or programs. City administration believes the existing internal control systems are adequate to provide reasonable assurance the City's assets are safeguarded against loss and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. This belief is supported by the City's "Unqualified" Audit issued for 2016.

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



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

The General Long-term Obligations 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 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 debt is explained in detail in Note 7 to the Financial Statements.

Other Information

Awards. The Government Finance Officers 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, 2016. This was the 16th consecutive award the City has received from GFOA. In order to be awarded a Certificate of Achievement, a City must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both Generally Accepted Accounting Principles and applicable legal requirements.

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



Acknowledgements

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

Respectfully Submitted,

A handwritten signature in black ink that reads "A Cardwell".

Anne Cardwell
Assistant City Manager

City of Martinez Key Personnel

June 30, 2017

City Council

Rob Schroder, Mayor

Debbie McKillop, Vice Mayor

Lara DeLaney, Councilmember

Noralea Gipner, Councilmember

Mark Ross, Councilmember

Council Appointees

Brad Kilger, City Manager

Manjit Sappal, Chief of Police

Elected Officials

Richard Hernandez, City Clerk

Carolyn Robinson, City Treasurer

City Staff

Anne Cardwell, Assistant City Manager

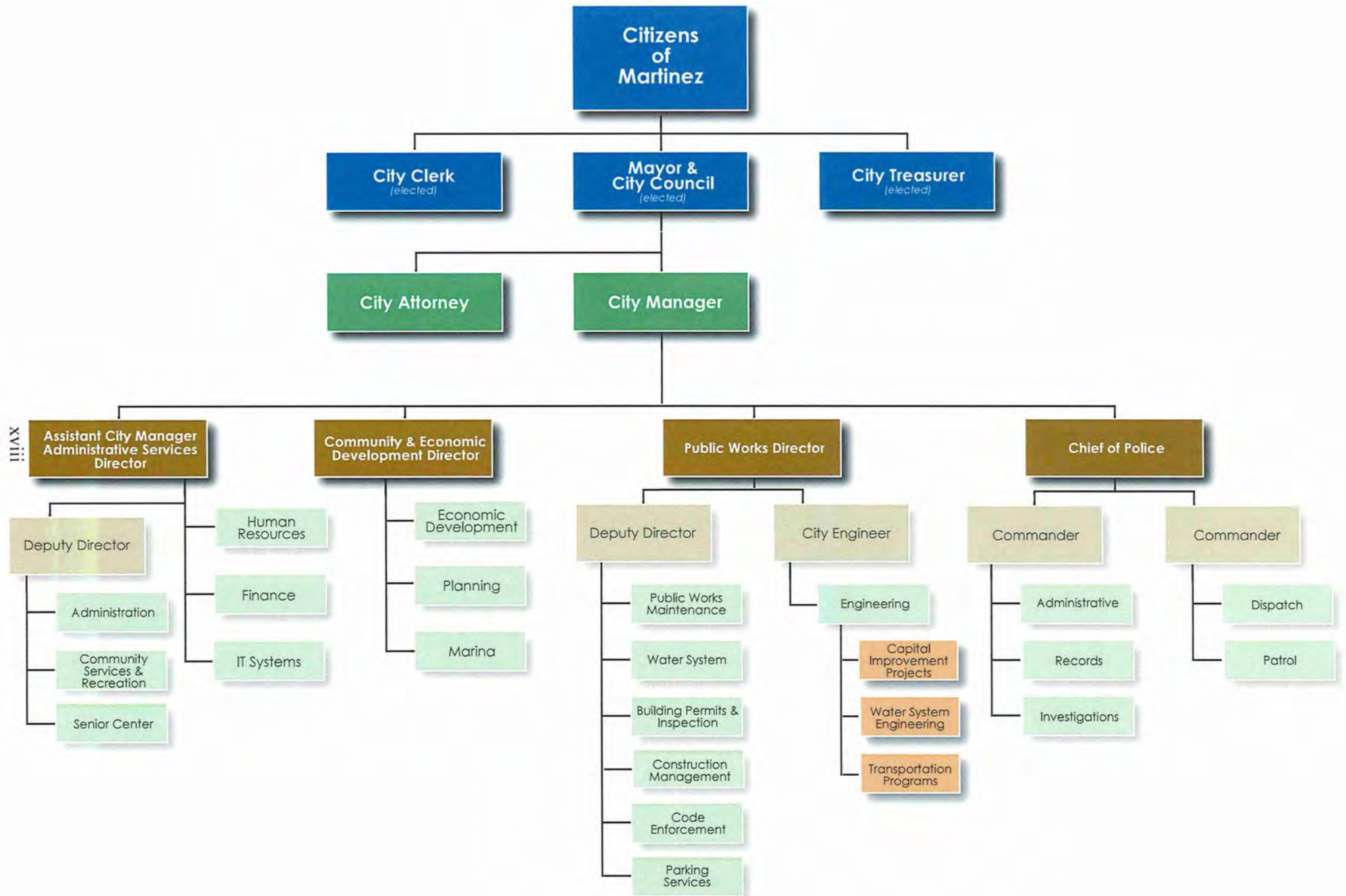
Mike Chandler, Deputy Director of Administrative Services

Christina Ratcliffe, Community and Economic Development Director

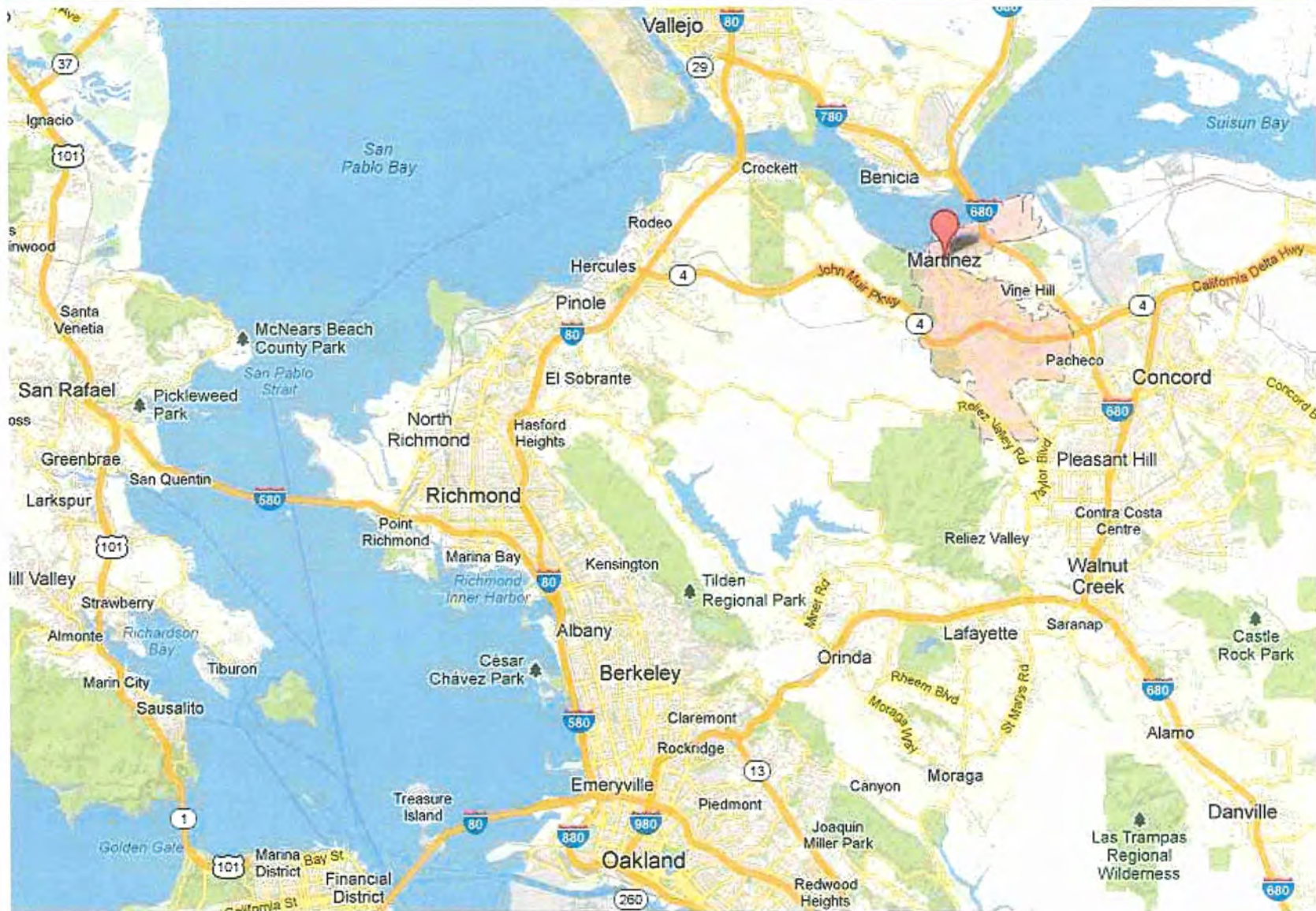
Dave Scola, Public Works Director

Tim Tucker, City Engineer

Vacant, Finance Director



AREA MAP





Government Finance Officers Association

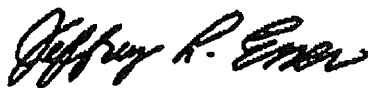
**Certificate of
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**City of Martinez
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016



Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martinez, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the City's Marina will continue as a going concern. As discussed in Note 10E to the financial statements, the City's Marina Services Enterprise Fund has an accumulated net deficit of \$3,325,878 as of June 30, 2017 made up primarily of State loans which the City has not had sufficient operating revenues to pay. During the fiscal year ended June 30, 2017, the City did not pay the principal portion due on the State loans that are recorded in the Marina Services Enterprise Fund as discussed in Note 8. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 10E. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in Accounting Principle

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 77 – *Tax Abatement Disclosures*, which became effective during the year ended June 30, 2017, and required changes to disclosures in Note 16 to the financial statements.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Maze & Associates

Pleasant Hill, California
December 1, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Martinez's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the accompanying transmittal letter, the Basic Financial Statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

City-wide Activities:

- The assets and deferred outflows of resources of the City of Martinez exceeded its liabilities and deferred inflows of resources at the close of June 30, 2017 by \$86,236,645. Of this amount \$47,608,471 is Governmental Activities and \$38,628,174 is Business-type Activities.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$30,779,009, an increase of \$582,321 in comparison with the prior year. Of this amount, the unassigned fund balance was \$15,175,391, which is available for discretionary spending.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$8,634,938, or 41% of general fund expenditures. This includes \$2,000,000 set aside for contingencies.
- The City of Martinez's total debt decreased by \$1,036,749 during the fiscal year to \$22,820,000 for Governmental Activities and \$11,332,604 for Business-type Activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

- *Proprietary Funds* – When the City charges customers for services it provides, whether to outside customers or other units of the City, these monies are generally reported in Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial Statements. The City uses three enterprise funds to account for Water System, Marina Services and Parking Services. *Internal Service funds* are used to report activities which provide supplies and services for the City's other programs and activities. The City uses internal service funds to account for its fleet of vehicles and for its management information systems. Since the City's Internal Service Funds are proprietary funds used by the City to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City funds. These revenues are eliminated in the City-wide Financial Statements and any related profits or losses are returned to the activities that created them, along with any residual net assets of the Internal Service Funds. Enterprise and Internal Service Fund financial statements are prepared on the full accrual basis and as in the past, include all their assets and liabilities, current and long-term.
- *Fiduciary Funds* - The City is the agent for two assessment districts, the Alhambra Creek Special Assessment District, which is responsible for holding amounts collected from property owners that await transfer to the District's bond trustees and the Sanitation District #6 which accounts for the operations and maintenance of the treatment facility in the Stonehurst Subdivision. The City is also an agent for certain community organizations, for which it collects and disburses cash and maintains separate cash accounts. The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Position and the Agency Funds Statement of Changes in Assets and Liabilities. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

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

Notes to the Basic Financial Statement: The Notes to the Basic Financial Statements provide additional information that is essential to gain a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Basic Financial Statements can be found on pages 35 – 75 of this report. Note 10E on page 60 provides information about the Marina Services Enterprise Fund's ability to continue as a going concern. Note 11 on pages 61 – 67 provides the City's progress in funding of its obligation to provide pension benefits to its employees.

Supplemental Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information that combines statements referred to earlier in connection with non-major governmental funds, internal service funds and agency funds. Supplemental information is presented after the notes and can be found on pages 78 to 80.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net position for the City increased \$2,325,340 in 2017 to \$86,236,645 due mainly to increases in general revenues including property tax and sale tax. The annual change comes from the change in net position as recorded in the Statement of Activities which flows through the Statement of Net Position. Governmental Activities are shown in Tables 1 and 2. Business-type Activities is shown in Tables 3 and 4.

Net investment of capital assets, net of related debt of \$71,346,317 represents the City's investment in capital assets net of amounts borrowed to finance that investment. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources which are subject to external restrictions on how they may be used. This restricted amount totaled \$12,429,964 at June 30, 2017. The remaining balance of unrestricted net position, is normally the part of net position that may be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. At June 30, 2017, the unrestricted net position was \$2,460,364.

	Governmental Activities		Business-type Activities		Totals
	2017	2016	2017	2016	2017
Cash and investments	\$31,189,471	\$31,469,622	\$13,518,900	\$13,563,710	\$44,708,371
Other assets	7,723,702	8,015,626	1,630,793	1,464,328	9,354,495
Capital assets	63,349,620	62,340,855	38,273,192	38,675,916	101,622,812
Total Assets	102,262,793	101,826,103	53,422,885	53,703,954	155,685,678
Deferred outflows of resources	9,598,136	3,680,366	644,033	24,049	10,242,169
Long-term debt outstanding	22,820,000	22,945,000	11,332,604	12,244,353	34,152,604
Net pension liability	34,067,910	27,609,141	2,340,258	1,849,600	36,408,168
Other Liabilities	4,035,653	5,009,248	1,490,588	1,619,797	5,526,241
Total Liabilities	60,923,563	55,563,389	15,163,450	15,713,750	76,087,013
Deferred inflows of resources	3,328,895	3,828,452	275,294	432,576	3,604,189
Net position:					
Net investment in capital assets	44,868,616	43,734,851	26,940,588	26,431,563	71,809,204
Restricted	10,960,360	10,781,624	1,469,604	1,306,401	12,429,964
Unrestricted	(8,220,505)	(8,401,847)	10,217,982	10,058,713	1,997,477
Total Net Position	\$47,608,471	\$46,114,628	\$38,628,174	\$37,796,677	\$86,236,645

Governmental activities – The Governmental activities increased the City’s net position by \$1,493,843 to \$47,608,471 at June 30, 2017. Below are the changes in net position:

Table 1	Governmental Activities	
	2017	2016
Expenses		
General government	\$3,670,525	\$1,369,469
Administrative services	1,671,629	1,413,623
Public works	4,099,241	5,020,506
Community & economic dev	6,497,144	6,331,892
Police	10,377,662	10,857,018
Interest on long-term debt	1,121,663	1,126,363
Total expenses	27,437,864	26,118,871
Revenues		
Program revenues:		
Charges for services	2,228,156	2,918,787
Operating grants & contributions	2,593,652	3,488,286
Capital grants & contributions	3,992,910	3,167,192
Total program revenues	8,814,718	9,574,265
General revenues:		
Property tax	8,212,232	7,755,254
Sales tax	4,728,669	4,017,775
VLF Property tax swap	3,099,796	2,951,290
Other taxes	1,261,367	2,144,745
Franchise Fees	1,734,239	1,624,289
Business License	738,306	713,938
Intergovernmental	78,469	96,217
Investment earnings	188,096	202,078
Sale of Property	0	1,723
Miscellaneous	231,033	330,185
General revenues	20,272,207	19,837,494
Total revenues	29,086,925	29,411,759
Change in net position before transfers	1,649,061	3,292,888
Transfers	(155,218)	(70,254)
Change in net position	\$1,493,843	\$3,222,634
Total Net Position	\$47,608,471	\$46,114,628

The cost of all Governmental activities was \$27,437,864 in Fiscal Year 2017. A portion of the cost for these activities was paid either by those who directly benefited from the programs, by other governments and organizations that subsidized certain programs with operating grants and contributions, or capital grants and contributions. Overall, the City’s Governmental activities program revenues during the year, were \$8,804,718.

Program revenues totaled \$8,814,718 or 30.3% of total revenues for Fiscal Year 2017, a decrease of \$759,547 from 2016. The decrease is mainly attributed to reduced revenue from charges for service reflecting a reduction in development activity and reduced revenue from parking enforcement and police state mandated services in 2017. The City's program revenues include developer fees, plan check fees, building inspections, traffic fines, recreation fees, police fees, grants, assessment revenues, and other charges for services. Program revenues are categorized in three groups: Charges for Services of \$2,228,156 which are intended to help cover the expenses incurred in providing a variety of City services; Operating Contributions and Grants of \$2,593,652, which is attributable to special revenue funds such as Gas Tax, Measure J and police services; and Capital Grants of \$3,992,910 which includes federal, state and local funding.

General revenues are not allocable to programs but are used to pay for the net cost of government services. General revenues totaled \$20,272,207 or 69.7% of total revenues, an increase of approximately \$0.4 million from Fiscal Year 2016. Table 1 shows that \$19,774,609 or 97.5% of general revenues came from taxes, and the balance of \$497,598, or 2.5%, came from intergovernmental, investment earnings and miscellaneous. Net Transfers out totaled \$155,218 and were from the General Fund to the Water System and Marina.

Net expense is defined as total program costs less program revenues generated by those specific activities. In the City's case, program revenues of \$8,814,718 reduced the total expenses of \$27,437,864 by 32.1% to \$18,623,146. It is clear in that the City's program revenues do not approach the cost of program expenses. This shows how dependent the City is on taxes to pay for City services. Table 2 below is the net expense by department.

Table 2	Net (Expense) Revenue and Changes in Net Position	
	2017	2016
Governmental Activities:		
General government	(\$3,577,522)	(\$1,302,199)
Administrative services	(1,550,795)	(1,245,106)
Public works	(3,179,305)	(3,823,392)
Community & Economic Development	144,597	374,221
Police	(9,338,458)	(9,421,767)
Interest on long term debt	(1,121,663)	(1,126,363)
Total Governmental Activities	(\$18,623,146)	(\$16,544,606)

Business-type activities – The Business-type activities increased the City’s net position by \$831,497 in 2017 to \$38,628,174. Below are the changes in net position:

Table 3	Business-type Activities	
	2017	2016
Expenses		
Water System	\$10,672,421	\$10,870,282
Marina Services	394,355	227,217
Parking Services	249,305	240,781
Total expenses	11,316,081	11,338,280
Revenues		
Program revenues:		
Charges for services	11,833,809	11,706,158
Operating grants & contributions	0	0
Capital grants & contributions	0	0
Total program revenues	11,833,809	11,706,158
General revenues:		
Taxes	68,869	67,481
Investment earnings	89,682	117,734
General revenues	158,551	185,215
Total revenues	11,992,360	11,891,373
Change in net position before transfers	676,279	553,093
Transfers	155,218	70,254
Change in net position	\$831,497	\$623,347
Total Net Position	\$38,628,174	\$37,796,677

The cost of business-type activities was \$11,316,081 in Fiscal Year 2017. A portion of the cost for these activities was paid either by those who directly benefited from the programs, by other governments and organizations that subsidized certain programs with operating grants and contributions, or capital grants and contributions. Overall, the City’s Business-type activities program revenues during the year were \$11,833,809. General revenues are not allocable to programs but are used to pay for the net cost of services. General revenues totaled \$158,551 which came from taxes, investment earnings and miscellaneous revenues.

Net expense is defined as total program costs less program revenues generated by those specific activities. In the City’s case, program revenues of \$11,833,809 funded expenses of \$11,316,081 for net revenues as shown in the Statement of Activities of \$517,728. The detail is broken out below in Table 4.

Table 4	Net (Expense) Revenue and Changes in Net Position	
	2017	2016
Business-type Activities:		
Water System	\$466,585	\$187,148
Marina Services	(206,426)	(87,502)
Parking Services	257,569	268,232
Total Business-type Activities	\$517,728	\$367,878

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

At June 30, 2017, the City's governmental funds reported a combined fund balance of \$30,779,009, an increase of \$582,321 compared to the prior year. The General Fund increased by \$788,550, Measure H decreased by \$1,088,301, Capital Improvements decreased by \$384,965, and Other Governmental Funds increased by \$1,267,037.

ANALYSES OF MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund revenues totaled \$22,210,623 in Fiscal Year 2016-17 a decrease of \$685,731 from Fiscal Year 2015-16. The decrease is comprised of the following: decrease of \$134,540 in Licenses, Permits and Fees; \$62,486 in Intergovernmental; \$349,475 in Charges for Services; \$104,565 in Fines and Forfeits; \$4,456 in Use of Money and Property; and \$125,098 in Miscellaneous. These decreases were partially offset by an increase of \$94,889 in Tax Revenue. Taxes (property tax and sales tax revenue) totaling \$19,302,180 represented approximately 87% of total General Fund revenues. Other revenue sources comprising the remaining 13% of General Fund revenues included Licenses, Permits and Fees; Intergovernmental; Charges for Services; Fines and Forfeits; Use of Money and Property; and Miscellaneous.

General Fund expenditures totaled \$21,109,005, an increase of \$926,444 from Fiscal Year 2016. Transfers out of the General Fund increased by \$52,014 in Fiscal Year 2017 to \$313,068. This increase was mostly attributable to an increased transfer of \$200,000 to the Marina Fund in 2017 which was partially offset by a reduced transfer of \$147,800 for capital improvements.

Final expenditures for the General Fund at year-end were \$1,003,966 below budget. Budget amendments and supplemental appropriations of \$1,114,703 were made during the year for unanticipated expenditures after adoption of the original budget. Total final budget appropriations came in at \$22,112,971.

At the end of Fiscal Year 2017 the fund balance for the City's General Fund was \$13,750,782, an increase of \$788,550 over the prior year. The General Fund fund balance was comprised of the following: \$67,499 of nonspendable; \$5,048,345 assigned; and \$8,634,938 unassigned, of which \$2,000,000 was designated by Council for contingencies due to unforeseen occurrences referred to in Note 10C of the financial statements. Only the unassigned \$8,634,938 portion represents available liquid resources.

Measure H Fund

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

The revenue received was investment earnings of \$30,481. The expenses of \$1,118,782 were based on project activity for the reconstruction of parks.

Capital Improvement Fund

The Capital Improvement Fund accounts for major City capital improvement projects. The Fund is budgeted on a project length basis and therefore is not comparable on an annual basis. Revenue received in Fiscal Year 2017, including net transfers, was \$2,833,852. This is a decrease of \$126,001 over the prior year. Expenditures decreased slightly by \$4,246 from 2016 to a total of \$3,218,857.

Other Governmental Funds

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

Internal Service Funds

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

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

Enterprise Funds

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

- *Parking Services*—Parking Services Fund revenue is generated from parking meters and parking permits in the downtown area. Operating revenues decreased by \$2,139 in Fiscal Year 2017 to a total of \$506,874. Operating expenses increased by \$4,397 to \$247,202. Non-operating revenues increased by \$800 to \$65,272. Net position increased by \$324,944 to \$2,745,604. The Parking Services Fund's fiscal year end unrestricted Net Position was \$1,748,711.
- *Water System*—The Water System Fund is financed and operated in a manner similar to that of a private business. Net position of the Water System Fund increased \$455,543 in Fiscal Year 2017. Overall operating revenues increased by \$81,576, and operating expenses decreased by \$193,559. Non-operating expenses decreased by \$30,819, and non-operating revenues decreased by \$28,178 in interest income. As of June 30, 2017, the Fund's Net Position was \$39,221,184, with \$29,454,960 invested in capital assets net of related debt, and \$1,173,900 restricted for debt service. Only \$8,592,324 of the Fund's Net Position was unrestricted at the close of Fiscal Year 2017. Due to the age of the Water System infrastructure, significant investments will be required in future years to update water lines and equipment and enhance security.
- *Marina Services*—Marina Fund revenues include lease payments, charges for services, property taxes, and government grants for capital improvement projects. Operating revenues increased by \$48,214, and non-operating revenues increased \$714. Operating expenses increased \$169,417 in 2017 and non-operating expenses decreased by \$2,279. The Fund's Net Position increased by \$61,802 at June 30, 2017. The Marina has \$4,273,724 in outstanding loans to the State of California; approximately half of that amount is the total of four individual loans with an annual debt repayment schedule. The City had been making this full payment until a recent declining trend in marina revenues that has hindered the City's ability to pay the principal and interest. The other half of the deficit to the State originates back to the 1964 Agreement with the State to construct the marina. The City is working with the State on alternatives to pay back all of the loans.

CAPITAL ASSETS

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

At the end of Fiscal 2017, Governmental Activities and Business-type Activities had invested in a broad range of capital assets, net of depreciation, in the amounts of \$63,349,620 and \$38,273,192, respectively, as shown below.

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

	June 30, 2017	June 30, 2016
<i>Governmental Activities</i>		
Land	\$16,055,114	\$16,055,114
Construction in progress	1,709,854	4,227,182
Building and improvements	12,517,249	12,517,249
Equipment	8,360,796	7,635,618
Infrastructure	72,500,361	66,371,088
Less accumulated depreciation	(47,793,754)	(44,465,397)
Totals	\$63,349,620	\$62,340,854
<i>Business-Type Activities</i>		
Land	\$1,917,444	\$1,917,444
Construction in progress	9,077,733	7,938,852
Building and improvements	22,465,858	21,883,664
Equipment	2,487,247	2,465,906
Infrastructure	89,375,680	89,375,680
Less accumulated depreciation	(87,050,770)	(84,905,630)
Totals	\$38,273,192	\$38,675,916

DEBT ADMINISTRATION

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

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

Each of the City's debt issues are discussed in detail in Notes 7 and 8 to the financial statements. The table below represents the City's outstanding debt at June 30, 2017.

	June 30, 2017	June 30, 2016
Governmental Activity Debt		
<i>General Long-Term Debt</i>		
General Obligation Bonds	\$22,820,000	\$22,945,000
Total Governmental Activity Debt	\$22,820,000	\$22,945,000
Business-Type Activity Debt		
<i>Water Fund Long-Term Debt</i>		
2003 Refinancing Project	\$865,000	\$1,280,000
2012 Refinancing Project	5,745,000	6,220,000
Unamortized Bond Premium	448,880	496,130
Total Water Fund Debt	\$7,058,880	\$7,996,130
<i>Marina Long-term Debt</i>		
1964 State of California	\$2,690,015	\$2,664,514
1973 State of California	251,136	251,136
1978 State of California	131,574	131,574
1982 State of California	323,922	323,922
1985 State of California	877,077	877,077
Total Marina Fund Debt	\$4,273,724	\$4,248,223
Total Business-Type Activity Debt	\$11,332,604	\$12,244,353

SPECIAL ASSESSMENT DISTRICT DEBT

Alhambra Creek Assessment District, a special assessment district in the City, has also issued debt to finance infrastructure and facilities construction for that district. No special assessment debt was issued in Fiscal Year 2017.

At June 30, 2017, a total of \$270,000 in special assessment district debt was outstanding. This debt is secured only by assessments on the real property in the district issuing the debt and is not the City's responsibility, although the City does act as the district's agent in the collection and remittance of assessments.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF MARTINEZ

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

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

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

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

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

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

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

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

CITY OF MARTINEZ
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3):			
Available for operations	\$24,871,440	\$12,345,000	\$37,216,440
Restricted	6,318,031	1,173,900	7,491,931
Receivables (net of allowance for uncollectible):			
Accounts and other	619,094	1,615,544	2,234,638
Intergovernmental	2,451,951		2,451,951
Interest	89,586		89,586
Loans receivable (Note 5)	431,690	22,920	454,610
Internal balances (Note 4C)	12,736	(12,736)	
Prepays and inventory (Note 11)	53,962	5,065	59,027
Net OPEB Asset (Note 12)	4,064,683		4,064,683
Capital assets (Note 6):			
Land and construction in progress	17,764,969	10,995,177	28,760,146
Depreciable assets, net	45,584,651	27,278,015	72,862,666
Total Assets	<u>102,262,793</u>	<u>53,422,885</u>	<u>155,685,678</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions (Note 11)	<u>9,598,136</u>	<u>644,033</u>	<u>10,242,169</u>
LIABILITIES			
Accounts payable	726,906	604,113	1,331,019
Accrued wages and benefits	616,618	66,106	682,724
Deposits	849,943	274,757	1,124,700
Unearned revenue	41,688	295,357	337,045
Claims payable due within one year (Note 15)	80,000		80,000
Accrued interest		82,479	82,479
Accrued compensated absences (Note 1H):			
Due within one year	1,089,000	160,000	1,249,000
Due in more than one year	631,498	7,776	639,274
Long-term debt (Notes 7 and 8):			
Due within one year	145,000	1,206,149	1,351,149
Due in more than one year	22,675,000	10,126,455	32,801,455
Net pension liability (Note 11)	<u>34,067,910</u>	<u>2,340,258</u>	<u>36,408,168</u>
Total Liabilities	<u>60,923,563</u>	<u>15,163,450</u>	<u>76,087,013</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions (Note 11)	<u>3,328,895</u>	<u>275,294</u>	<u>3,604,189</u>
NET POSITION (Note 10)			
Net investment in capital assets	<u>44,405,729</u>	<u>26,940,588</u>	<u>71,346,317</u>
Restricted for:			
Capital projects	6,857,827	295,704	7,153,531
Debt service	2,884,647	1,173,900	4,058,547
Special revenue projects	<u>1,217,886</u>		<u>1,217,886</u>
Total Restricted Net Position	<u>10,960,360</u>	<u>1,469,604</u>	<u>12,429,964</u>
Unrestricted	<u>(7,757,618)</u>	<u>10,217,982</u>	<u>2,460,364</u>
Total Net Position	<u>\$47,608,471</u>	<u>\$38,628,174</u>	<u>\$86,236,645</u>

See accompanying notes to financial statements

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$1,918,245	\$78,003	\$15,000		(\$1,825,242)		(\$1,825,242)
Administrative services	1,809,388	11,354	51,123	\$58,357	(1,688,554)		(1,688,554)
Public works	4,472,196	919,936			(3,552,260)		(3,552,260)
Community & economic development	6,747,138	819,990	1,887,198	3,934,553	(105,397)		(105,397)
Police	11,369,234	398,873	640,331		(10,330,030)		(10,330,030)
Interest on long-term debt	1,121,663				(1,121,663)		(1,121,663)
Total Governmental Activities	27,437,864	2,228,156	2,593,652	3,992,910	(18,623,146)		(18,623,146)
Business-type Activities:							
Water system	10,672,421	11,139,006				\$466,585	466,585
Marina services	394,355	187,929				(206,426)	(206,426)
Parking services	249,305	506,874				257,569	257,569
Total Business-type Activities	11,316,081	11,833,809				517,728	517,728
Total	\$38,753,945	\$14,061,965	\$2,593,652	\$3,992,910	(18,623,146)	517,728	(18,105,418)
General revenues:							
Property taxes					8,212,232		8,212,232
Sales taxes					4,728,669		4,728,669
VLF Property Tax Swap					3,099,796		3,099,796
Other taxes					1,261,367	68,869	1,330,236
Franchise fees					1,734,239		1,734,239
Business licenses					738,306		738,306
Intergovernmental, unrestricted					78,469		78,469
Investment earnings					188,096	89,682	277,778
Sale of property							
Miscellaneous					231,033		231,033
Transfers (Note 4A)					(155,218)	155,218	
Total general revenues and transfers					20,116,989	313,769	20,430,758
Change in Net Position					1,493,843	831,497	2,325,340
Net Position-Beginning					46,114,628	37,796,677	83,911,305
Net Position-Ending					\$47,608,471	\$38,628,174	\$86,236,645

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

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

MAJOR GOVERNMENTAL FUNDS

The funds described below are determined to be major funds by the City in Fiscal 2017. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

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

MEASURE H CAPITAL PROJECT FUND

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

CAPITAL IMPROVEMENTS

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

CITY OF MARTINEZ
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General	Measure H Capital Project	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 3):					
Available for operations	\$13,908,829		\$5,877,276	\$3,738,936	\$23,525,041
Restricted		\$3,433,384		2,884,647	6,318,031
Receivables:					
Accounts	604,209			14,885	619,094
Intergovernmental	1,021,871		336,764	1,093,316	2,451,951
Interest	80,660	8,926			89,586
Loans receivable (Note 5)	169,680		262,010		431,690
Prepays and inventory (Note 11)	49,658			3,891	53,549
Advance to other funds (Note 4B)	17,841				17,841
Total Assets	\$15,852,748	\$3,442,310	\$6,476,050	\$7,735,675	\$33,506,783
LIABILITIES					
Accounts payable	\$574,686	\$280	\$54,570	\$56,098	\$685,634
Accrued wages and benefits	598,747			4,390	603,137
Claims payable (Note 15)	80,000				80,000
Deposits	637,165	28,303	73,763	110,712	849,943
Unearned revenue	41,688				41,688
Advance from other funds (Note 4B)				17,841	17,841
Total Liabilities	1,932,286	28,583	128,333	189,041	2,278,243
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - receivables				17,841	17,841
Unavailable revenue - loans receivable (Note 5)	169,680		262,010		431,690
Total Deferred Inflows of Resources	169,680		262,010	17,841	449,531
FUND BALANCES					
Fund balance (Note 10):					
Nonspendable	67,499				67,499
Restricted		3,409,654	5,709,212	7,546,633	16,665,499
Assigned	5,048,345	4,073	376,495		5,428,913
Unassigned	8,634,938			(17,840)	8,617,098
Total Fund Balances	13,750,782	3,413,727	6,085,707	7,528,793	30,779,009
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$15,852,748	\$3,442,310	\$6,476,050	\$7,735,675	\$33,506,783

See accompanying notes to financial statements

CITY OF MARTINEZ
Reconciliation of the
GOVERNMENTAL FUNDS -- FUND BALANCES
with the
GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances reported on the governmental funds balance sheet	\$30,779,009
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Amounts reported for Governmental Activities in the Statement of Net Position
are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	62,017,063
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ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal Service Funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position.

Cash and investments	1,346,399
Prepaid and inventory	413
Internal balances	12,736
Capital assets	1,332,557
Accounts payable	(41,272)
Accrued liabilities	(13,481)
Accrued compensated absences	(73,027)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	449,531
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DEFERRED INFLOWS AND OUTFLOWS

Deferred outflows related to pensions	9,598,136
Deferred inflows related to pensions	(3,328,895)

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:

Net OPEB asset	4,064,683
Compensated absences	(1,647,471)
Long-term debt	(22,820,000)
Net pension liability	(34,067,910)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$47,608,471
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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, 2017

	General	Measure H Capital Project	Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$19,302,180			\$472,430	\$19,774,610
Special assessments				2,122,150	2,122,150
Licenses, permits, and fees	705,510		\$36,677	105	742,292
Intergovernmental	608,282		1,935,749	2,097,668	4,641,699
Charges for services	859,924			5,104	865,028
Fines and forfeits	345,998			6,287	352,285
Use of money and property	238,577	\$30,481	10,726	34,181	313,965
Miscellaneous	150,152			100,414	250,566
Total Revenues	22,210,623	30,481	1,983,152	4,838,339	29,062,595
EXPENDITURES					
Current:					
General government	1,367,650				1,367,650
Nondepartmental services	1,857,896				1,857,896
Administrative services	1,292,152			136,503	1,428,655
Public works	3,699,160				3,699,160
Community & economic development	2,316,034		144,874	1,243,135	3,704,043
Police	10,576,113			27,337	10,603,450
Debt service (Note 7):					
Principal				125,000	125,000
Interest and fiscal charges				1,121,663	1,121,663
Capital outlay		1,118,782	3,073,943	64,814	4,257,539
Total Expenditures	21,109,005	1,118,782	3,218,817	2,718,452	28,165,056
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,101,618	(1,088,301)	(1,235,665)	2,119,887	897,539
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 4A)			850,700	15,700	866,400
Transfers (out) (Note 4A)	(313,068)			(868,550)	(1,181,618)
Total Other Financing Sources (Uses)	(313,068)		850,700	(852,850)	(315,218)
NET CHANGE IN FUND BALANCES	788,550	(1,088,301)	(384,965)	1,267,037	582,321
BEGINNING FUND BALANCES	12,962,232	4,502,028	6,470,672	6,261,756	30,196,688
ENDING FUND BALANCES	\$13,750,782	\$3,413,727	\$6,085,707	\$7,528,793	\$30,779,009

See accompanying notes to financial statements

CITY OF MARTINEZ
Reconciliation of the
NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the Change in
GOVERNMENTAL NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$582,321
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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	4,286,916
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Depreciation expense is deducted from the fund balance

(Depreciation expense is net of internal service fund depreciation of \$231,527 which has already been allocated to serviced funds)	(3,239,042)
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LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.

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

Repayment of debt principal is added back to fund balances	125,000
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PENSION TRANSACTIONS

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

	(41,442)
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ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Net OPEB asset	(7,227)
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Compensated absences	(117,453)
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ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, and maintenance to individual funds.

The portion of the net revenue of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds	(95,230)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$1,493,843
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See accompanying notes to financial statements

CITY OF MARTINEZ
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$18,186,536	\$19,066,036	\$19,302,180	\$236,144
Licenses, permits, and fees	691,600	691,600	705,510	13,910
Intergovernmental	537,700	569,700	608,282	38,582
Charges for services	932,673	933,773	859,924	(73,849)
Fines and forfeits	415,000	435,000	345,998	(89,002)
Use of money and property	172,100	167,100	238,577	71,477
Miscellaneous	85,000	85,000	150,152	65,152
Total Revenues	21,020,609	21,948,209	22,210,623	262,414
EXPENDITURES:				
Current:				
General government	1,191,879	1,315,223	1,367,650	(52,427)
Nondepartmental services	1,880,740	1,966,233	1,857,896	108,337
Administrative services	1,063,009	1,170,816	1,292,152	(121,336)
Public works	4,002,602	4,121,768	3,699,160	422,608
Community & economic development	2,127,526	2,458,267	2,316,034	142,233
Police	10,732,512	11,080,664	10,576,113	504,551
Total Expenditures	20,998,268	22,112,971	21,109,005	1,003,966
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,341	(164,762)	1,101,618	1,266,380
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 4A)	(78,000)	(321,000)	(313,068)	7,932
Total other financing sources (uses)	(78,000)	(321,000)	(313,068)	7,932
NET CHANGE IN FUND BALANCE	(\$55,659)	(\$485,762)	788,550	\$1,274,312
BEGINNING FUND BALANCE			12,962,232	
ENDING FUND BALANCE			\$13,750,782	

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 2017.

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

WATER SYSTEM FUND

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

MARINA SERVICES FUND

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

PARKING SERVICES FUND

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

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

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water System	Marina Services	Parking Services	Totals	
ASSETS					
Current Assets:					
Cash and investments (Note 3):					
Available for operations	\$9,961,083	\$322,635	\$2,061,282	\$12,345,000	\$1,346,399
Restricted	1,173,900			1,173,900	
Receivables:					
Accounts and other	1,609,880	1,284	4,380	1,615,544	
Prepays and inventory (Note 11)		5,065		5,065	413
Total Current Assets	<u>12,744,863</u>	<u>328,984</u>	<u>2,065,662</u>	<u>15,139,509</u>	<u>1,346,812</u>
Capital Assets (Note 6):					
Buildings	20,712,255	308,594		21,020,849	
Improvements	1,199,887		245,122	1,445,009	
Equipment	1,709,284		777,963	2,487,247	4,628,003
Infrastructure	89,352,180		23,500	89,375,680	
Less: Accumulated depreciation	<u>(85,900,117)</u>	<u>(302,886)</u>	<u>(847,767)</u>	<u>(87,050,770)</u>	<u>(3,295,446)</u>
	27,073,489	5,708	198,818	27,278,015	1,332,557
Land	630,912	1,052,455	234,077	1,917,444	
Construction in progress	<u>8,809,439</u>		<u>268,294</u>	<u>9,077,733</u>	
Net Capital Assets	<u>36,513,840</u>	<u>1,058,163</u>	<u>701,189</u>	<u>38,273,192</u>	<u>1,332,557</u>
Other Non-Current Assets:					
Loan receivable (Note 5)	<u>22,920</u>			<u>22,920</u>	
Total Non-Current Assets	<u>36,536,760</u>	<u>1,058,163</u>	<u>701,189</u>	<u>38,296,112</u>	<u>1,332,557</u>
Total Assets	<u>49,281,623</u>	<u>1,387,147</u>	<u>2,766,851</u>	<u>53,435,621</u>	<u>2,679,369</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions (Note 11)	<u>644,033</u>			<u>644,033</u>	
LIABILITIES					
Current liabilities:					
Accounts payable	554,481	38,932	10,700	604,113	41,272
Accrued liabilities	66,106			66,106	13,481
Unearned revenue	2,634	292,723		295,357	
Deposits	217,343	46,867	10,547	274,757	
Accrued interest	21,700	60,779		82,479	
Current portion of compensated absences (Note 1H)	160,000			160,000	
Current portion of long-term debt (Note 7)	920,000			920,000	
Current portion of loans payable (Note 8)		286,149		286,149	
Total Current Liabilities	<u>1,942,264</u>	<u>725,450</u>	<u>21,247</u>	<u>2,688,961</u>	<u>54,753</u>
Noncurrent Liabilities:					
Accrued compensated absences (Note 1H)	7,776			7,776	73,027
Long-term debt (Note 7)	6,138,880			6,138,880	
Loans payable (Note 8)		3,987,575		3,987,575	
Net pension liability (Note 11)	<u>2,340,258</u>			<u>2,340,258</u>	
Total Liabilities	<u>10,429,178</u>	<u>4,713,025</u>	<u>21,247</u>	<u>15,163,450</u>	<u>127,780</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions (Note 11)	<u>275,294</u>			<u>275,294</u>	
NET POSITION (Note 10)					
Net investment in capital assets	29,454,960	(3,215,561)	701,189	26,940,588	1,332,557
Restricted for debt service	1,173,900			1,173,900	
Restricted for capital projects			295,704	295,704	
Unrestricted	<u>8,592,324</u>	<u>(110,317)</u>	<u>1,748,711</u>	<u>10,230,718</u>	<u>1,219,032</u>
Total Net Position (Deficit)	<u>\$39,221,184</u>	<u>(\$3,325,878)</u>	<u>\$2,745,604</u>	<u>38,640,910</u>	<u>\$2,551,589</u>

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

	(12,736)
Net position business-type activities	<u>\$38,628,174</u>

See accompanying notes to financial statements

CITY OF MARTINEZ
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water System	Marina Services	Parking Services	Totals	
OPERATING REVENUES					
Water sales	\$10,708,122			\$10,708,122	
Rents and leases	80,429	\$151,046		231,475	
Charges for services	314,271	390	\$506,874	821,535	\$1,241,174
Other fees	1,175			1,175	
Other revenue	35,009	36,493		71,502	23,175
Total Operating Revenues	11,139,006	187,929	506,874	11,833,809	1,264,349
OPERATING EXPENSES					
Filtration plant	4,825,094			4,825,094	
Maintenance, repairs, and distribution	1,667,806	89,941		1,757,747	1,323,174
Administration	1,864,709	212,237	205,951	2,282,897	
Depreciation (Note 6)	2,098,182	5,707	41,251	2,145,140	231,527
Total Operating Expenses	10,455,791	307,885	247,202	11,010,878	1,554,701
Operating Income (Loss)	683,215	(119,956)	259,672	822,931	(290,352)
NONOPERATING REVENUES (EXPENSES)					
Interest income	75,051	1,962	12,669	89,682	9,058
Interest (expense)	(207,941)	(86,470)		(294,411)	
Gain on disposal of equipment					15,272
Taxes		16,266	52,603	68,869	
Total Nonoperating Revenues (Expenses)	(132,890)	(68,242)	65,272	(135,860)	24,330
Income (loss) before contributions and transfers	550,325	(188,198)	324,944	687,071	(266,022)
Transfers in (Note 4A)	20,068	250,000		270,068	160,000
Transfers out (Note 4A)	(114,850)			(114,850)	
Change in net position	455,543	61,802	324,944	842,289	(106,022)
BEGINNING NET POSITION (DEFICIT)	38,765,641	(3,387,680)	2,420,660		2,657,611
ENDING NET POSITION (DEFICIT)	\$39,221,184	(\$3,325,878)	\$2,745,604		\$2,551,589
Some amounts reported for <i>business-type activities</i> in the Statement of Activities are different because the portion of the net income of certain internal service funds is reported with the business-type activities which those funds service				(10,792)	
Change in net position of business-type activities				\$831,497	

See accompanying notes to financial statements

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

	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	\$10,937,428	\$178,356	\$505,094	\$11,620,878	\$1,264,349
Payments to suppliers	(8,528,066)	(276,544)	(189,304)	(8,993,914)	(1,083,086)
Payments to employees	(71,608)			(71,608)	(366,611)
Rent and lease payments received	35,009			35,009	
Cash Flows from Operating Activities	2,372,763	(98,188)	315,790	2,590,365	(185,348)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Taxes received		16,266	52,603	68,869	
Transfers in	20,068	250,000		270,068	160,000
Transfers out	(114,850)			(114,850)	
Cash Flows from Noncapital Financing Activities	(94,782)	266,266	52,603	224,087	160,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(1,484,534)		(257,882)	(1,742,416)	(192,418)
Proceeds from sale of equipment					15,272
Principal payments on capital debt	(890,000)			(890,000)	
Interest paid	(258,527)	(58,001)		(316,528)	
Cash Flows from Capital and Related Financing Activities	(2,633,061)	(58,001)	(257,882)	(2,948,944)	(177,146)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	75,051	1,962	12,669	89,682	9,058
Cash Flows from Investing Activities	75,051	1,962	12,669	89,682	9,058
Net Cash Flows	(280,029)	112,039	123,180	(44,810)	(193,436)
Cash and investments at beginning of period	11,415,012	210,596	1,938,102	13,563,710	1,539,835
Cash and investments at end of period	\$11,134,983	\$322,635	\$2,061,282	\$13,518,900	\$1,346,399
Reconciliation of Operating Income to Cash Flows					
from Operating Activities:					
Operating income (loss)	\$683,215	(\$119,956)	\$259,672	\$822,931	(\$290,352)
Adjustments to reconcile operating income (loss) to cash flows					
from operating activities:					
Depreciation	2,098,182	5,707	41,251	2,145,140	231,527
Change in assets and liabilities:					
Accounts receivable	(169,203)	(1,209)	(1,780)	(172,192)	
Prepays and inventory		(5,065)		(5,065)	(413)
Accounts payable and other liabilities	(148,725)	30,699	6,100	(111,926)	(139,402)
Deposits	18,267		10,547	28,814	
Accrued vacation and other fringe benefits	(39,999)			(39,999)	11,299
Accrued wages and benefits					1,993
Unearned revenue	2,634	(8,364)		(5,730)	
Retirement system	(71,608)			(71,608)	
Cash Flows from Operating Activities	\$2,372,763	(\$98,188)	\$315,790	\$2,590,365	(\$185,348)
NONCASH TRANSACTIONS:					
Amortization of bond discount	\$47,250			\$47,250	

See accompanying notes to financial statements

FIDUCIARY FUNDS

FIDUCIARY FUNDS

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

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

	Trust Fund	Agency Funds
ASSETS		
Restricted cash and investments (Note 3)	<u>\$82,613</u>	<u>\$355,606</u>
Total Assets	<u><u>\$82,613</u></u>	<u><u>\$355,606</u></u>
LIABILITIES		
Accounts payable		\$7,936
Due to bondholders		223,729
Due to members	<u> </u>	<u>123,941</u>
Total Liabilities	<u> </u>	<u><u>\$355,606</u></u>
NET POSITION		
Restricted for private purpose activities	<u>\$82,613</u>	
Total Net Position	<u><u>\$82,613</u></u>	

See accompanying notes to financial statements

CITY OF MARTINEZ
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Trust Fund</u>
ADDITIONS:	
Donations	\$4,147
Interest	<u>475</u>
Total Additions	<u>4,622</u>
DEDUCTIONS:	
Supplies	6,200
Beneficiary payments	1,200
Improvements	<u>3,933</u>
Total Deductions	<u>11,333</u>
CHANGE IN NET POSITION	(6,711)
NET POSITION, BEGINNING OF YEAR	<u>89,324</u>
NET POSITION, END OF YEAR	<u><u>\$82,613</u></u>

See accompanying notes to financial statements

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CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Reporting Entity*

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

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

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

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

B. *Basis of Presentation*

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

C. Major Funds

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

The City also reports the following fund types:

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

Fiduciary Funds - The City maintains two types of Fiduciary Funds - Trust Funds and Agency Funds. Trust Funds account for activities of individual private trust funds for the benefit of the Alhambra Cemetery. Agency Funds are used to account for assets held by the City as an agent for the Alhambra Creek Assessment District, Sanitation District #6, and the Senior Center Club. The financial activities of these funds are excluded from the Government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

D. *Basis of Accounting*

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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

E. *Deferred Outflows/Inflows of Resources*

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Revenue Recognition for Water System Enterprise Fund

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

G. Property Taxes and Special Assessment Revenue

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

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

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

H. Compensated Absences

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes of the compensated absences during the fiscal year ended June 30, 2017 were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$1,591,746	\$207,775	\$1,799,521
Additions	1,193,240	96,765	1,290,005
Payments	(1,064,488)	(136,764)	(1,201,252)
Ending Balance	<u>\$1,720,498</u>	<u>\$167,776</u>	<u>\$1,888,274</u>
Current Portion	<u>\$1,089,000</u>	<u>\$160,000</u>	<u>\$1,249,000</u>

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

I. Prepaids and Inventory

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

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

J. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Use of Estimates

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

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Accounting

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

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

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

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

B. Expenditures in Excess of Appropriations

The City had the following fund with expenditures in excess of appropriations for the year ended June 30, 2017:

Fund Name	Amount
General Fund	
General Government	\$52,427
Administrative Services	121,336
NPDES Stormwater Special Revenue Fund	
Capital Outlay	9,050
COPS Grant Special Revenue Fund	
Capital Outlay	32,446
Recycling Special Revenue Fund	
Administrative Services	48,159

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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	\$37,216,440
Restricted cash and investments	<u>7,491,931</u>
Total Primary Government Cash and Investments	44,708,371
Restricted cash and investments in Fiduciary Funds (separate statement)	<u>438,219</u>
Total Cash and Investments	<u><u>\$45,146,590</u></u>

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk and Credit Risk

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

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
California Local Agency Investment Fund	\$41,099,320	\$41,099,320
Money market funds	565,495	565,495
CalTrust Short Term Fund	1,023,073	1,023,073
Total Investments	<u>\$42,687,888</u>	42,687,888
Cash in banks and on hand		<u>2,458,702</u>
Total Cash and Investments		<u>\$45,146,590</u>

F. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2017:

	Level 2	Total
Investments by Fair Value Level:		
CalTrust Short Term Fund	<u>\$1,023,073</u>	<u>\$1,023,073</u>
	<u>\$1,023,073</u>	1,023,073
Investments Measured at Amortized Cost:		
Money market funds		565,495
Investments Exempt from Fair Value Hierarchy:		
California Local Agency Investment Fund		<u>41,099,320</u>
Total Investments		<u>\$42,687,888</u>

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - CASH AND INVESTMENTS (Continued)

The CalTrust Short Term Fund is classified in Level 2 of the fair value hierarchy, and is valued based on the fair value factor provided by the Treasurer of the State of California which is calculated as fair value divided by the amortized cost of the investment pools. Fair value is defined as the quoted market value on the last trading day of the period.

The City is a participant in the Short-Term Fund of the Investment Trust of California (CalTrust), a joint powers authority and public agency established by its members under the provisions of Section 6509.7 of the California Government Code. Members and participants are limited to California public agencies. CalTrust is governed by a Board of Trustees of seven Trustees, at least seventy-five percent of whom are from the participating agencies. The City reports its investment in CalTrust at the fair value amount provided by CalTrust, which is the same as the value of the pool shares. The balance is available for withdrawal on demand, and is based on the accounting records maintained by CalTrust. Included in CalTrust's investment portfolio are: United States Treasury Notes, Bills, Bonds or Certificates of Indebtedness; registered state warrants or treasury notes or bonds; California local agency bonds, notes, warrants or other indebtedness; federal agency or United States government-sponsored enterprise obligations; bankers acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term notes; money market mutual funds; notes, bonds or other obligation secured by a first priority security interest in securities authorized under Government Code Section 53651; and mortgage passthrough securities, collateralized mortgage obligations, and other asset – backed securities. At June 30, 2017, the Short-Term Fund investments matured in an average of 347 days. As of June 30, 2017, the Short-Term Fund was rated AAf by Standard and Poor's investment Rating System.

Money market mutual funds are available for withdrawal on demand and at June 30, 2017, have an average maturity ranging from 34 days. Money market mutual funds were rated AAAm by Standard and Poor's investment rating system.

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2017 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
Capital Improvements Fund	General Fund	\$35,000 A
	Non-Major Funds	780,850 A
	Water System Enterprise Fund	34,850 B
Non-Major Funds	General Fund	8,000 B
	Non-Major Funds	7,700 B
Marina Services Enterprise Fund	General Fund	250,000 B
Water System Enterprise Fund	General Fund	20,068 B
Internal Service Funds	Water System Enterprise Fund	80,000 A
	Non-Major Funds	80,000 B
	Total Interfund Transfers	<u>\$1,296,468</u>

A: To fund capital projects

B: To fund operations

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

B. *Long-Term Interfund Advance*

In fiscal year 2007-08 the General Fund made an advance to the Alhambra Creek Improvements Capital Projects Fund in the amount of \$65,828, to be repaid in annual installments. The advance bears no interest. As of June 30, 2017, the balance was \$17,841.

C. *Internal Balances*

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

NOTE 5 – LOAN RECEIVABLE AND UNAVAILABLE REVENUE

A. *Riverhouse Associates*

The City made a loan to Riverhouse Associates, which was used to rehabilitate the Riverhouse Hotel, an affordable housing project. The loan is secured by a deed of trust, bears no interest, and is due August 14, 2021. At June 30, 2017, the loan balances of \$262,010 and \$22,920 were owed to the Capital Improvements Capital Projects Fund and Water System Enterprise Fund, respectively.

B. *Martinez Unified School District*

The Martinez Unified School District (MUSD) requested financial assistance from the City in order to retain seventeen teachers. Without the City's assistance the District would not have been able to maintain class room sizes in the District's Kindergarten – 3rd grades. On July 27, 2009, the City advanced the MUSD \$500,000 and entered into a fee service and joint facility use agreement for the repayment. The fee service portion of the agreement was terminated on July 27, 2014. The joint facility use portion of the agreement was for the District to maintain \$150,000 in the District's Capital Improvement Fund for the purpose of a joint facility, which terminates July 27, 2019. At the end of the fee service agreement the District opted to increase the restricted capital funds for the remaining 5 years of the agreement to the actual amount owed. As of June 30, 2017, the balance owed to the City was \$169,680.

NOTE 6 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The City capitalizes all capital assets with values greater than \$5,000.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 6 - CAPITAL ASSETS (Continued)

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

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

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

A. Capital Asset Additions and Retirements

Capital asset activities for the year ended June 30, 2017 comprise:

	Balance at June 30, 2016	Additions	Retirements	Transfers	Balance at June 30, 2017
Governmental activities					
Capital assets not being depreciated:					
Land	\$16,055,114				\$16,055,114
Construction in progress	4,227,182	\$566,308		(\$3,083,636)	1,709,854
Total capital assets not being depreciated	20,282,296	566,308		(3,083,636)	17,764,969
Capital assets being depreciated:					
Buildings	12,480,329				12,480,329
Improvements	36,920				36,920
Equipment	7,635,618	256,627	(\$142,211)	610,762	8,360,796
Infrastructure	66,371,088	3,656,399		2,472,874	72,500,361
Total capital assets being depreciated	86,523,955	3,913,026	(142,211)	3,083,636	93,378,406
Less accumulated depreciation:					
Buildings	(3,818,293)	(365,993)			(4,184,286)
Improvements	(8,615)	(1,231)			(9,846)
Equipment	(5,325,684)	(496,715)	142,211		(5,680,188)
Infrastructure	(35,312,805)	(2,606,630)			(37,919,435)
Total accumulated depreciation	(44,465,397)	(3,470,569)	142,211		(47,793,755)
Net capital assets being depreciated	42,058,558	442,457		3,083,636	45,584,651
Governmental activities capital assets, net	\$62,340,854	\$1,008,765			\$63,349,620

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 6 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2016	Additions	Balance at June 30, 2017
<i>Business-type activities</i>			
Capital assets, not being depreciated:			
Land	\$1,917,444		\$1,917,444
Construction in progress	7,938,852	\$1,138,881	9,077,733
Total capital assets not being depreciated	<u>9,856,296</u>	<u>1,138,881</u>	<u>10,995,177</u>
Capital assets being depreciated:			
Buildings	20,625,988	394,861	21,020,849
Improvements	1,257,676	187,333	1,445,009
Equipment	2,465,906	21,341	2,487,247
Infrastructure	89,375,680		89,375,680
Net capital assets being depreciated	<u>113,725,250</u>	<u>603,535</u>	<u>114,328,785</u>
Less accumulated depreciation for:			
Buildings	(10,707,763)	(543,860)	(11,251,623)
Improvements	(320,083)	(37,110)	(357,193)
Equipment	(1,967,482)	(129,735)	(2,097,217)
Infrastructure	(71,910,302)	(1,434,435)	(73,344,737)
Total accumulated depreciation	<u>(84,905,630)</u>	<u>(2,145,140)</u>	<u>(87,050,770)</u>
Net capital assets being depreciated	<u>28,819,620</u>	<u>(1,541,605)</u>	<u>27,278,015</u>
Business-type activities capital assets, net	<u><u>\$38,675,916</u></u>	<u><u>(\$402,724)</u></u>	<u><u>\$38,273,192</u></u>

B. Capital Asset Contributions

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

C. Depreciation Allocation

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

<i>Governmental Activities</i>	
General Government	\$23,439
Public Works	31,679
Community & Economic Development	3,034,853
Police	149,071
Capital assets held by the City's Internal Service Funds	<u>231,527</u>
Total Governmental Activities	<u><u>\$3,470,569</u></u>
 <i>Business-Type Activities</i>	
Water System	\$2,098,182
Marina Services	5,707
Parking Services	<u>41,251</u>
Total Business-Type Activities	<u><u>\$2,145,140</u></u>

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 7 – LONG-TERM DEBT

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

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

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

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, 2016	Retirements	Balance at June 30, 2017	Current Portion
Governmental Activity Debt					
<i>General Long-Term Debt</i>					
2009 General Obligation Bonds					
Election of 2008, Series A, 4-5.875%, due 2/01/39	\$15,000,000	\$14,025,000	\$85,000	\$13,940,000	\$110,000
2012 General Obligation Bonds					
Election of 2008, Series B, 4-5%, due 8/01/42	10,000,000	8,920,000	40,000	8,880,000	35,000
Total governmental activity debt		<u>\$22,945,000</u>	<u>\$125,000</u>	<u>\$22,820,000</u>	<u>\$145,000</u>
Business-Type Activity Debt					
<i>Enterprise Long-Term Debt</i>					
Certificates of Participation:					
2003 Refinancing Project, 2-4%, due 12/01/18	\$5,595,000	\$1,280,000	\$415,000	\$865,000	\$430,000
2012 Refunding Water System Improvements, 2-4%, due 12/01/26	8,025,000	6,220,000	475,000	5,745,000	490,000
Plus: Unamortized Bond Premium	696,947	496,130	47,250	448,880	
Total business-type activity debt		<u>\$7,996,130</u>	<u>\$937,250</u>	<u>\$7,058,880</u>	<u>\$920,000</u>

B. General Obligation Bonds

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

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 7 – LONG TERM DEBT (Continued)

The Bonds were authorized at an election held on November 4, 2008, at which more than two-thirds of the voters approved. Interest payments on the GOs are due semi-annually on February 1 and August 1, and annual principal payments are due on February or August 1. Interest and principal payments are payable from ad valorem property taxes levied by the City and collected by the County. The total principal and interest remaining to be paid on the bonds is \$22,820,000 and \$19,916,296, respectively. Principal and interest paid for the current fiscal year and total Ad Valorem Property Tax Revenues were \$1,246,664, and \$1,998,805, respectively.

C. 2003 Certificates of Participation

On March 11, 2003, the City issued Certificates of Participation (COPs) in the amount of \$5,595,000 to refund and retire the outstanding 1992 City Hall Refurbishment Certificates of Participation and the 1993 Water System Improvements Certificates of Participation. Interest payments on the 2003 COPs are due semi-annually on June 1 and December 1, and annual principal payments are due on December 1. Interest and principal payments are payable from lease revenues on City Hall and net revenues derived from the operation of the water system. The City's total principal and interest remaining to be paid on the business type portion of the bonds is \$899,431. The City's principal and interest paid for the current year was \$457,103.

D. 2012 Certificates of Participation

On February 10, 2012, the City issued Certificates of Participation (COPs) in the amount of \$8,025,000 to refund the 1999 COPs and for the acquisition and construction of improvements to the City's existing water system. Semi-annual interest payments are due on June 1 and December 1 of each year, and annual principal payments are due on December 1. Interest and principal payments are payable from net revenues derived from the operation of the water system. The total principal and interest remaining to be paid on the certificates is \$6,921,950. The City's principal and interest paid for the current fiscal year is \$691,425.

The City has pledged future Water System Enterprise Fund revenues, net of specified operating expenses, to repay the installment agreement portion of the 2003 COPs and the 2012 Certificates of Participation through 2027. Annual principal and interest payments on the 2003 bonds are expected to require less than 12.71% percent and 1.29% percent of net water revenues. Annual principal and interest payments on the 2012 bonds are expected to require less than 14.55% percent and 6.63% percent of net water revenues. The Water Fund's total principal and interest remaining to be paid on the bonds is \$7,821,381. The Water Fund's principal and interest paid for the current year and total customer net revenues were \$1,148,528 and \$2,856,448 respectively. The City is in compliance with its debt covenants for the year ended June 30, 2017.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 7 – LONG TERM DEBT (Continued)

E. Debt Service Requirements

Annual debt service requirements are shown below:

For the Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$145,000	\$1,116,262	\$920,000	\$227,681
2019	175,000	1,109,862	940,000	195,725
2020	205,000	1,102,262	520,000	171,650
2021	240,000	1,093,362	535,000	155,825
2022	280,000	1,082,962	555,000	136,700
2023 - 2027	2,085,000	5,178,407	3,140,000	323,800
2028 - 2032	3,565,000	4,505,664		
2033 - 2037	5,585,000	3,360,851		
2038 - 2042	8,470,000	1,322,676		
2043	2,070,000	43,988		
Total	<u>\$22,820,000</u>	<u>\$19,916,296</u>	6,610,000	<u>\$1,211,381</u>
Plus: Unamortized Bond Premium			<u>448,880</u>	
Gross Long-term Debt			<u>\$7,058,880</u>	

F. Authorized but Unissued Debt

The City has previously issued Water Revenue Bonds authorized by the electorate at a bond election held on June 7, 1966. Series A, B, and C Bonds in the amount of \$3,250,000 were previously issued and have been fully retired; \$1,400,000 remains authorized but unissued as of June 30, 2017.

In addition, the City issued General Obligation Election of 2008, Series A Bonds (GOs) that were ratified by two-thirds of the voters on November 4, 2008 in the amount of \$30,000,000. The remaining \$5,000,000 that was authorized but unissued as of June 30, 2017, was issued with the 2017 general Obligation Bonds, Series C, in November 2017.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 8 – LOANS PAYABLE TO STATE OF CALIFORNIA

At June 30, 2017, the Marina Services Fund owed \$4,273,724 in loans to the State. The City made an interest payment of \$63,066 to the Department of Boating and Waterways in fiscal year 2017 to cover current year interest accrued on the unpaid loan balances.

A. Current Year Transactions and Balances

	Original Issue Amount	Balance at June 30, 2016	Additions	Balance at June 30, 2017	Current Portion
Marina Loans					
Loan Payable - 1964	\$1,300,000	\$850,000		\$850,000	
Accrued interest		1,814,514	\$25,501	1,840,015	
Loan Payable - 1973	450,000	251,136		251,136	\$81,167
Loan Payable - 1978	175,000	131,574		131,574	32,915
Loan Payable - 1982	300,000	323,922		323,922	55,898
Loan Payable - 1984	770,425	877,077		877,077	116,169
Total Marina Loans		<u>\$4,248,223</u>	<u>\$25,501</u>	<u>\$4,273,724</u>	<u>\$286,149</u>

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

B. Loan Payable – 1964

In January of 1960, the City entered into an agreement with the State of California, whereby a loan of \$1,300,000 was granted to the City for the construction of a Marina. In October of 1964, a Memorandum of Agreement which superseded the 1960 loan agreement was entered into. At June 30, 2017, the amount payable to the State including interest amounted to \$2,690,015.

The agreement was modified in 1964 with the following conditions:

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

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

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

C. *Loan Payable – 1973*

On December 20, 1973, the City entered into another agreement with the State of California, whereby a loan of \$450,000 was granted to the City to complete the Martinez Small Craft Harbor (MSCH). At June 30, 2017, the amount payable to the State was \$251,136. The terms are as follows:

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

D. *Loan Payable – 1978*

On January 30, 1978, the City entered into another agreement with the State of California, whereby a loan of \$175,000 was granted to the City for construction of Marina Improvements. At June 30, 2017, the amount payable to the State was \$131,574. The terms are as follows:

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

E. Loan Payable – 1982

On November 1, 1982, the City entered into another agreement with the State of California, whereby a loan of \$300,000 was granted to the City for the construction of new berthings and improvements to the Marina. The loan was to be based on stages of completion. At June 30, 2017, the amount payable to the State was \$323,922. The loan terms are as follows:

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

F. Loan Payable – 1984

On January 14, 1984 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, 2017, the amount payable to the State was \$877,077. The loan terms are as follows:

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

G. Loan Repayment

The above loan agreements, except for the 1960 loan which has no specified repayment terms, require the Marina to remit annual debt service payments. The City failed to make the current year principal payment of \$50,803, in addition to the non-payment of principal in the prior fiscal years in the amount of \$182,256, the City has not made total principal payments in the amount of \$233,059 since August 1, 2012. The past due amounts have been included in the current portion of the loans payable. The State has assessed a late penalty fee of 5% of the unpaid balances. See discussion in Note 10E.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

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

H. Debt Service Requirements

For the Year Ending June 30	Principal	Interest
2018	\$286,149	\$60,776
2019	55,477	58,389
2020	57,975	55,891
2021	60,584	53,282
2022	63,310	50,556
2023 - 2027	361,920	222,981
2028 - 2032	300,917	129,792
2033 - 2037	291,044	61,355
2038 - 2040	106,333	7,227
Total	1,583,709	<u>\$700,249</u>
Plus: Marina Loan 1964	850,000	
Plus: Accrued interest	<u>1,840,015</u>	
Total	<u>\$4,273,724</u>	

NOTE 9 – DEBT WITHOUT CITY COMMITMENT

A. Special Assessment Bonds

The Alhambra Creek Assessment District issued Assessment Bonds of 1999, but the City has no legal or moral liability with respect to the payment of this debt, which is secured only by assessments on the properties in this District. Therefore, this debt is not included as debt of the City. At June 30, 2017, the District's outstanding debt amounted to \$270,000.

B. Home Mortgage Revenue Bonds

Home mortgage revenue bonds have been issued to finance secured mortgage loans for low-income housing projects. The bonds do not constitute indebtedness to which the good faith and credit of the City is pledged. The City is not obligated to pay the principal, interest or other payments associated with the bonds. The payments on the bonds are payable solely from monies received from mortgage loans, security agreements or insurance. Accordingly, the bonds have not been recorded in the basic financial statements of the City. The total amount of mortgage revenue bonds outstanding as of June 30, 2017 was \$1,655,000.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 10 – NET POSITION AND FUND BALANCES

A. Net Position

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

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

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

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

B. Fund Balances

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

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

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

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources. As of June 30, 2016, the City does not have committed fund balance.

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

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's fund balances, as of June 30, 2017, are below:

Fund Balance Classifications	General Fund	Capital Project Funds		Other Governmental Funds	Total
		Measure H	Capital Improvements		
Nonspendable:					
Advance to Other Funds	\$17,841				\$17,841
Inventory and Prepaids	49,658				49,658
Total Nonspendable Fund Balances	67,499				67,499
Restricted for:					
Debt Service				\$2,884,647	2,884,647
Park & Facilities Improvements		\$3,409,654			3,409,654
Street Improvements			\$4,225,285	2,884,728	7,110,013
Housing				356,308	356,308
Recycle				216,036	216,036
PEG Access				596,731	596,731
Lighting & Landscape				298,173	298,173
Traffic Mitigation			159,864		159,864
Park Impact			610,553		610,553
Child Care			2,411		2,411
Drainage			81,478		81,478
Cultural Facilities			559,701		559,701
Public Safety			69,920	145,180	215,100
Encumbrances for open purchase orders				164,830	164,830
Total Restricted Fund Balances		3,409,654	5,709,212	7,546,633	16,665,499
Assigned to:					
Insurance					
Pension Obligation	1,529,934				1,529,934
Improvements	2,769,721				2,769,721
Health Benefits	360,363				360,363
Encumbrances for open purchase orders	301,740	4,073	376,495		682,308
Special Events	82,720				82,720
SB1186 - Disability Access	3,404				3,404
Seismic	463				463
Total Assigned Fund Balances	5,048,345	4,073	376,495		5,428,913
Unassigned:					
General Fund	6,634,938				6,634,938
Other Governmental Fund Deficit				(17,840)	(17,840)
Contingency Arrangements:					
Catastrophes	900,000				900,000
Contingencies	100,000				100,000
Economic Uncertainty	1,000,000				1,000,000
Total Unassigned Fund Balances	8,634,938			(17,840)	8,617,098
Total Fund Balances	\$13,750,782	\$3,413,727	\$6,085,707	\$7,528,793	\$30,779,009

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

C. *Minimum Fund Balance Policies*

The City adopted a Fund Balance Reserve Policy with Resolution 110-15, which established minimum fund balance policies as well as four types of reserves to address unanticipated, one-time needs. The policy requires the City maintain a minimum of 20% unassigned fund balance based on operating expenditures. The City will maintain two assigned reserves and two unassigned-contingency reserves to address unforeseen emergencies or disasters, significant changes in economic environment, escalating employee benefit costs, and key infrastructure improvements. These include:

- Pension/OPEB Obligation Assigned Fund Balance Reserve: Funds designated to mitigate pension, insurance and retiree health benefits due to an extreme fluctuation in rates due to a specific cause.
- Infrastructure Assigned Fund Balance Reserve: Funds designated for infrastructure and deferred maintenance.
- Catastrophic Unassigned-contingency Fund Balance Reserve: Funds reserved under this category shall be used to mitigate costs associated with unforeseen emergencies, including natural disasters.
- Economic Uncertainty Unassigned-contingency Fund Balance Reserve: Funds designated to mitigate revenue shortfalls due to downturn in economic cycles, as well as reductions in revenues caused by actions from State/Federal governments, thereby avoiding the need for service-level reductions within the fiscal year. Should any unanticipated reductions in revenues be deemed to be recurring, adjustments will be made in the next budget cycle to reflect the revised revenue projections.

The General Fund reserve levels are as follows:

The City must commit to maintaining the unassigned fund balance at the stated 20% minimum based on the General Fund's annual operating expenditures (minus one-time expenditures).

The City must commit to maintaining the combined assigned and unassigned-contingency reserve fund balance at a minimum of \$5,000,000.

The General Fund Reserve Policy is reviewed by the City Council as part of the biannual operating budget review and adoption process. Appropriations of General Fund reserves require formal Council authorization.

At June 30, 2017, the City is in compliance with their Fund Balance Policy.

D. *Contingency Arrangements*

The City's annual budget requires the City to implement and maintain fund balance to handle any unforeseen contingencies in the future, rather than continued reliance on the City's operating General Fund reserves.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

These unforeseen contingencies include Economic Uncertainty, Catastrophes and Contingencies. As of June 30, 2017, the following are reported within the unassigned fund balance of the General Fund:

	Amount
Economic Uncertainty	\$600,000
Catastrophes	900,000
Contingencies	100,000
Total	<u>\$1,600,000</u>

E. Fund Balance and Net Position Deficits

At June 30, 2017, the Alhambra Creek Improvements Capital Projects Fund had a deficit fund balance of \$17,840. Future revenues are expected to offset this fund deficit.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Marina as a going concern. The Marina Services Enterprise Fund has an accumulated net deficit of \$3,325,878 as of June 30, 2017, made up primarily of State loans which the City has not had sufficient operating revenues to repay. The fund is used to account for the operation of the City's Marina. Management has taken steps to remedy this situation by privatizing the Marina and entering into an operating agreement with an independent company to manage the Marina. In fiscal year 2006-07, the State agreed to allow the City to make interest-only annual payments until August 2008, at which time the City commenced making principal payments on the loans. During fiscal year 2013 through 2017, the City was again unable to make principal payments on the loans. See discussion in Note 8. Contained in the loan agreements with the State is a provision which allows the State to take over the Marina with a 90 day notice. As of June 30, 2017, the City had not received such notice.

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 11 – PENSION PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police), Miscellaneous (all other), and Miscellaneous Joint Facilities Agency Employee Rate Plans. The City's Safety, Miscellaneous, and Miscellaneous Joint Facilities Agency Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors nine rate plans (6 miscellaneous and 3 safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 11 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2017 are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
	Prior to	On or after	On or after
	July 1, 2012*	July 1, 2012*	January 1, 2013
Hire date			
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7%	7%	6.25%
Required employer contribution rates	8.880%	7.159%	N/A

	Miscellaneous Joint Facilities Agency		
	Tier 1	Tier 2	PEPRA
	Prior to	On or after	On or after
	July 1, 2012*	July 1, 2012*	January 1, 2013
Hire date			
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7%	7%	6.25%
Required employer contribution rates	8.880%	7.159%	6.555%

	Safety		
	Tier 1	Tier 2	PEPRA
	Prior to	On or after	On or after
	July 1, 2012*	July 1, 2012*	January 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9%	9%	11.50%
Required employer contribution rates	19.536%	16.656%	12.082%

*A Classic CalPERS member is an employee who qualifies under one of the following categories:

An employee who was brought into CalPERS membership for the first time prior to January 1, 2013. An employee that was hired after January 1, 2013, yet is eligible for reciprocity with another public retirement system. An employee who is hired by a different CalPERS employer after January 1, 2013, after a break in service of less than six months. An employee who is brought back by the same CalPERS employer, regardless of the length of the break in service.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 11 – PENSION PLAN (Continued)

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability and side fund was \$2,032,615 in fiscal year 2017.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions to the Plan were as follows:

	Miscellaneous	Miscellaneous Joint Facilities Agency	Safety	Total
Contributions - employer	\$243,645	\$1,063,415	\$2,200,477	\$3,507,537
Contributions - employee (paid by employer)	41,490	218,991	259,011	519,492

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

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$3,768,128
Miscellaneous - Joint Facilities Agency	11,155,029
Safety	21,485,011
Total Net Pension Liability	<u>\$36,408,168</u>

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 11 – PENSION PLAN (Continued)

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	Miscellaneous	Miscellaneous Joint Facilities Agency	Safety	Total
Proportion - June 30, 2015	0.10472%	0.30044%	0.44518%	0.85034%
Proportion - June 30, 2016	0.10847%	0.32111%	0.41483%	0.84441%
Change - Increase (Decrease)	0.00375%	0.02067%	(0.03035%)	(0.00593%)

For the year ended June 30, 2017, the City recognized pension expense of \$4,067,030. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$4,027,030	
Differences between actual and expected experience	35,169	\$155,332
Changes in assumptions		974,853
Net differences between projected and actual earnings on plan investments	4,886,472	
Change in proportion and differences between actual contributions and proportionate	1,293,498	2,474,004
Total	\$ 10,242,169	\$3,604,189

\$4,027,030 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2018	(\$518,976)
2019	(322,658)
2020	2,182,776
2021	1,269,808

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 11 – PENSION PLAN (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2016 the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

	All Plans (2)
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.65%
Mortality	Derived using CalPERS' Membership Data for all funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75 % thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

(2) All of the City's plan for Miscellaneous, Miscellaneous Joint Facilities Agency and Safety employed the same assumptions.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 11 – PENSION PLAN (Continued)

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	100%		

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

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 11 – PENSION PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Miscellaneous Joint Facilities Agency	Safety	Total
1% Decrease	6.65%	6.65%	6.65%	6.65%
Net Pension Liability	\$5,748,134	\$17,800,407	\$30,354,062	\$53,902,603
Current Discount Rate	7.65%	7.65%	7.65%	7.65%
Net Pension Liability	\$3,768,128	\$11,155,029	\$21,485,011	\$36,408,168
1% Increase	8.65%	8.65%	8.65%	8.65%
Net Pension Liability	\$2,131,751	\$5,662,953	\$14,204,431	\$21,999,135

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

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

The City provides health care benefits for retired employees and spouses based on negotiated employee bargaining unit contracts. Substantially all of the City’s employees may become eligible for those benefits if they reach the normal retirement age and have a minimum ten years of service while working for the City. The premium reimbursement benefits are as follows: 0-10 years of service = 0%; 10-15 years of service = 25%; 15-20 years of service = 50%; 20-25 years of service = 75%; 26 years or more of service = 100%. Currently, 48 retirees meet the eligibility requirements and receive reimbursements.

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

The cost of retiree health care benefits is recognized as an expenditure when health care premiums are paid. For the year ending June 30, 2017, those costs totaled \$1,256,745.

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Martinez Police Officers' Association

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

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

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

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

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

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

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

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

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

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

As of June 30, 2017, approximately 71 plan participants were eligible to receive retirement health care benefits.

A. *Funding Policy and Actuarial Assumptions*

The annual required contribution (ARC) was determined as part of a July 1, 2015 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.28% discount rate; (b) 3.25% projected annual salary increase, (c) inflation 2.75% and (d) 4.50% - 7.50% health inflation increases. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a closed 30 year amortization period. As of June 30, 2017, the remaining amortization period is 21 years.

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

B. *Funding Progress and Funded Status*

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability (AAL) when such contributions are placed in an irrevocable trust or equivalent arrangement.

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Annual required contribution (ARC)	(\$1,256,745)
Interest on net OPEB asset	314,527
Adjustment to annual required contribution	<u>(321,754)</u>
Annual OPEB cost	<u>(1,263,972)</u>
Contributions made:	
City portion of current year premiums paid	<u>1,256,745</u>
Total contributions	<u>1,256,745</u>
Change in net OPEB asset	(7,227)
Net OPEB Asset at June 30, 2016	<u>4,071,910</u>
Net OPEB Asset at June 30, 2017	<u><u>\$4,064,683</u></u>

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated July 1, 2015, amounted to \$19,122,950 and was partially funded since assets have been transferred into CERBT. The City's prior year contributions, the current year annual required contribution, along with investment income net of current year premiums resulted in assets with CERBT of \$10,304,928 as of June 30, 2017, which partially reduced the unfunded actuarial accrued liability. The Plan's annual OPEB cost and actual contributions for the last three fiscal years is set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of OPEB Cost Contributed	Net OPEB (Obligation) Asset
June 30, 2015	\$1,144,904	\$1,166,595	102%	\$4,306,976
June 30, 2016	1,191,061	955,995	80%	4,071,910
June 30, 2017	1,263,972	1,256,745	99%	4,064,683

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(B-A)/C]
July 1, 2015	\$8,925,767	\$19,122,950	\$10,197,183	46.68%	\$10,219,900	99.78%

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 13 – SOCIAL SECURITY

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

The City's part-time, seasonal, and temporary employees are covered under Social Security, which requires these employees and the City to each contribute 6.2% of the employees' pay. Total contributions to Social Security during the year ended June 30, 2017 amounted to \$200,534 of which the City paid \$100,267.

NOTE 14 – DEFERRED COMPENSATION PLAN

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

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 15 – RISK MANAGEMENT

A. *Municipal Pooling Authority*

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

Type of Coverage (Deductible)	Coverage Limits
Liability (\$25,000)	\$29,000,000
Employment Risk Management Authority (\$50,000)	2,000,000
Vehicle - Physical Damage (\$3,000 for police vehicles, \$2,000 for all others)	250,000
Government Crime (\$2,500)	1,000,000
Workers' Compensation (no deductible)	Statutory Limits
All Risk Fire & Property (\$25,000, except water claims \$150,000)	1,000,000,000
Earthquake (20% of replacement cost values, \$50,000 minimum, all other perils \$25,000 per occurrence)	7,353,259
Flood (\$100,000 per occurrence)	25,000,000
Boiler & Machinery (\$5,000)	100,000,000
Cyber Liability (\$50,000)	2,000,000
Public Entity Pollution Liability (\$100,000)	1,000,000

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

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

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 15 – RISK MANAGEMENT (Continued)

B. Liability for Uninsured Claims

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

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

	2017	2016
Beginning balance	\$80,000	\$80,000
Liability for current fiscal year claims	75,874	39,640
Increase (decrease) in liability for prior fiscal year claims and claims incurred but not reported (IBNR)	(67,954)	(28,311)
Claims paid	(7,920)	(11,329)
Ending balance	<u>\$80,000</u>	<u>\$80,000</u>

The amount of settled claims has not exceeded the City's maximum coverages in any of the past three years.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

A. Litigation

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

B. Encumbrances

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically re-appropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2017 were as listed below:

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued)

	Amount
Governmental funds:	
General Fund	\$301,740
Measure H Capital Project Fund	4,073
Capital Improvements	376,495
Non-Major Governmental Funds	164,830
Total	<u>\$847,138</u>

C. Sales Tax Sharing Agreement - County

In fiscal year 1992, the City entered into a sales tax sharing agreement with Contra Costa County. The agreement became effective in fiscal year 1992 and the City is to make semi-annual payments each year equal to 60% of the total sales tax generated by the Midhill/Morello Annexation Area and received by the City. During fiscal year 2017, payments made to the County under the agreement totaled \$200,704.

D. Sales Tax Sharing Agreement - Corporation

In fiscal year 2010, the City entered into a sales tax sharing agreement with a corporation. The agreement became effective in fiscal year 2010 and the City is to make quarterly payments each year equal to 60% of the total sales tax generated by the corporation and received by the City. The agreement terminates on December 31, 2021, however there are two five year renewal options that may follow the termination date. During fiscal year 2017, payments made to the corporation under the agreement totaled \$401,459.

E. Pleasant Hill-Martinez Joint Facilities Agency

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

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

CITY OF MARTINEZ
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 17 – SUBSEQUENT EVENT

General Obligation Bonds

On November 14, 2017, the City issued concurrently 2017 General Obligation Refunding Bonds of \$11,935,000 and General Obligation Bonds, Election of 2008, Series C in the amount of \$5,000,000 for a combined total of \$16,935,000. The proceeds from the 2017 General Obligation Refunding Bonds were used to refinance the City's outstanding General Obligation Bonds, Election 2008, Series A. The Series C Bonds were issued to finance the costs of acquiring and constructing parks, library improvements, pools and safety improvements in the City and pay the costs related to issuing the Series C bonds. Both sets of the bonds, bear interest ranging from 3.125% - 5.0%, and have annual principal and interest payments due on the first of August.

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REQUIRED SUPPLEMENTARY INFORMATION

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

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

Measurement Date:	<u>Miscellaneous</u> <u>6/30/2014</u>	<u>Miscellaneous</u> <u>6/30/2015</u>	<u>Miscellaneous</u> <u>6/30/2016</u>
Plan's proportion of the Net Pension Liability (Asset)	0.10933%	0.10472%	0.10847%
Plan's proportion share of the Net Pension Liability (Asset)	\$2,701,972	\$2,872,914	\$3,768,128
Plan's Covered Payroll	315,585	259,522	355,081
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	856.18%	1107.00%	1061.20%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.38%	80.79%	74.38%

Measurement Date:	<u>Miscellaneous Joint Facilities Agency</u> <u>6/30/2014</u>	<u>Miscellaneous Joint Facilities Agency</u> <u>6/30/2015</u>	<u>Miscellaneous Joint Facilities Agency</u> <u>6/30/2016</u>
Plan's proportion of the Net Pension Liability (Asset)	0.31739%	0.30044%	0.32111%
Plan's proportion share of the Net Pension Liability (Asset)	\$7,844,364	\$8,242,482	\$11,155,029
Plan's Covered Payroll	6,172,612	6,828,544	6,015,665
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	118.10%	120.71%	185.43%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%	82.55%	77.40%

Measurement Date:	<u>Safety</u> <u>6/30/2014</u>	<u>Safety</u> <u>6/30/2015</u>	<u>Safety</u> <u>6/30/2016</u>
Plan's proportion of the Net Pension Liability (Asset)	0.44743%	0.44518%	0.41483%
Plan's proportion share of the Net Pension Liability (Asset)	\$16,782,851	\$18,343,345	\$21,485,011
Plan's Covered Payroll	2,832,476	3,754,044	3,162,539
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	592.52%	488.63%	679.36%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	67.12%	70.93%	67.12%

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

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF CONTRIBUTIONS

Prepared for City of Martinez, a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2017
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	Miscellaneous 2015	Miscellaneous 2016	Miscellaneous 2017
Fiscal Year Ended June 30:			
Actuarially determined contribution	\$11,530	\$152,716	\$243,645
Contributions in relation to the actuarially determined contributions	(11,530)	(152,716)	(243,645)
Contribution deficiency (excess)	\$0	\$0	\$0
Covered payroll	\$259,522	\$355,081	\$1,273,352
Contributions as a percentage of covered-employee payroll	4.44%	43.01%	74.38%
	Miscellaneous Joint Facilities Agency 2015	Miscellaneous Joint Facilities Agency 2016	Miscellaneous Joint Facilities Agency 2017
Fiscal Year Ended June 30:			
Actuarially determined contribution	\$1,024,854	\$1,097,873	\$1,063,415
Contributions in relation to the actuarially determined contributions	(1,024,854)	(1,097,873)	(1,063,415)
Contribution deficiency (excess)	\$0	\$0	\$0
Covered payroll	\$6,828,544	\$6,015,665	\$5,370,025
Contributions as a percentage of covered-employee payroll	24.61%	18.25%	77.40%
	Safety 2015	Safety 2016	Safety 2017
Fiscal Year Ended June 30:			
Actuarially determined contribution	\$1,680,603	\$2,116,539	\$2,200,477
Contributions in relation to the actuarially determined contributions	(1,680,603)	(2,116,539)	(2,200,477)
Contribution deficiency (excess)	\$0	\$0	\$0
Covered payroll	\$3,754,044	\$3,754,044	\$3,053,376
Contributions as a percentage of covered-employee payroll	44.77%	56.38%	67.12%
Notes to Schedule			
Valuation date:	6/30/2013	6/30/2014	6/30/2015
Methods and assumptions used to determine contribution rates:			
Actuarial cost method	Entry Age Normal		
Amortization method	Level percentage of payroll, closed		
Remaining amortization period	30 years		
Asset valuation method	5-year smoothed market		
Inflation	2.75%		
Salary increases	3.3% to 14.2%, depending on Age, Service and type of employment		
Investment rate of return	7.50%, net of pension plan investment expense, including inflation		
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.		
Mortality	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.		

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

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN

SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of OPEB Cost Contributed	Net OPEB (Obligation) Asset
June 30, 2015	\$1,144,904	\$1,166,595	102%	\$4,306,976
June 30, 2016	1,191,061	955,995	80%	4,071,910
June 30, 2017	1,263,972	1,256,745	99%	4,064,683

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(B-A)/C]
June 30, 2011	\$4,990,000	\$15,734,000	\$10,744,000	31.71%	\$10,735,000	100.08%
January 1, 2013	6,667,146	16,612,936	9,945,790	40.13%	9,802,211	101.46%
July 1, 2013	7,257,908	17,039,752	9,781,844	42.59%	9,802,211	99.79%
July 1, 2015	8,925,767	19,122,950	10,197,183	46.68%	10,219,900	99.78%

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:**Gas Tax Funds**

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

NPDES Stormwater Fund

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

Measure J Fund

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

COPS Grant Fund

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

Housing In-Lieu Fund

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

PEG Access Fund

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

Recycling Fund

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS:

Alhambra Creek Improvements

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

Lighting and Landscaping Fund

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

Measure D

This fund receives voter-approved, one half cent sales tax to fund road maintenance and improvements within the City.

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

	SPECIAL REVENUE FUNDS			
	Gas Tax Funds	NPDES Stormwater Fund	Measure J Fund	COPS Grant Fund
ASSETS				
Cash and investments:				
Available for operations	\$313,726	\$359,409	\$1,151,953	\$440,790
Restricted				
Receivables:				
Accounts receivables (net of allowance for uncollectibles)				
Intergovernmental		158,258	562,070	
Prepays and inventory				
Total Assets	<u>\$313,726</u>	<u>\$517,667</u>	<u>\$1,714,023</u>	<u>\$440,790</u>
LIABILITIES				
Accounts payable	\$7,664	\$18	\$1,610	\$39,105
Accrued wages and benefits		4,390		
Deposits				110,712
Advance from other funds				
Total Liabilities	<u>7,664</u>	<u>4,408</u>	<u>1,610</u>	<u>149,817</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - miscellaneous receivables				
FUND EQUITY				
Fund balances:				
Restricted	306,062	513,259	1,712,413	290,973
Unassigned				
Total Fund Balances (Deficit)	<u>306,062</u>	<u>513,259</u>	<u>1,712,413</u>	<u>290,973</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$313,726</u>	<u>\$517,667</u>	<u>\$1,714,023</u>	<u>\$440,790</u>

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
Housing In-Lieu Fund	PEG Access	Recycling Fund	Measure H Debt Service Fund	Alhambra Creek Improvements	Lighting and Landscaping Fund	Measure D	
\$356,308	\$582,352	\$86,745	\$2,884,647		\$305,267	\$142,386	\$3,738,936
							2,884,647
	14,379	506					14,885
		24,946		\$17,842		330,200	1,093,316
		3,891					3,891
<u>\$356,308</u>	<u>\$596,731</u>	<u>\$116,088</u>	<u>\$2,884,647</u>	<u>\$17,842</u>	<u>\$305,267</u>	<u>\$472,586</u>	<u>\$7,735,675</u>
		\$2,211			\$5,490		\$56,098
							4,390
				\$17,841			110,712
							17,841
		2,211		17,841	5,490		189,041
				17,841			17,841
\$356,308	\$596,731	113,877	\$2,884,647	(17,840)	299,777	472,586	7,546,633
							(17,840)
<u>356,308</u>	<u>596,731</u>	<u>113,877</u>	<u>2,884,647</u>	<u>(17,840)</u>	<u>299,777</u>	<u>472,586</u>	<u>7,528,793</u>
<u>\$356,308</u>	<u>\$596,731</u>	<u>\$116,088</u>	<u>\$2,884,647</u>	<u>\$17,842</u>	<u>\$305,267</u>	<u>\$472,586</u>	<u>\$7,735,675</u>

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

	SPECIAL REVENUE FUNDS			
	Gas Tax Funds	NPDES Stormwater Fund	Measure J Fund	COPS Grant Fund
REVENUES				
Taxes				
Special assessments				
Licenses, permits, and fees				
Intergovernmental	\$715,884	\$448,837	\$736,851	\$144,973
Charges for services				
Fines and forfeits				257
Use of money and property	1,835	3,247	7,945	1,434
Miscellaneous				4,564
Total Revenues	<u>717,719</u>	<u>452,084</u>	<u>744,796</u>	<u>151,228</u>
EXPENDITURES				
Current:				
Administrative services				
Community & economic development	501,040	502,850	125,054	
Police				27,337
Debt Service:				
Principal				
Interest and fiscal charges				
Capital outlay		19,050		45,764
Total Expenditures	<u>501,040</u>	<u>521,900</u>	<u>125,054</u>	<u>73,101</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>216,679</u>	<u>(69,816)</u>	<u>619,742</u>	<u>78,127</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)	(357,000)	(131,550)	(300,000)	
Total Other Financing Sources (Uses)	<u>(357,000)</u>	<u>(131,550)</u>	<u>(300,000)</u>	
NET CHANGE IN FUND BALANCES	(140,321)	(201,366)	319,742	78,127
BEGINNING FUND BALANCES (DEFICIT)	<u>446,383</u>	<u>714,625</u>	<u>1,392,671</u>	<u>212,846</u>
ENDING FUND BALANCES (DEFICIT)	<u><u>\$306,062</u></u>	<u><u>\$513,259</u></u>	<u><u>\$1,712,413</u></u>	<u><u>\$290,973</u></u>

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
Housing In-Lieu Fund	PEG Access	Recycling Fund	Measure H Debt Service Fund	Alhambra Creek Improvements	Lighting and Landscaping Fund	Measure D	
						\$472,430	\$472,430
			\$1,998,805		\$123,345		2,122,150
		\$105					105
		51,123					2,097,668
		5,104					5,104
		6,030					6,287
\$2,498			15,064		2,002	156	34,181
	\$58,357	37,493					100,414
2,498	58,357	99,855	2,013,869		125,347	472,586	4,838,339
	1,018	135,485			114,191		136,503
							1,243,135
							27,337
			125,000				125,000
			1,121,663				1,121,663
							64,814
	1,018	135,485	1,246,663		114,191		2,718,452
2,498	57,339	(35,630)	767,206		11,156	472,586	2,119,887
					15,700		15,700
		(80,000)					(868,550)
		(80,000)			15,700		(852,850)
2,498	57,339	(115,630)	767,206		26,856	472,586	1,267,037
353,810	539,392	229,507	2,117,441	(\$17,840)	272,921		6,261,756
\$356,308	\$596,731	\$113,877	\$2,884,647	(\$17,840)	\$299,777	\$472,586	\$7,528,793

CITY OF MARTINEZ
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	GAS TAX FUNDS			NPDES STORMWATER FUND		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Licenses, permits, and fees						
Intergovernmental	\$773,150	\$715,884	(\$57,266)	\$492,000	\$448,837	(\$43,163)
Charges for services				1,000		(1,000)
Fines and forfeits						
Use of money and property	1,000	1,835	835	800	3,247	2,447
Miscellaneous						
Total Revenues	<u>774,150</u>	<u>717,719</u>	<u>(56,431)</u>	<u>493,800</u>	<u>452,084</u>	<u>(41,716)</u>
EXPENDITURES						
Current:						
Administrative services						
Community development	524,670	501,040	23,630	508,760	502,850	5,910
Police						
Capital outlay				10,000	19,050	(9,050)
Total Expenditures	<u>524,670</u>	<u>501,040</u>	<u>23,630</u>	<u>518,760</u>	<u>521,900</u>	<u>(3,140)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>249,480</u>	<u>216,679</u>	<u>(32,801)</u>	<u>(24,960)</u>	<u>(69,816)</u>	<u>(44,856)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	<u>(357,000)</u>	<u>(357,000)</u>		<u>(131,550)</u>	<u>(131,550)</u>	
Total Other Financing Sources (Uses)	<u>(357,000)</u>	<u>(357,000)</u>		<u>(131,550)</u>	<u>(131,550)</u>	
NET CHANGE IN FUND BALANCES	<u>(\$107,520)</u>	<u>(140,321)</u>	<u>(\$32,801)</u>	<u>(\$156,510)</u>	<u>(201,366)</u>	<u>(\$44,856)</u>
BEGINNING FUND BALANCES		<u>446,383</u>			<u>714,625</u>	
ENDING FUND BALANCES		<u>\$306,062</u>			<u>\$513,259</u>	

MEASURE J FUND			COPS GRANT FUND			PEG ACCESS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$575,990	\$736,851	\$160,861	\$125,684	\$144,973	\$19,289			
2,000	7,945	5,945	150	257 1,434 4,564	257 1,284 4,564	\$60,000	\$58,357	(\$1,643)
577,990	744,796	166,806	125,834	151,228	25,394	60,000	58,357	(1,643)
						285,000	1,018	283,982
230,381	125,054	105,327	133,012 13,318	27,337 45,764	105,675 (32,446)			
230,381	125,054	105,327	146,330	73,101	73,229	285,000	1,018	283,982
347,609	619,742	272,133	(20,496)	78,127	98,623	(225,000)	57,339	282,339
(300,000)	(300,000)							
(300,000)	(300,000)							
\$47,609	319,742	\$272,133	(\$20,496)	78,127	\$98,623	(\$225,000)	57,339	\$282,339
	1,392,671			212,846			539,392	
	\$1,712,413			\$290,973			\$596,731	

(Continued)

CITY OF MARTINEZ
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	RECYCLING FUND		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Licenses, permits, and fees	\$300	\$105	(\$195)
Intergovernmental	9,760	51,123	41,363
Charges for services	2,000	5,104	3,104
Fines and forfeits		6,030	6,030
Use of money and property			
Miscellaneous	26,500	37,493	10,993
Total Revenues	38,560	99,855	61,295
EXPENDITURES			
Current:			
Administrative services	86,966	135,485	(48,519)
Community development			
Police			
Capital outlay			
Total Expenditures	86,966	135,485	(48,519)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(48,406)	(35,630)	12,776
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(80,000)	(80,000)	
Total Other Financing Sources (Uses)	(80,000)	(80,000)	
NET CHANGE IN FUND BALANCES	(\$128,406)	(115,630)	\$12,776
BEGINNING FUND BALANCES		229,507	
ENDING FUND BALANCES		\$113,877	

INTERNAL SERVICE FUNDS

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

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

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

Equipment Replacement

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

Management Information System

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

CITY OF MARTINEZ
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Equipment Replacement	Management Information System	Total
ASSETS			
Current Assets:			
Cash and investments available for operations	\$839,157	\$507,242	\$1,346,399
Prepays and inventory		413	413
Total Current Assets	839,157	507,655	1,346,812
Capital Assets:			
Equipment	4,218,819	409,184	4,628,003
Accumulated depreciation	(2,891,642)	(403,804)	(3,295,446)
Net Capital Assets	1,327,177	5,380	1,332,557
Total Assets	2,166,334	513,035	2,679,369
LIABILITIES			
Current Liabilities:			
Accounts payable	38,252	3,020	41,272
Accrued liabilities	6,815	6,666	13,481
Accrued vacation and other fringe benefits	39,581	33,446	73,027
Total Liabilities	84,648	43,132	127,780
NET POSITION			
Net investment in capital assets	1,327,177	5,380	1,332,557
Unrestricted	754,509	464,523	1,219,032
Total Net Position	\$2,081,686	\$469,903	\$2,551,589

CITY OF MARTINEZ
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30 , 2017

	Equipment Replacement	Management Information System	Total
OPERATING REVENUES			
Charges for services	\$776,643	\$464,531	\$1,241,174
Other revenue		23,175	23,175
Total Operating Revenues	<u>776,643</u>	<u>487,706</u>	<u>1,264,349</u>
OPERATING EXPENSES			
Maintenance and repairs	720,228	602,946	1,323,174
Depreciation	<u>227,795</u>	<u>3,732</u>	<u>231,527</u>
Total Operating Expenses	<u>948,023</u>	<u>606,678</u>	<u>1,554,701</u>
Operating Income (Loss)	<u>(171,380)</u>	<u>(118,972)</u>	<u>(290,352)</u>
NONOPERATING REVENUES			
Interest income	5,250	3,808	9,058
Gain on disposal of equipment	<u>15,272</u>		<u>15,272</u>
Total Nonoperating Revenues	<u>20,522</u>	<u>3,808</u>	<u>24,330</u>
Income (Loss) before transfers	<u>(150,858)</u>	<u>(115,164)</u>	<u>(266,022)</u>
TRANSFERS			
Transfers in	<u>160,000</u>		<u>160,000</u>
Transfers in (out)	<u>160,000</u>		<u>160,000</u>
Change in Net Position	9,142	(115,164)	(106,022)
BEGINNING NET POSITION	<u>2,072,544</u>	<u>585,067</u>	<u>2,657,611</u>
ENDING NET POSITION	<u><u>\$2,081,686</u></u>	<u><u>\$469,903</u></u>	<u><u>\$2,551,589</u></u>

CITY OF MARTINEZ
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Equipment Replacement	Management Information System	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$776,643	\$487,706	\$1,264,349
Payments to suppliers	(690,399)	(392,687)	(1,083,086)
Payments to employees	(158,608)	(208,003)	(366,611)
Cash Flows from Operating Activities	(72,364)	(112,984)	(185,348)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	160,000		160,000
Cash Flows from Noncapital Financing Activities	160,000		160,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(187,151)	(5,267)	(192,418)
Proceeds from sale of equipment	15,272		15,272
Cash Flows from Capital and Related Financing Activities	(171,879)	(5,267)	(177,146)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	5,250	3,808	9,058
Cash Flows from Investing Activities	5,250	3,808	9,058
Net Cash Flows	(78,993)	(114,443)	(193,436)
Cash and investments at beginning of period	918,150	621,685	1,539,835
Cash and investments at end of period	<u>\$839,157</u>	<u>\$507,242</u>	<u>\$1,346,399</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:			
Operating income (loss)	(\$171,380)	(\$118,972)	(\$290,352)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	227,795	3,732	231,527
Change in assets and liabilities:			
Accounts receivable		(413)	(413)
Prepays and inventory		(1,284)	(139,402)
Accounts payable	(138,118)	276	1,993
Accrued wages and benefits	1,717	3,677	11,299
Accrued vacation and other fringe benefits	7,622		
Cash Flows from Operating Activities	<u>(\$72,364)</u>	<u>(\$112,984)</u>	<u>(\$185,348)</u>

AGENCY FUNDS

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

Alhambra Creek Assessment District

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

Senior Center Club

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

Sanitation District #6

To account for the operation and maintenance of the treatment facility in the Stonehurst subdivision.

CITY OF MARTINEZ
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<u>Alhambra Creek Assessment District</u>				
<u>Assets</u>				
Restricted cash and investments	\$217,017	\$109,911	\$103,065	\$223,863
Total assets	<u>\$217,017</u>	<u>\$109,911</u>	<u>\$103,065</u>	<u>\$223,863</u>
<u>Liabilities</u>				
Accounts payable		\$134		\$134
Due to bondholders	\$217,017	109,777	\$103,065	223,729
Total liabilities	<u>\$217,017</u>	<u>\$109,911</u>	<u>\$103,065</u>	<u>\$223,863</u>
<u>Senior Center Club</u>				
<u>Assets</u>				
Restricted cash and investments	\$101,231	\$73,536	\$78,605	\$96,162
Prepays	2,250		2,250	
Total assets	<u>\$103,481</u>	<u>\$73,536</u>	<u>\$80,855</u>	<u>\$96,162</u>
<u>Liabilities</u>				
Accounts payable	\$974	\$1,215	\$974	\$1,215
Deposits payable	6,818		6,818	
Due to members	95,689	72,321	73,063	94,947
Total liabilities	<u>\$103,481</u>	<u>\$73,536</u>	<u>\$80,855</u>	<u>\$96,162</u>
<u>Sanitation District #6</u>				
<u>Assets</u>				
Restricted cash and investments	\$24,896	\$98,414	\$87,729	\$35,581
Total assets	<u>\$24,896</u>	<u>\$98,414</u>	<u>\$87,729</u>	<u>\$35,581</u>
<u>Liabilities</u>				
Accounts payable	\$5,734	\$6,587	\$5,734	\$6,587
Due to members	19,162	91,827	81,995	28,994
Total liabilities	<u>\$24,896</u>	<u>\$98,414</u>	<u>\$87,729</u>	<u>\$35,581</u>

CITY OF MARTINEZ
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<hr/>				
Total Agency Funds				
<hr/>				
<u>Assets</u>				
Restricted cash and investments	\$343,144	\$281,861	\$269,399	\$355,606
Prepays	2,250		2,250	
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$345,394</u>	<u>\$281,861</u>	<u>\$271,649</u>	<u>\$355,606</u>
<hr/>				
<u>Liabilities</u>				
Accounts payable	\$6,708	\$7,936	\$6,708	\$7,936
Deposits payable	6,818		6,818	
Due to bondholders	217,017	109,777	103,065	223,729
Due to members	114,851	164,148	155,058	123,941
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$345,394</u>	<u>\$281,861</u>	<u>\$271,649</u>	<u>\$355,606</u>

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STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

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

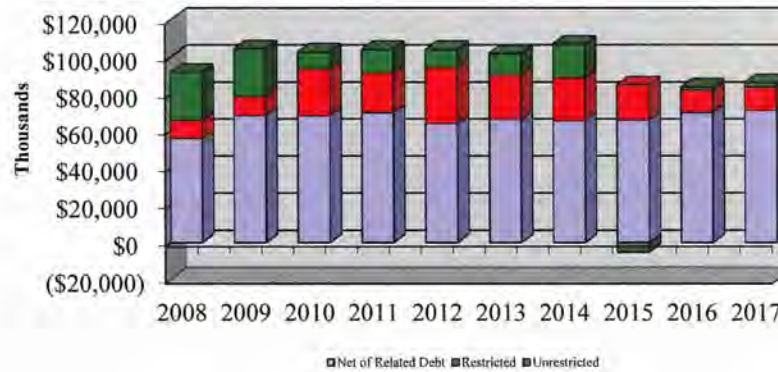
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$29,045,551	\$42,645,250	\$43,328,577	\$46,268,501	\$44,385,099	\$45,011,693	\$45,809,594	\$45,450,132	\$43,734,851	\$44,405,729
Restricted	3,091,564	2,947,166	17,697,648	13,524,459	18,207,558	16,908,562	12,532,439	11,108,552	10,781,624	10,960,360
Unrestricted	20,294,772	19,638,559	2,805,660	5,722,653	3,189,334	3,652,112	11,087,516	(13,666,690)	(8,401,847)	(7,757,618)
Total governmental activities net position	\$52,431,887	\$65,230,975	\$63,831,885	\$65,515,613	\$65,781,991	\$65,572,367	\$69,429,549	\$42,891,994	\$46,114,628	\$47,608,471
Business-type activities										
Net investment in capital assets	\$27,073,604	\$25,908,195	\$25,104,326	\$23,863,759	\$19,898,904	\$21,503,114	\$19,877,117	\$20,590,346	\$26,431,563	\$26,940,588
Restricted	6,613,067	7,224,675	7,620,488	7,941,902	12,086,217	7,116,866	10,711,495	8,016,662	1,306,401	1,469,604
Unrestricted	5,890,545	6,280,210	6,301,271	6,960,954	6,466,983	8,005,741	7,279,730	8,566,322	10,058,713	10,217,982
Total business-type activities net position	\$39,577,216	\$39,413,080	\$39,026,085	\$38,766,615	\$38,452,104	\$36,625,721	\$37,868,342	\$37,173,330	\$37,796,677	\$38,628,174
Primary government										
Net investment in capital assets	\$56,119,155	\$68,553,445	\$68,432,903	\$70,132,260	\$64,284,003	\$66,514,807	\$65,686,711	\$66,040,478	\$70,166,414	\$71,346,317
Restricted	9,704,631	10,171,841	25,318,136	21,466,361	30,293,775	24,025,428	23,243,934	19,125,214	12,088,025	12,429,964
Unrestricted	26,185,317	25,918,769	9,106,931	12,683,607	9,656,317	11,657,853	18,367,246	(5,100,368)	1,656,866	2,460,364
Total primary government net position	\$85,508,015	\$92,009,103	\$104,644,055	\$102,857,970	\$104,282,228	\$102,198,088	\$107,297,891	\$80,065,324	\$83,911,305	\$86,236,645

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

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

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013 (A)	2014	2015	2016	2017
Expenses										
Governmental Activities:										
General Government	\$982,551	\$1,328,858	\$1,860,433	\$1,888,212	\$1,545,222	\$1,628,907	\$1,372,623	\$1,611,595	\$1,369,469	\$1,918,245
Nondepartmental Services	1,295,821	1,114,785								
Administrative Services	724,408	781,593	695,828	912,678	945,076	1,000,933	1,132,197	1,068,860	1,413,623	1,809,388
Public Works	3,515,810	3,369,089	3,842,513	4,181,381	3,466,780	3,975,144	3,790,730	3,886,364	5,020,506	4,472,196
Community & Economic Development	6,000,157	5,856,950	6,725,653	6,024,757	5,917,326	5,887,738	8,103,341	6,213,848	6,331,892	6,747,138
Police	9,660,925	9,853,949	10,616,620	10,665,218	10,483,295	10,932,911	10,993,156	10,113,586	10,857,018	11,369,234
Interest on Long-Term Debt	50,630	291,152	584,615	813,299	1,102,335	1,106,817	1,152,130	1,134,763	1,126,363	1,121,663
Total Governmental Activities Expenses	22,230,302	22,596,376	24,325,662	24,485,545	24,532,450	24,532,450	26,544,177	24,029,016	26,118,871	27,437,864
Business-Type Activities:										
Water System	10,068,412	10,317,436	10,200,676	9,891,686	10,782,125	10,854,257	10,849,585	11,521,664	10,870,282	10,672,421
Marina Services	797,453	345,533	388,591	558,512	410,669	707,155	253,902	210,585	227,217	394,355
Parking Services	391,841	454,122	451,488	483,876	365,585	232,110	229,773	200,029	240,781	249,305
Total Business-Type Activities Expenses	11,257,706	11,117,091	11,040,755	10,934,074	11,793,522	11,793,522	11,333,260	11,932,278	11,338,280	11,316,081
Total Primary Government Expenses	\$33,488,008	\$33,713,467	\$35,366,417	\$35,419,619	\$36,325,972	\$36,325,972	\$37,877,437	\$35,961,294	\$37,457,151	\$38,753,945
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$48,383	\$27,359	\$32,079	\$26,863	\$29,694	\$37,921	\$58,935	\$54,962	\$67,270	\$78,003
Administrative Services				\$49,145	49,492	3,511	109,688	3,268	16,879	11,354
Public Works	775,303	660,516	585,117	580,520	666,808	848,572	991,335	1,214,613	1,197,114	919,936
Community & Economic Development	954,885	731,853	549,109	547,115	708,532	1,143,313	1,921,226	1,108,481	1,066,618	819,990
Police	381,602	398,088	376,514	441,982	282,683	358,692	494,759	698,631	570,906	398,873
Operating Grants and Contributions	2,978,771	2,645,990	2,414,403	3,034,131	2,617,726	2,472,936	2,643,701	3,004,759	3,488,286	2,593,652
Capital Grants and Contributions	5,166,574	13,319,245	2,124,450	4,308,479	1,861,281	2,882,306	4,658,843	2,700,158	3,167,192	3,992,910
Total Government Activities Program Revenues	10,305,518	17,783,051	6,081,672	8,988,235	7,747,251	7,747,251	10,878,487	8,784,872	9,574,265	8,814,718
Business-Type Activities:										
Charges for Services:										
Water System	9,844,373	10,044,919	9,830,348	9,746,857	10,438,993	11,244,347	11,678,627	11,436,258	11,057,430	11,139,006
Marina Services	273,732	241,247	245,157	227,759	362,067	143,244	178,017	136,730	139,715	187,929
Parking Services	405,351	387,388	398,591	368,673	327,253	367,904	481,163	468,572	509,013	506,874
Operating Grants and Contributions										
Capital Grants and Contributions	430,343							1,019,923		
Total Business-Type Activities Program Revenues	10,953,799	10,673,554	10,474,096	10,343,289	11,128,313	11,755,495	12,337,807	13,061,483	11,706,158	11,833,809
Total Primary Government Program Revenues	\$21,259,317	\$28,456,605	\$16,555,768	\$19,331,524	\$17,344,529	\$19,502,746	\$23,216,294	\$21,846,355	\$21,280,423	\$20,648,527
Net (Expense)/Revenue										
Governmental Activities	(\$11,924,784)	(\$4,813,325)	(\$18,243,990)	(\$15,497,310)	(\$17,243,818)	(\$16,785,199)	(\$15,665,690)	(\$15,244,144)	(\$16,544,606)	(\$18,623,146)
Business-Type Activities	(303,907)	(443,537)	(566,659)	(590,785)	(430,096)	(38,027)	1,004,547	1,129,205	367,878	517,728
Total Primary Government Net Expense	(\$12,228,691)	(\$5,256,862)	(\$18,810,649)	(\$16,088,095)	(\$17,673,914)	(\$16,823,226)	(\$14,661,143)	(\$14,114,939)	(\$16,176,728)	(\$18,105,418)

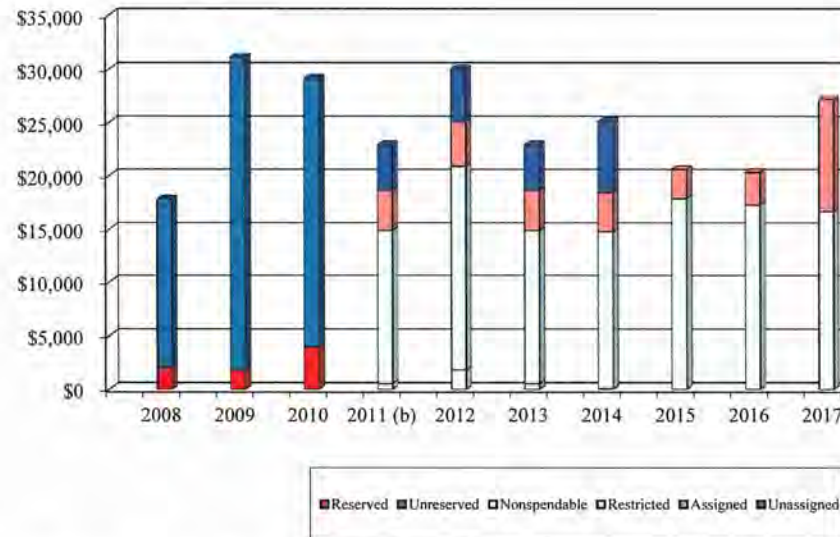
CITY OF MARTINEZ
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(continued)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013 (A)	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$6,778,683	\$6,833,240	\$6,440,055	\$6,413,918	\$6,262,596	\$6,154,962	\$6,603,214	\$7,165,086	\$7,755,254	\$8,212,232
Sales Taxes	2,910,391	2,548,963	2,890,078	3,216,371	3,239,219	3,544,810	3,775,971	3,088,342	4,017,775	4,728,669
State Tax Shift - ERAF III										
VLF Property Tax Swap	2,619,831	2,663,236	2,553,503	2,516,117	2,465,909	2,428,253	2,538,617	2,733,906	2,951,290	3,099,796
Other Taxes	2,502,998	2,475,992	2,363,498	2,257,290	2,667,102	2,779,809	4,424,621	2,175,417	2,144,745	1,261,367
Franchise Fees	1,432,161	1,380,404	1,355,211	1,356,952	1,379,610	1,468,924	1,516,127	1,546,295	1,624,289	1,734,239
Business Licenses								683,676	713,938	738,306
Intergovernmental	231,037	192,805	178,083	238,498	85,068	72,276	62,369	476,267	96,217	78,469
Investment Earnings	955,422	412,821	187,035	123,304	75,843	74,686	61,227	53,549	202,078	188,096
Miscellaneous	760,256	1,055,423	893,942	1,259,193	1,157,849	775,704	631,486	397,049	330,185	231,033
Gain on sale of capital assets					177,000		31,841	8,250	1,723	
Transfers	(233,325)	49,529	(16,605)	(200,605)		(723,849)	(122,601)	(21,238)	(70,254)	(155,218)
Total Government Activities	<u>17,957,454</u>	<u>17,612,413</u>	<u>16,844,800</u>	<u>17,181,038</u>	<u>17,510,196</u>	<u>16,575,575</u>	<u>19,522,872</u>	<u>18,306,599</u>	<u>19,767,240</u>	<u>20,116,989</u>
Business-Type Activities:										
Other Taxes	63,240	64,263	61,579	67,403	62,620	70,237	69,169	67,888	67,481	68,869
Investment Earnings	475,760	263,207	82,093	63,307	52,965	45,531	46,304	43,074	117,734	89,682
Rents & Leases										
Miscellaneous		1,460								
Contributions			19,387							
Transfers	233,325	(49,529)	16,605	200,605		723,849	122,601	21,238	70,254	155,218
Total Business-Type Activities	<u>772,325</u>	<u>279,401</u>	<u>179,664</u>	<u>331,315</u>	<u>115,585</u>	<u>839,617</u>	<u>238,074</u>	<u>132,200</u>	<u>255,469</u>	<u>313,769</u>
Total Primary Government	<u>\$18,729,779</u>	<u>\$17,891,814</u>	<u>\$17,024,464</u>	<u>\$17,512,353</u>	<u>\$17,625,781</u>	<u>\$17,415,192</u>	<u>\$19,760,946</u>	<u>\$18,438,799</u>	<u>\$20,022,709</u>	<u>\$20,430,758</u>
Change in Net Position										
Governmental Activities	\$6,032,670	\$12,799,088	(\$1,399,090)	\$1,683,728	\$266,378	(\$209,624)	\$3,857,182	\$3,062,455	\$3,222,634	\$1,493,843
Business-Type Activities	468,418	(164,136)	(386,995)	(259,470)	(314,511)	801,590	1,242,621	1,261,405	623,347	831,497
Total Primary Government	<u>\$6,501,088</u>	<u>\$12,634,952</u>	<u>(\$1,786,085)</u>	<u>\$1,424,258</u>	<u>(\$48,133)</u>	<u>\$591,966</u>	<u>\$5,099,803</u>	<u>\$4,323,860</u>	<u>\$3,845,981</u>	<u>\$2,325,340</u>

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

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

Thousands



	2008	2009	2010	2011 (b)	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$1,041,261	\$853,371	\$809,098							
Unreserved	9,618,304	8,973,975	7,692,426							
Nonspendable				\$536,597	\$526,565	\$75,090	\$77,969	\$67,211	\$71,212	\$67,499
Restricted				2,974	1,053					
Assigned				2,071,135	1,961,611	1,633,745	1,473,738	2,705,355	3,064,471	5,048,345
Unassigned				4,323,175	5,040,539	5,270,651	6,720,878	7,736,927	9,826,549	8,634,938
Total General Fund	<u>\$10,659,565</u>	<u>\$9,827,346</u>	<u>\$8,501,524</u>	<u>\$6,933,881</u>	<u>\$7,529,768</u> (a)	<u>\$6,979,486</u>	<u>\$8,272,585</u>	<u>\$10,509,493</u>	<u>\$12,962,232</u>	<u>\$13,750,782</u>
All Other Governmental Funds										
Reserved	\$1,036,074	\$951,122	\$3,149,573							
Unreserved, reported in:										
Special revenue funds	2,014,107	1,789,329	1,837,726							
Capital project funds	4,087,770	18,567,181	15,641,080							
Unreserved										
Nonspendable					\$1,250,684			\$71,212	67,499	67,499
Restricted				\$14,361,436	19,116,926	\$18,159,246	\$14,703,857	\$17,874,482	\$17,252,296	\$16,665,499
Assigned				1,668,389	2,179,333	1,981,587	2,177,057			5,428,913
Unassigned				(48,017)	(41,976)	(35,473)	(29,644)	(23,761)	(17,840)	8,617,098
Total all other governmental funds	<u>\$7,137,951</u>	<u>\$21,307,632</u>	<u>\$20,628,379</u>	<u>\$15,981,808</u>	<u>\$22,504,967</u>	<u>\$20,105,360</u>	<u>\$16,851,270</u>	<u>\$17,921,933</u>	<u>\$17,301,955</u>	<u>\$30,779,009</u>

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

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

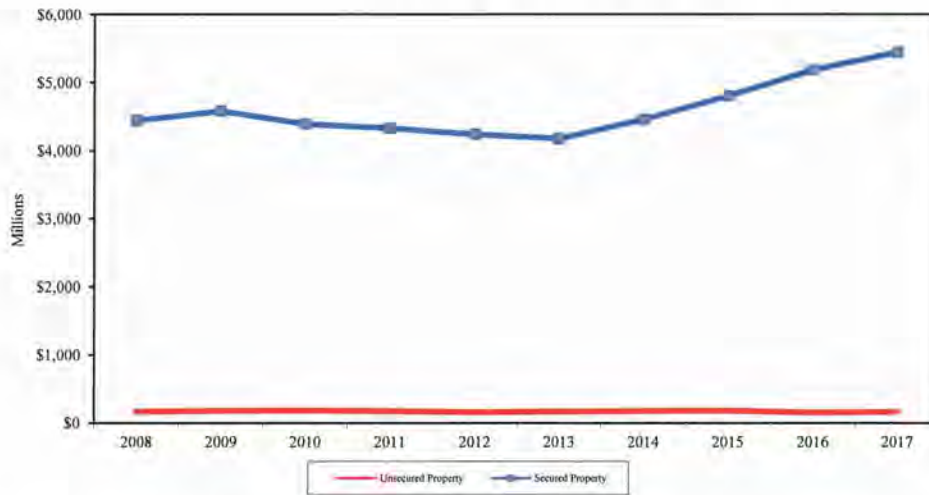
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CITY OF MARTINEZ
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,			
	2008	2009	2010	2011
Revenues				
Taxes	\$16,244,064	\$15,901,834	\$15,602,345	\$15,809,271
Special assessments	592,675	593,327	1,391,343	2,110,101
Licenses, permits and fees	901,504	569,653	451,972	537,305
Intergovernmental revenues	7,854,354	14,976,879	3,985,583	5,536,564
Charges for services	714,089	716,173	562,189	470,550
Fines and forfeits	360,409	376,179	360,431	429,593
Use of money and property	907,560	403,693	249,043	172,727
Miscellaneous	942,321	1,126,603	911,374	1,281,478
Total Revenues	28,516,976	34,664,341	23,514,280	26,347,589
Expenditures				
Current:				
General government	1,055,630	1,327,384	1,324,418	1,312,555
Nondepartmental services	1,294,070	1,156,191	816,510	1,712,090
Administrative services	710,163	757,298	725,585	816,218
Public works	3,515,167	3,773,961	3,742,399	3,627,781
Community & economic development	4,899,818	4,975,417	5,321,903	4,162,888
Police	9,744,360	9,755,501	9,972,242	10,013,872
Capital outlay	5,488,729	14,524,632	2,295,078	9,332,495
Debt service:				
Principal repayment	205,000	215,000	220,000	570,000
Interest and fiscal charges	50,630	291,152	584,615	813,299
Total Expenditures	26,963,567	36,776,536	25,002,750	32,361,198
Excess (deficiency) of revenues over (under) expenditures	1,553,409	(2,112,195)	(1,488,470)	(6,013,609)
Other Financing Sources (Uses)				
Transfers in	1,837,479	1,514,146	609,610	963,037
Transfers (out)	(2,208,585)	(1,464,617)	(626,215)	(1,163,642)
Issuance of long-term debt		15,000,000		
Bond premium		400,128		
Sale of property				
Total other financing sources (uses)	(371,106)	15,449,657	(16,605)	(200,605)
Special Item:				
OPEB funding	(4,000,000)			
Loan to Martinez Unified School District			(500,000)	
Net Change in fund balances	\$1,182,303	\$13,337,462	(\$1,505,075)	(\$6,214,214)
Debt service as a percentage of noncapital expenditures	1.2%	2.3%	3.5%	6.0%

Fiscal Year Ended June 30,					
2012	2013	2014	2015	2016	2017
\$16,063,061	\$16,376,758	\$17,310,873	\$17,392,721	\$19,207,291	\$19,774,610
2,131,149	2,103,941	1,667,428	1,865,833	2,036,288	2,122,150
599,672	1,073,745	1,984,339	1,204,818	947,244	742,292
2,351,629	3,074,644	6,735,114	5,204,168	4,773,110	4,641,699
658,908	771,351	1,168,252	1,054,933	1,233,169	865,028
260,961	328,365	533,779	422,704	467,825	352,285
131,211	136,927	178,395	165,951	321,512	313,965
1,338,225	840,525	687,225	362,590	417,198	250,566
34,664,341	24,706,256	30,265,405	\$27,673,718	\$29,403,637	29,062,595
1,119,861	1,232,407	1,189,903	1,311,797	1,234,239	1,367,650
1,140,089	1,248,093	1,206,920	1,151,381	1,389,052	1,857,896
881,894	913,886	933,807	1,037,182	1,568,815	1,428,655
3,551,258	3,764,743	3,569,702	3,754,724	3,657,350	3,699,160
3,692,811	3,741,772	5,832,338	3,675,189	3,589,532	3,704,043
9,651,789	10,064,111	10,013,626	9,444,399	10,738,380	10,603,450
6,766,413	2,724,783	7,655,369	2,596,686	4,083,178	4,257,539
595,000	885,000	550,000	310,000	110,000	125,000
1,102,335	1,106,817	1,152,130	1,134,763	1,126,363	1,121,663
36,776,536	25,681,612	32,103,795	24,416,121	27,496,909	28,165,056
(2,112,195)	(975,356)	(1,838,390)	3,257,597	1,906,728	897,539
1,135,700	529,742	377,353	2,467,091	1,690,301	866,400
(1,135,700)	(1,253,591)	(499,954)	(2,488,329)	(1,760,555)	(1,181,618)
10,000,000					
279,996					
555,000					
15,449,657	(723,849)	(122,601)	(21,238)	(70,254)	(315,218)
\$13,337,462	(\$1,699,205)	(\$1,960,991)	\$3,236,359	\$1,836,474	\$582,321
7.8%	8.7%	7.0%	6.6%	5.3%	5.2%

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

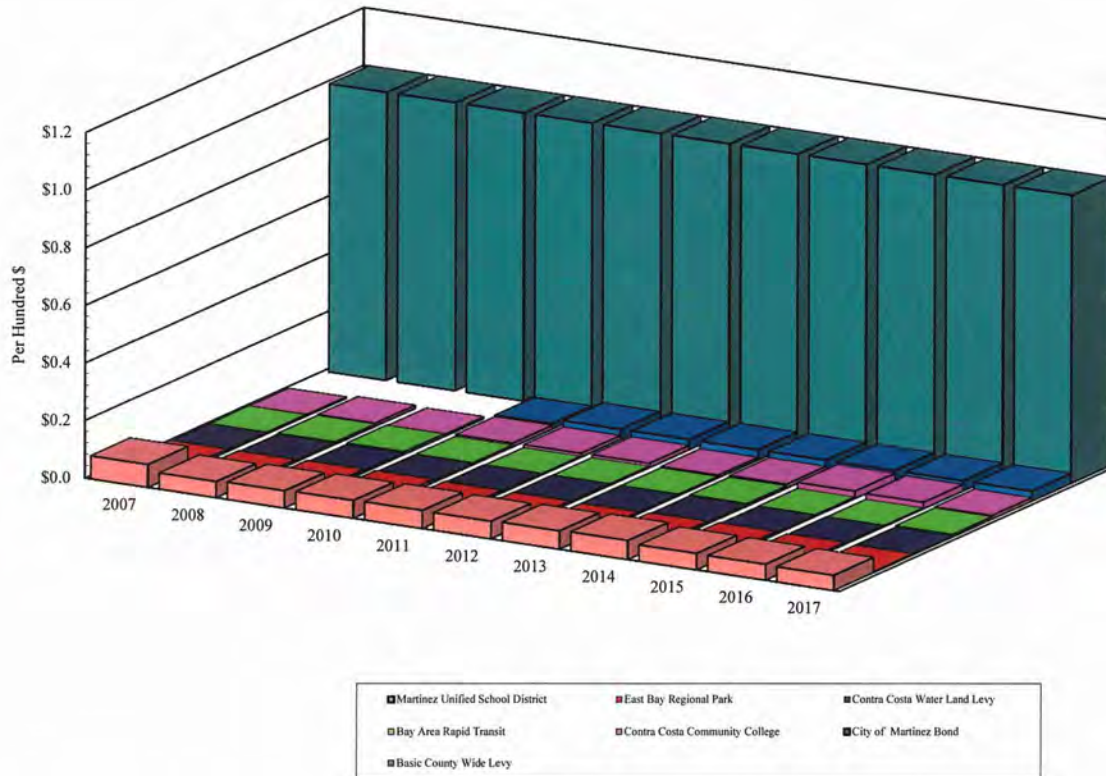


Fiscal Year	Real Property				Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other					
2008	\$ 3,526,510,149	\$ 270,957,611	\$ 403,333,442	\$76,161,039	\$ 4,276,962,241	\$ 164,132,730	\$ 4,441,094,971	\$ 4,441,094,971	1%
2009	3,633,226,219	275,675,065	425,243,421	66,391,574	4,400,536,279	177,818,280	4,578,354,559	4,578,354,559	1%
2010	3,396,269,139	281,325,148	469,892,706	62,478,908	4,209,965,901	180,171,657	4,390,137,558	4,390,137,558	1%
2011	3,344,430,122	283,901,765	466,229,666	57,623,622	4,152,185,175	174,543,244	4,326,728,419	4,326,728,419	1%
2012	3,270,983,316	278,173,641	475,085,062	58,146,935	4,082,388,954	157,024,907	4,239,413,861	4,239,413,861	1%
2013	3,180,388,843	273,588,400	483,885,447	67,569,176	4,005,431,866	170,207,139	4,175,639,005	4,175,639,005	1%
2014	3,450,089,512	272,590,309	496,280,160	65,053,984	4,284,013,965	175,316,982	4,459,330,947	4,459,330,947	1%
2015	3,790,278,674	275,814,808	478,871,404	76,665,537	4,621,630,423	180,770,037	4,802,400,460	4,802,400,460	1%
2016	4,126,901,318	294,812,660	532,101,663	74,824,562	5,028,640,203	155,618,777	5,184,258,980	5,184,258,980	1%
2017	4,354,185,154	305,474,744	542,151,490	79,081,734	5,280,893,122	164,527,888	5,445,221,010	5,445,221,010	1%

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Martinez encompasses more than 15 tax rate areas.

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

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



Fiscal Year	Basic County Wide Levy	Bay Area Rapid Transit	Contra Costa Community College	Contra Costa Water Land Levy	East Bay Regional Park	Martinez Unified School District	City of Martinez Bond	Total
2007	\$1.0000	\$0.0050	\$ 0.0043	\$ 0.0043	\$ 0.0085	\$ 0.0794		\$ 1.1015
2008	1.0000	0.0076	0.0108	0.0039	0.0080	0.0557		1.0860
2009	1.0000	0.0090	0.0066	0.0041	0.0100	0.0597		1.0894
2010	1.0000	0.0057	0.0126	0.0048	0.0108	0.0619	\$0.0181	1.1139
2011	1.0000	0.0031	0.0133	0.0049	0.0084	0.0629	0.0347	1.1273
2012	1.0000	0.0041	0.0144	0.0051	0.0071	0.0608	0.0347	1.1262
2013	1.0000	0.0043	0.0087	0.0045	0.0051	0.0633	0.0347	1.1206
2014	1.0000	0.0075	0.0133	0.0042	0.0078	0.0658	0.0347	1.1333
2015	1.0000	0.0045	0.0252	0.0037	0.0085	0.0568	0.0347	1.1334
2016	1.0000	0.0026	0.0220	0.0035	0.0067	0.0550	0.0347	1.1245
2017	1.0000	0.0080	0.0120	0.0032	0.0032	0.0524	0.0347	1.1135

Source: Contra Costa County Auditor Controller

CITY OF MARTINEZ
Water System Revenue
Last Ten Fiscal Years

Fiscal Year	Water Sales	Total Operating Revenue	Percentage of Water Sales to Operating Revenue
2008	\$9,523,618	\$9,844,373	96.74%
2009	9,603,050	10,046,379	95.59%
2010	9,484,712	9,830,348	96.48%
2011	9,413,940	9,746,857	96.58%
2012	10,058,440	10,438,993	96.35%
2013	10,688,120	11,244,347	95.05%
2014	10,902,108	11,678,627	93.35%
2015	10,166,736	11,436,258	88.90%
2016	10,708,122	11,139,006	96.13%
2017	10,708,122	11,139,006	96.13%

Source: City of Martinez Administrative Services Department

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

Taxpayer	2016-17			2007-08		
	Taxable Assessed Value Secured & Unsecured	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value Secured & Unsecured	Rank	Percentage of Total City Taxable Assessed Value
Equilon Enterprises LLC	\$230,552,651	1	4.2%	\$158,975,744	1	3.5%
Pacific Atlantic Terminals LLC	146,284,435	2	2.7%	109,540,646	2	2.4%
Tesoro Refining & Marketing Company	51,671,389	3	0.9%	26,399,604		0.6%
ECO Services Operations, LLC	33,146,481	4	0.6%			
Marine Spill Response Corporation	22,929,800	5	0.4%			
Fairfield Hidden Creek LLC	22,558,113	6	0.4%			
Wal Mart Real Estate	20,713,249	7	0.4%	18,203,592	8	0.4%
Muir Station Center LLC	20,606,202	8	0.4%	18,206,997	7	0.4%
Muirwood Square Investors LP	20,085,603	9	0.4%	17,747,004	10	0.4%
Rutherford Valley Ridge LLC	19,197,379	10	0.4%			
Stauffer Chemical Company			0.0%	27,126,760	3	0.6%
KW Hidden Creek LLC			0.0%	21,500,000	5	0.5%
Kenneth H. & Martha Hofmann Trust			0.0%	18,457,987	6	0.4%
Collier Village Oaks LLC			0.0%	18,143,640	9	0.4%
Subtotal	\$587,745,302		10.8%	\$434,301,974		9.6%

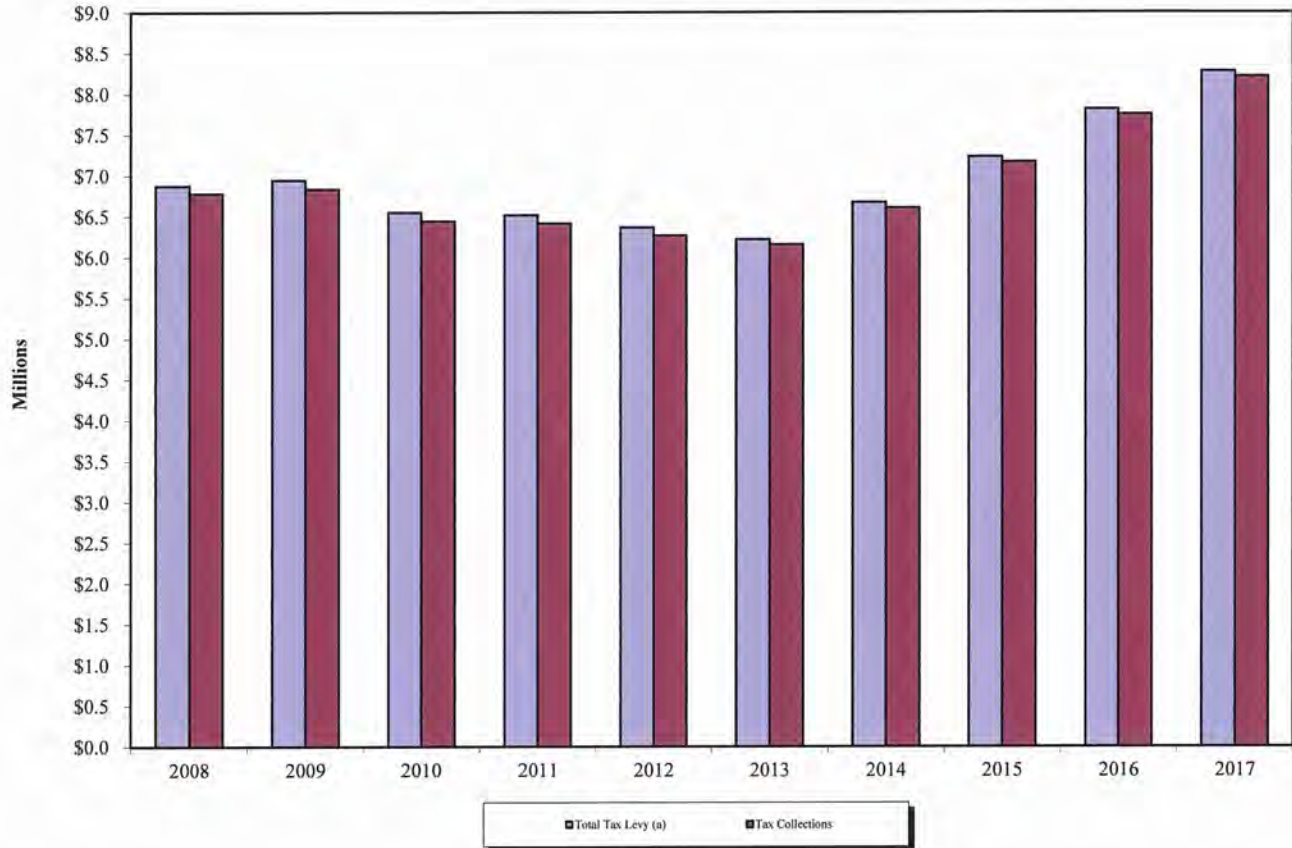
Total Net Assessed Valuation:

Fiscal Year 2016-17 \$5,445,221,010

Fiscal Year 2007-2008 \$4,504,053,892

Source: HDL Coren & Cone

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



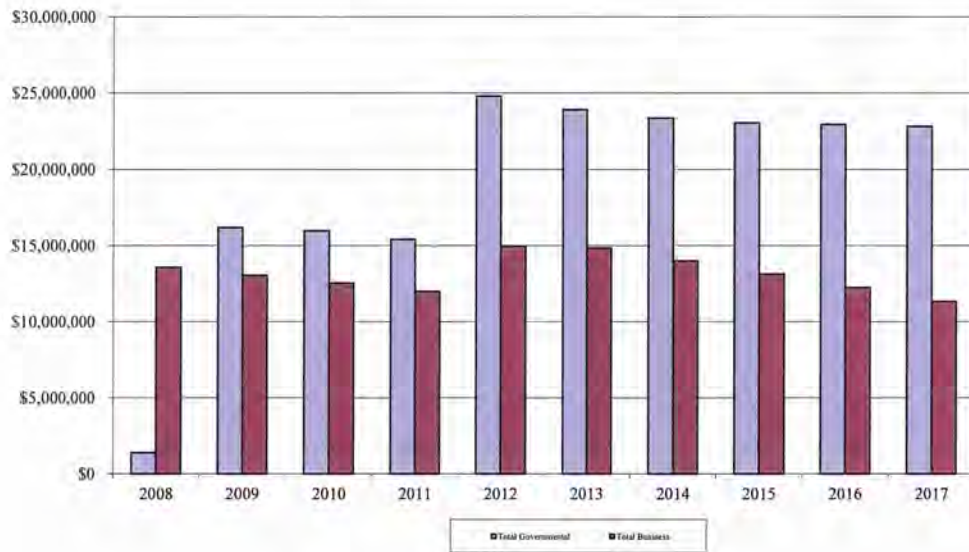
Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	County Administrative Fee	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2008	\$6,873,959	\$6,873,959	100.00%	0	(\$95,276)	\$6,778,683	100.00%
2009	6,946,652	6,946,652	100.00%	0	(113,412)	6,833,240	100.00%
2010	6,548,656	6,548,656	100.00%	0	(108,601)	6,440,055	100.00%
2011	6,517,643	6,517,643	100.00%	0	(103,726)	6,413,918	100.00%
2012	6,364,044	6,364,044	100.00%	0	(101,448)	6,262,596	100.00%
2013	6,218,195	6,218,195	100.00%	0	(63,233)	6,154,962	100.00%
2014	6,668,234	6,668,234	100.00%	0	(65,020)	6,603,214	100.00%
2015	7,227,747	7,227,747	100.00%	0	(62,661)	7,165,086	100.00%
2016	7,813,158	7,813,158	100.00%	0	(65,017)	7,748,141	100.00%
2017	8,276,355	8,276,355	100.00%	0	(64,123)	8,212,232	100.00%

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

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

Source: Contra Costa County Auditor-Controller

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



Governmental Activities				Percentage of Actual Taxable Value of Property	General Bonded Debt Per Capita
Fiscal Year	General Obligation Bonds	Certificates of Participation	Total		
2008		\$1,400,000	\$1,400,000		
2009	\$15,000,000	1,185,000	16,185,000	0.33%	412.68
2010	15,000,000	965,000	15,965,000	0.34%	409.13
2011	14,660,000	735,000	15,395,000	0.34%	409.13
2012	24,300,000	500,000	24,800,000	0.57%	407.70
2013	23,660,000	255,000	23,915,000	0.57%	670.81
2014	23,365,000		23,365,000	0.52%	635.97
2015	23,055,000		23,055,000	0.48%	616.71
2016	22,945,000		22,945,000	0.44%	619.23
2017	22,820,000		22,820,000	0.42%	615.86

Business-Type Activities				Total Primary Government	Percentage of Personal Income (a)	Per Capita
Fiscal Year	Certificates of Participation	Loans Payable	Total			
2008	\$9,265,000	\$4,300,680	\$13,565,680	\$14,965,680	0.72%	414.06
2009	8,780,000	4,264,958	13,044,958	14,444,958	0.70%	397.41
2010	8,280,000	4,247,215	12,527,215	28,492,215	1.40%	777.14
2011	7,760,000	4,228,497	11,988,497	27,383,497	1.34%	761.54
2012	10,805,000	4,146,224	14,951,224	39,751,224	1.78%	1,097.34
2013	10,647,884	4,171,723	14,819,607	38,096,723	1.64%	1,041.52
2014	9,780,632	4,197,223	13,977,855	37,342,855	(a)	1,016.44
2015	8,898,380	4,222,723	13,121,103	36,176,103	(a)	967.69
2016	7,996,130	4,248,223	12,244,353	35,189,353		934.45
2017	7,058,880	4,273,724	11,332,604	34,152,604		921.70

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

Sources:

City of Martinez

State of California, Department of Finance (population)

U.S. Department of commerce, Bureau of the Census (income)

CITY OF MARTINEZ
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2017

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$5,184,258,980
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BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$194,409,712
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AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	22,945,000
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	0
Amount of debt subject to limit	22,945,000

LEGAL BONDED DEBT MARGIN	\$171,464,712
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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
2008	\$160,386,084		\$160,386,084	
2009	165,020,110	\$15,000,000	150,020,110	10.00%
2010	157,873,721	15,000,000	142,873,721	10.50%
2011	155,706,944	14,660,000	141,046,944	10.39%
2012	153,089,586	24,300,000	128,789,586	18.87%
2013	156,586,463	23,660,000	132,926,463	17.80%
2014	167,224,911	23,365,000	143,859,911	16.24%
2015	180,090,017	23,055,000	157,035,017	14.68%
2016	194,409,712	22,945,000	171,464,712	13.38%
2017	204,195,788	22,820,000	181,375,788	12.58%

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
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2017

2016-17 Assessed Valuation \$5,445,221,010

	Total Debt 06/30/16	(1) % Applicable	City's Share of Debt 6/30/16
DIRECT LONG-TERM DEBT			
City of Martinez	<u>\$22,820,000</u>	100.000%	<u>\$22,820,000</u>
Subtotal Direct Long-term Debt	22,820,000		22,820,000
OVERLAPPING TAX AND ASSESSMENT DEBT			
Contra Costa County Pension Debt	185,830,000	2.980%	5,537,734
CCC PFA 1998A Lease Revenue Bonds	11,555,000	2.980%	344,339
CCC PFA 1998A Lease Revenue Bonds	9,050,000	2.980%	269,690
CCC PFA 2002A Lease Revenue Bonds	6,185,000	2.980%	184,313
CCC PFA 2002B Lease Revenue Bonds	2,825,000	2.980%	84,185
CCC PFA 2003A Lease Revenue Bonds	5,065,000	2.980%	150,937
CCC PFA 2007A Lease Revenue Bonds	121,185,000	2.980%	3,611,313
CCC PFA 2007B Lease Revenue Bonds	3,655,000	2.980%	108,919
CCC PFA 2009A Lease Revenue Bonds	13,738,985	2.980%	409,422
CCC PFA 2010A-1 Lease Revenue Bonds	3,120,000	2.980%	92,976
CCC PFA 2010A-2 Lease Revenue Bonds	13,130,000	2.980%	391,274
CCC PFA 2010A-3 Lease Revenue Bonds	20,700,000	2.980%	616,860
CCC PFA 2010B Lease Revenue Bonds	11,170,000	2.980%	332,866
CCC PFA 2012 Lease Revenue Bonds	9,839,621	2.980%	293,221
CCC PFA 2015 A&B Lease Revenue Bonds	63,090,000	2.980%	1,880,082
CCC PFA 2017A Lease Revenue Bonds	99,810,000	2.980%	2,974,338
CCC PFA 2017B Lease Revenue Bonds	100,285,000	2.980%	2,988,493
Contra Costa Fire Protection District Pension Obligations	75,540,000	6.489%	4,901,791
Bay Area Rapid Transit District	527,065,000	0.861%	7,474,920
East Bay Regional Park District	149,945,000	1.319%	1,606,090
Martinez Unified School District 2010 & 2016 Bonds	432,135,000	3.019%	54,242,070
Mount Diablo 2002 Bonds	43,795,548	57.713%	16,425,125
Mount Diablo 2010 Bonds	449,332,785	5.284%	16,874,948
Contra Costa Community College 2002 Bonds	13,790,000	5.284%	5,218,996
Contra Costa Community College 2006 Bonds	253,715,570	3.008%	8,725,046
Contra Costa Community College 2014 Bonds	212,765,000	3.008%	<u>2,525,600</u>
Total Overlapping Debt			\$ 138,265,548

Total Direct and Overlapping Debt

\$ 161,085,548

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

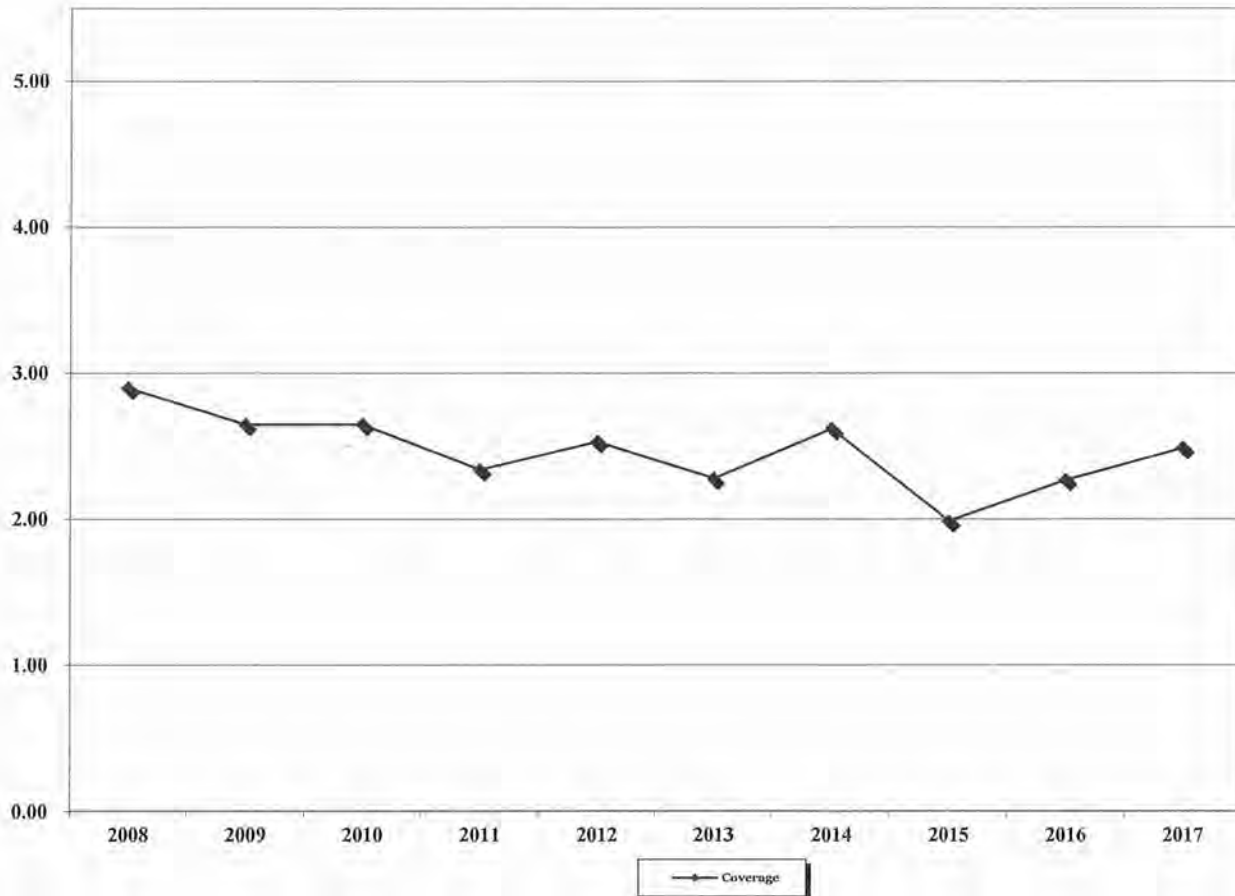
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

RATIOS TO 2016-17 ASSESSED VALUATION:

Direct Debt	0.42%
Total Overlapping Debt	2.54%
Net Combined Total Debt	2.96%

Source: California Municipal Statistics, Inc.

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



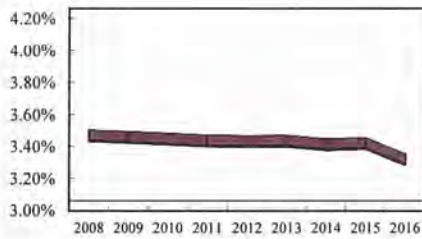
Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2008	\$10,287,823	\$7,706,998	\$2,580,825	\$470,000	\$423,808	\$891,326	2.90
2009	10,285,545	7,924,631	2,360,914	485,000	406,326	889,642	2.65
2010	9,906,086	7,823,809	2,082,277	500,000	389,642	889,642	2.65
2011	9,805,813	7,548,774	2,257,039	520,000	371,092	891,092	2.34
2012	10,488,260	8,318,126	2,170,134	345,000	181,771	890,698	2.53
2013	11,286,802	8,670,144	2,616,658	795,000	354,089	1,149,089	2.28
2014	11,722,012	8,703,244	3,018,768	820,000	332,370	1,152,370	2.62
2015	11,476,090	9,202,430	2,273,660	835,000	309,485	1,144,485	1.99
2016	11,160,659	8,571,619	2,589,040	855,000	285,799	1,140,799	2.27
2017	11,214,057	8,357,609	2,856,448	890,000	258,528	1,148,528	2.49

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

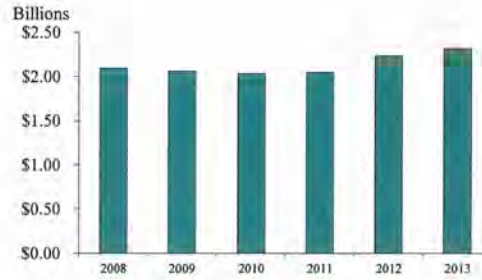
(2) Includes all Water Operating Expenses less Depreciation and Interest

Source: City of Martinez Annual Financial Statements

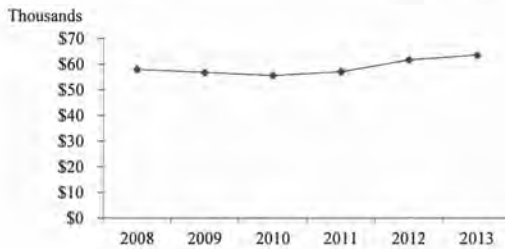
**CITY OF MARTINEZ
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**



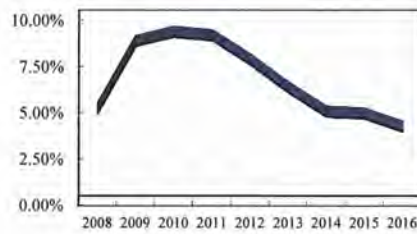
■ City Population as a % of County Population



■ Total Personal Income (a)



◆ Per Capita Personal Income (a)



■ Unemployment Rate (%)

Calendar Year	City Population	Total Personal Income (a)	Per Capita Personal Income (a)	Unemployment Rate (%)	Contra Costa County Population	City Population % of County
2007	36,179	\$2,010,828,820	\$55,580	3.7%	1,042,341	3.47%
2008	36,144	2,091,797,856	57,874	5.0%	1,051,674	3.44%
2009	36,348	2,061,040,644	56,703	8.6%	1,060,435	3.43%
2010	36,663	2,033,513,295	55,465	9.1%	1,073,055	3.42%
2011	35,958	2,050,001,538	57,001	8.9%	1,056,064	3.40%
2012	36,225	2,232,836,550	61,638	7.6%	1,065,117	3.40%
2013	36,578	2,319,154,934	63,403	6.1%	1,074,702	3.40%
2014	36,739	(b)	(b)	4.8%	1,086,553	3.38%
2015	37,384	(b)	(b)	4.7%	1,102,871	3.39%
2016	37,054	(b)	(b)	4.0%	1,126,745	3.29%

NOTES: (a) Per capita personal income are only available for Contra Costa County.

Personal income is the product of the countywide per capita amount multiplied by the City's population.

(b) Data for fiscal years 2014, 2015, and 2016 not available

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

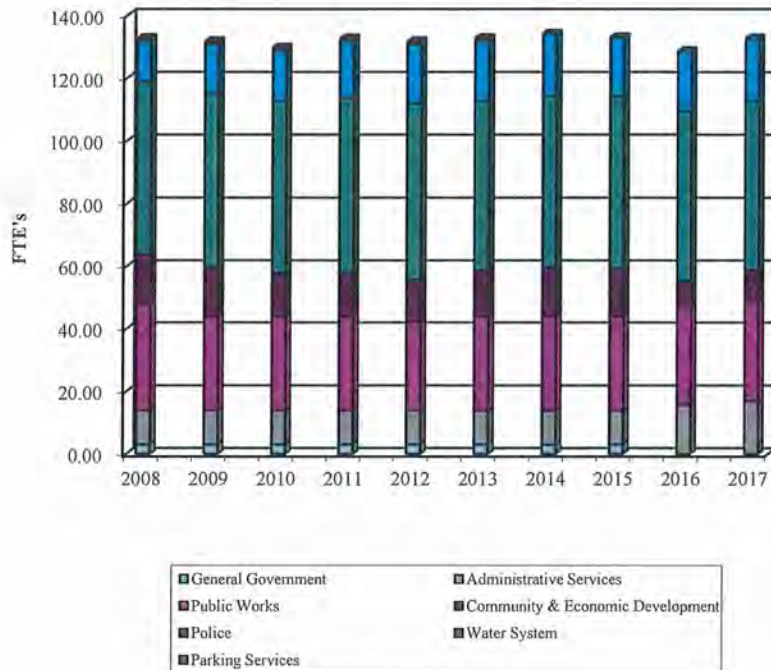
CITY OF MARTINEZ
Principal Employers
Current Year and Nine Years Ago

Employer	2016-17			2006-07		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Contra Costa County (a)	9,847	1	46.89%	5,079	1	24.07%
Veterans Admin Medical Center	650	4	3.10%	661	4	3.13%
Kaiser Permanente	722	3	3.44%	1,097	2	5.20%
Shell Oil Refinery	742	2	3.53%	715	3	
Martinez Unified School District	380	5	1.81%	425	5	2.01%
Wal-Mart Store	234	6	1.11%	278	7	1.32%
Safeway Stores	174	7	0.83%			0.0%
Home Depot	120	10	0.57%	135	9	0.64%
City of Martinez	127	9	0.60%	129	10	0.61%
Contra Costa Electric	150	8	0.71%	395	6	1.87%
California Grand Casino				145	8	0.69%
Total Top Employers	13,146		62.60%	9,059		43.14%
Total City Employment	21,000			21,100		

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

Source: Muni Services, LLC

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



	June 30,									
Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Administrative Services	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	15.80	16.80
Public Works	34.00	30.00	30.00	30.00	28.00	30.00	30.00	30.00	31.00	32.00
Community & Economic Development	15.80	15.80	13.80	13.80	13.80	14.80	15.80	15.60	8.80	10.00
Police	55.00	55.00	55.00	56.00	56.00	54.00	54.50	54.50	54.00	54.00
Water System	13.00	16.00	16.00	18.00	19.00	19.00	20.00	19.00	19.00	20.00
Parking Services	1.00	1.00	1.00	1.00	1.00	1.00				
Total	132.80	131.80	129.80	132.80	131.80	132.80	134.30	133.10	131.60	135.80

Source: City of Martinez Administrative Services Department

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

	Fiscal Year			
	2008	2009	2010	2011
Function/Program				
Public safety:				
Police:				
Police calls for Service	30,354	30,794	29,463	27,501
Law violations:				
Part I and Part II crimes	5,970	4,923	4,343	4,079
Physical arrests (adult and juvenile)	1,714	1,585	1,655	1,622
Traffic violations	1,340	2,598	2,985	1,738
Parking violations	8,895	8,790	8,864	9,226
Public works				
Street resurfacing				
Seal Coat (miles)	5.60	3.41	14.75	0.00
Asphalt overlay (miles)	0.57	0.89	1.70	1.90
Culture and recreation:				
Community Services:				
Number of recreation classes	596	462	504	458
Number of community events	55	67	69	72
Number of facility rentals	286	273	290	416
Water				
Water service connections - active	9,745	9,751	9,755	9,767
Water main breaks	52	46	38	34
Average daily consumption (thousands of gallons)	4,948	4,663	3,970	3,470

Note: n/a denotes information not available.

Source: City of Martinez

Fiscal Year					
2012	2013	2014	2015	2016	2017
24,700	27,584	28,782	32,234	32,234	32,913
3,612	3,857	3,854	3,802	3,802	3,633
1,162	1,348	1,417	1,394	1,394	1,179
1,040	1,012	1,464	886	886	740
3,143	7,554	12,153	9,739	9,739	8,513
0.00	0.00	1.82	0.10	0.10	0.00
0.50	0.87	0.15	0.10	0.10	0.41
520	726	730	720	720	744
72	150	162	170	170	174
263	521	532	660	660	645
9,777	9,768	9,807	9,846	9,846	9,943
40	52	33	23	23	40
3,594	3,770	3,779	3,829	3,829	3,974

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

	Fiscal Year			
	2008	2009	2010	2011
Function/Program				
Public safety:				
Police stations	1	1	1	1
Police sworn officers	39	39	39	39
Public works				
Miles of streets	122	122	122	122
Street lights	4,996	5,005	5,005	5,005
Traffic Signals	265	265	265	265
Culture and recreation:				
Community services:				
City parks	17	17	17	17
City parks acreage	271	271	271	271
Playgrounds	14	14	14	14
City trails	9	9	9	9
Roadway landscaping acreage	12	12	12	12
Community gardens	1	1	1	1
Senior centers	1	1	1	1
Performing arts centers	1	1	1	1
Swimming pools	1	1	1	1
Tennis courts	10	10	10	10
Skateboard Park	1	1	1	1
Baseball/softball diamonds	11	11	11	11
Soccer fields	7	7	7	7
Water				
Miles of water lines	100	100	100	100
Storage capacity (thousands of gallons)	9,522,000	9,522,000	9,522,000	9,522,000

Note: n/a denotes information is not available.

Source: City of Martinez

Fiscal Year					
2012	2013	2014	2015	2016	2017
1	1	1	1	1	1
37	37	37	37	37	37
122	122	122	122	122	122
5,005	5,017	5,017	5,017	5,017	5,017
265	265	265	265	265	265
17	17	17	17	17	17
271	271	271	271	271	271
14	14	14	14	14	14
9	9	9	9	9	9
12	12	12	12	12	12
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
10	10	10	10	10	10
1	1	1	1	1	1
11	11	11	11	11	11
7	7	7	7	7	7
100	100	100	100	100	100
9,522,000	9,522,000	9,522,000	9,522,000	9,522,000	9,522,000

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