CITY OF SOLEDAD

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

JUNE 30, 2015

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BRYANT L. JOLLEY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Soledad, 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 Soledad, California, (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Soledad, California, as of June 30, 2015, 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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Emphasis of Matter

As described in Note 1 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 39 - 40, the schedule of funding progress on page 41, and the Schedule of the City's Proportionate Share of Net Pension Liability and the Schedule of Contributions on pages 42 - 43 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements 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 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 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 2, 2015, on our consideration of the City of Soledad'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 Soledad's internal control over financial reporting and compliance.

December 2, 2015

CITY OF SOLEDAD

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 10,965,580	$ 4,969,688	$ 15,935,268
Cash and investments with fiscal agent	86,595	199,491	286,086
Accounts receivable, net	187,851	1,795,401	1,983,252
Due from other governments	447,205	-	447,205
Interest receivable	1,405	744	2,149
Notes receivable	9,044,841	-	9,044,841
Deferred charges	-	4,447,098	4,447,098
Capital assets, net of allowance for depreciation	25,861,939	61,648,310	87,510,249
Total assets	46,595,416	73,060,732	119,656,148
DEFERRED OUTFLOWS OF RESOURCES	356,503	80,182	436,685
LIABILITIES			
Accounts payable and accrued expense	740,623	457,126	1,197,749
Accrued interest payable	974	13,305	14,279
Deposits payable	54,091	93,050	147,141
Long-term liabilities			
Due within one year	33,824	1,754,777	1,788,601
Due in more than one year	73,398	39,877,637	39,951,035
Compensated absences	349,953	138,442	488,395
Net pension liability	2,738,559	390,977	3,129,536
Total liabilities	3,991,422	42,725,314	46,716,736
DEFERRED INFLOWS OF RESOURCES	794,473	161,080	955,553
NET POSITION			
Net investment in capital assets	25,754,717	20,015,896	45,770,613
Restricted for debt service	-	199,491	199,491
Restricted for long-term notes receivable	9,044,841	-	9,044,841
Restricted for specific projects and programs	9,414,027	-	9,414,027
Unrestricted	(2,047,561)	10,039,133	7,991,572
Total net position	$ 42,166,024	$ 30,254,520	$ 72,420,544

CITY OF SOLEDAD

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

		Program Revenue			Net Revenue/(Expense) and Changes in Net Position		
Functions/Programs	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	$ 1,913,067	$ -	$ 2,320	$ 30,055	$ (1,880,692)	$ -	$ (1,880,692)
Public works	1,105,892	-	669,237	9,387	(427,268)	-	(427,268)
Community development	2,355,827	114,726	12,750	-	(2,228,351)	-	(2,228,351)
Public safety	3,874,160	303,347	165,960	1,645	(3,403,208)	-	(3,403,208)
Community services	376,234	-	-	4,982	(371,252)	-	(371,252)
Debt Service							
Interest and fiscal charges	7,724	-	-	-	(7,724)	-	(7,724)
Total governmental activities	9,633,195	418,073	850,267	46,069	(8,318,786)	-	(8,318,786)
Business-type activities							
Water	2,100,550	1,883,990	-	7,783	-	(208,777)	(208,777)
Sewer	4,359,646	5,774,843	-	7,496	-	1,422,693	1,422,693
Garbage	2,173,364	2,554,543	-	-	-	381,179	381,179
JPA Garbage	181	24	-	-	-	(157)	(157)
Total business-type activities	8,633,741	10,213,400	-	15,279	-	1,594,938	1,594,938
Total primary government	$ 18,266,936	$ 10,631,473	$ 850,267	$ 61,348	(8,318,786)	1,594,938	(6,723,848)
General Revenue							
Property taxes and assessments					2,675,496	-	2,675,496
Sales taxes					2,361,591	-	2,361,591
Franchise and other taxes					222,531	-	222,531
Transient lodging taxes					77,740	-	77,740
Utility users tax					544,186	-	544,186
Business license tax					71,608	-	71,608
Investment income					15,436	14,306	29,742
Rents and other income					97,585	11,214	108,799
Total general revenue and transfers					6,066,173	25,520	6,091,693
Change in Net Position					(2,252,613)	1,620,458	(632,155)
Net Position							
Beginning of year, as previously stated					47,566,710	29,113,008	76,679,718
Cumulative effect of change in accounting principles					(3,148,073)	(478,946)	(3,627,019)
Beginning of year, restated					44,418,637	28,634,062	73,052,699
End of year					$ 42,166,024	$ 30,254,520	$ 72,420,544

See accompanying notes.

CITY OF SOLEDAD

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Development Impact Fees	Program Income	Low-Moderate Housing Asset	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 785,490	$ 4,089,743	$ 342,096	$ 61,787	$ 4,917,383	$ 10,196,499
Cash and investments with fiscal agent	-	-	-	-	86,595	86,595
Accounts receivable	187,851	-	-	-	-	187,851
Due from other governments	433,139	-	-	-	14,066	447,205
Due from other funds	50,242	-	-	-		50,242
Interest receivable	114	540	46	-	628	1,328
Notes receivable	-	-	6,328,073	2,716,768	-	9,044,841
Total assets	$ 1,456,836	$ 4,090,283	$ 6,670,215	$ 2,778,555	$ 5,018,672	$ 20,014,561
LIABILITIES						
Accounts payable and accrued expense	$ 635,021	$ 46,567	$ -	$ -	$ 52,290	$ 733,878
Due to other funds	-	-	-	-	50,242	50,242
Deposits and other liabilities	54,091	-	-	-	-	54,091
Total liabilities	689,112	46,567	-	-	102,532	838,211
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	-	-	6,328,073	2,716,768	-	9,044,841
Total deferred inflows of resources	-	-	6,328,073	2,716,768	-	9,044,841
FUND BALANCE						
Restricted						
Capital improvement projects	-	4,043,716	-	-	3,751,958	7,795,674
Circulation improvements	-	-	-	61,787	-	61,787
Lighting, landscape & park maintenance	-	-	-	-	1,052,186	1,052,186
Public safety programs	-	-	-	-	162,238	162,238
Low-income housing activities	-	-	342,142	-	-	342,142
Unassigned	767,724	-	-	-	(50,242)	717,482
Total fund balance	767,724	4,043,716	342,142	61,787	4,916,140	10,131,509
Total liabilities, deferred inflows of resources, and fund balance	$ 1,456,836	$ 4,090,283	$ 6,670,215	$ 2,778,555	$ 5,018,672	$ 20,014,561

See accompanying notes.

CITY OF SOLEDAD

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total governmental fund balance	$ 10,131,509
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	25,861,939
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	(107,222)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds	(349,953)
Net pension liability applicable to governmental activities are not due and payable in the current period and accordingly is not reported in the governmental funds	(2,738,559)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	356,503
Deferred inflows of resources related to net pension liability, represent an acquisition of net pension or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time	(794,473)
Interest on long-term debt is reported as an expenditure of the Governmental Funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred	(974)
Internal service funds are used by management to charge the costs of fleet maintenance and computer services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	762,413
Certain revenues in Governmental Funds are deferred because they are not collected within the prescribed time period after fiscal year end. Those revenues are recognized on the accrual basis in Governmental Activities	9,044,841
Net position of governmental activities	$ 42,166,024

CITY OF SOLEDAD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Development Impact Fees	Program Income	Low-Moderate Housing Asset	Other Governmental Funds	Total Governmental Funds
Revenue						
Taxes and assessments	$ 5,937,611	$ -	$ -	$ -	$ 222,898	$ 6,160,509
Licenses, permits and impact fees	179,398	17,577	-	-	-	196,975
Intergovernmental	90,733	-	-	-	742,339	833,072
Charges for services	2,320	-	-	-	-	2,320
Fines and forfeitures	33,418	-	-	-	-	33,418
Rents	76,306	-	-	-	-	76,306
Interest	1,484	7,032	540	85	6,300	15,441
Other	49,131	-	2,400	12,750	665	64,946
Total revenue	6,370,401	24,609	2,940	12,835	972,202	7,382,987
Expenditures						
Current						
General government	1,669,932	-	-	-	-	1,669,932
Public works	200,170	-	-	-	895,340	1,095,510
Community development	417,073	1,161,579	-	7,500	104,086	1,690,238
Public safety	3,701,215	-	-	-	39,402	3,740,617
Community services	322,514	-	-	-	-	322,514
Capital outlay	30,908	116,063	-	-	333,449	480,420
Debt Service						
Principal	72,189	-	-	-	31,780	103,969
Interest and fiscal charges	2,924	-	-	-	5,044	7,968
Total expenditures	6,416,925	1,277,642	-	7,500	1,409,101	9,111,168
Revenue over/(under) expenditures	(46,524)	(1,253,033)	2,940	5,335	(436,899)	(1,728,181)
Other Financing Sources/(Uses)						
Loan proceeds	-	-	-	-	139,002	139,002
	-	-	-	-	139,002	139,002
Change in Fund Balance	(46,524)	(1,253,033)	2,940	5,335	(297,897)	(1,589,179)
Fund Balance						
Beginning of year	814,248	5,296,749	339,202	56,452	5,214,037	11,720,688
End of year	$ 767,724	$ 4,043,716	$ 342,142	$ 61,787	$ 4,916,140	$ 10,131,509

See accompanying notes.

CITY OF SOLEDAD

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Net change in fund balance - total governmental funds	$ (1,589,179)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not required as expenditures in Governmental Funds	(889,205)
Repayment of long-term notes receivable is revenue in governmental funds, but the repayment reduces long-term assets in the statement of net position	(2,400)
Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are capitalized as an asset and depreciated over the period of service	462,715
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position	103,678
Issuance of new debt is an other financing resource in governmental funds, but a long-term liabilities in the statement of net position	(139,002)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources in the governmental funds	356,503
Pension expenses reported in the Statement of Activities do no require the use of of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds	(384,959)
Internal service funds are used by management to charge the costs of fleet maintenance and computer services to individual funds. The net revenue (loss) of certain activities of internal service funds is reported with governmental activities	(161,181)
Compensated absence costs in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in Governmental Funds	(9,827)
In the Statement of Activities interest is accrued on long-term debt, whereas, in governmental funds interest expenditure is reported when due	244
Change in net position of governmental activities	$ (2,252,613)

CITY OF SOLEDAD

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2015

	Business-Type Activities - Enterprise Funds					
	Water	Sewer	Garbage	JPA Garbage	Total Proprietary Funds	Governmental Activities Internal Service Fund
ASSETS						
Current assets						
Cash and investments	$ 1,624,925	$ 3,276,499	$ -	$ 68,264	$ 4,969,688	$ 769,081
Cash and investments with fiscal agent	199,491	-	-	-	199,491	-
Accounts receivable	390,984	985,502	325,337	93,578	1,795,401	-
Interest receivable	182	416	78	68	744	77
Due from other funds	-	-	-	512,603	512,603	-
Total current assets	2,215,582	4,262,417	325,415	674,513	7,477,927	769,158
Non-current assets						
Deferred charges	-	4,447,098	-	-	4,447,098	-
Advances to other funds	140,399	-	-	-	140,399	-
Property, plant and equipment, net of allowance for depreciation	8,885,218	52,763,092	-	-	61,648,310	44,230
Total assets	11,241,199	61,472,607	325,415	674,513	73,713,734	813,388
DEFERRED OUTFLOWS OF RESOURCES	23,613	44,481	12,088	-	80,182	-
LIABILITIES						
Current liabilities						
Accounts payable and accrued expenses	98,177	199,214	159,735	-	457,126	6,745
Accrued interest	13,305	-	-	-	13,305	-
Due to other funds	-	-	512,603	-	512,603	-
Deposits	30,470	21,740	31,200	9,640	93,050	-
Current portion of long-term debt	177,339	1,577,438	-	-	1,754,777	-
Total current liabilities	319,291	1,798,392	703,538	9,640	2,830,861	6,745
Non-current liabilities						
Long-term debt	2,669,122	37,208,515	-	-	39,877,637	-
Advances from other funds	-	-	140,399	-	140,399	-
Net pension liability	115,138	216,894	58,945	-	390,977	-
Compensated absences	44,315	73,528	20,599	-	138,442	-
Total noncurrent liabilities	2,828,575	37,498,937	219,943	-	40,547,455	-
Total liabilities	3,147,866	39,297,329	923,481	9,640	43,378,316	6,745
DEFERRED INFLOWS OF RESOURCES	47,435	89,359	24,286	-	161,080	-
NET POSITION						
Net investment in capital assets	6,038,757	13,977,139	-	-	20,015,896	44,230
Restricted for debt service	199,491	-	-	-	199,491	-
Unrestricted/(deficit)	1,831,263	8,153,261	(610,264)	664,873	10,039,133	762,413
Total net position/(deficit)	$ 8,069,511	$ 22,130,400	$ (610,264)	$ 664,873	$ 30,254,520	$ 806,643

See accompanying notes.

CITY OF SOLEDAD

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Garbage	JPA Garbage	Total Proprietary Funds	Internal Service Fund
Operating Revenue						
Charges for services	$ 1,883,990	$ 5,774,843	$ 2,557,411	$ 24	$ 10,216,268	$ 662,123
Connection fees	750	-	7,596	-	8,346	-
Total operating income	1,884,740	5,774,843	2,565,007	24	10,224,614	662,123
Operating Expense						
Contractual services and utilities	829,833	932,243	1,787,159	181	3,549,416	757,843
Personnel	512,494	1,018,466	240,006	-	1,770,966	3,569
Supplies and materials	275,113	502,624	139,701	-	917,438	-
Depreciation	350,341	1,141,702	-	-	1,492,043	63,014
Total operating expense	1,967,781	3,595,035	2,166,866	181	7,729,863	824,426
Operating income/(loss)	(83,041)	2,179,808	398,141	(157)	2,494,751	(162,303)
Nonoperating Revenue/(Expense)						
Development impact fees	7,783	7,496	-	-	15,279	-
Interest income	8,734	3,783	1,036	753	14,306	1,122
Interest expense	(132,769)	(764,612)	(6,497)	-	(903,878)	-
Total nonoperating revenue/(expense)	(116,252)	(753,333)	(5,461)	753	(874,293)	1,122
Net income/(loss) before transfers	(199,293)	1,426,475	392,680	596	1,620,458	(161,181)
Operating Transfers In/(Out)	-	-	-	-	-	-
Change in Net Position	(199,293)	1,426,475	392,680	596	1,620,458	(161,181)
Net Position						
Beginning of year, previously reported	8,409,847	20,969,619	(930,735)	664,277	29,113,008	967,824
Cumulative effect of change in accounting principles	(141,043)	(265,694)	(72,209)	-	(478,946)	-
Beginning of year, restated	8,268,804	20,703,925	(1,002,944)	664,277	28,634,062	967,824
End of year	$ 8,069,511	$ 22,130,400	$ (610,264)	$ 664,873	$ 30,254,520	$ 806,643

See accompanying notes.

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Garbage	JPA Garbage	Total Business-Type Funds	Internal Service Fund
Operating Activities						
Receipts from customers and users	$ 1,965,271	$ 6,026,065	$ 2,530,572	$ 96,392	$ 10,618,300	$ 662,123
Payments for contractual services and utilities	(849,773)	(84,053)	(1,738,733)	(44,809)	(2,717,368)	(776,234)
Payments to employees	(521,079)	(1,022,344)	(220,473)	-	(1,763,896)	(3,568)
Payment to suppliers	(276,472)	(502,622)	(139,701)	-	(918,795)	-
Net cash provided by (used in) operating activities	317,947	4,417,046	431,665	51,583	5,218,241	(117,679)
Non-capital Financial Activities						
Payments from developers	7,783	7,496	-	-	15,279	-
Payments (to)/from other funds	938,847	-	(426,244)	(512,603)	-	-
Net cash provided by (used in) noncapital financing activities	946,630	7,496	(426,244)	(512,603)	15,279	-
Capital and Related Financing Activities						
Principal paid on long-term debt	(165,883)	(1,542,438)	-	-	(1,708,321)	-
Interest paid on long-term debt	(133,204)	(764,612)	(6,497)	-	(904,313)	-
Net cash provided by (used in) capital and related financing activities	(299,087)	(2,307,050)	(6,497)	-	(2,612,634)	-
Investing Activities						
Interest received	8,744	3,397	1,076	685	13,902	1,172
Net cash provided by investing activities	8,744	3,397	1,076	685	13,902	1,172
Net Increase (Decrease) in Cash	974,234	2,120,889	-	(460,335)	2,634,788	(116,507)
Cash						
Beginning of year	850,182	1,155,610	-	528,599	2,534,391	885,588
End of year	$ 1,824,416	$ 3,276,499	$ -	$ 68,264	$ 5,169,179	$ 769,081
Cash Flows from Operating Activities						
Operating income (loss)	$ (83,041)	$ 2,179,808	$ 398,141	$ (157)	$ 2,494,751	$ (162,303)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	350,341	1,141,702	-	-	1,492,043	63,014
(Increase) Decrease in Accounts Receivable	79,371	249,552	(34,965)	96,098	390,056	-
(Increase) Decrease in Deferred Charges	-	759,009	-	-	759,009	-
(Increase) Decrease in Deferred Outflow of Resources	(23,613)	(44,481)	(12,088)	-	(80,182)	-
Increase (Decrease) in Deposits	1,160	1,670	530	270	3,630	-
Increase (Decrease) in Compensated Absences	(6,502)	44	20,599	-	14,141	-
Increase (Decrease) in Net Pension Liability	(25,905)	(48,800)	(13,264)	-	(87,969)	-
Increase (Decrease) in Deferred Inflow of Resources	47,435	89,359	24,286	-	161,080	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(21,299)	89,183	48,426	(44,628)	71,682	(18,390)
Net Cash Provided (Used) by Operating Activities	$ 317,947	$ 4,417,046	$ 431,665	$ 51,583	$ 5,218,241	$ (117,679)

See accompanying notes.

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS
JUNE 30, 2015

	The Vineyards Assessment District	Diamond Ridge Assessment District	Total
ASSETS			
Cash and investments	$ 17,114	$ 594,275	$ 611,389
Cash and investments with fiscal agent	130,834	153,844	284,678
Assessment receivable	9	-	9
Interest receivable	7	75	82
Total assets	147,964	748,194	896,158
LIABILITIES			
Accounts payable and accrued expenses	-	449	449
Due to bondholders	147,964	747,745	895,709
Total liabilities	$ 147,964	$ 748,194	$ 896,158

CITY OF SOLEDAD

STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY
JUNE 30, 2015

Assets	
Cash and investments	
Held in City Treasury	$ 978,146
Held with trustees	1,530,652
Interest receivable	2,508
Land held for redevelopment	180,000
Land	7,649,732
Total assets	10,341,038
Liabilities	
Accounts payable and accrued liabilities	54,075
Interest payable	73,289
Long-term debt	
Due within one year	620,000
Due in more than one year	15,960,000
Total liabilities	16,707,364
Net Position	
Held in trust for other governments	$ (6,366,326)

See accompanying notes

CITY OF SOLEDAD

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY
JUNE 30, 2015

Additions	
Property taxes	$ 1,738,175
Investment earnings and other	10,914
Total additions	1,749,089
Deductions	
Administrative costs	236,657
Program expenses	4,273
Interest expense	892,386
Total deductions	1,133,316
Change In Net Position	615,773
Net Position	
Beginning of year	(6,982,099)
End of year	$ (6,366,326)

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Soledad (the City) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

These financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and data from these units are combined with data of the primary government. Each blended component unit has a June 30 fiscal year end. There are no discretely presented component units included in these financial statements. The following sections further describe the significant accounting policies of the City.

Reporting Entity

The City of Soledad is a municipal incorporation, operating as a general law city, and governed by a city council of five members, under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: general government, public safety, public works, facilities/transportation, culture and leisure, and public utilities.

Also included in this report is the Soledad Public Financing Authority (SPFA). The SPFA is governed by the City officers. Although it is legally separate from the City, the SPFA is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public facilities.

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements - The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information of all of the nonfiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Net position are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police and fire protection, planning and general administrative services.

Development Impact Fees – This fund accounts for mitigation fees received from new construction which are to be used according to the City's approved Master Facilities Plan.

Program Income Fund - This fund accounts for housing program loans funded by grants.

Low-Moderate Housing Asset Fund - This fund accounts for activities of the low-moderate housing assets.

The City reports the following additional fund types:

Internal Service Fund – The Internal Service Fund accounts for fleet management provided to other departments or agencies of the government, on a cost reimbursement basis.

Agency Funds - The Agency Funds account for assets held by the City as an agent for various local governments or other entities. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-Purpose Trust Funds - The Private-Purpose Trust Fund accounts for assets held by the City as trustee for the Successor Agency.

Basis of Accounting

The Government-Wide and Proprietary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating.

Financial Statement Amounts

Cash and Cash Equivalents - Cash and cash equivalents represent the City's cash bank accounts including, but not limited to, certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month end cash balances in each fund.

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund and certificates of deposit. Investments are stated at fair value.

Accounts Receivable – Billed, but unpaid, services provided to individuals or non-governmental entities are recorded as accounts receivable. The Proprietary Funds include a year end accrual for services through the end of the fiscal year which have not yet been billed. Accounts receivable are reported net of an allowance for uncollectibles.

Monterey County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

Note 1 – Summary of Significant Accounting Policies (Continued)

The City is permitted by Article XIIIA of the State of California Constitution (known as Proposition 13) to levy a maximum tax of $1.00 per $100 of full cash value.

Interfund Receivables/Payables - Items classified as interfund receivable/payable represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

Advances To/From Other Funds - This classification represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation. The current portion of any interfund long-term loan (advance) is included as an interfund receivable/payable.

Capital Assets - Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold is met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial individual cost of more than $10,000 for roadways and $5,000 for all other assets, and an estimated useful life of at least three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

Note 1 – Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings	40
Improvements	10 - 40
Equipment	5 - 10
Streets	30
Parks	40
Curbs and Gutters	40
Storm Drains	75
Signs and Streetlights	4 - 30

Compensated Absences – Vacation time may be accumulated up to two years entitlement. Cash compensation for accrued vacation is generally not payable until the employee terminates employment with the City.

In fiscal year 1986, the City adopted a policy whereby classified employees with accumulated vacation pay in excess of thirty days may elect to receive one cash payment for up to ten days in excess of the thirty days maximum accrual. Staff with less than thirty days accrued are not eligible to participate in the vacation buy back program.

Cash compensation for unused sick leave is payable to employees only upon termination of employment with the City and is limited to a maximum of 15 days payable upon resignation or dismissal, or for management, 30 days payable upon retirement. The calculation is done in accordance with Governmental Accounting Standards Board Statement No. 16.

Long-Term Obligations - In the Government-Wide Financial Statements and in the Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type Statement of Net Position. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, however, debt principal payments of Governmental Funds are recognized as expenditures when paid. Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Unearned Revenue – Unearned revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records unearned revenue related to uncollected outstanding performing loans and intergovernmental revenues received but not earned (qualifying expenditures not yet incurred).

Non-Current Governmental Assets/Liabilities - GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the Government-Wide Statement of Net Position.

Net Position - The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- Restricted Net Position - This category presents external restrictions on net position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position - This category represents net position of the City not restricted for any project or other purpose.

Fund Equity – In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.

- Restricted fund balance category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.

- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has the authority to establish, modify, or rescind a fund balance commitment.

Note 1 – Summary of Significant Accounting Policies (Continued)

- Assigned fund balance are amounts designated by the City Council for specific purposes and do not meet the criteria to be classified as restricted or committed.

- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

New GASB Pronouncements Not Yet Adopted

Government Accounting Standards Board Statement No. 72 - In February 2015, GASB issued Statement No. 69, Fair Value Measurement and Application. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, Measurement of Elements of Financial Statements, and other relevant literature. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2016.

New Effective Accounting Pronouncements

For the year ended June 30, 2015, the City implemented GASB Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71 (GASB 71) Pensions Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68, with required implementation for the City during the year ended June 30, 2015. The primary objectives of GASB 68 and GASB 71 are to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. They require employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statements identify 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. Note 13 explains the effect of the current year GASB implementation.

Note 2 – Stewardship, Compliance and Accountability

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit or time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation.

In accordance with applicable sections of the California Government Code and the Soledad Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during May of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered.

Note 3 – Cash and Investments

The City pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	$ 15,935,268
Cash and Investments with Fiscal Agent	286,086
Fiduciary Funds:	
Cash and Investments	1,589,535
Cash and Investments with Fiscal Agent	1,815,330
Total Cash and Investments	$ 19,626,219

Note 3 – Cash and Investments (Continued)

Cash and investments as of June 30, 2015, consist of the following:

Cash on hand	$ 800
Deposits with Financial Institutions	10,823,829
Local Agency Investment Fund	6,700,175
Held by Fiscal Agent:	
U.S. Treasury Obligations	2,101,415
Total Cash and Investments	$ 19,626,219

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	20%	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	2 years	20%	None
County Pooled Investment Funds	1 year	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

Note 3 – Cash and Investments (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment in the investment pools are available for withdraw in one business day and have an overall maturity of less than one year.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investments in the investment pools are unrated.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total City investments (external investment pools and mutual funds are excluded from this disclosure requirement).

Note 3 – Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). 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.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: The City did not have any deposits with financial institutions in excess of federal depository insurance limits and held in uncollateralized accounts.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 4 – Notes Receivables

Notes receivable and deferred loans consisted of the following at June 30, 2015:

Orchard Gabilan Associates, L.P. - The HOME Investment Partnership Grant program approved $1,6000,000 of grant funds to be made available for local development of an affordable housing project. The City entered into an agreement with Orchard Gabilan Associates, L.P. to loan such funds for the construction of Gabilan Family Apartments. Payments of principal and interest on the HOME loan are to be deferred until the earlier of repayment in full of the Deferred Development Fee or January 1 of the year in which the 14th anniversary of the date of issuance of the final Certificate of Occupancy. If not paid sooner, the unpaid principal balance of this note, plus any unpaid interest thereon shall be due and payable in full fifty-five years from the date of the note. The note bears 4.46% interest and the face amount of the note at June 30, 2015 was $1,600,000.

Benito FLC, L.P. - The HOME Investment Partnership Grant program approved $3,760,000 of grant funds to be made available for local development of an affordable housing project. The City entered into an agreement with Benito FLC, L.P. to loan such funds for the construction of the Benito Street Farm Labor Center. Funds were provided in the form of a deferred payment loan. If not paid sooner, the unpaid principal balance of this note, plus any unpaid interest thereon shall be due and payable in full fifty-five years from the date of the note. The note bears 4% interest and the face amount of the note at June 30, 2015 was $3,760,000.

Revolving Loan Program – Long-term loans receivable of $2,434,842 represent monies loaned to homebuyers and small business owners in connection with a downpayment assistance, home rehabilitation and business assistance programs. The loans are secured by real property with repayment due upon the sale of real property or starting at the end of the 30 year deferral period. At the time of sale, the seller pays the loan balance in full plus interest, ranging from 0% to 4%. For the homebuyer loan program, starting at the end of the 30 year deferral period, the borrower is required to repay the loan, without interest, over the following 15 years.

Multi-Family Affordable Housing Rehabilitation Loans – Long-term notes receivable of $1,250,000 represent monies loaned to two developers in connection with construction and rehabilitation of low-income multi-family housing projects. The loans are secured by real property with repayment due upon the sale of real property or starting at the end of the 55 year deferral period. At the time of sale of the project or at the end of the deferral period, the borrower shall pay the loan balance in full with interest at 4 percent per annum.

Note 5 – Interfund Advances, Receivables, Payables and Transfers

Long-Term Interfund Advance

Advances receivable and payable constitute long-term borrowing between funds. Advances typically carry a stated interest rate and have scheduled debt service payments. Interfund advances receivable and payable balances at June 30, 2015, are as follows:

	Advance To	Advance From
Water Fund	$ 140,399	$ -
Garbage Fund	-	140,399
	$ 140,399	$ 140,399

In 2009, the Garbage Service Fund borrowed $900,000 from the Water Fund. The loan criteria carries a 2% annual simple interest rate. Interest only payments of $4,500 were due through March 1, 2011. Beginning April 1, 2011 principal and interest payments of $16,500 are due through April 1, 2016. The outstanding advance balance as of June 30, 2015, is $140,399.

Interfund Receivables and Payables

Interfund receivables and payables consist of short-term loans resulting from regular transactions. These loans are expected to be repaid as soon as the borrowing fund has cash, and carry an interest rate equal to the rate earned on pooled cash.

Individual fund interfund receivables and payables balances as of June 30, 2015, are as follows:

	Due From	Due To
General Fund	$ 50,242	$ -
CDBG Fund	-	50,242
Garbage Fund	-	512,603
JPA Garbage Fund	512,603	-
	$ 562,845	$ 562,845

Transfers Between Funds

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds' that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due. In general, the effect of the interfund activity has been eliminated from the government-wide financial statements. The City did not have any interfund transfers during the current fiscal year.

Note 6 – Capital Assets – Capital asset activities for the year ended June 30, 2015, were as follows:

	Balance July 1, 2014	Additions	Reclassifications/ Retirements	Balance June 30, 2015
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 822,801	$ -	$ -	$ 822,801
Construction in progress	17,705	194,156	(17,705)	194,156
Total capital assets, not being depreciated	840,506	194,156	(17,705)	1,016,957
Capital assets, being depreciated				
Buildings and improvements	4,572,867	-	-	4,572,867
Infrastructure	32,277,690	116,063	-	32,393,753
Machinery and equipment	4,135,794	169,910	-	4,305,704
Total capital assets, being depreciated	40,986,351	285,973	-	41,272,324
Less accumulated depreciation for				
Buildings and improvements	(1,528,699)	(113,838)	-	(1,642,537)
Infrastructure	(10,073,398)	(666,971)	-	(10,740,369)
Machinery and equipment	(3,873,026)	(171,410)	-	(4,044,436)
Total accumulated depreciation	(15,475,123)	(952,219)	-	(16,427,342)
Total capital assets, being depreciated, net	25,511,228	(666,246)	-	24,844,982
Governmental activities capital assets, net	$ 26,351,734	$ (472,090)	$ (17,705)	$ 25,861,939
Business-Type Activities				
Capital assets, not being depreciated				
Land	$ 2,509,996	$ -	$ -	$ 2,509,996
Total capital assets, not being depreciated	2,509,996	-	-	2,509,996
Capital assets, being depreciated				
Buildings and improvements	55,213,534	-	-	55,213,534
Infrastructure	16,861,959	-	-	16,861,959
Machinery and equipment	1,517,824	-	-	1,517,824
Total capital assets, being depreciated	73,593,317	-	-	73,593,317
Less: accumulated depreciation	(12,962,960)	(1,492,043)	-	(14,455,003)
Total capital assets, being depreciated, net	60,630,357	(1,492,043)	-	59,138,314
Business-type activities capital assets, net	$ 63,140,353	$ (1,492,043)	$ -	$ 61,648,310

Note 6 – Capital Assets (Continued)

Depreciation expense was charged to the following functions in the Statement of Activities:

Governmental Functions:		
General Government	$	56,762
Public Works		12,683
Community Development		666,971
Public Safety		99,069
Community Services		53,720
Internal Service Fund		63,014
	$	952,219

Business-Type Functions:		
Water	$	350,341
Sewer		1,141,702
	$	1,492,043

Note 7 – Long-Term Debt

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Current Portion
Governmental Activity Long Term Debt					
Lease Payable					
Police Cars Captial Lease	$ -	$ 139,002	$ (31,780)	$ 107,222	$ 33,824
Fire Truck Capital Lease	72,189	-	(72,189)	-	-
Total Governmental Activity Long Term Debt	$ 72,189	$ 139,002	$ (103,969)	$ 107,222	$ 33,824
Business-Type Activity Long Term Debt					
Bonds Payable					
1980 Sewer Revenue Bond	$ 225,000	$ -	$ -	$ 225,000	$ 35,000
1981 Water Revenue Bond	265,000	-	(30,000)	235,000	35,000
Loans Payable					
Water System Improvement Loan	1,832,000	-	(58,000)	1,774,000	61,000
Sewer Plant Loan	40,103,391	-	(1,542,438)	38,560,953	1,542,438
Leases Payable					
Energy Retrofit Capital Lease	915,344	-	(77,883)	837,461	81,339
Total Business-Type Activity Debt	$ 43,340,735	$ -	$ (1,708,321)	$ 41,632,414	$ 1,754,777
Compensated Absences					
Government Activities	$ 340,126	$ 9,827	$ -	$ 349,953	
Business-Type Activities	$ 124,301	$ 14,141	$ -	$ 138,442	

Note 7 – Long-Term Debt (Continued)

Police Cars Capital Lease – On August 8, 2014, the City entered into a lease agreement for 3 police vehicles. The lease bears an interest rate of 5.45% and terminates on May 8, 2018.

Fire Truck Capital Lease – On February 5, 2008, the City entered into a Lease with Option to Purchase agreement for a fire truck. The lease bears an interest rate of 4.05% and terminates on February 5, 2015. The lease was paid off during the current fiscal year.

1980 Sewer Revenue Bond – The 1980 Sewer Revenue Bonds were issued to provide funds for improvement of the municipal sewer system comprising a new wastewater treatment plant and outfall sewer line. The City issued $750,000 of bonds at an interest rate of 5%. The bonds mature in amounts from $5,000 to $40,000 annually, payable on July 1 of each year through 2020, with interest payable semi-annually. The bonds are secured by and payable solely from the net revenues from sewer service charges and are not otherwise secured by the taxing power, property, or credit of the City.

1981 Water Revenue Bond – The 1981 Water Revenue Bonds were issued to provide funds for the improvement of the municipal water system, comprised of new water mains, transmission lines, a pump station, and a storage tank. The city issued $800,000 of bonds at an interest rate of 5%. The bonds mature in amounts from $5,000 to $45,000 annually, payable December 1, of each year through 2021, with interest payable semi-annually. The bonds are secured by and payable solely from the net revenues from water service charges and are not otherwise secured by the taxing power, property, or credit of the City. Unused proceeds of the sale of the bonds are restricted for payment of costs of the improvements specified above.

Note Payable – On May 1, 1994, the City borrowed $2,593,000 for the purpose of paying for water system improvements. Principal amounts from $25,000 to $135,000 are due on May 1 of each year through 2034. The notes carry an interest rate of 4.5% with interest payable semi-annually.

Sewer Plant Loan – In connection with the City's construction of a new sewer plant, a loan for $46,451,084 was obtained from the State of California. Although, the loan is non interest bearing, it did require a 16.667% loan fee resulting in an effective interest rate of 1.8%. The loan was to be repaid in twenty equal annual installments of $2,322,554 beginning January 1, 2011. However, the City renegotiated the payment terms to be $1,341,713 for the second, third, and fourth year with $2,506,462 for the remaining 16 years. Unamortized loan charges of $4,447,098 remains to be amortized over the remaining life of the loan.

Energy Retrofit Capital Lease – On August 13, 2008, the City entered into a Lease with Option to Purchase agreement for an energy retrofit upgrade at the water plant. The lease bears an interest rate of 6.786% and terminates on February 29, 2024. The outstanding balance of the lease as of June 30, 2015 was $837,461.

Note 7 – Long-Term Debt (Continued)

Compensated Absences – City employees accumulate earned by unused vacation and sick pay benefits which can be converted to cash at termination of employment. Since no means exist to reasonably estimate the amounts that might be liquidated with expendable currently available financial resources, if any, they are reported as long-term debt on the Statement of Net Position. No expenditure is reported for these amounts in the governmental funds statements. However, in the Statement of Activities the expense is allocated to each function based on usage. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, at June 30, 2015, totaled $349,953 for governmental activities and $138,442 for business-type activities.

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2015, were as follows:

	Governmental Activities		Business-Type Activities	
Years ending June 30,	Principal	Interest	Principal	Interest
2016	$ 33,824	$ 5,160	$ 1,754,777	$ 477,751
2017	35,706	3,279	1,761,386	455,825
2018	37,692	1,292	1,768,157	433,484
2019	-	-	1,785,094	410,467
2020	-	-	1,792,206	386,768
2021-2025	-	-	8,581,221	1,596,349
2026-2030	-	-	8,230,190	1,126,138
2031-2035	-	-	8,217,190	651,026
2036-2040	-	-	7,742,193	227,664
	$ 107,222	$ 9,731	$41,632,414	$ 5,765,472

Assessment District Debt - The City acts as an agent for bond offerings within two assessment districts in the City. The City is not obligated in the event of default. Accordingly, the debt is not reflected in the City's financial information. The amount of debt outstanding as of June 30, 2015, not reflected in these statements is $3,005,000 for The Vineyards and $3,665,000 for Diamond Ridge.

Note 8 – Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the following deferred outflow of resources related to net pension liability in the Statement of Net Position:

Fiscal year 2014-15 pension contributions subsequent to measurement date	$ 436,685
Total deferred outflows of resources	$ 436,685

Note 8 – Deferred Outflows and Deferred Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports the following deferred inflows related to net pension in the Statement of Net Position:

Net differences between projected and actual earnings on pension plan investments	$ 781,294
Adjustment due to differences in proportions	174,259
Total deferred inflows of resources	$ 955,553

The City also has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting as deferred inflows of resources. Accordingly, that item, unavailable revenues, is reported only in the governmental funds balance sheet. The City reports in the Program Income and the Low-Moderate Housing Assets Funds, $6,328,073 and $2,716,768, respectively, as unavailable revenues, related to long-term notes and loans receivables.

Note 9 – Risk Management

The City is provided with workers' compensation and liability coverage through a self-funded joint powers agency (JPA), the Monterey Bay Area Insurance Authority. JPA accounts are not separately maintained for each participant.

The Authority covers losses in excess of $10,000 for members of the liability group and carries excess insurance for losses between $300,000 and $9,500,000. Members of the workers' compensation group pay termporary disability claims directly, while the Authority pays for permanent disability cliams, medical costs, rehabilitation and legal costs.

The City also purchases various property coverage programs. Deductibles and limits per property type can be obtained from the City Manager or directly from the Authority.

Contingent Liabilities

The City participates in a number of Federal and State assisted grant programs which are subject to financial and compliance audits. Audits for these programs and the respective findings are to be determined at a future date, and the City expects the amount, if any, of the expenditures which may be disallowed by the granting agency to be immaterial.

Note 10 – City Employees' Retirement Plan (Defined Benefit Pension Plan)

Plan Description - The City contributes to the California Public Employees' Retirement System (PERS), an agent 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. PERS 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 PERS' annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento, CA 95814.

Note 10 – City Employees' Retirement Plan (Defined Benefit Pension Plan) (Continued)

Funding Policy – The City pays 7-9% of annual covered salary for active plan members in the City's defined pension plan. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2015 was 8.264% for the miscellaneous plan and 24.749% for the safety plan. The contribution requirements of plan members is established by State statute and the employer contribution is established and may be amended by PERS.

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

	Miscellaneous	Safety
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit Formula	2.0% at 60; maximum 2% COLA	2.0% at 55; maximum 2% COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	60	60
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	7.00%	9.00%
Required Employer Contribution Rates	8.264%	24.749%

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

For the year ended June 30, 2015, the contributions recognized as part of the pension expense is as follows:

Contributions – employer (classic)	$ 436,686
Contributions – employee (classic)	$ 269,738

Note 10 – City Employees' Retirement Plan (Defined Benefit Pension Plan) (Continued)

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

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

	Proportionate Share of Net Pension Liability
Miscellaneous - Classic	$ 843,493
Safety - Classic	$2,286,043

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

	Miscellaneous	Safety
Proportion – June 30, 2013	0.03483%	0.05856%
Proportion – June 30, 2014	0.03413%	0.06095%
Change – Increase/(Decrease)	(0.00070%)	0.00239%

For the year ended June 30, 2015, the City recognized pension expense of $458,070. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 436,685	$ -
Adjustment due to differences in proportions	-	(174,259)
Net differences between projected and actual earnings on pension plan investments	-	(781,294)
Total	$ 436,685	$ (955,553)

Note 10 – City Employees' Retirement Plan (Defined Benefit Pension Plan) (Continued)

The $295,338 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30		
2016	$	(257,558)
2017		(257,558)
2018		(245,112)
2019		(195,325)
Total	$	(955,553)

Actuarial Assumptions – The total pension liability in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.5% (net of administrative expenses)
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service [1]
Investment Rate of Return	7.50% [2]
Mortality	Derived using CalPERS' Membership Data for all Funds [3]

[1] 3.30% to 14.20% depending on age, service, and type of employment
[2] Net of pension plan investment expenses, including inflation
[3] The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for fiscal years 1997-2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website under Forms and Publications.

Note 10 – City Employees' Retirement Plan (Defined Benefit Pension Plan) (Continued)

Discount rate – The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes.

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

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

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

Note 10 – City Employees' Retirement Plan (Defined Benefit Pension Plan) (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 [1]	Real Return Years 11+ [2]
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

[1] An expected inflation of 2.5% used for this period
[2] An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the City's proportionate share of the net pension liability for each Plan, calculating using the discount rate of each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Miscellaneous	$ 1,485,738	$ 843,493	$ 310,492
Safety	$ 3,577,216	$ 2,286,043	$ 1,222,173

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

Payable to the Pension Plan

At June 30, 2015, the City has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Note 11 – Deficit Net Position/Fund Balance

Net Position Deficit – The Garbage Fund has a deficit net position balance as of June 30, 2015 of $610,264. The deficit is expected to be relieved from future rate increases or transfers from the General Fund. from future rate increases

Fund Balance Deficit – The CDBG Fund has a deficit fund balance as of June 30, 2015 of $50,242. The deficit is expected to be relieved from grant income or transfers from the General Fund.

Note 12 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through December 2, 2015, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2014 that required recognition or disclosure in such financial statements.

Note 13 – Cumulative Effect of Change in Accounting Principles

The following funds have a cumulative effect of change in accounting principles due to the implementation of GASB No. 68 to record the opening balance of net pension liability:

Water Enterprise Fund	$ 141,043
Sewer Enterprise Fund	265,694
Garbage Enterprise Fund	72,209
Total	$ 478,946

The cumulative effect of change in accounting principles decreased the net positon for those funds, respectively.

The Statement of Activities has a cumulative effect of change in accounting principles in the amount of $3,148,073 to record the opening balance of net pension liability due to GASB No. 68, and the net effect of that adjustment decreased the governmental activities net position, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOLEDAD

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive/
	Original	Final	Amounts	(Negative)
Revenue				
Taxes	$ 5,817,340	$ 5,817,340	$ 5,937,611	$ 120,271
Licenses and permits	215,784	215,784	179,398	(36,386)
Intergovernmental	190,452	190,452	90,733	(99,719)
Charges for services	-	-	2,320	2,320
Fines and forfeitures	61,000	61,000	33,418	(27,582)
Interest	50,960	50,960	1,484	(49,476)
Rents	1,172	1,172	76,306	75,134
Other	138,730	138,730	49,131	(89,599)
Total revenue	6,475,438	6,475,438	6,370,401	(105,037)
Expenditures				
Current				
General government	1,410,308	1,410,308	1,669,932	(259,624)
Public works	163,476	163,476	200,170	(36,694)
Community development	433,200	433,200	417,073	16,127
Public safety	4,178,454	4,178,454	3,701,215	477,239
Community services	260,000	260,000	322,514	(62,514)
Capital outlay	30,000	30,000	30,908	(908)
Debt Service				
Principal	-	-	72,189	(72,189)
Interest and fiscal charges	-	-	2,924	(2,924)
Total expenditures	6,475,438	6,475,438	6,416,925	58,513
Revenue over (under)expenditures	-	-	(46,524)	(46,524)
Other Financing Sources				
Transfers in (out) - net	-	-	-	-
Net Change in Fund Balance	$ -	$ -	(46,524)	$ (46,524)
Fund Balance				
Beginning of year			814,248	
End of year			$ 767,724	

CITY OF SOLEDAD

BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT IMPACT FEES FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive/
	Original	Final	Amounts	(Negative)
Revenue				
Impact fees	$ 1,649,044	$ 1,649,044	$ 17,577	$ (1,631,467)
Interest	6,500	6,500	7,032	532
Total revenue	1,655,544	1,655,544	24,609	(1,630,935)
Expenditures				
Current				
Community development	79,400	79,400	1,161,579	(1,082,179)
Capital outlay	-	-	116,063	(116,063)
Total expenditures	79,400	79,400	1,277,642	(1,198,242)
Revenue over (under)expenditures	1,576,144	1,576,144	(1,253,033)	(2,829,177)
Other Financing Sources				
Transfers in (out) - net	-	-	-	-
Net Change in Fund Balance	$ 1,576,144	$ 1,576,144	(1,253,033)	$ (2,829,177)
Fund Balance				
Beginning of year			5,296,749	
End of year			$ 4,043,716	

CITY OF SOLEDAD

SCHEDULE OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2015

Valuation Date	Actuarial Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liability (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL as a % of Payroll
CalPERS Retirement Plan - Miscellaneous (Plan Specific):						
6/30/2011	$ 3,462,594	$ 2,868,006	$ 594,588	82.8%	$ 2,982,458	19.9%
6/30/2012	$ 4,097,920	$ 3,247,107	$ 850,813	79.2%	$ 2,494,533	34.1%
6/30/2013	$ 4,382,369	$ 3,674,019	$ 708,350	83.8%	$ 2,202,289	32.2%
CalPERS Retirement Plan - Safety (Plan Specific):						
6/30/2011	$ 7,835,694	$ 5,808,733	$ 2,026,961	74.1%	$ 2,381,285	85.1%
6/30/2012	$ 8,239,890	$ 5,797,142	$ 2,442,748	70.4%	$ 1,556,952	156.9%
6/30/2013	$ 8,761,445	$ 6,597,253	$ 2,164,192	75.3%	$ 1,339,077	161.6%

CITY OF SOLEDAD

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 YEARS*
YEAR ENDED JUNE 30, 2015

	Miscellaneous 2015	Safety 2015
Proportion of the net pension liability	0.03413%	0.06095%
Proportionate share of the net pension liability	$ 843,493	$ 2,286,046
Covered - employee payroll	$ 2,268,357	$ 1,379,249
Proportionate share of the net pension liability as a percentage of covered-employee payroll	37.19%	165.75%
Plan's fiduciary net position	$ 3,997,688	$ 7,353,347
Plan's fiduciary net position as a percentage of the Total Pension Liability	82.580%	76.28%

*Fiscal year 2014-15 was the first year of implementation, therefore only one year is shown.

CITY OF SOLEDAD

SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS*
YEAR ENDED JUNE 30, 2015

	Miscellaneous 2015	Safety 2015
Contractually required contribution (actuarially determined)	$ 181,913	$ 245,592
Contributions in relation to the actuarially determined contributions	(181,913)	(245,592)
Contributions deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 2,268,357	$ 1,379,249
Contributions as a percentage of covered-employee payroll	8.02%	17.81%

*Fiscal year 2014-15 was the first year of implementation, therefore only one year is shown.

Notes to Schedule of Contributions

Valuation Date	6/30/2013
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.50% (net of administrative expenses)
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50%
Mortality	Derived using CalPERS' Membership Data for all Funds

SUPPLEMENTAL ONLY INFORMATION

CITY OF SOLEDAD

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds				Capital Projects Fund	
	Maintenance Districts	Public Safety	CDBG	Gas Tax	Community Development	Total Non-major Governmental Funds
ASSETS						
Cash and investments	$ 1,059,744	$ 149,069	$ -	$ 1,512,275	$ 2,196,295	$ 4,917,383
Cash and investments with fiscal agent	-	-	-	-	86,595	86,595
Due from other governments	-	14,066	-	-	-	14,066
Interest receivable	135	19	-	191	283	628
Total assets	$ 1,059,879	$ 163,154	$ -	$ 1,512,466	$ 2,283,173	$ 5,018,672
LIABILITIES						
Accounts payable and accrued expense	$ 7,693	$ 916	$ -	$ 39,572	$ 4,109	$ 52,290
Due to other funds	-	-	50,242	-	-	50,242
Total liabilities	7,693	916	50,242	39,572	4,109	102,532
FUND BALANCE						
Restricted						
Capital improvement projects	-	-	-	1,472,894	2,279,064	3,751,958
Public safety programs	-	162,238	-	-	-	162,238
Lighting, landscape & park maintenance	1,052,186	-	-	-	-	1,052,186
Low-income housing activities	-	-	-	-	-	-
Unassigned	-	-	(50,242)	-	-	(50,242)
Total fund balance	1,052,186	162,238	(50,242)	1,472,894	2,279,064	4,916,140
Total liabilities and fund balance	$ 1,059,879	$ 163,154	$ -	$ 1,512,466	$ 2,283,173	$ 5,018,672

CITY OF SOLEDAD

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

	Special Revenue Funds				Capital Projects Fund	
	Maintenance Districts	Public Safety	CDBG	Gas Tax	Community Development	Total Non-major Governmental Funds
Revenue						
Taxes and assessments	$ 151,948	$ 70,950	$ -	$ -	$ -	$ 222,898
Intergovernmental	-	55,403	-	686,936	-	742,339
Interest	1,536	169	-	1,952	2,643	6,300
Other	-	665	-	-	-	665
Total revenue	153,484	127,187	-	688,888	2,643	972,202
Expenditures						
Public works	120,066	-	-	775,274	-	895,340
Community development	-	-	50,242	-	53,844	104,086
Public Safety	-	39,402	-	-	-	39,402
Capital outlay	-	139,293	-	-	194,156	333,449
Debt service						
Principal	-	31,780	-	-	-	31,780
Interest	-	5,044	-	-	-	5,044
Total expenditures	120,066	215,519	50,242	775,274	248,000	1,409,101
Revenue over (under) expenditures	33,418	(88,332)	(50,242)	(86,386)	(245,357)	(436,899)
Other financing sources/(uses)						
Loan proceeds	-	139,002	-	-	-	139,002
	-	139,002	-	-	-	139,002
Change in Fund Balance	33,418	50,670	(50,242)	(86,386)	(245,357)	(297,897)
Fund Balance						
Beginning of year	1,018,768	111,568	-	1,559,280	2,524,421	5,214,037
End of year	$ 1,052,186	$ 162,238	$ (50,242)	$ 1,472,894	$ 2,279,064	$ 4,916,140

BRYANT L. JOLLEY
CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.
Ryan P. Jolley C.P.A.
Darryl L. Smith C.P.A.
Jeffrey M. Schill
Lan T. Kimoto

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and City Council
City of Soledad, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Soledad, California, (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

901 "N" STREET, SUITE 104 FIREBAUGH, CALIFORNIA 93622 PHONE 559.659.3045 FAX 559.659.0615

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 2, 2015

CITY OF SOLEDAD

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2015

Finding 2014-01: Internal Control over Significant Accounting Procedures - Implemented