

CITY OF MONTEREY CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2011

CITY OF MONTEREY CALIFORNIA

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Prepared by the Finance Department
Don Rhoads, Director



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For the Year Ended June 30, 2011

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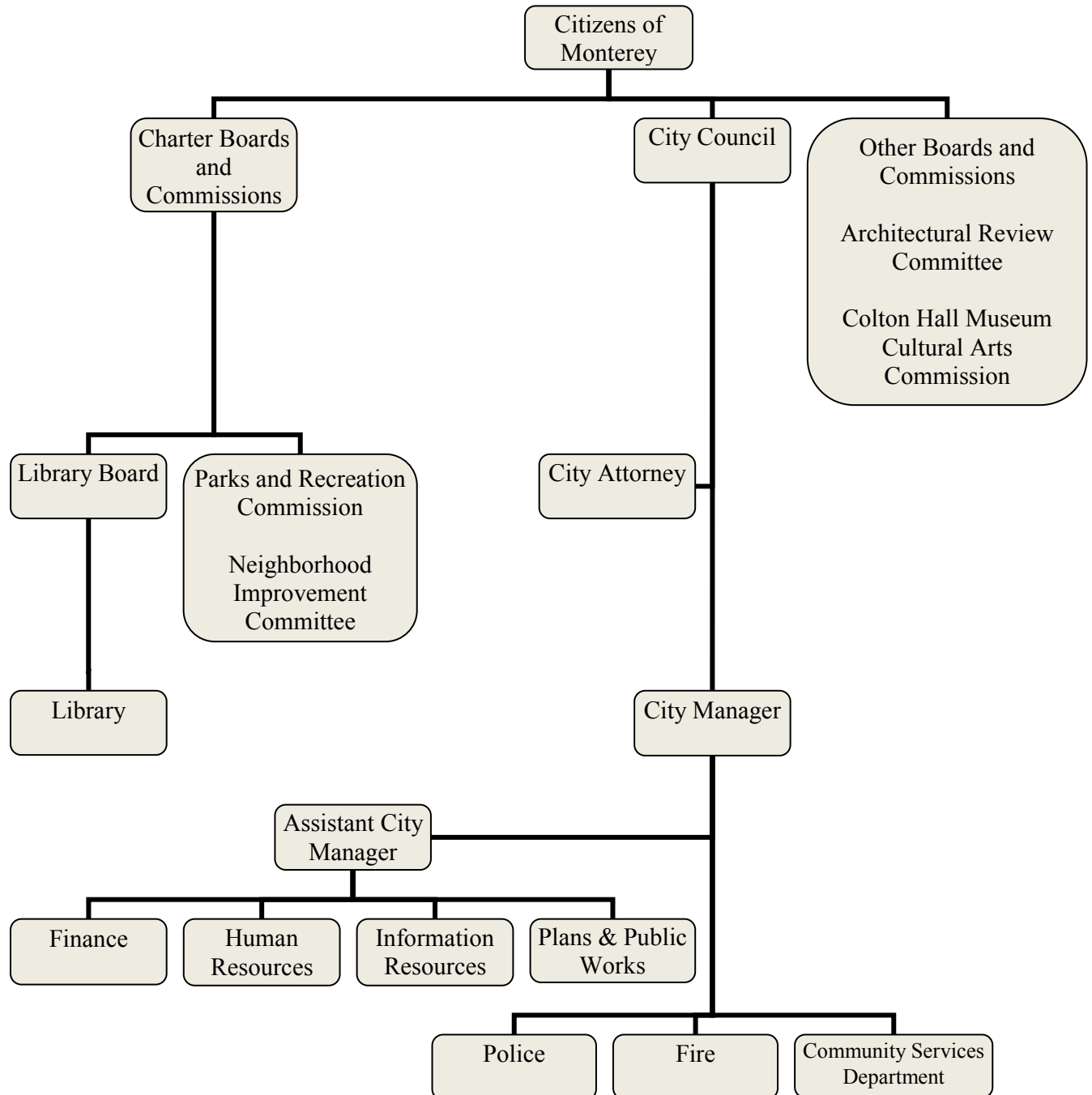
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CITY ORGANIZATIONAL CHART



CITY COUNCIL

Chuck Della Sala
Mayor

Libby Downey
Nancy Selfridge

Jeff Haferman
Frank Sollecito

PRINCIPAL ADMINISTRATIVE OFFICERS

City Manager Fred Meurer
Assistant City Manager Fred Cohn
City Attorney Deborah Mall
Information Resources Director and City Clerk Bonnie Gawf
Finance Director Don Rhoads
Fire Chief Andrew Miller
Community Services Director Kim Bui-Burton
Human Resources Director Michael McCarthy
Police Chief Timothy Shelby

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Monterey
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



Linda C. Davidson

President

Jeffrey R. Emer

Executive Director



January 20, 2012

Honorable Mayor and City Council
Fred Meurer, City Manager
City of Monterey

I am pleased to present to you the 2010/2011 Comprehensive Annual Financial Report (CAFR) for the City of Monterey. This "comprehensive" report is intended to present information that goes beyond the basic financial statements required by generally accepted accounting principles.

This report has been prepared by the Finance Department in accordance with generally accepted accounting principles (GAAP), as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). It consists of management's representations concerning the finances of the City. Consequently, responsibility for the accuracy of the data including all disclosures rests with the management of the City.

We believe that the data as presented is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of the various funds, and that all disclosures necessary to enable the reader to gain the full understanding of the City's financial affairs have been included.

To support this representation, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuses and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

This is supported by the letter, included in this report, from the City's independent auditor that states they believe that the basic financial statements present fairly the City's financial position as of June 30, 2011, in conformity with GAAP. R.J. Ricciardi, Inc., a firm of licensed certified public accountants, conducted the Financial Statement audit. Their goal and that of any independent auditor was to provide a reasonable assurance that the financial statements of the City of Monterey for the fiscal year ended June 30, 2011, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

This report includes all of the funds of the City of Monterey, the Redevelopment Agency of the City of Monterey, and the Monterey Joint Powers Financing Authority.

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

City History and Overview

Las Bahia de los Pinos (Bay of Pines) was first discovered by Juan Rodriguez Cabrillo on November 17, 1542. This Spanish claim to California was reaffirmed in December, 1602, when Sebastian Viscaino officially named the port Monterey in honor of the Viceroy of New Spain who had ordered the expedition.

Founded on June 3, 1770 when Spanish soldiers claimed the land for King Charles III of Spain, the City was officially incorporated on May 30, 1850. The City's historic Colton Hall was the site of California's first constitutional convention where our state's constitution was signed in 1849.

The natural beauty, mild climate and unique attractions of Monterey draw an estimated 4 million visitors each year making our City one of the most popular destinations in the country. The Monterey Bay Aquarium, Old Fisherman's Wharf and Cannery Row are among the many interesting places to visit in Monterey. The City is also home to the Army's Defense Language Institute and Naval Postgraduate School.

Local Economy

Unlike the volatile previous year, the local economy seemed to stabilize to some degree in 2010/11. This is welcome news but still tentative because of the disconcerting economic gyrations of late summer and early fall 2011. The City's top revenue, Transient Occupancy Tax (TOT), which was projected to decline 2.6% in fiscal year 2010/2011, instead declined by only about .3%. Though still a downturn from the previous year, TOT ended a little stronger than anticipated, which is a good fiscal sign. For fiscal year 2011/2012 we anticipate an increase in TOT over the past of about 4%. Real property values in the City of Monterey continue to be soft. Though Monterey has, so far, escaped the very sharp declines seen elsewhere, property tax receipts have been negatively impacted by the sluggish real estate market. Property tax revenue decreased in FY2010/11 by 1.6% from the prior year. However, for fiscal year 2011/12, property tax receipts are expected to increase 1.2%.

Receipts from sales tax had a strong showing in 2010/11 coming in almost 11% higher than the previous year and 1% above projections. Drivers of this growth include restaurants and some individual businesses. Sales tax estimates for 2011/2012 are expected to continue to grow by 5%.

In addition to the economic challenges noted above, we are still under-funding some key infrastructure reserves. Additional funding for streets, storm drains, sewers and building facilities will need to be identified in the near future as there is not enough funding to adequately care for the City's infrastructure and facilities over the long run. Regarding the City's sewer system, subsequent to year end (August 2011) the City Council approved a rate increase in order to finance the debt service on a \$16.8 million loan from the State of California to rehabilitate much of the City's aging system.

Due to the prudent fiscal management and foresight of the City's Council and management team, and the cooperation of all City employee groups and unions, the City's current 2011/2012 budget is balanced. This is no small feat in today's economic environment but one the City of Monterey takes very seriously. It was clear to the City Council and staff that a thoughtful, measured program for defining City values, programs and priorities was necessary to deal with the long-term structural general fund imbalance that was estimated to be approximately \$5 million. In order to correct this structural imbalance the City launched a Priority-based Budgeting system in the fall of 2010 that elicited input from citizens to better identify and prioritize the various City programs. The outcome of this program provided the City Council and the community with better information than they have had in the past that was used to make more informed program reduction decisions during the 2011/2012 budget season last spring.

As we consider the City's economic outlook, one major risk factor we continue to face is the ever-present threat of State raids on City funds to balance its budget shortfalls. In 2009/2010, the State of California seized \$2.2 million from the City's Redevelopment Agency to help balance its own budget and another \$450,000 was taken in 2010/2011. Because of the state's refusal to deal with its continual multi-billion dollar structural imbalance a proposition was placed on the November 2010 ballot and was approved by the voters to further limit the state's ability to raid the reserves of cities, counties, and special districts.

Unfortunately, only months after the voter's expressed their will to stop the state from balancing its budget on the backs of local agencies the Governor proposed eliminating all redevelopment agencies and using the money that is currently used for housing, blight removal and economic development programs for other state priorities. This position was ultimately adopted by the state legislature and is currently being challenged in the courts. The California Supreme Court is expected to make a ruling on this matter by January 2012.

Long-term financial planning

Revenue estimates for the City General Fund's largest revenue source, Transient Occupancy Tax (TOT), are expected to grow in the out-years, though at a slower rate than in the past. Historic growth patterns have shown a 4% increase annually over time, and we expect TOT to increase at that rate in 2011/2012, and then move to growth rate of about 3% annually after that. The City of Monterey currently has \$2 million in its capital renewal reserves for the following facilities: public safety buildings, Conference Center, Sports Center, Library, Recreation Centers, City Hall and the wharves. These reserves will be used to fund capital replacement and renewal for these facilities in the future as needed. Current City policy is to use budget surpluses that are projected to occur during the current 5-year General Fund financial forecast to augment these capital reserves in order to maintain City facilities and infrastructure.

Relevant Financial Policies

It is the City's policy to hold in a Reserve for Economic Uncertainty 15% of net General Fund expenditures in order to have a cushion against fiscal uncertainties that arise. Because of the economic turmoil of recent years this reserve currently stands at approximately 10%. The City's current 5-year General Fund financial forecast includes plans to replenish this reserve back to policy over the next several years, increasing it by approximately 1% per year until the 15% reserve level is achieved.

Major Initiatives

Given the severe economic climate we have been operating in, major initiatives within the City are lately centered around how to operate more efficiently and effectively, how to obtain better budget and management information for decision making, and how to revitalize our business districts.

Enterprise Content Management (ECM) – The ECM system is a software technology that will centralize content across the City organization, allow access to that content by employees and the public with security protections in place, enable collaboration on projects by employees in disparate offices and automate many time-consuming manual processes. It is expected that ECM will increase productivity, government transparency and the quality of information available to the City Council, Boards & Commissions, City executives, management, staff, and the public. To date features have become available that allow for instant online search and access to City Council agenda reports and resolutions going back several years, and staff now has the ability to electronically route contracts and agenda reports, processes which were formerly performed manually and in hard copy.

Priority-based Budgeting - It is City policy to adopt a balanced budget where ongoing inflows equal or exceed ongoing outflows. As mentioned above, in the fall of 2010 the City's management team gathered extensive staff and citizen input in order to refine the definition of the City's "value drivers" and, based on that input, prioritize the City's programs. Recognizing that a balanced budget is imperative and that the City cannot afford to do everything, this prioritization of program information proved to be extremely valuable during the last budget process in helping the City Council make difficult decisions to balance the budget. This process is continuing in the current fiscal year with further refinement of our program list and collection of data to begin a systematic performance measurement program to compliment our priority setting process.

Fire Services Contract – In order to spread the overhead costs associated with running a fire department, the City of Monterey joined forces with the neighboring City of Pacific Grove in 2008 by contracting with them to provide fire services. In the fall of 2011 the nearby City of Carmel-by-the-Sea also decided to contract with Monterey for fire services, further reducing overhead costs for all three cities. These contracts are a

continuation of efforts to use existing management and administrative staffing, equipment and facilities as efficiently as possible. Similar arrangements are in place for building inspection service with Pacific Grove and a wide variety of maintenance services with the Army at the Presidio of Monterey.

Business District Planning – In an effort to retool and revitalize several of the City’s business districts a number of planning efforts are underway to determine what can be done to bring more business to the area. Significant public outreach and planning efforts are underway for the City’s waterfront, downtown core, Lighthouse Avenue and North Fremont Avenue. A significant component of the downtown and waterfront planning involves the potential rehabilitation of the Monterey Conference Center. This facility was built in 1977 and is in need of significant upgrading in order to remain competitive in the market for conference and group meeting events. To date a study has been performed to provide the City Council and community with several options for how to proceed with such a project, if the decision is ultimately made to move forward. Currently proposals are being reviewed to select a financial advisory firm to assist with identifying potential funding sources for the proposed project.

FINANCIAL INFORMATION

Accounting System and Budgetary Control

The City’s accounting records for general government operations are maintained on a modified accrual basis, with the revenues being recorded when measurable and available. Expenditures are recorded when the services or goods are received and the liabilities incurred. Accounting records for the City’s proprietary activities are maintained on the full accrual basis, with revenues recorded when earned and expenses when incurred.

In maintaining the City’s accounting system, consideration is given to the adequacy of internal controls. As mentioned earlier, internal controls are designed to provide reasonable assurance regarding the safeguarding of assets and to ensure the reliability of financial records and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived. The evaluation of costs and benefits requires continuing estimates and judgements by City management. We believe that the City’s system of internal accounting controls continues to adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects funds. Encumbrances lapse at year-end and are then added to the following year’s budgeted appropriations. Encumbrances are reported at year-end as reservations of fund balances.

Risk Management

The City is self-insured for its general liability and workers' compensation liability for up to \$1 Million and \$400,000 per occurrence, respectively. Excess coverage for general liability is provided by various insurance companies through the Authority for California Cities Excess Liability (ACCEL), a joint powers authority excess general liability insurance pool of which the City is a member.

Excess coverage for workers' compensation is provided by various insurance companies through the California State Association of Counties Excess Insurance Authority (CSAC-EIA), a joint powers authority insurance pool of which the City is a member. Property damage risks are covered through various insurance companies through the Public Entity Property Insurance Program (PEPIP) brokered by Alliant Insurance. The City's property insurance deductible is \$50,000 per occurrence.

Cash Management

The City maintains a cash and conservative investment pool that is available for the use of all funds. Cash temporarily idle during the year was invested in U.S. Government Securities and the California Local Agency Investment Fund (LAIF). As of June 30, 2011, 54% of the \$57.9 million pool was invested in Federal Agencies, 26% was invested in US Corporates, 12% was invested in US Treasuries, and 8% was invested in LAIF. The weighted average rate of return on investments for 2010/11 was 1.452%.

OTHER INFORMATION

Independent Audit

Article 6 of the City Charter requires an annual audit of the City's financial records by independent certified public accountants. The accounting firm of R.J. Ricciardi, Inc. was selected by the City Council to perform the audit.

In addition to meeting the requirements of the City Charter, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984, Single Audit Act Amendments of 1996 and related OMB Circular A-133, "Audits of States, Local Governments and Non-profit Organizations."

The auditor's report on the basic financial statements and combining and individual non-major fund statements and schedules is included in the financial section of the report. The auditor's reports related specifically to the single audit are included in the Single Audit reports, which are separate documents.

Certificate of Achievement

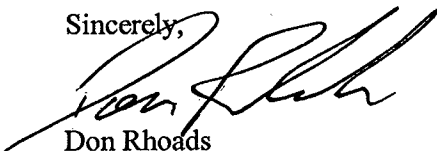
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Monterey for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the 15th consecutive year the City has received this most prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the finance department throughout the fiscal year: Linda Bass, Robin Briggs, Rhonda Combs, Vicki Courtney, Wendy Davies, Linda English, Pam Erlandson, Herlinda Franklin, Lorraine Franks, Pamela Hart, Tim Hickey, Liza Linsao, Melanie Martin, Felicia Ming, Mike McCann, Rachel Polen, and Julie Porter. It is only through the year round effectiveness and efficiency of these valuable staff members that the preparation and development of this report is possible. Each member of the department has my sincere appreciation for their contributions.

In closing, without the leadership and support throughout fiscal year 2010-11 of Mayor Chuck Della Sala, Council Members Libby Downey, Jeff Haferman, Nancy Selfridge and Frank Sollecito, the City Manager, Fred Meurer, and Assistant City Manager, Fred Cohn, preparation of this report would not have been possible.

Sincerely,



Don Rhoads
Finance Director



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Monterey
Monterey, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Monterey, California as of and for the year ended June 30, 2011, which collectively comprise the City of Monterey's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Monterey's management; our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards for 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monterey, California as of June 30, 2011, and the respective changes in the financial position and cash flow, where applicable, and the budgetary comparison for the general fund for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 1K to the financial statements, the accompanying financial statements reflect certain changes in the reporting of fund types and fund balance classifications for governmental funds due to the implementation of Governmental Accounting Standards Board Statement No.54.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2012, on our consideration of City of Monterey'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monterey's basic financial statements. The accompanying introductory section and the combining and individual nonmajor fund financial statements and schedules listed as supplementary information in the table of contents and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Honorable Mayor and Members of the City Council
City of Monterey - Page 2

The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

R. J. Ricciardi, Inc.

R. J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
January 19, 2012



MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the City of Monterey, we offer readers of the City of Monterey's financial statements this narrative overview and analysis of the financial activities of the City of Monterey for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of the introductory section, immediately following the table of contents.

Financial Highlights

Government-Wide Highlights:

- The City had net assets (total assets less total liabilities) of \$207 million at June 30, 2011. Most of this amount (\$142 million) is made up of capital assets, net of related debt, such as infrastructure, roads, land and buildings. Restricted net assets of \$38 million may be used for the City's ongoing obligations related to programs with external restrictions. Another \$28 million was reported as unrestricted net assets, though much of that is classified as "non-spendable" such as the \$18 million Parking Fund long-term receivable. The remainder is designated for purposes such as economic uncertainty and capital renewal.
- Government-wide revenues rose a total of \$2.8 million in 2010/2011 over the previous year despite a \$1.5 million dollar drop in revenue from governmental activities, due to a decrease in administrative support fees from the Presidio contract, decrease in Conference Center revenues and prior year gains on sale of low/mod income housing properties. This was more than offset by an increase of \$4.3 million in overall revenues from business-type activities. The Presidio Fund, providing maintenance and project management services to the Army, was a significant contributor to this increase.
- The City's total expenditures decreased by \$0.4 million in 2010/2011. This consisted of a large \$3.9 million decline in expenditures related to governmental activities (due to the lingering economic recession), which was partially offset by \$3.5 million increase in expenditures for business-type activities. Again, the largest business-type program increase was in the Presidio Fund.

Fund Highlights

- From the City's fund level statements, operating revenues from Business Type Activities exceeded operating expenses by \$2.7 million. This operating surplus was generated primarily by the Marina, Parking and Presidio Funds.
- From the City's fund level statements, the Ending Fund Balance for the General Fund increased by \$2.7 million during 2011/2012 to \$33 million. Twenty-three million dollars of this ending balance is "non-spendable" in that it represents long-term advances to other funds, primarily the Parking Fund. The remaining balance of just over \$10 million has been set aside in a variety of reserves for encumbrances and for contingencies such as economic uncertainty and capital renewal.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Monterey's basic financial statements, which are comprised of three components: 1) entity-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Entity-wide financial statements. The entity-wide financial statements are designed to provide readers with a broad overview of the City of Monterey's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Monterey's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Monterey is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the entity-wide financial statements distinguish functions of the City of Monterey that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Monterey include community protection, community development, public works and transportation and policy and administration. The business-type activities of the City of Monterey include a marina, cemetery, parking, materials recovery facility, service contracts for the Army & Navy and the operation of a communication network.

The entity-wide financial statements include the City of Monterey itself (known as the primary government), the Redevelopment Agency of the City of Monterey and the Monterey Joint Powers Financing Authority.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Monterey, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Monterey can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the entity-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Monterey maintains 23 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Debt Service Fund and Low/Mod Income Housing Funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and are located after the notes to the financial statements.

The City of Monterey adopts annual appropriated budgets, prepared on a cash basis. A budgetary comparison statement has been provided for Monterey's General Fund and major governmental funds to demonstrate compliance with these budgets.

Proprietary funds. The City of Monterey maintains two different types of proprietary funds; Enterprise and Internal Service. Enterprise funds are used to report the same functions presented as business-type activities in the entity-wide financial statements. The City of Monterey maintains 7 enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Monterey's various functions. The City of Monterey uses internal service funds to account for equipment replacement, vehicle maintenance, information services and risk management. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the entity-wide financial statements. The City maintains 4 internal service funds.

Proprietary funds provide the same type of information as the entity-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Marina, Parking and Presidio of Monterey Public Works funds, as these are considered to be major funds of the City of Monterey. Data from the other four enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements following the notes to the financial statements. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements following the notes to the financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the entity-wide financial statement because the resources of those funds are not available to support the City of Monterey's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has only one type of

CITY OF MONTEREY

Management's Discussion and Analysis

June 30, 2011

fiduciary fund: an agency fund for City assessment and promotion districts. The total assets held in the agency fund at June 30, 2011 was \$191,909.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements.

Other information. The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, internal service funds, and agency funds are presented immediately following the notes to the financial statements.

Entity-wide Financial Analysis

Net Assets. Net assets may serve as a useful indicator of a government's financial position. In the case of the City of Monterey, total net assets were \$207 million at the close of the fiscal year ended June 30, 2011.

By far the largest portion of the City of Monterey's net assets (68%) reflects its investment in capital assets (e.g. infrastructure, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Monterey uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Monterey's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A summary of net assets follows:

City of Monterey's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Current & other assets	\$ 94,774,408	\$ 93,494,172	\$ (2,685,093)	\$ (3,553,263)	\$ 92,089,315	\$ 89,940,909
Capital assets, net	131,762,366	132,757,438	24,171,169	24,860,466	155,933,535	157,617,904
Total assets	226,536,774	226,251,610	21,486,076	21,307,203	248,022,850	247,558,813
Long-term liabilities outstanding	13,075,166	13,443,454	6,191,223	9,035,000	19,266,389	22,478,454
Other liabilities	16,882,262	16,041,517	4,631,913	2,915,135	21,514,175	18,956,652
Total liabilities	29,957,428	29,484,971	10,823,136	11,950,135	40,780,564	41,435,106
Net assets:						
Invested in capital assets, net of related debt	123,156,792	122,902,447	18,360,622	16,065,850	141,517,414	138,968,297
Restricted	37,216,422	35,581,294	414,540	1,697,423	37,630,962	37,278,717
Unrestricted	36,206,132	38,282,898	(8,112,222)	(8,406,205)	28,093,910	29,876,693
Total net assets	\$ 196,579,346	\$ 196,766,639	\$ 10,662,940	\$ 9,357,068	\$ 207,242,286	\$ 206,123,707

Total net assets for the Governmental Activities consisted of \$197 million, which was comprised of \$123 million in net capital assets (infrastructure, buildings, roads, land, etc.), \$37 million in amounts legally restricted, and \$36.2 million, classified as Unrestricted for accounting purposes. However, as mentioned previously, a large portion of this unrestricted amount is reserved for the purposes such as economic uncertainty, public service center, and capital and neighborhood improvement programs, or is not currently available, such as the \$18 million Parking fund long-term receivable.

CITY OF MONTEREY

Management's Discussion and Analysis

June 30, 2011

Revenue and Expenses. The City's total net assets increased by \$1.1 million during the fiscal year. This was generally related to business-type activities which increased by \$1.3 million.

The table below is a summary of all the City's revenues and expenses. A summary of the top revenues follows this table:

City of Monterey's Summary of Revenues & Expenses

	Governmental Activities		Business-Type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Revenues:						
Program Revenues:						
Charges for services	\$ 20,552,496	\$ 22,631,158	\$ 24,818,414	\$ 20,368,984	\$ 45,370,910	\$ 43,000,142
Operating grants & contributions	947,647	1,304,197	-	-	947,647	1,304,197
Capital grants & contributions	1,661,932	1,280,919	-	-	1,661,932	1,280,919
General Revenues:						
Transient occupancy tax	14,655,418	14,702,871	-	-	14,655,418	14,702,871
Property tax	12,247,862	12,440,413	-	-	12,247,862	12,440,413
Sales tax	5,257,314	4,882,921	-	-	5,257,314	4,882,921
In-lieu sales taxes	1,792,836	1,479,545	-	-	1,792,836	1,479,545
Other taxes	5,635,273	5,240,940	-	-	5,635,273	5,240,940
Investment income	4,647,197	5,032,549	230,896	352,887.00	4,878,093	5,385,436
Motor vehicle in lieu	140,274	89,870	-	-	140,274	89,870
In-lieu VLF	2,250,982	2,304,895	-	-	2,250,982	2,304,895
Other revenues	249,936	194,625	-	-	249,936	194,625
Total revenues	70,039,167	71,584,903	25,049,310	20,721,871	95,088,477	92,306,774
Expenses:						
General government	7,674,774	9,513,915	-	-	7,674,774	9,513,915
Public safety	24,479,714	25,348,522	-	-	24,479,714	25,348,522
Public works	19,706,824	20,876,964	-	-	19,706,824	20,876,964
Community development	1,857,119	1,634,501	-	-	1,857,119	1,634,501
Recreation and community service	8,454,787	8,401,272	-	-	8,454,787	8,401,272
Library	3,251,530	3,515,397	-	-	3,251,530	3,515,397
Public facilities	4,574,830	4,599,164	-	-	4,574,830	4,599,164
Nondepartmental	-	-	-	-	-	-
Interest and fiscal charges	471,315	498,238	-	-	471,315	498,238
Marina	-	-	2,047,929	1,887,048	2,047,929	1,887,048
Parking	-	-	6,836,439	6,491,294	6,836,439	6,491,294
Presidio of Monterey Public Works	-	-	13,712,889	10,630,416	13,712,889	10,630,416
Other Business-type activities	-	-	901,748	970,701	901,748	970,701
Total Expenses	70,470,893	74,387,973	23,499,005	19,979,459	93,969,898	94,367,432
Change in net assets before transfers	(431,726)	(2,803,070)	1,550,305	742,412	1,118,579	(2,060,658)
Transfers	244,433	737,759	(244,433)	(737,759)	-	-
Change in net assets	(187,293)	(2,065,311)	1,305,872	4,653	1,118,579	(2,060,658)
Net assets- Beginning	196,766,639	198,831,950	9,357,068	9,352,415	206,123,707	208,184,365
Net assets- Ending	\$ 196,579,346	\$ 196,766,639	\$ 10,662,940	\$ 9,357,068	\$ 207,242,286	\$ 206,123,707

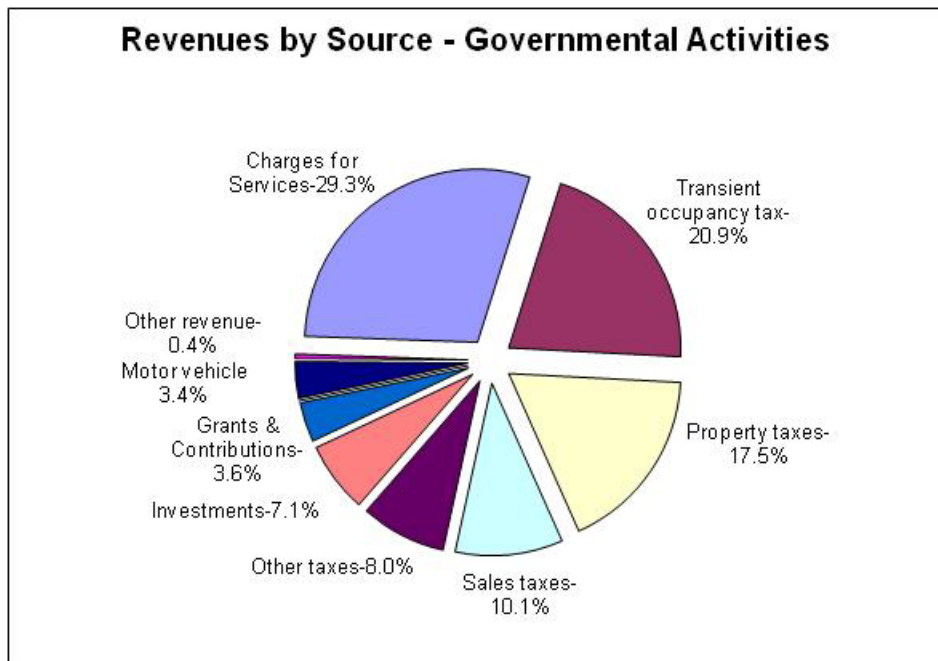
The largest components of the City's revenue were as follows:

- Transient Occupancy Tax (TOT) receipts were 21% of all governmental activities' revenues of \$14.7 million. For the fiscal year ended June 30, 2011, TOT decreased by \$47 thousand or .3%.
- Charges for Services, as an overall category, consists of individual departmental and program fees collected from users of the City's programs and services (e.g. Fire, Recreation, Planning and Building,

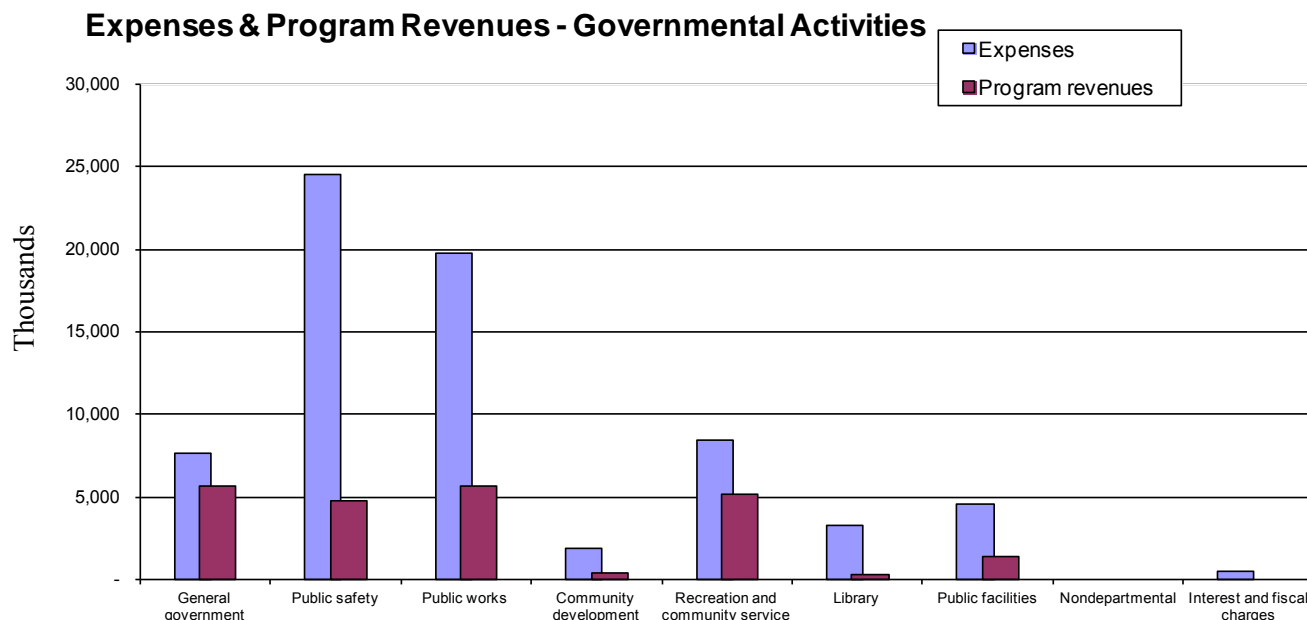
Conference Center). These revenues decreased by \$2.1 million (10%) to \$17.7 million during the fiscal year. This was due to a combination of a decrease in administrative support fees from the Presidio contract, decrease in Conference Center revenues and prior year gains on sale of low/mod income housing properties.

- Property tax (including Redevelopment Agency tax increment) decreased by \$192,551 (1.6%) to \$12.2 million due to the downturn in the real estate market of the last few years.
- Sales Tax receipts (includes "In-lieu sales tax") increased by \$687,684 (9.75%) to \$7.1 million reflecting an improvement in the local retail sales economy.
- Business-type activities increased the City of Monterey's net assets by \$1.3 million. The key elements of this increase were the excess of revenues over expenses generated by the Marina and Parking operations.

The pie chart below depicts the percentage of the total governmental revenues allocated by each revenue type.



This bar chart provides a comparison by governmental activity of expenditures and revenues that are related to each activity. This illustrates the degree to which the City subsidizes its primary services to the Citizens. The difference between the costs and the program revenues is funded by taxes and other general revenues.



Fund level Financial Analysis

As noted earlier, the City of Monterey uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Monterey's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Monterey's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Monterey. At the end of the fiscal year, unassigned fund balance of the General Fund was \$41 thousand, while total fund balance was \$33 million. Current revenues exceeded current expenditures by \$1.2 million. In addition, transfers from the general fund for infrastructure maintenance and capital projects, offset by transfers in from reserves, brought \$1.5 million into the fund, which resulted in a net increase of \$2.7 million in fund balance during 2010/11. As a measure of the General Fund's liquidity, though unassigned fund balance represented less than 1% of General Fund expenditures, total fund balance represented 57% of that amount.

The Debt Service Fund's largest revenue source is receipt of property taxes by the Redevelopment Agency of the City of Monterey, which is used, in part, for repayment of loans made by the City's General Fund to the Redevelopment Agency under the terms of a repayment agreement. In 2011 the open balance on this agreement decreased \$5 million.

The Capital Projects Fund has a total fund balance of \$462 thousand, all of which is restricted or committed. The net decrease in fund balance during the fiscal year was \$873 thousand, reflecting the completion and close-out of several projects, leaving a total of 79 projects of varying sizes and durations funded in this and previous periods. This is down from 83 projects the previous year, as the City is focusing more on completing existing projects rather than funding new projects.

Proprietary funds. The City of Monterey's proprietary funds provide the same type of information found in the entity-wide financial statements, but in more detail. Unrestricted net assets of the major Enterprise funds at the end of the year were as follows: the Marina fund: \$1.3 million and the Presidio of Monterey Public Works fund: \$588 thousand. Total net assets of the Parking fund were \$7.7 million, which reflects an increase of \$660 thousand as resources are accumulated for future capital expenditure needs (net assets are used as a comparison for the Parking Fund due to a repayment agreement with the General Fund, as reflected in Note 3c). The Presidio fund had an increase in net assets recognizing completed projects and increases in operating reserves.

General Fund Budgetary Highlights

Actual General Fund revenues were \$1.7 million higher than the final amended budget due primarily to the accounting treatment of interfund lease revenue. Sales Tax, Transient Occupancy Tax, Intergovernmental, Rental Income and Licenses and Permits were all ahead of budget, partially offset by Property Tax, Utility Users Tax and Investment Income shortfalls. Expenditure estimates for the general fund, final amended budget were \$1.2 million higher than the original adopted budget. The largest increase, \$641 thousand, was in the Plans & Public Works department for various planning grants, which are offset by matching program revenues. Citywide budget adjustments of \$300 thousand were due to purchase order, encumbrance roll-overs from the prior fiscal year.

Total expenditures were under budget by \$781,764. A significant portion of this amount is attributed to savings from staffing vacancies. Overall, general fund expenditures were less than 1% under budget and 1% below prior year expenditures, reflecting the City's continuing efforts to live within its' means in the current economic environment.

It is important to note that while operating revenues and expenditures are treated separately for budget purposes from non-operating or "one-time" revenues and expenditures (in order to match ongoing revenues with ongoing expenditures), generally accepted accounting principles (GAAP) does not allow for this distinction. In addition, under GAAP, certain transactions are accounted for differently in this report than in the budget (e.g. depreciation of fixed assets, payment of debt principal, etc.). Therefore, the reader should be aware that there may be some differences between how this report and City budget documents categorize and characterize certain revenue and expense items.

Capital Asset and Debt Administration

Capital assets. The City of Monterey's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$155.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads and infrastructure. Below is a summary of the City's capital assets at fiscal yearend:

Additional information on the City of Monterey's capital assets can be found in note 5 of this report.

City of Monterey's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Land	\$ 29,913,755	\$ 29,913,755	\$ 9,205,157	\$ 9,205,157	\$ 39,118,912	\$ 39,118,912
Buildings	32,185,678	33,190,055	9,927,780	10,418,408	42,113,458	43,608,463
Improvements other than buildings	8,213,670	8,960,414	4,285,050	4,569,606	12,498,720	13,530,020
Machinery and Equipment	4,539,997	4,308,502	322,349	212,692	4,862,346	4,521,194
Infrastructure	49,095,734	50,628,348	-	-	49,095,734	50,628,348
Construction in Progress	7,813,532	5,756,364	430,833	454,603	8,244,365	6,210,967
TOTAL CAPITAL ASSETS	\$ 131,762,366	\$ 132,757,438	\$ 24,171,169	\$ 24,860,466	\$ 155,933,535	\$ 157,617,905

Long-term debt. At the end of the current fiscal year, the City of Monterey had \$14.4 million in long-term debt (net of \$3.5 million in compensated absences). This includes \$10.3 million in lease revenue bonds issued by the Redevelopment Agency and the Joint Powers Financing Authority, \$4.1 million in loans issued by the State of California and County of Monterey. Below is a summary of the City's outstanding liabilities:

City of Monterey's Outstanding Debt
(net of Compensated Absences)

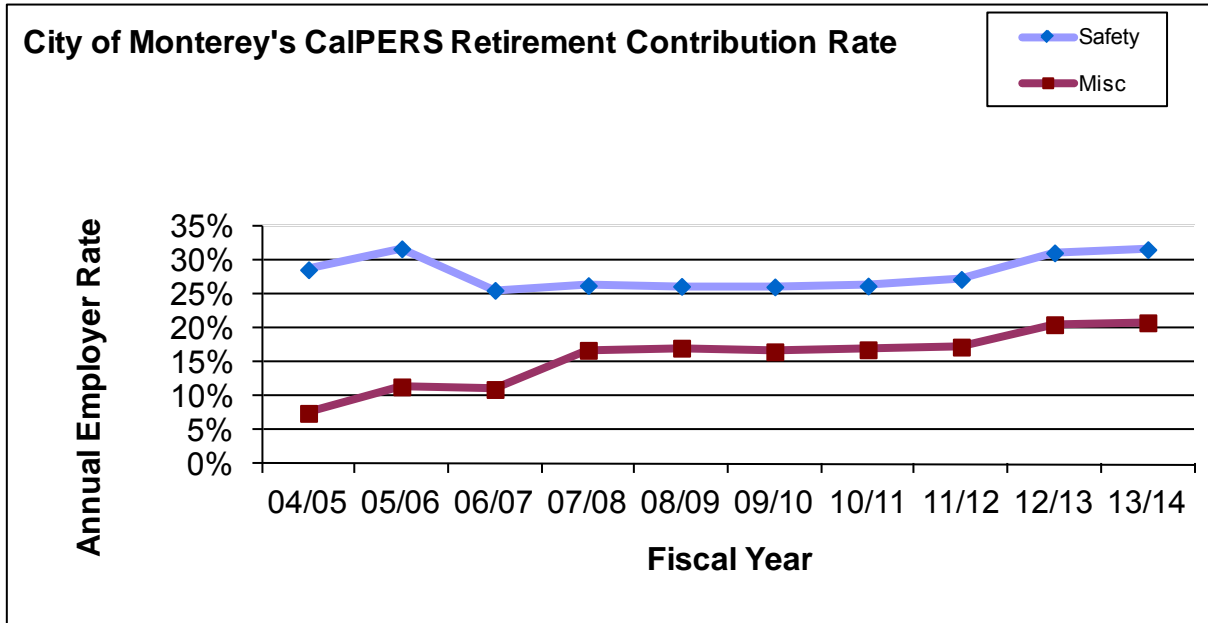
	Governmental Activities		Business-Type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Lease Revenue Bonds	\$ 8,115,000	\$ 9,582,450	\$ 2,210,000	\$ 4,952,550	\$ 10,325,000	\$ 14,535,000
Loans Payable	490,574	272,541	3,600,547	3,842,066	4,091,121	4,114,607
TOTAL OUTSTANDING DEBT	\$ 8,605,574	\$ 9,854,991	\$ 5,810,547	\$ 8,794,616	\$ 14,416,121	\$ 18,649,607

Additional information on the City of Monterey's long-term debt can be found in note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City's preliminary estimates for 2011/2012 show a general fund operating budget surplus of \$49,482 and an available ending balance of \$205,308. This ending balance is expected to rise somewhat when the budget is reviewed at mid-year due to a stronger than expected increase in Transient Occupancy Tax during the late summer and fall of 2011. However, even though the local economy has rebounded somewhat, revenues have not kept pace with the increase in expenditures over the past several years so budget austerity is still in order. City Staff is currently reviewing all budget assumptions, including revenue estimates and any projected changes to expenditures in order to update the estimated operating deficit for fiscal year 2011-12 and beyond.
- The City continues to face budget challenges like many other cities as well as the State of California. In fact, the state's budget challenges are so great they continue to cast a shadow on the budget preparation processes of all cities, counties and special districts due to the ever-present risk that the state will, yet again, balance its budget with other agency's money. City staff is continuing to review options for how

to deal with ongoing budget pressures during the remainder of 2011-12, as well as the following budget year. For the long run, it is City policy to adopt a balanced budget where ongoing inflows equal or exceed ongoing outflows and all infrastructure renewal responsibilities are met. Therefore, a significant review of all budget programs, which began in the fall of 2010, is still underway. This priority-based budgeting approach has helped the City to focus attention on services the City provides, their cost and relative priority within the community.



Requests for Information

This financial report is designed to provide a general overview of the City of Monterey's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Monterey, Finance Department, 735 Pacific Street, Suite A, Monterey, CA 93940.



ENTITY-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

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

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

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

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

Both these Statements include the financial activities of the City, the Redevelopment Agency of the City of Monterey and the City of Monterey Joint Powers Financing Authority. The later two entities are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities of these entities.

CITY OF MONTEREY
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments available for operations	\$ 49,411,748	\$ 9,476,364	\$ 58,888,112
Restricted cash and investments	5,091,642	414,540	5,506,182
Taxes receivable	2,969,334	-	2,969,334
Accounts receivable	2,840,414	4,884,719	7,725,133
Rehabilitation loans receivable	2,461,609	-	2,461,609
Downpayment assistance loans receivable	2,491,441	-	2,491,441
Project subsidy loans receivable	11,036,779	-	11,036,779
Interest receivable	330,369	104,561	434,930
Internal balances	17,575,352	(17,575,352)	-
Property held for resale	565,720	-	565,720
Issuance costs (net of accumulated amortization)	-	10,075	10,075
Capital assets:			
Non-depreciable assets	37,727,287	9,635,990	47,363,277
Depreciable assets (net of depreciation)	94,035,079	14,535,179	108,570,258
Total assets	226,536,774	21,486,076	248,022,850
LIABILITIES			
Accounts payable and accrued liabilities	3,465,712	4,392,954	7,858,666
Accrued interest	-	238,959	238,959
Accrued claims payable	10,653,438	-	10,653,438
Unearned revenue	2,763,112	-	2,763,112
Long-term debt:			
Due within one year	1,208,331	515,168	1,723,499
Due in more than one year	11,866,835	5,676,055	17,542,890
Total liabilities	29,957,428	10,823,136	40,780,564
NET ASSETS			
Invested in capital assets, net of related debt	123,156,792	18,360,622	141,517,414
Restricted for:			
Capital projects	5,099,792	-	5,099,792
Debt service	-	414,540	414,540
Redevelopment projects	15,206,574	-	15,206,574
Permanent Endowments - nonexpendable	2,476,127	-	2,476,127
Permanent Endowments - expendable	44,692	-	44,692
Grants, contributions & fees for specific purpose	13,589,585	-	13,589,585
Specific purpose by contract	799,652	-	799,652
Total restricted net assets	37,216,422	414,540	37,630,962
Unrestricted	36,206,132	(8,112,222)	28,093,910
Total net assets	\$ 196,579,346	\$ 10,662,940	\$ 207,242,286

See accompanying notes to financial statements

CITY OF MONTEREY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 7,674,774	\$ 5,672,273	\$ -	\$ -	\$ (2,002,501)		\$ (2,002,501)
Public safety	24,479,714	3,772,349	490,705	492,706	(19,723,954)		(19,723,954)
Public works	19,706,824	4,550,785	(97,320)	1,169,226	(14,084,133)		(14,084,133)
Community development	1,857,119	(15,584)	401,848	-	(1,470,855)		(1,470,855)
Recreation and community service	8,454,787	5,130,533	-	-	(3,324,254)		(3,324,254)
Library	3,251,530	113,609	149,464	-	(2,988,457)		(2,988,457)
Public facilities	4,574,830	1,328,531	2,950	-	(3,243,349)		(3,243,349)
Interest and fiscal charges	471,315	-	-	-	(471,315)		(471,315)
Total governmental activities	70,470,893	20,552,496	947,647	1,661,932	(47,308,818)		(47,308,818)
Business-type Activities:							
Marina	2,047,929	2,586,778				\$ 538,849	538,849
Parking	6,836,439	7,293,620				457,181	457,181
Presidio of Monterey Public Works	13,712,889	14,037,989				325,100	325,100
Cemetery	374,530	228,593				(145,937)	(145,937)
Materials Recovery	235,919	360,298				124,379	124,379
Navy Services	290,379	311,136				20,757	20,757
Institutional Network	920	-				(920)	(920)
Total business-type activities	23,499,005	24,818,414	-	-	-	1,319,409	1,319,409
Total	\$ 93,969,898	\$ 45,370,910	\$ 947,647	\$ 1,661,932	(47,308,818)	1,319,409	(45,989,409)
General revenues:							
Taxes:							
Property taxes					12,247,862	-	12,247,862
Sales taxes					5,257,314	-	5,257,314
In-lieu sales taxes					1,792,836	-	1,792,836
Transient occupancy tax					14,655,418	-	14,655,418
Utility users tax					2,827,198	-	2,827,198
Other taxes					2,808,075	-	2,808,075
Investment income					4,647,197	230,896	4,878,093
Motor vehicle in lieu for general purposes					140,274	-	140,274
In-lieu VLF for general purposes					2,250,982	-	2,250,982
Other revenues					249,936	-	249,936
Transfers					244,433	(244,433)	-
Total general revenues and transfers					47,121,525	(13,537)	47,107,988
Changes in net assets					(187,293)	1,305,872	1,118,579
Net assets - beginning					196,766,639	9,357,068	206,123,707
Net assets - ending					\$ 196,579,346	\$ 10,662,940	\$ 207,242,286

See accompanying notes to financial statements





FUND FINANCIAL STATEMENTS

The Fund Financial Statements only present individual major funds, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

The **General Fund** is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources of this fund include property tax, sales tax, transient occupancy tax, business license tax, utility users tax and charges for services. These revenues support the general operations of the City, which include police, fire, street maintenance, parks, recreation, planning and general government. In addition, the General Fund finances many capital improvements each year.

CAPITAL PROJECTS FUND

The **Capital Projects Fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund types). The City maintains one Capital Projects Fund, which is shown on the Combined Balance Sheet and the Combined Statement of Revenues, Expenditures and Changes in Fund Balances.

DEBT SERVICE FUND

The **Debt Service Fund** is used to account for the financial resources to be used for the payment of principal and interest on long-term obligations. The City maintains one Debt Service Fund, which is shown on the Combined Balance Sheet and the Combined Statement of Revenues, Expenditures and Changes in Fund Balances.

LOW/MOD INCOME HOUSING FUND

The **Low/Mod Income Housing Fund** is used to assist low and moderate income families and individuals with low interest loans and affordable housing opportunities. The primary source of funding is 20% of all Redevelopment Agency tax increment revenues.

CITY OF MONTEREY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General	Capital Projects	Debt Service	Low/Mod Income Housing	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments						
available for operations	\$ 13,615,450	\$ 521,447	\$ 211,707	\$3,623,598	\$ 18,238,696	\$ 36,210,898
Restricted cash and investments:						
Held by fiscal agent	-	-	650,107	803,650	214,984	1,668,741
Held by city	-	-	-	-	2,476,127	2,476,127
Receivables:						
Taxes receivable	2,585,004	-	-	-	384,330	2,969,334
Accounts receivable	1,690,876	249,018	-	67,740	662,605	2,670,239
Interest receivable	205,113	-	878	23,147	91,902	321,040
Due from other funds	379,637	-	-	-	-	379,637
Advances to other funds	18,784,156	-	-	1,472,383	575,000	20,831,539
Repayment agreement receivable	31,472,960	-	-	-	-	31,472,960
Allowance for uncollectible repayment agreement receivable	(12,763,719)	-	-	-	-	(12,763,719)
Loans receivable:						
Rehabilitation	-	-	-	-	2,461,609	2,461,609
Downpayment assistance	-	-	-	1,493,621	997,820	2,491,441
Project subsidy	-	-	-	8,627,402	2,409,377	11,036,779
Property held for resale	-	-	-	223,794	341,926	565,720
Total assets	<u>\$ 55,969,477</u>	<u>\$ 770,465</u>	<u>\$ 862,692</u>	<u>\$ 16,335,335</u>	<u>\$ 28,854,376</u>	<u>\$ 102,792,345</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 2,694,826	\$ 49,728	\$ 20,459	\$ 13,535	\$ 409,537	\$ 3,188,085
Due to other funds	-	-	-	-	-	-
Advances from other funds	-	258,736	1,759,068	-	1,575,000	3,592,804
Repayment agreement payable	-	-	31,472,960	-	-	31,472,960
Deferred revenue	20,024,977	-	-	1,115,226	332,150	21,472,353
Total liabilities	<u>22,719,803</u>	<u>308,464</u>	<u>33,252,487</u>	<u>1,128,761</u>	<u>2,316,687</u>	<u>59,726,202</u>
FUND BALANCES						
Nonspendable fund balance	22,682,645	-	-	12,428,916	6,870,306	41,981,867
Restricted fund balance	248,179	448,748	-	2,777,658	14,002,887	17,477,472
Committed fund balance	9,726,269	13,253	-	-	5,757,207	15,496,729
Assigned fund balance	551,473	-	-	-	-	551,473
Unassigned fund balance	41,108	-	(32,389,795)	-	(92,711)	(32,441,398)
Total fund balance	<u>33,249,674</u>	<u>462,001</u>	<u>(32,389,795)</u>	<u>15,206,574</u>	<u>26,537,689</u>	<u>43,066,143</u>
Total liabilities and fund balances	<u>\$ 55,969,477</u>	<u>\$ 770,465</u>	<u>\$ 862,692</u>	<u>\$ 16,335,335</u>	<u>\$ 28,854,376</u>	<u>\$ 102,792,345</u>

See accompanying notes to financial statements

CITY OF MONTEREY
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balances (deficits) reported on the governmental funds balance sheet \$ 43,066,143

Amounts reported for Governmental Activities in the Statement of Net Assets
are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds:

Statement of Net Assets		
Governmental Funds	Internal Service Funds	
127,553,346	4,209,020	131,762,366

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. Currently due assets and liabilities of these funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.

Cash and investments	13,200,850
Restricted cash and cash equivalents	946,774
Accounts and interest receivable	466,189
Accounts payable and accrued liabilities	(11,260,770)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

A long-term repayment agreement between the General Fund and the Redevelopment Agency of Monterey is classified as deferred revenue on the Governmental Fund balance sheet because it does not meet the criteria for availability. This is not an issue under accrual accounting on the Statement of Net Assets

31,472,960

LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds. Except for internal service funds reported above, the adjustment is as follows:

Statement of Net Assets		
Governmental Funds	Internal Service Funds	
(1,105,535)	(49,946)	(1,155,481)
(263,952)	0	(263,952)
(935,617)	(8,762)	(944,379)
(1,199,569)	(8,762)	(2,363,812)
Long-term debt - due in more than one year	(8,341,622)	(8,341,622)
Compensated absences - due in more than one year	(2,227,982)	(2,369,731)
Subtotal	(10,569,604)	(10,711,353)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 196,579,347

See accompanying notes to financial statements

CITY OF MONTEREY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Debt Service	Low/Mod Income Housing	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property tax	\$ 5,908,885	\$ -	\$ 4,932,167	\$ 1,333,504	\$ 73,306	\$ 12,247,862
Sales tax	5,257,314	-	-	-	-	5,257,314
In-lieu sales tax	1,792,836	-	-	-	-	1,792,836
Transient occupancy tax	12,310,576	-	-	-	2,344,842	14,655,418
Utility users tax	2,827,198	-	-	-	-	2,827,198
Other taxes	1,963,869	-	-	-	844,206	2,808,075
Intergovernmental	2,846,634	641,775	-	-	1,459,811	4,948,220
Investment income	1,322,748	-	94,011	126,816	265,233	1,808,808
Rental income	2,485,131	-	-	60,059	794,656	3,339,846
Interfund lease revenue	5,218,740	-	-	-	-	5,218,740
Licenses and permits	3,484,125	-	-	-	170,179	3,654,304
Charges for current services	12,604,250	-	-	-	2,698,544	15,302,794
Fines	376,857	-	-	-	-	376,857
Other revenue	613,041	29,621	17,826	105,750	234,573	1,000,811
Total revenues	59,012,204	671,396	5,044,004	1,626,129	8,885,350	75,239,083
EXPENDITURES						
Current:						
General government:						
City council	117,410	-	-	-	-	117,410
City manager	1,123,856	-	-	-	200,494	1,324,350
City attorney	831,908	-	-	-	-	831,908
Finance	1,877,439	-	-	-	-	1,877,439
Human Resources	809,200	-	-	-	-	809,200
Information Resources	726,209	-	-	-	-	726,209
Nondepartmental charges	318,750	-	493,675	-	351,304	1,163,729
Total general government:	5,804,772	-	493,675	-	551,798	6,850,245
Public safety:						
Police	12,258,718	-	-	-	20,630	12,279,348
Fire	11,791,655	-	-	-	35,239	11,826,894
Total public safety	24,050,373	-	-	-	55,869	24,106,242
Public works	13,135,181	-	-	-	2,881,760	16,016,941
Community development	273,108	-	-	743,695	799,671	1,816,474
Recreation and community service	7,595,506	-	-	-	25,028	7,620,534
Library	3,019,512	-	-	-	142,996	3,162,508
Public facilities	3,928,470	-	-	-	-	3,928,470
Total current	57,806,922	-	493,675	743,695	4,457,122	63,501,414
Capital outlay	-	3,185,293	-	-	998,506	4,183,799
Debt service:						
Principal	23,061	-	1,467,450	-	-	1,490,511
Interest and fiscal charges	-	-	466,441	-	-	466,441
Total debt service	23,061	-	1,933,891	-	-	1,956,952
Total expenditures	57,829,983	3,185,293	2,427,566	743,695	5,455,628	69,642,165
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,182,221	(2,513,897)	2,616,438	882,434	3,429,722	5,596,918
OTHER FINANCING SOURCES (USES)						
Transfers in	4,444,789	3,138,921	832,041	110,986	116,358	8,643,095
Transfers out	(2,956,087)	(1,497,554)	(554,928)	-	(3,807,026)	(8,815,595)
Total other financing sources (uses)	1,488,702	1,641,367	277,113	110,986	(3,690,668)	(172,500)
NET CHANGE IN FUND BALANCES	2,670,923	(872,530)	2,893,551	993,420	(260,946)	5,424,418
BEGINNING FUND BALANCES (DEFICITS)	30,578,751	1,334,531	(35,283,346)	14,213,154	26,798,635	37,641,725
ENDING FUND BALANCES (DEFICITS)	\$ 33,249,674	\$ 462,001	\$ (32,389,795)	\$ 15,206,574	\$ 26,537,689	\$ 43,066,143

See accompanying notes to financial statements

CITY OF MONTEREY
Reconciliation of the
NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	5,424,418
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the portion of the cost attributed to capital assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. The remaining amount are expensed and allocated to the programs they support (Public Works & Transportation).		
The capital outlay expenditures are therefore added back to fund balance		3,484,857
Depreciation expense is deducted from the fund balance		
(Depreciation expense is net of internal service fund depreciation of \$865,682 which has already been allocated to serviced funds)		(3,977,010)
Retirements of capital assets		(661,092)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.		
Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.		
Repayment of debt principal is added back to fund balance		1,490,511
Issuance of new debt principal is deducted from fund balance		(337,940)

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):		
Deferred revenue		(5,218,740)
Other post employment benefits		(402,292)
Compensated absences		292,906

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.		
The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.		
Change in Net Assets - All Internal Service Funds		(282,911)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	(187,293)
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See accompanying notes to financial statements

CITY OF MONTEREY
BUDGETED MAJOR GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund				Low/Mod Income Housing			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Over/(Under)	Original Budget	Final Budget	Actual Amounts	Variance- Over (Under)
REVENUES:								
Property tax	\$ 6,251,516	\$ 6,251,516	\$ 5,908,885	\$ (342,631)	\$ 800,399	\$ 800,399	\$ 1,333,504	\$ 533,105
Sales tax	5,272,543	5,438,360	5,257,314	(181,046)	-	-	-	-
In-lieu sales tax	1,509,146	1,509,146	1,792,836	283,690	-	-	-	-
Transient occupancy tax	11,405,260	12,272,705	12,310,576	37,871	-	-	-	-
Utility users tax	2,918,694	2,918,694	2,827,198	(91,496)	-	-	-	-
Other taxes	2,012,316	2,012,316	1,963,869	(48,447)	-	-	-	-
Intergovernmental	2,598,895	2,618,895	2,846,634	227,739	-	-	-	-
Investment income	1,540,023	1,540,023	1,322,748	(217,275)	144,000	144,000	126,816	(17,184)
Rental income	2,439,500	2,439,500	2,485,131	45,631	45,000	45,000	60,059	15,059
Interfund lease revenue	2,822,839	2,373,550	5,218,740	2,845,190	-	-	-	-
Licenses and permits	3,432,799	3,432,799	3,484,125	51,326	-	-	-	-
Charges for current services	12,536,391	12,676,279	12,604,250	(72,029)	-	-	-	-
Fines	413,000	413,000	376,857	(36,143)	-	-	-	-
Other revenue	887,485	1,386,802	613,041	(773,761)	3,647,561	3,647,561	105,750	(3,541,811)
Total revenues	56,040,407	57,283,585	59,012,204	1,728,619	4,636,960	4,636,960	1,626,129	(3,010,831)
EXPENDITURES:								
Current:								
General government:								
City council	105,240	105,240	117,410	12,170	-	-	-	-
City manager	1,066,222	1,066,222	1,123,856	57,634	-	-	-	-
City attorney	790,627	792,627	831,908	39,281	-	-	-	-
Finance	1,944,946	1,949,682	1,877,439	(72,243)	-	-	-	-
Human Resources	863,623	868,373	809,200	(59,173)	-	-	-	-
Information Resources	807,629	842,104	726,209	(115,895)	-	-	-	-
Nondepartmental charges	460,708	468,181	318,750	(149,431)	-	-	-	-
Total general government:	6,038,995	6,092,429	5,804,772	(287,657)	-	-	-	-
Public safety:								
Police	12,749,584	12,827,911	12,258,718	(569,193)	-	-	-	-
Fire	11,756,557	11,777,964	11,791,655	13,691	-	-	-	-
Total public safety	24,506,141	24,605,875	24,050,373	(555,502)	-	-	-	-
Public works	11,901,690	12,748,617	13,135,181	386,564	-	-	-	-
Community development	330,814	348,314	273,108	(75,206)	2,893,741	3,377,910	743,695	(2,634,215)
Recreation and community service	7,636,237	7,649,921	7,595,506	(54,415)	-	-	-	-
Library	3,011,654	3,080,319	3,019,512	(60,807)	-	-	-	-
Public facilities	3,997,166	4,063,211	3,928,470	(134,741)	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total current	57,422,697	58,588,686	57,806,922	(781,764)	2,893,741	3,377,910	743,695	(2,634,215)
Debt service:								
Principal	-	-	23,061	23,061	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total debt service	-	-	23,061	23,061	-	-	-	-
Total expenditures	57,422,697	58,588,686	57,829,983	(758,703)	2,893,741	3,377,910	743,695	(2,634,215)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,382,290)	(1,305,101)	1,182,221	2,487,322	1,743,219	1,259,050	882,434	(376,616)
OTHER FINANCING SOURCES (USES)								
Transfers in	2,197,646	2,197,646	4,444,789	2,247,143	-	-	110,986	110,986
Transfers out	(1,841,393)	(1,871,312)	(2,956,087)	(1,084,775)	-	-	-	-
Total other financing sources (uses)	356,253	326,334	1,488,702	1,162,368	-	-	110,986	110,986
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ (1,026,037)	\$ (978,767)	2,670,923	\$ 3,649,690	\$ 1,743,219	\$ 1,259,050	993,420	\$ (265,630)
Fund balances, July 1, 2010			30,578,751				14,213,154	
Fund balances, June 30, 2011			\$ 33,249,674				\$ 15,206,574	

See accompanying notes to financial statements



MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of major funds extends to Proprietary Funds. The City has identified the funds below as major proprietary funds. Individual non-major funds may be found in the Supplemental section.

MARINA FUND

This fund was created in 1960 to account for all Marina related revenues and expenditures. All revenues collected in the Marina area are used for operation, maintenance and improvements to the Marina.

PARKING FUND

This fund was established to pay for construction, operation, and maintenance of parking facilities and improvements. The revenue sources include parking fees, permits and fines.

PRESIDIO OF MONTEREY PUBLIC WORKS FUND

Created in fiscal year 1998-99, this fund accounts for costs and revenues pertaining to the Presidio of Monterey maintenance contract.

CITY OF MONTEREY
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds
	Marina	Parking	Presidio of Monterey Public Works	Other Enterprise Funds	Totals	
ASSETS						
Current assets:						
Cash and investments available for operations	\$ 1,707,150	\$ 7,045,487	\$ -	\$ 723,727	\$ 9,476,364	\$ 13,200,850
Cash held by fiscal agent	-	-	-	-	-	946,774
Accounts receivable	28,911	109,428	4,684,054	62,326	4,884,719	170,175
Interest receivable	10,908	44,468	-	49,185	104,561	9,329
Total current assets	1,746,969	7,199,383	4,684,054	835,238	14,465,644	14,327,128
Noncurrent assets:						
Restricted cash held by fiscal agent	-	-	-	414,540	414,540	-
Advances to other funds	1,000,000	1,418,292	-	-	2,418,292	286,685
Issuance costs (net of accumulated amortization)	-	-	-	10,075	10,075	-
Capital assets:						
Land	-	9,205,157	-	-	9,205,157	-
Construction in progress	167,913	262,920	-	-	430,833	23,261
Buildings and improvements	10,034,675	23,984,262	-	4,603,119	38,622,056	64,366
Machinery and equipment	103,203	727,976	-	8,800	839,979	14,282,075
Accumulated depreciation	(6,450,186)	(16,673,370)	-	(1,803,300)	(24,926,856)	(10,160,682)
Total capital assets, net of accumulated depreciation	3,855,605	17,506,945	-	2,808,619	24,171,169	4,209,020
Total noncurrent assets	4,855,605	18,925,237	-	3,233,234	27,014,076	4,495,705
Total assets	6,602,574	26,124,620	4,684,054	4,068,472	41,479,720	18,822,833
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	52,776	268,313	4,046,006	25,859	4,392,954	277,627
Accrued interest	148,523	-	-	90,436	238,959	-
Accrued claims payable	-	-	-	-	-	10,653,438
Due to other funds	-	-	49,932	-	49,932	329,705
Compensated absences-due within one year	-	20,071	-	2,715	22,786	8,762
Debt payable- due within one year	252,382	-	-	240,000	492,382	-
Total current liabilities	453,681	288,384	4,095,938	359,010	5,197,013	11,269,532
Noncurrent liabilities:						
Advances from other funds	1,159,556	-	-	879,383	2,038,939	-
Repayment Agreements Payable	-	17,904,773	-	-	17,904,773	-
Other post employment benefits	25,437	111,006	-	8,076	144,519	49,946
Compensated absences	60,978	129,308	-	23,085	213,371	141,749
Debt payable- due in more than one year	3,348,165	-	-	1,970,000	5,318,165	-
Total noncurrent liabilities	4,594,136	18,145,087	-	2,880,544	25,619,767	191,695
Total liabilities	5,047,817	18,433,471	4,095,938	3,239,554	30,816,780	11,461,227
NET ASSETS						
Invested in capital assets, net of related debt	255,058	17,506,945	-	598,619	18,360,622	4,209,020
Restricted for debt service	-	-	-	414,540	414,540	-
Unrestricted	1,299,699	(9,815,796)	588,116	(184,241)	(8,112,222)	3,152,586
Total net assets	\$ 1,554,757	\$ 7,691,149	\$ 588,116	\$ 828,918	\$ 10,662,940	\$ 7,361,606

See accompanying notes to financial statements

CITY OF MONTEREY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities-Enterprise Funds					Governmental
	Marina	Parking	Presidio of Monterey Public Works	Other Enterprise Funds	Totals	Activities - Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 2,325,363	\$ 7,065,129	\$ 14,037,989	\$ 539,729	\$ 23,968,210	\$ 13,885,853
Lease revenue	200,656	151,114	-	360,298	712,068	-
Other revenue	60,759	77,377	-	-	138,136	77,643
Total operating revenues	2,586,778	7,293,620	14,037,989	900,027	24,818,414	13,963,496
OPERATING EXPENSES						
Salaries and benefits	855,558	3,505,724	3,401,260	274,995	8,037,537	1,958,793
Services and supplies	767,394	1,812,733	10,311,629	352,432	13,244,188	6,002,034
Claims and insurance	-	-	-	-	-	5,850,781
Depreciation and amortization	244,983	511,001	-	127,662	883,646	865,682
Total operating expenses	1,867,935	5,829,458	13,712,889	755,089	22,165,371	14,677,290
Operating income (loss)	718,843	1,464,162	325,100	144,938	2,653,043	(713,794)
NONOPERATING REVENUES (EXPENSES)						
Investment income	20,744	179,440	-	30,712	230,896	18,826
Interest and fiscal charges	(179,994)	(1,006,981)	-	(146,659)	(1,333,634)	(4,874)
Gain (loss) from disposal of capital assets	-	-	-	-	-	-
Total nonoperating revenues (expenses)	(159,250)	(827,541)	-	(115,947)	(1,102,738)	13,952
Income (loss) before transfers	559,593	636,621	325,100	28,991	1,550,305	(699,842)
Transfers in	-	253,504	-	145,621	399,125	594,503
Transfers out	(366,025)	(277,533)	-	-	(643,558)	(177,572)
Net transfers	(366,025)	(24,029)	-	145,621	(244,433)	416,931
Change in net assets	193,568	612,592	325,100	174,612	1,305,872	(282,911)
BEGINNING NET ASSETS	1,361,189	7,078,557	263,016	654,306	9,357,068	7,644,517
ENDING NET ASSETS	\$ 1,554,757	\$ 7,691,149	\$ 588,116	\$ 828,918	\$ 10,662,940	\$ 7,361,606

See accompanying notes to financial statements

CITY OF MONTEREY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds
	Marina	Parking	Presidio of Monterey Public Works	Other Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 2,618,372	\$ 7,336,909	\$ 12,308,001	\$ 875,228	\$ 23,138,510	\$ 14,014,220
Payments to suppliers	(795,586)	(1,731,147)	(8,544,875)	(338,017)	(11,409,625)	(6,084,145)
Payments to employees	(828,386)	(3,475,812)	(3,401,260)	(271,700)	(7,977,158)	(1,927,137)
Claims and insurance paid	-	-	-	-	-	(4,585,211)
Cash flows from operating activities	<u>994,400</u>	<u>2,129,950</u>	<u>361,866</u>	<u>265,511</u>	<u>3,751,727</u>	<u>1,417,727</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund receipts	16,495	-	(361,866)	29,919	(315,452)	83,894
Interfund payments	-	19,981	-	-	19,981	-
Transfers in	-	253,504	-	145,621	399,125	594,503
Transfers out	(366,025)	(277,533)	-	-	(643,558)	(177,572)
Cash flows from noncapital financing activities	<u>(349,530)</u>	<u>(4,048)</u>	<u>(361,866)</u>	<u>175,540</u>	<u>(539,904)</u>	<u>500,825</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(4,187)	(139,186)	-	-	(143,373)	(1,025,382)
Debt principal repayment	(241,519)	(3,985,593)	-	(408,250)	(4,635,362)	(96,846)
Interest paid	(189,956)	(1,024,476)	-	(157,074)	(1,371,506)	(4,110)
Cash flows from capital and related financing activities	<u>(435,662)</u>	<u>(5,149,255)</u>	<u>-</u>	<u>(565,324)</u>	<u>(6,150,241)</u>	<u>(1,126,338)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	22,095	206,769	-	38,832	267,696	21,337
Purchase of investment securities	-	-	-	-	-	(138,853)
Cash flows from investing activities	<u>22,095</u>	<u>206,769</u>	<u>-</u>	<u>38,832</u>	<u>267,696</u>	<u>(117,516)</u>
Net cash flows	231,303	(2,816,584)	-	(85,441)	(2,670,722)	674,698
Cash and investments at beginning of period (including restricted cash)	<u>1,475,847</u>	<u>9,862,071</u>	<u>-</u>	<u>1,223,708</u>	<u>12,561,626</u>	<u>12,526,152</u>
Cash and investments at end of period (including restricted cash)	<u>\$ 1,707,150</u>	<u>\$ 7,045,487</u>	<u>\$ -</u>	<u>\$ 1,138,267</u>	<u>\$ 9,890,904</u>	<u>\$ 13,200,850</u>
Reconciliation of operating income (loss) to cash flows from operating activities:						
Operating income (loss)	\$ 718,843	\$ 1,464,162	\$ 325,100	\$ 144,938	\$ 2,653,043	\$ (713,795)
Adjustments to reconcile operating income to cash flows from operating activities:						
Depreciation and amortization	244,983	511,001	-	127,662	883,646	865,682
Other post employment benefits liability	13,084	48,198	-	3,324	64,606	13,102
Compensated absence liability	14,088	(18,286)	-	(29)	(4,227)	18,554
Change in assets and liabilities:						
Accounts receivables, net	31,594	43,289	(1,729,988)	(24,799)	(1,679,904)	50,724
Accounts payable and other accrued expenses	(28,192)	81,586	1,766,754	14,415	1,834,563	(82,111)
Accrued claims payable	-	-	-	-	-	1,265,571
Cash flows from operating activities	<u>\$ 994,400</u>	<u>\$ 2,129,950</u>	<u>\$ 361,866</u>	<u>\$ 265,511</u>	<u>\$ 3,751,727</u>	<u>\$ 1,417,727</u>

See accompanying notes to financial statements



FIDUCIARY FUND

The City only has one fiduciary fund, an agency fund. This fund is used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in a separate Fiduciary Fund financial statement later in this report.

CITY OF MONTEREY
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 47,898
Accounts receivable	<u>144,011</u>
Total assets	<u><u>\$ 191,909</u></u>
LIABILITIES	
Special assessments	<u>\$ 191,909</u>
Total liabilities	<u><u>\$ 191,909</u></u>

See accompanying notes to financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Monterey, California was incorporated in 1850 as a charter city and operates under the Council-Manager form of government. The City provides the following services: public safety (police, fire and building inspection), highways and streets, sewer collection, leisure services, public improvements, planning and zoning, redevelopment and general administration services.

A. Reporting Entity

The financial statements of the City of Monterey include the financial activities of the City as well as separate legal entities that are controlled by and dependent on the City. The City Council serves as the governing board of the Redevelopment Agency of the City of Monterey (the “Agency”) and the City of Monterey Joint Powers Financing Authority (the “Authority”), a joint powers authority between the City and the Agency. These financial activities are controlled entirely by the City, which also performs all their administrative and accounting functions. Therefore, the financial activities of these Component Units have been aggregated and merged (termed “blended”) with those of the City in the accompanying basic financial statements. Financial statements for the Agency and the Authority may be obtained from the City of Monterey, 735 Pacific Street, Suite A, Monterey, California, 93940.

The Agency prepares and implements plans for improvement, rehabilitation, and development of certain areas within the City. The financial activities of the Agency have been included in these financial statements in the Low and Moderate Income Housing Special Revenue Fund, the Capital Projects Fund and the Debt Service Fund.

The Authority assists with the financing or refinancing of certain public capital facilities in the City. The financial activities of the Authority are not significant and are included in the Enterprise Funds.

B. Basis of Presentation

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

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal service fund and similar activities. The effect of inter-fund services provided and used between functions is not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented.

Proprietary fund *operating* revenues and expenses, such as charges for services, and payments to employees and vendors, 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 and expenses, such as subsidies, investment earnings, changes in fair value of investments and interest charges result from non-exchange transactions or ancillary activities.

C. Major Funds

The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds in a single column, regardless of their fund-type.

Major funds are those that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds. However, the City has not selected any other funds as major.

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

General Fund – It is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources of this fund include transient occupancy tax, property tax, sales tax, business license tax, utility user's tax and charges for services. These revenues support the general operations of the City, which include police, fire, street maintenance, parks, recreation, planning and general government. In addition, the General Fund finances many capital improvements each year.

Capital Projects Fund – It is used to account for the financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund types). The City maintains one Capital Projects Fund, which is shown on the Combined Balance Sheet and the Combined Statement of Revenues, Expenditures and Changes in Fund Balances.

Debt Service Fund – It is used to account for the financial resources to be used for the payment of principal and interest on long-term obligations. The City maintains one Debt Service Fund, which is shown on the Combined Balance Sheet and the Combined Statement of Revenues, Expenditures and Changes in Fund Balances.

Low and Moderate Income Housing Fund – This fund is used to assist low and moderate income families and individuals with low interest loans and affordable housing opportunities. The primary source of funding is 20% of all Redevelopment Agency tax increment revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The concept of major funds extends to Proprietary Funds. The City has identified the funds below as major proprietary funds. Individual non-major funds may be found in the supplemental section.

Although proprietary funds generally prepare budgets, disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds is not required or included in these financial statements:

Marina Fund – This fund was created in 1960 to account for all Marina related revenues and expenditures. All revenues collected in the Marina area are used for operation, maintenance and improvements to the Marina.

Parking Fund – This fund was established to pay for construction, operation, and maintenance of parking facilities and improvements. The revenue sources include parking fees, permits and fines.

Presidio of Monterey Public Works Fund – This fund was created in 1999 to account for costs and revenues pertaining to the Presidio of Monterey maintenance contract.

The City's financial statements also include as part of the Proprietary Fund Type Internal Service Funds and the Fiduciary Fund Type:

Internal Service Funds. These funds are established to finance and account for services and commodities furnished by designated department or agency to other departments and agencies within a single governmental unit, or to other governmental units, all of which are provided to other departments on a cost-reimbursement basis. These funds account for automotive services, automotive replacement, data processing and other information services, worker's compensation, and general liability.

Fiduciary Funds. The City uses Agency Funds to account for assets held by the City as an agent for special districts including Del Monte Beach Assessment; Ocean View Community Service; Monterey County Tourism; Cannery Row, North Fremont, New Monterey Business; and Downtown and Wharf Promotion District Funds. Agency Funds have no measurement focus and are excluded from the Government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

D. Basis of Accounting

The government-wide and proprietary financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Fiduciary fund financial statements for Agency funds have no measurement focus and are reported using the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*.

The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

liability is incurred, except for claims and judgments, compensated absences, which are recognized as expenditures to the extent they have matured, and principal and interest on general long-term debt. Financial resources usually are appropriated in other funds for transfer to the debt service fund in the period in which maturing debt principal and interest must be paid. Such amounts are not current liabilities of the debt service funds as their settlement will not require expenditure of existing fund assets.

Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of 3 years or greater. For infrastructure to be capitalized, it must meet the elevated cost and useful life threshold of \$150,000 and 5 years or greater. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

Capital asset depreciation is provided using mid-year convention, along with the straight-line method for the annual calculation. Useful lives of capital assets can be found in Note 5 of these statements.

Those revenues susceptible to accrual are property and franchise taxes, licenses, certain other intergovernmental revenues, certain charges for services and interest revenue. Sales taxes collected and held by the State at year-end on behalf of the City also are recognized as revenue.

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

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

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

The City follows Statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***E. Cash Equivalents***

For purposes of the statement of cash flows, the City considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Proprietary fund types' cash and investments balances classified as Available for Operations are considered cash equivalents for purposes of the statement of cash flows. Restricted cash is excluded because it is not liquid and may not be used to liquidate liabilities in the ordinary course of business.

F. Budgets and Budgetary Accounting

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

1. Prior to June 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments.
2. The budget is legally enacted through passage of a resolution during the second City Council meeting in the month of June.
3. The City Manager may transfer budgeted amounts among accounts within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, Enterprise Funds and the Capital Projects Fund. These are the only Funds with legally adopted budgets.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for Capital Projects Fund capital expenditures which are budgeted on a project length basis.
6. Budgeted amounts are as originally adopted or as amended by City Council. Individual amendments were not material in relation to the original appropriations.

G. Encumbrances, including presentation under GASB 54

Encumbrance accounting is employed as an extension of formal budgetary integration in the governmental fund types. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Outstanding encumbrances at year-end are automatically reappropriated the following year. Unexpended appropriations lapse at year-end unless budgeted on a project basis.

All encumbrances outstanding at year-end are classified as a part of either Restricted Fund Balance or Assigned Fund Balance in the General Fund, or as Restricted Fund Balance or Committed Fund Balance in other governmental funds. There were no significant individual encumbrances outstanding as of June 30, 2011.

CITY OF MONTEREY

Notes to Basic Financial Statements

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Open encumbrances at June 30 were predominately related to on-going routine construction and maintenance projects reported under the General Fund Capital Improvement, Neighborhood Improvement and Presidio of Monterey Public Works Funds. Scheduled Equipment and Information Systems replacement purchases are included in the appropriate funds.

Total encumbrances by fund balance classification and fund are presented below:

Open Encumbrances as of June 30, 2011

	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance	Net Assets
<u>Governmental Funds - Major</u>				
General Fund	248,179		551,473	
Capital Projects	448,748			
Low/Mod Income Housing	27,682			
<u>Governmental Funds - Minor</u>				
Sewer/Storm	43,075			
Landscape Maintenance	5,543			
Neighborhood Improvement		561,257		
State/Federal Grants	140,165			
Construction Truck Impact Fee	28,343			
Gas Tax	268,593			
Housing	58,690			
<u>Proprietary Funds</u>				
Marina				20,448
Parking				144,717
Presidio of Monterey Public Works				1,226,662
Cemetery				5,018
<u>Internal Service Funds</u>				
Equipment Replacement				107,098
Vehicle Maintenance				3,846
Information Services				161,965
Risk Management				19,445
Classification Totals	1,269,018	561,257	551,473	1,689,199
City Total				<u>4,070,947</u>

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***H. Compensated Absences***

Compensated absences comprise unused vacation leave and compensated time off, which are accrued as earned, and become "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Unused sick leave does not vest. The long-term liability for compensated absences is determined annually. An estimate has been made of compensated absences due within one year of the date of the statement of net assets.

I. Property Tax

Monterey County assesses properties and bills, collects, and distributes the City's portion of actual property taxes collected to the City. Secured and unsecured property taxes are levied on January 1. Property taxes levied are recorded as revenue and receivables in the fiscal year of levy, provided they are collected during the fiscal year or within 30 days of the fiscal year end.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. The term "unsecured" refers to taxes on personal property, which is property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

J. Property Held for Resale

As part of its Low & Moderate Income Housing Program, the Redevelopment Agency purchases and sells affordable homes in the City to low/moderate income homebuyers in accordance with the affordable housing program. Homes are sold at below-market prices, but purchasers must resell these homes only to the Agency at approximately the same price and in the same condition. Homes owned by the Agency are accounted for at cost, which is below market. Homes are deed restricted units with a City option for purchase. Homes are resold back to the City under an indexed price increase linked to the Consumer Price Index for the San Jose/San Francisco area.

K. Fund Balance Reporting for Governmental Type Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) effective for years first ending June 30, 2011. This Statement specifies how fund balances of governmental funds will be displayed in financial reports. Fund balance will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

1. Non-spendable fund balances are associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds will be restricted, committed, or assigned once they do become available).
2. Restricted fund balances are subject to constraints for specific purposes imposed by external providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
3. Committed fund balances can be used only for specific purposes determined by formal action of the City Council (the City's level of decision-making authority) and use of these

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

funds requires the same formal Council action. Committed fund balances are specified in the annual adopted budget.

4. Assigned fund balances are intended by the Council to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned fund balances include unexpended encumbrances not classified at a more restricted level.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all amounts not contained in the other classifications. It is possible for other governmental funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for that fund.

L. Order of Fund Balance Spending

The Governmental Accounting Standards Board (GASB) Statement No. 54, requires City policy to state the order in which elements of fund balance are to be expended. At year-end restricted fund balances for specific purposes are determined (excluding non-spendable amounts). Remaining fund balance, considered spendable, is classified into committed, assigned or unassigned categories depending upon the intended use of the balances. Fund balance amounts for other governmental funds are classified as restricted or committed depending upon the purpose and restrictions imposed on each specific fund. The City applies expenditures to the most restrictive available balances first, then less restricted funds as required.

M. Stabilization Reserve

The City has maintained a reserve for economic uncertainty for many years. The amounts allocated to this reserve and the reserve balance are specified by City Council in the adopted budget each year. Council last authorized use of reserve funds following the severe economic disruption caused by the attacks on New York and Washington D.C. on September 11, 2001. The effect of these events on the Silicon Valley business community's use of Monterey area resources was profound and unprecedented. Council did not consider the recession of 2008-2009 to be the type of unforeseeable and unique event that might trigger the release of funds from the reserve. This reserve is specifically not authorized by Council as a means of balancing routine, economic cycle, or structural imbalances.

N. Purposes of Major Special Revenue Funds

1. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund types). Authorized general fund appropriations, grants and loans may be included in the fund.
2. The Debt Service Fund is used to account for the financial resources to be used for the payment of principal and interest on long term obligations. General fund, special revenue and Redevelopment Agency resources may be appropriated to the fund for debt service payments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. The Low/Mod Income Housing Fund is used to assist low and moderate income families and individuals with low interest loans and affordable housing opportunities. The primary source of funding is 20% of all Redevelopment Agency tax increment revenues.

O. Fund Balances of General Fund and Major Special Revenue Funds

In the Governmental Funds Balance Sheet fund balances are summarized by classification for presentation purposes. Additional detail of the amounts within each classification for the general and major special revenue funds is provided here.

GOVERNMENTAL FUND BALANCES						
JUNE 30, 2011						
	General	Capital Projects	Debt Service	Low/Mod Income Housing	Other Governmental Funds	Total Governmental Funds
FUND BALANCES						
Nonspendable fund balance						
Long-term receivables	\$ 18,784,156	\$ -	\$ -	\$ 11,528,906	\$ 4,394,179	\$ 34,707,241
Amounts due other agencies	3,898,489	-	-	900,010	-	4,798,499
Scholz non-expendible trust	-	-	-	-	2,476,127	2,476,127
Total Nonspendable	22,682,645	-	-	12,428,916	6,870,306	41,981,867
Restricted fund balance						
Restricted for specific purposes	248,179	448,748	-	2,553,864	9,189,576	12,440,367
Long-term receivables	-	-	-	-	575,000	575,000
Property held for resale	-	-	-	223,794	341,926	565,720
Sewer mains projects	-	-	-	-	318,312	318,312
CR Hotel Proj. Feasibility Conting.	-	-	-	-	3,525,134	3,525,134
Bookmobile replacement	-	-	-	-	52,814	52,814
Frank Emilio La Cauza trust	-	-	-	-	125	125
Total Restricted	248,179	448,748	-	2,777,658	14,002,887	17,477,472
Committed fund balance						
Committed for specific purposes	-	-	-	-	886,258	886,258
Stabilization reserve	5,821,470	-	-	-	-	5,821,470
Capital outlay and cultural arts	2,339,351	-	-	-	-	2,339,351
Capital improvement program	1,565,448	13,253	-	-	4,870,949	6,449,650
Total Committed	9,726,269	13,253	-	-	5,757,207	15,496,729
Assigned fund balance	551,473	-	-	-	-	551,473
Unassigned fund balance	41,108	-	(32,389,795)	-	(92,711)	(32,441,398)
Total fund balance	\$ 33,249,674	\$ 462,001	\$ (32,389,795)	\$ 15,206,574	\$ 26,537,689	\$ 43,066,143

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These are principally debt service requirements and redevelopment funds restricted to low and moderate income purposes.

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

NOTE 2 - CASH AND INVESTMENTS**A. Deposits and Investments**

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. As of June 30, 2011, the City had the following investments:

	Total Fair Value	1 Year or less	1-3 Years	3-5 Years	Rating at June 30, 2011
Federal Agency Securities	\$ 10,750,040	\$ 10,750,039	\$ -	\$ -	AAA
FDIC Insured US Corp	30,894,233	6,286,811	21,485,702	3,121,720	AAA
U.S. Treasury Note	6,908,399	3,105,111	3,803,288		Not Rated
US Corporate	828,455		828,455		AAA
US Corporate	3,244,651	2,495,806	748,845		AA
US Corporate	488,818		488,818		A
1994 Bond	422,750	422,750	-	-	Not Rated
Local Agency Investment Fund	4,807,567	4,807,567			Not Rated
Mutual Funds	9,223	9,223	-		Not Rated
Investment Agreement	632,675	-	-	632,675	Not Rated
		-	-	-	
Total Investments	58,986,811	\$ 27,877,307	\$ 27,355,108	\$ 3,754,395	
Cash (overdraft) in bank and on hand	5,449,145				
Total cash and investments	\$ 64,435,956				

NOTE 2 – CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets

Cash & investments available for operations	\$ 58,881,876
Restricted cash & investments	5,506,182
Fiduciary Funds- Cash & investments	<u>47,898</u>
Total cash and investments	<u>\$ 64,435,956</u>

The total cash and investments above include those amounts held by the City in its Fiduciary funds. However, the entity-wide presentation excludes Fiduciary funds totals, as the City is merely acting as an agent for other parties (assessment and promotion districts).

B. Authorized Investments

The City's investment policy and the California Government Code allow the following investments:

- Securities of the U.S. Government or its Agencies
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record
- Medium Term Corporate Notes
- California Local Agency Investment Fund
- Repurchase Agreements
- Passbook Savings Accounts
- Reverse Repurchase Agreements
- Shares of beneficial interest issued by diversified management companies holding U.S. Treasury or Government agency obligations

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

C. 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 of Monterey's Investment Policy provides that the City manages its exposure to interest rate risks by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the table in Section A (Deposits and Investments) that shows the distribution of the City's investments by maturity date.

NOTE 2 – CASH AND INVESTMENTS (Continued)**D. Credit risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. The City of Monterey's Investment Policy provides that this risk be mitigated by investing in investment grade securities and by diversifying the investment portfolio. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in Section A (Deposits and Investments) is the actual rating as of year-end for each investment type. Subsequent to June 30, 2011, Standards & Poor's downgraded all U.S. Debt to AA, which affects the ratings of the City's investment in Federal Agency Securities.

E. Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

F. 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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law, this collateral is held in the City's name and places the City ahead of general creditors of the institution. The City has waived collateral requirements for the portion of deposits covered by federal deposit insurance. The carrying amount of the City's cash deposits was \$3,461,974 at June 30, 2011.

G. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The 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 City reports its investment in LAIF at the fair value amount provided by LAIF, which at June 30, 2011 was \$7,567 more than the City's cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

CITY OF MONTEREY

Notes to Basic Financial Statements

June 30, 2011

NOTE 3 – INTERFUND TRANSACTIONS

A. Transfers Among City Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2011 were as follows:

		Transfer In:						
		Governmental Funds			Parking	Non-Major Ent.	Internal Service Funds	Total Transfers Out
Transfer Out from:	General Fund	Capital Projects	Debt Service	Non-Major Gov.				
Governmental Funds:								
General Fund		\$ 1,294,265	\$ 832,041	\$ 89,657		\$ 145,621	\$ 594,503	\$ 2,956,087
Capital Projects	\$ 591,499	906,055						\$ 1,497,554
Debt Service	554,928							\$ 554,928
Low/Mod Income Housing	(110,986)							\$ (110,986)
Non-major governmental	2,970,049	760,237		26,701	\$ 50,038			\$ 3,807,026
Enterprise Funds:								
Marina	154,261	8,298			203,466			\$ 366,025
Parking	277,533							\$ 277,533
Materials Recovery Facility								\$ -
Presidio of Monterey								\$ -
Non-major enterprise	-		-		-	-	-	-
Internal Service Funds	7,505	170,067	-	-	-	-	-	177,572
Total transfers in	\$ 4,444,789	\$ 3,138,921	\$ 832,041	\$ 116,358	\$ 253,504	\$ 145,621	\$ 594,503	\$ 9,525,739

Transfers of \$4,444,789 into the General Fund came from:

- Non-major Governmental Funds: The Neighborhood Improvement Fund to replenish Capital Renewal Reserves and to balance the budget (\$2,076,303), the Scholze fund for Park maintenance (\$220,000), the State COPS, AB1913 fund for a Domestic Violence Officer (\$90,380), the Debt Service Fund (\$554,928) and Low/Mod Income Housing (\$-110,986) for adjustments to debt repayment, the Golden 55 Travelers fund (\$2,366) for staff reimbursement and Internal Service Funds for (\$7,505) damage reimbursement.
- The Capital Projects fund for capital renewal reserves (\$416,549) and to fund Parking & Transportation studies (\$174,950).
- The Gas tax fund for Engineer payment (\$6,000) and street maintenance (\$575,000).
- The Marina Fund for expenses to maintain Wharf II & Harbor building repairs.
- The Parking Fund for custodial, parks, and street maintenance services.

Transfers of \$3,138,921 into the Capital Projects Fund came from:

- The General Fund, other Capital Projects funds, and Non-Major Governmental Funds for reimbursement of capital project expenses. The City utilizes Capital Project Funds for all capital projects expenses, and reimbursement comes from the appropriate funding sources.
- Internal Service fund for CIP projects Ryan Ranch I-Net Hub and City Hall Generator.

Transfers of \$832,041 into the Debt Service Fund from the General Fund were for 1999/2000 Lease Revenue Bond (\$203,965) and Monterey Finance Authority Lease Bond payments (\$628,076).

Transfers of \$116,358 into Non-Major Governmental Funds came from:

- The General Fund to fund the City's share of Alvarado Street Maintenance District.
- The CDBG Fund to HOME Grant Funds to close out grants.

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

Transfers of \$253,504 into the Parking Fund came from:

- The Marina Fund for annual parking support.
- Non-major Governmental Funds for excess cash from the various parking Adjustment Fee Funds.

Transfers of \$145,621 into Non-Major Enterprise Funds came from the General fund for the Cemetery Fund operational subsidy.

Transfers of \$594,503 into Internal Service Funds came from:

- The General Fund, Business Transformation Reserve for operating expenses (\$277,000), and from the General Fund ending balance to fund program costs in the Health Insurance Trust Funds (\$317,503).

B. Current Inter-fund Balances

Current inter-fund balances represent short-term loans to cover negative cash balances, which result from the timing of cash flows at year end. These inter-fund balances are expected to be repaid in the first quarter of the subsequent fiscal year. At June 30, 2011, inter-fund balances comprised the following:

	<u>Due From / To Other Funds</u>	
	<u>Receivable</u>	<u>Payable</u>
Governmental Funds		
General Fund	\$ 379,637	\$ -
Internal Service Funds		
Vehicle Maintenance Fund	-	329,705
Enterprise Funds		
Presidio of Monterey Public Works	-	49,932
	<u>\$ 379,637</u>	<u>\$ 379,637</u>

NOTE 3 – INTERFUND TRANSACTIONS (Continued)**C. Long-Term Inter-fund Advances**

At June 30, 2011 the funds below had made advances which were not expected to be repaid within the next year:

	Advances From / To Other Funds	
	Receivable	Payable
Governmental Funds		
General Fund	\$ 18,784,156	\$ -
Capital Projects Fund	-	258,736
Debt Service Fund	-	1,759,068
Low & Moderate Income Housing Fund	1,472,383	-
Non-Major Funds		
Sewer Mains Fund	575,000	-
Storm Water Utility Fund	-	575,000
Tidelands	-	1,000,000
Enterprise Funds		
Parking Fund	1,418,292	17,904,773
Marina Fund	1,000,000	1,159,556
Non-Major Funds: Cemetery Fund	-	879,383
Internal Service Funds		
Equipment Replacement Fund	286,685	-
	<u>\$ 23,536,516</u>	<u>\$ 23,536,516</u>

The General Fund received advances from the Parking Fund for project costs related to the East Catellus Design, specifically the boat storage and parking lot.

The Parking Fund recorded an advance from the General Fund, per Council Resolution, representing several years of annual debt service payments on the Custom House Parking Garage Bond, made by the General Fund to Parking's benefit.

The Capital Projects Fund received advances from the Parking Fund for project costs related to Window on the Bay, specifically Del Monte Avenue reconstruction.

The Debt Service Fund advances from the Low & Moderate Income Housing fund are deferred set asides due to be repaid during the final three years of the City's Custom House Redevelopment Agency (estimated to be 2015 – 2018).

The Debt Service Fund recorded an advance from the Equipment Replacement fund for the purchase of Fire Apparatus to be repaid over 20 years, beginning in 2009.

Within the Sewer/Storm Water Improvement Fund, the Storm Water Utility Fund received advances from the Sewer Mains Fund for FY2000 Storm Water Projects.

The Tidelands Fund received advances from the Marina Fund for \$1 million in 2005 as part of the agreement with the developer of the Cannery Row Hotel project. The monies in the Tidelands

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

Fund (including the Marina Fund advance) have been set aside to ensure that the terms of the agreement can be met. These terms include the potential of loaning the hotel money during the first ten years of operation should there be an operating shortfall. The Tidelands advance would be repaid to the Marina Fund no later than ten years after the opening of the hotel.

The Cemetery Fund received advances from the General Fund to cover debt service payments related to the construction of columbarium niches. These advances will begin to be repaid to the General Fund beginning in 2012 after the debt service has been paid.

The Marina Fund received advances from the Parking Fund in Fiscal Year 2007 for the Marina Fire Water System Replacement and Marina Electrical System Inspection/Repairs CIP projects. This advance will be repaid when the Tidelands Fund repays the advance from the Marina Fund.

D. Advance Repayment Agreement

In December 1993 the City Council and Redevelopment Agency (Agency) Board of Directors authorized repayment of certain costs incurred by the City on behalf of the Agency. The Repayment Agreement covers assets constructed by the City in the redevelopment areas, assets leased to the City from the Agency and projects paid for with debt financing.

The Repayment Agreement requires the Agency to make repayments annually out of available cash; repayments of \$5,662,682, offset by an adjustment of \$443,942, were made within the current fiscal year. This amount is lower than the expected amount of repayment for the year due to the payment of the Supplemental Educational Revenue Augmentation Fund Obligation. The entire amount due to the City is reported as a current liability of the Agency within these statements and in its own statements.

During the fiscal year, the City analyzed this repayment agreement and determined, based on a current tax increment cash flow analysis, that the Agency will be unable to liquidate a portion of the liability within its remaining life. Therefore, the City recorded an Allowance for Doubtful accounts in the amount of \$12,763,719, up from \$11,325,059 last year. The City will periodically update the cash flow analysis and, if necessary, make an adjustment to the allowance for doubtful accounts.

NOTE 4 – LOANS AND MORTGAGES RECEIVABLE**A. Down Payment Assistance Loans**

These are loans to qualified moderate income residents of the City or qualified moderate income individuals employed in the City for up to 15% of the purchase price of a residence in the City (to a maximum of \$50,000) to allow the purchasers total housing costs to be under 35% of their gross income. The City provides a 15 year deferred loan with simple interest at 5% (3% for HOME funded loans). At the end of the 15 year period the loan can be extended for an additional 5 year period if the household is still income eligible. Due to the long-term nature of the interest receivable, interest on the loans is recorded only when it becomes available as net current assets.

NOTE 4-LOANS AND MORTGAGES RECEIVABLE (Continued)**B. *Rehabilitation Loans***

These are loans up to \$90,000 to qualifying low-income homeowners in the City. Such loans bear simple interest at 5% per annum, with principal and interest due upon the sale or transfer of the residence. Due to the long-term nature of the interest receivable, interest on the loans is recorded only when it becomes available as net current assets.

C. *Project Subsidy Loans*

In October 1997, the Agency entered into a Development Agreement and Ground Lease with a developer for the C-21 Redevelopment Mixed Use Project in the Custom House Redevelopment Project Area. Under the terms of the agreement, the developer constructed a theater/retail complex, which included affordable housing units. The developer agreed to provide on-site management of the housing units. The Agency agreed to provide a project subsidy loan to implement the project. No principal or interest repayment is required until 2018.

In July 2007 the City entered into a development agreement to provide a loan for the development of 18 affordable rental units in the Monterey Hotel Mixed-Use Project, on a vacant lot in the Old Town Redevelopment Project Area. As of June 30, 2011, the City has provided \$2,994,743 from Redevelopment Housing Set-Aside funds. This project remains in a receivership status. Pursuant to an Inter-creditor Agreement executed between the primary lender, Rabo Bank, the Receiver and the Redevelopment Agency, the Receiver has completed and recorded a two-unit parcel map condominium plan (Unit 1 is Commercial and Unit 2 is residential) for the purpose of securing the RDA loan on the separate residential condominium airspace parcel. The residential condominium contains all of the projects' 18 affordable apartment units. To date the Receiver has nearly completed the exterior finish of the building and is in process to partially reconvey the Rabo Bank loan to the commercial condominium unit and the RDA loan to the residential condominium unit. All parties to the Inter-creditor agreement are actively working to complete the partial reconveyance of the loan deeds of trust. Upon reconveyance of the RDA loan the RDA intends to pursue ownership of the condominium unit through a deed in lieu procedure and complete the residential units. Additional RDA Housing funds will be used to complete the residential apartments. The exterior finish is expected to be completed by the end of October 2011. The RDA is anticipating gaining ownership of the residential condominium unit in early 2012. Completion will begin soon after ownership is gained and the RDA is authorized to release additional funds.

In August, 2004, the City entered into "Feasibility Contingency Plan" loan agreement with the developer of the Cannery Row Hotel Project at 750 Cannery Row. As of June 30, 2011, the City has provided \$1,414,627 under this agreement. Repayments under this agreement will begin in the eleventh full calendar year of operations.

NOTE 5 – CAPITAL ASSETS

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 columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of 3 years or greater.

NOTE 5-CAPITAL ASSETS (Continued)

For infrastructure to be capitalized, it must meet the elevated cost and useful life threshold of \$150,000 and 5 years or greater. In accordance with GASB Statement 34, the City capitalizes major general infrastructure assets that were acquired (purchased, constructed, or donated), or that received major renovations, restorations, or improvements since 1980.

A. Value of Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost includes all ancillary charges necessary to place the asset in its intended location and condition for use. Contributed capital assets are valued at their estimated fair market value on the date contributed.

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

B. Depreciating Capital Assets

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro-rata share of the cost of capital assets.

Depreciation is provided using mid-year convention (all assets receive exactly $\frac{1}{2}$ year of depreciation in the acquisition and disposal year) along with the straight-line method for the annual calculation. Thus, the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

The City has assigned the useful lives listed below to capital assets:

Bridges, Roadways, Railroads, Bridges, Wharves	50 years
Buildings	40 years
Building improvements	20 years
Improvements other than Buildings	30 years
Docks, Sea Walls, Bulkheads	30 Years
Vehicles	5-10 years
Machinery and Equipment	5-15 years

C. Capital Asset Contributions

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

CITY OF MONTEREY

Notes to Basic Financial Statements

June 30, 2011

NOTE 5 –CAPITAL ASSETS (Continued)

D. Capital Asset Additions and Retirements

Capital asset activity for the year ended June 30, 2011 was as follows:

<u>Primary Government</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 29,913,755	\$ -	\$ -	\$ -	\$ 29,913,755
Construction in progress	5,756,363	2,718,262	(661,093)	-	7,813,532
Total assets not being depreciated	35,670,118	2,718,262	(661,093)	-	37,727,287
Capital assets, being depreciated:					
Buildings and Improvements	59,033,314	454,934	-	-	59,488,248
Improvements other than buildings	23,450,087	149,340	-	-	23,599,427
Machinery and Equipment	16,606,851	1,213,765	(425,848)	-	17,394,768
Infrastructure	75,445,114	-	-	-	75,445,114
Intangible Assets	-	-	-	-	-
Total assets being depreciated	174,535,366	1,818,038	(425,848)	-	175,927,556
Less accumulated depreciation for:					
Buildings and Improvements	(25,843,259)	(1,459,311)	-	-	(27,302,570)
Improvements other than buildings	(14,489,673)	(896,084)	-	-	(15,385,757)
Machinery and Equipment	(12,298,349)	(954,683)	398,261	-	(12,854,771)
Infrastructure	(24,816,766)	(1,532,614)	-	-	(26,349,380)
Total accumulated depreciation	(77,448,047)	(4,842,692)	398,261	-	(81,892,478)
Total capital assets, being depreciated, net	97,087,319	(3,024,654)	(27,587)	-	94,035,079
Governmental activities capital assets, net	\$ 132,757,437	\$ (306,392)	\$ (688,680)	\$ -	\$ 131,762,366
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 9,205,157	\$ -	\$ -	\$ -	\$ 9,205,157
Construction in progress	454,603	129,859	(153,629)	-	430,832
Total assets not being depreciated	9,659,760	129,859	(153,629)	-	9,635,989
Capital assets, being depreciated:					
Buildings and Improvements	26,418,262	-	-	-	26,418,262
Improvements other than buildings	12,203,794	-	-	-	12,203,794
Machinery and Equipment	672,836	167,144	-	-	839,980
Infrastructure	-	-	-	-	-
Total assets being depreciated	39,294,892	167,144	-	-	39,462,036
Less accumulated depreciation for:					
Buildings and Improvements	(15,999,855)	(490,627)	-	-	(16,490,482)
Improvements other than buildings	(7,628,470)	(290,274)	-	-	(7,918,744)
Machinery and Equipment	(465,862)	(51,769)	-	-	(517,631)
Total accumulated depreciation	(24,094,186)	(832,670)	-	-	(24,926,857)
Total capital assets, being depreciated, net	15,200,707	(665,526)	-	-	14,535,179
Business-type activities capital assets, net	\$ 24,860,465	\$ (535,667)	\$ (153,629)	\$ -	\$ 24,171,169

NOTE 5 –CAPITAL ASSETS (Continued)***E. Depreciation Allocation***

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

Governmental activities:	
General Government	\$ 8,283
Police	24,674
Fire	39,854
Public Works, including infrastructure assets	2,454,245
Community Development	38,696
Recreation and Community Service	776,921
Library	40,227
Public Facilities	594,110
Capital assets held by the City's internal service funds are charged to the various functions based on their usage	<u>865,682</u>
Total depreciation expense - governmental activities	<u>\$ 4,842,692</u>
Business-type activities:	
Marina	\$ 246,331
Parking	465,516
Other business-type activities	<u>120,823</u>
Total depreciation expense - business-type activities	<u>\$ 832,670</u>

F. Assets not capitalized

Art Collections, Library Reserve Collections, and Museum and Historical Collections, that are considered inexhaustible in that their value does not diminish over time, are not required to be capitalized if all of the following conditions are met:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The City maintains a policy that requires proceeds from sales to be used to acquire other items for the collections.

Living things will not be capitalized due to the high level of ongoing maintenance and/or training (animals) to extend its life and/or add usefulness. Some examples are; Trees, grass/sod, other vegetation, Police/fire dogs, horses or other animals.

Street related infrastructure items such as regular road maintenance with an expected life of less than 5 years (slurry seals) or traffic calming measures (street striping, speed bumps, medians, vegetation) are items that do not materially add to the value of the assets or extend its useful life.

NOTE 6 – LONG TERM DEBT**A. The City's Long-Term Debt**

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

B. Transactions and Balances

The following summarizes the City's long-term debt transactions, including liability for compensated absences, and balances at June 30, 2011:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Lease Revenue Bonds Payable:					
1999 Redevelopment Agency, 4.40-4.6% due 11/1/12	\$ 1,242,450	\$ -	\$ 1,242,450	\$ -	\$ -
2002 Joint Powers Financing Authority, 4.0-5.0%, due 05/01/32	8,340,000		225,000	8,115,000	235,000
Loans Payable:					
County of Monterey 911 Dispatch Center various %, due 9/17	175,695		23,061	152,634	24,114
SunTrust Leasing Corporation, 4.24%, due 4/23/11	96,846		96,846	-	-
California Energy Commission 3.95%, due 6/25/25	-	337,940	-	337,940	4,838
Compensated Absences:	3,588,462	2,026,363	2,300,715	3,314,110	944,379
Net OPEB Obligation	740,087	415,394	-	1,155,481	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 14,183,540	\$ 2,779,697	\$ 3,888,072	\$ 13,075,165	\$ 1,208,331
BUSINESS TYPE ACTIVITIES					
Lease Revenue Bonds Payable:					
1994 Materials Recovery Facility, 5.50-5.75%, due 3/1/18	\$ 2,430,000	\$ -	\$ 220,000	\$ 2,210,000	\$ 240,000
1999 Redevelopment Agency, 4.40-4.6%, due 11/1/12	2,522,550		2,522,550	-	-
Loans Payable:					
State of California Small Craft Harbor Loans, (a), 4.50%, due 2024	3,842,066		241,519	3,600,547	252,382
Compensated Absences:	240,383	183,114	187,340	236,157	22,786
Net OPEB Obligation	79,913	64,606	-	144,519	-
	\$ 9,114,912	\$ 247,720	\$ 3,171,409	\$ 6,191,224	\$ 515,168

The City had \$1,064,648 in restricted cash and investments at June 30, 2011 held by fiscal agents, which may only be disbursed for the payment of certain bonds. These funds have been invested only as permitted by either specific State statute or applicable City ordinance, resolution or bond indenture.

The General Fund typically has been used in prior years to liquidate liabilities for governmental fund compensated absences as they occur. This year, as in the past, annual additions to the account balance are greater than retirements.

NOTE 6 – LONG TERM DEBT (Continued)

Enterprise Fund bond discount and origination costs are amortized on a straight-line basis over the lives of the related debt issues. Governmental fund debt issuance costs are accounted for as expenditures when incurred.

C. Repayment Requirements

At June 30, 2011 future annual principal and interest payment requirements for governmental type activities and business type activities for all long-term debt were as follows:

For the Year Ending June 30	Lease Revenue Bonds		Miscellaneous Loans		Totals
	Principal	Interest	Principal	Interest	
Governmental					
2012	235,000	394,075	28,952	32,923	690,950
2013	245,000	384,440	44,899	16,976	691,315
2014	255,000	374,150	46,455	15,421	691,026
2015	265,000	363,185	48,065	13,811	690,061
2016	280,000	351,525	49,704	12,172	693,401
2017-2021	1,600,000	1,550,378	151,112	38,973	3,340,463
2022-2026	2,035,000	1,115,250	121,045	11,012	3,282,307
2027-2031	2,600,000	552,500	-	-	3,152,500
2032	600,000	30,000	-	-	630,000
TOTAL	\$ 8,115,000	\$ 5,115,503	\$ 490,232	\$ 141,288	\$ 13,862,023
Business Type					
2012	240,000	125,565	252,382	162,025	779,972
2013	265,000	112,125	246,674	150,667	774,466
2014	285,000	97,285	257,774	139,567	779,626
2015	310,000	81,325	269,369	127,967	788,661
2016	340,000	63,655	209,499	115,846	728,999
2017-2021	770,000	37,275	1,197,681	429,040	2,433,996
2022-2025			1,167,168	134,194	1,301,362
TOTAL	\$ 2,210,000	\$ 517,230	\$ 3,600,546	\$ 1,259,306	\$ 7,587,082

The City's bond indentures contain significant limitations and restrictions regarding annual debt service requirements, maintenance of and flow of monies through various restricted accounts and minimum revenue bond coverages. City management believes the City is in compliance with all such indenture requirements.

D. Description of Major Debt Issues**Lease Revenue Bonds**

On April 28, 1999, \$19,045,000 of Redevelopment Agency Lease Revenue Refunding Bonds, Series 1999, were issued to refund the Agency's 1992 and 1993 Lease Revenue Bonds and to prepay a lease entered into in 1998 by the City to construct the City's Columbarium. The bonds bear interest at 3.85% to 4.60% and are due November 1, 2012. Bonds maturing on or after November 1, 2004 are subject to early redemption at the discretion of the City upon payment of a redemption price equal to the outstanding principal and accrued interest, plus a premium of .25%. On April 22, 2011, the 1999 Lease Revenue Bonds were paid and defeased through the irrevocable deposit of moneys in an Escrow Fund. Funds deposited in the Escrow Fund were calculated to

NOTE 6 – LONG TERM DEBT (Continued)

provide sufficient moneys to pay the respective redemption prices of \$2,490,000, and the accrued interest on, the 1999 Bonds on the Redemption Date.

On February 15, 1994, \$4,045,000 of Lease Revenue Bonds, Series 1994, were issued to finance the construction of a Materials Recovery Facility. The bonds bear interest at 5.10% to 5.75% and are due March 1, 2018. Principal payments are due annually on March 1 and interest payments are due semi-annually on March 1 and September 1. The bonds are subject to early redemption at the discretion of the City upon payment of a redemption price equal to the outstanding principal and accrued interest, plus a premium of .25%. The bonds will be repaid from lease revenues received by the City for the materials recovery facility.

On May 23, 2002, \$9,860,000 of Lease Revenue Bonds, Series 2002 were issued to provide funds for the expansion of the Monterey Sports Center and the purchase of the Catellus East parcel. The bonds bear interest at 4.0% to 5.0% and are due May 1, 2032. Principal payments are due annually on May 1 and interest payments are due semi-annually on May 1 and November 1. The bonds are subject to early redemption at the discretion of the City upon payment of a redemption price equal to the outstanding principal and accrued interest, plus a premium that varies based on the redemption period of 0.00% to 2.00%. The bonds will be repaid from lease revenues from the City's General Fund.

Loans Payable

On various dates from 1975 to 1997, the State of California made loans to the City to finance various marina construction and improvement projects. These Small Craft Harbor loans bear interest at 4.50% and mature 28 to 30 years from the award date. Principal and interest payments are due annually on August 1. The loans will be repaid from fees and rentals charged by the City for marina facilities.

On July 10, 2001, the City signed a Building Construction and Funding Agreement dated July 1, 2001, with the County of Monterey for a principal amount of \$343,547. This represents the City's share of the cost to construct and fund a consolidated dispatch center for 9-1-1 emergency communications. Payments of principal and interest are due annually on September 30. Annual interest is determined by applying the average quarterly rate of interest earned by the Monterey County Treasurer's pooled investment fund. The final payment is due on September 30, 2016. Payments are made from the City's General Fund.

On October 23, 2001, an agreement was entered into with SunTrust Leasing Corporation to purchase two fire engines and one fire rescue vehicle. The agreement calls for an interest rate of 4.24% with principal and interest payments of \$49,968 made each year on April 23 and October 23. The final payment was made on April 23, 2011.

On November 24, 2008, an agreement was entered into with the California Energy Commission to complete energy efficiency projects including lighting retrofits and installation of a photovoltaic system. The total amount of funds disbursed through September, 2010 under the agreement was \$337,940 with an interest rate of 3.95%. The first payment is due on December 22, 2011, with subsequent principal and interest payments of \$16,507 made each December 22 and June 25. The loan will be repaid from energy savings generated by the projects.

NOTE 7 - PENSION PLANS**A. CALPERS Safety and Miscellaneous Employees Plans**

Plan Description: Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple-employer defined benefit pension plan for the miscellaneous employees and a cost-sharing employer defined benefit pension plan for the safety employees, which acts as a common investment and administrative agent for its participating member employers.

CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2011, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	55
Benefits per year of service, as a percent of salary	3.00%	2.00%-2.70%
Required employee contribution rates	9%	8%
Required employer contribution rates (FY 2011)	26.33%	16.92%

CALPERS' audited annual financial statements are available at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding policy: CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City does not have a net pension obligation since it pays these actuarially required contributions monthly.

Annual pension costs: For the year ended June 30, 2011, the City's annual pension costs were \$7,103,535. CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.25%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

NOTE 7 - PENSION PLANS (Continued)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>Miscellaneous Plan</i>			
2008/2009	\$ 4,200,271	100%	0
2009/2010	\$ 4,034,931	100%	0
2010/2011	\$ 4,092,090	100%	0
<i>Safety Plan</i>			
2008/2009	\$ 2,994,597	100%	0
2009/2010	\$ 3,180,755	100%	0
2010/2011	\$ 3,011,445	100%	0

Funding Status and Funding Progress: As of June 30, 2010, the most recent actuarial valuation date, the Miscellaneous Plan was 77.8% funded. The actuarial accrued liability for benefits was \$159 million, and the actuarial value of assets was \$124 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$35 million. The covered payroll (annual payroll of active employees covered by the plan) was \$24 million, and the ratio of the UAAL to the covered payroll was 144.4%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

B. Deferred Compensation Plan

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

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

NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. The City of Monterey Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City and its various bargaining units. The Plan does not issue a financial report.

The City provides retiree healthcare benefits to employees retiring directly from the City under CalPERS. Medical coverage is provided through PEMHCA. The City pays a portion of retiree healthcare premiums equal to the PEMHCA required minimum contribution under the unequal

NOTE 8 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

method, currently \$86.40 per month. Retirees and their beneficiaries pay the annual premium cost not paid by the employer. Dental, vision and life insurance benefits are not provided. As of June 30, 2011, plan membership consisted of 460 active participants and 286 retirees and beneficiaries currently receiving benefits.

The City also implements the Retirement Health Savings Plan (RHSP) for POA, PLMA, IAFF, and FMA employees. RHSP is an individual account defined contribution retiree healthcare plan with employer contributions. RHSP was not included in this note.

Funding Policy. There is no statutory requirement for the City to prefund its OPEB obligation. The City currently pays for retiree healthcare benefits on a pay-as-you-go basis and is planning a 5 year phase-in pre-funding through the CERBT beginning in 2012/13. There are no employee contributions.

For fiscal year 2010/11, the City paid approximately \$138,000 for retiree healthcare plan benefits.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table, based on the City's actuarial valuation as of June 30, 2011, shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's Net OPEB obligation (dollar amounts in thousands):

Annual required contribution	\$ 629
Interest on net OPEB obligation	35
Adjustment to annual required contribution	<u>(45)</u>
Annual OPEB cost (expense)	\$ 618
Contributions (benefit payments)	<u>(138)</u>
Increase in net OPEB obligation	\$ 480
Net OPEB obligation – beginning of year	<u>820</u>
Net OPEB obligation – end of year	\$ 1,300

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008/09 through 2010/11 are as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 520	19.2%	\$ 420
June 30, 2010	\$ 518	22.8%	\$ 820
June 30, 2011	\$ 618	22.3%	\$1,300

NOTE 8 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2011, the plan's most recent actuarial valuation date, was (dollar amounts in thousands):

	6/30/09	6/30/11
Actuarial accrued liability (AAL)	\$4,691	\$6,247
Actuarial value of plan assets	0	0
Unfunded actuarial accrued liability (UAAL)	\$4,691	\$6,247
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Projected covered payroll (active Plan members)	\$35,310	\$35,287
UAAL as a percentage of covered payroll	13.3%	17.7%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with the long-term perspective of the calculations.

For the June 30, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included (a) a select and ultimate discount rate, which blends the expected long-term investment return of 4.25% on City investments and the expected long-term investment return of 7.25% on the CERBT trust each year based on the percentage of the ARC contributed to the CERBT trust, (b) an annual aggregate payroll increase rate of 3.25% and (c) a 4.5% increase rate beginning in 2013 for the PEMHCA required minimum contribution. Both (b) and (c) include an inflation component of 3%.

The unfunded actuarial liability is being amortized over a fixed 30-year closed period for initial UAAL as a level percentage of projected payroll beginning with the year ended June 30, 2009 (28 years remaining on 6/30/11).

NOTE 9 – RISK MANAGEMENT**A. Coverage**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, health benefits for employees and natural

NOTE 9 – RISK MANAGEMENT (Continued)

disasters. The City retains the risk for its general liability, auto physical damage and worker's compensation liability. All risk management activities are accounted for in internal service funds.

A summary of the City's per-occurrence limits follows:

	<u>General liability</u>	<u>Workers' compensation</u>
Retained risk	Up to \$1,000,000	Up to \$400,000
Coverage through:		
pooled insurance	\$1,000,000 to \$2,000,000	\$400,000 to \$5,000,000
excess insurance	\$2,000,000 to \$20,000,000	\$5,000,000 to \$100,000,000

Coverage above the retained risk amount for workers' compensation is provided through insurance purchased by the City. Coverage above the retained risk amount for general liability is provided through a joint purchase of coverage from insurance carriers by the Authority for California Cities Excess Liability (ACCEL), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its members. The Board of Directors of ACCEL consists of representatives of its member cities.

The City's deposits with ACCEL are in accordance with formulas established by ACCEL's Board of Directors. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. The City paid a deposit premium of \$229,351 to ACCEL for the year ended June 30, 2011.

Financial statements may be obtained from ACCEL, 500 Washington Street, Suite 300, San Francisco, CA 94111.

Property risks are covered on an occurrence basis up to \$500,000,000 with a \$50,000 deductible, by commercial insurance purchased from independent third parties. No settlement amounts have exceeded commercial or ACCEL insurance coverage for each of the past three years.

B. Liability for Uninsured Claims

The liability for the uninsured portion of claims and judgements included in the internal service fund is based on the results of a bi-annual actuarial study obtained by the City. The liability includes amount for claims incurred but not reported (IBNR). The total liability is calculated by considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts and other economic social factors and is based on a 90% probability level (IBNR is based on the expected level).

Claims and judgements, including a provision for claims incurred but not reported are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. Management has no reliable method to forecast the timing of claims payments and therefore, as a matter of conservatism under GAAP, considers the full amount to be a current liability. Internal annual premiums are charged to the City's funds by the internal service funds using various allocation methods that include actual costs and trends in claims experience.

Preliminary Claims activities for the plan years ended June 30, 2011 and 2010 are presented as follows:

NOTE 9 – RISK MANAGEMENT (Continued)

	Workers' Compensation	General Liability	Total	
			2011	2010
Beginning balance	\$ 8,981,000	\$ 1,527,374	\$ 10,508,374	\$ 9,050,000
Liability for current fiscal year claims	2,424,000	335,000	2,759,000	2,477,000
Change in liability for prior fiscal year claims and claims incurred but not reported (IBNR)	(3,772,418)	(378,138)	(4,150,556)	(3,092,557)
Claims paid	1,451,418	43,138	1,494,556	2,071,931
Ending balance	<u>\$ 9,084,000</u>	<u>\$ 1,527,374</u>	<u>\$ 10,611,374</u>	<u>\$ 10,508,374</u>

The City contracts with CalPERS to provide a Cafeteria type health insurance plan for its employees. The City pays the first \$108.00 of the monthly premium per employee. In addition, as a part of the Cafeteria plan, per approved Memorandum of Understanding (MOU) with its bargaining groups, the City also provides between \$550.00 and \$1,460.00 per month per employee which can be used towards insurance premiums or other employment benefits. Dental and vision insurance is provided at no cost to its employees (dependent dental insurance premiums are paid by the employee). The City also provides long-term disability for certain employees and life insurance to all but its regular part-time and part-time seasonal employees.

NOTE 10 – PRESIDIO MUNICIPAL SERVICES AGENCY

At the request of the U.S. Army in 1997 the City and the City of Seaside formed the Presidio Municipal Services Agency (the “Presidio Agency”) under the Joint Exercise of Powers Act of the State of California. The sole function of the Presidio Agency is to coordinate the provision of services by each member City in the operation and maintenance of the U.S. Army’s Presidio facilities in Monterey. The Presidio Agency has no employees; the City of Monterey provides approximately 80% of the services required along with all the Presidio Agency’s administrative and financing requirements; the City of Seaside provides the remainder. The City’s share of these services is reported in the Presidio of Monterey Public Works Enterprise Fund.

The governing body of the Presidio Agency consists of two members, one appointed by each member city. As a separate legal entity, the Presidio Authority exercises full powers and authorities within the Joint Powers Agreement. Obligations of the Presidio Authority are not those of the member cities. Financial statements of the Presidio Agency may be obtained from the City of Monterey, Monterey, California, 93940.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The City participates in several federal and state grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the federal Single Audit Act of 1984 as amended in 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

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

NOTE 12 – STEWARDSHIP AND COMPLIANCE

At June 30, 2011, several non-major funds had an excess of expenditures over budget as follows:

Asset Seizure	\$ 2,130	Sr. Ctr Programs	\$ 29
Construction Truck Impact	\$ 1,741	Special Deposits	\$ 44,521
Gas Tax	\$ 1,854	Scholz Park	\$ 7,040

The Debt Service Governmental Fund had a deficit fund balance (\$32,389,795) as a the result of the accounting treatment required by generally accepted accounting principles (GAAP) for the Repayment Agreement (Agreement) between the City Council and Redevelopment Agency (Agency). The entire amount due to the City is required to be reported as a current liability of the Agency within these statements and in its own statements. An apparent deficit is therefore created because GAAP does not allow these same statements to show corresponding capital assets. The Agreement requires the Agency to make repayments annually out of available cash; repayments of \$5,218,740 were made within the current fiscal year. The Agreement covers assets constructed by the City in the redevelopment areas, assets leased to the City from the Agency and projects paid for with debt financing.

The Non-Major Cemetery Enterprise Fund negative net assets (\$207,387) has decreased by \$4,623 from fiscal year 2009/10, and is expected to continue to decrease due to a departmental staffing reduction and the payoff of the 1999 Lease Revenue Bonds this fiscal year. In fiscal year 2011/12, revenues are projected to exceed operating expenses by \$29 thousand.

NOTE 13 – SUBSEQUENT EVENTS

The City is in the process of applying for a \$16.8 million dollar low interest loan from a Clean Water State Revolving Fund financial assistance agreement administered by the State Water Resources Control Board. Repayment of this loan is fully funded by a Council approved fee structure. The application is expected to be submitted to the State November 15, 2011, leading to a series of construction projects over the next three years to rehabilitate the City's aging sewer infrastructure.

On June 28, 2011, the California State Governor signed ABX1 26 and ABX 1 27 as part of the State's budget package. AB1 26 requires each California Redevelopment Agency to suspend

nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the Agency. ABX 1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. California Redevelopment Association and League of California Cities filed a lawsuit to challenge the constitutionality of the State's actions, which was heard by the California Supreme Court. On December 29, 2011, the Supreme Court upheld ABX1 26, the redevelopment "elimination" bill, but struck down ABX1 27, the bill that would have allowed agencies to continue after making a payment to the state. It is uncertain at this time what the full effect of this ruling will have on the City, and how it will affect the amount of repayment the Redevelopment Agency is able to make to the City. Under the Repayment Agreement between the City and the Redevelopment Agency, funds that the City had previously loaned or advanced to the redevelopment agency may become uncollectable resulting in a loss recognized by such funds.

SCHEDULES OF FUNDING PROGRESS***PENSION PLAN - CALPERS Safety and Miscellaneous Employees Plans***

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS).

The Miscellaneous Employee Plan is an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers.

The Plans' actuarial values (which differ from market value) and funding progress over the most recently available three years are set forth below at their actuarial valuation date of June 30, 2010.

Public Miscellaneous Employees Retirement System**Schedule of Funding Progress**

Valuation Date	Plan Actuarial		Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets				
2008	132,423,793	108,782,503	23,641,290	82.1%	24,063,160	98.2%
2009	151,226,171	116,199,557	35,026,614	76.8%	24,754,791	141.5%
2010	158,978,385	123,714,092	35,264,293	77.8%	24,413,463	144.4%

The Safety Employee Plan is a cost-sharing employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. Effective fiscal year 2002-03, the city participates in the CALPERS Safety Risk Pool, as required for cities with less than 100 active members in the plan.

Post-Employment Health Care Benefits**Other Postemployment Benefits****Schedule of Funding Progress**

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/07	n/a	n/a	n/a	n/a	n/a	n/a
1/1/08	n/a	n/a	n/a	n/a	n/a	n/a
1/1/09	\$ 0	\$ 4,691	\$ 4,691	0%	\$35,310	13.3%
6/30/11	\$ 0	\$ 6,247	\$ 6,247	0%	\$35,287	17.7%





NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Sewer/Storm Water System Improvements Fund – This fund is used to account for revenues and expenditures for improvements, operations and maintenance of the City's sewer lines, storm drain and storm water management systems, Wharf 1 fire sprinkler system, and fire hydrants. Revenues are derived from developer fees and user fees.

Landscape Maintenance Fund – The Alvarado Street Maintenance District was formed to help pay for the maintenance and upkeep of Alvarado Street. A special assessment is levied on all parcels within the district for this specific purpose. The Skyline forest Service District was created in 1966 to provide for perpetual landscaping maintenance of the Skyline Forest area. A tax is levied on the properties in the district to pay for the landscape contract.

Neighborhood Improvement Fund – This fund was established to provide a means for financing neighborhood related capital improvements. 16% of all transient occupancy tax revenue collected by the City is deposited in this fund.

State/Federal Grants Fund – This fund accounts for monies received from state and federal agencies for specific purposes.

Construction Truck Impact Fees Fund – This fund was established to account for fees collected, based on building permit project valuations, to provide for reconstruction and resurfacing of City streets impacted by construction truck traffic.

Gas Tax Fund – This fund is comprised of state and federal monies made available to the City for general road improvements and for specific road projects.

Parking Adjustments Fund – This fund is a repository for parking adjustment fees collected within each of the three parking districts within the City. Fees are assessed if a property owner wishes to develop or redevelop property in such a manner that will intensify the need for parking but is unable to provide all of the parking required by the zoning ordinance. Parking adjustment fees are used for construction, operation, and maintenance of common public parking facilities.

Housing Grants Fund – This fund was created to account for financial transactions relating to the Community Development Block Grant Program of the Federal Department of Housing and Urban Development. Program income is currently used for low interest housing rehabilitation loans and for grants to non-profit organizations for community services.

NON-MAJOR GOVERNMENTAL FUNDS (continued)

Park Dedication Fund – In 1974, an ordinance established regulations for the dedication of land and the payment of fees for park and recreational land in subdivisions and multiple family developments. This fund accounts for and controls payment of fees and uses of fees for specific park and recreation purposes as prescribed by the ordinance.

Public Safety Training and Services Fund – This fund is used to account for revenues and expenditures pertaining to training programs provided by the City's Police and Fire Departments to personnel from outside agencies.

Asset Seizure Fund – This fund is a repository for funds received from the sale of assets seized by the Police Department.

Public Education and Government Access Fund – The City has a franchise agreement with AT&T for cable services and contracts with Access Monterey Peninsula, Inc. for support of public education and government access services. This fund is used to account for revenues and expenditures pertaining to these agreements.

Senior Center Programs Fund – This fund is used to account for revenues and expenditures pertaining to Senior Center Programs.

Sports Center Fund – This fund has been endowed with general purpose revenues and donations in order to fund the costs of the Monterey Sports Center.

Tidelands Fund – This fund was established, as prescribed by the State, to account for all revenues and expenditures within the tidelands area of the City.

Library Fund – This fund was created so that gifts, bequests and miscellaneous revenues from the library operation could be deposited and reserved for library purposes. All expenditures from the fund are requested by the Library Board of Trustees and approved by the City Council.

Museum Fund – This fund is comprised of donations from visitors to the Colton Hall Museum and contributions by individual donors. The monies are used for the acquisition and preservation of historical artifacts.

Special Deposits Fund – This fund was established to account for various contributions received by the City to be used to support Monterey citizens.

PERMANENT FUNDS

Scholze Park Trust Fund – This fund was created for the purpose of maintaining and improving parks and playgrounds owned by the City. It is specified by ordinance that only income from assets be distributed and divided 50% for park and 50% for playground purposes.

CITY OF MONTEREY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

SPECIAL REVENUE FUNDS

	Sewer/Storm Water System Improvements	Landscape Maintenance	Neighborhood Improvement	State/Federal Grants	Construction Truck Impact Fee
ASSETS					
Cash and investments available for operations	\$ 3,146,462	\$ 146,761	\$ 5,388,490	\$ 33,610	\$ 551,030
Restricted cash and investments:					
Held by fiscal agent	-	-	-	-	-
Held by city	-	-	-	-	-
Receivables:					
Taxes receivable	-	-	384,330	-	-
Accounts receivable	402,041	-	-	25,000	-
Interest receivable	18,989	984	-	-	-
Advances to other funds	575,000	-	-	-	-
Loans receivable:					
Rehabilitation	-	-	-	-	-
Downpayment assistance	-	-	-	-	-
Project subsidy	-	-	-	-	-
Property held for resale	-	-	-	-	-
Total assets	<u>\$4,142,492</u>	<u>\$ 147,745</u>	<u>\$ 5,772,820</u>	<u>\$ 58,610</u>	<u>\$ 551,030</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 112,189	\$ 6,091	\$ 119,508	\$ 11,156	\$ 599
Advances from other funds	575,000	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	<u>687,189</u>	<u>6,091</u>	<u>119,508</u>	<u>11,156</u>	<u>599</u>
FUND EQUITY					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	3,455,303	141,654	-	140,165	550,431
Committed fund balance	-	-	5,653,312	-	-
Unassigned fund balance	-	-	-	(92,711)	-
Total fund balance	<u>3,455,303</u>	<u>141,654</u>	<u>5,653,312</u>	<u>47,454</u>	<u>550,431</u>
Total liabilities and fund balances	<u>\$ 4,142,492</u>	<u>\$ 147,745</u>	<u>\$ 5,772,820</u>	<u>\$ 58,610</u>	<u>\$ 551,030</u>

SPECIAL REVENUE FUNDS

Gas Tax	Parking Adjustments	Housing Grants	Park Dedication	Public Safety Training and Services	Asset Seizure	Public Education and Government Access
\$ 1,065,212	\$ 3,691	\$ 549,381	\$ 61,993	\$ 98,919	\$ 61,676	\$ 7,844
-	-	214,984	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	306	96,339	-	10,806	-	30,634
6,801	347	3,602	396	-	-	10
-	-	-	-	-	-	-
-	-	2,461,609	-	-	-	-
-	-	997,820	-	-	-	-
-	-	994,750	-	-	-	-
-	-	341,926	-	-	-	-
<u>\$ 1,072,013</u>	<u>\$ 4,344</u>	<u>\$ 5,660,411</u>	<u>\$ 62,389</u>	<u>\$ 109,725</u>	<u>\$ 61,676</u>	<u>\$ 38,488</u>
\$ 17,926	\$ -	\$ 48,048	\$ -	\$ 5,830	\$ 42,642	\$ 30,634
-	-	-	-	-	-	-
-	-	332,150	-	-	-	-
<u>17,926</u>	<u>-</u>	<u>380,198</u>	<u>-</u>	<u>5,830</u>	<u>42,642</u>	<u>30,634</u>
-	-	4,394,179	-	-	-	-
1,054,087	4,344	886,034	62,389	-	19,034	7,854
-	-	-	-	103,895	-	-
-	-	-	-	-	-	-
<u>1,054,087</u>	<u>4,344</u>	<u>5,280,213</u>	<u>62,389</u>	<u>103,895</u>	<u>19,034</u>	<u>7,854</u>
<u>\$ 1,072,013</u>	<u>\$ 4,344</u>	<u>\$ 5,660,411</u>	<u>\$ 62,389</u>	<u>\$ 109,725</u>	<u>\$ 61,676</u>	<u>\$ 38,488</u>

CITY OF MONTEREY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

SPECIAL REVENUE FUNDS

	Senior Center Programs	Sports Center	Tidelands	Library	Museum
ASSETS					
Cash and investments available for operations	\$ 238,703	\$ -	\$ 5,806,219	\$ 744,371	\$ 132,626
Restricted cash and investments:					
Held by fiscal agent	-	-	-	-	-
Held by city	-	-	-	-	-
Receivables:					
Taxes receivable	-	-	-	-	-
Accounts receivable	-	-	91,998	5,184	-
Interest receivable	1,526	-	37,107	5,096	848
Advances to other funds	-	-	-	-	-
Loans receivable:					
Rehabilitation	-	-	-	-	-
Downpayment assistance	-	-	-	-	-
Project subsidy	-	-	1,414,627	-	-
Property held for resale	-	-	-	-	-
	<u>240,229</u>	<u>-</u>	<u>7,349,951</u>	<u>754,651</u>	<u>133,474</u>
Total assets	\$	\$	\$	\$	\$
LIABILITIES					
Accounts payable and accrued liabilities	\$ 322	\$ -	\$ -	\$ 11,465	\$ 840
Advances from other funds	-	-	1,000,000	-	-
Deferred revenue	-	-	-	-	-
	<u>322</u>	<u>-</u>	<u>1,000,000</u>	<u>11,465</u>	<u>840</u>
Total liabilities					
FUND EQUITY					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	239,907	-	6,349,951	743,186	132,634
Committed fund balance	-	-	-	-	-
Unassigned fund balance	-	-	-	-	-
	<u>239,907</u>	<u>-</u>	<u>6,349,951</u>	<u>743,186</u>	<u>132,634</u>
Total fund balance					
Total liabilities and fund balances	\$ 240,229	\$ -	\$ 7,349,951	\$ 754,651	\$ 133,474

SPECIAL REVENUE FUNDS		PERMANENT FUND	
Special Deposits	Scholze Park	TOTAL	
\$ 173,024	\$ 28,684	\$	18,238,696
-	-		214,984
-	2,476,127		2,476,127
-	-		384,330
297	-		662,605
188	16,008		91,902
-	-		575,000
-	-		2,461,609
-	-		997,820
-	-		2,409,377
-	-		341,926
<u>\$ 173,509</u>	<u>\$ 2,520,819</u>	<u>\$</u>	<u>28,854,376</u>
\$ 2,287	\$ -	\$	409,537
-	-		1,575,000
-	-		332,150
<u>2,287</u>	<u>-</u>		<u>2,316,687</u>
-	2,476,127		6,870,306
171,222	44,692		14,002,887
-	-		5,757,207
-	-		(92,711)
<u>171,222</u>	<u>2,520,819</u>		<u>26,537,689</u>
<u>\$ 173,509</u>	<u>\$ 2,520,819</u>	<u>\$</u>	<u>28,854,376</u>

CITY OF MONTEREY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS				
	Sewer/Storm Water System Improvements	Landscape Maintenance	Neighborhood Improvement	State/Federal Grants	Construction Truck Impact Fee
REVENUES					
Property tax	\$ -	\$ 73,306	\$ -	\$ -	\$ -
Transient occupancy tax	-	-	2,344,842	-	-
Other taxes	-	-	-	-	-
Intergovernmental	-	-	140,787	847,376	-
Investment income	38,454	2,478	-	154	-
Rental income	-	-	-	-	-
Licenses and permits	-	-	-	-	150,569
Charges for services	2,520,745	-	-	-	-
Other	2,443	-	10,000	-	-
Total revenues	2,561,642	75,784	2,495,629	847,530	150,569
EXPENDITURES					
Current:					
General government	3,311	317	206,142	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Public works	2,033,315	103,539	-	741,312	1,741
Community development	-	-	-	-	-
Recreation and community service	-	-	-	-	-
Library	-	-	-	-	-
Capital outlay	-	-	998,506	-	-
Total expenditures	2,036,626	103,856	1,204,648	741,312	1,741
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	525,016	(28,072)	1,290,981	106,218	148,828
OTHER FINANCING SOURCES (USES)					
Transfers in	-	36,165	-	43,492	-
Transfers out	(357,669)	-	(2,343,065)	(90,381)	(16,052)
Total other financing sources (uses)	(357,669)	36,165	(2,343,065)	(46,889)	(16,052)
NET CHANGE IN FUND BALANCES	167,347	8,093	(1,052,084)	59,329	132,776
BEGINNING FUND BALANCES (DEFICITS)	3,287,956	133,561	6,705,396	(11,875)	417,655
ENDING FUND BALANCES (DEFICITS)	\$ 3,455,303	\$ 141,654	\$ 5,653,312	\$ 47,454	\$ 550,431

(Continued)

SPECIAL REVENUE FUNDS

<u>Gas Tax</u>	<u>Parking Adjustments</u>	<u>Housing Grants</u>	<u>Park Dedication</u>	<u>Public Safety Training and Services</u>	<u>Asset Seizure</u>	<u>Public Education and Government Access</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
688,433	-	-	-	-	-	155,773
64,274	-	401,848	-	-	5,526	-
9,790	597	73,737	1,021	-	-	99
-	-	332,018	-	-	-	-
-	19,610	-	-	-	-	-
-	28,712	-	46,200	33,255	-	-
-	-	3,032	-	494	-	-
<u>762,497</u>	<u>48,919</u>	<u>810,635</u>	<u>47,221</u>	<u>33,749</u>	<u>5,526</u>	<u>155,872</u>
-	-	-	-	-	-	149,555
-	-	-	-	-	20,630	-
-	-	-	-	35,239	-	-
1,853	-	-	-	-	-	-
-	-	799,671	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,853</u>	<u>-</u>	<u>799,671</u>	<u>-</u>	<u>35,239</u>	<u>20,630</u>	<u>149,555</u>
<u>760,644</u>	<u>48,919</u>	<u>10,964</u>	<u>47,221</u>	<u>(1,490)</u>	<u>(15,104)</u>	<u>6,317</u>
-	-	26,701	10,000	-	-	-
<u>(700,754)</u>	<u>(50,038)</u>	<u>(26,701)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(700,754)</u>	<u>(50,038)</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
59,890	(1,119)	10,964	57,221	(1,490)	(15,104)	6,317
<u>994,197</u>	<u>5,463</u>	<u>5,269,249</u>	<u>5,168</u>	<u>105,385</u>	<u>34,138</u>	<u>1,537</u>
<u>\$ 1,054,087</u>	<u>\$ 4,344</u>	<u>\$ 5,280,213</u>	<u>\$ 62,389</u>	<u>\$ 103,895</u>	<u>\$ 19,034</u>	<u>\$ 7,854</u>

(Continued)

CITY OF MONTEREY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SPECIAL REVENUE FUNDS

	Senior Center Programs	Sports Center	Tidelands	Library	Museum
REVENUES					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Transient occupancy tax	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment income	3,611	-	85,280	11,633	1,836
Rental income	-	-	462,638	-	-
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	13,023	3,869
Other	-	-	-	110,115	2,192
Total revenues	3,611	-	547,918	134,771	7,897
EXPENDITURES					
Current:					
General government	-	-	15,721	-	192
Police	-	-	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Recreation and community service	25,028	-	-	-	-
Library	-	-	-	140,496	2,500
Capital outlay	-	-	-	-	-
Total expenditures	25,028	-	15,721	140,496	2,692
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(21,417)	-	532,197	(5,725)	5,205
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(21,417)	-	532,197	(5,725)	5,205
BEGINNING FUND BALANCES (DEFICITS)	261,324	-	5,817,754	748,911	127,429
ENDING FUND BALANCES (DEFICITS)	\$ 239,907	\$ -	\$ 6,349,951	\$ 743,186	\$ 132,634

(Continued)

SPECIAL REVENUE FUNDS		PERMANENT FUND
Special Deposits	Scholze Park	TOTAL
\$ -	\$ -	\$ 73,306
-	-	2,344,842
-	-	844,206
-	-	1,459,811
-	36,543	265,233
-	-	794,656
-	-	170,179
52,740	-	2,698,544
106,297	-	234,573
159,037	36,543	8,885,350
169,521	7,039	551,798
-	-	20,630
-	-	35,239
-	-	2,881,760
-	-	799,671
-	-	25,028
-	-	142,996
-	-	998,506
169,521	7,039	5,455,628
(10,484)	29,504	3,429,722
-	-	116,358
(2,366)	(220,000)	(3,807,026)
(2,366)	(220,000)	(3,690,668)
(12,850)	(190,496)	(260,946)
184,072	2,711,315	26,798,635
\$ 171,222	\$ 2,520,819	\$ 26,537,689
		(Concluded)

CITY OF MONTEREY
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Sewer/Storm Water System Improvements			Landscape Maintenance		
	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ 72,206	\$ 73,306	\$ 1,100
Transient occupancy tax	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Investment income	41,127	38,454	(2,673)	3,144	2,478	(666)
Rental income	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Charges for services	2,513,750	2,520,745	6,995	-	-	-
Other	-	2,443	2,443	-	-	-
Total revenues	<u>2,554,877</u>	<u>2,561,642</u>	<u>6,765</u>	<u>75,350</u>	<u>75,784</u>	<u>434</u>
EXPENDITURES						
Current:						
General government	-	3,311	3,311	-	317	317
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public works	2,395,510	2,033,315	(362,195)	114,495	103,539	(10,956)
Community development	-	-	-	-	-	-
Recreation and community service	-	-	-	-	-	-
Library	-	-	-	-	-	-
Public facilities	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal payment	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>2,395,510</u>	<u>2,036,626</u>	<u>(358,884)</u>	<u>114,495</u>	<u>103,856</u>	<u>(10,639)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>159,367</u>	<u>525,016</u>	<u>365,649</u>	<u>(39,145)</u>	<u>(28,072)</u>	<u>11,073</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	36,165	36,165
Transfers out	-	(357,669)	(357,669)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(357,669)</u>	<u>(357,669)</u>	<u>-</u>	<u>36,165</u>	<u>36,165</u>
NET CHANGE IN FUND BALANCES	<u>\$ 159,367</u>	<u>167,347</u>	<u>\$ 7,980</u>	<u>\$ (39,145)</u>	<u>8,093</u>	<u>\$ 47,238</u>
BEGINNING FUND BALANCES		<u>3,287,956</u>			<u>133,561</u>	
ENDING FUND BALANCES		<u>\$ 3,455,303</u>			<u>\$ 141,654</u>	

(Continued)

Neighborhood Improvement			State/Federal Grants		
Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,337,658	2,344,842	7,184	-	-	-
-	-	-	-	-	-
-	140,787	140,787	363,610	847,376	483,766
-	-	-	103	154	51
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	10,000	10,000	-	-	-
<u>2,337,658</u>	<u>2,495,629</u>	<u>157,971</u>	<u>363,713</u>	<u>847,530</u>	<u>483,817</u>
206,142	206,142	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,050,705	741,312	(309,393)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,815,646	998,506	(4,817,140)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>6,021,788</u>	<u>1,204,648</u>	<u>(4,817,140)</u>	<u>1,050,705</u>	<u>741,312</u>	<u>(309,393)</u>
<u>(3,684,130)</u>	<u>1,290,981</u>	<u>4,975,111</u>	<u>(686,992)</u>	<u>106,218</u>	<u>793,210</u>
-	-	-	-	43,492	43,492
-	(2,343,065)	(2,343,065)	-	(90,381)	(90,381)
-	(2,343,065)	(2,343,065)	-	(46,889)	(46,889)
<u>\$ (3,684,130)</u>	<u>(1,052,084)</u>	<u>\$ 2,632,046</u>	<u>\$ (686,992)</u>	<u>59,329</u>	<u>\$ 746,321</u>
	<u>6,705,396</u>			<u>(11,875)</u>	
	<u>\$ 5,653,312</u>			<u>\$ 47,454</u>	

(Continued)

CITY OF MONTEREY
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Construction Truck Impact Fee			Gas Tax		
	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transient occupancy tax	-	-	-	-	-	-
Other taxes	-	-	-	764,578	688,433	(76,145)
Intergovernmental	-	-	-	-	64,274	64,274
Investment income	-	-	-	10,272	9,790	(482)
Rental income	-	-	-	-	-	-
Licenses and permits	-	150,569	150,569	-	-	-
Charges for services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	-	150,569	150,569	774,850	762,497	(12,353)
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public works	-	1,741	1,741	-	1,853	1,853
Community development	-	-	-	-	-	-
Recreation and community service	-	-	-	-	-	-
Library	-	-	-	-	-	-
Public facilities	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal payment	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	-	1,741	1,741	-	1,853	1,853
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	148,828	148,828	774,850	760,644	(14,206)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(16,052)	(16,052)	-	(700,754)	(700,754)
Total other financing sources (uses)	-	(16,052)	(16,052)	-	(700,754)	(700,754)
NET CHANGE IN FUND BALANCES	\$ -	132,776	\$ 132,776	\$ 774,850	59,890	\$ (714,960)
BEGINNING FUND BALANCES		417,655			994,197	
ENDING FUND BALANCES		\$ 550,431			\$ 1,054,087	

(Continued)

Parking Adjustments			Housing Grants		
Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	889,844	401,848	(487,996)
812	597	(215)	45,000	73,737	28,737
-	-	-	333,000	332,018	(982)
19,376	19,610	234	-	-	-
34,152	28,712	(5,440)	-	-	-
-	-	-	122,500	3,032	(119,468)
<u>54,340</u>	<u>48,919</u>	<u>(5,421)</u>	<u>1,390,344</u>	<u>810,635</u>	<u>(579,709)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,813,323	799,671	(1,013,652)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,813,323</u>	<u>799,671</u>	<u>(1,013,652)</u>
<u>54,340</u>	<u>48,919</u>	<u>(5,421)</u>	<u>(422,979)</u>	<u>10,964</u>	<u>433,943</u>
-	-	-	-	26,701	26,701
-	(50,038)	(50,038)	-	(26,701)	(26,701)
<u>-</u>	<u>(50,038)</u>	<u>(50,038)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 54,340</u>	<u>(1,119)</u>	<u>\$ (55,459)</u>	<u>\$ (422,979)</u>	<u>10,964</u>	<u>\$ 433,943</u>
	<u>5,463</u>			<u>5,269,249</u>	
	<u>\$ 4,344</u>			<u>\$ 5,280,213</u>	

(Continued)

CITY OF MONTEREY
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Park Dedication			Public Safety Training and Services		
	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transient occupancy tax	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Investment income	82	1,021	939	-	-	-
Rental income	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Charges for services	1,000	46,200	45,200	36,500	33,255	(3,245)
Other	-	-	-	-	494	494
Total revenues	1,082	47,221	46,139	36,500	33,749	(2,751)
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire	-	-	-	54,661	35,239	(19,422)
Public works	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Recreation and community service	-	-	-	-	-	-
Library	-	-	-	-	-	-
Public facilities	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal payment	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	-	-	-	54,661	35,239	(19,422)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,082	47,221	46,139	(18,161)	(1,490)	16,671
OTHER FINANCING SOURCES (USES)						
Transfers in	-	10,000	10,000	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	10,000	10,000	-	-	-
NET CHANGE IN FUND BALANCES	\$ 1,082	57,221	\$ 56,139	\$ (18,161)	(1,490)	\$ 16,671
BEGINNING FUND BALANCES		5,168			105,385	
ENDING FUND BALANCES		\$ 62,389			\$ 103,895	

(Continued)

Asset Seizure			Public Education and Government Access		
Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	38,000	155,773	117,773
15,000	5,526	(9,474)	-	-	-
-	-	-	87	99	12
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15,000	5,526	(9,474)	38,087	155,872	117,785
-	-	-	166,000	149,555	(16,445)
18,500	20,630	2,130	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
18,500	20,630	2,130	166,000	149,555	(16,445)
(3,500)	(15,104)	(11,604)	(127,913)	6,317	134,230
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ (3,500)	(15,104)	\$ (11,604)	\$ (127,913)	6,317	\$ 134,230
	34,138			1,537	
	\$ 19,034			\$ 7,854	

(Continued)

CITY OF MONTEREY
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Senior Center Programs			Tidelands		
	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transient occupancy tax	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Investment income	4,987	3,611	(1,376)	107,634	85,280	(22,354)
Rental income	-	-	-	448,000	462,638	14,638
Licenses and permits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>4,987</u>	<u>3,611</u>	<u>(1,376)</u>	<u>555,634</u>	<u>547,918</u>	<u>(7,716)</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	15,721	15,721
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Recreation and community service	25,000	25,028	28	-	-	-
Library	-	-	-	-	-	-
Public facilities	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal payment	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
	<u>25,000</u>	<u>25,028</u>	<u>28</u>	<u>-</u>	<u>15,721</u>	<u>15,721</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(20,013)</u>	<u>(21,417)</u>	<u>(1,404)</u>	<u>555,634</u>	<u>532,197</u>	<u>(23,437)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (20,013)</u>	<u>(21,417)</u>	<u>\$ (1,404)</u>	<u>\$ 555,634</u>	<u>532,197</u>	<u>\$ (23,437)</u>
BEGINNING FUND BALANCES		<u>261,324</u>			<u>5,817,754</u>	
ENDING FUND BALANCES		<u>\$ 239,907</u>			<u>\$ 6,349,951</u>	

(Continued)

Library			Museum		
Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,965	11,633	(332)	2,027	1,836	(191)
-	-	-	-	-	-
-	-	-	-	-	-
10,500	13,023	2,523	5,500	3,869	(1,631)
22,000	110,115	88,115	3,500	2,192	(1,308)
44,465	134,771	90,306	11,027	7,897	(3,130)
-	-	-	-	192	192
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
206,391	140,496	(65,895)	6,450	2,500	(3,950)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
206,391	140,496	(65,895)	6,450	2,692	(3,758)
(161,926)	(5,725)	156,201	4,577	5,205	628
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ (161,926)	(5,725)	\$ 156,201	\$ 4,577	5,205	\$ 628
	748,911			127,429	
	\$ 743,186			\$ 132,634	

(Continued)

CITY OF MONTEREY
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Special Deposits			Scholze Park		
	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transient occupancy tax	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Investment income	-	-	-	53,082	36,543	(16,539)
Rental income	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Charges for services	-	52,740	52,740	-	-	-
Other	125,000	106,297	(18,703)	-	-	-
Total revenues	125,000	159,037	34,037	53,082	36,543	(16,539)
EXPENDITURES						
Current:						
General government	125,000	169,521	44,521	-	7,039	7,039
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Recreation and community service	-	-	-	-	-	-
Library	-	-	-	-	-	-
Public facilities	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal payment	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	125,000	169,521	44,521	-	7,039	7,039
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(10,484)	(10,484)	53,082	29,504	(23,578)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(2,366)	(2,366)	-	(220,000)	(220,000)
Total other financing sources (uses)	-	(2,366)	(2,366)	-	(220,000)	(220,000)
NET CHANGE IN FUND BALANCES	\$ -	(12,850)	\$ (12,850)	\$ 53,082	(190,496)	\$ (243,578)
BEGINNING FUND BALANCES		184,072			2,711,315	
ENDING FUND BALANCES		\$ 171,222			\$ 2,520,819	

(Continued)

TOTALS		
Budget	Actual	Variance- Over (Under)
\$ 72,206	\$ 73,306	\$ 1,100
2,337,658	2,344,842	7,184
802,578	844,206	41,628
1,268,454	1,459,811	191,357
280,322	265,233	(15,089)
781,000	794,656	13,656
19,376	170,179	150,803
2,601,402	2,698,544	97,142
273,000	234,573	(38,427)
8,435,996	8,885,350	449,354
497,142	551,798	54,656
18,500	20,630	2,130
54,661	35,239	(19,422)
3,560,710	2,881,760	(678,950)
1,813,323	799,671	(1,013,652)
25,000	25,028	28
212,841	142,996	(69,845)
0	0	-
5,815,646	998,506	(4,817,140)
0	0	-
0	0	-
0	0	-
11,997,823	5,455,628	(6,542,195)
(3,561,827)	3,429,722	6,991,549
-	116,358	116,358
-	(3,807,026)	(3,807,026)
-	(3,690,668)	(3,690,668)
\$ (3,561,827)	(260,946)	\$ 3,300,881
	26,798,635	

26,537,689

(Concluded)





NON-MAJOR ENTERPRISE FUNDS

Cemetery Fund – All cemetery related revenues and expenditures are accounted for in this fund.

Materials Recovery Fund – In fiscal year 1994-95, this fund was established to account for the revenues and leases payments for the Materials Recovery Facility.

Navy Services Fund – This fund was established to account for costs and revenues pertaining to the Navy Services contract.

Institutional Network Fund – This fund was established to account for costs and revenues pertaining to the Institutional Network Agreement contracted with AT&T, in operating a communication network for educational institutions, City buildings and agencies, and other entities.

CITY OF MONTEREY
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	Cemetery	Materials Recovery	Navy Services	Institutional Network	Total
ASSETS					
Current assets:					
Cash and investments available for operations	\$ -	\$ 125,339	\$ 101,718	\$ 496,670	723,727
Accounts receivable	5,982	-	56,344	-	62,326
Interest receivable	-	46,012	-	3,173	49,185
Total current assets:	<u>5,982</u>	<u>171,351</u>	<u>158,062</u>	<u>499,843</u>	<u>835,238</u>
Noncurrent assets:					
Restricted cash held by fiscal agent	-	414,540	-	-	414,540
Issuance costs (net of accumulated amortization)	-	10,075	-	-	10,075
Capital assets:					
Buildings and improvements	1,099,845	3,503,274	-	-	4,603,119
Equipment	8,800	-	-	-	8,800
Accumulated depreciation	(397,004)	(1,406,296)	-	-	(1,803,300)
Total capital assets, net of accumulated depreciation	<u>711,641</u>	<u>2,096,978</u>	<u>-</u>	<u>-</u>	<u>2,808,619</u>
Total noncurrent assets	<u>711,641</u>	<u>2,521,593</u>	<u>-</u>	<u>-</u>	<u>3,233,234</u>
Total assets	<u>717,623</u>	<u>2,692,944</u>	<u>158,062</u>	<u>499,843</u>	<u>4,068,472</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	11,751	370	13,738	-	25,859
Accrued interest	-	90,436	-	-	90,436
Compensated absences-due within one year	2,715	-	-	-	2,715
Debt payable- due within one year	-	240,000	-	-	240,000
Total current liabilities	<u>14,466</u>	<u>330,806</u>	<u>13,738</u>	<u>-</u>	<u>359,010</u>
Noncurrent liabilities:					
Advances from other funds	879,383	-	-	-	879,383
Other post employment benefits	8,076	-	-	-	8,076
Compensated absences	23,085	-	-	-	23,085
Debt payable- due in more than one year	-	1,970,000	-	-	1,970,000
Total noncurrent liabilities	<u>910,544</u>	<u>1,970,000</u>	<u>-</u>	<u>-</u>	<u>2,880,544</u>
Total liabilities	<u>925,010</u>	<u>2,300,806</u>	<u>13,738</u>	<u>-</u>	<u>3,239,554</u>
NET ASSETS					
Invested in capital assets, net of related debt	711,641	(113,022)	-	-	598,619
Restricted for debt service	-	414,540	-	-	414,540
Unrestricted	<u>(919,028)</u>	<u>90,620</u>	<u>144,324</u>	<u>499,843</u>	<u>(184,241)</u>
Total net assets	<u>\$ (207,387)</u>	<u>\$ 392,138</u>	<u>\$ 144,324</u>	<u>\$ 499,843</u>	<u>\$ 828,918</u>

CITY OF MONTEREY
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Cemetery	Materials Recovery	Navy Services	Institutional Network	Total
OPERATING REVENUES					
Charges for services	\$ 228,593	\$ -	\$ 311,136	\$ -	\$ 539,729
Lease revenue	-	360,298	-	-	360,298
Total operating revenues	228,593	360,298	311,136	-	900,027
OPERATING EXPENSES					
Salaries and benefits	274,995	-	-	-	274,995
Services and supplies	60,696	3,237	288,499	-	352,432
Depreciation and amortization	31,057	96,605	-	-	127,662
Total operating expenses	366,748	99,842	288,499	-	755,089
Operating income (loss)	(138,155)	260,456	22,637	-	144,938
NONOPERATING REVENUES (EXPENSES)					
Investment income	4,939	16,253	2,518	7,002	30,712
Interest and fiscal charges	(7,782)	(136,077)	(1,880)	(920)	(146,659)
Total nonoperating revenues (expenses)	(2,843)	(119,824)	638	6,082	(115,947)
Income (loss) before transfers	(140,998)	140,632	23,275	6,082	28,991
Transfers in (out)	145,621	-	-	-	145,621
Change in net assets	4,623	140,632	23,275	6,082	174,612
BEGINNING NET ASSETS	(212,010)	251,506	121,049	493,761	654,306
ENDING NET ASSETS	\$ (207,387)	\$ 392,138	\$ 144,324	\$ 499,843	\$ 828,918

CITY OF MONTEREY
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Cemetery	Materials Recovery	Navy Services	Institutional Network	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 228,831	\$ 360,298	\$ 286,099	\$ -	\$ 875,228
Payments to suppliers	(60,346)	(2,910)	(274,761)	-	(338,017)
Payments to employees	(271,700)	-	-	-	(271,700)
Cash flows from operating activities	(103,215)	357,388	11,338	-	265,511
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts	29,919	-	-	-	29,919
Transfer in	145,621	-	-	-	145,621
Cash flows from noncapital financing activities	175,540	-	-	-	175,540
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Debt principal repayment	(188,250)	(220,000)	-	-	(408,250)
Interest paid	(9,193)	(145,081)	(1,880)	(920)	(157,074)
Cash flows from capital financing activities	(197,443)	(365,081)	(1,880)	(920)	(565,324)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	5,142	20,863	4,934	7,893	38,832
Cash flows from investing activities	5,142	20,863	4,934	7,893	38,832
Net Cash Flows	(119,976)	13,170	14,392	6,973	(85,441)
Cash and investments at beginning of period	119,976	526,709	87,326	489,697	1,223,708
Cash and investments at end of period	\$ -	\$ 539,879	\$ 101,718	\$ 496,670	\$ 1,138,267
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ (138,155)	\$ 260,456	\$ 22,637	\$ -	\$ 144,938
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation and amortization	31,057	96,605	-	-	127,662
Other post employment benefits liability	3,324	-	-	-	3,324
Compensated absence liability	(29)	-	-	-	(29)
Change in assets and liabilities:					
Accounts receivable, net	238	-	(25,037)	-	(24,799)
Accounts payable and other accrued expenses	350	327	13,738	-	14,415
Cash flows from operating activities	\$ (103,215)	\$ 357,388	\$ 11,338	\$ -	\$ 265,511



INTERNAL SERVICE FUNDS

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

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

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

Equipment Replacement Fund – This fund serves to centrally account for the new or replacement costs for all vehicle apparatus, and heavy equipment assets. The cost of this service is charged back to the operating departments.

Vehicle Maintenance Fund – This fund serves to centrally account for the costs of maintenance operations for all vehicle apparatus, and heavy equipment assets. The cost of this service is charged back to the operating departments.

Information Services Fund – This fund centralizes data processing and other information services costs. The user departments are assessed a charge for these services and to accumulate funds for equipment replacement and enhancements as needed.

Risk Management Fund – This fund captures the costs and revenues for our insurance programs, including liability and benefits. The operating departments are charged the cost of insurance as well as for the accumulation of requisite reserve funds.

CITY OF MONTEREY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	Equipment Replacement	Vehicle Maintenance	Information Services	Risk Management	Total
ASSETS					
Current assets:					
Cash and investments available for operations	\$ 1,459,774	\$ -	\$ 1,241,376	\$ 10,499,700	\$ 13,200,850
Cash held by fiscal agent	-	-	-	946,774	946,774
Accounts receivable	5,657	20,916	131,062	12,540	170,175
Interest receivable	9,329	-	-	-	9,329
Total current assets:	<u>1,474,760</u>	<u>20,916</u>	<u>1,372,438</u>	<u>11,459,014</u>	<u>14,327,128</u>
Noncurrent assets:					
Advances to other funds	286,685				286,685
Capital assets:					
Construction in progress	-	-	23,261	-	23,261
Buildings and improvements	-	-	64,366	-	64,366
Equipment	11,400,596	51,120	2,830,359	-	14,282,075
Accumulated depreciation	(8,141,477)	(6,184)	(2,013,021)	-	(10,160,682)
Total capital assets, net of accumulated depreciation	<u>3,259,119</u>	<u>44,936</u>	<u>904,965</u>	<u>-</u>	<u>4,209,020</u>
Total noncurrent assets	<u>3,545,804</u>	<u>44,936</u>	<u>904,965</u>	<u>-</u>	<u>4,495,705</u>
Total assets	<u>5,020,564</u>	<u>65,852</u>	<u>2,277,403</u>	<u>11,459,014</u>	<u>18,822,833</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	10,656	54,761	86,606	125,604	277,627
Accrued claims payable	-	-	-	10,653,438	10,653,438
Due to other funds	-	329,705	-	-	329,705
Compensated absences-due within one year	-	1,510	5,642	1,610	8,762
Total current liabilities:	<u>10,656</u>	<u>385,976</u>	<u>92,248</u>	<u>10,780,652</u>	<u>11,269,532</u>
Noncurrent liabilities:					
Other post employment benefits	-	19,697	22,511	7,738	49,946
Compensated absences payable	-	28,501	77,384	35,864	141,749
Total liabilities	<u>10,656</u>	<u>434,174</u>	<u>192,143</u>	<u>10,824,254</u>	<u>11,461,227</u>
NET ASSETS					
Invested in capital assets, net of related debt	3,259,119	44,936	904,965	-	4,209,020
Unrestricted	<u>1,750,789</u>	<u>(413,258)</u>	<u>1,180,295</u>	<u>634,760</u>	<u>3,152,586</u>
Total net assets	<u>\$ 5,009,908</u>	<u>\$ (368,322)</u>	<u>\$ 2,085,260</u>	<u>\$ 634,760</u>	<u>\$ 7,361,606</u>

CITY OF MONTEREY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Equipment Replacement</u>	<u>Vehicle Maintenance</u>	<u>Information Services</u>	<u>Risk Management</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$ 698,560	\$ 1,658,074	\$ 2,308,400	\$ 9,220,819	\$ 13,885,853
Other revenue	<u>69,450</u>	<u>8,193</u>	<u>-</u>	<u>-</u>	<u>77,643</u>
Total operating revenues	<u>768,010</u>	<u>1,666,267</u>	<u>2,308,400</u>	<u>9,220,819</u>	<u>13,963,496</u>
OPERATING EXPENSES					
Salaries and benefits	-	607,579	989,113	362,101	1,958,793
Services and supplies	(216,013)	1,098,958	1,355,591	3,763,498	6,002,034
Claims and insurance	-	-	-	5,850,781	5,850,781
Depreciation	<u>686,098</u>	<u>1,546</u>	<u>178,038</u>	<u>-</u>	<u>865,682</u>
Total operating expenses	<u>470,085</u>	<u>1,708,083</u>	<u>2,522,742</u>	<u>9,976,380</u>	<u>14,677,290</u>
Operating income (loss)	<u>297,925</u>	<u>(41,816)</u>	<u>(214,342)</u>	<u>(755,561)</u>	<u>(713,794)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	18,826	-	-	-	18,826
Interest and fiscal charges	<u>(4,874)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,874)</u>
Total nonoperating revenues (expenses)	<u>13,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,952</u>
Income (loss) before transfers	<u>311,877</u>	<u>(41,816)</u>	<u>(214,342)</u>	<u>(755,561)</u>	<u>(699,842)</u>
Transfers in	-	-	277,000	317,503	594,503
Transfers out	<u>-</u>	<u>-</u>	<u>(170,067)</u>	<u>(7,505)</u>	<u>(177,572)</u>
Net transfers	<u>-</u>	<u>-</u>	<u>106,933</u>	<u>309,998</u>	<u>416,931</u>
Change in net assets	311,877	(41,816)	(107,409)	(445,563)	(282,911)
BEGINNING NET ASSETS	<u>4,698,031</u>	<u>(326,506)</u>	<u>2,192,669</u>	<u>1,080,323</u>	<u>7,644,517</u>
ENDING NET ASSETS	<u>\$ 5,009,908</u>	<u>\$ (368,322)</u>	<u>\$ 2,085,260</u>	<u>\$ 634,760</u>	<u>\$ 7,361,606</u>

CITY OF MONTEREY
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Equipment Replacement	Vehicle Maintenance	Information Services	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 768,450	\$ 1,669,098	\$ 2,342,784	\$ 9,233,888	\$ 14,014,220
Payments to suppliers	226,669	(1,126,564)	(1,345,411)	(3,838,839)	(6,084,145)
Payments to employees	-	(608,603)	(969,136)	(349,398)	(1,927,137)
Claims and insurance paid	-	-	-	(4,585,211)	(4,585,211)
Cash flows from operating activities	<u>995,119</u>	<u>(66,069)</u>	<u>28,237</u>	<u>460,440</u>	<u>1,417,727</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts	17,825	66,069	-	-	83,894
Transfers in	-	-	277,000	317,503	594,503
Cash flows from noncapital financing activities	<u>17,825</u>	<u>66,069</u>	<u>106,933</u>	<u>309,998</u>	<u>500,825</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(900,080)	-	(125,302)	-	(1,025,382)
Debt principal repayment	(96,846)	-	-	-	(96,846)
Interest paid	(4,110)	-	-	-	(4,110)
Cash flows from capital and related financing activities	<u>(1,001,036)</u>	<u>-</u>	<u>(125,302)</u>	<u>-</u>	<u>(1,126,338)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	21,337	-	-	-	21,337
Purchase of investment securities	-	-	-	(138,853)	(138,853)
Cash flows from investing activities	<u>21,337</u>	<u>-</u>	<u>-</u>	<u>(138,853)</u>	<u>(117,516)</u>
Net cash flows	33,245	-	9,868	631,585	674,698
Cash and investments at beginning of period	<u>1,426,529</u>	<u>-</u>	<u>1,231,508</u>	<u>9,868,115</u>	<u>12,526,152</u>
Cash and investments at end of period	<u>\$ 1,459,774</u>	<u>\$ -</u>	<u>\$ 1,241,376</u>	<u>\$ 10,499,700</u>	<u>\$ 13,200,850</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ 297,925	\$ (41,816)	\$ (214,342)	\$ (755,561)	\$ (713,794)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	686,098	1,546	178,038	-	865,682
Other post employment benefits	-	4,794	5,538	2,770	13,102
Compensated absence liability	-	(5,818)	14,439	9,933	18,554
Change in assets and liabilities:					
Accounts receivables, net	440	2,831	34,384	13,069	50,724
Accounts payable and other accrued expenses	10,656	(27,606)	10,180	(75,341)	(82,111)
Accrued claims payable	-	-	-	1,265,570	1,265,570
Cash flows from operating activities	<u>\$ 995,119</u>	<u>\$ (66,069)</u>	<u>\$ 28,237</u>	<u>\$ 460,440</u>	<u>\$ 1,417,727</u>



FIDUCIARY FUND

The City's only fiduciary fund, an agency fund, is presented separately from the Entity-wide and Fund financial statements.

An agency fund accounts for assets held by the City as agent for individuals, governmental entities, and non-public organizations. A summary description of the City's fund is as follows:

Assessment Districts Fund. – This fund was established to account for funds when the City is acting as an agent. It consists of the following various assessment districts located within the City; Ocean View Plaza Community Services District, Del Monte Beach, New Monterey Business Improvement, Downtown Promotion and the Wharf Promotion.

CITY OF MONTEREY
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS				
Cash and investments	\$ 41,053	\$ 6,845	\$ -	\$ 47,898
Accounts receivable	<u>148,838</u>	<u>-</u>	<u>4,827</u>	<u>144,011</u>
Total assets	<u>\$ 189,891</u>	<u>\$ 6,845</u>	<u>\$ 4,827</u>	<u>\$ 191,909</u>
LIABILITIES				
Special assessments	<u>\$ 189,891</u>	<u>\$ 2,018</u>	<u>\$ -</u>	<u>\$ 191,909</u>
Total liabilities	<u>\$ 189,891</u>	<u>\$ 2,018</u>	<u>\$ -</u>	<u>\$ 191,909</u>

Statistical Section

(Not Covered by Auditor's Report)

STATISTICAL SECTION OVERVIEW

This part of the City’s comprehensive annual financial report is not covered by the Independent Auditor’s Report, but presents supplemental detailed information for the benefit of readers in understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Financial Trends (pages 95-98)

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

Revenue Capacity (pages 99-104)

These schedules contain information to help the reader assess the City’s most significant local revenue sources, transient occupancy tax (“TOT”) and property taxes.

Debt Capacity (pages 105-108)

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

Demographic and Economic Information (pages 109-110)

These schedules offer demographic and economic indicators to help the reader understand the environment with which the City’s financial activities take place.

Operating Information (pages 111-113)

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

NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$ 57,793,347	\$ 64,501,666	\$ 70,009,434	\$ 72,531,108	\$ 118,927,030	\$ 121,625,816	\$ 124,462,307	\$ 122,902,447	\$ 123,156,792
Restricted	26,152,523	25,930,689	26,572,854	28,151,012	32,691,952	32,088,899	31,152,448	35,581,294	37,216,422
Unrestricted	26,571,602	28,884,899	28,340,493	28,168,772	25,278,714	42,676,222	41,506,306	38,282,898	36,206,132
Total governmental activities net assets	<u>\$ 110,517,472</u>	<u>\$ 119,317,254</u>	<u>\$ 124,922,781</u>	<u>\$ 128,850,892</u>	<u>\$ 176,897,696</u>	<u>\$ 196,390,937</u>	<u>\$ 197,121,061</u>	<u>\$ 196,766,639</u>	<u>\$ 196,579,346</u>
Business-type activities									
Invested in capital assets, net of related debt	\$ 10,911,409	\$ 9,984,284	\$ 11,353,857	\$ 12,295,576	\$ 13,527,445	\$ 14,415,213	\$ 15,096,311	\$ 16,065,850	\$ 18,360,622
Restricted	-	1,777,123	1,756,272	1,756,942	1,758,193	1,758,383	1,696,136	1,697,423	414,540
Unrestricted	10,775,178	10,661,578	11,904,186	11,811,362	13,306,459	(7,272,774)	(7,440,032)	(8,406,205)	(8,112,222)
Total business-type activities net assets	<u>\$ 21,686,587</u>	<u>\$ 22,422,985</u>	<u>\$ 25,014,315</u>	<u>\$ 25,863,880</u>	<u>\$ 28,592,097</u>	<u>\$ 8,900,822</u>	<u>\$ 9,352,415</u>	<u>\$ 9,357,068</u>	<u>\$ 10,662,940</u>
Primary Government									
Invested in capital assets, net of related debt	\$ 68,704,756	\$ 74,485,950	\$ 81,363,291	\$ 84,826,684	\$ 132,454,475	\$ 136,041,029	\$ 139,558,618	\$ 138,968,297	\$ 141,517,414
Restricted	26,152,523	27,707,812	28,329,126	29,907,954	34,450,145	33,847,282	32,848,584	37,278,717	37,630,962
Unrestricted	37,346,780	39,546,477	40,244,679	39,980,134	38,585,173	35,403,448	34,066,274	29,876,693	28,093,910
Total primary Government	<u>\$ 132,204,059</u>	<u>\$ 141,740,239</u>	<u>\$ 149,937,096</u>	<u>\$ 154,714,772</u>	<u>\$ 205,489,793</u>	<u>\$ 205,291,759</u>	<u>\$ 206,473,476</u>	<u>\$ 206,123,707</u>	<u>\$ 207,242,286</u>

The City implemented GASB 34 for the fiscal year ended June 30, 2003. Additional years will be added until 10 years of information is available.

CITY OF MONTEREY

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
General government	\$ 5,131,229	\$ 6,257,134	\$ 6,626,798	\$ 6,749,172	\$ 5,851,972	\$ 7,023,171	\$ 8,500,337	\$ 6,785,765	\$ 7,674,774
Public safety	15,564,926	16,296,950	18,020,573	18,401,090	19,293,844	22,713,685	24,901,618	25,348,522	24,479,714
Public works	14,614,555	10,268,787	12,890,303	16,522,792	14,870,152	21,322,325	16,758,226	20,876,964	19,706,824
Community development	3,576,263	3,128,914	3,228,628	3,437,964	4,008,139	4,300,953	3,284,107	1,634,501	1,857,119
Recreation and community service	6,432,776	6,802,459	6,994,395	6,976,882	7,473,490	8,013,728	8,645,530	8,401,272	8,454,787
Library	2,642,886	2,391,949	2,499,250	2,735,681	3,133,434	3,381,103	3,789,795	3,515,397	3,251,530
Public Facilities	4,373,438	4,498,935	4,791,814	4,363,696	4,900,848	4,823,808	4,953,293	4,599,164	4,574,830
Nondepartmental	1,072,604	1,128	104,327	203,594	1,468,406	983,950	320,386	2,728,150	-
Interest and fiscal charges	1,092,675	1,025,393	788,297	795,513	581,390	554,904	525,497	498,238	471,315
Total governmental activities expenses	54,501,352	50,671,649	55,944,385	60,186,384	61,581,675	73,117,627	71,678,789	74,387,973	70,470,893
Business-type activities:									
Marina	1,605,897	2,397,517	1,747,354	1,879,337	1,941,560	1,902,078	1,963,252	1,887,048	2,047,929
Parking	4,440,996	4,374,740	4,539,377	4,659,077	5,573,490	6,588,354	6,596,107	6,491,294	6,836,439
Presidio of Monterey Public Works	6,217,990	4,687,035	5,493,320	11,887,182	8,122,515	11,202,661	11,370,245	10,630,416	13,712,889
Cemetery	338,709	319,977	309,373	319,620	338,155	325,867	378,326	358,412	374,530
Material Recovery	300,984	307,885	292,442	287,611	280,824	267,287	263,676	247,095	235,919
Navy Services	542,363	201,764	120,837	459,213	254,330	431,969	406,759	365,194	290,379
Institutional Network	-	130,602	-	1,476	-	-	-	-	920
Total business-type activities expenses	13,446,939	12,419,520	12,502,703	19,493,516	16,510,874	20,718,216	20,978,365	19,979,459	23,499,005
Total primary government expenses	67,948,291	63,091,169	68,447,088	79,679,900	78,092,549	93,835,843	92,657,154	94,367,432	93,969,898
Program revenues									
Governmental activities:									
Charges for services:									
General government	222,535	2,701,164	2,698,906	2,929,941	3,070,895	3,364,012	\$ 5,586,347	\$ 3,578,598	\$ 5,672,273
Public safety	1,361,034	1,356,760	1,389,081	1,487,458	1,406,079	1,232,714	2,917,245	3,953,104	3,772,349
Public works	2,380,724	2,655,453	2,855,366	2,790,258	3,444,687	5,038,075	3,310,527	4,417,728	4,550,785
Community development	3,027,858	1,021,827	941,168	1,010,875	1,322,291	505,402	518,332	1,245,340	(15,584)
Recreation & community service	3,408,344	3,916,013	4,087,390	4,248,633	4,558,930	4,529,054	5,036,042	5,252,517	5,130,530
Library	168,783	130,500	131,277	141,066	118,979	102,190	100,328	113,344	113,609
Public Facilities	1,737,011	2,188,580	2,380,342	2,154,204	2,130,850	1,918,940	1,628,338	1,622,883	1,328,531
Nondepartmental	1,559,825	1,463,142	1,706,941	2,567,250	2,733,821	1,786,322	320,386	2,447,644	-
Operating grants and contributions	803,839	837,438	1,099,951	2,590,085	1,985,858	1,822,964	2,092,033	1,304,197	947,647
Capital grants and contributions	1,525,556	2,917,293	1,684,218	127,303	890,640	1,707,277	1,046,005	1,280,919	1,661,932
Total governmental activities program revenues	16,195,509	19,188,170	18,974,640	20,047,073	21,663,030	22,006,950	22,555,583	25,216,274	23,162,075
Business-type activities:									
Charges for services:									
Marina	1,981,174	2,076,275	2,036,127	2,071,047	2,153,152	2,123,947	2,325,725	2,483,526	2,586,778
Parking	5,495,313	5,743,742	6,046,909	5,942,510	6,573,961	6,360,747	6,610,603	7,205,132	7,293,620
Presidio of Monterey Public Works	6,610,217	4,809,496	5,965,791	11,020,401	9,458,892	11,733,919	11,670,716	9,612,860	14,037,989
Cemetery	246,262	196,234	243,706	210,191	245,459	181,511	285,375	291,432	228,593
Material Recovery	301,032	307,532	315,115	320,320	331,464	343,171	345,325	351,665	360,298
Navy Services	689,604	229,402	175,867	325,675	244,103	442,361	355,639	424,369	311,136
Institutional Network	-	141,855	-	-	-	-	-	-	-
Total business-type activities program revenues	15,323,602	13,504,536	14,783,515	19,890,144	19,007,031	21,185,656	21,593,383	20,368,984	24,818,414
Total primary government program revenues	31,519,111	32,692,706	33,758,155	39,937,217	40,670,061	43,192,606	44,148,966	45,585,258	47,980,489
Net revenues (expenses):									
Governmental activities	(38,305,843)	(31,483,479)	(36,969,745)	(40,139,311)	(39,918,645)	(51,110,677)	(49,123,206)	(49,171,699)	(47,308,818)
Business-type activities	1,876,663	1,085,016	2,280,812	396,628	2,496,157	467,440	615,018	389,525	1,319,409
Total net revenues (expenses)	(36,429,180)	(30,398,463)	(34,688,933)	(39,742,683)	(37,422,488)	(50,643,237)	(48,508,188)	(48,782,174)	(45,989,409)
General revenues and other changes in net assets:									
Governmental activities:									
Taxes:									
Property taxes	9,147,860	9,364,163	9,985,536	10,591,813	10,573,107	11,472,173	12,262,633	12,440,413	12,247,862
Sales tax	6,549,887	6,297,243	6,891,464	6,999,447	7,169,050	7,434,164	6,998,648	6,362,466	7,050,150
Transient occupancy taxes	12,524,632	12,839,824	13,627,997	14,191,800	15,171,974	15,870,646	14,796,323	14,702,871	14,655,418
Other taxes	4,248,848	4,885,895	4,785,478	5,096,139	5,306,738	5,549,907	5,312,979	5,240,940	5,635,273
Motor vehicle in lieu, unrestricted	1,699,305	1,385,698	1,809,332	2,155,338	2,216,346	2,327,149	2,401,820	2,394,765	2,391,256
Investment income	2,178,942	3,820,532	4,596,553	4,623,279	5,939,220	3,204,507	5,456,661	5,032,549	4,647,197
Other general revenues	3,746,770	977,175	782,570	429,167	293,032	3,870,156	1,978,604	194,625	249,936
Transfers	564,781	712,731	96,342	(19,561)	469,686	259,053	645,700	737,759	244,433
Total governmental activities	40,661,025	40,283,261	42,575,272	44,067,422	47,139,153	49,987,755	49,853,368	47,106,388	47,121,525
Business-type activities:									
Investment income	420,307	364,113	406,860	433,376	701,746	716,501	482,275	352,887	230,896
Transfers	(564,781)	(712,731)	(96,342)	19,561	(469,686)	(259,053)	(645,700)	(737,759)	(244,433)
Total business-type activities	(144,474)	(348,618)	310,518	452,937	232,060	457,448	(163,425)	(384,872)	(13,537)
Total primary government	40,516,551	39,934,643	42,885,790	44,520,359	47,371,213	50,445,203	49,689,943	46,721,516	47,107,988
Changes in net assets:									
Governmental activities	2,355,182	8,799,782	5,605,527	3,928,111	7,220,508	(1,122,922)	730,162	(2,065,311)	(187,293)
Business-type activities	1,732,189	736,398	2,591,330	849,565	2,728,217	924,888	451,593	4,653	1,305,872
Total primary government	\$ 4,087,371	\$ 9,536,180	\$ 8,196,857	\$ 4,777,676	\$ 9,948,725	\$ (198,034)	\$ 1,181,755	\$ (2,060,658)	\$ 1,118,579

The City implemented GASB 34 for the fiscal year ended June 30, 2003. Additional years will be added until 10 years of information is available.

CITY OF MONTEREY
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund:									
Nonspendable fund balance									\$ 22,682,645
Restricted fund balance									248,179
Committed fund balance									9,726,269
Assigned fund balance									551,473
Unassigned fund balance									41,108
Reserved ⁽¹⁾	\$ 1,580,037	\$ 1,824,216	\$ 2,709,474	\$ 2,211,156	\$ 3,813,441	\$ 22,181,992	\$ 21,273,435	\$ 21,495,370	-
Unreserved ⁽¹⁾	10,333,253	10,512,568	11,697,164	10,053,989	10,887,098	11,137,980	9,669,156	9,083,381	-
Total General Fund	\$ 11,913,290	\$ 12,336,784	\$ 14,406,638	\$ 12,265,145	\$ 14,700,539	\$ 33,319,972	\$ 30,942,591	\$ 30,578,751	\$ 33,249,674
All other governmental funds:									
Nonspendable fund balance									\$ 19,299,222
Restricted fund balance									17,229,293
Committed fund balance									5,770,460
Special revenue funds									(92,711)
Debt Service fund									(32,389,795)
Reserved ⁽¹⁾	\$ 18,396,523	\$ 18,108,500	\$ 13,676,271	\$ 15,770,966	\$ 15,939,983	\$ 23,439,262	\$ 22,922,882	\$ 25,482,962	\$ -
Unreserved, reported in: ⁽¹⁾									
Special revenue funds	3,701,423	2,979,557	14,803,070	16,203,868	12,940,996	8,528,382	11,181,765	12,916,637	-
Permanent funds - Nonexpendable					2,476,127	2,476,127	2,476,127	2,476,127	-
Permanent funds - Expendable					432,598	582,546	565,259	235,188	-
Low/Mod Income Housing					3,095,150	1,460,242	(421,594)	2,012,992	-
Debt Service fund	(55,518,063)	(50,005,183)	(54,995,623)	(51,338,921)	(47,181,343)	(42,715,832)	(38,262,965)	(37,070,879)	-
Capital projects fund	11,416,930	10,355,313	11,053,863	11,363,281	4,954,215	2,589,374	4,460,818	1,009,947	-
Total all other governmental funds	\$ (22,003,187)	\$ (18,561,813)	\$ (15,462,419)	\$ (8,000,806)	\$ (7,342,274)	\$ (3,639,899)	\$ 2,922,292	\$ 7,062,974	\$ 9,816,469

The City implemented GASB 34 for the fiscal year ended June 30, 2003. Additional years will be added until 10 years of information is available.

The City implemented GASB 54 for the fiscal year ended June 30, 2011. Fund balances are reported in previous categories for prior fiscal years ⁽¹⁾

CITY OF MONTEREY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:									
Taxes	\$ 32,629,694	\$ 33,387,125	\$ 35,290,475	\$ 36,879,200	\$ 38,220,869	\$ 40,326,890	\$ 39,370,583	\$ 38,746,690	\$ 39,588,703
Licenses and permits	2,959,110	3,237,232	3,260,190	3,480,028	4,535,708	4,726,272	4,209,088	3,705,052	3,654,304
Fines and forfeitures	342,683	422,907	414,174	414,828	341,163	461,314	479,684	444,167	376,857
Investment income	2,174,024	2,026,114	2,227,152	2,083,615	3,312,367	3,438,071	2,659,946	2,101,934	1,808,808
Rental income	6,315,286	6,613,307	7,710,161	6,716,126	7,252,913	7,642,805	8,074,287	3,412,445	3,339,846
Intergovernmental	3,853,494	4,904,686	4,903,585	4,268,796	5,421,614	6,047,826	6,254,226	5,834,202	10,166,960
Charge for services	9,572,687	10,586,923	11,448,258	12,790,494	12,430,149	12,521,579	14,164,052	16,191,553	15,302,794
Other	2,100,669	1,297,320	977,748	1,096,658	758,198	910,227	1,343,214	2,237,064	1,000,811
Total revenues	59,947,647	62,475,614	66,231,743	67,729,746	72,272,981	76,074,984	76,555,080	72,673,107	75,239,083
Expenditures:									
Current:									
General government	4,959,030	6,241,122	6,368,453	6,490,180	5,644,097	6,303,274	6,596,881	8,328,786	6,850,243
Public safety	15,474,099	16,111,604	17,666,518	18,849,523	19,238,349	22,781,983	23,731,900	24,950,815	24,106,242
Public works	9,802,044	10,030,797	10,313,147	11,535,467	12,938,457	14,408,540	17,060,180	15,629,131	16,016,944
Community development	3,547,475	3,100,561	3,173,133	3,451,867	3,982,360	4,275,923	3,281,264	1,606,658	1,816,472
Recreation and community service	5,620,237	6,063,555	6,200,750	6,394,130	6,740,696	7,307,666	7,701,164	7,562,605	7,620,535
Library	2,581,479	2,346,840	2,413,220	2,746,158	3,093,084	3,361,421	3,630,813	3,425,637	3,162,508
Public facilities	3,981,963	4,223,896	4,338,982	4,055,288	4,269,259	4,131,226	4,104,587	3,933,253	3,928,470
Capital outlays	11,641,848	8,623,007	6,285,694	6,476,625	11,013,491	10,557,068	4,731,862	4,301,127	4,183,799
Debt Service									
Principal retirement	1,516,064	1,553,463	3,351,283	602,485	616,166	636,007	961,373	648,728	1,490,511
Interest and fiscal charges	1,062,517	864,284	749,107	709,866	563,983	541,033	515,314	488,699	466,441
Total expenditures	60,186,756	59,159,129	60,860,287	61,311,588	68,099,942	74,304,141	72,315,338	70,875,439	69,642,165
Excess (deficiency) of revenues over (under) expenditures	(239,109)	3,316,485	5,371,456	6,418,158	4,173,039	1,770,843	4,239,742	1,797,668	5,596,918
Other financing sources (uses):									
Transfers in	12,259,958	5,811,739	4,414,971	7,619,572	12,383,701	10,939,205	4,976,300	8,429,696	8,633,095
Transfers out	(11,194,991)	(5,263,356)	(4,617,179)	(8,717,608)	(13,462,715)	(11,004,403)	(5,031,194)	(8,161,411)	(8,805,595)
Total other financing sources (uses)	1,064,967	548,383	(202,208)	(1,098,036)	(1,079,014)	(65,198)	(54,894)	268,285	(172,500)
Net change in fund balances	\$ 825,858	\$ 3,864,868	\$ 5,169,248	\$ 5,320,122	\$ 3,094,025	\$ 1,705,645	\$ 4,184,848	\$ 2,065,953	\$ 5,424,418
Debt service as a percentage of noncapital expenditures	5.3%	4.8%	7.5%	2.4%	2.1%	1.8%	2.2%	1.7%	3.0%

The City implemented GASB 34 for the fiscal year ended June 30, 2003. Additional years will be added until 10 years of information is available.

CITY OF MONTEREY
TRANSIENT OCCUPANCY TAX BY CATEGORY
LAST TEN FISCAL YEARS
(in thousands)

CATEGORY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Full Service	\$ 7,700	\$ 7,710	\$ 7,902	\$ 8,464	\$ 8,591	\$ 9,227	\$ 9,782	\$ 9,415	\$ 9,292	\$ 9,382
Cannery Row	1,140	1,085	1,108	1,153	1,280	1,370	1,398	1,207	1,207	1,249
Fremont Street	1,019	971	939	951	999	1,043	1,091	995	965	881
Munras Avenue / Abrego Street	1,860	1,737	1,772	1,847	2,015	2,121	2,168	1,892	2,010	1,994
Other	1,156	1,028	1,108	1,213	1,295	1,409	1,428	1,247	1,191	1,137
Totals	<u>\$ 12,875</u>	<u>\$ 12,531</u>	<u>\$ 12,829</u>	<u>\$ 13,628</u>	<u>\$ 14,180</u>	<u>\$ 15,170</u>	<u>\$ 15,867</u>	<u>\$ 14,756</u>	<u>\$ 14,665</u>	<u>\$ 14,643</u>

The City's Transient Occupancy Tax rate has remained at 10% over the last ten years.

Source: City of Monterey Finance Department

Notes:

TOT base information by individual establishment is confidential and therefore is not available to the public.

TOT is the City's largest "own source" revenue, as defined by GASB Statement No. 44.

"Full Service" is defined as all lodging facilities having in-house restaurants and are categorized regardless of location.

All other lodging establishments are categorized by geographic location or summarized as "Other".

Totals do not include interest and penalties

CITY OF MONTEREY
PRINCIPAL TRANSIENT OCCUPANCY TAX GENERATORS
June 30, 2011

Fiscal Year 2011	Fiscal Year 2002
Casa Munras Garden Hotel	Casa Munras Garden Hotel
Hilton Inn	Doubletree Inn (now Portola Plaza Hotel)
Hotel Pacific	Hilton Inn
Hyatt Regency	Hotel Pacific
Intercontinental the Clement	Hyatt Regency
Monterey Bay Inn	Monterey Beach Hotel
Monterey Beach Hotel	Monterey Marriott Hotel
Monterey Marriott Hotel	Monterey Plaza Hotel
Monterey Plaza Hotel	Spindrift Inn
Portola Plaza Hotel	Victorian Inn

Note: All tax generators are listed in alphabetical order; tax generators above account for over 50% of transient occupancy tax

Sources: City of Monterey Finance Department

CITY OF MONTEREY

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

Fiscal Year	Secured		Unsecured		Total	Estimated Actual Value	Total Direct Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a % of Actual Taxable Value
2010-11	\$	4,095,770,713	\$	332,917,437	\$ 4,428,688,150	\$ 4,428,688,150	1.00	\$ 4,428,688,150	100%
2009-10		4,178,070,884		356,925,673	4,534,996,557	4,534,996,557	1.00	4,534,996,557	100%
2008-09		4,169,257,808		336,975,505	4,506,233,313	4,506,233,313	1.00	4,506,233,313	100%
2007-08		4,008,632,240		313,282,743	4,321,914,983	4,321,914,983	1.00	4,321,914,983	100%
2006-07		3,674,285,037		295,332,694	3,969,617,731	3,969,617,731	1.00	3,969,617,731	100%
2005-06		3,396,501,367		280,032,114	3,676,533,481	3,676,533,481	1.00	3,676,533,481	100%
2004-05		3,139,002,712		259,990,859	3,398,993,571	3,398,993,571	1.00	3,398,993,571	100%
2003-04		2,959,464,492		265,188,423	3,224,652,915	3,224,652,915	1.00	3,224,652,915	100%
2002-03		2,916,031,097		278,097,859	3,194,128,956	3,194,128,956	1.00	3,194,128,956	100%
2001-02		2,643,912,307		272,803,723	2,916,716,030	2,916,716,030	1.00	2,916,716,030	100%

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an “inflation factor” (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with the respect to the actual market value or taxable property and is subject to the limitations described above.

Source: Monterey County Auditor-Controller

CITY OF MONTEREY
PROPERTY TAX RATES - DIRECT
AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates			Overlapping Rates	
	Basic Levy	General Obligation Debt Service	Total Direct Rate	Monterey Peninsula Community College	Total
2010-11	1.00	-	1.00	0.02146	1.02146
2009-10	1.00	-	1.00	0.022410	1.02241
2008-09	1.00	-	1.00	0.019780	1.01978
2007-08	1.00	-	1.00	0.019940	1.01994
2006-07	1.00	-	1.00	0.02066	1.02066
2005-06	1.00	-	1.00	0.01800	1.01800
2004-05	1.00	-	1.00	0.02062	1.02062
2003-04	1.00	-	1.00	0.02319	1.02319
2002-03	1.00	-	1.00	0.00000	1.00000
2001-02	1.00	-	1.00	0.00000	1.00000

Source: Monterey County Auditor-Controller

CITY OF MONTEREY
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2011

Fiscal Year 2011		Taxable Secured Assessments	Secured Taxable Value	Taxable Unsecured Assessments	Unsecured Taxable Value	Combined Taxable Value	Pct. Of Total City Assessed Value
<u>Taxpayer</u>	<u>Type of Business</u>						
Cannery Row Company	Commercial/Industrial Property	16	\$ 48,576,919	0	\$ 660,365	\$ 49,237,284	1.12%
Cannery Row Hotel Dev	Commercial Property	5	66,084,879	0	-	66,084,879	1.50%
Custom House Hotel Co Ltd.	Lodging/Visitor Services	4	31,681,168	0	-	31,681,168	0.72%
Hotel Pacific Monterey LLC	Com Hotels & Motels	0	-	2	24,239,468	24,239,468	0.55%
Muller-Ryan LLC	Commercial/Office Property	4	40,235,608	0	-	40,235,608	0.91%
P Monterey LP	Residential, Apartments	1	58,214,048	0	-	58,214,048	1.32%
Pacific Holdings LP	Commercial/Industrial Property	1	93,557,911	0	-	93,557,911	2.12%
Pebble Beach Co	Commercial/Industrial Property	15	23,667,953	0	-	23,667,953	0.54%
RB Monterey LLC	Com Hotels & Motels	1	25,927,821	0	-	25,927,821	0.59%
San Carlos Associates	Commercial/Industrial Property	1	45,426,864	0	-	45,426,864	1.03%
Top 10 Totals		48	\$ 433,373,171	2	\$ 24,899,833	\$ 458,273,004	
2010/11 CITY-WIDE TOTALS			4,169,257,808		336,975,505	4,506,233,313	
Fiscal Year 2002							
Boulder Publishing Inc.	Commercial/Industrial Property	n/a	n/a	n/a	n/a	n/a	n/a
Cannery Row Company	Commercial Property	n/a	n/a	n/a	n/a	n/a	n/a
Classic Park Lane Partnership	Lodging/Visitor Services	n/a	n/a	n/a	n/a	n/a	n/a
CTB Macmillan McGraw Hill Co.	Residence/Apartments	n/a	n/a	n/a	n/a	n/a	n/a
Custom House Hotel Co Ltd.	Lodging/Visitor Services	n/a	n/a	n/a	n/a	n/a	n/a
Del Monte Regional Mall LLC	Printing/Publishing	n/a	n/a	n/a	n/a	n/a	n/a
Pebble Beach Company	Commercial/Industrial Property	n/a	n/a	n/a	n/a	n/a	n/a
PW Acquisitions XI LLC	Lodging/Visitor Services (Secured)	n/a	n/a	n/a	n/a	n/a	n/a
PW Acquisitions XI LLC	Lodging/Visitor Services (Unsecured)	n/a	n/a	n/a	n/a	n/a	n/a
San Carlos Associates	Commercial/Industrial Property	n/a	n/a	n/a	n/a	n/a	n/a
2001/02 CITY-WIDE TOTALS			0		0	0	

Note: Listed in alphabetical order

Source: MBIA MuniServices Company, Municipal Resource Consultants

CITY OF MONTEREY
PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections (3)</u>	<u>Percent of Levy Collected</u>	<u>Supplemental Tax Collections (3)</u>	<u>Delinquent Tax Collections (2)</u>	<u>Total Tax Collections</u>
2010-11	\$ 5,946,732	\$ 5,565,321	93.6	\$ 86,038	\$ 275,096	\$ 5,926,455
2009-10	6,063,231	5,254,071	86.7	68,622	674,160	5,996,853
2008-09	6,076,909	5,598,032	92.1	159,006	333,331	6,090,369
2007-08	5,837,582	5,406,080	92.6	249,295	169,684	5,825,059
2006-07	5,126,812	4,857,749	94.8	340,165	111,724	5,309,638
2005-06	4,943,077	4,746,076	96.0	516,085	87,991	5,350,152
2004-05	4,485,332	4,368,588	97.4	294,097	87,107	4,749,792
2003-04	4,229,154	4,186,435	99.0	175,082	89,295	4,450,812
2002-03	4,005,927	3,897,972	97.3	166,929	35,042	4,099,943
2001-02	3,800,040	3,800,867	100.0	-	69,874	3,870,741

Sources:

- (1) Monterey County Auditor-Controller
- (2) Monterey County reports collections as current period, irregardless of original levy year.
- (3) Fiscal years 2001-2010 have been restated in FY10/11 to seperate supplemental assessments from Current Tax Collections

CITY OF MONTEREY
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Governmental Activities				
Fiscal Year	Bonds		Loans	Total Governmental Activities
2010-11	\$	8,115,000	\$ 490,574	\$ 8,605,574
2009-10		9,582,450	272,541	9,854,991
2008-09		10,208,350	388,235	10,596,585
2007-08		10,825,900	498,774	11,324,674
2006-07		11,441,700	604,373	12,046,073
2005-06		12,037,650	706,472	12,744,122
2004-05		12,610,400	814,725	13,425,125
2003-04		15,927,300	924,401	16,851,701
2002-03		17,441,150	1,036,214	18,477,364
2001-02		29,205,000	1,197,760	30,402,760

Sources: City of Monterey Finance Department
State Department of Finance (population included in calculation)
U.S. Department of Commerce (per capita income included in calculation)

CITY OF MONTEREY

RATIO OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

Business-Type Activities			Total Primary Government			
		Marina Loans	Total Business-type Activities	Total Primary Government	Debt Per Capita	<u>Percent of</u> Personal Income
Bonds						
\$	2,210,000	\$ 3,600,547	\$ 5,810,547	\$ 14,416,121	490	1.0%
	4,952,550	3,842,066	8,794,616	18,649,607	633	1.5%
	5,976,650	4,073,186	10,049,836	20,646,421	706	2.2%
	6,989,100	4,294,352	11,283,452	22,608,126	771	2.4%
	8,008,300	4,557,873	12,566,173	24,612,246	667	2.2%
	8,972,350	4,810,045	13,782,395	26,526,517	879	2.6%
	9,894,600	5,068,179	14,962,779	28,387,904	926	2.7%
	11,312,700	5,315,200	16,627,900	33,479,601	1,107	3.4%
	12,658,850	5,551,582	18,210,432	36,687,796	1,210	3.9%
	13,948,100	5,777,786	19,725,886	50,128,646	1,683	5.5%

CITY OF MONTEREY
COMPUTATION OF DIRECT AND OVERLAPPING
BONDED DEBT
JUNE 30, 2011

2010-11 Assessed Valuation: \$3,693,536,398 (after deducting \$735,151,752 redevelopment incremental valuation) (4)

OVERLAPPING TAX AND ASSESSMENT DEBT:	<u>% Applicable</u>	<u>Debt 6/30/11</u>
DIRECT AND OVERLAPPING BONDED DEBT:		
Monterey County General Fund Obligations (2)	9.020% **	11,978,560
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>11,978,560</u>
COMBINED TOTAL DEBT		<u><u>\$11,978,560</u></u> *

Ratios to Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.33%
Combined Total Debt.....	0.33%

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

** Percentages calculated with assessed property values of applicable entities

Sources

- (1) City of Monterey Finance Department
- (2) Monterey County CAFR
- (3) Monterey County Auditor-Controller

*Percentages calculated with property values

CITY OF MONTEREY
LEGAL DEBT MARGIN INFORMATION
JUNE 30, 2011

Total assessed value of all real/personal property	\$	4,428,688,150
Debt limit percentage (per Government Code)		<u>15%</u>
Total debt limit		664,303,223
Amount of debt applicable to debt limit		<u>-</u>
Legal debt margin	\$	<u><u>664,303,223</u></u>

Section 43605 of the Government Code of the State of California limits the amount of general bonded indebtedness for public improvements to 15% of the assessed valuation of all real and personal property in the City.

The City of Monterey has no general bonded indebtedness.

Source: Monterey County Auditor-Controller

CITY OF MONTEREY
DEMOGRAPHIC INFORMATION
JUNE 30, 2011

	Population (1)	Per Capita Income (2)	Total Personal Income (000's) (3)	Estimated Labor Force (4)	Estimated Unemployment Rate (4)
2011	29,440	\$ 48,305	\$ 1,422,099	17,700	4.8%
2010	29,455	42,857	1,262,353	18,000	4.7%
2009	29,244	32,792	958,969	18,300	3.0%
2008	29,322	32,503	953,053	17,700	2.4%
2007	30,121	36,877	1,110,772	17,300	2.4%
2006	30,161	34,177	1,030,812	18,000	2.4%
2005	30,641	33,952	1,040,323	17,350	3.4%
2004	30,241	32,469	981,895	17,600	3.4%
2003	30,329	30,800	934,133	17,630	3.3%
2002	29,792	30,723	915,300	17,700	2.2%

Sources:

- (1) State Department of Finance estimates
- (2) U.S. Department of Commerce
- (3) Estimated by combining items (1) and (2)
- (4) State of California Employment Development Department estimates

CITY OF MONTEREY
SUMMARY OF MAJOR EMPLOYERS
JUNE 30, 2011

Employer	Product/Function	Fiscal Year 2011		Fiscal Year 2002	
		Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
PRIVATE SECTOR					
A T & T	Communications	315	1.8%	N/A	N/A
California Capital Insurance Company	Insurance	395	2.2%	N/A	N/A
Community Hospital of the Monterey Peninsula	Health Care	2299	13.1%	1791	10.1%
CTB McMillan McGraw Hill	Publishing	550	3.1%	599	3.4%
Hyatt Regency Hotel	Lodging/Visitor Services	304	1.7%	400	2.3%
Language Line Services	Communications	300	1.7%	N/A	N/A
Monterey Bay Aquarium	Ecotourism	345	2.0%	428	2.4%
Monterey County Herald	Newspaper	210	N/A	401	2.3%
Monterey Marriott	Lodging/Visitor Services	280	1.6%	275	1.6%
Monterey Plaza Hotel	Lodging/Visitor Services	380	2.2%	349	2.0%
Pacific Gas and Electric	Energy Utility	355	2.0%	N/A	N/A
Portola Plaza Hotel (formerly Doubletree Inn)	Lodging/Visitor Services	230	1.3%	299	1.7%
PUBLIC SECTOR					
City of Monterey	Government	508	2.9%	704	4.0%
Defense Language Institute	Education	1564	8.9%	1259	7.1%
Monterey Peninsula College	Education	500	2.8%	627	3.5%
Monterey Peninsula Unified School District	Education/Research	1200	N/A	1500	8.5%
Monterey-Salinas Transit	Public Transportation	215	1.2%	N/A	N/A
Naval Postgraduate School	Education	602	3.4%	1240	7.0%

"Total Employment" as used above represents the total employment of all employees located within City limits.

Source: Monterey Peninsula Chamber of Commerce & Employers, City of Monterey Finance Department

CITY OF MONTEREY
 AUTHORIZED POSITIONS BY DEPARTMENT
 FULL-TIME AND PART-TIME
 LAST TEN FISCAL YEARS

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police	86.00	86.00	82.00	81.00	79.00	79.00	79.00	72.00	72.00	69.00
Fire	52.00	52.00	51.00	51.00	51.00	54.00	54.00	66.00	66.00	65.00
Plans & Public Works*,**	175.50	177.75	168.75	159.75	159.75	163.75	145.75	162.00	162.75	158.00
Recreation	56.75	65.00	63.50	61.00	57.75	58.75	59.25	55.25	55.25	54.50
Library and Museum	33.00	32.25	28.00	25.50	25.50	27.25	27.50	22.50	23.25	22.75
Public Facilities	68.25	68.25	66.00	62.25	62.25	65.25	65.25	63.00	63.00	60.25
General Government*	51.00	51.00	45.75	45.75	47.00	46.00	46.00	46.00	48.75	48.25
Total	<u>522.50</u>	<u>532.25</u>	<u>505.00</u>	<u>486.25</u>	<u>482.25</u>	<u>494.00</u>	<u>476.75</u>	<u>486.75</u>	<u>491.00</u>	<u>477.75</u>

* includes positions related to Internal Service divisions

** Planning and Public Works departments combined in 2008/09

Source: City of Monterey Budget Document

CITY OF MONTEREY
OPERATING INDICATORS BY FUNCTION
JUNE 30, 2011

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police (calendar year)								
Adult Arrests - Felony	377	427	395	356	351	343	343	369
Adult Arrests - Misdemeanor	1,668	1,574	1,313	1,606	1,698	1,733	1,733	1,286
Juvenile Arrests - Felony	60	52	59	60	46	64	61	58
Juvenile Arrests - Misdemeanor	207	164	125	146	169	121	142	122
DUI Arrests	530	n/a	389	309	339	342	305	255
Traffic Citations	7,512	n/a	6,421	5,769	8,177	7,995	8,653	5,635
Fire (calendar year)								
Rescue and Emergency Medical Calls	2,711	2,855	3,146	3,044	3,252	4,241	4,241	4,095
Fire & Explosion Calls	136	118	118	119	128	196	196	129
False Alarm Calls	398	449	413	481	500	475	475	515
Other Calls	1,095	814	861	949	857	1,399	1,399	1,494
Finance								
Accounts Payable Checks Issued	12,373	11,520	10,655	10,862	11,269	10,180	7,738	7,862
Payroll Checks Issued	n/a	17,661	17,913	18,177	18,997	18,998	18,579	17,875
Purchase Orders Issued	464	482	507	617	637	792	563	395
Recreation								
Monterey Sports Center:								
Average Daily Attendance*	n/a	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Number of programs offered (2)	n/a	1,143	1,063	972	748	1,004	925	934
Number of program participants	n/a	6,967	6,463	5,031	4,084	6,231	4,853	5,075
Community Center, sports & camp Programs:								
Number of programs offered	n/a	544	605	509	525	448	525	545
Number of program participants	n/a	4,883	5,684	5,174	4,927	3,959	5,057	5,451
Activity Guide editions published	n/a	3	2	2	2	2	2	2
Activity Guide copies distributed	n/a	53,000	36,000	34,000	34,000	24,550	24,000	15,000
Library								
Visitors	n/a	306,407	331,607	354,254	383,591	388,653	355,606	333,274
Reference questions answered	n/a	32,976	36,660	32,624	39,104	30,124	42,213	30,903
Items checked out	n/a	419,814	418,943	447,333	498,177	556,324	533,661	540,515
Volunteer hours worked	n/a	3,313	3,441	1,636	1,893	2,169	1,959	3,368

Source - internal records of City Departments:

Police Department

Fire Department

Finance Department

Recreation & Community Services (*last average daily attendance taken in 2008)

Monterey Public Library

Information in this format was not compiled prior to 2003

CITY OF MONTEREY
CAPITAL ASSET STATISTICS
JUNE 30, 2011

General

Founded	1770
Date of incorporation	1850
Form of government.	Council/Manager
Area.	8.67 square miles
Water area	3.64 square miles

Fire Protection

Number of stations.	4 **
Number of commissioned fire personnel (actual)	62 **

** Includes Fire Services provided to the City of Pacific Grove by contract, one PG fire station included in above total. All employees are now employed by the City of Monterey .

Police Protection

Number of stations.	1
Number of sworn police personnel (actual).	53

Infrastructure Facilities *

Miles of streets (centerline).	107
Miles of sewers	112
Storm Drain (miles).	41.18

* Does not include Presidio of Monterey or Naval Postgraduate School

Recreation and Culture

Number of community centers.	4
Sports centers.	1
Museums	4
Parks.	545 acres
City beaches.	2.5 miles/36 acres

Libraries

Number of libraries	1
Number of bookmobiles	1
Number of items (books, videos, tapes, etc)	122,162

Source: City of Monterey