**NEW ISSUE - FULL BOOK-ENTRY**

**INSURED RATING: Standard & Poor's: "AA"**
**UNDERLYING RATING: Standard & Poor's: "A"**
**See "RATINGS" herein.**

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "LEGAL MATTERS - Tax Exemption."*

# $7,640,000
# CITY OF MARINA
# 2015 General Obligation Refunding Bonds

**Dated: Date of Delivery** **Due August 1, as shown on inside front cover**

***Issuance.*** The general obligation refunding bonds captioned above (the "Bonds") are being issued by the City of Marina, California (the "City") under provisions of the California Government Code, under a Resolution adopted by the City Council of the City (the "City Council") on April 7, 2015 (the "Bond Resolution") and a Paying Agent Agreement dated as of May 1, 2015, between the City and MUFG Union Bank, N.A., as paying agent (the "Paying Agent"). See "THE BONDS - Authority for Issuance."

***Purpose.*** The Bonds are being issued to refinance all of the City of Marina (County of Monterey) General Obligation Bonds, Election of 2002, Series 2005 issued in the original principal amount of $8,000,000 (the "Prior Bonds"). See "REFINANCING PLAN."

***Security.*** The Bonds are general obligations of the City, payable solely from *ad valorem* property taxes levied by the City and collected by Monterey County (the "County"). The City Council is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the City, without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY FOR THE BONDS."

***Book-Entry Only.*** The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds are issuable as fully registered securities in denominations of $5,000 or any integral multiple of $5,000. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds. See "THE BONDS" and "APPENDIX E - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

***Payments.*** Interest on the Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2016. Payments of principal and interest on the Bonds will be paid by the Paying Agent to DTC, for subsequent disbursement to DTC Participants, which will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS - Description of the Bonds."

***Redemption.*** **The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "THE BONDS - Redemption."**

***Municipal Bond Insurance.*** The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

ASSURED GUARANTY®
MUNICIPAL

**Maturity Schedule**
**(See inside cover)**

***Cover Page.*** This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the City, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the City. Certain legal matters are being passed upon for the City by the City Attorney and for the Underwriter by their counsel, Nossaman, LLP, Irvine, California. It is anticipated that the Bonds, in book entry form, will be available for delivery through the facilities of DTC in New York, New York, on or about May 12, 2015.

STIFEL

The date of this Official Statement is April 16, 2015.

## MATURITY SCHEDULE
## (Base CUSIP† 568047)

| Maturity Date (August 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP† |
|---|---|---|---|---|---|
| 2016 | $85,000 | 3.000% | 0.500% | 103.035 | DD3 |
| 2017 | 165,000 | 3.000 | 0.870 | 104.671 | DE1 |
| 2018 | 195,000 | 2.000 | 1.200 | 102.518 | DF8 |
| 2019 | 225,000 | 4.000 | 1.480 | 110.269 | DG6 |
| 2020 | 260,000 | 1.500 | 1.650 | 99.252 | DH4 |
| 2021 | 280,000 | 2.000 | 1.860 | 100.817 | DJ0 |
| 2022 | 295,000 | 2.000 | 2.040 | 99.731 | DK7 |
| 2023 | 315,000 | 5.000 | 2.220 | 120.778 | DL5 |
| 2024 | 340,000 | 5.000 | 2.400 | 121.385 | DM3 |
| 2025 | 370,000 | 5.000 | 2.550 | 121.915 | DN1 |
| 2026 | 400,000 | 5.000 | 2.730 | 120.120[C] | DP6 |
| 2027 | 430,000 | 3.000 | 3.090 | 99.086 | DQ4 |
| 2028 | 455,000 | 3.000 | 3.210 | 97.749 | DR2 |
| 2029 | 485,000 | 3.000 | 3.330 | 96.283 | DS0 |
| 2030 | 510,000 | 3.250 | 3.450 | 97.643 | DT8 |
| 2031 | 530,000 | 3.250 | 3.510 | 96.801 | DU5 |
| 2032 | 545,000 | 3.250 | 3.560 | 96.031 | DV3 |
| 2033 | 565,000 | 3.375 | 3.600 | 97.008 | DW1 |
| 2034 | 585,000 | 3.500 | 3.640 | 98.072 | DX9 |
| 2035 | 605,000 | 3.500 | 3.670 | 97.584 | DY7 |

[C] Priced to the par call date of August 1, 2025.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

***Use of Official Statement.*** This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the City or the Underwriter. This Official Statement and the information contained herein are subject to completion or amendment without notice.

***No Offering Except by This Official Statement.*** No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations relating to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Underwriter.

***No Unlawful Offers or Solicitations.*** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

***Estimates and Projections.*** When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

***Information in Official Statement.*** The information set forth in this Official Statement has been furnished by the City and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by the City.

***Bond Insurance***. Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX F - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

***Underwriter's Disclaimer***. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

***Document Summaries.*** All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

***No Securities Laws Registration.*** The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

***Effective Date.*** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the City, or the other parties described in this Official Statement, or the condition of the property within the City since the date of this Official Statement.

***Website***. The City maintains a website. However, the information presented on the website is not incorporated by reference or part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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# CITY OF MARINA

## City Council

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

## City Officials and Staff

Layne P. Long, City Manager
Lauren Lai, Finance Director

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# PROFESSIONAL SERVICES

### Bond and Disclosure Counsel

Jones Hall, A Professional Law Corporation
*San Francisco, California*

### Financial Advisor

Fieldman, Rolapp & Associates, Inc.
*Irvine, California*

### Underwriter's Counsel

Nossaman, LLP
*Irvine, California*

### Bond Registrar, Transfer Agent, And Paying Agent

MUFG Union Bank, N.A.
*San Francisco, California*

### VERIFICATION AGENT

Grant Thornton
*Minneapolis, Minnesota*

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## OFFICIAL STATEMENT

### $7,640,000
### CITY OF MARINA
### 2015 General Obligation Refunding Bonds

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the bonds captioned above (the "**Bonds**") by the City of Marina, California (the "**City**"). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Paying Agent Agreement (as defined below).

## INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

***The City***. The City is located in Monterey County, California (the "County"), situated along the Pacific Ocean on the Monterey Peninsula, adjacent to the City of Seaside and unincorporated Monterey County. The City is an area of approximately 9.6 square miles and is located approximately 75 miles south of San Jose, 110 miles south of San Francisco, 8 miles north of the City of Monterey and 8 miles west of the City of Salinas in the Central Coast region of California. Monterey County is bordered on the north by Santa Cruz County, on the east by San Benito County and Kings County and on the south by San Luis Obispo County. The City's population is estimated at 20,268 as of January 2014.

See "APPENDIX A - FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF MARINA AND MONTEREY COUNTY" and "APPENDIX B - FISCAL YEAR 2013-14 BASIC FINANCIAL STATEMENTS," for demographic and financial information regarding the City.

***Purpose of the Issuance***. The Bonds are being issued to refinance all of the City's outstanding City of Marina (County of Monterey) General Obligation Bonds, Election of 2002, Series 2005 issued on June 30, 2005 in the original aggregate principal amount of $8,000,000 (the "**Prior Bonds**"), which are currently outstanding in the aggregate principal amount of $7,885,000. See "REFINANCING PLAN."

***Authority for Issuance***. The Bonds are being issued under Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "**Bond Law**"), a resolution adopted by the City Council of the City (the "**City Council**") on April 7, 2015 (the "**Bond**

**Resolution**") and a Paying Agent Agreement, dated as of May 1, 2015 (the "**Paying Agent Agreement**"), between the City and MUFG Union Bank, N.A., as paying agent (the "**Paying Agent**").

***Prior Bonds***. The issuance of the Prior Bonds was approved by more than two-thirds of the qualified voters in the City voting at a municipal election on November 5, 2002, authorizing the issuance of not to exceed $8,000,000 principal amount of bonds to finance construction of a new library facility. See "THE BONDS - Authority for Prior Bonds."

***Security and Sources of Payment for the Bonds***. The Bonds are general obligations of the City payable solely from *ad valorem* property taxes levied by the City and collected by the County. The City Council is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the City, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See "SECURITY FOR THE BONDS."

***Bond Insurance.*** The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. See "BOND INSURANCE" and "APPENDIX F – Specimen Municipal Bond Insurance Policy."

***Payment and Registration of the Bonds***. The Bonds will be dated their date of original issuance and delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple of $5,000, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described below. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS" and "APPENDIX E - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest on the Bonds accrues from the Dated Date and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2016. See "THE BONDS - Description of the Bonds."

***Early Redemption*****.** The Bonds are subject to optional and mandatory sinking fund redemption prior to their maturity as described in "THE BONDS - Redemption."

***Tax Matters***. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also, in the opinion of Bond Counsel, interest on the Bonds will be exempt from State of California (the "**State**") personal income taxes. See "LEGAL MATTERS – Tax Exemption" herein.

***Other Information.*** This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the City Clerk, 211 Hillcrest Avenue, Marina, California 93933, (831) 884-1278. The City may impose a charge for copying, mailing and handling.

## REFINANCING PLAN

### Purpose of Issue

The net proceeds of the Bonds will be used to defease and refund all of the Prior Bonds.

### Refunding Plan

The City will deliver the net proceeds of the Bonds to MUFG Union Bank, N.A., as the paying agent for the Prior Bonds (the "**Prior Bonds Paying Agent**"), for deposit into an escrow fund (the "**Escrow Fund**") established under the Irrevocable Refunding Instructions to be dated the date of delivery of the Bonds (the "**Refunding Instructions**"), from the City to the Prior Bonds Paying Agent, as described below.

The Prior Bonds are currently outstanding in the aggregate principal amount of $7,885,000.

On the date of issuance of the Bonds (the "**Closing Date**"), the City will cause to be transferred to the Prior Bonds Paying Agent for deposit into the Escrow Fund the amount of $7,641,984.06 derived from proceeds of the Bonds, together with $587,745.94 held by the City for a total deposit of $8,229,730.00. The amount which is deposited will be held in cash, uninvested and will be sufficient to pay principal and interest coming due on the redemption date. Under the Refunding Instructions, the City will irrevocably direct the Prior Bonds Paying Agent to apply moneys in the Escrow Fund to pay the principal of and interest on the Prior Bonds coming due on August 1, 2015, and to redeem the Prior Bonds coming due after August 1, 2015 on August 1, 2015. The redemption price will be equal to the par amount of the Prior Bonds together with accrued interest to the redemption date, without premium. On the Closing Date, as a result of the deposit of funds in the Escrow Fund as described above, the Prior Bonds will be defeased, and all liability of the City with respect to them will be discharged.

Sufficiency of the deposit in the Escrow Fund for the purposes of the Prior Bonds Paying Agreement will be verified by Grant Thornton, Minneapolis, Minnesota (the "**Verification Agent**"). See "VERIFICATION OF MATHEMATICAL ACCURACY" below.

***Excess Moneys in Escrow Fund***. Following payment and redemption in full of all of the Prior Bonds on August 1, 2015, the Prior Bonds Paying Agent shall withdraw any amounts remaining on deposit in the Escrow Fund and transfer those amounts to the Paying Agent, to be deposited in the Bond Service Fund established under the Paying Agent Agreement, and applied to pay a portion of the next interest coming due and payable on the Bonds.

***Limited Use of Moneys in the Escrow Fund****. The amounts held by the Prior Bonds Paying Agent in the Escrow Fund are pledged solely to the payment of the Prior Bonds. Neither the funds deposited in the Escrow Fund nor the interest on any invested funds will be available for the payment of debt service on the Bonds.*

## SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds will be applied as follows:

| | |
|---|---|
| **Sources of Funds** | |
| Principal Amount of Bonds | $7,640,000.00 |
| *Plus*: Net Original Issue Premium | 211,970.15 |
| Remaining Construction Fund | 407,911.43 |
| Debt Service Fund | 179,834.51 |
| Total Sources | $8,439,716.09 |
| | |
| **Uses of Funds** | |
| Deposit to Escrow Fund | $8,229,730.00 |
| Deposit to Costs of Issuance Fund (1) | 209,986.09 |
| Total Uses | $8,439,716.09 |

*(1) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, Paying Agent, Escrow Bank, bond insurance premium, if any, verification agent and the rating agency.*

## THE BONDS

### Authority for Issuance

The Bonds are being issued to defease and redeem the Prior Bonds under the Bond Law, the Resolution and the Paying Agent Agreement.

### Description of the Bonds

***Book-Entry Form.*** The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"). Purchasers of the Bonds (the "**Beneficial Owners**") will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice.

The Paying Agent, the City, and the Underwriter of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds. See “APPENDIX E - DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

***Maturities.*** The Bonds shall mature and become payable as to principal on August 1 of the years and in the amounts set forth on the inside cover page hereof.

***Interest.*** Interest on the Bonds is payable semiannually on February 1 and August 1 of each year (each, an “**Interest Payment Date**”), commencing February 1, 2016.

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

1. a Bond is authenticated as of an Interest Payment Date, in which event it will bear interest from such date,

2. a Bond is authenticated prior to an Interest Payment Date and after the close of business on the $15^{th}$ day of the month preceding the Interest Payment Date (each, a “**Record Date**”), in which event it will bear interest from such Interest Payment Date,

3. a Bond is authenticated on or before July 15, 2015, in which event it shall bear interest from the Closing Date, or

4. at the time of authentication of a Bond, interest is in default thereon, in which event it will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

***Denominations.*** The Bonds shall be issued in the denomination of $5,000 each or any integral multiple of $5,000.

**Payment**

Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check mailed on the applicable Interest Payment Date to the registered owner thereof (the “**Owner**”) at such Owner’s address as it appears on the registration books maintained by the Paying Agent at the close of business on the $15^{th}$ day of the month preceding the Interest Payment Date, provided that an Owner of $1,000,000 or more aggregate principal amount of the Bonds, or the Owner of all of the Bonds at the time Outstanding, shall, at his or her option, receive payment of interest by wire transfer to an account in the United States of America designated by such Owner to the Paying Agent no later than the $15^{th}$ day of the month preceding the applicable Interest Payment Date.

Principal of and premium (if any) on the Bonds is payable in lawful money of the United States of America upon presentation and surrender at the principal office of the Paying Agent.

## Redemption

***Optional Redemption.*** The Bonds maturing on or before August 1, 2025 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after August 1, 2026, are subject to redemption prior to their respective maturity dates, as a whole or in part on any date, as designated by the City, and, absent any such designation, in inverse order of maturities and by lot within a maturity from money provided at the option of the City, in each case on and after August 1, 2025, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

***Redemption Procedure.*** The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the registration bonds maintained by the Paying Agent and to the Securities Depositories and the Municipal Securities Rulemaking Board. Such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Bonds. The Paying Agent will not mail any notice of redemption until it has sufficient moneys on deposit to pay the redemption price of all Bonds to be redeemed; provided, however, that such restriction will not apply when the Bonds are redeemed with the proceeds of another obligation of the City; and provided further that in the event the Bonds are being redeemed with such proceeds, the City will have the right to cancel the notice of redemption by providing written notice of such cancellation to the Paying Agent at least seven Business Days prior to the date set for redemption.

Such notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and will require that such Bonds be then surrendered at the principal office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. In the event term bonds are redeemed in part, the City will deliver a revised sinking fund schedule to the Paying Agent.

***Partial Redemption.*** Upon surrender of Bonds redeemed in part only, the City will execute and the Paying Agent will authenticate and deliver to the Owner, at the expense of the City, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

***Effect of Redemption.*** From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Bond Resolution other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

**Registration, Transfer and Exchange of Bonds**

If the book-entry system as described above and in Appendix E is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

***Registration Books.*** The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds “”, which will at all times be open to inspection by the City upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Bonds.

***Transfer.*** Any Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Paying Agent, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Whenever any Bond or Bonds are surrendered for transfer, the City will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

***Exchange.*** Bonds may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The Paying Agent will require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

**Defeasance**

The City has the option to pay and discharge the entire indebtedness on all or any portion of the outstanding Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding and designated for defeasance, as and when the same become due and payable;

(b) by depositing with the Paying Agent, in trust, at or before maturity, money which, together with, in the event of a discharge of all of the Bonds, the amounts then on deposit in the funds provided for in the Debt Service Fund and the Bond Service Fund is fully sufficient to pay such Bonds Outstanding and designated for defeasance, including all principal, interest and redemption premiums; or

(c) by irrevocably depositing with the Paying Agent, in trust, cash and Federal Securities in such amount as the City shall determine as confirmed in writing by an independent certified public accountant will, together with the interest to accrue thereon and, in the event of a discharge of all of the Bonds, moneys then on deposit in the Debt Service Fund and the Bond Service Fund, be fully sufficient to pay and discharge the indebtedness on such Bonds Outstanding and designated for defeasance (including all principal, interest and redemption premiums) at or before their respective maturity dates.

"**Federal Securities**" means United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

## DEBT SERVICE SCHEDULE

The following table shows the semi-annual and annual debt service schedule with respect to the Bonds (assuming no optional redemptions).

**CITY OF MARINA**
**2015 GENERAL OBLIGATION REFUNDING BONDS**
**DEBT SERVICE SCHEDULE**

| Payment Date | Bonds Principal | Bonds Interest | Total Bonds Debt Service | Annual Debt Service |
|---|---|---|---|---|
| 2/1/2016 | - | $187,329.84 | $187,329.84 | |
| 8/1/2016 | $85,000 | 130,190.63 | 215,190.63 | 402,520.47 |
| 2/1/2017 | - | 128,915.63 | 128,915.63 | |
| 8/1/2017 | 165,000 | 128,915.63 | 293,915.63 | 422,831.26 |
| 2/1/2018 | - | 126,440.63 | 126,440.63 | |
| 8/1/2018 | 195,000 | 126,440.63 | 321,440.63 | 447,881.26 |
| 2/1/2019 | - | 124,490.63 | 124,490.63 | |
| 8/1/2019 | 225,000 | 124,490.63 | 349,490.63 | 473,981.26 |
| 2/1/2020 | - | 119,990.63 | 119,990.63 | |
| 8/1/2020 | 260,000 | 119,990.63 | 379,990.63 | 499,981.26 |
| 2/1/2021 | - | 118,040.63 | 118,040.63 | |
| 8/1/2021 | 280,000 | 118,040.63 | 398,040.63 | 516,081.26 |
| 2/1/2022 | - | 115,240.63 | 115,240.63 | |
| 8/1/2022 | 295,000 | 115,240.63 | 410,240.63 | 525,481.26 |
| 2/1/2023 | - | 112,290.63 | 112,290.63 | |
| 8/1/2023 | 315,000 | 112,290.63 | 427,290.63 | 539,581.26 |
| 2/1/2024 | - | 104,415.63 | 104,415.63 | |
| 8/1/2024 | 340,000 | 104,415.63 | 444,415.63 | 548,831.26 |
| 2/1/2025 | - | 95,915.63 | 95,915.63 | |
| 8/1/2025 | 370,000 | 95,915.63 | 465,915.63 | 561,831.26 |
| 2/1/2026 | - | 86,665.63 | 86,665.63 | |
| 8/1/2026 | 400,000 | 86,665.63 | 486,665.63 | 573,331.26 |
| 2/1/2027 | - | 76,665.63 | 76,665.63 | |
| 8/1/2027 | 430,000 | 76,665.63 | 506,665.63 | 583,331.26 |
| 2/1/2028 | - | 70,215.63 | 70,215.63 | |
| 8/1/2028 | 455,000 | 70,215.63 | 525,215.63 | 595,431.26 |
| 2/1/2029 | - | 63,390.63 | 63,390.63 | |
| 8/1/2029 | 485,000 | 63,390.63 | 548,390.63 | 611,781.26 |
| 2/1/2030 | - | 56,115.63 | 56,115.63 | |
| 8/1/2030 | 510,000 | 56,115.63 | 566,115.63 | 622,231.26 |
| 2/1/2031 | - | 47,828.13 | 47,828.13 | |
| 8/1/2031 | 530,000 | 47,828.13 | 577,828.13 | 625,656.26 |
| 2/1/2032 | - | 39,215.63 | 39,215.63 | |
| 8/1/2032 | 545,000 | 39,215.63 | 584,215.63 | 623,431.26 |
| 2/1/2033 | - | 30,359.38 | 30,359.38 | |
| 8/1/2033 | 565,000 | 30,359.38 | 595,359.38 | 625,718.76 |
| 2/1/2034 | - | 20,825.00 | 20,825.00 | |
| 8/1/2034 | 585,000 | 20,825.00 | 605,825.00 | 626,650.00 |
| 2/1/2035 | - | 10,587.50 | 10,587.50 | |
| 8/1/2035 | 605,000 | 10,587.50 | 615,587.50 | 626,175.00 |
| **Total** | $7,640,000 | $3,412,739.39 | $11,052,739.39 | $11,052,739.39 |

## SECURITY FOR THE BONDS

### Ad Valorem Taxes

***Bonds Payable from Ad Valorem Property Taxes.*** The Bonds are general obligations of the City, payable solely from *ad valorem* property taxes levied by the City and collected by the County. The City is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the City subject to taxation by the City, without limitation of rate or amount (except certain personal property which is taxable at limited rates).

***Levy and Collection.*** The City will levy and the County will collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into the 2015 Debt Service Fund (the "**Debt Service Fund**") for the Bonds, which is maintained by the City as a separate fund distinct from all other funds of the City and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due.

On each January 28 and July 28, commencing July 28, 2015, the City shall transfer to the Paying Agent moneys on deposit in the Debt Service Fund for application by the Paying Agent on the next succeeding Interest Payment Date to the payment of principal (including by mandatory sinking fund redemption) of and interest on the Bonds.

After each January 28 and July 28, after making the transfers to the Paying Agent described above, amounts on deposit in the Debt Service Fund may also be used to pay the City's administrative costs with respect to the Bonds, including but not limited to the fees and expenses of the Paying Agent and the City's direct administrative costs and overhead. In determining the amount needed for deposit in the Debt Service Fund in each Bond Year, the City shall include such administrative costs, and the amounts used to pay or reimburse such administrative costs shall not exceed the amounts so levied and collected.

Property taxes within the City are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property. The County does not participate in the Alternative Method Distribution of Tax Levies and Collections (also known as the "Teeter Plan"), so secured property taxes actually collected are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the City, when the secured property taxes are actually collected. See "PROPERTY TAXATION - Tax Levies and Delinquencies."

***Annual Tax Rates.*** The amount of the annual *ad valorem* tax levied by the City to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the City and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the City may cause the annual tax rate to fluctuate.

Economic and other factors beyond the City's control, such as economic recession, deflation of land values, a relocation out of the City or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood or other natural disaster, could cause a reduction in the assessed value within the City and necessitate a corresponding increase in the annual tax rate.

### Bond Service Fund

Pursuant to the Paying Agent Agreement, the Paying Agent will establish the 2015 Bond Service Fund (the "**Bond Service Fund**"), which will be established as a separate fund. The City will transfer amounts in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, to the Paying Agent on each January 28 and July 28, commencing July 28, 2015, for deposit in the Bond Service Fund. The moneys on deposit in the Bond Service Fund shall be used solely to pay principal and interest on the Bonds when due.

If, after payment in full of the Bonds, any amounts remain on deposit in the Bond Service Fund, the Paying Agent shall transfer such amounts to the City for deposit to its general fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

### Limited Obligation

The Bonds are payable solely from the proceeds of an *ad valorem* tax levied by the City, and collected by the County, for the payment of principal and interest on the Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt of the County.

## PROPERTY TAXATION

### Property Tax Collection Procedures

In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state assessed public utilities' property and property, the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and March 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

### Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property," a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

### Assessed Valuation

***Assessed Valuation History.*** The table below shows a ten-year history of the City's assessed valuation.

**Table 1**
**CITY OF MARINA**
**Assessed Valuations of All Taxable Property**
**Fiscal Years 2005-06 to 2014-15**

| | Local Secured | Utility | Unsecured | Total |
|---|---|---|---|---|
| 2005-06 | $1,062,651,185 | $ 15,716 | $45,416,171 | $1,108,083,072 |
| 2006-07 | 1,207,621,137 | 13,851 | 51,945,010 | 1,259,579,998 |
| 2007-08 | 1,391,902,857 | 8,280 | 55,649,017 | 1,447,560,154 |
| 2008-09 | 1,495,449,119 | 1,751,180 | 62,699,715 | 1,559,900,014 |
| 2009-10 | 1,431,252,881 | 1,750,918 | 63,296,922 | 1,496,300,721 |
| 2010-11 | 1,376,208,973 | 1,751,886 | 61,094,165 | 1,439,055,024 |
| 2011-12 | 1,372,085,949 | 1,754,041 | 60,037,387 | 1,433,877,377 |
| 2012-13 | 1,371,499,660 | 0 | 57,668,881 | 1,429,168,541 |
| 2013-14 | 1,418,248,413 | 0 | 57,344,875 | 1,475,593,288 |
| 2014-15 | 1,515,813,610 | 0 | 58,325,346 | 1,574,138,956 |

*Source: California Municipal Statistics Inc.*

### Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in Tax Rate Area 12-004 (which corresponds to $964,920,393 of assessed valuation, which is 61.3% of the City's total assessed valuation) for each $100 of assessed valuation during the fiscal years 2010-11 through 2014-15.

**Table 2**
**CITY OF MARINA**
**Summary of Ad Valorem Tax Rates**
**$1 per $100 of Assessed Valuation**
**Fiscal Years 2010-11 to 2014-15**
**(Tax Rate Area 12-004)**

| Ad Valorem Tax | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---|---|---|---|---|
| General | $1.000000 | $1.000000 | $1.000000 | $1.000000 | $1.000000 |
| City of Marina | .032130 | .031560 | .032200 | .032802 | .032564 |
| Monterey Peninsula Comm. College Dist. | .021460 | .052360 | .050332 | .037081 | .055245 |
| Total Tax Rate | $1.053590 | $1.083920 | $1.082532 | $1.069883 | $1.087809 |

*Source: California Municipal Statistics, Inc.*

## Tax Levies and Delinquencies

The following table shows tax charges, collections and delinquencies for secured property in the City. Because the County does not participate in the Teeter Plan, secured property taxes actually collected are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the City, when the secured property taxes are actually collected.

**Table 3**
**CITY OF MARINA**
**Secured Tax Charges and Delinquencies**
**Fiscal Years 2009-10 to 2013-14**

| | Secured Tax Charge (1) | Amt. Del. June 30 | % Del. June 30 |
|---|---|---|---|
| 2009-10 | $1,719,614.00 | $52,018.77 | 3.03% |
| 2010-11 | 1,674,616.00 | 34,467.30 | 2.06 |
| 2011-12 | 1,614,675.00 | 27,882.67 | 1.73 |
| 2012-13 | 1,669,902.00 | 25,498.89 | 1.53 |
| 2013-14 | 1,700,894.00 | 18,925.51 | 1.11 |

| | Secured Tax Charge (2) | Amt. Del. June 30 | % Del. June 30 |
|---|---|---|---|
| 2009-10 | $434,651.00 | $9,257.92 | 2.13% |
| 2010-11 | 461,994.00 | 6,769.12 | 1.47 |
| 2011-12 | 453,444.00 | 4,516.86 | 1.00 |
| 2012-13 | 437,058.00 | 4,358.87 | 1.00 |
| 2013-14 | 460,634.00 | 4,343.60 | 0.94 |

(1) 1% General Fund apportionment.
(2) City's general obligation bond debt service levy.
*Source: California Municipal Statistics, Inc.*

## Major Taxpayers

The following table shows the twenty largest taxpayers in the City as determined by their secured assessed valuations in 2014-15.

**Table 4**
**CITY OF MARINA**
**Largest 2014-15 Local Secured Taxpayers**

| | Property Owner | Primary Land Use | 2014-15 Assessed Valuation | % of Total (1) |
|---|---|---|---|---|
| 1. | Shea Marina Village LLC | Shopping Center | $ 41,527,337 | 2.74% |
| 2. | Target Corporation | Shopping Center | 24,565,518 | 1.62 |
| 3. | Wal-Mart Real Estate Business Trust | Commercial | 23,099,380 | 1.52 |
| 4. | Shea Homes LP | Residential Development | 22,298,336 | 1.47 |
| 5. | Cypress Marina Heights LP | Residential Development | 21,183,271 | 1.40 |
| 6. | Marina Community Partners LLC | Residential Development | 21,111,663 | 1.39 |
| 7. | LV44 LP | Apartments | 20,512,649 | 1.35 |
| 8. | Cemex Inc. | Industrial – Mining | 17,188,463 | 1.13 |
| 9. | Michael J. Tate | Apartments | 16,347,361 | 1.08 |
| 10. | MDR-TMI LLC | Hotel/Motel | 13,607,305 | 0.90 |
| 11. | Ocean Lodging LLC | Hotel/Motel | 12,696,926 | 0.84 |
| 12. | Sierra Pacific Properties Inc. | Supermarket | 12,320,813 | 0.81 |
| 13. | Kohl's Department Stores Inc. | Shopping Center | 10,452,956 | 0.69 |
| 14. | University Village Associates | Apartments | 10,284,903 | 0.68 |
| 15. | Cypress Gates Inc. | Apartments | 9,450,367 | 0.62 |
| 16. | LV44 II LP | Apartments | 8,557,928 | 0.56 |
| 17. | ELS Properties Corporation | Shopping Center | 8,513,122 | 0.56 |
| 18. | William H. Brooks | Apartments | 8,298,218 | 0.55 |
| 19. | Shamrock Redwood Marina Park LLC | RV Park | 8,186,050 | 0.54 |
| 20. | Nelson A. and Susan J. Vega | Apartments | 7,967,251 | 0.53 |
| | | | $318,169,817 | 20.99% |

(1) 2014-15 Local Secured Assessed Valuation: $1,515,813,610.
*Source: California Municipal Statistics, Inc.*

## Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and effective April 1, 2015. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (2) the second column shows the percentage that the City's assessed valuation represents of the total assessed valuation of each public agency identified in the first column; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in the second column.

**Table 5**
**CITY OF MARINA**
**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT**
**(As of April 1, 2015)**

2014-15 Assessed Valuation:$1,574,138,956

| DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: | % Applicable | Debt 4/1/15 | |
|---|---|---|---|
| Hartnell Joint Community College District | 0.085% | $ 100,262 | |
| Monterey Peninsula Community College District | 5.385 | 6,093,906 | |
| Monterey Peninsula Unified School District | 15.236 | 8,223,020 | |
| North Monterey County Unified School District | 0.589 | 179,292 | |
| Monterey County Water Resources Agency Benefit Assessment District, Zone 2C | 6.387 | 1,908,755 | |
| **City of Marina** | **100.000** | **8,170,000** | (1) |
| City of Marina Community Facilities District No. 2003-1 | 100.000 | 1,030,000 | |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | $25,705,235 | |
| | | | |
| DIRECT AND OVERLAPPING GENERAL FUND DEBT: | | | |
| Monterey County General Fund Obligations | 2.930% | $4,919,324 | |
| Monterey County Board of Education Certificates of Participation | 2.930 | 50,689 | |
| North Monterey County Unified School District Certificates of Participation | 0.589 | 73,036 | |
| **City of Marina Pension Obligation Bonds** | **100.000** | **1,995,000** | |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $7,038,049 | |
| Less: Monterey County supported obligations | | 1,616,576 | |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $5,421,473 | |
| | | | |
| GROSS COMBINED TOTAL DEBT | | $32,743,284 | (2) |
| NET COMBINED TOTAL DEBT | | $31,126,708 | |

(1) Excludes Bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:
**Direct Debt ($8,170,000) .................................................. 0.52%**
Total Direct and Overlapping Tax and Assessment Debt.... 1.63%
**Combined Direct Debt ($10,165,000) ............................. 0.65%**
Gross Combined Total Debt ............................................... 2.08%
Net Combined Total Debt .................................................. 1.98%

*Source: California Municipal Statistics, Inc.*

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the City for the payment thereof. See "THE BONDS" and "SECURITY FOR THE BONDS" above. Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 62, 111, and 218 and 1A, and certain other provisions of law discussed below are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the City to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the City to levy taxes for payment of the Bonds. The tax levied by the City for payment of the Bonds was approved by the City's voters in compliance with Article XIIIA and all applicable laws.

### Article XIIIA of the State Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIIIA to the State Constitution. Article XIIIA, as amended, limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) on bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

### Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

**Article XIIIB of the State Constitution**

In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIIIB which effectively limits the amount of such revenues those entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIIIB also does not limit appropriation of local revenues to pay debt service on Bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years.

If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

The City has never exceeded its appropriations limit. Because the issuance of the Bonds has been approved by the voters, the tax levy which is required to pay debt service on the Bonds is not subject to the limitations of Article XIIIB.

**Articles XIIIC and XIIID of the State Constitution**

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's general fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the general fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. If the City is unable to continue to collect these revenues, the services and programs funded with these revenues would have to be curtailed and/or the City's general fund might have to be used to support them. The City is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by the fees, charges and assessments in light of Proposition 218 or, if these services and programs are continued, which amounts (if any) would be used from the City's general fund to continue to support these activities.

Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's general fund.

On November 2, 2010, California voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act." Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article XIIIC define "taxes" that are subject to voter approval as "any levy, charge, or exaction of any kind imposed by a local government," with certain exceptions.

**Proposition 62**

Proposition 62 was adopted by the voters at the November 4, 1986, general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The City has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

**Proposition 1A**

Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

### Possible Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 62, 111, 218, 1A and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

## BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("**AGM**") will issue its Municipal Bond Insurance Policy for the Bonds (the "**Policy**"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX F of this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("**AGL**"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("**KBRA**") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("**Moody's**"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

*Current Financial Strength Ratings.*

On November 13, 2014, KBRA assigned an insurance financial strength rating of "AA+" (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). In February 2015, Moody's published a credit opinion under its new financial guarantor ratings methodology maintaining its existing rating and outlook on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

*Capitalization of AGM.*

At December 31, 2014, AGM's policyholders' surplus and contingency reserve were approximately $3,763 million and its net unearned premium reserve was approximately $1,769 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

*Incorporation of Certain Documents by Reference.*

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "**SEC**") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "**AGM Information**") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

*Miscellaneous Matters.*

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

## LEGAL MATTERS

### Tax Exemption

***Federal Tax Status.*** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

***Tax Treatment of Original Issue Discount and Premium.*** If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

***California Tax Status.*** In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

***Other Tax Considerations.*** Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

***Form of Opinion.*** A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C.

**Continuing Disclosure**

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City to the Municipal Securities Rulemaking Board by not later than April 1 after the end of each fiscal year of the City (currently June 30$^{th}$), commencing with the report for the 2014-15 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in "APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE," attached to this Official Statement. These covenants have been made in order to assist the Underwriter (as defined below) in complying with Securities Exchange Commission Rule 15c2-12 (the "**Rule**").

The City had previously entered into a disclosure undertaking under the Rule in connection with the issuance of the Prior Bonds. During the past five years, the City failed to comply with said disclosure undertaking. Specifically, the audited financial statements and annual reports were not filed on the Electronic Municipal Market Access ("**EMMA**").

In order to bring the City into compliance with respect to its disclosure undertakings, the City engaged Applied Best Practices, LLC, as dissemination agent (the "**Dissemination Agent**"). The Dissemination Agent filed all missing annual reports, audited financial statements and budget information for the past five years on EMMA as of March 30, 2015. The City is currently in compliance with its continuing disclosure undertakings. In order to ensure future compliance with the City's continuing disclosure undertakings, the City will continue to work with the Dissemination Agent.

Neither the County nor any other entity other than the City shall have any obligation or incur any liability whatsoever with respect to the performance of the City's duties regarding continuing disclosure.

### Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to the purchasers at the time of the original delivery of the Bonds. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's ability to receive ad valorem taxes or to collect other revenues or contesting the City's ability to issue and repay the Bonds.

## VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations provided to it on behalf of the City relating to the sufficiency of the amounts deposited in the Escrow Fund (together with interest earnings) to pay, when due, the principal (whether at maturity or upon prior redemption) interest and redemption premium requirements of the Prior Bonds being refunded. See "REFINANCING PLAN" above.

## RATINGS

Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("**S&P**") is expected to assign a rating of "AA" to the Bonds, based on the municipal bond insurance policy for the Bonds to be issued by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds. In addition, S&P has assigned an underlying rating to the Bonds of "A."

The City has furnished to S&P information and material which has not been included in this Official Statement. Generally, rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by the rating agencies. The ratings reflect only the view of such organization and an explanation of the significance of such rating may be obtained from S&P.

There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## FINANCIAL ADVISOR

The City has retained Fieldman, Rolapp & Associates, Inc. of Irvine, California, as financial advisor (the "**Financial Advisor**") in connection with the issuance, sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of, or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is an independent registered municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

## UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**") has agreed to purchase the Bonds at a price of $7,806,855.15 (which is equal to the aggregate principal amount of the Bonds ($7,640,000.00), plus a net original issue premium of $211,970.15, less an Underwriter's discount of $45,115.00). The Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement including the approval of certain legal matters by counsel and certain other conditions.

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering price may be changed from time to time by the Underwriter.

## EXECUTION

The execution and delivery of this Official Statement has been approved by the City Council.

**CITY OF MARINA**

By: /s/ Layne P. Long
City Manager

# APPENDIX A

# FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF MARINA AND MONTEREY COUNTY

## The City and the County

The City of Marina (the "**City**") is located in Monterey County (the "**County**"), situated along the Pacific Ocean on the Monterey Peninsula, adjacent to the City of Seaside and unincorporated Monterey County. The City encompasses an area of approximately 9.6 square miles and is located approximately 75 miles south of San Jose, 110 miles south of San Francisco, eight miles north of the City of Monterey and eight miles west of the City of Salinas. The City's population is estimated at 20,268 as of January 2014.

The County is bordered on the north by Santa Cruz County, on the east by San Benito County and Kings County, on the south by San Luis Obispo County and on the west by the Pacific Ocean. The County's population is estimated at 425,756 as of January 2014.

## Population

The following table shows population growth of the City, County, and State between 2008 and 2014.

**City of Marina, Monterey County and State of California**
**Population Estimates**
**2008-2014**

| Year | City of Marina | Monterey County | State of California |
|---|---|---|---|
| 2008 | 19,253 | 409,387 | 36,704,375 |
| 2009 | 19,449 | 413,590 | 36,966,713 |
| 2010 | 19,704 | 415,825 | 37,253,956 |
| 2011 | 19,759 | 416,968 | 37,427,946 |
| 2012 | 19,974 | 420,668 | 37,678,563 |
| 2013 | 20,137 | 422,754 | 37,984,138 |
| 2014 | 20,268 | 425,756 | 38,340,074 |

Source: *State of California, Department of Finance.*

**Employment and Industry**

The City is included in the Salinas Metropolitan Statistical Area ("**MSA**"). The unemployment rate in the Monterey County was 11.6% in February 2015, down from a revised 12.2% in January 2015, and below the year-ago estimate of 13.2%. This compares with an unadjusted unemployment rate of 6.8% for California and 5.8% for the nation during the same period. The following table shows employment by industry group and labor force figures for the County from 2009 to 2013, as well as employment and the unemployment rate in the County from 2009 to 2013. Annual figures are not yet available for calendar year 2014.

**SALINAS MSA**
**(Monterey County)**
**Employment and Unemployment**
**Annual Averages, 2009 through 2013[(1)]**
**(in thousands)**

| Industry Wage and Salary Employment | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Natural Resources and Mining | 200 | 200 | 200 | 200 | 200 |
| Total Farm | 42,800 | 45,100 | 46,300 | 48,200 | 50,700 |
| Construction | 4,600 | 4,100 | 3,800 | 4,100 | 4,400 |
| Manufacturing | 5,700 | 5,600 | 5,600 | 5,200 | 5,400 |
| Wholesale Trade | 4,900 | 4,900 | 4,900 | 5,200 | 5,100 |
| Retail Trade | 15,100 | 15,200 | 15,700 | 15,900 | 16,200 |
| Transportation, Warehousing and Utilities | 3,400 | 3,300 | 3,400 | 3,800 | 3,900 |
| Information | 1,700 | 1,700 | 1,600 | 1,500 | 1,600 |
| Finance and Insurance | 4,700 | 4,300 | 4,100 | 4,200 | 4,000 |
| Professional and Business Services | 10,900 | 11,500 | 11,500 | 11,300 | 11,200 |
| Educational and Health Services | 15,800 | 15,700 | 15,600 | 16,200 | 16,900 |
| Leisure and Hospitality | 20,300 | 20,000 | 20,200 | 21,200 | 21,800 |
| Other Services | 4,600 | 4,600 | 4,600 | 4,700 | 4,800 |
| Government | 32,600 | 32,600 | 31,700 | 31,300 | 30,200 |
| Total Wage and Salary | 167,200 | 169,000 | 169,100 | 172,800 | 176,500 |
| Civilian Labor Force[(2)] | 215,500 | 220,800 | 221,600 | 223,100 | 221,600 |
| Civilian Employment | 190,200 | 192,800 | 193,800 | 197,500 | 199,100 |
| Unemployment | 25,300 | 28,000 | 27,800 | 25,600 | 22,400 |
| Unemployment Rate | 11.7% | 12.7% | 12.5% | 11.5% | 10.1% |

(1) Totals may not equal sum of component parts due to rounding, and certain labor categories not included. All information updated per March 2010 Benchmark.
(2) Based on place of residence.
Source: *State of California Employment Development Department, March 2010 Benchmark.*

The following table lists the largest employers within the County.

**Monterey County**
**April 2015 Major Employers**
**(Listed Alphabetically)**

| Employer | Location | Industry |
|---|---|---|
| Azcona Harvesting | Greenfield | Harvesting-Contract |
| Breast Care Ctr | Monterey | Clinics |
| Bud of California | Soledad | Fruits & Vegetables-Growers & Shippers |
| California State University | Seaside | Schools-Universities & Colleges Academic |
| Casa Palmero | Pebble Beach | Hotels & Motels |
| Chiropractic Health Center Monterey | Carmel | Chiropractors DC |
| D’Arrigo Brothers Co | Salinas | Fruits & Vegetables-Growers & Shippers |
| Dole Fresh Vegetables Co | Soledad | Food Products & Manufacturers |
| Hilltown Packing Co | Salinas | Harvesting-Contract |
| Mann Packing Co | Salinas | Fruits & Vegetables-Growers & Shippers |
| Misionero Vegetables | Gonzales | Fruits & Vegetables-Growers & Shippers |
| Monterey Cnty Social Svc Cmmtt | Salinas | County Government-Social/Human Resources |
| Monterey Cnty Social Svc Dept | Salinas | County Government-Social/Human Resources |
| Monterey County Office Edu | Salinas | Schools |
| Monterey Peninsula College | Monterey | Schools-Universities & Colleges Academic |
| Natividad Medical Ctr | Salinas | Hospitals |
| Naval Postgraduate School | Monterey | Schools-Universities & Colleges Academic |
| Pebble Beach Co | Pebble Beach | Resorts |
| Pebble Beach Resorts | Pebble Beach | Resorts |
| Salinas Valley Meml Healthcare | Salinas | Hospitals |
| Social Services Dept | Salinas | Senior Citizens Service Organizations |
| Southern Monterey County Meml | King City | Hospitals |
| Taylor Farms | Salinas | Fruits & Vegetables-Growers & Shippers |
| US Defense Dept | Seaside | Federal Government-National Security |
| US Defense Manpower Data Ctr | Seaside | Government Offices-Us |

Source: *State of California Employment Development Department, extracted from The America’s Labor Market Information System (“ALMIS”) Employer Database, 2015 2nd Edition.*

## Construction Activity

Provided below are the building permits and valuations for the City and the County for calendar years 2009 through 2013, which is the last year for which such information is available. Annual Figures are not yet available for calendar year 2014.

**City of Marina**
**Total Building Permit Valuations**
**(valuations in thousands)**

| Permit Valuation | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| New Single-family | $183.3 | $0.0 | $0.0 | $0.0 | $80.0 |
| New Multi-family | 0.0 | 0.0 | 0.0 | 0.0 | 11,900.0 |
| Res. Alterations/Additions | 1,929.8 | 1,435.0 | 591.8 | 2,791.4 | 1,168.9 |
| Total Residential | $2,113.1 | $1,435.0 | $591.8 | $2,791.4 | $13,148.9 |
| New Commercial | $3,966.4 | $0.0 | $4.7 | $449.6 | $4,757.4 |
| New Industrial | 0.0 | 297.7 | 0.0 | 0.0 | 0.0 |
| New Other | 1,111.0 | 2,584.2 | 0.0 | 0.0 | 243.9 |
| Com. Alterations/Additions | 5,798.3 | 11,042.9 | 798.5 | 1,215.2 | 771.6 |
| Total Nonresidential | $10,875.7 | $13,924.8 | $803.2 | $1,664.8 | $5,772.9 |
| New Dwelling Units | | | | | |
| Single Family | 1 | 0 | 0 | 0 | 1 |
| Multiple Family | 0 | 0 | 0 | 0 | 129 |
| Total | 1 | 0 | 0 | 0 | 130 |

Source: *California Homebuilding Foundation, California Building Industry Association.*

**Monterey County**
**Total Building Permit Valuations**
**(valuations in thousands)**

| Permit Valuation | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| New Single-family | $44,924.7 | $55,857.3 | $63,217.2 | $76,468.0 | $75,564.4 |
| New Multi-family | 11,632.7 | 28,302.0 | 5,859.7 | 19,151.0 | 31,054.8 |
| Res. Alterations/Additions | 59,417.1 | 58,784.8 | 70,358.0 | 58,433.6 | 62,204.0 |
| Total Residential | $115,974.5 | $142,944.1 | $139,434.9 | $154,052.6 | $168,823.2 |
| New Commercial | $13,202.3 | $16,844.9 | $8,519.5 | $37,979.3 | $55,263.7 |
| New Industrial | 0.0 | 0.0 | 1,494.4 | 4,403.6 | 1,822.1 |
| New Other | 19,660.5 | 12,208.0 | 872.2 | 1,330.0 | 12,582.1 |
| Com. Alterations/Additions | 64,578.4 | 57,074.8 | 11,413.3 | 58,093.9 | 47,622.1 |
| Total Nonresidential | $97,441.2 | $86,127.7 | $22,299.4 | $101,806.8 | $117,290.0 |
| New Dwelling Units | | | | | |
| Single Family | 118 | 118 | 130 | 106 | 190 |
| Multiple Family | 95 | 167 | 26 | 131 | 252 |
| Total | 213 | 285 | 156 | 237 | 442 |

Source: *California Homebuilding Foundation, California Building Industry Association.*

## Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and non-tax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the median household effective buying income for the City, the County, the State and the United States from 2009 to 2013. The effective buying income for 2014 calendar year is not yet available.

**City of Marina, Monterey County, California and United States**
**Effective Buying Income**
**2009 through 2013**

| Year | Area | Total Effective Buying Income (000's Omitted) | Median Household Effective Buying Income |
|---|---|---|---|
| 2009 | City of Marina | $367,480 | $44,201 |
| | Monterey County | 7,883,583 | 48,203 |
| | California | 844,823,319 | 49,736 |
| | United States | 6,571,536,768 | 43,252 |
| 2010 | City of Marina | $341,025 | $41,612 |
| | Monterey County | 7,920,354 | 49,171 |
| | California | 801,393,027 | 47,177 |
| | United States | 6,365,020,076 | 41,368 |
| 2011 | City of Marina | $343,245 | $41,657 |
| | Monterey County | 7,637,341 | 46,950 |
| | California | 814,578,458 | 47,062 |
| | United States | 6,438,704,664 | 41,253 |
| 2012 | City of Marina | $347,008 | $40,429 |
| | Monterey County | 7,810,921 | 46,881 |
| | California | 879,041,706 | 47,062 |
| | United States | 6,438,677,694 | 41,253 |
| 2013 | City of Marina | $356,385 | $40,413 |
| | Monterey County | 8,215,141 | 45,519 |
| | California | 922,868,344 | 47,307 |
| | United States | 6,737,909,508 | 41,358 |

Source: *The Nielsen Company, Inc.*

**Commercial Activity**

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables.

Total taxable sales during calendar year 2013 in the City were reported to be $186,989,000, a 3.98% increase over the total taxable sales of $179,823,000 reported during calendar year 2012. Figures are not yet available for the 2014 calendar year.

**City of Marina**
**Taxable Transactions**
**Number of Permits and Valuation of Taxable Transactions**
**(dollars in thousands)**

| | Retail Stores | | Total All Outlets | |
|---|---|---|---|---|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 2009 | 226 | $157,953 | 343 | $168,256 |
| 2010 | 228 | 165,955 | 349 | 177,680 |
| 2011 | 225 | 164,551 | 343 | 176,459 |
| 2012 | 216 | 167,146 | 340 | 179,832 |
| 2013 | 228 | 176,067 | 352 | 186,989 |

Source: *California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).*

Total taxable sales during the calendar year 2013 in the County were reported to be $5.910 billion a 4.84% increase over the total taxable sales of $5.637 billion reported during calendar year 2012. Figures are not yet available for the 2014 calendar year.

**Monterey County**
**Annual Taxable Transactions**
**Number of Permits and Valuation of Taxable Transactions**
**(dollars in thousands)**

| | Retail Stores | | Total All Outlets | |
|---|---|---|---|---|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 2009 | 6,880 | $3,255,804 | 10,125 | $4,705,845 |
| 2010 | 6,921 | 3,423,370 | 10,204 | 4,955,562 |
| 2011 | 6,953 | 3,680,776 | 10,268 | 5,312,732 |
| 2012 | 6,911 | 3,927,095 | 10,184 | 5,637,445 |
| 2013 | 7,133 | 4,137,019 | 10,389 | 5,910,531 |

Source: *California State Board of Equalization, Taxable Sales in California (Sales & Use Tax)*

## Agricultural Production

The County's economy is largely based on agriculture, and the County for many years has been a national leader in the value of annual agricultural production. Agriculture is a significant industry and a major employer in the County.

The County is the major agribusiness, crop processing and shipping center for the region. The following table sets forth the gross production value by category of various agricultural products from 2009 through 2013. Annual figures are not yet available for calendar year 2014.

**Monterey County**
**Leading Crops and Total Agricultural Production**
**2009 through 2013**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Field Crops | $14,972,000 | $15,230,000 | $16,824,000 | $19,338,000 | $19,990,000 |
| Seed Crops | 9,306,000 | 9,404,000 | 9,984,000 | 8,550,000 | 8,803,000 |
| Vegetable Crops | 2,631,763,000 | 2,677,072,000 | 2,596,683,000 | 2,557,772,000 | 2,833,775,000 |
| Fruit and Nut Crops | 1,042,685,000 | 987,693,000 | 914,685,000 | 1,057,684,000 | 1,159,589,000 |
| Nursery Products | 294,572,000 | 266,121,000 | 260,703,000 | 307,543,000 | 312,346,000 |
| Livestock and Poultry | 40,374,000 | 49,893,000 | 54,468,000 | 53,126,000 | 45,024,000 |
| Apiary | 46,200 | 242,000 | 228,000 | 204,000 | 195,000 |
| Total | $4,033,718,200 | $4,005,655,000 | $3,853,575,000 | $4,004,217,000 | $4,379,722,000 |

Source: *Monterey County Department of Agriculture*

## Municipal Government

The City incorporated on November 13, 1975 and operated as a general law city under a Council-Manager form of government until 1998 when the City became a charter city. The City Council includes a Mayor elected every two years and Council members (two of whom are elected every two years) elected to staggered four-year terms, all elected at large.

The City Manager is the chief executive officer to whom six department heads report. Water and sewer services are provided by a special district, the Marina Coast Water District. The City provides the following types of services as authorized by its charter: public safety, public works, culture, and community development. Services include police protection, fire protection, animal control, building safety regulation and inspection, street lighting, beautification, land use planning and zoning, housing and community services, maintenance and improvement of streets and related structures, traffic safety maintenance and improvement and a full range of recreational and cultural programs for its citizens.

The City is primarily a residential community, with commercial and light industrial enterprises, as well as local governmental offices. The City's actual general fund expenditures, excluding interfund transfers out, for 2013-14 were $17,359,015. Taxable property in the City has a 2014-15 local secured assessed valuation of $1,515,813,610 and a total secured and unsecured assessed valuation of 1,574,138,956.

## CITY FINANCES

*The information in this section concerning the operations of the City and the City's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the City. The Bonds are payable from the proceeds of an ad valorem tax levied by the City in an amount sufficient for the payment thereof. Amounts in the City's general fund are not pledged to the payment of the Bonds. See "THE BONDS" and "SECURITY FOR THE BONDS" above.*

### Accounting Policies and Financial Reporting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The basis of accounting for all funds is more fully explained in the "Notes to Financial Statements" contained in Appendix B.

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she shall determine, examines the combined financial statements of the City in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published. The City's Independent Auditor's Report for fiscal year 2013-14 was prepared by Mann, Urrutia, Nelson CPAs & Associates LLP, Sacramento, California. Mann, Urritia, Nelson has not been requested to consent to the use or to the inclusion of its report in this Official Statement and has not reviewed this Official Statement.

See "APPENDIX B – FISCAL YEAR 2013-14 BASIC FINANCIAL STATEMENTS – Note (1) Summary of Significant Accounting Policies" for a description of the significant accounting policies of the City.

### General Fund Financial Summary

The City's general fund finances the legally authorized activities of the City for which restricted funds are not provided. General fund revenues are derived from such sources as taxes, fees, use of money and property, and aid from other governmental agencies. Audited financial statements for the City for the fiscal year ended June 30, 2014 and earlier are available for download on the City's website located at www.ci.marina.ca.us/index.aspx?nid=212. *The citation to internet websites in this Official Statement are for reference and convenience only, the information contained within the websites is not incorporated herein by reference.*

The audited information contained in the following tables is excerpted from the City's general fund financial statements for fiscal years 2011-12 through 2013-14, the three most recent fiscal years for which audited financial statements are available.

**Table A-9**
**CITY OF MARINA**
**General Fund Statement of Revenues, Expenditures and Changes in Fund Balances**
**Fiscal Years 2011-12 through 2013-14**

| | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes | $10,893,271 | $11,217,950 | $12,065,087 |
| Fines and Penalties | 187,808 | 189,423 | 195,743 |
| Licenses and Permits | 189,415 | 277,547 | 444,470 |
| Investment Earnings | 54,237 | 30,124 | 23,597 |
| Charges for Services, Grants & Other Program Revenues | 3,215,947 | 3,410,0660 | 4,295,004 |
| Other General Revenues | 122,609 | 96,392 | 32,054 |
| *Total Revenues* | 14,663,287 | 15,222,098 | 17,055,955 |
| **EXPENDITURES** | | | |
| General Government | 3,192,945 | 2,152,687 | 2,333,193 |
| Public Safety | 9,686,188 | 9,690,258 | 10,209,287 |
| Public Works | 1,507,338 | 1,730,841 | 1,983,541 |
| Economic and Community Development | 977,720 | 1,680,546 | 1,324,932 |
| Recreation and Cultural Services | 871,059 | 881,518 | 891,308 |
| Debt Service - Principal Retirement | 400,000 | 440,000 | 485,000 |
| Debt Service - Interest and Other Debt Service Costs | 174,655 | 154,524 | 131,754 |
| *Total Expenditures* | 16,809,905 | 16,730,374 | 17,359,015 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | (2,146,618) | (1,508,278) | (303,060) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Interfund Transfers In | 2,061,758 | 639,154 | 655,679 |
| Interfund Transfers (Out) | (701,281) | (264,991) | (108,270) |
| *Total Other Financing Sources (Uses)* | 1,360,477 | 374,163 | 547,409 |
| Special Item - Sale of Real Property | - | - | 1,068,800 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES, OTHER USES & SPECIAL ITEM | (786,141) | (1,134,115) | 1,313,149 |
| Beginning Fund Balance | 8,703,400 | 7,917,259 | 6,091,225 |
| Prior Period Adjustment | - | (691,919) | - |
| Ending Fund Balance | $7,917,259 | $6,091,225 | $7,404,374 |

*Source: City of Marina, Basic Financial Statements for fiscal years 2011-12 through 2013-14.*

**Table A-10**
**CITY OF MARINA**
**General Fund Balance Sheet**
**June 30 of Fiscal Years 2011-12 through 2013-14**

| | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|
| **Assets** | | | |
| Cash and investments | $8,152,985 | $6,087,966 | $7,251,381 |
| Cash (Restricted) | 54 | 54 | 57 |
| Prepaid Expenditures | - | 6,000 | 12,000 |
| Accrued Receivables | 1,717,470 | 1,893,376 | 2,057,338 |
| Due from Fiduciary Funds | 194,169 | 194,169 | 243,713 |
| Due from Other funds (short-term cash flow loans) | - | 65,945 | 226,648 |
| Advances to other funds | 75,000 | 75,000 | 75,000 |
| *Total Assets* | 10,139,678 | 8,322,510 | 9,866,137 |
| | | | |
| **Liabilities** | | | |
| Accounts payable and accrued payroll | 1,128,119 | 996,727 | 1,165,294 |
| Other Accrued Payables | 631,988 | 395,546 | 411,305 |
| Deposits and Other Liabilities | 19,475 | 354,570 | 313,884 |
| Unearned revenue | 78,460 | 89,982 | 102,434 |
| Advances from Other Funds (Long-Term) | 50,000 | 50,000 | 50,000 |
| *Total Liabilities* | 1,908,042 | 1,886,825 | 2,042,917 |
| | | | |
| **Deferred Inflows of Resources** | | | |
| Unavailable Revenue - State of CA SB-90 Claims | 314,377 | 344,460 | 418,846 |
| *Total Deferred Inflows* | 314,377 | 344,460 | 418,846 |
| | | | |
| **Equity** | | | |
| Fund Balances: | | | |
| Nonspendable | 269,169 | 269,169 | 545,361 |
| Restricted | 175,172 | 178,246 | 180,782 |
| Committed | 200,000 | 200,000 | 200,000 |
| Unassigned | 7,272,918 | 5,443,810 | 6,478,231 |
| *Total fund balances* | 7,917,259 | 6,091,225 | 7,404,374 |
| | | | |
| **Total liabilities, Deferred Inflows and fund balance** | $10,139,678 | $8,322,510 | $9,866,137 |

*Source: City of Marina, Basic Financial Statements for fiscal years 2011-12 to 2013-14.*

The following table shows the City's fiscal year 2014-15 General Fund budget figures.

**Table A-11**
**CITY OF MARINA**
**General Fund Budget**
**Fiscal Year 2014-15**

| | **2014-15** |
|---|---|
| **REVENUES** | |
| Taxes | $11,633,200 |
| Charges for Services | 2,680,372 |
| Other Revenues | 715,175 |
| Income from Other Govt Units | 672,800 |
| Transfers from Other Funds | 568,420 |
| License & Permits | 371,500 |
| Fines & Forfeitures | 183,600 |
| Use of Money & Property | 169,000 |
| *Total Revenues* | 16,994,067 |
| | |
| **EXPENDITURES** | |
| City Council | $15,950 |
| Administration/Human Resources/Risk Management | 652,500 |
| City Attorney | 179,000 |
| Economic Development Division | 235,200 |
| Non-Departmental | 746,100 |
| Conveyance | 381,400 |
| Finance | 755,800 |
| Police | 7,657,450 |
| Animal Control/Vehicle Abatement | 133,000 |
| Fire | 2,837,700 |
| CDD - Planning Services | 603,850 |
| Recreation and Cultural Services | 925,100 |
| CDD - Engineering Services | 598,000 |
| CDD - Building inspection | 388,600 |
| CDD - Buildings & Grounds | 1,054,450 |
| CDD - Vehicle Maintenance | 265,300 |
| *Total Expenditures* | 17,429,400 |
| | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (435,333) |

*Source: City of Marina.*

## General Fund Revenue Sources

General fund revenues include property taxes, property tax in lieu of motor vehicle taxes, sales taxes, transient occupancy taxes and franchise taxes, State subventions, grants, charges for services and other program revenues. General fund revenues for fiscal year 2013-14 were derived as follows:

| | General Fund Only 2013-14 |
|---|---|
| **REVENUES** | |
| Charges for services and program revenues | $4,935,216 |
| Property taxes and property tax in lieu of motor vehicle taxes | 4,595,757 |
| Sales tax | 4,588,760 |
| Transient occupancy tax | 2,154,023 |
| Franchise taxes | 726,548 |
| Miscellaneous revenues | 1,780,130 |
| *Total Revenues** | $18,780,434 |

* Total Revenues in this table includes transfer-in ($655,679) and sale of real property ($1,068,800) (see "Other Financing Sources" on Table A-9).

***Charges for Services***. Charges for services, such as rents, fees, licenses, permits, special assessments and program revenues made up $4.9 million of the City's general fund revenues. The City received rents totaling $2.9 million from its ownership of Abrams B Apartments and $1.7 million from Preston Park.

***Property Taxes and Property Taxes in Lieu of Motor Vehicle Taxes***. Property taxes and property taxes in lieu of motor vehicle taxes are the City's second largest source of general fund revenue, totaling nearly $4.6 million in fiscal year 2013-14.

***Sales Tax***. On November 2, 2010, voters in the City approved temporarily raising the sales tax rate by 1% for the purpose of preserving funds for general city services such as police, fire, street repair, parks maintenance and recreation and community programs. On November 4, 2014, voters in the City extended the temporary 1% sales tax for an additional ten years until March 31, 2026. Sales tax made up nearly $4,600,000 of the City's General Fund revenues for fiscal year 2013-14. Recent passage of the 1% sales tax and the increase in transient occupancy tax improved and stabilized the City's revenues.

The State collects and administers sales tax, and makes distributions on taxes collected within the City as follows:

**Table A-12**
**CITY OF MARINA**
**Sales Tax Rates**

| | |
|---|---|
| As of October 1, 2014: | |
| State General Fund | 7.50% |
| Monterey County | 0.125 |
| City of Marina Transaction and Use Tax | 1.00 |
| **Total** | 8.625% |

*Source: California State Board of Equalization.*

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California State Board of Equalization. According to the State Board of Equalization, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's quarterly tax allocation as a starting point, the Board first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The State Board of

Equalization disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

Under the Sales and Use Tax Law, all sales and use taxes collected by the State Board of Equalization under contract with any city, city and county, redevelopment agency, or county are required to be transmitted by the Board of Equalization to such city, city and county, redevelopment agency, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

The Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

***Transient Occupancy Tax***. On November 2, 2010, voters in the City approved temporarily raising the transient occupancy tax rate to 12% for the purpose of preserving funds for general city services such as police, fire, street repair, parks maintenance and recreation and community programs. On November 4, 2014, voters in the City approved eliminating the termination date of the temporary transient occupancy tax rate increase, permanently setting the rate at 12%. Transient occupancy tax made up nearly $2,200,000 of the City's General Fund revenues for fiscal year 2013-14.

***Increase in General Fund Revenues Over 2012-13 Revenues***. General fund revenues in fiscal year 2013-14, excluding interfund transfers, increased by $4.6 million over fiscal year 2012-13. This increase was due to a $400,000 increase in property taxes due to an improving economy and increased assessed values, $900,000 increase in rents, service changes and fees and development agreements, $1,900,000 increase in impact fees paid by developers to mitigate the effects of new developments on City infrastructure, $150,000 increase in sales taxes and $200,000 increase in transient occupancy taxes and a one-time real property sale of $1,100,000.

***Stabilization of Revenues***. The City has been successful in stabilizing revenues through the extension of the temporary 1% sales tax through March 31, 2026 and the passage of the transient occupancy tax in perpetuity. The City has undergone a development boom and expects increases of property taxes, transient occupancy taxes and sales tax through the development of:

• The Dunes at Monterey Bay – The Dunes is a master planned community. The next phase includes 933 residential units, 187,000 square feet of commercial space and 400 total hotel rooms, expected to be built out by 2025. At build out, this next phase will employ an estimated 625 people and house 2,300 residents, providing additional tax revenues to the City of an estimated $2.3 million annually. Under construction at The Dunes are the following projects:

- The grand opening of six production homes of two new Shea Homes communities took place on March 28, 2015. This first phase will consist of 332 residential units.

- A $75 million 140,000 square foot Veteran Affairs Marina Health Care Clinic is expected to open in spring 2016. The VA Clinic will be leased to the federal government by a private developer, so the City will receive property tax revenue. Over 20,000 patients will be served and the VA clinic will provide 100 new professional jobs, generating a new stream of sales taxes in the City.

- A Cinemark five-screen theater with approximately 23,000 square feet of retail adjacent to the theaters will open in September 2015.

- Promontory Point – a 585-bed California State University Monterey Bay student housing complex is opening in fall 2015.

- University Villages Housing – a 108 affordable housing complex was completed in 2014.

- Marriott is constructing a $20 million 108-room Springhill Suites at The Dunes, anticipated to open in fall 2016.

• The Marina Heights project is planned for 1,050 market rate residential units and 35 acres of parks, greenbelts and open space, to be located on a 248-acre former Army site. The project is fully entitled with approximately $85 million of infrastructure. The developer is expecting to break ground in summer 2015 and pull building permits in fall of 2015.

• A 90-room Hampton Inn & Suites is planned to break ground in late 2015, with a projected opening in fall 2016.

• The City is undertaking the revitalization of the 225-acre downtown district to include commercial, residential, recreational and civic uses.

• The Marina Municipal Airport is the newest general aviation airport on the Monterey Peninsula. The 845-acre airport is dedicated to general aviation, business, light industry and recreational uses. The Marina Municipal Airport is collaborating with the University of California MBEST Center to create a new research and technology center.

**Defined Benefit Pension Plan**

The City contributes to the California Public Employees Retirement System ("**PERS**"), a cost-sharing multiple employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and city ordinance.

***Funding Status and Progress***. Prior to the passage of the California Public Employees Pension Reform Act ("**PEPRA**"), miscellaneous participants and public safety participants were required to contribute 7% and 9%, respectively, of their annual covered salary, while the City made the contributions required of City employees on their behalf and for their account. The

City's required contributions were determined actuarially as a percentage of covered payroll for Miscellaneous and Safety members, respectively, as follows:

| | Miscellaneous | Safety |
|---|---|---|
| 2007-08 | 12.173% | 30.038% |
| 2008-09 | 9.044 | 19.270 |
| 2009-10 | 8.902 | 18.813 |
| 2010-11 | 8.600 | 18.000 |
| 2011-12 | 10.059 | 24.112 |
| 2012-13 | 10.238 | 24.706 |

PEPRA implemented new benefit formulas and final compensation periods as well as new employee and employer contribution requirements for new employees hired on or after January 1, 2013. For the 2013-14 fiscal year, contribution rates for existing Miscellaneous and Safety members were 10.781% and 26.149%, respectively, and for new Miscellaneous and Safety members were 6.250% and 11.500%, respectively, for both the employee and the employer.

Contribution rates for fiscal year 2014-15 for existing Miscellaneous and Safety employees are projected to be 11.522% and 27.849%, respectively, while 6.250% and 11.500% employee/employer contribution rates will remain in effect until June 30, 2015. For fiscal year 2015-16 contribution rates for existing Miscellaneous and Safety members are projected to be 12.400% and 29.900%. Contribution rates for new members will be revised for the 2015-16 fiscal year.

The City's annual pension cost of $2,028,136 for PERS was equal to the City's required and actual contributions. The following table shows the City's annual pension cost for the prior three fiscal years:

| Fiscal Year | Annual Pension Cost (APC) | % of APC Contributed |
|---|---|---|
| 6/30/12 | $2,006,856 | 100% |
| 6/30/13 | 2,013,612 | 100 |
| 6/30/14 | 2,028,136 | 100 |

**Post-Employment Health Benefits**

PERS provides postemployment medical insurance benefits to retirees and theirs spouses who meet plan eligibility requirements in accordance with various labor agreements. Employees are eligible for postretirement medical benefits upon reaching age 50 with a minimum of five years of service. Retirees can enroll in any of the available PERS medical plans, and City-provided benefits continue for the life of the retiree and surviving spouse. The City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act ($101 per month for 2009, $105 per month in 2010, $108 per month in 2011, $112 per month in 2012, $115 per month in 2013, $119 per month in 2014, and is projected to be $122 in 2015, and, thereafter, monthly contributions will increase to reflect changes in the medical care component of the Consumer Price Index). Retirees must pay any premium amounts in excess of the City contribution. For each bargaining unit, the minimum amount the City contributes is pro-rated over the 20-year period starting from that unit's PERS coverage.

***City's Funding Policy***. The contribution requirements of plan members and the City are established and may be amended by the City Council. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due.) For fiscal year 2013-14, the City contributed $22,831 to the plan (100% of total current premiums). The City has not established a trust for the purpose of holding assets accumulated for plan benefits.

***Annual OPEB Cost and Net OPEB Obligation***. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the 2013-14 fiscal year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

| | |
|---|---|
| Annual Required Contribution (ARC) | $241,161 |
| Interest on Net OPEB Obligation | 37,800 |
| Adjustment to the ARC | -39,083 |
| Annual OPEB Cost | $239,878 |
| Less: Contributions made (pay-as-you-go cost) | -20,578 |
| Increase in net OPEB obligation | 219,300 |
| Net OPEB obligation - beginning of year | 844,580 |
| Net OPEB obligation - end of year | $1,063,880 |

Funded Status and Funding Progress: at June 30, 2014, the funded status of the Plan was as follows:

| | |
|---|---|
| Actuarial accrued liability (AAL) | $2,260,356 |
| Actuarial value of plan assets | 0 |
| Unfunded actuarial accrued liability (UAAL) | $2,260,356 |
| Funded ratio (actuarial value of plan assets/AAL) | 0% |
| Covered payroll (active plan members) | $8,696,119 |
| UAAL as percentage of covered payroll | 26% |

***Trend Information***. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2014 and the preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | % of Annual OPEB Cost Contributed | Cumulative Net OPEB Obligation |
|---|---|---|---|
| 6/30/10 | $205,257 | 4.75% | $195,497 |
| 6/30/11 | 224,416 | 5.22 | 408,184 |
| 6/30/12 | 244,877 | 5.77 | 638,925 |
| 6/30/13 | 221,072 | 6.97 | 844,580 |
| 6/30/14 | 239,878 | 8.58 | 1,063,880 |

See "APPENDIX B - FISCAL YEAR 2013-14 BASIC FINANCIAL STATEMENTS – Footnote 12" for healthcare cost trend assumptions and actuarial methods and assumptions.

**Redevelopment Agency Dissolution and Successor Agency Activities**

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012. On December 29, 2011, the California Supreme Court upheld ABx1 26.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

In addition, ABx1 26 and AB1484 direct the State Controller to review the activities of all redevelopment agencies and successor agencies to determine whether an asset transfer between a redevelopment agency and another public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency.

The legislation provided that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of State or local government. On January 10, 2012, the City Council elected to become the successor agency.

The City, in consultation with legal counsel, believes that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In a letter dated October 9, 2013, the California Department of Finance (DOF) ordered the City of Marina Successor Agency (Agency) to remit to the County Auditor-Controller $1,286,116, determined by the Department to be unencumbered funds in accordance with Health and Safety code Section 34170.6(f). The City disputed, and continues to dispute the Department’s determination of the amount of unencumbered funds and currently has pending a lawsuit against the Department on this matter.

On November 22, 2013, to avoid threatened legal action, the Agency remitted $583,719 to the Monterey County Auditor-Controller in partial payment of the amount demanded by DOF. In letters dated October 30, 2013 and November 22, 2013, the Agency reiterated its non-waiver of constitutional, statutory, legal, and equitable rights and expressly reserved any and all rights, privileges, and defenses available under law and equity. The lawsuit filed by the Agency against DOF remains pending.

As a result of the litigation, the court decided the Agency may retain $586,326, which was derived from land sale proceeds and previously transferred to the general fund. Additionally, the DOF issued a revised letter dated May 22, 2014, in which DOF ordered the

Agency to remit to the County Auditor-Controller $633,263 (composed of $583,719 prior payment to the County Auditor-Controller, $51,160 disallowable transfer less $1,616 reconciliation of beginning balances. On November 6, 2014, the Agency remitted the final payment of $49,544.

In conclusion, the DOF issued a letter dated November 12, 2014, stating the DOF has completed the Finding of Completion for the Marina Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Agency has made full payment of the amounts determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5.

Within the DOF Finding of Completion, the Agency may now place loan agreements between the former redevelopment agency and sponsoring entity of the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes and utilize proceeds derived from bonds issued prior to January 1, 2011, in a manner consistent with the original bond covenants.

See "APPENDIX B - FISCAL YEAR 2013-14 BASIC FINANCIAL STATEMENTS – Note 1."

**Long-Term Debt**

The following are the long-term debt issues outstanding following issuance of the Bonds:

***General Obligation Bonds***. The City issued its 1998 General Obligation Refunding Bonds in the aggregate principal amount of $780,000. The 1998 Bonds are expected to be redeemed in full from cash on hand on August 1, 2015.

***General Fund Obligation***. The City participated in an issue of California Statewide Community Development Authority 2007 General Obligation Bonds, due in annual installments of $15,000 to $625,000, plus accrued interest through June 2019, for the purpose of refinancing an unfunded CalPERS pension liability. Interest is payable semi-annually in June and December at 5.06% to 5.37% per annum. On June 30, 2014, the principal due was $1,995,000. The 2007 Bonds are payable from the City's General Fund.

***Revenue Bonds***. The City issued its 2006 Multifamily Housing Revenue Bonds for the purpose of financing the acquisition of the Abrams B Apartments. The 2006 Revenue Bonds are payable from revenues of the apartment project, not from the City's general fund.

**Capital Leases**

A schedule of future minimum lease payments pursuant to a capital lease for NGEN emergency communications equipment, together with present value of the minimum leases payments as of June 30, 2014 follows:

| Year Ending June 30 | Long-Term Debt |
|---|---|
| 2015 | $75,576 |
| 2016 | 57,577 |
| 2017 | 18,894 |
| | $170,047 |
| Less Interest | (5,515) |
| Principal Portion of Future Lease Payments | $164,532 |

## Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases liability, property, errors and omissions, and workers' compensation insurance from the Monterey Bay Area Self Insurance Authority (MBASIA), a risk-sharing program. Under this program, coverage is provided for up to a maximum of $20,000,000 for each general liability claim less the City's deductible of $10,000. Statutory coverage is provided for workers' compensation claims.

The City is assessed a contribution to cover claims, operating costs and claim settlement expenses based upon an actuarially determined rate for each coverage layer pool. Additional cash contributions may be assessed on the basis of adverse loss experience. If the events of the year result in a negative risk position, the members' annual assessment may be increased in subsequent years. The City is unable to reasonably estimate the probability of MBASIA ending the year in a negative risk position. Refunds to members may be made if funds are determined to be surplus as a result of an actuarial study.

The City currently reports liability risk management activities in the general fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Workers' compensation insurance costs are allocated to various departments proportionate to their total payroll. For the year ended June 30, 2014, the City paid a total of $1,138,399 to MBASIA for insurance coverage; $178,381 and $960,018 for liability and workers compensation insurance, respectively and did not receive a rebate from the program.

## Impact of State Budget on City Revenues

State budgets are affected by national and state economic conditions and other factors over which the City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. The following paragraphs contain descriptions of the State budget process, the current State budget situation, and the potential impacts on the City.

***The Budget Process***. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act requires approval by a simple majority. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the City and is not incorporated herein by reference.*

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.

- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

***Prior Years' Budgeting Techniques.*** Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although starting with fiscal year 2013-14, recent State budgets have been balanced and balanced budgets are projected for the foreseeable future, largely attributable to improvements in the general economy, the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012 statewide election, as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in prior years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

**2014-15 State Budget**

On June 20, 2014, Governor Brown approved the 2014-15 Budget Act (the **"2014-15 Budget"**), projecting $108 billion in General Fund revenues, which is $7.3 million more in General Fund revenues than in fiscal year 2013-14. The 2014-15 Budget is balanced and projects paying down more than $10 billion in unprecedented amounts of budgetary debt from past years, including paying down deferral of payments to schools by $5 billion, paying off Economic Recovery Bonds, repaying various special fund loans, and funding $100 million in mandate claims that have been owed to local governments since 2004. The budgetary deficit is projected to be reduced to below $5 billion by the end of 2016-17. The fiscal year begins with a 2014-15 State Budget reserve of $2 billion dollars, including $1.6 billion in the State's Budget Stabilization Account, also known as the State's rainy day fund. Temporary revenues provided by the passage of Proposition 30 (Sales and Income Tax Revenue Increase approved by State voters at an election held on November 8, 2011) and spending cuts have allowed for continued economic growth in the State. The 2014-15 State Budget also contains triggers allowing for additional spending, if various revenue benchmarks are exceeded. If revenues surpass certain estimates, then the Budget calls for more funds to be applied to higher education and to pay down debt. Certain highlights of the 2014-15 Budget are described below.

***Constitutional Amendment on November, 2014 Ballot: Rainy Day Fund.*** In November 2014, State voters approved a constitutional amendment which alter the State's requirements for the Budget Stabilization Account, the State's existing rainy day account, including:

- Require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of General Fund tax revenues, and set the maximum size of the Rainy Day Fund at 10% of the General Fund revenues.

- Require half of each year's deposit for the next 15 years be used for supplemental payments of debt or other long-term liabilities.

- Allow for withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years. The maximum amount that may be withdrawn in the first year of a recession would be limited to half of the Rainy Day Fund's balance.

- Require that the state provide a multiyear budget forecast to better manage the state's long-term finances.

- Create a Proposition 98 reserve, known as the Public School System Stabilization Account, where spikes in funding would be saved for future years. This is intended to smooth school spending and minimize future cuts to education funding.

***K - 12 Budget Adjustments.*** The 2014-15 State Budget includes total funding of $76.6 billion ($45.3 billion General Fund and $31.3 billion other funds) for all K-12 education programs. Prop. 98 funding has contributed $10 billion to the total funding amount and the 2014-15 State Budget provides $1,954 more per K-12 student in 2014-15 than was provided in 2011-12. The 2014-15 State Budget also provides $4.7 billion for the second year of implementing the Local Control Funding Formula and continues to commit most new funding to districts serving English language learners, students from low-income families, and youth in foster care.

***Higher Education and Healthcare.*** The 2014-15 State Budget includes total funding of $26.2 billion ($14.7 billion General Fund and local property tax and $11.5 billion other funds). It also provides for up to a 20 percent increase in General Fund appropriations over a four-year period. The 2014-15 Budget includes a 5 percent increase in 2014-15 for each university system, which equals $284 million total. Regarding healthcare, the state's adoption of the optional expansion of Medi-Cal under federal law known as the Affordable Care Act created major new spending commitments. The 2014-15 Budget assumes an additional Medi-Cal caseload of 2.5 million individuals and a rise in costs of $2.4 billion over fiscal year 2012-13.

***Emergency Drought Response.*** On January 17, 2014, Governor Brown proclaimed a state of emergency due to the severe drought conditions faced by the state. Legislation was enacted in February which provided $687.4 million to support drought relief. The 2014-15 Budget includes additional one-time resources to continue immediate drought-related efforts started in 2014, such as an increase of $53.8 million General Fund and $12.2 million other funds for firefighting efforts, and an increase of $18.1 million General Fund to aid in assessing water conditions and provide public outreach regarding water conservation.

***Numerous Factors Affecting Budget and Projections.*** The execution of the 2014-15 State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with spending reductions, including the elimination of redevelopment agencies, (iv) rising health care costs (v) large unfunded liabilities for retired State employee's pensions and healthcare, (vi) deferred maintenance of State's critical infrastructure and (vii) other factors, all or any of which could cause the revenue and spending projections made in 2014-15 State Budget to be unattainable. The City cannot predict the impact that the 2014-15 State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the City cannot predict the accuracy of any projections made in the State's 2014-15 State Budget.

The complete 2014-15 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The City can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Bonds

***Governor's Proposed 2015-16 State Budget***. On January 9, 2015, Governor Brown presented his proposed budget for the 2015-16 Fiscal Year (the "**2015-16 Proposed State Budget**"). The 2015-16 Proposed State Budget proposes a multiyear plan that is balanced, maintains a $3.4 billion reserve, and pays down budgetary debt from past years. Under the 2015-16 Proposed State Budget, funding levels for the K-12 LCFF will increase by $4 billion to $13,462 per pupil, and funding levels for workforce education and training will increased by $876 million. Funding is also increased for the University of California and California State University higher education systems. The 2015-16 Proposed State Budget includes a $115 million allocation from the State's General Fund to address the drought, and addresses deferred maintenance issues with $500 million from the State's General Fund.

The complete 2015-16 Proposed State Budget is available from the California Department of Finance website at www.dof.ca.gov. The City can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Bonds.

The execution of the 2015-16 Proposed State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (ii) litigation risk associated with proposed spending reductions, (iii) rising health care costs and (iv) other factors, all or any of which could cause the revenue and spending projections made in the 2015-16 Proposed State Budget to be unattainable. The City cannot predict the impact that the 2015-16 Proposed State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the City cannot predict the accuracy of any projections made in the 2015-16 Proposed State Budget.

***Uncertainty Regarding Future State Budgets***. The City cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets are affected by national and state economic conditions, political conditions and other factors over which the City has no control. The City cannot predict what impact any future budget proposals will have on the financial condition of the City. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budgets.

*The State has not entered into any contractual commitment with the City or the owners of the Bonds to provide State budget information to the City or the owners of the Bonds. Although the City believes the State sources of information listed above are reliable, the City assumes no responsibility for the accuracy of the State budget information set forth or referred to in this Official Statement.*

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# APPENDIX B

# FISCAL YEAR 2013-14 BASIC FINANCIAL STATEMENTS

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# *City of Marina, California*

**Basic Financial Statements**

***fiscal Year Ended June 30, 2014***

# CITY OF MARINA

Basic Financial Statements

Year Ended
June 30, 2014

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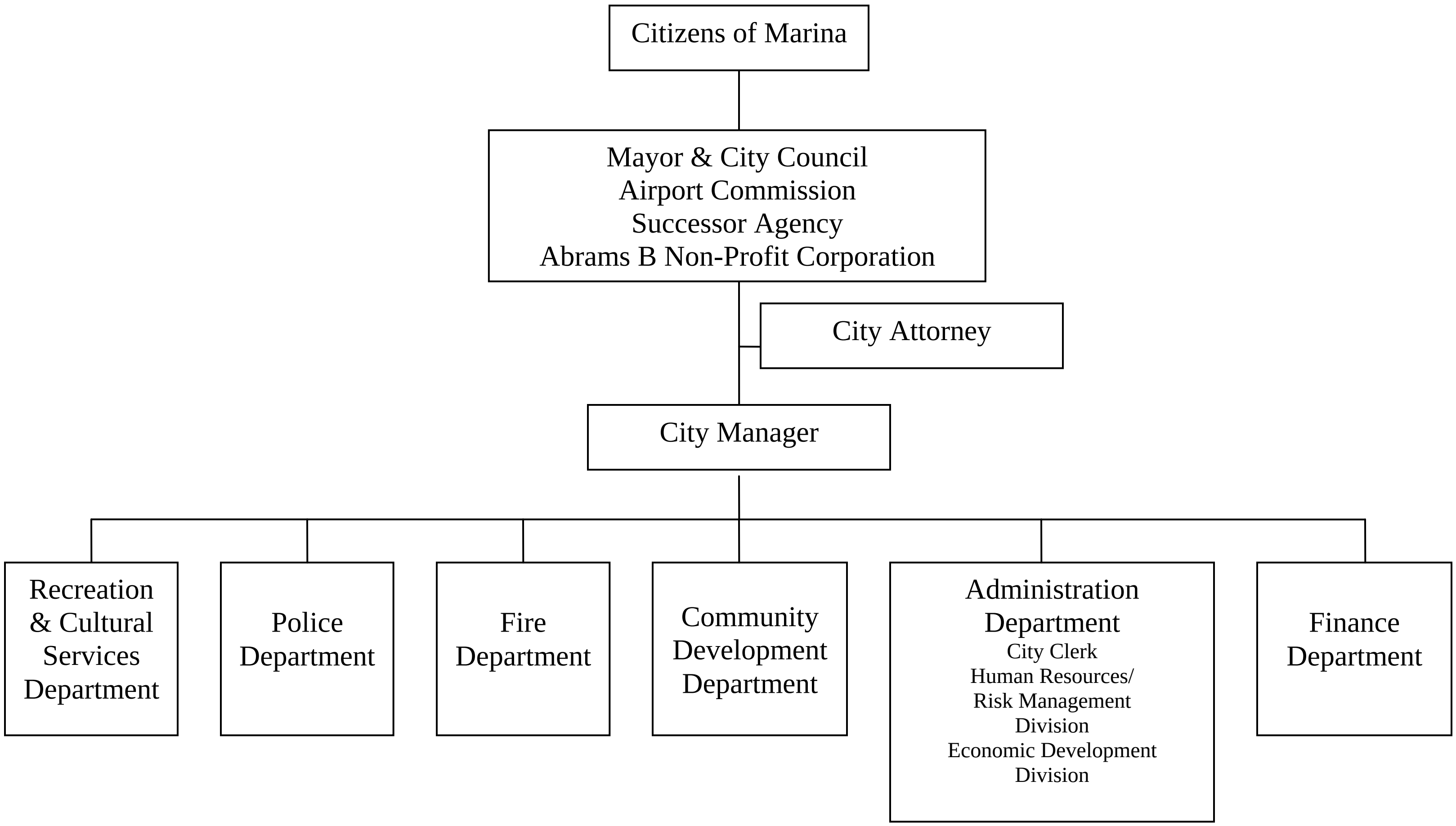
# INTRODUCTORY SECTION

# City of Marina – Organization Chart



# CITY OF MARINA, California

Basic Financial Statements
June 30, 2014

## Elected Officials

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

## Appointed Officials

| | |
|---|---|
| City Manager | Layne Long |
| Acting City Clerk | Anita Shepherd-Sharp |
| Finance Director | Lauren Lai, CPA |
| Police Chief | Edmundo Rodriguez |
| Fire Chief | Harald Kelley |
| Community Development Director | Christine diIorio |
| Recreation & Cultural Services Director | Terry Siegrist |

Prepared By: Lauren Lai, CPA

# FINANCIAL SECTION

# INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Marina, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marina as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marina, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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WWW.MUNCPAS.COM

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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 an opinion on the financial statements that collectively comprise the City of Marina's basic financial statements. The combining and individual nonmajor fund financial statements and the budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014, on our consideration of the City of Marina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Marina's internal control over financial reporting and compliance.

Mann Urrutia Nelson

Mann, Urrutia, Nelson CPAs & Associates LLP
Sacramento, California
December 8, 2014

CITY OF MARINA
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# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The City of Marina (the 'City') annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2014. It should be read in conjunction with the City's financial statements, which follow.

## FINANCIAL HIGHLIGHTS

- The City's net position at June 30, 2014 was $95,091,826, an increase of 1.7% from June 30, 2013, net position of $93,481,136. Management considers this to be a normal result of year-to-year operating activities.

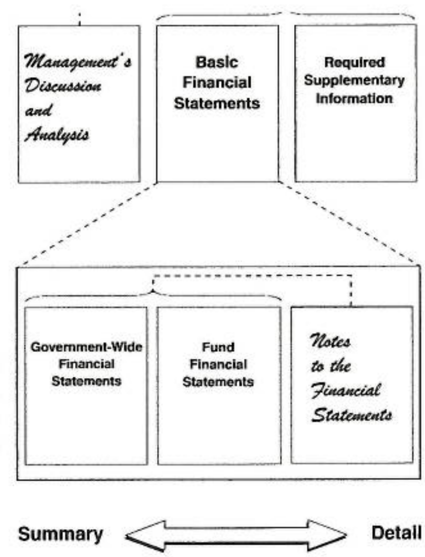
- During Fiscal 2013/14, City-wide revenues (excluding intra/interfund transfers) of $28.1 million exceeded City-wide total expenditures and expenses (excluding intra/interfund transfers) of $28.0 million by $150,000. Total FY 2013/14 revenues (excluding intra/interfund transfers) of $28.1 million increased by $4.6 million from the previous year total of $23.5 million due to: $1.9 million increase in impact fees paid by developers to mitigate the effects of new developments on City infrastructure and basic services; $0.9 million increased rents, service charges and fees, and development fee agreements (also see related increased expenditures); and one-time property sales totaling $1.1 million. At the same time, property tax revenues increased by about $0.4 million due to an improving economy and increased assessed values, while various other revenues increased in total by about $0.3 million. While City-wide revenues were increasing, City-wide FY 2013/14 expenditures also increased by $2.2 million, from $25.8 million in FY 2012/13 to $28 million in FY 2013/14. About $1.1 million of this increase resulted from higher capital improvement spending on the new development that generated increased impact fees and other projects, while costs related to management of fee agreements increased by about $0.3 million. On-going Public Safety expenditures and enterprise operating expenses made up the remaining increase in the amounts of $0.5 million and $0.3 million, respectively. Other City costs remained essentially unchanged from the previous fiscal year.

- On-going General Fund revenues comprise property, property tax in lieu of motor vehicle taxes, sales, transient occupancy taxes and franchise taxes; state subventions; grants; charges for services and other program revenues, and miscellaneous general revenues. General Fund revenues, excluding interfund transfers in, for fiscal year 2013/14 increased by $3.1 million, or 21% from the prior year. This increase was due to: a $0.4 million increase in property taxes; $0.9 million increased rents, service charges and fees, and development fee agreements; increases in sales and transient occupancy taxes of $0.15 million and $0.2 million respectively; and one-time real property sales totaling $1.1 million. Most other general fund revenues increased in smaller yet significant amounts.

- The cost of government activities naturally fluctuates from year-to-year. General Fund expenditures rose almost $0.8 million, or less than 0.5%, for FY 13-14 compared to FY 2012/13. This increase comprised $0.5, $0.2 and $0.3 million increases to public safety, economic development and public works respectively, offset by a $0.2 million decrease in general government costs. Most other expenditures remained essentially unchanged from the previous year. All changes in expenditures resulted from approved programs and are considered normal operating fluctuations by management.

- The City's General Fund reported a fund balance at June 30, 2014 of $8.8 million, reflecting a $1.5 million increase from the previous year balance of $7.3 million. This increase reflects the fact that revenues of $18.6 million (including interfund transfers in) exceeded expenditures of $17.1 million (including transfers out) by $1.5 million. Most of this resulted from one-time property sales of $1.1 million, plus enhanced revenues due to an expanding economy and resurgent development.

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




## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City.

- The fund financial statements focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements present general government services financed in the short term and balances available for future spending.
- Proprietary fund statements present financial information about Airport and Abrams B Housing activities, which the City operates and accounts for similar to a commercial business.

**Figure B. Major Features of the City's Government-wide and Fund Financial Statements**

| | | Fund Statements | | |
|---|---|---|---|---|
| *Type of Statements* | **Government-wide** | **Governmental Funds** | **Proprietary Fund** | **Fiduciary Funds** |
| *Scope* | Entire City (except fiduciary funds) including component unit | Activities of the City that are not proprietary or fiduciary | Activities the City operates similar to private businesses: Municipal Airport | Instances in which the City acts as fiduciary for someone else's resources |
| *Required financial statements* | • Statement of net position<br>• Statement of activities | • Balance sheet<br>• Statement of revenues, expenditures & changes in fund balances | • Statement of net position<br>• Statement of revenues, expenses and changes in fund net position<br>• Statement of cash flows | • Statement of fiduciary net position<br>• Statement of changes in fiduciary net position |
| *Accounting basis and measurement focus* | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| *Type of asset/liability information* | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can |
| *Type of inflow/outflow information* | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

The financial statements also include notes that further explain and provide more detail about some of the information in the financial statements. The financial statements are followed by a section of required supplementary information that further explains and supports the financial statement information. Figure A demonstrates how required parts of this annual report are arranged and shows how they relate to one another. Figure B summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

***Government-wide Statements*** report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the City's net position and how it has changed. Net position, the difference between the City's assets and liabilities (with respect to individual funds, this is commonly called 'Fund Balance'), helps to measure the City's financial health or position. Increases or decreases in the City's net position might, but does not necessarily, indicate whether its financial health is improving or deteriorating. To properly evaluate the City's overall health, one must also consider many nonfinancial factors such as the City Council's policies, goals and objectives; management's implementation plans; staffing levels; naturally-occurring changes in the City's revenue base and non-discretionary cost structure; and the local, state and national economies. This means that, on their own, neither net position nor the general fund and other fund balances necessarily indicate the health of the City. Rather, these amounts reflect the City's commitment to maintain essential government services and programs at acceptable levels and to meet new needs as they arise. The general fund balance of more than $8.8 million equals about half of a full year's recurring revenues.

The government-wide financial statements of the City include Governmental activities. Most basic City services are included here, such as legislative, general government, public safety, public works, economic & community development, recreation and cultural services, capital and infrastructure improvements and long-term debt service. Taxes, licenses and permits, charges for services, fines and penalties, operating and capital grants, rents and investment earnings, and revenues from other governments finance these activities. For additional information on the City's component units, see Note 1 in the City of Marina's Notes to Financial Statements.

***Fund Financial Statements*** provide detailed information about the City's most significant (Major) funds, not the City as a whole. Funds are fiscal accounting entities that track specific revenues and expenditures. Management creates funds to segregate and manage resources to carry on specific activities or demonstrate that restricted resources are properly utilized. Some funds are mandated by law (Streets Fund); some by bond covenants (Debt Service); some by special agreement (Assessment District Maintenance Funds); and some to better manage discrete activities (Impact Fee Fund). The City employs the following types of funds:

- Governmental - Most services are accounted for in governmental funds, focusing on (1) how cash and other assets that are readily convertible to cash flow in and out and (2) year-end balances available for spending. Governmental fund statements provide a detailed short-term view that shows the resources that can be spent in the near future on City programs. Because this information does not include the long-term focus of government-wide statements, management provides information to explain relationships among them.
- Proprietary - Airport operations and Abrams B Housing, for which the City measures results of operations similar to a commercial activity, are reported in the Marina Municipal Airport and Abrams B Housing enterprise funds. Proprietary funds, like government-wide statements, provide long and short-term financial information.

## SUMMARY FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Total net position of $95,091,826 at June 30, 2014 is detailed in Table 1. For management purposes, *this information is presented differently than in the financial statements: internal balances are not eliminated, and deferred revenues have not been recharacterized as 'Deferred Inflows,' as such recharacterization would require restatement of FY 2012/13 information which would render it inconsistent with previous years' presentations. Total net position is, of course, the same in both presentations.*

### Table 1

Net Position
(in thousands, rounded)

| | Governmental Activities 2014 | Governmental Activities 2013 | Business-type Activities 2014 | Business-type Activities 2013 | Total 2014 | Total 2013 |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash and Cash Equivalents | 18,588.4 | 17,103.6 | 5,147.9 | 5,344.5 | 23,736.3 | 22,448.1 |
| Prepaid Expenses | 12.0 | 6.0 | 533.0 | 1,086.9 | 545.0 | 1,092.9 |
| Internal Balances | 15,414.0 | 13,802.1 | 100.7 | 169.1 | 15,514.7 | 13,971.2 |
| Other Receivables | 2,551.7 | 2,738.1 | 86.6 | 28.3 | 2,638.3 | 2,766.4 |
| Fuel Inventory | - | - | 62.6 | 64.6 | 62.6 | 64.6 |
| Total Current Assets | 36,566.1 | 33,649.8 | 5,930.8 | 6,693.4 | 42,496.9 | 40,343.2 |
| Noncurrent Assets | | | | | | |
| Long-term Notes & Loans | 508.3 | 458.8 | 85.0 | 85.0 | 593.3 | 543.8 |
| Land, Bldgs & Equipment | 60,050.9 | 57,184.7 | 69,750.5 | 69,736.6 | 129,801.4 | 126,921.3 |
| (Accumulated Depreciation) | -19,166.2 | -17,694.9 | -12,733.0 | -11,686.4 | -31,899.2 | -29,381.3 |
| Total Noncurrent Assets | 41,393.0 | 39,948.6 | 57,102.5 | 58,135.2 | 98,495.5 | 98,083.8 |
| Total Assets | 77,959.1 | 73,598.4 | 63,033.3 | 64,828.6 | 140,992.4 | 138,427.0 |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Accounts Payable | 1,755.9 | 1,407.4 | 72.5 | 87.0 | 1,828.4 | 1,494.4 |
| Accrued Liabilities | 1,713.8 | 1489.0 | 337.2 | 332.5 | 2,051.0 | 1,821.5 |
| Unearned Revenue | 104.3 | 91.8 | 35.7 | 4.8 | 140.0 | 96.6 |
| Deposits & Other Liabilities | 313.9 | 354.6 | 27.0 | 17.0 | 340.9 | 371.6 |
| Internal Balances | 2,048.4 | 169.1 | 13,466.3 | 13,802.1 | 15,514.7 | 13,971.2 |
| Total Current Liabilities | 5,936.3 | 3,511.9 | 13,938.7 | 14,243.4 | 19,875.0 | 17,755.3 |
| Long-term Liabilities | | | | | | |
| Notes Payable | - | - | - | - | - | - |
| Unavailable Revenue | 2,013.1 | 1,938.7 | - | - | 2,013.1 | 1,938.7 |
| Leases Payable | 164.5 | 234.4 | - | - | 164.5 | 234.4 |
| Bonds | 22,575.0 | 23,720.0 | - | - | 22,575.0 | 23,720.0 |
| Compensated Absences | 1,273.0 | 1,297.5 | - | - | 1,273.0 | 1,297.5 |
| Total Long-term Liabilities | 26,025.6 | 27,190.6 | - | - | 26,025.6 | 27,190.6 |
| Total Liabilities | 31,961.9 | 30,702.5 | 13,938.7 | 14,243.4 | 45,900.6 | 44,945.9 |
| Net Position | 45,997.2 | 42,895.9 | 49,094.6 | 50,585.2 | 95,091.8 | 93,481.1 |
| Net Investment in Capital Assets | 20,295.1 | 18,664.8 | 43,551.3 | 45,577.7 | 63,846.4 | 64,242.5 |
| Restricted | 7,082.6 | 6,790.5 | - | - | 7,082.6 | 6,790.5 |
| Unrestricted | 18,619.5 | 17,440.6 | 5,543.3 | 5,007.5 | 24,162.8 | 22,448.1 |
| Total Net Position | 45,997.2 | 42,895.9 | 49,094.6 | 50,585.2 | 95,091.8 | 93,481.1 |

Government Accounting Standards Board (GASB) Statement No. 54 establishes categories of ending fund balance in Governmental Funds. 'Restricted' fund balances are balances of funds whose resources can only be used for purposes '...stipulated by constitution, external resource providers, or through enabling legislation'; for example, bond indentures and Gas Tax Laws. GASB claims the new categories enhance the usefulness of net position measurements by disclosing the extent to which a government must observe constraints imposed on the use of resources reported in governmental funds and the extent to which resources are available for discretionary purposes. Since most governmental funds contain resources that are limited in some fashion to a specific use, a significant portion of year-end fund balance is classified as 'Restricted' even though those resources are available for exactly the purpose for which they were obtained, rendering the GASB's classification scheme more obfuscating than illuminating.

**Changes in net position**. (Table 2)

- **REVENUES** Governmental Funds revenues, excluding intra/interfund transfers, for 2013/14 increased by about $4.4 million from the previous year, to $24 million from $19.6 million. The largest increases occurred in: one-time property sales, $1.1 million; development impact fees, $2 million; property taxes $0.4 million. Transient Occupancy, motor vehicle (Gas) and sales taxes each increased by about $0.2 million from the previous year, while other on-going revenues increased across-the-board largely due to an expanding economy. Total City-wide governmental fund revenues of $24 million included $5.1 million in property taxes and property taxes in-lieu of motor vehicle taxes; $8.0 million charges for services (costs passed along directly to the users who benefitted directly from services such as rents, fees, licenses, permits, special assessments and cost reimbursements); $1.2 million grants and donations; $0.9 million gas taxes: $4.6 million sales taxes; $2.2 million transient occupancy; $0.7 million franchise taxes; and $1.3 million in miscellaneous revenues. Enterprise operating revenues remained fairly stable from the prior year.

- **COSTS** Governmental Fund costs, excluding inter/intra-fund transfers, for 2013-14 were $23.5 million, up $1.9 million from $21.6 million for FY 2012/13. Public improvements - infrastructure and other long-term projects, accounted for $1.2 million of this increase, and the remaining $0.7 million was due to normal fluctuations in operating activities. Of the total $23.5 million, Public Safety (police, fire, animal control) accounted for $10.2 million, or 43.5%; Public Works $2.7 million or 11.4%; Public Improvements $3.2 million or 13.5%; debt service (excludes accrued bond interest) $2.3 million or 9.5%; Economic & Community Development $1.8 million or 7.6.%; Recreation $1.1 million or 4.5%. General Government (administration & Planning) expenditures amounted to about $2.2 million or 10.0% of the total. Enterprise costs remained essentially the same as the previous year.

## Table 2

Change in Net Position
(in thousands, rounded)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | 6,625.0 | 4,115.9 | 4,163.8 | 3,889.3 | 10,788.8 | 8,005.2 |
| Program Income | 2,608.5 | 1,920.7 | - | - | 2,608.5 | 1,920.7 |
| General Revenues: | | | | | | |
| Taxes | 13,403.8 | 12,370.0 | - | - | 13,403.8 | 12,370.0 |
| Other Revenues | 1,352.8 | 845.0 | 5.9 | 6.9 | 1,358.7 | 851.9 |
| Transfers In | 2,974.4 | 3,454.9 | 4.8 | 121.6 | 2,979.2 | 3,576.5 |
| Total Revenues | 26,964.5 | 22,706.5 | 4,174.5 | 4,017.8 | 31,139.0 | 26,724.3 |
| Expenditures | | | | | | |
| General Government | 2,333.3 | 2,609.5 | - | - | 2,333.3 | 2,609.5 |
| Public Safety | 10,209.2 | 9,690.3 | - | - | 10,209.2 | 9,690.3 |
| Planning | 734.2 | 432.3 | - | - | 734.2 | 432.3 |
| Economic Development | 1,066.6 | 1,048.7 | - | - | 1,066.6 | 1,048.7 |
| Recreation | 1.080.2 | 898.4 | - | - | 1,080.2 | 898.4 |
| Public Works | 2,686.1 | 2,590.1 | - | - | 2,686.1 | 2,590.1 |
| Public Improvements | 3,153.5 | 2,076.4 | - | - | 3,153.5 | 2,076.4 |
| Debt Service | 2,256.0 | 2,238.0 | - | - | 2,256.0 | 2,238.0 |
| Enterprise Operations | - | - | 4,491.0 | 4,179.2 | 4,491.0 | 4,179.2 |
| Transfers Out | 2,433.4 | 3,014.8 | 545.8 | 561.7 | 2,979.2 | 3,576.5 |
| Total Expenditures | 25,952.5 | 24,598.5 | 5,036.8 | 4,740.9 | 30,989.3 | 29,339.4 |
| Revenues Over (-)under Expenditures | 1,012.0 | -1,892.0 | -862.3 | -723.1 | 149.7 | -2,615.1 |
| Net Position Beginning | 42,895.9 | 44,844.5 | 50,585.2 | 51,308.3 | 93,481.1 | 96,152.8 |
| Prior Period Adjustment | - | - | -628.3 | | -628.3 | - |
| Capital Asset Contributions | - | - | - | - | - | - |
| Net Capital Assets incr(decr) | 1,394.8 | -686.7 | - | - | 1,394.8 | -686.7 |
| Debt (increase)decrease | 694.5 | 630.1 | - | - | 694.5 | 630.1 |
| Net Position Ending | 45,997.2 | 42,895.9 | 49,094.6 | 50,585.2 | 95,091.8 | 93,481.1 |

## GENERAL FUND BUDGET HIGHLIGHTS

The General Fund budget was revised during the year in response to program changes, in accordance with procedures established by the City Council when it adopted the original budget, as set forth in Table 3. Actual General Fund revenues were slightly greater than the final budget by $0.6 million, a negligible variance. Although slight functional variances existed, general fund expenditures varied immaterially from the amended budget.

### Table 3

General Fund Budget Changes & Actual-Budget Comparison
(in thousands, rounded)

| | Budget as Adopted | Council Approved Amendments | Budget as Amended | Actual | Favorable (-)Unfavorable Variance |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Taxes | 11,484.4 | 175.7 | 11,660.1 | 11,619.6 | -40.5 |
| Licenses & Permits | 490.3 | -2.0 | 488.3 | 445.5 | -42.8 |
| Fines & Penalties | 185.2 | -2.7 | 182.5 | 195.7 | 13.2 |
| Investment Earnings | 50.0 | - | 50.0 | 23.6 | -26.4 |
| Chrgs for Svcs/Program Rev | 2,994.3 | 871.3 | 3,865.6 | 4,644.1 | 778.5 |
| Other Revenues | 1,854.2 | -643.7 | 1,210.5 | 1,101.0 | -109.5 |
| Total Revenues | 17,058.4 | 398.6 | 17,457.0 | 18,029.5 | 572.5 |
| Expenditures | | | | | |
| General Government | 2,540.0 | 66.5 | 2,606.5 | 2,393.6 | 212.9 |
| Public Safety | 10,462.5 | 148.7 | 10,611.2 | 10,698.8 | -87.6 |
| Economic/Community Develop | 953.4 | 188.0 | 1,141.4 | 1,004.4 | 137.0 |
| Recreation | 862.1 | 45.2 | 907.3 | 912.7 | -5.4 |
| Public Works | 1,814.5 | 266.0 | 2,080.5 | 2,022.2 | 58.3 |
| Total Expenditures | 16,632.5 | 714.4 | 17,346.9 | 17,031.7 | 315.2 |
| Revenues Over(Under) Expenditures | 425.9 | -315.8 | 110.1 | 997.8 | 887.7 |
| Net Interfund Transfers In(Out) | 595.4 | -114.8 | 480.6 | 520.0 | 39.4 |
| Revenues Over(Under) Expenditures, Transfers & Other Financing Sources | 1,021.3 | -430.6 | 590.7 | 1,517.8 | 927.1 |

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2014, the City has almost $130 million capital assets including land, equipment, vehicles, buildings, improvements, infrastructure, rental housing and airport facilities. (See Table 4). The City's 2014/15 budget provides for various public improvements. Additional capital expenditures might be approved by the City Council during the 2014/15 fiscal year. Many costs will be provided by federal, state and other grants. Additional information about the City's capital assets is presented in the notes to financial statements.

### Table 4

Capital Assets
(in thousands, rounded)

| | Governmental Activities | | Business-type Activity | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | 1,751.0 | 1,751.0 | 36,900.0 | 36,900.0 | 38,651.0 | 38,651.0 |
| Buildings and Improvements | 35,105.9 | 35,105.9 | 32,666.7 | 32,652.8 | 67,772.6 | 67,758.7 |
| Vehicles & Equipment | 6,241.3 | 6,238.5 | 183.8 | 183.8 | 6,425.1 | 6,422.3 |
| Infrastructure | 16,952.7 | 14,089.3 | - | - | 16,952.7 | 14,089.3 |
| Totals at Historical Cost | 60,050.9 | 57,184.7 | 69,750.5 | 69,736.6 | 129,801.4 | 126,921.3 |
| Accumulated Depreciation | -19,166.2 | -17,694.9 | -12,733.0 | 11,686.4 | -31,899.2 | -29,381.3 |
| Net Capital Assets | 40,884.7 | 39,489.8 | 57,017.5 | 58,050.2 | 97,902.2 | 97,540.0 |

### Long Term Debt

At year-end the City had slightly more than $24 million in bonds, capital leases and compensated absences (vested benefits payable to employees) outstanding, as shown in Table 5. No new long-term debt was incurred during 2013/14, and $1,239,349 was paid against pre-existing long-term debt. Compensated absences decreased by $24,471 as a result of employees earning slightly less compensable time off than they used.

## Table 5

Long-term Debt
(in thousands, rounded)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Bonds Payable | 22,575.0 | 23,720.0 | - | - | 22,575.0 | 23,720.0 |
| Leases Payable | 164.5 | 234.4 | - | - | 1645 | 234.4 |
| Compensated Absences | 1,273.1 | 1,297.5 | - | - | 1,273.1 | 1,297.5 |
| Total Long-Term Debt | 24,012.6 | 25,251.9 | - | - | 24,012.6 | 25,251.9 |

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

On November 2, 2010, Marina voters approved two tax measures, temporarily raising the transient occupancy tax rate from 10% to 12% and also temporarily increasing the sales tax rate by 1%, for the purpose of preserving funds for general city services such as police, fire, street repair, parks maintenance and recreation and community programs. On November 4, 2014, by a 73% to 27% margin, Marina voters approved Measure E, eliminating the termination date of the temporary transient occupancy tax rate increase, and permanently setting the rate at 12%. Also on November 4, 2014, by a margin of 77% to 23%, voters approved Measure F which extended the temporary 1% sales tax for an additional ten years, scheduling the additional 1% tax to expire on March 31, 2026.

Various economic and fiscal indicators were considered, and numerous assumptions necessarily made, when adopting the 2014/15 general fund budget. Amounts available for appropriation for general fund purposes in the 2014/15 budget include an estimated 2013/14 fund balance carry-forward of $7.9 million, and projected 2014/15 revenues of $17.0 million. Budgeted expenditures for 2014/15 total $17.4 million. If 2014/15 revenues and expenditures are realized as budgeted, the fund balance available for City's General Fund purposes will decline by about $0.4 million, to $8.4 million at June 30, 2015 (actual beginning fund balance of $8.8 million larger than budget estimate of $7.9 million). If, during the remainder of fiscal 2014/15 it becomes sufficiently clear that budgeted revenues and/or expenditures should be adjusted, the City Council will adopt additional budget amendments. While the City and Agency have made great progress with the dissolution of the Marina Redevelopment Agency, as chronicled below, there remains uncertainties regarding future tax increment financing and Agency obligations.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Marina that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In a letter dated October 9, 2013, the California Department of Finance (DOF) ordered the City of Marina Successor Agency (Agency) to remit to the County Auditor-Controller $1,286,116, determined by the Department to be unencumbered funds in accordance with Health and Safety code Section 34170.6(f). The City disputed, and continues to dispute the Department's determination of the amount of unencumbered funds and currently has pending a lawsuit against the Department on this matter.

On November 22, 2013, to avoid threatened legal action, the Agency remitted $583,719 to the Monterey County Auditor-Controller in partial payment of the amount demanded by DOF. In letters dated October 30, 2013 and November 22, 2013, the

Agency reiterated its non-waiver of constitutional, statutory, legal, and equitable rights and expressly reserved any and all rights, privileges, and defenses available under law and equity. The lawsuit filed by the Agency against DOF remains pending.

As a result of the litigation, the Court decided the Agency may retain $586,326, which was derived from land sale proceeds and previously transferred to the General Fund. Additionally, the DOF issued a revised letter dated May 22, 2014 in which DOF ordered the Agency to remit to the County Auditor-Controller $633,263 (comprised of $583,719 prior payment to County Auditor Controller, $51,160 disallowable transfer, -$1,616 reconciliation of beginning balances). On November 6, 2014, the Agency remitted the final payment of $49,544.

In conclusion, the DOF issued a letter dated November 12, 2014 stating the DOF has completed the Finding of Completion for the City of Marina Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Agency has made full payment of the amounts determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5.

Furthermore, within the DOF Finding of Completion, the Agency may now do the following:

- Place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Loan repayments will be governed by criteria in HSC section 34191.4 (a) (2).

- Utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC section 34191.4(c).

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is intended to provide citizens, taxpayers, customers, creditors, stakeholders and other interested parties with an overview of the City's finances, and to demonstrate the City's accountability for the money it receives and the resources it manages. Questions about this report and requests for additional financial information should be addressed to the City of Marina, Finance Department, 211 Hillcrest Avenue, Marina, California, 93933.

# BASIC FINANCIAL STATEMENTS

# CITY OF MARINA
## Statement of Net Position
## June 30, 2014

| ASSETS | Governmental Activities | Business-type Activities | Totals |
|---|---|---|---|
| Cash and Investments | $ 17,683,782 | $ 3,483,146 | $ 21,166,928 |
| Cash (Restricted) | 904,623 | 1,664,734 | 2,569,357 |
| Prepaid Expenses | 12,000 | 532,966 | 544,966 |
| Accrued Receivables | 2,551,693 | 86,611 | 2,638,304 |
| Inventory | - | 62,599 | 62,599 |
| Internal Balances (net) | 13,365,590 | (13,365,590) | - |
| Notes & Loans Receivable | 508,340 | 85,000 | 593,340 |
| Capital Assets: | | | |
| Land | 1,750,963 | 36,900,000 | 38,650,963 |
| Other Capial Assets, Net of Depreciation | 39,133,691 | 20,117,573 | 59,251,264 |
| Total Capital Assets | 40,884,654 | 57,017,573 | 97,902,227 |
| TOTAL ASSETS | $ 75,910,682 | $ 49,567,039 | $ 125,477,721 |
| **LIABILITIES** | | | |
| Accounts Payable | $ 1,755,881 | $ 72,523 | $ 1,828,404 |
| Other Accrued Payables | 411,304 | 337,230 | 748,534 |
| Accrued Interest Payable | 238,581 | - | 238,581 |
| Other Post Employment Benefits | 1,063,880 | - | 1,063,880 |
| Deposits And Other Liabilities | 313,883 | 26,951 | 340,834 |
| Unearned Revenue | 104,274 | 35,705 | 139,979 |
| Long-Term Liabilities: Due Witin One Year | 1,106,849 | - | 1,106,849 |
| Due in More Than One Year | 22,905,730 | - | 22,905,730 |
| TOTAL LIABILITIES | $ 27,900,382 | $ 472,409 | $ 28,372,791 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Unavailable Revenue-State of CA SB-90 Claims | $ 418,846 | $ - | $ 418,846 |
| Unavailable Revenue-CDBG Business & Home Loans | 264,627 | - | 264,627 |
| Unavailable Revenue-Interfund Loans | 1,329,631 | - | 1,329,631 |
| TOTAL DEFERRED INFLOWS | $ 2,013,104 | $ - | $ 2,013,104 |
| **NET POSITION** | | | |
| Net Investment in Capital Assets | $ 20,295,121 | $ 43,551,275 | $ 63,846,396 |
| Restricted For: | | | |
| Debt Service | 903,656 | - | 903,656 |
| Public Improvements | 5,229,054 | - | 5,229,054 |
| Recreation and Grant-Funded Programs | 668,703 | - | 668,703 |
| Public Works | 281,134 | - | 281,134 |
| Unrestricted | 18,619,528 | 5,543,355 | 24,162,883 |
| TOTAL NET POSITION | $ 45,997,196 | $ 49,094,630 | $ 95,091,826 |

*The notes to financial statements are an integral part of this statement*

# CITY OF MARINA

## Statement of Activities
## Year Ended June 30, 2014

| Functions/Programs | Operating Expenses/ Expenditures | Program Revenues: Charges for Services & Program Revenue | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| General Government | $ 2,916,551 | $ 2,857,217 | $ 6,526 | $ - |
| Public Safety | 10,600,203 | $ 848,336 | 466,587 | - |
| Public Works | 2,757,413 | $ 905,055 | - | - |
| Economic & Community Development | 1,791,747 | $ 3,390,067 | - | - |
| Recreation & Cultural Activities | 1,232,087 | $ 179,949 | 28,780 | - |
| Public Improvements | 765,115 | $ 60,905 | - | 658,007 |
| Debt Service (Interest & Admin Costs) | 1,030,828 | $ 1,063,287 | - | - |
| Total Governmental Activities | $ 21,093,944 | $ 9,304,816 | $ 501,893 | $ 658,007 |
| Business-type Activities: | | | | |
| Marina Municipal Airport | 2,011,068 | 1,197,768 | - | - |
| Abrams B NonProfit Corporation | 2,479,941 | 2,965,994 | - | - |
| Total Business-type Activities | 4,491,009 | 4,163,762 | - | - |
| Totals | $ 25,584,953 | $ 13,468,578 | $ 501,893 | $ 658,007 |

General Revenues:
- Sales Tax
- Property Tax
- Transient Occupancy Tax
- Franchise Tax
- Transfers from Proprietary Funds (net)
- Investment Earnings
- Other General Revenues

Total General Revenues
- Change in Net Position
- Special Item- Sale of Real Property

Net Position - Beginning of Year

Prior Period Adjustment

Net Position - End of Year

*The notes to financial statements are an integral part of this statement*

| Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|
| Governmental Activities | Business-type Activities | Total |
| $ (52,808) | $ - | $ (52,808) |
| (9,285,280) | - | (9,285,280) |
| (1,852,358) | - | (1,852,358) |
| 1,598,320 | - | 1,598,320 |
| (1,023,358) | - | (1,023,358) |
| (46,203) | - | (46,203) |
| 32,459 | - | 32,459 |
| $ (10,629,228) | $ - | $ (10,629,228) |
| - | (813,300) | (813,300) |
| - | 486,053 | 486,053 |
| - | (327,247) | (327,247) |
| $ (10,629,228) | $ (327,247) | $ (10,956,475) |
| 4,588,760 | - | 4,588,760 |
| 4,595,756 | - | 4,595,756 |
| 2,154,023 | - | 2,154,023 |
| 726,548 | - | 726,548 |
| 541,031 | (541,031) | 0 |
| 23,541 | 5,941 | 29,482 |
| 32,055 | - | 32,055 |
| $ 12,661,714 | $ (535,090) | $ 12,126,624 |
| $ 2,032,486 | $ (862,337) | $ 1,170,149 |
| 1,068,800 | - | 1,068,800 |
| 42,895,910 | 50,585,226 | 93,481,136 |
| - | (628,259) | (628,259) |
| $ 45,997,196 | $ 49,094,630 | $ 95,091,826 |

# CITY OF MARINA
# Balance Sheet
# Governmental Funds
# June 30, 2014

| | Major Funds | |
|---|---|---|
| **ASSETS** | **General** | **Impact Fee** |
| Cash and Investments | $ 7,251,381 | $ 4,308,485 |
| Cash (Restricted) | 57 | - |
| Prepaid Expenditures | 12,000 | - |
| Accrued Receivables | 2,057,338 | 1,619 |
| Due from Fiduciary Funds | 243,713 | - |
| Due from Other Funds (Short-term Cash Flow Loans) | 226,648 | - |
| Advances to Other Funds | 75,000 | - |
| Notes Receivable | - | - |
| TOTAL ASSETS | $ 9,866,137 | $ 4,310,104 |
| **LIABILITIES** | | |
| Accounts Payable | $ 1,165,294 | $ - |
| Other Accrued Payables | 411,305 | - |
| Due to Other Funds (Short Term Cash Flow Loans) | - | - |
| Deposits and Other Liabilities | 313,884 | - |
| Unearned Revenue | 102,434 | - |
| Advances From Other funds (Long Term) | 50,000 | - |
| TOTAL LIABILITIES | $ 2,042,917 | $ - |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Unavailable Revenue - State of CA SB-90 Claims | $ 418,846 | $ - |
| Unavailable Revenue - CDBG Business & Home Loans | - | - |
| Unavailable Revenue - Interfund Loans | - | - |
| TOTAL DEFERRED INFLOWS | $ 418,846 | $ - |
| **FUND BALANCES (DEFICITS)** | | |
| Nonspendable | $ 545,361 | $ - |
| Restricted | 180,782 | 4,310,104 |
| Committed | 200,000 | - |
| Assigned | - | - |
| Unassigned | 6,478,231 | - |
| TOTAL FUND BALANCE | $ 7,404,374 | $ 4,310,104 |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE | $ 9,866,137 | $ 4,310,104 |

*The notes to financial statements are an integral part of this statement*

| Abrams B Bonds Debt Service | City Capital Projects | Non-major Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| $ - | $ 4,259,034 | $ 1,864,883 | $ 17,683,783 |
| 109,955 | - | 794,610 | 904,622 |
| - | - | - | 12,000 |
| - | 40,613 | 452,125 | 2,551,695 |
| - | - | - | 243,713 |
| - | - | - | 226,648 |
| 12,136,667 | 1,329,631 | - | 13,541,298 |
| - | - | 264,627 | 264,627 |
| $ 12,246,622 | $ 5,629,278 | $ 3,376,245 | $ 35,428,386 |
| | | | |
| $ - | $ 372,329 | $ 218,259 | $ 1,755,882 |
| - | - | - | 411,305 |
| - | - | 277,355 | 277,355 |
| - | - | - | 313,884 |
| - | - | 1,840 | 104,274 |
| - | 75,000 | - | 125,000 |
| $ - | $ 447,329 | $ 497,454 | $ 2,987,700 |
| | | | |
| $ - | $ - | - | $ 418,846 |
| - | - | 264,627 | 264,627 |
| 12,136,667 | 1,329,631 | - | 13,466,298 |
| $ 12,136,667 | $ 1,329,631 | $ 264,627 | $ 14,149,771 |
| | | | |
| $ - | $ - | $ - | $ 545,361 |
| 109,955 | - | 2,481,706 | 7,082,547 |
| - | 3,852,318 | 134,711 | 4,187,029 |
| - | - | - | - |
| - | - | (2,253) | 6,475,978 |
| $ 109,955 | $ 3,852,318 | $ 2,614,164 | $ 18,290,915 |
| | | | |
| $ 12,246,622 | $ 5,629,278 | $ 3,376,245 | $ 35,428,386 |

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# CITY OF MARINA

## Reconciliation of the Governmental Funds Balance Sheet
## to the Statement of Net Position
## June 30, 2014

| | | | | |
|---|---|---|---|---|
| **Fund Balance - Total Governmental Funds** | | | $ | 18,290,915 |
| Amounts reported for governmental activities in the | | | | |
| statement of net assets are different because: | | | | |
| Long-term Accounts Receivable are treated as Deferred Inflows | | | | |
| in Governmental Funds, but as revenue in the Statement of Net Position | | | | 12,136,666 |
| Capital assets used in governmental activities | | | | |
| are not financial resources and therefore are | | | | |
| not reported in the funds: | | | | |
| General Capital Assets | $ | 60,050,866 | | |
| Less: Accumulated Depreciation | | (19,166,212) | | 40,884,654 |
| Long-term liabilities, accrued unmatured bond interest & OPEB Unfunded | | | | |
| Annual Required Contribution are not due and payable in the current period, | | | | |
| and therefore are not reported in the funds: | | | | |
| Compensated Absences | | (1,273,047) | | |
| Bonds Payable | | (22,575,000) | | |
| Accrued Bond Interest Payable | | (238,581) | | |
| OPEB Unfunded Annual Required Contribution | | (1,063,880) | | |
| Capital Leases | | (164,531) | | (25,315,039) |
| **Net Position of Governmental Activities** | | | $ | 45,997,196 |

*The notes to financial statements are an integral part of this statement*

# CITY OF MARINA

## Statement of Revenues, Expenditures and Changes in Fund Balances
## Governmental Funds
## Year Ended June 30, 2014

| | Major Funds | |
|---|---|---|
| | **General** | **Impact Fee** |
| **REVENUES** | | |
| Taxes | $ 12,065,087 | $ - |
| Fines and Penalties | 195,743 | - |
| Licenses & Permits | 444,470 | - |
| Investment Earnings | 23,597 | 7,257 |
| Charges for Services, Grants & Other Program Revenues | 4,295,004 | 2,635,206 |
| Other General Revenues | 32,054 | - |
| Total Revenues | $ 17,055,955 | $ 2,642,463 |
| **EXPENDITURES** | | |
| General Government | $ 2,333,193 | $ - |
| Public Safety | 10,209,287 | - |
| Public Works | 1,983,541 | - |
| Economic & Community Development | 1,324,932 | - |
| Recreation & Cultural Services | 891,308 | - |
| Public Improvements | - | 2,006 |
| Debt Service - Principal Retirement | 485,000 | - |
| Debt Service - Interest and Other Debt Service Costs | 131,754 | - |
| Total Expenditures | $ 17,359,015 | $ 2,006 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | $ (303,060) | $ 2,640,457 |
| **OTHER FINANCING SOURCES (USES)** | | |
| Interfund Transfers In | $ 655,679 | $ 102,310 |
| Interfund Transfers (Out) | (108,270) | (1,988,219) |
| Total Other Financing Sources(Uses) | $ 547,409 | $ (1,885,909) |
| Special Item - Sale of Real Property | 1,068,800 | - |
| **EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES, OTHER USES & SPECIAL ITEM** | $ 1,313,149 | $ 754,548 |
| **FUND BALANCES - BEGINNING OF YEAR** | 6,091,225 | 3,555,556 |
| **FUND BALANCES - END OF YEAR** | $ 7,404,374 | $ 4,310,104 |

*The notes to financial statements are an integral part of this statement*

| Major Funds | | Non-major | Total |
|---|---|---|---|
| Abrams B Bonds Debt Service | City Capital Projects | Governmental Funds | Governmental Funds |
| $ - | $ - | $ 1,338,759 | $ 13,403,846 |
| - | - | - | 195,743 |
| - | - | - | 444,470 |
| 31 | - | 7,402 | 38,287 |
| 822,823 | 388,545 | 588,973 | 8,730,551 |
| - | 58,460 | 17,818 | 108,332 |
| $ 822,854 | $ 447,005 | $ 1,952,952 | $ 22,921,229 |
| $ - | $ - | $ - | $ 2,333,193 |
| - | - | - | 10,209,287 |
| - | - | 702,555 | 2,686,096 |
| - | - | 475,858 | 1,800,790 |
| - | - | 188,964 | 1,080,272 |
| - | 2,930,191 | 221,299 | 3,153,496 |
| 335,000 | 69,878 | 325,000 | 1,214,878 |
| 484,351 | 5,698 | 419,279 | 1,041,082 |
| $ 819,351 | $ 3,005,767 | $ 2,332,955 | $ 23,519,094 |
| $ 3,503 | $ (2,558,762) | $ (380,003) | $ (597,865) |
| $ - | $ 2,078,219 | $ 92,352 | $ 2,928,560 |
| - | (158,126) | (132,914) | (2,387,529) |
| $ - | $ 1,920,093 | $ (40,562) | $ 541,031 |
| - | - | - | 1,068,800 |
| $ 3,503 | $ (638,669) | $ (420,565) | $ 1,011,966 |
| 106,452 | 4,490,987 | 3,034,729 | 17,278,949 |
| $ 109,955 | $ 3,852,318 | $ 2,614,164 | $ 18,290,915 |

## CITY OF MARINA

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
## Year Ended June 30, 2014

| | | | | |
|---|---|---|---|---|
| Net Change in Fund Balances - Total Governmental Funds | | | $ | 1,011,966 |
| (revenues and other financing sources in excess of expenditures and other financing uses) | | | | |
| Amounts reported for governmental activities in the Statement of Activities is Different Because: | | | | |
| Capital outlay is an expenditure in the government funds financial statements, but the costs of those assets is allocated over their estimated useful lives as depreciation expense in the Statement of Activities. | | | | |
| Capital Asset Acquisitions Net of Dispositions | $ | 2,952,249 | | |
| Depreciation Expense | | (1,557,402) | | 1,394,847 |
| Principal portion of Notes Receivable payments are recorded as revenues in governmental funds, but the payment reduces an asset in the Statement of Net Position: Note Principal Payments Received | | | | (335,831) |
| Repayment of long-term debt principal is an expenditure in the government funds financial statement, but the repayment reduces long-term liabilities in the statement of net position. Compensated absences reduce net position but are not included in governmental funds liabilities. Accrued unpaid bond interest & OPEB Unfunded Annual Required Contribution reduces net position but are not recorded as governmental funds expenditures | | | | |
| Repayment of General Long-term Debt Principal, Net of New Debt | $ | 1,214,878 | | |
| OPEB Unfunded Annual Required Contribution | | (219,300) | | |
| Decrease in Compensated Absences Liability | | 24,471 | | |
| Decrease in Accrued, Unpaid Bond Interest | | 10,255 | | 1,030,304 |
| Change in Net Position of Governmental Activities | | | $ | 3,101,286 |

*The notes to financial statements are an integral part of this statement*

## CITY OF MARINA

## Statement of Net Position
## Proprietary Funds
## June 30, 2014

| | Airport Operating Fund | | Abrams B Housing Fund | | Total | |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and Investments | $ | 908,645 | $ | 2,574,501 | $ | 3,483,146 |
| Cash (Restricted) | | - | | 1,664,734 | | 1,664,734 |
| Prepaid Expenses | | - | | 532,966 | | 532,966 |
| Accrued Receivables | | 79,772 | | 6,839 | | 86,611 |
| Due from Other Funds (Cash Flow Loans) | | 50,708 | | - | | 50,708 |
| Inventory | | 62,599 | | - | | 62,599 |
| Advances to Other Funds | | 135,000 | | - | | 135,000 |
| Capital Assets, net | | 45,595,428 | | 11,422,145 | | 57,017,573 |
| Total Assets | $ | 46,832,152 | $ | 16,201,185 | $ | 63,033,337 |
| **LIABILITIES** | | | | | | |
| Accounts Payable | $ | 71,428 | $ | 1,095 | $ | 72,523 |
| Accrued Payables | | 6,538 | | 330,692 | | 337,230 |
| Unearned Revenue | | 35,705 | | - | | 35,705 |
| Deposits & Other Liabilities | | 26,951 | | - | | 26,951 |
| Advances from Other Funds | | - | | 13,466,298 | | 13,466,298 |
| Total Liabilities | $ | 140,622 | $ | 13,798,085 | $ | 13,938,707 |
| **NET POSITION** | | | | | | |
| Net Investment in Capital Assets | $ | 45,595,428 | $ | (2,044,153) | $ | 43,551,275 |
| Unrestricted | | 1,096,102 | | 4,447,253 | | 5,543,355 |
| Total Net Position | $ | 46,691,530 | $ | 2,403,100 | $ | 49,094,630 |

*The notes to financial statements are an integral part of this statement*

# CITY OF MARINA

## Statement of Revenues, Expenses and Changes in Net Position
## Proprietary Funds
## Year Ended June 30, 2014

| | Airport Operating Fund | Abrams B Housing Fund | Total |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Rental Income | $ 793,972 | $ 2,919,524 | $ 3,713,496 |
| Aviation Fuel Sales | 359,836 | - | 359,836 |
| Other Income | 30,000 | 46,470 | 76,470 |
| Total Operating Revenues | $ 1,183,808 | $ 2,965,994 | $ 4,149,802 |
| **OPERATING EXPENSES** | | | |
| Salaries and Benefits | $ 271,134 | $ - | $ 271,134 |
| Services and Supplies | 234,432 | 562,200 | 796,632 |
| Interest Expense | - | 483,297 | 483,297 |
| Cost of Sales - Aviation Fuel | 304,367 | - | 304,367 |
| Repairs and Maintenance | 367,101 | 1,048,179 | 1,415,280 |
| Utilities | 56,106 | 72,862 | 128,968 |
| Taxes | - | 44,739 | 44,739 |
| Depreciation and Amortization | 777,927 | 268,665 | 1,046,592 |
| Total Operating Expenses | $ 2,011,067 | $ 2,479,942 | $ 4,491,009 |
| **OPERATING INCOME (LOSS)** | $ (827,259) | $ 486,052 | $ (341,207) |
| **NONOPERATING REVENUES (EXPENSES)** | | | |
| Investment Earnings | $ 2,443 | $ 3,498 | $ 5,941 |
| Contributed Capital | 13,960 | - | 13,960 |
| Interfund Transfers In | 4,800 | - | 4,800 |
| Interfund Transfers Out | (128,638) | (417,193) | (545,831) |
| Total Nonoperating Revenues (Expenses) | $ (107,435) | $ (413,695) | $ (521,130) |
| **NET INCOME (LOSS)** | $ (934,694) | $ 72,357 | $ (862,337) |
| **NET POSITION - BEGINNING OF YEAR** | 47,626,224 | 2,959,002 | 50,585,226 |
| Prior-Period Adjustment | - | (628,259) | (628,259) |
| **NET POSITION - BEGINNING OF YEAR RESTATED** | 47,626,224 | 2,330,743 | 49,956,967 |
| **NET POSITION - END OF YEAR** | $ 46,691,530 | $ 2,403,100 | $ 49,094,630 |

*The notes to financial statements are an integral part of this statement*

## CITY OF MARINA

### Statement of Cash Flows
### Proprietary Funds
### Year Ended June 30, 2014

| | Airport Operating Fund | Abrams B Housing Fund | Total |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from Customers | $ 1,169,519 | $ 2,965,763 | $ 4,135,282 |
| Payments to Suppliers | (974,594) | (2,285,529) | (3,260,123) |
| Payments to Employees | (269,275) | - | (269,275) |
| Net Cash Provided (Used) by Operating Activities | $ (74,350) | $ 680,234 | $ 605,884 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | |
| Loans to Other Funds | $ (50,708) | $ - | $ (50,708) |
| Transfers (To) From Other Funds (net) | (123,838) | (417,193) | (541,031) |
| Net Cash Provided (Used) by Noncapital Financing Activities | $ (174,546) | $ (417,193) | $ (591,739) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | |
| Principal Payments on Advances (to)from other Funds | $ 119,135 | $ (335,831) | $ (216,696) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | $ 119,135 | $ (335,831) | $ (216,696) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Investment Earnings | $ 2,443 | $ 3,498 | $ 5,941 |
| Net Increase (Decrease) in Cash | $ (127,318) | $ (69,292) | $ (196,610) |
| **Cash - Beginning of Year** | 1,035,963 | 4,308,527 | 5,344,490 |
| **Cash - End of Year** | $ 908,645 | $ 4,239,235 | $ 5,147,880 |

(continued)

*The notes to financial statements are an integral part of this statement*

# CITY OF MARINA

## Statement of Cash Flows (Continued)
## Proprietary Funds
## Year Ended June 30, 2014

| | Airport Operating Fund | Abrams B Housing Fund | Total |
|---|---|---|---|
| **Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:** | | | |
| Operating Income (Loss) | $ (827,259) | $ 486,052 | $ (341,207) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation Expense | 777,927 | 268,665 | 1,046,592 |
| Change in Assets and Liabilities: | | | |
| Prepaid Expenses | - | (74,358) | (74,358) |
| Accounts Receivable | (55,227) | (3,084) | (58,311) |
| Inventory | 2,016 | - | 2,016 |
| Accounts & Accrued Payables | (12,745) | 106 | (12,639) |
| Unearned Revenue & Deposits | 40,938 | 2,853 | 43,791 |
| Net Cash Provided (Used) by Operating Activities | $ (74,350) | $ 680,234 | $ 605,884 |

(concluded)

*The notes to financial statements are an integral part of this statement*

## CITY OF MARINA

### Statement of Fiduciary Net Position
### Fiduciary Funds
### June 30, 2014

| | Successor Agency to Redevelopment Agency |
|---|---|
| **ASSETS** | |
| Cash and Cash Equivalents | $ 977,379 |
| Prepaid Expenses | 12,113 |
| Accrued Receivables | 309 |
| Long-Term Receivable - State of California | 510,000 |
| Capital Assets - Land | 900,000 |
| Total Assets | $ 2,399,801 |
| **LIABILITIES** | |
| Accounts Payable | $ 3,563 |
| Accrued Payables | 192 |
| Due to City of Marina Funds | 328,713 |
| Bonds Payable: | |
| Due within One Year | 20,000 |
| Due in More Than One Year | 490,000 |
| Total Liabilities | $ 842,468 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Unavailable Revenue - Property Taxes Received in Advance | $ 529,210 |
| **NET POSITION** (Held in Trust for Successor Agency to the Marina Redevelopment Agency) | $ 1,028,123 |

*The notes to financial statements are an integral part of this statement*

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# CITY OF MARINA

## Statement of Changes in Fiduciary Net Position
## Fiduciary Funds
## Year Ended June 30, 2014

| | Successor Agency to Redevelopment Agency |
|---|---|
| **ADDITIONS** | |
| Property Taxes (Including DOF True-Up Adjustment) | $ 1,272,603 |
| Investment Earnings | 2,172 |
| Property Tax In-Lieu | 29,139 |
| Net Assets Received on Dissolution of Redevelopment Agency | 39,501 |
| Total Additions | $ 1,343,415 |
| **DEDUCTIONS** | |
| ROPS Payments: | |
| Programs Costs | $ 1,654,370 |
| Legal & Professional Fees | 41,649 |
| Employee Costs | 102,287 |
| Occupancy & Operating Costs | 117,005 |
| Total Deductions | $ 1,915,311 |
| **Change in Net Position** | $ (571,896) |
| **NET POSITION - BEGINNING OF YEAR** | 1,600,019 |
| **NET POSITION - END OF YEAR** | $ 1,028,123 |

*The notes to financial statements are an integral part of this statement*

# CITY OF MARINA

## Statement of Revenues, Expenditures and Changes in Fund Balances
## Budget and Actual - General and Other Major Funds
## Year Ended June 30, 2014

| | General Fund | | | |
|---|---|---|---|---|
| **REVENUES** | **Original Budget** | **Final Budget** | **Actual** | **Variance Positive (Negative)** |
| Taxes | $ 11,484,400 | $ 11,660,100 | $ 12,065,087 | $ 404,987 |
| Licenses and Permits | 490,300 | 488,300 | 445,545 | (42,755) |
| Fines and Forfeitures | 185,200 | 182,500 | 195,743 | 13,243 |
| Investment Earnings | 50,150 | 50,150 | 23,597 | (26,553) |
| Charges for Services & Other Program Revenue | 3,873,972 | 4,745,440 | 4,293,929 | (451,511) |
| Other General Revenue | 662,675 | 18,975 | 32,054 | 13,079 |
| Total Revenues | $ 16,746,697 | $ 17,145,465 | $ 17,055,955 | $ (89,510) |
| **EXPENDITURES** | | | | |
| General Government | $ 2,479,629 | $ 2,546,130 | $ 2,333,193 | $ 212,937 |
| Public Safety | 9,973,000 | 10,121,592 | 10,209,287 | (87,695) |
| Public Works | 1,775,808 | 2,041,808 | 1,983,541 | 58,267 |
| Economic & Community Development | 1,731,423 | 1,992,899 | 1,324,932 | 667,967 |
| Recreation & Cultural Services | 913,985 | 885,934 | 891,308 | (5,374) |
| Public Improvements | - | - | - | - |
| Debt Service - Principal | 485,000 | 485,000 | 485,000 | - |
| Debt Service - Interest & Other | 131,754 | 131,754 | 131,754 | - |
| Total Expenditures | $ 17,490,599 | $ 18,205,117 | $ 17,359,015 | $ 846,102 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | $ (743,902) | $ (1,059,652) | $ (303,060) | $ 756,592 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Inter(intra)fund Transfers In | $ 682,168 | $ 662,168 | $ 655,679 | $ (6,489) |
| Inter(intra)fund Transfers Out | (83,266) | (154,216) | (108,270) | 45,946 |
| Total Other Financing Sources(Uses) | $ 598,902 | $ 507,952 | $ 547,409 | $ 39,457 |
| Special Item - Sale of Real Property | 1,191,500 | 1,191,500 | 1,068,800 | (122,700) |
| **EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES, OTHER USES AND SPECIAL ITEM** | $ 1,046,500 | $ 639,800 | $ 1,313,149 | $ 673,349 |
| **FUND BALANCE - BEGINNING OF YEAR** | 5,459,009 | 5,459,009 | 6,091,225 | 632,216 |
| **FUND BALANCE - END OF YEAR** | $ 6,505,509 | $ 6,098,809 | $ 7,404,374 | $ 1,305,565 |

*The notes to financial statements are an integral part of this statement*

**Abrams B Bonds Debt Service Fund**

| Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| $ - | $ - | $ - | $ - |
| - | - | - | - |
| - | - | - | - |
| - | - | 31 | 31 |
| 826,165 | 826,165 | 822,823 | (3,342) |
| - | - | - | - |
| $ 826,165 | $ 826,165 | $ 822,854 | $ (3,311) |
| | | | |
| $ - | $ - | $ - | $ - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 335,000 | 335,000 | 335,000 | - |
| 496,165 | 496,165 | 484,351 | 11,814 |
| $ 831,165 | $ 831,165 | $ 819,351 | $ 11,814 |
| | | | |
| $ (5,000) | $ (5,000) | $ 3,503 | $ 8,503 |
| | | | |
| $ - | $ - | $ - | $ - |
| - | - | - | - |
| $ - | $ - | $ - | $ - |
| - | - | - | - |
| | | | |
| $ (5,000) | $ (5,000) | $ 3,503 | $ 8,503 |
| 98,648 | 98,648 | 106,452 | 7,804 |
| $ 93,648 | $ 93,648 | $ 109,955 | $ 16,307 |

(continued)

## CITY OF MARINA

### Statement of Revenues, Expenditures and Changes in Fund Balances
### Budget and Actual - General and Other Major Funds
### Year Ended June 30, 2014

| | City Capital Projects Fund | | | |
|---|---|---|---|---|
| **REVENUES** | **Original Budget** | **Final Budget** | **Actual** | **Variance Positive (Negative)** |
| Taxes | $ - | $ - | $ - | $ - |
| Licenses and Permits | - | - | - | - |
| Fines and Penalties | - | - | - | - |
| Investment Earnings | - | - | - | - |
| Charges for Services & Program Revenues | 222,673 | 399,983 | 388,545 | (11,438) |
| Other General Revenue | 558,610 | 762,710 | 58,460 | (704,250) |
| Total Revenues | $ 781,283 | $ 1,162,693 | $ 447,005 | $ (715,688) |
| **EXPENDITURES** | | | | |
| General Government | $ - | $ - | $ - | $ - |
| Public Safety | - | - | - | - |
| Public Works | - | - | - | - |
| Economic & Community Development | | - | - | - |
| Recreation & Cultural Services | - | - | - | - |
| Public Improvements | 2,578,367 | 5,537,839 | 2,930,191 | 2,607,648 |
| Debt Service - Principal | 69,936 | 69,936 | 69,878 | 58 |
| Debt Service - Interest & Other | 20,064 | 20,064 | 5,698 | 14,366 |
| Total Expenditures | $ 2,668,367 | $ 5,627,839 | $ 3,005,767 | $ 2,622,072 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | $ (1,887,084) | $ (4,465,146) | $ (2,558,762) | $ 1,906,384 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Interfund Transfers In | $ 1,531,219 | $ 2,078,219 | $ 2,078,219 | $ - |
| Interfund Transfers Out | (9,464) | (158,126) | (158,126) | - |
| Total Other Financing Sources(Uses) | $ 1,521,755 | $ 1,920,093 | $ 1,920,093 | $ - |
| Special Item - Sale of Real Property | - | - | - | - |
| **EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES, OTHER USES AND SPECIAL ITEM** | $ (365,329) | $ (2,545,053) | $ (638,669) | $ 1,906,384 |
| **FUND BALANCE - BEGINNING OF YEAR** | - | - | 4,490,987 | 4,490,987 |
| **FUND BALANCE - END OF YEAR** | $ (365,329) | $ (2,545,053) | $ 3,852,318 | $ 6,397,371 |

*The notes to financial statements are an integral part of this statement*

**Impact Fee Fund**

| Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| $ - | $ - | $ - | $ - |
| - | - | - | - |
| - | - | - | - |
| - | - | 7,257 | 7,257 |
| 4,627,916 | 4,627,916 | 2,635,206 | (1,992,710) |
| - | - | - | - |
| $ 4,627,916 | $ 4,627,916 | $ 2,642,463 | $ (1,985,453) |
| | | | |
| $ - | $ - | $ - | $ - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | 2,006 | (2,006) |
| - | - | - | - |
| - | - | - | - |
| $ - | $ - | $ 2,006 | $ (2,006) |
| | | | |
| $ 4,627,916 | $ 4,627,916 | $ 2,640,457 | $ (1,987,459) |
| | | | |
| $ - | $ 102,310 | $ 102,310 | $ - |
| (1,441,219) | (1,914,219) | (1,988,219) | (74,000) |
| $ (1,441,219) | $ (1,811,909) | $ (1,885,909) | $ (74,000) |
| - | - | - | - |
| | | | |
| $ 3,186,697 | $ 2,816,007 | $ 754,548 | $ (2,061,459) |
| 6,136,492 | 6,136,492 | 3,555,556 | (2,580,936) |
| $ 9,323,189 | $ 8,952,499 | $ 4,310,104 | $ (4,642,395) |

(concluded

**1 - The Reporting Entity**

The City of Marina was incorporated in 1975 under the laws of the State of California, and operates under a Council - Manager form of government. The City provides a full range of municipal services including police, fire, public works, recreation & culture, community development and general administration.

These financial statements present the financial status of the City and its component units. The component units discussed in the following paragraph are included in the City's reporting entity because the City is financially accountable for their operations and because the City and both component units share the same governing body.

The Abrams B Non-Profit Corporation was formed to account for operation of a 192-unit multi-family housing development, known as Abrams B Apartments, under a 50-year ground lease from the City of Marina, which owns the property. The ground lease is reported as a capital asset (a leasehold interest) on the balance sheet of the Abrams B Housing Fund. Although a legally separate entity, the Corporation is reported on a blended basis as part of the primary government.

On December 29, 2011, the California Supreme Court upheld Assembly Bill IX 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Marina that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In a letter dated October 9, 2013, the California Department of Finance (DOF) ordered the City of Marina Successor Agency (Agency) to remit to the County Auditor-Controller $1,286,116, determined by the Department to be unencumbered funds in accordance with Health and Safety code Section 34170.6(f). The City disputed, and continues to dispute the Department's determination of the amount of unencumbered funds and currently has pending a lawsuit against the Department on this matter.

On November 22, 2013, to avoid threatened legal action, the Agency remitted $583,719 to the Monterey County Auditor-Controller in partial payment of the amount demanded by DOF. In letters dated October 30, 2013 and November 22, 2013, the Agency reiterated its non-waiver of constitutional, statutory, legal, and equitable rights and expressly reserved any and all rights, privileges, and defenses available under law and equity. The lawsuit filed by the Agency against DOF remains pending.

As a result of the litigation, the court decided the Agency may retain $586,326, which was derived from land sale proceeds and previously transferred to the general fund. Additionally, the DOF issued a revised letter dated May 22, 2014, in which DOF ordered the Agency to remit to the County Auditor-Controller $633,263 (composed of $583,719 prior payment to the County Auditor-Controller, $51,160 disallowable transfer less $1,616 reconciliation of beginning balances. On November 6, 2014, the Agency remitted the final payment of $49,544.

In conclusion, the DOF issued a letter dated November 12, 2014, stating the DOF has completed the Finding of Completion for the Marina Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Agency has made full payment of the amounts determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5

Furthermore, within the DOF Finding of Completion, the Agency may now do the following:

- Place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4(b)(1). Loan repayments will be governed by criteria in HSC section 34191.4(a)(2).
- Utilize proceeds derived from bonds issued prior to January 1, 2011, in a manner consistent with the original bond covenants per HSC section 34191.4(c).

**Implementation of Government Accounting Standards Board Statements**

Effective July 1, 2013, the City implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 65

In March 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement erroneously alleges that accounting and financial reporting are improved by imposing standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact on the financial statement elements of deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Application of this statement is effective for, and has been implemented in, the City's financial statements for the fiscal year ending June 30, 2014. Implementation of this statement resulted in a prior-period adjustment that unnecessarily and misleadingly reduced net assets in the Abrams-B Housing Proprietary Fund in the amount of $628,259. For additional information, see Note 2 - Significant Accounting Policies, Fund Balance.

Government Accounting Standards Board Statement No. 66

In March 2012, GASB issued Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62. The GASB asserts that this Statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Application of this statement is effective for, and has been implemented in, the City's financial statements for the year ending June 30, 2014.

Government Accounting Standards Board Statement No. 67

In June 2012, GASB issued Statement No. 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25. The GASB asserts that this Statement improves financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The City's pension plan is administered under contract with the California Public Employees Retirement System (CalPERS) pursuant to Sate law. CalPERS has provided suggested financial disclosures to contracting agencies. The City has included the disclosures suggested by CalPERS, and believes it is in compliance with the requirements of this statement for the City's fiscal year ending June 30, 2014.

**Future Government Accounting Standards Board Statements**

These statements are not effective until July 1, 2015 or later. The City has not determined the effects on the financial statements.

Government Accounting Standards Board Statement No. 68

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The GASB asserts that this Statement will improve accounting and financial reporting by state and local governments for pensions by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

Government Accounting Standards Board Statement No. 69

In January 2013, GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

Government Accounting Standards Board Statement No. 70

In April 2013, GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

## 2 - Significant Accounting Policies

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of significant accounting policies.

Basis of Presentation

Government-wide and Fund Financial Statements

*Government-wide Statements* include the Statement of Net Position and the Statement of Activities, which report information on all activities of the primary government and its component unit. The effect of interfund activity has been eliminated from these statements. The Statement of Net Position presents all assets, including capital assets, as well as short and long-term liabilities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services.

The statement of activities ostensibly demonstrates the extent to which direct expenses of a given function are offset by program revenues. Direct expenses are those identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions restricted to meeting operational or capital requirements of a particular function as well as interest earned on those revenues. Revenues that are not classified as program revenues, including taxes, are general revenue.

*Fund Financial Statements* provide information separately for governmental funds and proprietary funds. Major individual governmental funds and proprietary funds are reported separately with non-major governmental funds combined in a single column.

Fund Accounting

The City's accounts are organized by funds, each of which is considered a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

Governmental Funds

*The General Fund* is the City's operating fund and accounts for all financial resources except those accounted for in a separate fund due to third-party or management restrictions.

*Special Revenue Funds* account for the proceeds of revenue sources that are restricted to specific purposes other than major capital projects and debt service.

*Capital Projects Funds* account for revenues and expenditures for the acquisition or construction of major capital facilities.

*Debt Service Funds* account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Proprietary Funds

*Enterprise Funds* account for activities that are financed and operated similar to private business, where the intent is that the costs, including depreciation, of providing goods or services to the general public on a continuing basis be recovered primarily through user charges. The City accounts for the operation of its airport, and the Abrams B Apartments, on this basis.

*Major Funds*: Generally Accepted Accounting Principles require that fund financial statements disclose each major fund separately, and that all non-major funds be aggregated. The General Fund is always a major fund. Other major funds are those whose assets, liabilities, revenues and/or expenditures exceed ten percent (10%) of the City's governmental funds total for that category, and also exceed five percent (5%) of city-wide totals including enterprise funds for that category. The following four funds are classified as major funds: General Fund which accounts for all on-going general governmental activities not reported in other funds; Abrams-B Bonds Debt Service Fund, which accounts for resources restricted to retirement of Abrams-B Bonds principal and interest, and payment of those debt obligations; the Impact Fee

Fund, which accounts for fees collected pursuant to state law for mitigation of the effects of development on City facilities, services and infrastructure; and the City Capital Projects Fund, which accounts for resources committed to acquisition and/or construction of general capital assets and infrastructure.

Measurement Focus and Basis of Accounting

Measurement focus refers to *what* transactions are reported in a fund. Basis of accounting refers to *when* revenues and expenditures, and the related assets and liabilities, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenditures are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred if payable within the aforementioned 60-day availability period, except for debt service payments, and expenditures related to claims, judgments and compensated absences, which are recorded when payment is due.

Major revenue sources susceptible to accrual include substantially all property taxes, taxpayer-assessed taxes, such as sales and use, business license, transient occupancy, franchise fees and gas taxes, interest, special assessments levied, state and federal grants and charges for current services. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures are recorded when the related fund liability is incurred.

Use of Estimates

Financial statement preparation in conformity with accounting principles generally accepted in the United States of America occasionally requires the use of 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 expenditures during the reporting period.

Actual results could differ from those estimates.

Cash and Deposits

See Note 4.

Property Taxes

Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transaction taxes on real property. Local government may impose special taxes, except on real property, with the approval of two-thirds of the qualified electors.
All property taxes are collected and allocated by the County of Monterey to the various taxing entities. Property taxes are determined annually as of January 1 and attach as an enforceable lien on real property as of July 1. Taxes are due November 1 and February 1, and are delinquent if not paid by December 10 and April 10, respectively.

Receivables and Payables

Property, sales and use taxes related to the current fiscal year are accrued as revenue and accounts receivable if considered available (received within 60 days of year end.) Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred.

Long-term loans receivable are recorded to avoid understatement, but offset by deferred revenue because the resources are not available for appropriation.

Balances representing lending/borrowing transactions between funds at the end of the fiscal year are reported as due to/due from (short-term) or advances from/to other funds (long-term). Determination as to whether interfund receivables/payables are short or long term, particularly when formal loan documents do not exist, depends on the facts and circumstances of each transaction and to some extent is necessarily a matter of subjective judgment on the part of Financial Management. Irrespective of the short-or-long-term classification, the total receivable/payable will be correctly stated.

Allowance for Doubtful Accounts

The City recognizes bad debts, on the rare occasion when a bad debt arises, using the direct write-off method due to the uncertainty of recording an allowance in advance, and the public impact of presenting such information on an estimated basis. While accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts, the effect of using the direct write-off method does not differ materially from the results that would be obtained if the allowance method were followed, and Management considers the direct write-off method to be superior.

Inventories and Prepaid Items

The aviation fuel inventory held by the Airport proprietary fund is stated at cost using the First-In-First-Out (FIFO) valuation method. Materials and supplies used by governmental funds are recorded as expenditures at the time they are purchased or obtained. Occasionally, payments to vendors relate to costs applicable to future accounting periods and are recorded as prepaid items; such items are generally not material in amount overall.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are stated at historical cost, or at estimated replacement cost where original cost was not available. Contributed capital assets are valued at estimated fair market value on the date contributed, if ascertainable. The City possesses certain capital assets that were acquired by capital lease, and are recorded as capital assets at cost. The City capitalizes assets whose acquisition or construction cost equals or exceeds:

| | |
|---|---|
| Equipment | $ 5,000 |
| Buildings and Improvements | 50,000 |
| Infrastructure | 100,000 |

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from four to forty years.

Compensated Absences

Compensated absences represent the vested portion of accumulated vacation, sick leave and compensatory time off. The liability for accumulated leave includes all salary-related payments that are directly and incrementally connected with leave payments to employees. In governmental fund types, the cost of vacation and sick leave benefits is recognized when payments are made to employees.

Upon termination, employees are paid 100% of accrued vacation leave and compensatory time off. Personal Time Off (PTO) and sick leave is paid in accordance with the applicable employee Memorandum of Understanding (MOU) or individual employment contract. A long-term liability of $1,273,047 for accrued benefits was recorded at June 30, 2014.

Unearned Revenue

Unearned revenues arise when cash is received before the City earns it; for instance, when rents, leases, business licenses or other fees are paid in advance, typically during June and are not earned until July. Total unearned revenue in the Governmental Funds Balance Sheet of $104,274 at June 30, 2014, comprises advance business license payments received during Fiscal 2013/14 not due until FY 2014/15 $62,674 and rents $41,600 received during June not due until July. Enterprise funds total unearned revenues of $35,705 consist of airport building, hangar and other rents received in advance of their due dates in July.

Long -Term Obligations

In the government-wide financial statements and proprietary fund financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Except for interfund obligations, long-term debt is not reported in governmental funds.

Encumbrances

Encumbrance accounting is used during the year for budgetary control. Encumbrances lapse at year end.

Fund Balance

The difference between the assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources of a governmental fund is referred to as fund balance or, in the government-wide statements, as net position. (See Note 10 disclosures). Occasionally, a fund's liabilities plus deferred inflows of resources exceed its assets plus deferred outflows of resources, resulting in a deficit fund balance. Following are the deficit fund balances at June 30, 2014, and short explanations:

*Marina Woods Landscape Maintenance District:* - $1,395 - Landscape and maintenance costs occur mostly during spring and summer, while assessment revenues are not received until December with the property tax distributions, at which time the deficit should be eliminated.

*Cypress Cove II Landscape Maintenance District*: - $857 - Landscape and maintenance costs occur mostly during spring and summer, while assessment revenues are not received until December with the property tax distributions, at which time the deficit should be eliminated.

*Prior-Period Adjustment*: In 2007, the Abrams-B Nonprofit Corporation borrowed $14,360,000 to acquire a long-term leasehold interest in the Abrams-B housing development from the City of Marina. In conjunction with the loan, the corporation incurred prepaid loan costs of $802,033 which were properly recorded at the time as a deferred charge (asset), to be amortized over the 30-year life of the loan as required by Generally Accepted Accounting Principles prior to GASB Statement No. 65. At June 30, 2013, the unamortized loan cost balance was $628,259. GASB Statement No. 65 changed the accounting treatment for prepaid debt issuance costs, requiring that: prospectively, such costs be expensed when incurred; and retroactively, that all previously deferred debt issuance costs be written off against fund equity during fiscal 2013/14. This requirement by the GASB resulted in an apparent, but not actual, $628,259 reduction in net position of Abrams B Nonprofit Corporation, making comparisons to previous years' less meaningful.

Internal Activity Eliminations

Generally Accepted Accounting Principles require that with certain exceptions, the effects of interfund activity be eliminated from the government-wide financial statements by means of consolidation. At June 30, 2014 the City had recorded numerous interfund receivables/payables/transfers between various funds. (See Note 9) For financial reporting purposes, the City discloses all interfund activity in the fund financial statements, but as required by GASB Statement No. 34, eliminates activity between individual Governmental Funds and between individual Enterprise Funds, then eliminates interfund activity between governmental and proprietary funds by disclosing the offsetting amounts as 'Internal Balances' with a resulting zero balance in the statement of net position and statement of activities. While complying with GASB rules, this inconsistency renders the Statement of Net Position and Government Funds Balance Sheet hard to compare, requiring a complex reconciling schedule to enable readers to understand the financial statements.

## 3 - Stewardship, Compliance and Accountability

Budgetary Information

The City follows these procedures annually in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed budget for the fiscal

year commencing the ensuing July 1, which includes proposed expenditures and the means of financing them, including anticipated revenues and fund balance carry-forwards.

2. The City Council reviews the proposed budget at special scheduled sessions which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is adopted by Council resolution.
4. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. The City Manager may authorize transfers of revenues and appropriations within and between departments of the General Fund, and within and between projects/departments of any fund.
5. The Finance Director records budget adjustments and realignments as necessary for carryover balances, encumbrances and continuing contracts to eliminate unfavorable budget variances.

## 4 - Cash and Deposits

Cash and investments reported in the financial statements at June 30, 2014 consist of:

| | |
|---|---|
| Deposits With Financial Institutions | $ 4,150,600 |
| Local Agency Investment Fund (LAIF) | 15,616,157 |
| Cash Held By Bond Trustees & Fiscal Agents * | 3,963,628 |
| Imprest Cash | 5,900 |
| Total Cash and Deposits | $ 23,736,285 |

* See disclosures below under 'Cash with Bond Trustees and Fiscal Agents'

The City follows the practice of pooling cash of all funds except cash held by rental agents and cash required to be held by outside agents under the provisions of bond indentures or grants. Interest earned on pooled cash is allocated to the various funds based on average balances. Earnings on cash held by fiscal agents are credited to the related fund.

Cash Defined

Cash includes money held by the City and on deposit with financial institutions that can be withdrawn without notice. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value due to fluctuations in interest rates.

Cash Deposits

The California Government Code requires financial institutions to secure deposits made by state or local governmental agencies by pledging securities in an undivided collateral pool held by a depository regulated under state law, unless waived by the government agency. (GC §§53652 & 53653) The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. All deposits held in the City's name by financial institutions comply with state law. In addition, as operating manager of the Abrams B Non-Profit Corporation's rental activity, Alliance Properties Management Company holds approximately $2,188,881 cash on behalf of the Corporation in the City's name.

Cash with Bond Trustees and Fiscal Agents

At June 30, 2014, Cash with Bond Trustees comprised the following:

| | |
|---|---|
| Wells Fargo Government Money Market Fund | $ 57 |
| Blackrock Institutional Money Market Funds | 1,774,690 |
| Total Cash with Bond Trustees | $ 1,774,747 |
| Cash with Rental Agent: Bank of America Demand Deposit | 2,188,881 |
| Total cash with Bond Trustees and Fiscal Agent | $ 3,963,628 |

Cash held by trustees on behalf of bond holders are governed by provisions of the indentures rather than the general provisions of the California Government Code or the City’s investment policy. Generally, the indentures allow a wide range of investments including investments in money market mutual funds rated AAAm, AAAm-G, or Aaa by Standard & Poors and/or Moody's. During fiscal year 2013-14, all investments held by trustees complied with indenture requirements. Cash held by fiscal agent in demand deposit accounts complied in all respects with security and collateralization requirements of the California Government Code:

Investments Authorized by the City's Investment Policy

The City's Investment Policy and Management Plan restricts individual deposits to financial institutions maintaining offices within the City of Marina. Further, unless collateralized as provided in Government Code Sections 53651 & 53652, the maximum amount of Certificates of Deposit that can be placed with any single institution is $100,000. At June 30, 2014, all City deposits were placed with Rabobank in Marina, and the City had no certificates of deposit.

With respect to investments, the policy adopts the State of California's provisions relating to local agencies set forth in Government Code: §16429.1 authorizing a local agency to deposit cash with the State of California Local Agency Investment Fund

(LAIF); §53635 authorizing a local agency to pool deposits with other local agencies and establishing permitted investments for the pool; and §53601 permitting local governments to invest independently and establishing permitted investments.

While the City's investment policy identifies safety of principal as the foremost objective of the investment program and states that the 'City shall seek to preserve principal by mitigating...credit risk and market risk... .' it contains no specific provisions intended to limit exposure to interest rate risk or concentration of credit risk aside from those contained in the aforementioned Government Code sections. *Interest rate risk* is the risk that changes in market interest rates will adversely affect the value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its value to changes in market interest rates. *Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. *Concentration of credit risk* recognizes that additional risk attaches to a disproportionately large proportion of an investment portfolio placed with a single institution. The City's investment policy limits investments with a single institution (exclusive of government agencies such as LAIF) to no more than 25% of the portfolio. During 2013-14, no investments were placed with any one issuer that exceeded 25% of the total portfolio.

The City's investment policy assigns authority and responsibility to manage the City's investment portfolio to the Finance Director. Pursuant to such authority, during fiscal year 2013-14 the only investments were placed with the California LAIF, which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. City deposits in this pool are reported in the accompanying financial statements at cost which approximates fair value. Deposits may be withdrawn without interest or principal penalties on short notice and are more similar to cash than an investment. City deposits with the LAIF at June 30, 2014, totaled $15,616,157, and Successor Agency deposits with the LAIF totaled $560,413.

## 5 - Notes Receivable

Notes receivable of $188,127 in the CDBG Fund include small business loans made for the implementation of a business assistance program and first-time homebuyer assistance loans that bear annual interest rates ranging from 5% to 6%, with various repayment plans.

CDBG Housing Fund notes receivable of $76,500 consist of loans made for low-income housing purchase and rehabilitation. Loans are collateralized by deeds of trust on the purchased or improved properties, bear annual interest rates ranging from 3% to 7%, and require no repayment until transfer of property title, or the loan reaches maturity.

## 6 - Capital Assets

Governmental (General) Capital Assets changed during FY 13-14 as follows:

| | Balance July 1, 2013 | Additions | Deletions | Balance June 30, 2014 |
|---|---|---|---|---|
| on-depreciable) | $ 1,750,963 | $ - | $ - | $ 1,750,963 |
| s & Improvements | 35,105,940 | - | - | 35,105,940 |
| ent | 6,238,493 | 88,880 | (86,072) | 6,241,301 |
| cture | 14,089,293 | 2,863,369 | | 16,952,662 |
| Depreciable Assets | 55,433,726 | 2,952,249 | (86,072) | 58,299,903 |
| cumulated Depreciation | | | | |
| s & Improvements | (11,198,843) | (796,574) | - | (11,995,417) |
| ent | (4,784,048) | (379,447) | 86,072 | (5,077,423) |
| cture | (1,711,991) | (381,381) | | (2,093,372) |
| ccumulated Depr'n | (17,694,882) | (1,557,402) | 86,072 | (19,166,212) |
| reciable Assets | 37,738,844 | 1,394,847 | - | 39,133,691 |
| Assets, Net | $ 39,489,807 | $ 1,394,847 | $ - | $ 40,884,654 |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| General Government | $ 452,423 |
| Public safety | 358,878 |
| Public Works | 61,414 |
| Economic & Community Development | 5,985 |
| Recreation & Cultural Services | 201,707 |
| Public Improvements | 476,995 |
| Total depreciation expense | $ 1,557,402 |

Business Activity-Type Assets changed as follows:

| | Balance July 1, 2013 | Additions | Deletions | Balance June 30, 2014 |
|---|---|---|---|---|
| Land (non-depreciable) | $ 36,900,000 | $ - | $ - | $ 36,900,000 |
| Buildings | 8,579,544 | - | - | 8,579,544 |
| Improvements | 24,073,213 | 13,960 | - | 24,087,173 |
| Equipment | 183,816 | - | | 183,816 |
| Cost of Depreciable Assets | 32,836,573 | 13,960 | - | 32,850,533 |
| Less: Accumulated Depreciation | | | | |
| Buildings | (3,658,877) | (241,301) | - | (3,900,178) |
| Improvements | (7,856,624) | (800,675) | - | (8,657,299) |
| Equipment | (170,867) | (4,616) | | (175,483) |
| Total Accumulated Depr'n | (11,686,368) | (1,046,592) | - | (12,732,960) |
| Net Depreciable Assets | 21,150,205 | (1,032,632) | - | 20,117,573 |
| Capital Assets, Net | $ 58,050,205 | $(1,032,632) | $ - | $ 57,017,573 |

## 7 - Long-Term Debt

Following are the long-term debt issues outstanding at June 30, 2014, including a description of each issue:

General Obligation Bonds
1998 General Obligation Refunding Bonds – Authorized and issued June 1998, due in annual installments of $15,000 to $65,000 plus accrued interest through August 2019, for the purpose of refunding the 1989 General Obligation Bonds Series A. Interest is payable semi-annually in February and August at 4.4% to 5.6% per annum.

*Balance Due* $335,000

General Obligation Bonds
2005 General Obligation Bonds – Authorized and issued May 2005, due in annual installments of $5,000 to $695,000 plus accrued interest through August 2035, for the purpose of constructing a new library. Interest is payable semi-annually in February and August at 3% to 5.25% per annum.

*Balance Due* $7,925,000

General Obligation Bonds
2007 General Obligation Bonds – Authorized and issued April 2007 as part of a larger offering facilitated by the California Statewide Communities Development

Authority, due in annual installments of $15,000 to $625,000 plus accrued interest through June 2019, for the purpose of refinancing an unfunded CalPERS pension liability. Interest is payable semi-annually in June and December at 5.21% to 5.3% per annum.

*Balance Due* $ 1,995,000

Limited Obligation Improvement Bonds

1999 Refunded Marina Greens Assessment District Bonds - Authorized and issued August 2000, due in annual installments of $35,000 to $80,000 plus accrued interest through September 2015, for the purpose of refunding the 1994 Marina Greens Business Park Improvement Assessment District Limited Obligation Improvement Bonds used for the purpose of financing the construction of improvements and the acquisition of certain rights of way. Interest is payable semi-annually in March and September at 4.3% to 6% per annum. (see subsequent events, Note 17)

*Balance Due* $ 155,000

Limited Obligation Improvement Bonds

2001 Refunded Marina Landing Assessment District Bonds - Authorized and issued July 2001, due in annual installments of $108,000 to $190,000. This issue was totally liquidated during fiscal 2013/14, and has no remaining interest or principal due at June 30, 2014 (see Subsequent Events).

*Balance Due* $ 000

Revenue Bonds

2006 Multifamily Housing Revenue Bonds - Authorized and issued November 2006, due in annual installments of $110,000 to $160,000 through May 2016, then a lump-sum redemption of $10,275,000 on November 15, 2036, principal and interest, for the purpose of financing the acquisition of the Abrams B Apartments. Interest is payable semi-annually in May and November at 3.45% to 3.95% per annum.

*Balance Due* $ 12,165,000

General Long-Term Debt changed as follows:

| | Balance July 1, 2013 | Increases | Decreases | Balance June 30, 2014 | Due Within 1 Year |
|---|---|---|---|---|---|
| General Obligation Bonds | $10,805,000 | - | $ 550,000 | $10,255,000 | $ 615,000 |
| Revenue Bonds | 12,500,000 | - | 335,000 | 12,165,000 | 345,000 |
| Limited Obligation Bonds | 415,000 | - | 260,000 | 155,000 | 75,000 |
| Sub-Total Bonded Debt | $23,720,000 | - | $1,145,000 | $22,575,000 | $ 1,035,000 |
| Capital Lease Obligation | 234,410 | - | 69,878 | 164,532 | 71,849 |
| Compensated Absences | 1,297,518 | - | 24,471 | 1,273,047 | - |
| Total | $25,251,928 | - | $1,239,349 | $24,012,579 | $ 1,106,849 |

Annual principal and interest requirements on general long-term bonded debt outstanding at June 30, 2014, are as follows:

| Year Ending June 30, | General Obligation Bonds | Revenue Bonds | Limited Obligation Bonds | Total | Interest | Principal |
|---|---|---|---|---|---|---|
| 2015 | 1,116,155 | 789,708 | 82,050 | 1,987,913 | 952,913 | 1,035,000 |
| 2016 | 1,158,735 | 787,715 | 82,400 | 2,028,850 | 903,850 | 1,125,000 |
| 2017 | 1,207,579 | 458,395 | - | 1,665,974 | 890,974 | 775,000 |
| 2018 | 701,655 | 458,395 | - | 1,160,050 | 850,050 | 310,000 |
| 2019 | 740,754 | 458,395 | - | 1,199,149 | 834,149 | 365,000 |
| 2020-2024 | 3,027,444 | 2,291,975 | - | 5,319,419 | 3,969,419 | 1,350,000 |
| 2025-2029 | 3,303,435 | 2,291,975 | - | 5,595,410 | 3,615,410 | 1,980,000 |
| 2030-2034 | 3,556,956 | 2,291,975 | - | 5,848,931 | 3,033,931 | 2,815,000 |
| 2035-2037 | 1,427,056 | 12,880,987 | - | 14,308,043 | 1,488,043 | 12,820,000 |
| Subtotal | $16,239,769 | $22,709,520 | $164,450 | $39,113,739 | $16,538,739 | $22,575,000 |
| Less Interest | (5,984,769) | (10,544,520) | (9,450) | (16,538,739) | -16,538,739 | - |
| Principal | $10,255,000 | $12,165,000 | $155,000 | $22,575,000 | $ - | $22,575,000 |

## 8 - Capital Leases

A schedule of future minimum lease payments pursuant to a capital lease for NGEN emergency communications equipment, together with the present value of the minimum lease payments at June 30, 2014 follows:

| Year Ending June 30 | Long-Term Debt |
|---|---|
| 2015 | $ 75,576 |
| 2016 | 75,577 |
| 2017 | 18,894 |
| | $ 170,047 |
| Less Interest | -5,515 |
| Principal Portion of Future Lease Payments | $ 164,532 |

**9 - Interfund Transactions**

Interfund Loans

Interfund loans are temporary resource transfers between funds for cash-flow and other purposes that will be repaid within a reasonable time pursuant to loan agreements, promissory notes and City Council resolutions. Interfund loans at June 30, 2014 were as follows:

| Due To | Due From | Amount |
|---|---|---|
| General Fund (1) | City Capital Projects Fund | $ 75,000 |
| General Fund (1) | Fiduciary Funds | 243,713 |
| General Fund (1) | Special revenue Funds | 226,648 |
| Abrams B Bond Fund (2) | Abrams B Housing Fund | 12,136,667 |
| City Capital Projects Fund (3) | Abrams B Housing Fund | 1,329,631 |
| Sub-total Governmental Funds | | $ 14,011,659 |
| Airport Fund (4) | General Fund | $ 50,000 |
| Airport Fund (4) | Other Governmental Funds | 50,708 |
| | Fiduciary funds | 85,000 |
| Sub-total Airport | | $ 185,708 |
| | Total | $ 14,197,367 |

(1) Loans due to the General Fund include a $75,000 non-amortizing loan to the City Capital Projects Fund to finance rehabilitation of a percolation pond in anticipation of sale, which will be repaid as resources permit; two formal, interest-bearing amortizing loans to the Successor Agency to the Marina Redevelopment Agency Fiduciary Fund totaling $145,655, which the City expects to be repaid as part of the Agency's enforceable debt obligations; a $48,514 non-interest bearing, non-amortizing loan to the Successor Agency to the Redevelopment Agency Fiduciary Fund which the City expects to be repaid as part of the Agency's enforceable debt obligations; and a second short-term $49,544 loan to the the Successor Agency to the Redevelopment Agency Fiduciary Fund which the City expects to be repaid as part of the Agency's enforceable debt obligations. Loans to non-major special revenue funds include short-term cash flow loans to the Marina Woods Landscape Maintenance District and the CDBG Projects Fund of $805 and $225,843, respectively. These loans will be repaid as cash flows permit.

(2) The Abrams B Housing Fund borrowed $14,360,000 from the City on a formal interest-bearing, amortizing promissory note for the purpose of acquiring the Abrams B Housing Project from the Fort Ord reuse Authority. Payments are made in essentially equal annual amounts, and the note will be fully amortized during fiscal year 2035-36.

(3) The Abrams B Housing Fund owes the City $1,329,631 for the purchase of a leasehold interest in the Abrams B Housing Project

(4) The Airport Operating Fund made a $50,708 short-term cash flow loan to the Airport Capital Projects fund which will be repaid during fiscal year 2014-15 as grant revenues are received, and $50,000 to the City's Strategic Development Fund (for reporting purposes, merged with the general fund), which will be repaid as resources

permit. The Airport Fund also loaned $85,000 to the Successor Agency to the Marina Redevelopment Agency which the City expects to be repaid as part of the Agency's enforceable debt obligations.

Interfund Transfers

Inter/intrafund transfers are permanent transfers of resources between/within funds with no repayment requirement. The following transfers occurred during FY 2013-14 as disclosed on the Statement of Revenues, Expenditures and Changes in Fund Balances, Interfund Transfers In; All Governmental Funds:

| Transfer To | Transfer From | Amount |
|---|---|---|
| General Fund | Other Governmental Funds | $ 155,848 |
| | Airport Fund | 82,638 |
| | Abrams B Housing Fund | 417,193 |
| Subtotal General Fund | | $ 655,679 |
| City Capital Projects Fund | General Fund | $ 90,000 |
| | Other Governmental Funds | 1,988,219 |
| Subtotal City Capital Projects Fund | | $ 2,078,219 |
| Impact fee Fund | City Capital Projects Fund | $ 102,310 |
| Other Governmental Funds | City Capital Projects Fund | $ 46,352 |
| | Airport Fund | 46,000 |
| Subtotal Other Governmental Funds | | $ 92,352 |
| | Total | $ 2,928,560 |

Interfund transfers that occur on a regular basis include routine annual transfers from the Abrams B NonProfit Corporation to the General Fund for rent; transfers from the Impact Fee Fund to the Capital Projects Funds to partially finance capital projects; and transfers from other funds to the General Fund for cost allocation.

**10 - Classifications of Fund Balances**

As previously stated, fund financial statements designate the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources, of a governmental fund as 'fund balance.' In March 2009, the Government Accounting Standards Board (GASB) issued Statement No. 54 establishing new fund balance classifications for governmental funds. The new classifications comprise a fund balance hierarchy based primarily on the extent to which a government must observe constraints imposed upon the use of resources reported in governmental funds. The new fund balance reporting standards include *nonspendable, restricted*, *committed*, *assigned*, and *unassigned* classifications based on the relative strength of the constraints that control how specific resources can be spent, and the fund(s) in which those resources are reported.

'*Nonspendable*' fund balance are amounts that cannot be spent because they are not in spendable form, such as inventories or prepaid expenses, or because they are legally or contractually required to be maintained intact. This also includes the long-term portion of notes and loans receivable that are not offset by deferred revenue, but does not include imprest cash.

'*Restricted*' fund balance are amounts constrained by external parties that can be spent only for purposes '...stipulated by constitution, external resource providers, or through enabling legislation' such as gas tax cash in the Streets Fund, and cash in Debt Service Funds to repay bonded indebtedness as required by related bond indentures.

'*Committed*' fund balance are amounts that are neither unspendable nor restricted, that are constrained for specific purposes by formal action of the City's highest level of decision-making authority, such as: Council-adopted budget or other resolutions; motions; or minute orders recorded in the official minutes for the meeting at which such limitation is imposed. 'Committed' resources require equal or higher action by the Council to remove or change the constraints placed on those resources.

'*Assigned*' fund balance are amounts intended for specific purposes but are not nonspendable and do not meet the criteria of 'Restricted' or 'Committed.' In all funds except the general fund, '*assigned*' fund balance represents the positive amount that is not nonspendable, restricted or committed. 'Assigned' resources can be imposed by the City Council itself, or by the City Manager and/or the Finance Director if authorized by Council action. For example, the Council may delegate authority for making certain budget modifications or setting aside resources for anticipated projects and programs.

'*Unassigned*' fund balance are general fund resources not contained in other classifications or, in non-general funds a deficit balance resulting from overspending for purposes for which amounts were restricted, committed or assigned.

When an expenditure occurs for which both restricted and unrestricted resources are available, the City generally considers the expenditure to have been made from restricted resources. Likewise, when an expenditure occurs for which either committed, assigned or unassigned resources are available, the City generally considers the expenditure to have been made from committed resources.

GASB asserts that the new classifications enhance the usefulness of fund balance measurements by disclosing the extent to which a government must observe constraints imposed on the use of resources reported in governmental funds, and the extent to which resources are available for discretionary purposes. Pursuant to GASB 54 the $7404,374 General Fund fund balance, and the $18,290,915 total governmental fund balances at June 30, 2014 were classified as follows:

| | General Fund | All Funds |
|---|---|---|
| Nonspendable | $ 545,361 | $ 545,361 |
| Restricted | 180,782 | 7,082,547 |
| Committed | 200,000 | 4,187,029 |
| Assigned | - | - |
| Unassigned | 6,478,231 | 6,475,978 |
| Total | $7,404,374 | $18,290,915 |

Detailed explanations for each category follows:

| Fund | Total | Non-Spendable | Restricted | Committed | Unassigned | Nature of Constraint |
|---|---|---|---|---|---|---|
| General Fund | $ 6,478,231 | $ - | $ - | $ - | $6,478,231 | Unconstrained General Fund balance |
| " | 545,361 | 545,361 | - | - | - | Non-current portion of loans & advances to other funds |
| " | 200,000 | | - | 200,000 | - | Cash set aside for OPEB Costs by Council action |
| " | 180,782 | - | 180,782 | - | - | Bond trust & CSA 74 cash limited by indenture/law |
| Total General Fund | $ 7,404,374 | $545,361 | $ 180,782 | $ 200,000 | $6,478,231 | |
| Special Revenue Funds | 5,054,918 | - | 5,054,918 | - | - | Restricted to specific uses by law or grants |
| PEG | 134,711 | - | - | 134,711 | - | Committed to public access by Council action |
| Landscape Districts | 24,298 | - | 24,298 | - | - | Restricted by law to specific geographic areas |
| Landscape Districts | (2,253) | - | - | - | (2,253) | Negative balance reportable as unassigned |
| Parks Capital Projects | 2,197 | - | 2,197 | - | - | Restricted to parks use by Quimby Fee law |
| Airport Capital Project | 44,034 | - | 44,034 | - | - | Restricted to airport improvements by grant |
| City Capital Projects | 3,852,318 | - | - | 3,852,318 | - | Committed to specific projects by Council action |
| Library Construction | 872,719 | - | 872,719 | - | - | Restricted to library use by bond indenture |
| Debt Service Funds | 903,599 | - | 903,599 | - | - | Restricted to debt service by bond indentures |
| total fund balances | $ 18,290,915 | $545,361 | $ 7,082,547 | $ 4,187,029 | $6,475,978 | |

## 11 - Defined Benefit Pension Plan

Plan Description

The City of Marina contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Status and Progress

Prior to passage of the California Public Employees Pension Reform Act (PEPRA), Miscellaneous participants and public safety participants were required to contribute

7% and 9%, respectively, of their annual covered salary, while the City made the contributions required of city employees on their behalf and for their account. The City's required contributions were determined actuarially as a percentage of covered payroll for Miscellaneous and Safety members respectively, as follows for prior years: 2007/08 12.173% & 33.038%; 2008/09 9.044% & 19.27%; for 2009/10 8.902% & 18.813%; for 2010/11 8.6% & 18.0%; for 2011/12 10.059% & 24.112%; for 2012/13 10.238% & 24.706%.

The PEPRA implemented new benefit formulas and final compensation periods as well as new employee and employer contribution requirements for 'new employees' hired on or after January 1, 2013. For the 2013/14 fiscal year, contribution rates for for classic (existing) Miscellaneous and Safety members were 10.781% & 26.149% respectively; for new Miscellaneous and Safety members contribution rates were 6.25% and 11.5% respectively, for both the employee and the employer. For 2014/15, contribution rates for classic (existing) Miscellaneous and Safety members are projected to be 11.522% & 27.849% respectively while 6.25% & 11.5% employee/employer contribution rates will remain in effect until June 30, 2015. For the 2015/16 fiscal year, Miscellaneous and Safety contribution rates for classic (existing) members are projected to be 12.4% and 29.9% for classic (existing members). Employee/employer contribution rates for new members will be revised in late 2014 for the 7/1/15 - 6/30/16 fiscal year.

Please refer to the Pension Reform section of the CalPERS website for more information on pension reform, including information regarding when an employee will be considered a new member under PEPRA.

Annual Pension Cost

The City's annual pension cost of $2,028,136 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) a 7.5% investment rate of return (compounded annually, net of administrative expenses), (b) projected annual salary growth that varies by category, entry age and duration of service, from 3.30% to 14.20% depending on age, service and type of employment, (c) an inflation rate of 2.75%, and (d) a payroll growth rate of 3.00%.

Three-Year Trend Information for PERS

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 6/30/12 | $2,006,856 | 100% | $ 0 |
| 6/30/13 | 2,013,612 | 100% | 0 |
| 6/30/14 | 2,028,136 | 100% | 0 |

Plan Actuarial Value and Funding Progress

Effective for the 2005/06 fiscal year, PERS plans with fewer than 100 active members as of June 30, 2003 are required to participate in a risk pool. With the implementation of risk-pooling, PERS no longer provides stand-alone valuation reports.

## 12 - Post-Retirement Health Care Benefits

*Plan Description*: The City of Marina participates in the California Public Employees Retirement System (CalPERS), a cost-sharing multiple employer public employee defined benefit pension plan. CalPERS provides postemployment medical insurance benefits to retirees and their spouses who meet plan eligibility requirements in accordance with various labor agreements. Employees are eligible for postretirement medical benefits upon reaching age 50 with a minimum of five years of service. Retirees can enroll in any of the available CalPERS medical plans, and City-provided benefits continue for the life of the retiree and surviving spouse. The City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act ($101 per month for 2009, $105 per month in 2010, $108 per month in 2011, $112 per month in 2012, $115 per month in 2013, $119 per month in 2014, and is projected to be $122 in 2015. Thereafter, monthly contributions will increase to reflect changes in the medical care component of the Consumer Price Index) Retirees must pay any premium amounts in excess of the City contribution. For each bargaining unit, the minimum amount the City contributes is pro-rated over the 20-year period starting from that unit's CalPERS coverage.

*City's Funding Policy*: The contribution requirements of plan members and the City are established and may be amended by the City Council. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due.) For fiscal year 2013-14, the City contributed $22,831 to the plan (100% of total current premiums). The City has not established a trust for the purpose of holding assets accumulated for plan benefits.

*Annual OPEB Cost and Net OPEB Obligation*: The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the 2013/14 fiscal year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

| | |
|---|---|
| Annual required contribution (ARC) | $ 241,161 |
| Interest on Net OPEB Obligation | 37,800 |
| Adjustment to the ARC | -39,083 |
| Annual OPEB Cost | $ 239,878 |
| Less: Contributions made (pay-as-you-go cost) | -20,578 |
| Increase in net OPEB obligation | $ 219,300 |
| Net OPEB obligation - beginning of year | 844,580 |
| Net OPEB obligation - end of year | $1,063,880 |

*Funded Status and Funding Progress*: At June 30, 2014, the funded status of the plan was as follows:

| | |
|---|---|
| Actuarial accrued liability (AAL) | $ 2,260,356 |
| Actuarial value of plan assets** | 0 |
| Unfunded actuarial accrued liability (UAAL) | $ 2,260,356 |

*** GASB 45 requires that cash be placed in trust to be considered 'plan assets.' While the City has segregated $200,000 in a separate fund, the fund does not qualify as a trust, so the segregated cash is not treated as a 'plan asset.'*

| | |
|---|---|
| Funded ratio (actuarial value of plan assets/AAL) | 0% |
| Covered payroll (active plan members) | $ 8,696,119 |
| UAAL as a percentage of covered payroll | 26.0% |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2013, and the preceding years were as follows: (2009/10 was the first GASB-45 year)

| Fiscal Year Ended | Annual OPEB Cost | % of Annual OPEB Cost Contributed | cumulative Net OPEB Obligation |
|---|---|---|---|
| 6/30/10 | $205,257 | 4.75% | $ 195,497 |
| 6/30/11 | $224,416 | 5.22% | $ 408,184 |
| 6/30/12 | $244,877 | 5.77% | $ 638,925 |
| 6/30/13 | $221,072 | 6.97% | $ 844,580 |
| 6/30/14 | $239,878 | 8.58% | $1,063,880 |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for the benefits. *Actuarial Methods and Assumptions*: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 4.5 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4.5% including all inflation factors. The UAAL is being amortized as a level percentage of projected payroll over 30 years.

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)-Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll (b-a)/c) |
|---|---|---|---|---|---|---|
| 6/30/10 | $ 0 | $1,617,429 | $1,617,429 | 0% | $8,724,150 | 18.5% |
| 6/30/11 | 0 | 1,816,336 | 1,816,336 | 0% | 7,737,432 | 23.5% |
| 6/30/12 | 0 | 2,029,646 | 2,029,646 | 0% | 8,190,417 | 24.8% |
| 6/30/13 | 0 | 2,059,801 | 2,059,801 | 0% | 8,790,527 | 23.4% |
| 6/30/14 | 0 | 2,260,356 | 2,260,356 | 0% | 8,696,119 | 26.0% |

As the City's OPEB benefits are administered by City personnel, no separate financial statements are issued.

## 13 - Deferred Compensation Plan

The City offers its employees two deferred compensation plans created in accordance with California Code Section 53212 and Internal Revenue Code Section 457 under which employees can defer a portion of their salary until future years. The deferred compensation plan money is a deduction from the employees' salary and is invested with independent retirement trustees. The trustees hold the amounts deferred and any related income on behalf of employees; therefore, the City does not report any deferred compensation in its financial statements.

## 14 - Commitments and Contingencies

Contingent Liabilities

The City receives funding from a number of federal, state and local grant programs, principally the Community Development Block Grants. These programs are subject to financial and compliance review by grantors. Accordingly, the City's compliance with applicable grant requirements will be determined at some future date. Expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time. The City does not expect the undeterminable amounts of disallowed expenditures, if any, to materially affect the financial statements. Receipt of these federal, state and local grant revenues is not assured in the future.

Litigation

Various claims and lawsuits are pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

## 15 - Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases liability, property, errors and omissions, and workers' compensation insurance from the Monterey Bay Area Self Insurance Authority (MBASIA), a risk-sharing program. Under this program, coverage is provided for up to a maximum of $20,000,000 for each general liability claim less the City's deductible of $10,000. Statutory coverage is provided for workers' compensation claims.

The City is assessed a contribution to cover claims, operating costs and claim settlement expenses based upon an actuarially determined rate for each coverage layer pool. Additional cash contributions may be assessed on the basis of adverse loss experience. If the events of the year result in a negative risk position, the members' annual assessment may be increased in subsequent years. The City is unable to reasonably estimate the probability of MBASIA ending the year in a negative risk position. Refunds to members may be made if funds are determined to be surplus as a result of an actuarial study.

The City currently reports liability risk management activities in the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Workers compensation insurance costs are allocated to various departments proportionate to their total payroll. For the year ended June 30, 2014, the City paid a total of $1,138,399 to MBASIA for insurance coverage; $178,381 and $960,018 for liability and workers compensation insurance, respectively and did not receive a rebate from the program.

## 16 - Rental Income

The City receives rents from several properties including Abrams B Apartments and Preston Park. Abrams B Apartments are owned by the City through its component unit, the Abrams B Non-Profit Corporation. During the 13-14 fiscal year, Abrams B generated $2,919,524 in rental income. The City also receives rents from Preston Park. During the 13-14 fiscal year, the City received $1,737,006 in rents from Preston Park.

## 17 - Subsequent Events

At June 30, 2014, the unpaid principal balance of the Marina Greens Assessment District Limited Obligation Improvement Bonds was $155,000, due in September, 2014 and September, 2015 in the amounts of $75,000 and $80,000 respectively. The bond indenture required that when reserve fund cash was sufficient to retire all remaining bonds, the bonds be called and redeemed. Accordingly, in September, 2014, reserve fund cash was transferred to the trustee Union Bank, and all remaining outstanding bonds were redeemed.

On November 4, 2014, Marina voters overwhelmingly passed two tax measures intended to enhance the City's general purpose revenues: Measure E eliminated the termination date of the previously temporary increase in the City's transient occupancy tax ('hotel tax') from 10% to 12%, approved by voters on November 2, 2010, making the increase permanent; and Measure F which extended the temporary 1% transactions and use tax ('sales tax') for ten years, now due to expire March 31, 2026.

# OTHER SUPPLEMENTARY INFORMATION

## CITY OF MARINA

### General Fund
### Combining Balance Sheet
### June 30, 2014

| | General Fund | GASB-45 OPEB Obligation Fund | Marina Technology Cluster Fund | Development Activity Fund | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Investments - Unrestricted | $ 7,051,381 | $ 200,000 | $ - | $ - | $ 7,251,381 |
| Cash - Restricted | 57 | - | - | - | 57 |
| Prepaid Expenditures | 12,000 | - | - | - | 12,000 |
| Accrued Receivables | 2,002,369 | - | - | 54,969 | 2,057,338 |
| Interfund Receivables & Payables - Short-term Cash Flow Loans | 1,872,689 | - | (13,571) | (1,632,470) | 226,648 |
| Loans & Notes Receivable | 243,713 | - | - | - | 243,713 |
| Advances to Other Funds | 75,000 | - | - | - | 75,000 |
| TOTAL ASSETS | $ 11,257,209 | $ 200,000 | $ (13,571) | $ (1,577,501) | $ 9,866,137 |
| **LIABILITIES** | | | | | |
| Accounts Payable | $ 1,157,053 | $ - | $ 5,739 | $ 2,502 | $ 1,165,294 |
| Accrued Payables | 411,305 | - | - | - | 411,305 |
| Deposits and Other liabilities | 302,084 | - | 11,800 | - | 313,884 |
| Unearned Revenue | 100,179 | - | 2,255 | - | 102,434 |
| Advances from Other Funds | - | - | - | 50,000 | 50,000 |
| TOTAL LIABILITIES | $ 1,970,621 | $ - | $ 19,794 | $ 52,502 | $ 2,042,917 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Unavailable Revenue - State of CA SB-90 Claims | $ 418,846 | $ - | $ - | $ - | $ 418,846 |
| **FUND BALANCES (DEFICITS)** | | | | | |
| Nonspendable | $ 545,361 | $ - | $ - | $ - | $ 545,361 |
| Restricted | 180,782 | - | - | - | 180,782 |
| Committed | - | 200,000 | - | - | 200,000 |
| Assigned | - | - | - | - | - |
| Unassigned | 8,141,599 | - | (33,365) | (1,630,003) | 6,478,231 |
| TOTAL FUND BALANCE (DEFICIT) | $ 8,867,742 | $ 200,000 | $ (33,365) | $ (1,630,003) | $ 7,404,374 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)** | $ 11,257,209 | $ 200,000 | $ (13,571) | $ (1,577,501) | $ 9,866,137 |

*The notes to financial statements are an integral part of this statement*

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## CITY OF MARINA

### General Fund
### Combining Schedule of Revenues, Expenditures & Changes in Net Position
### Year Ended June 30, 2014

| | General Fund | GASB-45 OPEB Obligation Fund | Marina Technology Cluster Fund | Development Activity Fund | Total |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Taxes | $ 12,065,087 | $ - | $ - | $ - | $ 12,065,087 |
| Fines and Penalties | 195,743 | - | - | - | 195,743 |
| Licenses and Permits | 444,470 | - | - | - | 444,470 |
| Investment Earnings | 23,594 | - | 3 | - | 23,597 |
| Charges for Services, Grants & Other Program Revenues | 4,199,664 | - | 88,114 | 7,226 | 4,295,004 |
| Other General Revenues | 32,054 | - | - | - | 32,054 |
| Total Revenues | $ 16,960,612 | $ - | $ 88,117 | $ 7,226 | $ 17,055,955 |
| **EXPENDITURES** | | | | | |
| General Government | $ 2,333,193 | $ - | $ - | $ - | $ 2,333,193 |
| Public Safety | 10,209,287 | - | - | - | 10,209,287 |
| Public Works | 1,983,541 | - | - | - | 1,983,541 |
| Economic & Community Development | 997,544 | - | 111,705 | 215,683 | 1,324,932 |
| Recreation & Cultural Services | 891,308 | | | | 891,308 |
| Debt Service - Principal Retirement | 485,000 | - | - | - | 485,000 |
| Debt Service - Interest and Other Debt Service Costs | 131,754 | - | - | - | 131,754 |
| Total Expenditures | $ 17,031,627 | $ - | $ 111,705 | $ 215,683 | $ 17,359,015 |
| **EXCESS (DEFICIENCY) OF REVENUES** | | | | | |
| **OVER(UNDER) EXPENDITURES** | $ (71,015) | $ - | $ (23,588) | $ (208,457) | $ (303,060) |
| **OTHER FINANCING SOURCES(USES)** | | | | | |
| Interfund Transfers In | $ 614,841 | $ - | $ - | $ 40,838 | $ 655,679 |
| Interfund Transfers (Out) | (94,800) | | (5,000) | $ (8,470) | (108,270) |
| Total Other Financing Sources(Uses) | $ 520,041 | $ - | $ (5,000) | $ 32,368 | $ 547,409 |
| Special Item - Sale of Real Property | 1,068,800 | - | - | - | 1,068,800 |
| **EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES** | | | | | |
| **OVER(UNDER) EXPENDITURES, OTHER USES & SPECIAL ITEM** | $ 1,517,826 | $ - | $ (28,588) | $ (176,089) | # $ 1,313,149 |
| **FUND BALANCES - BEGINNING OF YEAR** | 7,349,916 | 200,000 | (4,777) | (1,453,914) | 6,091,225 |
| **FUND BALANCES - END OF YEAR** | $ 8,867,742 | $ 200,000 | $ (33,365) | $ (1,630,003) | $ 7,404,374 |

*The notes to financial statements are an integral part of this statement*

## CITY OF MARINA

### Non-major Governmental Funds
### Combining Balance Sheet
### June 30, 2014

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | CDBG | CDBG Housing | Streets | National Parks Recreation Services |
| **ASSETS** | | | | |
| Cash and Investments | $ 171,262 | $ 3,465 | $ 242,792 | $ 394,144 |
| Cash (Restricted) | - | - | - | - |
| Accrued Receivables | 165,985 | 2 | 83,474 | 213 |
| Notes Receivable | 188,127 | 76,500 | - | - |
| TOTAL ASSETS | $ 525,374 | $ 79,967 | $ 326,266 | $ 394,357 |
| **LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES** | | | | |
| **LIABILITIES** | | | | |
| Accounts Payable | $ 15,000 | $ - | $ 69,430 | $ 4,410 |
| Due to Other Funds (Short Term) | 225,843 | - | - | - |
| Unearned Revenue | - | - | - | 1,840 |
| TOTAL LIABILITIES | $ 240,843 | $ - | $ 69,430 | $ 6,250 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Unavailable Revenue - CDBG Business and Home Loans | $ 188,127 | $ 76,500 | $ - | $ - |
| **FUND BALANCES (DEFICITS)** | | | | |
| Nonspendable | $ - | $ - | $ - | $ - |
| Restricted | 96,404 | 3,467 | 256,836 | 388,107 |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | $ 96,404 | $ 3,467 | $ 256,836 | $ 388,107 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)** | $ 525,374 | $ 79,967 | $ 326,266 | $ 394,357 |

*The notes to financial statements are an integral part of this statement*

**Special Revenue Funds**

| PEG | Marina Woods Ass'm't District | Seabreeze Ass'm't District | Monterey Bay Estates Ass'm't District | Cypress Cove II Ass'm't District | CFD 2007-2 Locke-Paddon |
|---|---|---|---|---|---|
| $ 134,711 | $ - | $ 1,317 | $ 2,076 | $ 16,218 | $ 24,383 |
| - | - | - | - | - | - |
| 24,087 | - | 1 | 2 | 6 | 14 |
| - | - | - | - | - | - |
| $ 158,798 | $ - | $ 1,318 | $ 2,078 | $ 16,224 | $ 24,397 |
| | | | | | |
| $ 24,087 | $ 590 | $ 643 | $ 93 | $ 17,082 | $ 2,759 |
| - | 805 | - | - | - | - |
| - | - | - | - | - | - |
| $ 24,087 | $ 1,395 | $ 643 | $ 93 | $ 17,082 | $ 2,759 |
| | | | | | |
| $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | |
| $ - | $ - | $ - | $ - | $ - | $ - |
| - | - | 675 | 1,985 | - | 21,638 |
| 134,711 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | (1,395) | - | - | (858) | - |
| $ 134,711 | $ (1,395) | $ 675 | $ 1,985 | $ (858) | $ 21,638 |
| $ 158,798 | $ - | $ 1,318 | $ 2,078 | $ 16,224 | $ 24,397 |

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**CITY OF MARINA**

**Non-major Governmental Funds**
**Combining Balance Sheet**
**June 30, 2014**

| | Capital Projects | | | Debt Service Funds | | | | |
|---|---|---|---|---|---|---|---|---|
| | Airport | Park Facilities | Library Construction | Library Bonds | City General Obligation Bonds | Marina Landing Bonds | Marina Greens Bonds | Totals |
| **ASSETS** | | | | | | | | |
| Cash and Investments | $ - | $ 2,196 | $ 872,319 | $ - | $ - | $ - | $ - | $ 1,864,883 |
| Cash (Restricted) | - | - | - | 222,007 | 318,821 | 43,423 | 210,359 | 794,610 |
| Accrued Receivables | 177,671 | 1 | 400 | 30 | 133 | 20 | 86 | 452,125 |
| Notes Receivable | - | - | - | - | - | - | - | 264,627 |
| TOTAL ASSETS | $ 177,671 | $ 2,197 | $ 872,719 | $ 222,037 | $ 318,954 | $ 43,443 | $ 210,445 | $ 3,376,245 |
| **LIABILITIES AND FUND BALANCES** | | | | | | | | |
| **LIABILITIES** | | | | | | | | |
| Accounts Payable | $ 82,930 | $ - | $ - | $ 600 | $ 635 | $ - | $ - | $ 218,259 |
| Due to Other Funds (S/T) | 50,707 | - | - | - | - | - | - | 277,355 |
| Unearned Revenue | - | - | - | - | - | - | - | 1,840 |
| TOTAL LIABILITIES | $ 133,637 | $ - | $ - | $ 600 | $ 635 | $ - | $ - | $ 497,454 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | | | |
| Unavailable Revenue - CDBG Loans | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 264,627 |
| **FUND BALANCES (DEFICITS)** | | | | | | | | |
| Nonspendable | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Restricted | 44,034 | 2,197 | 872,719 | 221,437 | 318,319 | 43,443 | 210,445 | 2,481,706 |
| Committed | - | - | - | - | - | - | - | 134,711 |
| Assigned | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | (2,253) |
| TOTAL FUND BALANCEs (DEFICITS) | $ 44,034 | $ 2,197 | $ 872,719 | $ 221,437 | $ 318,319 | $ 43,443 | $ 210,445 | $ 2,614,164 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)** | $ 177,671 | $ 2,197 | $ 872,719 | $ 222,037 | $ 318,954 | $ 43,443 | $ 210,445 | $ 3,376,245 |

(concluded)

*The notes to financial statements are an integral part of this statement*

**CITY OF MARINA**

**Non-major Governmental Funds**
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**
**Year Ended June 30, 2014**

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | **CDBG** | **CDBG Housing** | **Streets** | **National Parks Recreation Services** |
| **REVENUES** | | | | |
| Taxes | $ - | $ - | $ 851,682 | $ - |
| Investment Earnings | 2,442 | 82 | 128 | 1,049 |
| Grants, Service Charges & Other Program Revenues | - | - | - | 106,123 |
| Other Revenue | - | - | 17,818 | - |
| Total Revenues | $ 2,442 | $ 82 | $ 869,628 | $ 107,172 |
| **EXPENDITURES** | | | | |
| Public Works | $ - | $ - | $ 629,443 | $ - |
| Economic & Community Development | 390,327 | - | - | - |
| Recreation & Cultural Services | - | - | - | 188,964 |
| Public Improvements | - | - | - | - |
| Debt Service - Principal Retirement | - | - | - | - |
| Debt Service - Interest & Fees | - | - | - | - |
| Total Expenditures | $ 390,327 | $ - | $ 629,443 | $ 188,964 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | $ (387,885) | $ 82 | $ 240,185 | $ (81,792) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Interfund Transfers In | $ - | $ - | $ - | $ 46,352 |
| Interfund Transfers(Out) | (5,000) | - | (7,000) | (105,964) |
| Total Other Financing Sources (Uses) | $ (5,000) | $ - | $ (7,000) | $ (59,612) |
| **EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES** | $ (392,885) | $ 82 | $ 233,185 | $ (141,404) |
| **FUND BALANCES - BEGINNING OF YEAR** | 489,289 | 3,384 | 23,651 | 529,511 |
| **FUND BALANCES - END OF YEAR** | $ 96,404 | $ 3,466 | $ 256,836 | $ 388,107 |

*The notes to financial statements are an integral part of this statement*

| | Special Revenue Funds | | | | | |
|---|---|---|---|---|---|---|
| | PEG | Marina Woods Ass'mt District | Seabreeze Ass'm't District | Monterey Bay Estates Ass'm't District | Cypress Cove II Ass'm't District | CFD 2007-2 Locke-Paddon |
| | $ - | $ - | $ - | $ - | $ - | $ - |
| | - | 1 | 6 | 7 | 27 | 69 |
| | 85,531 | 3,440 | 4,471 | 12,511 | 19,396 | - |
| | - | - | - | - | - | - |
| | $ 85,531 | $ 3,441 | $ 4,477 | $ 12,518 | $ 19,423 | $ 69 |
| | $ - | $ 5,677 | $ 6,638 | $ 13,158 | $ 32,771 | $ 14,869 |
| | 85,531 | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | $ 85,531 | $ 5,677 | $ 6,638 | $ 13,158 | $ 32,771 | $ 14,869 |
| | $ - | $ (2,236) | $ (2,161) | $ (640) | $ (13,348) | $ (14,800) |
| | $ - | $ - | $ - | $ - | $ - | $ - |
| | - | (326) | (1,740) | (2,871) | (2,751) | - |
| | $ - | $ (326) | $ (1,740) | $ (2,871) | $ (2,751) | $ - |
| | $ - | $ (2,562) | $ (3,901) | $ (3,511) | $ (16,099) | $ (14,800) |
| | 134,711 | 1,167 | 4,576 | 5,496 | 15,241 | 36,438 |
| | $ 134,711 | $ (1,395) | $ 675 | $ 1,985 | $ (858) | $ 21,638 |

(continued)

## CITY OF MARINA

### Non-major Governmental Funds
### Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
### Year Ended June 30, 2014

| | Capital Projects Funds | | | Debt Service Funds | | | | |
|---|---|---|---|---|---|---|---|---|
| | Airport | Park Facilities | Library Construction | Library Bonds | City General Obligation Bonds | Marina Landing Bonds | Marina Greens Bonds | Totals |
| **REVENUES** | | | | | | | | |
| Taxes | $ - | $ - | $ - | $ 417,627 | $ 69,450 | $ - | $ - | $ 1,338,759 |
| Investment Earnings | 84 | 3 | 2,358 | 83 | 572 | 146 | 345 | 7,402 |
| Grants ,Service Chrgs & Other Program Revenues | 269,462 | - | - | - | - | - | 88,039 | 588,973 |
| Other Revenue | - | - | - | - | - | - | - | 17,818 |
| | $ 269,546 | $ 3 | $ 2,358 | $ 417,710 | $ 70,022 | $ 146 | $ 88,384 | $ 1,952,952 |
| **EXPENDITURES** | | | | | | | | |
| Public Works | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 702,555 |
| Economic & Community Development | - | - | - | - | - | - | - | 475,858 |
| Recreation & Cultural Services | - | - | - | - | - | - | - | 188,964 |
| Public Improvements | 221,299 | - | - | - | - | - | - | 221,299 |
| Debt Service - Principal Retirement | - | - | - | 20,000 | 45,000 | 190,000 | 70,000 | 325,000 |
| Debt Service - Interest & Fees | - | - | - | 379,135 | 20,655 | 6,454 | 13,035 | 419,279 |
| | $ 221,299 | $ - | $ - | $ 399,135 | $ 65,655 | $ 196,454 | $ 83,035 | $ 2,332,955 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | $ 48,247 | $ 3 | $ 2,358 | $ 18,575 | $ 4,367 | $ (196,308) | $ 5,349 | $ (380,003) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | | |
| Interfund Transfers In | $ 46,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ 92,352 |
| Interfund Transfers(Out) | - | - | - | (2,535) | (1,157) | (2,389) | (1,181) | (132,914) |
| Total Other Financing Sources (Uses) | $ 46,000 | $ - | $ - | $ (2,535) | $ (1,157) | $ (2,389) | $ (1,181) | $ (40,562) |
| **EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES** | $ 94,247 | $ 3 | $ 2,358 | $ 16,040 | $ 3,210 | $ (198,697) | $ 4,168 | $ (420,565) |
| **FUND BALANCES - BEGINNING OF YEAR** | (50,213) | 2,194 | 870,361 | 205,397 | 315,109 | 242,140 | 206,277 | 3,034,729 |
| **FUND BALANCES - END OF YEAR** | $ 44,034 | $ 2,197 | $ 872,719 | $ 221,437 | $ 318,319 | $ 43,443 | $ 210,445 | $ 2,614,164 |

(concluded)

*The notes to financial statements are an integral part of this statement*

## CITY OF MARINA

### Fiduciary Funds
### Combining Schedule of Net Position
### June 30, 2014

| | Successor Agency Operating Fund | Successor Agency Housing Fund | Successor Agency Obligation Retirement Fund | Successor Agency Housing Assets Fund | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Cash Equivalents | $ - | $ - | $ 928,387 | $ 48,992 | $ 977,379 |
| Prepaid Expenditures | - | - | 12,113 | - | 12,113 |
| Accrued Receivables | - | - | 286 | 23 | 309 |
| Advances (to)from Other Funds, Net | - | - | (229,715) | 229,715 | - |
| Long-Term Receivable - State of California | - | - | 510,000 | - | 510,000 |
| Capital Assets - Land | - | - | - | 900,000 | 900,000 |
| TOTAL ASSETS | $ - | $ - | $ 1,221,071 | $ 1,178,730 | $ 2,399,801 |
| **LIABILITIES** | | | | | |
| Accounts Payable | $ - | $ - | $ 3,563 | $ - | $ 3,563 |
| Accrued Payables | - | - | 192 | - | 192 |
| Due to City of Marina (Long Term) | - | - | 328,713 | - | 328,713 |
| Bonds Payable: | | | | | |
| Due Within One Year | - | - | 20,000 | - | 20,000 |
| Due in More Than One Year | - | - | 490,000 | - | 490,000 |
| TOTAL LIABILITIES | $ - | $ - | $ 842,468 | $ - | $ 842,468 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Unavailable Revenue - Property Taxes Received in Advance | $ - | $ - | $ 529,210 | $ - | $ 529,210 |
| **Net Position** (Held in Trust for Successor Agency to the Marina Redevelopment Agency | $ - | $ - | $ (150,607) | $ 1,178,730 | $ 1,028,123 |

*The notes to financial statements are an integral part of this statement*

## CITY OF MARINA

### Fiduciary Funds
### Combining Schedule of Changes in Fiduciary Net Position
### Year Ended June 30, 2014

| | Successor Agency Operating Fund | Successor Agency Housing Fund | Successor Agency Obligation Retirement Fund | Successor Agency Housing Assets Fund | Total |
|---|---|---|---|---|---|
| **ADDITIONS** | | | | | |
| Property Taxes (Net of DOF True-Up Adjustment) | $ - | $ - | $ 1,272,603 | $ - | $ 1,272,603 |
| Investment Earnings | 254 | 1 | 1,819 | 98 | 2,172 |
| Property Tax In-Lieu | - | - | 29,139 | - | 29,139 |
| Net Assets Received on Dissolution of Redevelopment Agency | 39,501 | - | - | - | 39,501 |
| Interfund Transfers | 540,060 | (287,039) | (540,060) | 287,039 | - |
| Total Revenues | $ 579,815 | $ (287,038) | $ 763,501 | $ 287,137 | $ 1,343,415 |
| **DEDUCTIONS** | | | | | |
| ROPS Payments: | | | | | |
| Program Costs | $ 583,719 | $ - | $ 1,062,244 | $ 8,407 | $ 1,654,370 |
| Legal & Professional Fees | - | - | 41,649 | - | 41,649 |
| Employee Costs | - | - | 102,287 | - | 102,287 |
| Occupancy & Operating Costs | - | - | 117,005 | - | 117,005 |
| Total Expenditures | $ 583,719 | $ - | $ 1,323,185 | $ 8,407 | $ 1,915,311 |
| **Change in Net Position** | $ (3,904) | $ (287,038) | $ (559,684) | $ 278,730 | $ (571,896) |
| **NET POSITION - BEGINNING OF YEAR** | 3,904 | 287,038 | 354,077 | 955,000 | 1,600,019 |
| **NET POSITION - END OF YEAR** | $ - | $ - | $ (205,607) | $ 1,233,730 | $ 1,028,123 |

*The notes to financial statements are an integral part of this statement*

## APPENDIX C
## PROPOSED FORM OF OPINION OF BOND COUNSEL

May 12, 2015

City Council
City of Marina
211 Hillcrest Avenue
Marina, California 93933

***OPINION:*** $7,640,000 City of Marina 2015 General Obligation Refunding Bonds

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Marina (the "City") of its City of Marina 2015 General Obligation Refunding Bonds issued in the aggregate principal amount of $7,640,000 (the "Bonds"). The Bonds have been issued by the City under the Constitution and laws of the State of California, a resolution adopted by the City Council of the City on April 7, 2015 (the "Resolution") and a Paying Agent Agreement dated as of May 1, 2015 (the "Paying Agent Agreement"), between the City and MUFG Union Bank, N.A., as paying agent. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly organized and validly existing as a charter city and municipal corporation under the Constitution and laws of the State of California, with the power to adopt the Resolution, perform the agreements on its part contained therein and the Paying Agent Agreement and issue the Bonds.

2. The Bonds are valid and binding general obligations of the City.

3. The City has the power, is obligated and in the Resolution and the Paying Agent Agreement has covenanted to levy ad valorem taxes upon all property within the City which is subject to taxation by the City, without limitation of rate or amount, for the payment of the Bonds and the interest thereon.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the Resolution and in other instruments relating to the Bonds to comply with each of such requirements; and the City has full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

*Jones Hall,*
A Professional Law Corporation

## APPENDIX D

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

**$7,640,000**
**CITY OF MARINA**
**2015 General Obligation Refunding Bonds**

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Marina, California (the "City") in connection with the execution and delivery of the bonds captioned above (the "Bonds"). The Bonds are being issued and delivered pursuant to a resolution adopted by the City Council of the City on April 7, 2015 (the "Bond Resolution") and a Paying Agent Agreement, dated as of May 1, 2015, between the City and MUFG Union Bank, N.A., as paying agent.

The City hereby covenants and agrees as follows:

**Section 1. Purpose of the Disclosure Certificate**. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

**Section 2. Definitions**. In addition to the definitions set forth above and in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date not later than April 1 after the end of each fiscal year of the City (currently June 30$^{th}$).

"*Dissemination Agent*" means Applied Best Practices, LLC, or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Paying Agent a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement executed by the City in connection with the issuance of the Bonds.

"*Paying Agent*" means MUFG Union Bank, N.A., or any successor thereto.

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**Section 3. <u>Provision of Annual Reports</u>**.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2016 with the report for the 2014-15 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Paying Agent and the Participating Underwriter. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent and Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City, with a copy to the Paying Agent and the Participating Underwriter, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

**Section 4. <u>Content of Annual Reports</u>**. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the Official Statement:

(i) Assessed value of taxable property in the jurisdiction of the City as shown on the most recent equalized assessment roll;

(ii) Property tax levy and delinquencies for the City, for the most recently completed Fiscal Year;

(iii) Summary of property tax rates for all taxing entities within the City expressed as a percentage of assessed valuation in substantially the form of Table 2 of the Official Statement;

(v) Top ten property tax assesses for current fiscal year, taxable value, and percentage of total assessed value in substantially the form of Table 4 of the Official Statement; and

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

**Section 5. Reporting of Significant Events.**

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security..

(7) Modifications to rights of security holders.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the City.

(13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected the Bonds under the Resolution.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

**Section 6. Identifying Information for Filings with the MSRB.** All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

**Section 7. Termination of Reporting Obligation**. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

**Section 8. Dissemination Agent**. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be The City. Any Dissemination Agent may resign by providing 30 days' written notice to the City and the Paying Agent.

**Section 9. Amendment; Waiver**. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

**Section 10. Additional Information**. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 11. Default**. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 12. Duties, Immunities and Liabilities of Dissemination Agent**.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

**Section 13. Notices**. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

| | |
|---|---|
| To the Issuer: | City of Marina<br>211 Hillcrest Avenue<br>Marina, California 93933<br>(831) 884-1278 |

| | |
|---|---|
| To the Dissemination Agent: | Applied Best Practices, LLC<br>1990 MacArthur Boulevard, Suite 1100<br>Irvine, California 92612 |
| To the Paying Agent: | MUFG Union Bank, N.A.<br>350 California Street, 11th Floor<br>San Francisco, California 94104 |

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

**Section 14. Beneficiaries**. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**Section 15. Counterparts**. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: May 12, 2015

CITY OF MARINA

By: ______________________________

Name: ____________________________

Title: _____________________________

## EXHIBIT A

## NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Marina (the "City")

Name of Bond Issue: City of Marina 2015 General Obligation Refunding Bonds,

Date of Issuance: May 12, 2015

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated May 12, 2015. The City anticipates that the Annual Report will be filed by _____________.

Dated:_________________________

DISSEMINATION AGENT:

By: ___________________________________
Its: ___________________________________

cc: Paying Agent and Participating Underwriter

## APPENDIX E

## DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company ("**DTC**"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the City nor the Paying Agent take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is

the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated herein by reference.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI

Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Paying Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Paying Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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# APPENDIX F

## SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.



ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

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