

CITY OF MONTEREY CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014



Prepared by the Finance Department
Jimmy Forbis, Finance Director



CITY OF MONTEREY
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

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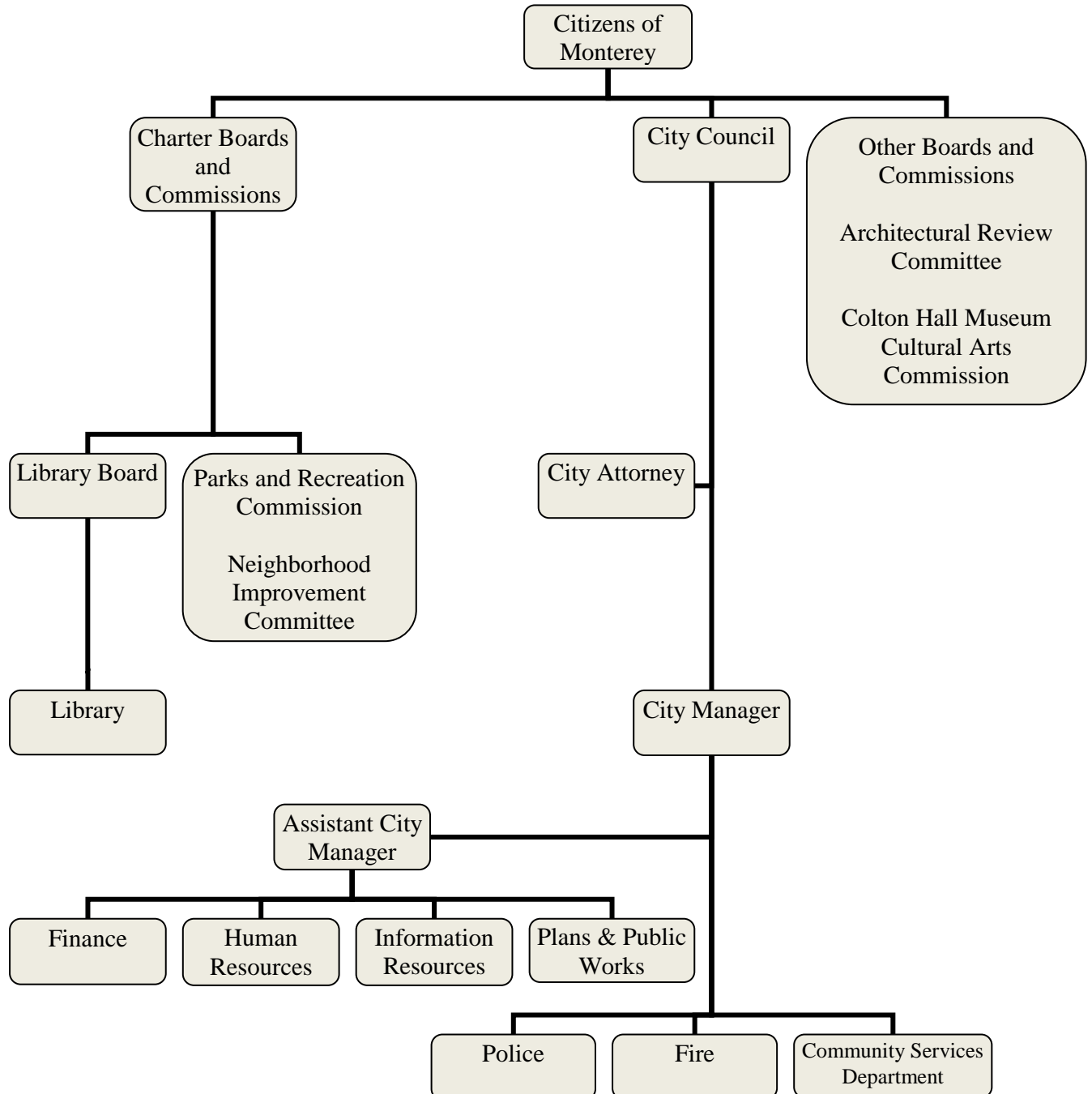
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CITY OF MONTEREY

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CITY ORGANIZATIONAL CHART



CITY COUNCIL

Chuck Della Sala
Mayor

Libby Downey
Nancy Selfridge

Alan Haffa
Frank Sollecito

PRINCIPAL ADMINISTRATIVE OFFICERS

City Manager Michael McCarthy
Assistant City Manager..... Hans Uslar
City AttorneyChrissy Davi
Community Services DirectorKim Bui-Burton
Deputy City Manager Plans & Public Works..... Danial Pick
Information Resources Director and City Clerk..... Bonnie Gawf
Interim Human Resources Director Michele Maloney
Library Director William Michael
Finance Director Jimmy Forbis
Fire Chief..... Gaudenz Panholzer
Police Chief Philip Penko



Government Finance Officers Association

**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, 2013

Executive Director/CEO



December 19, 2014

Honorable Mayor and City Council
Michael McCarthy, City Manager
City of Monterey

I am pleased to present to you the 2013-14 (FY 14) 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, 2014, 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 is to provide a reasonable assurance that the financial statements of the City of Monterey for the fiscal year ended June 30, 2014, 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 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

The local economy continued with a slow growth pattern in FY14. The City's top revenue, Transient Occupancy Tax (TOT), which was projected to increase 3% in FY14, outperformed projections with an increase of 9.8%. For fiscal year 2014/2015 (FY15) an increase in TOT of 2% has been forecasted. This conservative approach is being taken based on unusual weather across the Country experienced during the winter of 2014, as well as the upcoming renovation of the Monterey Conference Center, which will likely result in a decrease in conference visitors during the renovation period.

Real property values continued to increase in FY14. While the number of single-family residences sold in FY14 decreased by 51%, the median sales price of a single-family home rose from \$585,000 to \$632,500 as of the quarters ended June 2013 and 2014 respectively, indicating a more stable market. A good sign but still far short of the \$795,000 median sales price reported in 2007. Given recent stronger numbers, for FY15, property tax receipts are expected to increase another 2.3%.

Receipts from sales tax reflect an 8% growth from than the previous year, which is 4.2% above projections. This increase is solely due to a change in methodology to recognize sales tax receipts in a manner more closely aligned with the period they were earned in. Notwithstanding this timing change, sales tax revenues remained relatively flat for the fiscal year. Sales tax estimates for FY15 are expected to grow by a modest .1%.

Long-term financial planning

For long-term financial forecasting and planning purposes the City of Monterey uses conservative estimates for revenue growth. For the City General Fund's largest revenue source, TOT, despite the 9.8% growth rate in FY14, revenue estimates are projected to grow in the out-years at a slower rate than in the past. Historic growth patterns have shown a 4% increase annually over time. However, we expect TOT to increase at a much lower rate of only 2% beginning in FY15 and annually after that. As mentioned previously, it is anticipated that the Conference Center rehabilitation will have a significant effect on TOT during the course of the project, expected to occur during FY16. Out-year growth projections for property and sales taxes are 4% and 4.5% respectively indicating that these key revenue streams are expected to continue to rebounds, although only slowly over time. There is an expected one-time increase in sales tax expected in FY16 due to the end of the "triple-flip", in which a one-time true-up of approximately \$350,000 will occur.

At the end of FY14 the City of Monterey had \$734,436 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 funds are scheduled for use, as necessary infrastructure renewal often has no other source of funds.

Beyond the General Fund, the City maintains nearly \$15.2 million in reserves to maintain and replace facilities and equipment with separate funding sources such as parking, marina and vehicle replacement.

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 downturn a decade ago resulting from the after-effects of 9-11 and the bursting of the dot-com bubble, in 2004, the City Council authorized a drawdown of the Reserve for Economic Uncertainty of \$1.5 million to supplement \$2.5 million in budget reductions in order to solve a \$5 million budget gap. An additional \$5.2 million was added back to the reserve in FY14 from one-time revenues, bringing the reserve to \$8.7 million, just under 14%. It is also important to note that this reserve was not tapped during the Great Recession as the City Council understood the importance of implementing ongoing structural budget reductions amounting to about \$12 million over three years.

The structural balancing and revenue recovery noted above are key elements in the City's current 5-year plan to address an existing under-funding of some key City infrastructure reserves. Additional funding for streets, storm drains, sewers and building facilities is needed to adequately care for the City's infrastructure and facilities over the long run. The current forecast does not anticipate any growth in reserves for this very important obligation and the City Council approved a measure to be placed on the November 2014 ballot for a 1% sales tax increase specifically for street, sidewalk and storm drain improvements. This special tax was approved by voters and will provide increased funding for four years.

Due to 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 budget for FY15 is balanced. This is a significant accomplishment in today's very challenging economic environment. It is one that City Council and management take very seriously and will continue to do so by using a thoughtful, measured program for defining City values, programs and priorities.

It is important to point out the City has shown a willingness to address its' fiscal challenges and make decisions that focus on the long-term fiscal health of the City, however, the investment into the City's aging infrastructure is one the will require the City seriously consider the balancing act of providing current services with ensuring that re-investment into the infrastructure is sufficient.

Major Initiatives

Fire Services Contracts – the City of Monterey has consolidated fire service contracts by merging fire departments with the cities of Pacific Grove (2008), Carmel-by-the-Sea (2011), and the Monterey Regional Airport District (2014). 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. The City continues to explore other avenues for sharing services in the region in order to reduce administrative costs.

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 methods for stimulating business activity in the area. Significant public outreach and planning efforts are underway for the City's waterfront, downtown core, Lighthouse Avenue and North Fremont Avenue. Much progress has been made in this area over the last fiscal year. In October, 2013 the City Council adopted the Downtown Specific Plan, and in April, 2014, the City Council adopted the North Fremont Specific Plan.

Conference Center Facilities District – The Monterey Conference Center, built in 1977, is the cornerstone of the City's downtown. In order to remain competitive and continue to provide an economic driver for the City, a major renovation is necessary. In FY13, the Conference Center Facilities District (CCFD) was

formed to provide a funding mechanism for the renovation of the Monterey Conference Center, and the City Council declared intent to issue debt up to \$50 million to finance the project. In March, 2014, following a special election of qualified electors of the CCFD, a special tax was levied on all hotel properties within the CCFD. This special tax became effective on July 1, 2014. Proceeds from the special tax are dedicated to the repayment of debt issued.

Sewer System Rehabilitation - In August of 2011 the City Council approved a wastewater system rate increase in order to finance the debt service on a \$16.8 million loan from the State of California which will rehabilitate much of the City's aging system. A funding agreement was received from the State in February, 2014 which will lead to a series of construction projects over the next three years to rehabilitate the City's aging sewer infrastructure.

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 recognized 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 recognized when earned and expenses recorded 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 judgments 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.

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

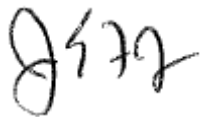
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Monterey for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the 18th consecutive year 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, Robin Briggs, Carol Bouchard, Rhonda Combs, Vicki Courtney, Wendy Davies, Linda English, Herlinda Franklin, Lorraine Franks, Pamela Hart, Liza Linsao, Melanie Martin, Erika Martinez, Felicia Ming, Rachel Nolin, Rachel Polen, Julie Porter, and Matteo Russo. 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, the City's Finance Department receives leadership and support throughout the fiscal year from Mayor Chuck Della Sala, Council Members Libby Downey, Alan Haffa, Nancy Selfridge and Frank Sollecito, the City Manager, Michael McCarthy, and Assistant City Manager, Hans Uslar. Their support of the City's Finance Department and commitment to a long-term approach to policy and financial decisions have proven to be invaluable in keeping Monterey a great place to work and live.

Sincerely,

A handwritten signature in black ink, appearing to read 'J Forbis', is positioned above the printed name.

Jimmy Forbis
Finance Director



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of the City of Monterey's basic financial statements. The Introductory section, Supplementary Information, and Statistical Section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary information is fairly stated, in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, 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.

R. J. Ricciardi, Inc.

R. J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
December 15, 2014



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, 2014. 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 a net position (total assets less total liabilities) of \$213.5 million at June 30, 2014. Most of this amount (\$139.1 million) is made up of net investment in capital assets, such as infrastructure, roads, land and buildings. The restricted net position of \$35.8 million may be used for the City's ongoing obligations related to programs with external restrictions. Another \$38.6 million was reported as unrestricted net position, though much of that is classified as "non-spendable" such as the \$15.2 million Parking Fund long-term receivable. The remainder is designated for purposes such as economic uncertainty and capital renewal.
- Government-wide revenues increased by \$7.4 million in 2013/2014 mainly due to increases of \$5.2 million in charges for services, primarily due to the addition of fire contract services with the Monterey Airport District and from one-time revenues received from the La Mesa Fire contract and from the Presidio fund for prior year true-ups. In addition, revenues from increases in taxes, including \$1.7 million in transient occupancy tax and \$.6 million in sales tax helped contribute to this increase. While business-type activities including Parking and Marina Revenue, had increases of \$.8 million in charges for services, these were offset by decreases of \$2 million in charges for services in the Presidio of Monterey.

The City's total expenses decreased by \$10.4 million in 2013/2014. This consisted of a \$7.8 million decrease in expenses related to governmental activities and a \$2.5 million decline in expenses for business-type activities. Expense decreases in governmental activities were due mainly to a decrease in Public Works, which is a result of capitalizing completed construction in progress during FY14. Decreases in expenses in business-type activities were due primarily to the Presidio of Monterey, related to a reduction in services. This reduction in expenses corresponds to the reduction in revenue stated above.

Fund Highlights

- From the City's fund level statements, the Ending Fund Balance for the General Fund increased by \$1.5 million during 2013/2014 to \$32.7 million. \$15.9 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 under \$16.8 million has been set aside in a variety of reserves for encumbrances and for contingencies such as economic uncertainty and capital renewal.
- From the City's fund level statements, operating revenues from Business Type Activities exceeded operating expenses by \$3.6 million. This operating surplus was generated primarily by the Marina and Parking Funds, which generated \$.9 million and \$1.7 million in operating income respectively.

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 position* presents information on all of the City of Monterey's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position 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 services, public safety, 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), 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 22 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, Neighborhood Improvement Fund, Low/Mod Income Housing Asset Fund and the Tidelands Fund, 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 two types of fiduciary

funds: an agency fund for City assessment and promotion districts and a trust fund for the Redevelopment Retirement Obligation Fund. The total assets held in the agency fund at June 30, 2013 were \$379 thousand. The Private Purpose Trust Fund, which holds funds for the Redevelopment Retirement Obligation Fund, had total assets of \$109 thousand at fiscal year-end.

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 Position. Net position may serve as a useful indicator of a government's financial position. In the case of the City of Monterey, total net assets were \$213.5 million at the close of the fiscal year ended June 30, 2014.

By far the largest portion of the City of Monterey's net position (66%) 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 Position

	Governmental Activities		Business-Type Activities		Total	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Current & other assets	\$ 99,807,129	\$ 97,745,893	\$ 247,169	\$ (117,833)	\$ 100,054,298	\$ 97,628,060
Capital assets, net	129,392,910	126,857,243	22,171,584	22,794,601	151,564,494	149,651,844
Total assets	229,200,039	224,603,136	22,418,753	22,676,768	251,618,792	247,279,904
Long-term liabilities outstanding	13,957,382	14,437,788	4,745,976	5,250,515	18,703,358	19,688,303
Other liabilities	16,963,416	18,616,661	2,478,669	4,586,503	19,442,085	23,203,164
Total liabilities	30,920,798	33,054,449	7,224,645	9,837,018	38,145,443	42,891,467
Net position:						
Invested in capital assets, net of related debt	121,163,828	117,782,513	17,907,867	17,988,110	139,071,695	135,770,623
Restricted	35,418,022	36,180,564	407,139	416,065	35,825,161	36,596,629
Unrestricted	41,697,391	37,585,610	(3,120,898)	(5,564,425)	38,576,493	32,021,185
Total net position	\$ 198,279,241	\$ 191,548,687	\$ 15,194,108	\$ 12,839,750	\$ 213,473,349	\$ 204,388,437

Total net position for the Governmental Activities consisted of \$198.3 million, which was comprised of \$121.2 million in net capital assets (infrastructure, buildings, roads, land, etc.), \$35.4 million in amounts

legally restricted, and \$41.7 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 (\$8.7 million), capital and neighborhood improvement programs (\$13.1 million), capital renewal & cultural arts (\$1.2 million), or is not currently available, such as the \$15.2 million Parking fund long-term receivable.

Revenue and Expenses. The City's total net position increased by \$9 million during the fiscal year. This increase would have been \$16 million, were it not for a \$7.4 million reduction classified as “Extraordinary Events” during the year. These include \$3.5 million reflecting a conversion of a loan receivable to a capital asset from a deed-in-lieu in the Housing Successor Agency fund, and \$4 million in funds required by the State of California to be returned as a result of the dissolution of Redevelopment Agencies. The remaining \$6 increase is primarily due to increases in program revenues and taxes, and decreases in expenses, primarily in Public Works, which is a result of capitalizing completed construction in progress, which results in a reclassification of expense, and allocation of depreciation over their estimated useful lives.

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

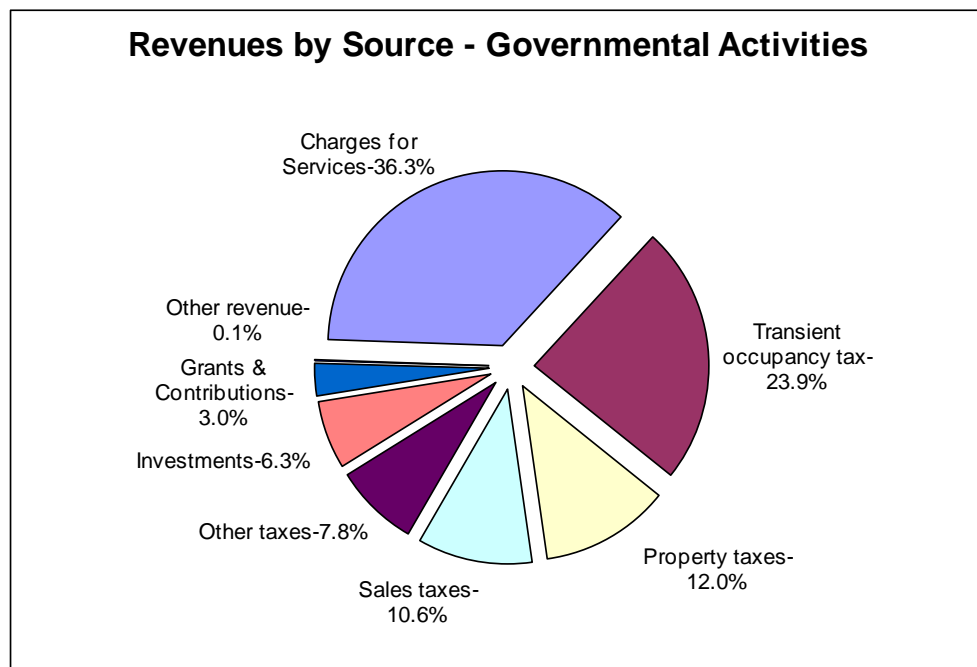
City of Monterey's Summary of Revenues & Expenses

	Governmental Activities		Business-Type Activities		Total	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Revenues:						
Program Revenues:						
Charges for services	\$ 29,281,755	\$ 24,080,708	\$ 21,505,087	\$ 22,913,762	\$ 50,786,842	\$ 46,994,470
Operating grants & contributions	1,187,188	1,386,277	-	-	1,187,188	1,386,277
Capital grants & contributions	1,218,043	724,793	-	-	1,218,043	724,793
General Revenues:						
Transient occupancy tax	19,320,052	17,601,144	-	-	19,320,052	17,601,144
Property tax	7,390,529	7,009,682	-	-	7,390,529	7,009,682
Sales tax	6,339,717	6,133,991	-	-	6,339,717	6,133,991
In-lieu sales taxes (sales tax)	2,217,883	1,795,008	-	-	2,217,883	1,795,008
Other taxes	6,288,542	5,985,960	-	-	6,288,542	5,985,960
Investment income	5,066,372	4,758,794	94,132	103,941.00	5,160,504	4,862,735
Motor vehicle in lieu	-	28,707	-	-	-	28,707
In-lieu VLF (property tax)	2,289,995	2,222,762	-	-	2,289,995	2,222,762
Other revenues	150,849	190,503	-	-	150,849	190,503
Total revenues	80,750,925	71,918,329	21,599,219	23,017,703	102,350,144	94,936,032
Expenses:						
General government	12,352,952	9,052,121	-	-	12,352,952	9,052,121
Public safety	27,656,343	28,230,175	-	-	27,656,343	28,230,175
Public works	9,486,246	19,952,596	-	-	9,486,246	19,952,596
Community development	1,229,500	1,255,059	-	-	1,229,500	1,255,059
Community services	12,713,595	13,022,994	-	-	12,713,595	13,022,994
Library	3,068,552	3,362,875	-	-	3,068,552	3,362,875
Nondepartmental	-	-	-	-	-	-
Interest and fiscal charges	463,574	392,114	-	-	463,574	392,114
Marina	-	-	2,228,058	2,324,992	2,228,058	2,324,992
Parking	-	-	7,502,409	6,826,056	7,502,409	6,826,056
Presidio of Monterey Public Works	-	-	8,474,449	11,571,576	8,474,449	11,571,576
Other Business-type activities	-	-	671,641	712,284	671,641	712,284
Total Expenses	66,970,762	75,267,934	18,876,557	21,434,908	85,847,319	96,702,842
Change in net position before transfers	13,780,163	(3,349,605)	2,722,662	1,582,795	16,502,825	(1,766,810)
Transfers	373,704	362,272	(373,704)	(362,272)	-	-
Extraordinary Event	(7,423,313)	(406,136)	-	-	(7,423,313)	(406,136)
Change in net position	6,730,554	(3,393,469)	2,354,358	1,220,523	9,079,512	(2,172,946)
Net position- Beginning	191,548,687	194,942,156	12,839,750	11,619,227	204,388,437	206,561,383
Net position- Ending	\$ 198,279,241	\$ 191,548,687	\$ 15,194,108	\$ 12,839,750	\$ 213,473,349	\$ 204,388,437

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

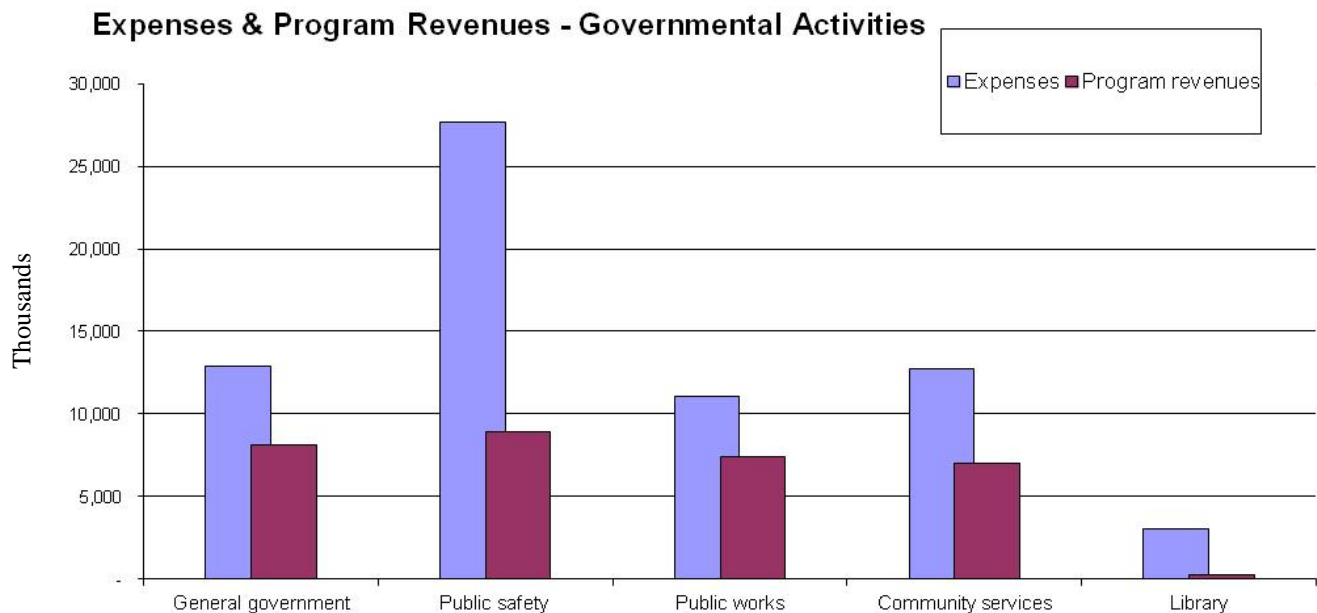
- Transient Occupancy Tax (TOT) receipts were 23.9% of all governmental activities' revenues totaling \$19.3 million. For the fiscal year ended June 30, 2014, TOT increased by \$1.7 million or 9.8%. This was even higher than the revised estimate, and is attributed to both the unusually hard winter elsewhere in the Country and from an improving tourism economy.
- 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 increased by \$3.8 million (8.1%) to \$50.8 million during the fiscal year. Increases in new Fire Service Contracts with the Airport Districts and construction permits and fees were offset by a small decrease in services in support of the Presidio of Monterey contract.
- Property Tax increased by \$.4 million (5.4%) to \$7.4 million due to the increase in property valuation by the County Assessor, both due to sales and the elimination of temporary property tax reductions put in place during the recession.
- Sales Tax receipts (including "In-lieu sales tax") increased by \$.6 million (8%) to \$8.6 million, however, this increase is primarily due to a change in methodology for recognizing sales tax revenue more closely aligned with the period in which it was earned. Sales tax revenue otherwise would have remained relatively flat.
- Business-Type Activities increased the City of Monterey's net assets by \$1.4 million. The key elements of this increase were from revenues generated primarily by Parking and Marina operations, offset by decreases in revenues generated by the Presidio fund.

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 expenses 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 \$2.2 million, while total fund balance was \$32.7 million. Current revenues exceeded current expenditures by \$6.3 million. An excess of transfers to other funds over transfers in from reserves, primarily for capital projects and debt service, resulted in a decrease of \$1 million into the fund from transfers. In addition, the General Fund was required to return \$3.9 million in prior year Redevelopment Loan repayments to the Redevelopment Obligation Retirement Fund for repayment to the County Auditor-Controller, as required under AB 1484 (see Footnote 14). So overall, General Fund activities generated a net increase of \$1.5 million in fund balance during 2013/14. As a measure of the General Fund's liquidity, unassigned fund balance represented 3.4% of General Fund expenditures, though total fund balance represented a healthy 52% of that amount.

The Capital Improvement Fund has a total negative fund balance of \$88 thousand, all of which is restricted or unassigned. The net decrease in fund balance during the fiscal year is mainly due to the continuing completion of projects.

The Neighborhood Improvement Fund has a total fund balance of \$9.4 million, all of which is committed to financing neighborhood related capital improvements.

The Low/Mod Income Housing Asset Fund has a total fund balance of \$7.9 million, most of which is nonspendable in the form of housing loan receivables. As of 6/30/14, \$1.7 million in funds approved by the State Department of Finance as a “Recognized Obligation” of the former Redevelopment Agency are still being held for the completion of the Monterey Hotel Mixed-Use Project.

The Tidelands Fund was established, as prescribed by the State of California, to account for all revenues and expenditures within the tidelands area of the City. At the end of the fiscal year, restricted fund balance was \$8 million. Current revenues exceeded current expenditures by \$.6 million.

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. Total net position of the major Enterprise funds at the end of the year were as follows: the Marina fund: \$1.9 million, the Presidio of Monterey Public Works fund: \$1.1 million, and the Parking fund: \$10.6 million, which reflects an increase of \$2.3 million 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 position which fluctuates based on the timing of completion of projects.

General Fund Budgetary Highlights

Actual General Fund revenues were \$4 million higher than the final amended budget. Transient Occupancy Tax, Sales Tax, Rental Income, Licenses and Permits and Charges for Current Services were all ahead of budget, partially offset by Property Tax and Intergovernmental shortfalls. Expenditure estimates for the General Fund as reflected in the final amended budget were \$2.4 million higher than the original adopted budget. The largest increase, \$1.3 million, was in the Fire department for the addition of a new contract to provide Fire Services to Monterey Regional Airport District.

Total expenditures were under budget by \$2 million. Overall, general fund expenditures were 3.3% under budget and only 3.2% above 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, 2014, amounts to \$151.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads and infrastructure. Next 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 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Land	\$ 29,913,755	\$ 29,913,755	\$ 9,205,157	\$ 9,205,157	\$ 39,118,912	\$ 39,118,912
Buildings	27,908,652	29,308,603	8,466,835	8,953,806	36,375,487	38,262,409
Improvements other than buildings	9,732,012	8,073,049	3,633,880	3,970,423	13,365,892	12,043,472
Machinery and Equipment	4,328,272	4,173,904	473,184	558,008	4,801,456	4,731,912
Infrastructure	48,284,306	47,006,609	-	-	48,284,306	47,006,609
Construction in Progress	9,225,913	8,381,323	392,528	107,207	9,618,441	8,488,530
TOTAL CAPITAL ASSETS	\$ 129,392,910	\$ 126,857,243	\$ 22,171,584	\$ 22,794,601	\$ 151,564,494	\$ 149,651,844

Long-term debt. At the end of the current fiscal year, the City of Monterey had \$12.5 million in long-term debt (not including \$6.3 million in compensated absences and OPEB obligations). This includes \$1.4 million in lease revenue bonds issued by the former Redevelopment Agency and the Joint Powers Financing Authority, \$7 million in a facility lease agreement between the Joint Powers Financing Authority and Capital One Public Funding, and \$4.1 million in loans issued by the State of California, County of Monterey and utility programs. Below is a summary of the City's outstanding liabilities:

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

	Governmental Activities		Business-Type Activities		Total	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Lease Revenue Bonds/Loans	\$ 6,950,000	\$ 7,635,000	\$ 1,420,000	\$ 1,705,000	\$ 8,370,000	\$ 9,340,000
Loans Payable	1,279,082	1,439,730	2,843,717	3,101,491	4,122,799	4,541,221
TOTAL OUTSTANDING DEBT	\$ 8,229,082	\$ 9,074,730	\$ 4,263,717	\$ 4,806,491	\$ 12,492,799	\$ 13,881,221

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

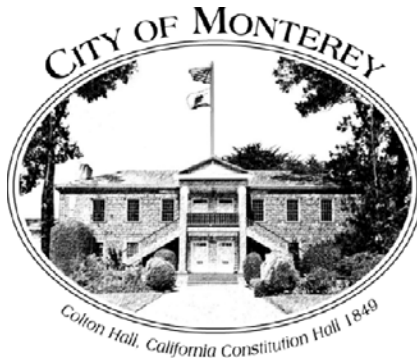
The City's preliminary estimates for 2014-15 (FY15) show a general fund operating budget surplus of \$28 thousand and an available ending balance of \$203 thousand. However, the General Fund Five-Year Forecast reflects continuing decreases in available fund balance over the next few years. There are three primary factors creating this structural imbalance: the City Council approved phased-in funding forwards State mandated retiree health program unfunded liabilities (OPEB); increased pension contributions required by CalPERS due to actuarial methodology changes designed to speed up progress towards full funding of long-term liabilities; and previously negotiated benefit changes effective in June, 2015.

All significant revenue estimates and the FY15 ending balance will be reviewed at mid-year due to consider whether any adjustments should be made. So far in FY15 a stronger than expected increase in Transient Occupancy Tax has helped the General Fund's bottom line. However, even though the local economy continues to rebound, the need to set aside funds for capital renewal of the City's infrastructure and projected increases in retirement rates brought on by changes in actuarial methodologies mean that budget austerity is still in order. City Staff is currently reviewing all budget assumptions, including any projected changes to expenditures, in order to update the estimated operating budget for FY15 and beyond.

Despite these challenges, it remains the City's firm policy to adopt a balanced budget where ongoing inflows equal or exceed ongoing outflows and all infrastructure renewal and other unfunded liability obligations are met. The City has made good progress in this arena, but the FY15 Adopted Budget and General Fund Financial Forecast does reflect reductions in available Fund Balance, an issue which will be addressed during the year.

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 Position 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 Position 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 Position 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 position, by subtracting total liabilities from total assets.

The Statement of Net Position 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 position 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 Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City, and the City of Monterey Joint Powers Financing Authority. The latter 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 POSITION
JUNE 30, 2014

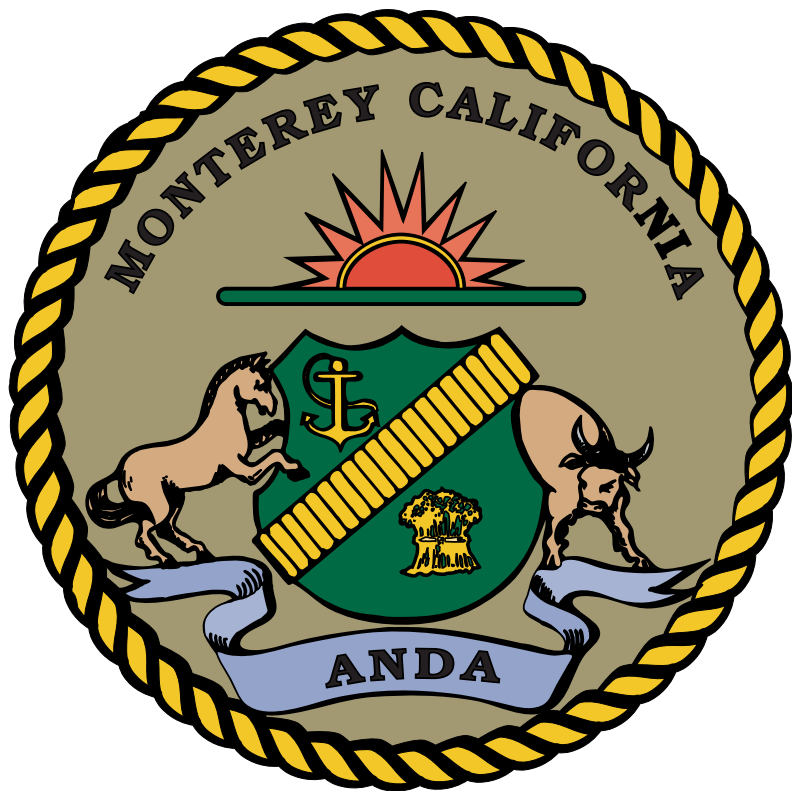
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments available for operations	\$ 56,280,008	\$ 9,823,817	\$ 66,103,825
Restricted cash and investments	5,750,909	407,139	6,158,048
Taxes receivable	4,710,706	-	4,710,706
Accounts receivable	4,941,479	2,992,647	7,934,126
Rehabilitation loans receivable	2,320,984	-	2,320,984
Downpayment assistance loans receivable	2,222,085	-	2,222,085
Project subsidy loans receivable	9,462,165	-	9,462,165
Interest receivable	150,224	52,683	202,907
Internal balances	13,032,264	(13,032,264)	-
Property held for resale	936,305	-	936,305
Issuance costs (net of accumulated amortization)	-	3,147	3,147
Capital assets:			
Non-depreciable assets	39,139,668	9,597,685	48,737,353
Depreciable assets (net of depreciation)	90,253,242	12,573,899	102,827,141
Total assets	229,200,039	22,418,753	251,618,792
LIABILITIES			
Accounts payable and accrued liabilities	4,130,038	2,303,260	6,433,298
Accrued interest	-	175,409	175,409
Accrued claims payable	10,237,034	-	10,237,034
Revenue received in advance	2,596,344	-	2,596,344
Long-term debt:			
Due within one year	998,869	579,369	1,578,238
Due in more than one year	12,958,513	4,166,607	17,125,120
Total liabilities	30,920,798	7,224,645	38,145,443
NET POSITION			
Net investment in capital assets	121,163,828	17,907,867	139,071,695
Restricted for:			
Capital projects	9,119,082	-	9,119,082
Debt service	-	407,139	407,139
Permanent Endowments - nonexpendable	2,476,127	-	2,476,127
Permanent Endowments - expendable	6,409	-	6,409
Grants, contributions & fees for specific purpose	23,029,745	-	23,029,745
Specific purpose by contract	786,659	-	786,659
Total restricted net position	35,418,022	407,139	35,825,161
Unrestricted	41,697,391	(3,120,898)	38,576,493
Total net position	\$ 198,279,241	\$ 15,194,108	\$ 213,473,349

See accompanying notes to financial statements

CITY OF MONTEREY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 12,352,952	\$ 8,148,244	\$ -	\$ -	\$ (4,204,708)		\$ (4,204,708)
Public safety	27,656,343	7,905,213	1,037,530	-	(18,713,600)		(18,713,600)
Public works	9,486,246	6,055,328	4,082	1,218,043	(2,208,793)		(2,208,793)
Community development	1,229,500	83,067	20,795	-	(1,125,638)		(1,125,638)
Community services	12,713,595	6,989,209	-	-	(5,724,386)		(5,724,386)
Library	3,068,552	100,694	124,781	-	(2,843,077)		(2,843,077)
Interest and fiscal charges	463,574	-	-	-	(463,574)		(463,574)
Total governmental activities	66,970,762	29,281,755	1,187,188	1,218,043	(35,283,776)		(35,283,776)
Business-type Activities:							
Marina	2,228,058	2,948,031				\$ 719,973	719,973
Parking	7,502,409	8,463,429				961,020	961,020
Presidio of Monterey Public Works	8,469,049	9,120,880				651,831	651,831
Cemetery	242,726	365,707				122,981	122,981
Materials Recovery	192,067	385,298				193,231	193,231
Navy Services	236,848	221,742				(15,106)	(15,106)
Institutional Network	-	-				-	-
Total business-type activities	18,871,157	21,505,087	-	-	-	2,633,930	2,633,930
Total	\$ 85,841,919	\$ 50,786,842	\$ 1,187,188	\$ 1,218,043	(35,283,776)	2,633,930	(32,649,846)
General revenues:							
Taxes:							
Property taxes					7,390,529	-	7,390,529
Sales taxes					6,339,717	-	6,339,717
In-lieu sales taxes					2,217,883	-	2,217,883
Transient occupancy tax					19,320,052	-	19,320,052
Utility users tax					3,039,026	-	3,039,026
Other taxes					3,249,516	-	3,249,516
Investment income					5,066,372	94,132	5,160,504
In-lieu VLF for general purposes					2,289,995	-	2,289,995
Other revenues					150,849	-	150,849
Transfers					373,704	(373,704)	-
Extraordinary Event (see Note 14)					(7,423,313)		(7,423,313)
Total general revenues and transfers					42,014,330	(279,572)	41,734,758
Changes in net position					6,730,554	2,354,358	9,084,912
Net position - beginning					191,548,687	12,839,750	204,388,437
Net position - ending					\$ 198,279,241	\$ 15,194,108	\$ 213,473,349

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.

NEIGHBORHOOD IMPROVEMENT FUND – The **Neighborhood Improvement 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.

LOW/MOD INCOME HOUSING ASSET FUND

The **Low/Mod Income Housing Asset Fund** is used to account for transfers from the Low and Moderate Income Housing Fund upon elimination of redevelopment. This fund administers the remaining low interest loans issued under the previous Low and Moderate Income Housing Fund, and manages affordable housing opportunities.

TIDELANDS FUND

The **Tidelands Fund** is used to account for all revenues and expenditure within the tidelands area of the City, as prescribed by the State of California.

CITY OF MONTEREY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General	Capital Projects	Neighborhood Improvement	Low/Mod Income Housing Asset Fund	Tidelands	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments							
available for operations	\$ 12,277,954	\$ 925,000	\$ 8,743,544	\$ 1,518,521	\$ 6,020,995	\$ 10,691,640	\$ 40,177,654
Restricted cash and investments:							
Held by fiscal agent	1,343,207	-	-	445,715	-	91,326	1,880,248
Held by city	-	-	-	-	-	2,476,127	2,476,127
Receivables:							
Taxes receivable	4,088,800	-	531,618	-	-	90,288	4,710,706
Accounts receivable	2,738,375	867,585	325,367	3,394	107,349	657,747	4,699,817
Interest receivable	96,067	-	-	3,837	15,275	30,547	145,726
Due from other funds	462,533	-	-	-	-	-	462,533
Advances to other funds	15,868,931	-	-	-	-	-	15,868,931
Loans receivable:							
Rehabilitation	-	-	-	-	-	2,320,984	2,320,984
Downpayment assistance	-	-	-	1,333,265	-	888,820	2,222,085
Project subsidy	-	-	-	5,497,363	2,915,019	1,049,783	9,462,165
Property held for resale	-	-	-	666,379	-	269,926	936,305
Total assets	\$ 36,875,867	\$ 1,792,585	\$ 9,600,529	\$ 9,468,474	\$ 9,058,638	\$ 18,567,188	\$ 85,363,281
LIABILITIES							
Accounts payable and accrued liabilities	\$ 2,876,520	\$ 198,282	\$ 56,428	\$ 23,805	\$ -	\$ 214,674	\$ 3,369,709
Due to other funds	-	-	-	-	-	233,210	233,210
Advances from other funds	772,822	1,682,625	-	-	1,000,000	-	3,455,447
Revenue received in advance	564,196	-	113,102	1,531,863	-	387,183	2,596,344
Total liabilities	4,213,538	1,880,907	169,530	1,555,668	1,000,000	835,067	9,654,710
FUND BALANCES							
Nonspendable fund balance	15,868,931	-	-	6,830,627	-	6,735,714	29,435,272
Restricted fund balance	-	975,212	-	1,082,179	8,058,638	11,100,142	21,216,171
Committed fund balance	13,837,690	-	9,430,999	-	-	35,131	23,303,820
Assigned fund balance	786,659	-	-	-	-	-	786,659
Unassigned fund balance	2,169,049	(1,063,534)	-	-	-	(138,866)	966,649
Total fund balance	32,662,329	(88,322)	9,430,999	7,912,806	8,058,638	17,732,121	75,708,571
Total liabilities and fund balances	\$ 36,875,867	\$ 1,792,585	\$ 9,600,529	\$ 9,468,474	\$ 9,058,638	\$ 18,567,188	\$ 85,363,281

See accompanying notes to financial statements

CITY OF MONTEREY
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances (deficits) reported on the governmental funds balance sheet \$ 75,708,571

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

CAPITAL ASSETS

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

Statement of Net Assets		
Governmental	Internal Service	
Funds	Funds	
126,465,768	2,927,142	129,392,910

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 Position.

Cash and investments	16,102,354
Restricted cash and cash equivalents	1,394,534
Accounts and interest receivable	1,087,504
Accounts payable and accrued liabilities	(11,449,250)

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	Internal Service	
Funds	Funds	
(2,071,285)	(94,131)	(2,165,416)
(417,572)	-	(417,572)
(577,898)	(3,399)	(581,297)
(3,066,755)	(97,530)	(3,164,285)
Long-term debt - due in more than one year	(7,811,510)	(7,811,510)
Compensated absences - due in more than one year	(2,822,688)	(2,981,587)
Subtotal	(10,634,198)	(10,793,097)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 198,279,241

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, 2014

	General	Capital Projects	Neighborhood Improvement	Low/Mod Income Housing Asset Fund	Tidelands	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property tax	\$ 7,315,026	\$ -	\$ -	\$ -	\$ -	\$ 75,503	\$ 7,390,529
Sales tax	6,339,717	-	-	-	-	-	6,339,717
In-lieu sales tax	2,217,883	-	-	-	-	-	2,217,883
Transient occupancy tax	16,228,842	-	3,091,210	-	-	-	19,320,052
Utility users tax	3,039,026	-	-	-	-	-	3,039,026
Other taxes	2,150,686	-	-	-	-	1,098,830	3,249,516
Intergovernmental	3,251,748	945,975	264,378	-	-	222,214	4,684,315
Investment income	1,003,891	3,633	-	83,162	45,496	181,735	1,317,917
Rental income	3,354,772	-	-	48,000	564,108	393,870	4,360,750
Licenses and permits	4,118,161	-	-	-	-	12,446	4,130,607
Charges for current services	19,952,346	-	-	-	-	3,629,369	23,581,715
Fines	265,537	-	-	-	-	-	265,537
Other revenue	507,392	47	-	19,302	-	308,736	835,477
Total revenues	69,745,027	949,655	3,355,588	150,464	609,604	5,922,703	80,733,041
EXPENDITURES							
Current:							
General government:							
City council	124,307	-	-	-	-	-	124,307
City manager	1,079,503	-	-	-	-	238,958	1,318,461
City attorney	816,781	-	-	-	-	-	816,781
Finance	2,070,652	-	-	-	-	-	2,070,652
Human Resources	740,881	-	-	-	-	-	740,881
Information Resources	528,868	-	-	-	-	-	528,868
Nondepartmental charges	545,747	-	130,503	-	-	294,949	971,199
Total general government:	5,906,739	-	130,503	-	-	533,907	6,571,149
Public safety:							
Police	13,130,284	-	-	-	-	3,000	13,133,284
Fire	15,866,307	-	-	-	-	50,548	15,916,855
Total public safety	28,996,591	-	-	-	-	53,548	29,050,139
Public works	13,162,040	-	-	-	-	2,028,061	15,190,101
Community development	401,093	-	-	307,116	-	513,994	1,222,203
Community services	11,756,243	-	-	-	-	24,969	11,781,212
Library	3,014,738	-	-	-	-	187,414	3,202,152
Total current	63,237,444	-	130,503	307,116	-	3,341,893	67,016,956
Capital outlay	-	3,326,381	1,683,218	-	-	-	5,009,599
Debt service:							
Principal	160,648	-	-	-	-	685,000	845,648
Interest and fiscal charges	-	-	-	-	-	463,574	463,574
Total debt service	160,648	-	-	-	-	1,148,574	1,309,222
Total expenditures	63,398,092	3,326,381	1,813,721	307,116	-	4,490,467	73,335,777
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,346,935	(2,376,726)	1,541,867	(156,652)	609,604	1,432,236	7,397,264
OTHER FINANCING SOURCES (USES)							
Transfers in	811,561	2,962,126	-	-	-	825,311	4,598,998
Transfers out	(1,806,678)	(605,161)	(43,555)	(28,324)	-	(1,479,670)	(3,963,388)
Total other financing sources (uses)	(995,117)	2,356,965	(43,555)	(28,324)	-	(654,359)	635,610
EXTRAORDINARY EVENT (see Note 14)	(3,898,488)	-	-	(3,524,825)	-	-	(7,423,313)
NET CHANGE IN FUND BALANCES	1,453,330	(19,761)	1,498,312	(3,709,801)	609,604	777,877	609,561
BEGINNING FUND BALANCES (DEFICITS)	31,208,999	(68,561)	7,932,687	11,622,607	7,449,034	16,954,244	75,099,010
ENDING FUND BALANCES (DEFICITS)	\$ 32,662,329	\$ (88,322)	\$ 9,430,999	\$ 7,912,806	\$ 8,058,638	\$ 17,732,121	\$ 75,708,571

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, 2014

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 Position 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	\$	609,561
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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		12,184,589
Depreciation expense is deducted from the fund balance		
(Depreciation expense is net of internal service fund depreciation of \$789,739 which has already been allocated to serviced funds)		(3,766,039)
Retirements of capital assets		(5,648,070)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.		
Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.		
Repayment of debt principal is added back to fund balance		845,648

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):		
Other post employment benefits		(186,042)
Compensated absences		(152,425)

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 Position - All Internal Service Funds		2,843,331
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	6,730,554

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, 2014

	General Fund				Low/Mod Income Housing Asset Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Over/(Under)	Original Budget	Final Budget	Actual Amounts	Variance- Over (Under)
REVENUES:								
Property tax	\$ 7,573,410	\$ 7,315,883	\$ 7,315,026	\$ (857)	\$ -	\$ -	\$ -	\$ -
Sales tax	6,146,873	5,995,252	6,339,717	344,465	-	-	-	-
In-lieu sales tax	2,238,035	2,217,883	2,217,883	-	-	-	-	-
Transient occupancy tax	15,008,977	15,508,977	16,228,842	719,865	-	-	-	-
Utility users tax	2,970,223	3,070,223	3,039,026	(31,197)	-	-	-	-
Other taxes	2,189,080	2,189,080	2,150,686	(38,394)	-	-	-	-
Intergovernmental	3,228,799	3,762,275	3,251,748	(510,527)	-	-	-	-
Investment income	954,125	954,125	1,003,891	49,766	77,295	77,295	83,162	5,867
Rental income	3,046,540	3,046,540	3,354,772	308,232	48,000	48,000	48,000	-
Licenses and permits	3,938,877	3,938,877	4,118,161	179,284	-	-	-	-
Charges for current services	15,128,202	16,352,950	19,952,346	3,599,396	-	-	-	-
Fines	263,075	263,075	265,537	2,462	-	-	-	-
Other revenue	874,106	882,875	507,392	(375,483)	344,000	344,000	19,302	(324,698)
Total revenues	63,560,322	65,498,015	69,745,027	4,247,012	469,295	469,295	150,464	(318,831)
EXPENDITURES:								
Current:								
General government:								
City council	128,515	128,515	124,307	(4,208)	-	-	-	-
City manager	1,101,520	1,120,107	1,079,503	(40,604)	-	-	-	-
City attorney	782,818	820,536	816,781	(3,755)	-	-	-	-
Finance	2,177,056	2,175,971	2,070,652	(105,319)	-	-	-	-
Human Resources	682,858	744,331	740,881	(3,450)	-	-	-	-
Information Resources	618,494	618,494	528,868	(89,626)	-	-	-	-
Nondepartmental charges	948,002	971,075	545,747	(425,328)	-	-	-	-
Total general government:	6,439,263	6,579,029	5,906,739	(672,290)	-	-	-	-
Public safety:								
Police	13,975,991	14,105,769	13,130,284	(975,485)	-	-	-	-
Fire	14,189,965	15,526,027	15,866,307	340,280	-	-	-	-
Total public safety	28,165,956	29,631,796	28,996,591	(635,205)	-	-	-	-
Public works	12,865,247	13,377,620	13,162,040	(215,580)	-	-	-	-
Community development	374,488	490,863	401,093	(89,770)	2,294,149	2,433,256	307,116	(2,126,140)
Community services	12,014,199	12,069,064	11,756,243	(312,821)	-	-	-	-
Library	3,085,613	3,149,810	3,014,738	(135,072)	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total current	62,944,766	65,298,182	63,237,444	(2,060,738)	2,294,149	2,433,256	307,116	(2,126,140)
Debt service:								
Principal	-	-	160,648	160,648	-	-	-	-
Total debt service	-	-	160,648	160,648	-	-	-	-
Total expenditures	62,944,766	65,298,182	63,398,092	(1,900,090)	2,294,149	2,433,256	307,116	(2,126,140)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	615,556	199,833	6,346,935	6,147,102	(1,824,854)	(1,963,961)	(156,652)	1,807,309
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	811,561	811,561	-	-	-	-
Transfers out	-	-	(1,806,678)	(1,806,678)	-	-	(28,324)	(28,324)
Total other financing sources (uses)	-	-	(995,117)	(995,117)	-	-	(28,324)	(28,324)
EXTRAORDINARY EVENT (see Note 14)	-	-	(3,898,488)	-	-	-	(3,524,825)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 615,556	\$ 199,833	1,453,330	\$ 5,151,985	\$ (1,824,854)	\$ (1,963,961)	(3,709,801)	\$ 1,778,985
Fund balances, July 1, 2013			31,208,999				11,622,607	
Fund balances, June 30, 2014			\$ 32,662,329				\$ 7,912,806	

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, 2014

	Tidelands			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Over/(Under)
REVENUES:				
Property tax	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-
In-lieu sales tax	-	-	-	-
Transient occupancy tax	-	-	-	-
Utility users tax	-	-	-	-
Other taxes	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	42,232	42,232	45,496	3,264
Rental income	456,960	456,960	564,108	107,148
Licenses and permits	-	-	-	-
Charges for current services	-	-	-	-
Fines	-	-	-	-
Other revenue	-	-	-	-
Total revenues	499,192	499,192	609,604	110,412
EXPENDITURES:				
Current:				
General government:				
City council	-	-	-	-
City manager	-	-	-	-
City attorney	-	-	-	-
Finance	-	-	-	-
Human Resources	-	-	-	-
Information Resources	-	-	-	-
Nondepartmental charges	-	-	-	-
Total general government:	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Total public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Library	-	-	-	-
Capital outlay	-	-	-	-
Total current	-	-	-	-
Debt service:				
Principal	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	499,192	499,192	609,604	110,412
OTHER FINANCING SOURCES (USES)				
Transfers in	811,561	-	-	-
Transfers out	(1,806,678)	-	-	-
Total other financing sources (uses)	(995,117)	-	-	-
EXTRAORDINARY EVENT (see Note 14)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ (495,925)	\$ 499,192	609,604	\$ 110,412
Fund balances, July 1, 2013			7,449,034	
Fund balances, June 30, 2014			\$ 8,058,638	

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 POSITION
JUNE 30, 2014

	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	\$ 1,505,512	\$ 6,948,566	\$ 444,027	\$ 925,712	\$ 9,823,817	\$ 16,102,354
Cash held by fiscal agent	-	-	-	-	-	1,394,534
Accounts receivable	114,600	412,312	2,386,510	79,225	2,992,647	241,662
Interest receivable	3,824	17,467	-	31,392	52,683	4,498
Total current assets	<u>1,623,936</u>	<u>7,378,345</u>	<u>2,830,537</u>	<u>1,036,329</u>	<u>12,869,147</u>	<u>17,743,048</u>
Noncurrent assets:						
Restricted cash held by fiscal agent	-	-	-	407,139	407,139	-
Due to other funds	-	-	-	-	-	233,210
Advances to other funds	1,213,688	2,879,263	-	-	4,092,951	608,134
Issuance costs (net of accumulated amortization)	-	-	-	3,147	3,147	-
Capital assets:						
Land	-	9,205,157	-	-	9,205,157	-
Construction in progress	-	392,528	-	-	392,528	-
Buildings and improvements	10,198,558	24,094,544	-	4,603,119	38,896,221	64,366
Machinery and equipment	513,938	727,976	-	8,800	1,250,714	13,789,207
Infrastructure	-	-	-	-	-	61,911
Accumulated depreciation	(7,329,808)	(18,076,979)	-	(2,166,249)	(27,573,036)	(10,988,342)
Total capital assets, net of accumulated depreciation	<u>3,382,688</u>	<u>16,343,226</u>	<u>-</u>	<u>2,445,670</u>	<u>22,171,584</u>	<u>2,927,142</u>
Total noncurrent assets	<u>4,596,376</u>	<u>19,222,489</u>	<u>-</u>	<u>2,855,956</u>	<u>26,674,821</u>	<u>3,768,486</u>
Total assets	<u>6,220,312</u>	<u>26,600,834</u>	<u>2,830,537</u>	<u>3,892,285</u>	<u>39,543,968</u>	<u>21,511,534</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	51,178	504,371	1,738,119	9,592	2,303,260	760,329
Accrued interest	117,301	-	-	58,108	175,409	-
Accrued claims payable	-	-	-	-	-	10,237,034
Due to other funds	-	-	-	10,645	10,645	451,887
Compensated absences-due within one year	-	-	-	-	-	3,399
Debt payable- due within one year	269,369	-	-	310,000	579,369	-
Total current liabilities	<u>437,848</u>	<u>504,371</u>	<u>1,738,119</u>	<u>388,345</u>	<u>3,068,683</u>	<u>11,452,649</u>
Noncurrent liabilities:						
Advances from other funds	1,196,639	-	-	759,383	1,956,022	-
Repayment Agreements Payable	-	15,158,548	-	-	15,158,548	-
Other post employment benefits	40,290	206,560	-	9,276	256,126	94,131
Compensated absences	39,253	174,906	-	11,974	226,133	158,899
Debt payable- due in more than one year	2,574,348	-	-	1,110,000	3,684,348	-
Total noncurrent liabilities	<u>3,850,530</u>	<u>15,540,014</u>	<u>-</u>	<u>1,890,633</u>	<u>21,281,177</u>	<u>253,030</u>
Total liabilities	<u>4,288,378</u>	<u>16,044,385</u>	<u>1,738,119</u>	<u>2,278,978</u>	<u>24,349,860</u>	<u>11,705,679</u>
NET POSITION						
Net investment in capital assets,	538,971	16,343,226	-	1,025,670	17,907,867	2,927,142
Restricted for debt service	-	-	-	407,139	407,139	-
Unrestricted	<u>1,392,963</u>	<u>(5,786,777)</u>	<u>1,092,418</u>	<u>180,498</u>	<u>(3,120,898)</u>	<u>6,878,713</u>
Total net position	<u>\$ 1,931,934</u>	<u>\$ 10,556,449</u>	<u>\$ 1,092,418</u>	<u>\$ 1,613,307</u>	<u>\$ 15,194,108</u>	<u>\$ 9,805,855</u>

See accompanying notes to financial statements

CITY OF MONTEREY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	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	\$ 2,588,144	\$ 8,085,142	\$ 9,120,880	\$ 587,449	\$ 20,381,615	\$ 19,005,825
Lease revenue	279,446	298,919	-	385,298	963,663	-
Other revenue	80,441	79,368	-	-	159,809	30,972
Total operating revenues	2,948,031	8,463,429	9,120,880	972,747	21,505,087	19,036,797
OPERATING EXPENSES						
Salaries and benefits	908,519	3,676,757	3,306,310	105,072	7,996,658	2,382,172
Services and supplies	854,970	2,658,022	5,162,739	348,751	9,024,482	5,566,111
Claims and insurance	-	-	-	-	-	7,211,420
Depreciation and amortization	325,314	461,625	-	123,253	910,192	789,739
Total operating expenses	2,088,803	6,796,404	8,469,049	577,076	17,931,332	15,949,442
Operating income (loss)	859,228	1,667,025	651,831	395,671	3,573,755	3,087,355
NONOPERATING REVENUES (EXPENSES)						
Investment income	12,019	69,622	-	12,491	94,132	17,883
Interest and fiscal charges	(139,255)	(706,005)	-	(94,565)	(939,825)	-
Total nonoperating revenues (expenses)	(127,236)	(636,383)	-	(82,074)	(845,693)	17,883
Income (loss) before transfers	731,992	1,030,642	651,831	313,597	2,728,062	3,105,238
Transfers in	-	246,739	-	-	246,739	-
Transfers out	(384,422)	(236,021)	-	-	(620,443)	(261,906)
Net transfers	(384,422)	10,718	-	-	(373,704)	(261,906)
Change in net position	347,570	1,041,360	651,831	313,597	2,354,358	2,843,332
BEGINNING NET POSITION	1,584,364	9,515,089	440,587	1,299,710	12,839,750	6,962,523
ENDING NET POSITION	\$ 1,931,934	\$ 10,556,449	\$ 1,092,418	\$ 1,613,307	\$ 15,194,108	\$ 9,805,855

See accompanying notes to financial statements

CITY OF MONTEREY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	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	\$ 2,910,133	\$ 8,509,235	\$ 9,558,343	\$ 971,891	\$ 21,949,602	\$ 18,942,341
Payments to suppliers	(852,168)	(2,641,043)	(7,237,918)	(373,487)	(11,104,616)	(5,169,574)
Payments to employees	(907,484)	(3,640,666)	(3,306,310)	(103,963)	(7,958,423)	(2,355,397)
Claims and insurance paid	-	-	-	-	-	(8,597,242)
Cash flows from operating activities	<u>1,150,481</u>	<u>2,227,526</u>	<u>(985,885)</u>	<u>494,441</u>	<u>2,886,563</u>	<u>2,820,128</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund receipts	10,322	-	-	(89,355)	(79,033)	247,474
Interfund payments	(213,688)	(1,490,321)	-	-	(1,704,009)	-
Transfers in	-	246,739	-	-	246,739	-
Transfers out	(384,422)	(236,021)	-	-	(620,443)	(261,906)
Cash flows from noncapital financing activities	<u>(587,788)</u>	<u>(1,479,603)</u>	<u>-</u>	<u>(89,355)</u>	<u>(2,156,746)</u>	<u>(14,432)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	-	(285,321)	-	-	(285,321)	(554,926)
Debt principal repayment	(257,774)	(585,005)	-	(285,000)	(1,127,779)	-
Interest paid	(149,890)	(706,005)	-	(106,229)	(962,124)	-
Cash flows from capital and related financing activities	<u>(407,664)</u>	<u>(1,576,331)</u>	<u>-</u>	<u>(391,229)</u>	<u>(2,375,224)</u>	<u>(554,926)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	12,204	75,110	-	18,544	105,858	17,344
Purchase of investment securities	-	-	-	-	-	(173,007)
Cash flows from investing activities	<u>12,204</u>	<u>75,110</u>	<u>-</u>	<u>18,544</u>	<u>105,858</u>	<u>(155,663)</u>
Net cash flows	167,233	(753,298)	(985,885)	32,401	(1,539,549)	2,095,107
Cash and investments at beginning of period (including restricted cash)	<u>1,338,279</u>	<u>7,701,864</u>	<u>1,435,312</u>	<u>1,300,450</u>	<u>11,775,905</u>	<u>14,007,247</u>
Cash and investments at end of period (including restricted cash)	<u>\$ 1,505,512</u>	<u>\$ 6,948,566</u>	<u>\$ 449,427</u>	<u>\$ 1,332,851</u>	<u>\$ 10,236,356</u>	<u>\$ 16,102,354</u>
Reconciliation of operating income (loss) to cash flows from operating activities:						
Operating income (loss)	\$ 859,228	\$ 1,667,025	\$ 651,831	\$ 395,671	\$ 3,573,755	\$ 3,087,355
Adjustments to reconcile operating income to cash flows from operating activities:						
Depreciation and amortization	325,314	461,625	-	123,253	910,192	789,739
Other post employment benefits liability	2,576	18,679	-	-	21,255	8,245
Compensated absence liability	(1,541)	17,412	-	1,109	16,980	18,530
Change in assets and liabilities:						
Accounts receivables, net	(37,898)	45,806	437,463	(856)	444,515	(94,456)
Accounts payable and other accrued expenses	2,802	16,979	(2,075,179)	(24,736)	(2,080,134)	396,537
Accrued claims payable	-	-	-	-	-	(1,385,822)
Cash flows from operating activities	<u>\$ 1,150,481</u>	<u>\$ 2,227,526</u>	<u>\$ (985,885)</u>	<u>\$ 494,441</u>	<u>\$ 2,886,563</u>	<u>\$ 2,820,128</u>

See accompanying notes to financial statements



FIDUCIARY FUND

The City has two fiduciary funds, an agency fund and a private purpose trust fund. The agency fund is used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The private purpose trust fund is used to account for assets held by the Redevelopment Successor Agency pending distribution to the appropriate taxing entities after the payment of enforceable obligations that were in effect as of the signing of Assembly Bill X1 26. 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 POSITION
JUNE 30, 2014

	Agency Fund	Private Purpose Trust Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and investments	\$ 43,861	\$ 113,908
Accounts receivable	<u>335,070</u>	<u>-</u>
Total assets	<u><u>\$ 378,931</u></u>	<u><u>\$ 113,908</u></u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ -	\$ 4,912
Special assessments	<u>378,931</u>	<u>-</u>
Total liabilities	<u><u>\$ 378,931</u></u>	<u><u>4,912</u></u>
NET POSITION		
Held in trust pending distribution		<u><u>\$ 108,996</u></u>



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 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 this Component Unit has been aggregated and merged (termed “blended”) with those of the City in the accompanying basic financial statements. Financial statements for the Authority may be obtained from the City of Monterey, 735 Pacific Street, Suite A, Monterey, California, 93940.

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) 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 – This 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.

Neighborhood Improvement Fund – 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.

Low and Moderate Income Housing Asset Fund – This fund was created on February 1, 2012 to account for transfers from the Low and Moderate Income Housing Fund upon elimination of redevelopment. This fund administers the remaining low interest loans issued under the previous Low and Moderate Income Housing Fund, and manages affordable housing opportunities.

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

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 and Monterey County Tourism Improvement Districts; Cannery Row, North Fremont, and New Monterey Business Districts; and Downtown and Wharf Promotion Districts. The City has one Private Purpose Trust Fund, which is used to report the resources held and administered by the Successor Agency to the former Redevelopment Agency of the City of Monterey. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for 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'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 a 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, 2014.

CITY OF MONTEREY

Notes to Basic Financial Statements

June 30, 2014

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, 2014

	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance	Net Position
<u>Governmental Funds - Major</u>				
General Fund	\$ 591,168	\$ -	\$ 195,491	\$ -
Low/Mod Income Housing Asset Fund	216,904	-	-	-
<u>Governmental Funds - Minor</u>				
Capital Projects	975,212	-	-	-
Sewer/Storm	85,181	-	-	-
Landscape Maintenance	-	-	-	-
Neighborhood Improvement	-	221,727	-	-
State/Federal Grants	-	-	-	-
Construction Truck Impact Fee	-	-	-	-
Gas Tax	32,953	-	-	-
Housing	12,733	-	-	-
<u>Proprietary Funds</u>				
Marina	-	-	-	5,000
Parking	-	-	-	30,901
Presidio of Monterey Public Works	-	-	-	234,990
Navy Services	-	-	-	14,250
<u>Internal Service Funds</u>				
Equipment Replacement	-	-	-	467,513
Vehicle Maintenance	-	-	-	55,649
Information Services	-	-	-	502,886
Risk Management	-	-	-	23,311
<u>Agency Funds</u>				
RDA Obligation Retirement	-	-	-	38,994
Classification Totals	1,914,151	221,727	195,491	1,373,494
City Total				<u>\$3,704,862</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 position.

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 the City's previous Low & Moderate Income Housing Program, the former Redevelopment Agency purchased and sold affordable homes in the City to low/moderate income homebuyers in accordance with the affordable housing program. With the dissolution of the Redevelopment Agency, the City has elected to act as the Housing Successor Agency, which now administers this program. Homes are sold at below-market prices, but purchasers must resell these homes only to the City at approximately the same price and in the same condition. Homes owned by the City 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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 resolution adopted by the City Council (the City's level of decision-making authority) and use of these 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. The City Council adopts the City's Financial Policies as part of the adoption of the annual budget. The Financial Policies include policies on the assignment of fund balance.
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, and then less restricted funds as required.

M. Stabilization Reserve

The City maintains a stabilization arrangement in the form of the "Reserve for Economic Uncertainty". The City Council retains the authority to establish the Reserve for Economic Uncertainty as a Committed Fund Balance by Council Resolution. The City goal is to maintain a reserve equivalent to 15% of the General Fund annual operating budget. The City Council approves additions to the stabilization arrangements through the adoption of the annual budget, should the reserve fall below 15%. The stabilization arrangement is established for the purpose of providing funds for an unforeseen, urgent event that affects the operations or safety of the City (e.g. natural disaster). The recognition of an urgent event must be established by the City Council, and a budget revision must be approved. The balance of the reserve at the end of the fiscal year was \$8,705,618.

N. Purposes of Major Special Revenue Funds

1. **Capital Projects Fund** – This 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

proprietary fund types). Authorized general fund appropriations, grants and loans may be included in the fund.

2. **Neighborhood Improvement Fund** – 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.
3. **The Low and Moderate Income Housing Asset Fund** is used to account for asset transfers from the Low and Moderate Income Housing Fund upon elimination of redevelopment. This fund administers the remaining low interest loans issued under the previous Low and Moderate Income Housing Fund, carries out obligations of the former Redevelopment Agency, and manages affordable housing opportunities.
4. **The Tidelands Fund** was established, as prescribed by the State of California, to account for all revenues and expenditures within the tidelands area of the City.

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, 2014							
	General	Capital Projects	Neighborhood Improvement	Low/Mod Income Housing Asset Fund	Tidelands	Other Governmental Funds	Total Governmental Funds
FUND BALANCES							
Nonspendable fund balance							
Long-term receivables	\$ 15,868,931	\$ -	\$ -	\$ 6,830,627	\$ -	\$ 4,259,587	\$ 26,959,145
Amounts due other agencies	-	-	-	-	-	-	-
Scholz non-expendable trust	-	-	-	-	-	2,476,127	2,476,127
Total Nonspendable	15,868,931	-	-	6,830,627	-	6,735,714	29,435,272
Restricted fund balance							
Restricted for specific purposes	-	975,212	-	415,800	6,327,046	10,337,453	18,055,511
Property held for resale	-	-	-	666,379	-	269,926	936,305
Sewer mains projects	-	-	-	-	-	321,440	321,440
CR Hotel Proj. Feasibility Conting.	-	-	-	-	1,731,592	-	1,731,592
Bookmobile replacement	-	-	-	-	-	155,702	155,702
Frank Emilio La Cauza trust	-	-	-	-	-	15,621	15,621
Total Restricted	-	975,212	-	1,082,179	8,058,638	11,100,142	21,216,171
Committed fund balance							
Committed for specific purposes	-	-	305,391	-	-	(127,695)	177,696
Stabilization reserve	8,705,618	-	-	-	-	-	8,705,618
Capital outlay and cultural arts	1,163,105	-	-	-	-	-	1,163,105
Capital improvement program	3,968,967	-	9,125,608	-	-	-	13,094,575
Total Committed	13,837,690	-	9,430,999	-	-	(127,695)	23,140,994
Assigned fund balance:							
For unexpended encumbrances	786,659	-	-	-	-	-	786,659
Unassigned fund balance	2,169,049	(1,063,534)	-	-	-	23,960	1,129,475
Total fund balance	\$ 32,662,329	\$ (88,322)	\$ 9,430,999	\$ 7,912,806	\$ 8,058,638	\$ 17,732,121	\$ 75,708,571

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Net Position

Net Position is measured on the full accrual basis as compared to Fund Balance, which is measured on the modified accrual basis. Net Assets is the excess of all the City's assets over all its liabilities, regardless of source. Net Position is divided into three captions and is described as follows:

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

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

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

Q. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the City recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The City has no items which qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the City that is applicable to a future reporting period. The City has no items which qualify for reporting in this category.

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.

NOTE 2 – CASH AND INVESTMENTS (Continued)

As of June 30, 2014, the City had the following investments:

	Total Fair Value	1 Year or less	1-3 Years	3-5 Years	Rating at June 30, 2014
Agency	\$ 23,751,955	\$ 10,467,271	\$ 8,291,980	\$ 4,992,704	AAA
U.S. Treasury Note	15,240,964	4,002,266	11,238,698	-	AA
US Corporate	3,067,969	-	2,090,013	977,956	AA
US Corporate	10,681,605	2,022,746	5,572,212	3,086,647	A
Money Market Fund	608,325	608,325	-	-	A
Corporate Notes	3,277,574	3,277,574	-	-	P-1
1994 Bond	407,139	407,139	-	-	Not Rated
Local Agency Investment Fund	8,002,390	8,002,390	-	-	Not Rated
Payment Obligation Bond Time Deposit	1,343,207	1,343,207	-	-	Not Rated
Total Investments	66,381,128	\$ 30,130,918	\$ 27,192,903	\$ 9,057,307	
Cash (overdraft) in bank and on hand	6,038,518				
Total cash and investments	<u>\$ 72,419,646</u>				

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position

Cash & investments available for operations	\$ 66,103,828
Restricted cash & investments	6,158,048
Fiduciary Funds- Cash & investments	<u>157,770</u>
Total cash and investments	<u>\$ 72,419,646</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

NOTE 2 – CASH AND INVESTMENTS (Continued)

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.

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.

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 \$4,074,510 at June 30, 2014.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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, 2014 was \$6,055 less 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.

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, 2014 were as follows:

	Transfer In:				
	Governmental Funds		Enterprise Funds:		Total Transfers Out
	General Fund	Capital Projects	Non-Major Gov.	Parking	
Transfer Out from:					
Governmental Funds:					
General Fund	\$ -	\$ 1,009,691	\$ 796,987	\$ -	\$ 1,806,678
Capital Projects	-	605,161	-	-	605,161
Neighborhood Improvement	-	43,555	-	-	43,555
Low/Mod Housing Asset	-	-	28,324	-	28,324
Non-major Governmental	236,106	1,212,682	-	30,882	1,479,670
Enterprise Funds:					
Marina	168,565	-	-	215,857	384,422
Parking	239,890	(3,869)	-	-	236,021
Internal Service Funds	167,000	94,906	-	-	261,906
Total transfers in	\$ 811,561	\$ 2,962,126	\$ 825,311	\$ 246,739	\$ 4,845,737

Transfers of \$811,561 into the General Fund came from:

- Non-major Governmental Funds: The Public Safety Training (\$14,265) for USAR program and succession planning, the Debt Service fund (\$100,000) from interest earnings, the Scholze fund for park maintenance (\$7,470), the State COPS, AB1913 funding of a Domestic Violence Officer (\$105,515), the Gas Tax fund for Engineer payment (\$6,000), and the Golden 55 Travelers fund (\$2,856) for staff reimbursement.

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

- The Marina Fund (\$168,565) for Wharf II maintenance and building repairs.
- The Parking Fund (\$239,890) for custodial, parks, and street maintenance services.
- \$167,000 came from the Information Service fund for radio system debt payment.

Transfers of \$2,962,126 into Major Governmental Funds came from:

- The City utilizes Capital Project Funds for all capital projects expenses, and reimbursement comes from the appropriate funding sources. Capital Projects Fund for reimbursement of capital project expenses came from the General fund (\$1,099,691), the Neighborhood Improvement fund (\$43,555), and other non-major funds like the Sewer Line Maintenance Fund (\$770,922) and Gas Tax fund (368,975).
- The Equipment Replacement fund (\$94,906) for the replacement of the sewer and storm inspection van, including inspection equipment.

Transfers of \$825,311 into Non-Major Governmental Funds came from:

- The General Fund to the Debt Service Fund for lease payments on the 2013 Lease Revenue Bond (\$573,849). Public Safety Training (\$183,885) for County-restricted CSA74 funds. The General Fund to fund the City's share of Alvarado Street Maintenance District (\$39,253).
- The Successor Housing Agency to Community Development Block Grant (\$28,324) to reimburse the City's local CDBG program account as required by HUD.

Transfers of \$246,739 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.

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, 2014, inter-fund balances comprised the following:

	<u>Due From / To Other Funds</u>	
	<u>Receivable</u>	<u>Payable</u>
Governmental Funds		
General Fund	\$ 462,533	\$ -
Non-Major Funds		
Debt Service	-	233,210
Navy Services	-	10,645
Internal Service Funds		
Equipment Replacement Fund	233,210	-
Vehicle Maintenance Fund	-	451,888
	<u>\$ 695,743</u>	<u>\$ 695,743</u>

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

C. Long-Term Inter-fund Advances

At June 30, 2014 the funds below had made advances which were not expected to be repaid within the next year:

	<u>Advances From / To Other Funds</u>	
	<u>Receivable</u>	<u>Payable</u>
Governmental Funds		
General Fund	\$ 15,868,931	\$ 772,822
Capital Projects Fund	-	1,682,625
Tidelands	-	1,000,000
Enterprise Funds		
Parking Fund	2,879,263	15,158,548
Marina Fund	1,213,688	1,196,638
Non-Major Funds		
Cemetery Fund	-	759,383
Internal Service Funds		
Equipment Replacement Fund	608,134	-
	<u>\$ 20,570,015</u>	<u>\$ 20,570,015</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. Advances were also made from the Equipment Replacement Fund for purchase of the NGEN radio system and for the purchase of a fire truck.

The Capital Projects Fund received advances from the Parking Fund for Conference Center renovations.

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 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 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. Advances were also made from the Equipment Replacement fund for purchase of the NGEN radio system.

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.

The Cemetery Fund received advances from the General Fund to cover debt service payments related to the construction of columbarium niches. Repayment of these advances to the General Fund began in 2012.

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

D. *Advance Repayment Agreement*

In April, 2013 the City Council declared its' official intent to use proceeds of indebtedness to reimburse itself for prior expenditures relating to the acquisition, construction, improvement, equipping, renovation, rehabilitation, remodeling and other capital projects for the Monterey Conference Center project.

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.

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 former Redevelopment 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. This asset was transferred to the Housing Successor Agency in 2012. 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 September 3, 2013, the City had provided \$3,148,810 under this agreement. Pursuant to an Inter-creditor Agreement executed between the primary lender, Rabobank, 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 former RDA loan on the separate residential condominium airspace parcel. The residential condominium contains all of the projects' 18 affordable apartment units. Upon dissolution of the City of Monterey Redevelopment Agency, the city elected to become Successor Agency and take on the housing activities of the former RDA. The Successor Agency with Oversight Board approval transferred the former RDA loan to the City of Monterey as a housing asset. The State Department of Finance (DOF) confirmed the

NOTE 4 – LOANS AND MORTGAGES RECEIVABLE (Continued)

transfer as a low income housing asset. Additionally, housing funds have been approved by DOF as an enforceable obligation and transferred to the Successor Agency. The transferred funds will be used to complete the residential apartments. On September 3, 2013, the City Council, as Successor Agency, directed staff to pursue remedies provided in the original loan documents governing the project to gain ownership of the apartment condominium through a deed in lieu of foreclosure, trustee's sale, or other means necessary to ensure the affordable housing project is constructed. A grant deed transferring title to the City of Monterey was recorded on December 31, 2013.

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, 2014, the City has provided \$2,915,059 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.

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 ½ year of depreciation in the acquisition and disposal year) along with the straight-line method for the

NOTE 5 – CAPITAL ASSETS (Continued)

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.

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NOTE 5 – CAPITAL ASSETS (Continued)

D. Capital Asset Additions and Retirements

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government	Balance June 30, 2013	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2014
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 29,913,755	\$ -	\$ -	\$ -	\$ 29,913,755
Construction in progress	8,381,323	6,572,794	(5,728,204)	-	9,225,913
Total assets not being depreciated	38,295,078	6,572,794	(5,728,204)	-	39,139,668
Capital assets, being depreciated:					
Buildings and Improvements	59,488,248	-	-	-	59,488,248
Improvements other than buildings	24,777,069	2,314,240	-	-	27,091,309
Machinery and Equipment	17,440,493	1,105,481	(146,135)	-	18,399,839
Infrastructure	76,441,239	2,827,134	-	-	79,268,373
Intangible Assets	-	-	-	-	-
Total assets being depreciated	178,147,049	6,246,855	(146,135)	-	184,247,769
Less accumulated depreciation for:					
Buildings and Improvements	(30,179,645)	(1,399,951)	-	-	(31,579,596)
Improvements other than buildings	(16,704,020)	(655,277)	-	-	(17,359,297)
Machinery and Equipment	(13,266,589)	(951,113)	146,135	-	(14,071,567)
Infrastructure	(29,434,630)	(1,549,437)	-	-	(30,984,067)
Total accumulated depreciation	(89,584,884)	(4,555,778)	146,135	-	(93,994,527)
Total capital assets, being depreciated, net	88,562,165	1,691,077	0	-	90,253,242
Governmental activities capital assets, net	\$ 126,857,243	\$ 8,263,871	\$ (5,728,204)	\$ -	\$ 129,392,910
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 9,205,157	\$ -	\$ -	\$ -	\$ 9,205,157
Construction in progress	107,207	285,321	-	-	392,528
Total assets not being depreciated	9,312,364	285,321	-	-	9,597,685
Capital assets, being depreciated:					
Buildings and Improvements	26,418,262	-	-	-	26,418,262
Improvements other than buildings	12,477,960	-	-	(1)	12,477,959
Machinery and Equipment	1,250,714	-	-	-	1,250,714
Infrastructure	-	-	-	-	-
Total assets being depreciated	40,146,936	-	-	(1)	40,146,935
Less accumulated depreciation for:					
Buildings and Improvements	(17,464,456)	(486,971)	-	-	(17,951,427)
Improvements other than buildings	(8,507,537)	(336,542)	-	-	(8,844,079)
Machinery and Equipment	(692,706)	(84,824)	-	-	(777,530)
Total accumulated depreciation	(26,664,699)	(908,337)	-	-	(27,573,036)
Total capital assets, being depreciated, net	13,482,237	(908,337)	-	(1)	12,573,899
Business-type activities capital assets, net	\$ 22,794,601	\$ (623,016)	\$ -	\$ (1)	\$ 22,171,584

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	\$ 2,143
Police	30,620
Fire	38,077
Public Works, including infrastructure assets	2,279,259
Community Development	23,484
Community Services	1,356,597
Library	35,859
Capital assets held by the City's internal service funds are charged to the various functions based on their usage	<u>789,739</u>
Total depreciation expense - governmental activities	<u>\$ 4,555,778</u>
Business-type activities:	
Marina	\$ 325,314
Parking	461,625
Other business-type activities	<u>121,398</u>
Total depreciation expense - business-type activities	<u>\$ 908,337</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 asset or extend its useful life.

CITY OF MONTEREY

Notes to Basic Financial Statements

June 30, 2014

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, 2014:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Lease Revenue Bonds Payable:					
2002 Joint Powers Financing Authority, 4.0-5.0%, due 05/01/32	\$ 7,635,000	\$ -	\$ 7,635,000	\$ -	\$ -
Loans Payable:					
2013 Refunding-2002 Joint Powers Financing Authority, 3.87% due 5/01/32	-	7,170,000	220,000	6,950,000	270,000
County of Monterey 911 Dispatch Center various %, due 9/17	106,220	-	23,350	82,870	23,465
California Energy Commission 1.0%, due 12/22/22	1,005,419		101,406	904,013	102,423
California Energy Commission 3.95%, due 6/25/25	313,051	-	20,852	292,199	21,684
Pacific Gas & Electric Loan					
Pool Pump Loan 0.0%, due 4/2014	15,040		15,040	-	-
Compensated Absences:	3,391,929	2,138,253	1,967,298	3,562,884	581,297
Net OPEB Obligation	1,971,129	194,287	-	2,165,416	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 14,437,788</u>	<u>\$ 9,502,540</u>	<u>\$ 9,982,946</u>	<u>\$ 13,957,382</u>	<u>\$ 998,868</u>
BUSINESS TYPE ACTIVITIES					
Lease Revenue Bonds Payable:					
1994 Materials Recovery Facility, 5.50-5.75%, due 3/1/18	\$ 1,705,000	\$ -	\$ 285,000	\$ 1,420,000	\$ 310,000
Loans Payable:					
State of California Small Craft Harbor Loans, (a), 4.50%, due 2024	3,101,491	-	257,774	2,843,717	269,369
Compensated Absences:	209,153	147,052	130,072	226,133	15,416
Net OPEB Obligation	234,871	21,255	-	256,126	-
TOTAL BUSINESS TYPE ACTIVITIES	<u>\$ 5,250,515</u>	<u>\$ 168,307</u>	<u>\$ 672,846</u>	<u>\$ 4,745,976</u>	<u>\$ 594,785</u>

The City had \$407,139 in restricted cash and investments at June 30, 2014 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, 2014 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					
2015	\$ 270,000	\$ 268,965	\$ 150,488	\$ 22,541	\$ 711,994
2016	285,000	258,516	153,133	19,896	716,545
2017	295,000	247,487	157,239	17,086	716,812
2018	310,000	236,070	129,916	14,306	690,292
2019	320,000	224,073	131,947	12,276	688,296
2020-2024	1,790,000	925,124	524,299	30,002	3,269,424
2025-2029	2,170,000	550,701	32,060	954	2,753,715
2030-2032	1,510,000	118,422	-	-	1,628,422
TOTAL	\$ 6,950,000	\$ 2,829,357	\$ 1,279,082	\$ 117,061	\$ 11,175,499
Business Type					
2015	\$ 310,000	\$ 81,325	\$ 269,369	\$ 127,967	\$ 788,661
2016	340,000	63,655	209,499	115,846	729,000
2017	370,000	44,275	218,926	106,418	739,619
2018	400,000	23,000	228,778	96,567	748,345
2019	-	-	239,073	86,272	325,344
2010-2024	-	-	1,366,752	259,968	1,626,720
2025	-	-	311,320	14,009	325,329
TOTAL	\$ 1,420,000	\$ 212,255	\$ 2,843,717	\$ 807,047	\$ 5,283,020

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 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.

NOTE 6 – LONG TERM DEBT (Continued)

On October 24, 2013, the Lease Revenue Bonds, Series 2002, originally issued to provide funds for the expansion of the Monterey Sports Center and the purchase of the Catellus East parcel, were fully refunded with proceeds from a privately placed bank financing and a new lease agreement with Capital One Public Funding, LLC at an interest rate of 3.87% through May 1, 2032. Lease payments will be made from the City's General Fund, and are secured by the Police/Fire Station building and Fire Station #3.

On November 19, 2013, the City Council adopted a resolution of formation to create the Conference Center Facilities District No. 2013-1 (CCFD) and a resolution deeming it necessary to incur bonded indebtedness of up to \$50,000,000. On March 4, 2014, the CCFD was finalized following a vote of qualified electors, which authorized the Council to levy a special tax on hotel properties within the City of Monterey, and to issue debt to fund a renovation of the Conference Center. The special tax becomes effective on July 1, 2014. No debt has been issued as of June 30, 2014.

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 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 loan calls for semi-annual principal and interest payments each December 22 and June 25. The source of these payments comes from energy savings generated by the projects.

On March 10, 2010, the City entered into an energy conservation assistance loan agreement with the California Energy Commission. The 1% interest bearing loan in the amount of \$1,104,522.28 was used to complete the retrofit of the bike path/trail lighting with induction lighting; the retrofit of all City street lights with LED lights; and the replacement of all the tunnel lights with LED lighting. Principal and interest payments are due semi-annually on December 22 and June 22. The due date for the first payment is December 22, 2012. The loan will be repaid from rebates and energy savings estimated at over \$100,000 annually.

In February, 2014, the City was approved for a \$16.8 million dollars low interest loan from a Clean Water State Revolving Fund financial assistance agreement administered by the State

NOTE 6 – LONG TERM DEBT (Continued)

Water Resources Control Board. The City is currently executing a multi-year capital program with the goal of bringing the entire system up to a grade of “C” or better by the year 2016. Loan repayments, due over twenty years, will not begin until all of the construction is completed.

Repayment of this loan is fully funded by a Council approved fee structure, which was implemented in 2011.

On May 3rd, 2011, the City Council approved a no-interest loan in the amount of \$35,549.75 from PG&E for the installation of energy efficient variable frequency drives on the pool pump motors at the Monterey Sports Center. The first of 26 payments was due March 2012, with subsequent payments made monthly. The final payment was made in April 2014.

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, 2014, are summarized as follows:

Classic	Safety-Fire	Safety-Police	Miscellaneous
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	55
Benefits per year of service, as a percent of salary	3.00%	3.00%	2.70%
Required employee contribution rates*	12%	13%	11%
Required employer contribution rates (FY 2013)	30.48%	29.48%	19.48%
PEPRA	Safety-Fire	Safety-Police	Miscellaneous
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	57	57	62
Benefits per year of service, as a percent of salary	2.7%	2.7%	2.00%
Required employee contribution rates	11.50%	11.50%	6.25%
Required employer contribution rates (FY 2013)	11.50%	11.50%	22.481%

NOTE 7 – PENSION PLANS (Continued)

*Effective September 16, 2011 the City amended its contract with CalPERS to incorporate cost-sharing of the City's employer contribution rate. Miscellaneous and Safety-Fire employees contribute 3% and Safety-Police 4% of the employer contribution rate.

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, 2014, the City's annual pension costs were \$8,309,088. CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed beginning with the June 30, 2013 annual valuation report, including inflation at 2.75%. 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.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>Miscellaneous Plan</i>			
2011/2012	\$ 4,226,992	100%	0
2012/2013	4,087,908	100%	0
2013/2014	4,549,553	100%	0
<i>Safety Plan</i>			
2011/2012	\$ 3,207,353	100%	0
2012/2013	3,334,224	100%	0
2013/2014	3,759,555	100%	0

Funding Status and Funding Progress: As of June 30, 2013, the most recent actuarial valuation date, the Miscellaneous Plan was 69.1% funded. The actuarial accrued liability for benefits was \$192 million, and the market value of assets was \$133 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$59 million. The covered payroll (annual payroll of active employees covered by the plan) was \$23 million, and the ratio of the UAAL to the covered payroll was 254.6%.

As of June 30, 2013, the most recent actuarial valuation date, the Safety Plan was 70.6% funded. The actuarial accrued liability for benefits was \$142 million, and the market value of assets was

NOTE 7 – PENSION PLANS (Continued)

\$101 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$42 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12 million, and the ratio of the UAAL to the covered payroll was 352.4%. Included in the Plan's UAAL, the liability of the Side Fund as of June 30, 2014 was \$13 million, for a total unfunded liability of \$28 million.

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 PENSION

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 Public Employees' Medical and Hospital Care Act (PEMHCA). The City pays a portion of retiree healthcare premiums equal to the PEMHCA required minimum contribution under the unequal method, currently \$113.05 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, 2014, plan membership consisted of 389 active participants and 167 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 began a 5 year phase-in pre-funding through the California Employers' Retiree Benefit Trust (CERBT) beginning in 2012/13. There are no employee contributions. For fiscal year 2013/14, the City contributed \$452,000 to the retiree healthcare plan.

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

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, 2013, 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:

Annual required contribution	\$ 653,133
Interest on net OPEB obligation	155,523
Adjustment to annual required contribution	(141,114)
Annual OPEB cost (expense)	667,542
Contributions (benefit payments)	(452,000)
Increase in net OPEB obligation	215,542
Net OPEB obligation - beginning of year	2,206,000
Net OPEB obligation - end of year	<u>\$ 2,421,542</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 20011/12 through 2013/14 are as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
June 30, 2012	\$ 657	24.2%	\$ 1,798
June 30, 2013	\$ 709	42.5%	\$ 2,206
June 30, 2014	\$ 668	67.7%	\$ 2,422

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2014 based on the most recent June 30, 2013 actuarial report was (dollar amounts in thousands):

	06/30/13	06/30/14
Actuarial accrued liability (AAL)	\$ 6,995	\$ 6,439
Actuarial value of plan assets	-	(110)
Unfunded actuarial accrued liability (UAAL)	<u>\$ 6,995</u>	<u>\$ 6,329</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	2%
Projected covered payroll (active plan members)	\$ 37,618	\$ 33,782
UAAL as a percentage of covered payroll	18.6%	18.7%

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

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, 2013 actuarial valuation, the plan's most recent actuarial date, 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 5.45% 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% and (c) a 4% per year PEMHCA minimum required contribution. Both (b) and (c) include an inflation component of 2.75%. Medical trend rates are assumed at actual for fiscal years 2014 and 2015. Medical costs are adjusted by 7% starting in 2016 and reduced by half a percent thereafter until reaching 5% for 2020.

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 (25 years remaining on June 30, 2014).

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

NOTE 9 – RISK MANAGEMENT (Continued)

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

	General liability	Workers' compensation
Self insured risk	Up to \$1,000,000	Up to \$400,000
Coverage through:		
pooled insurance	\$1,000,000 to \$2,000,000	\$400,000 to \$50,000,000*
excess insurance	\$5,000,000 to \$50,000,000	Statutory excess of \$50,000,000

* Multi-layer pooled insurance

Coverage above the self insured risk amount for workers' compensation is provided through insurance purchased by the City. Coverage above the self insured 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 pooled and 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 \$297,860 to ACCEL for the year ended June 30, 2014. Financial statements may be obtained from ACCEL, 100 Pine Street, 11th Floor, San Francisco, CA 94111.

Property risks are covered on an occurrence basis up to \$100,000,000 with a \$50,000 deductible, by commercial public entity property 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 Self Insured Claims*

The liability for the self insured portion of claims and judgments included in the internal service fund is based on the results of a bi-annual third party 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 range of 80-90% probability level (IBNR is based on the expected level).

Claims and judgments, 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.

In June 2014, a lawsuit was brought against the City by an employee alleging claims for discrimination, retaliation, and failure to take corrective action. The City is represented by special counsel. At this time, the parties are engaged in settlement negotiations. Plaintiff's initial

NOTE 9 – RISK MANAGEMENT (Continued)

demand exceeded the City's \$1,000,000 self insured retention. Barring settlement, discovery will commence. No trial date has been set. The lawsuit has been reported to ACCEL. Otherwise, there are no pending claims and judgments likely to have a material adverse effect on the financial position due within one year of June 30, 2014.

Preliminary Claims activities for the plan years ended June 30, 2014 and 2013 are presented as follows:

	Workers' Compensation	General Liability	Total	
			2014	2013
Beginning balance	\$ 9,084,000	\$ 2,486,257	\$ 10,611,374	\$ 11,570,257
Liability for current fiscal year claims	2,410,000	303,000	2,713,000	2,759,000
Change in liability for prior fiscal year claims and claims incurred but not reported (IBNR)	(5,449,466)	(432,612)	(5,882,078)	(4,985,274)
Claims paid	1,637,716	129,612	1,767,328	2,226,274
Ending balance	<u>\$ 7,682,250</u>	<u>\$ 2,486,257</u>	<u>\$ 10,168,507</u>	<u>\$ 10,611,374</u>

NOTE 10 – EMPLOYMENT BENEFIT – INSURANCE COVERAGE

The City contracts with CalPERS to provide a Cafeteria type health insurance plan for its employees. The City pays the first \$119.00 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 \$600.00 and \$1,616.00 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 11 – 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.

NOTE 11 – PRESIDIO MUNICIPAL SERVICES AGENCY (Continued)

As of June 30, 2014, the City had outstanding receivables of \$1,318,038. These receivables are still subject to further investigation by the U.S. Army and U.S. Department of Defense. The amount of any receivables as of 6/30/14 which may be disallowed cannot be determined at this time. The City estimates such amounts, if any, to be immaterial.

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 12 – COMMITMENT 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 in the normal course of business. Other than as previously reported in Note 9, 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.

The US Department of Housing and Urban Development (HUD) has informed the City that it had determined that the Van Buren Low and Moderate Income Housing Project has not met the objectives identified under the previously approved Community Development Block Grant (CDBG) project, and that transferred funds needed to be reimbursed with non-federal money. HUD has allowed the City additional time to demonstrate progress towards development of the Van Buren Project provided that the City establish benchmarks to demonstrate progress with the requirement that the City pledge security in the amount of \$1,343,207. The City has deposited this amount in a Payment Bond Timed Deposit account to meet the security requirements.

NOTE 13 – STEWARDSHIP AND COMPLIANCE

At June 30, 2014, several non-major funds had an excess of expenditures over budget as follows:

Construction Truck Impact	\$ 1,458	Public Education & Gov (PEG)	\$ 62,968
Debt Service	\$ 605,021	Special Deposits	\$ 98,693

The excess of expenditures over budget in the Debt Service fund is a result of the redemption of Lease Revenue Bonds, Series 2002 with a new facility lease agreement, authorized by the City

NOTE 13 – STEWARDSHIP AND COMPLIANCE (Continued)

Council in September, 2012. Bond reserves were expended to pay off a portion of the principal balance, resulting in an additional debt service payment.

As expected last fiscal year, the Non-Major Cemetery Enterprise Fund returned to positive net position as of June 30, 2014. No other Non-Major Enterprise funds show a negative fund balance this current fiscal year.

NOTE 14 – EXTRAORDINARY EVENT

In fiscal year 2012, Assembly Bill X1 26 required the dissolution of the Redevelopment Agency of the City of Monterey. This dissolution qualifies as an extraordinary item since this state-wide dissolution was both unusual and infrequent. Transactions related to AB X1 26 continued to occur during fiscal year 2013, based on determinations made during the year by the State Department of Finance. On August 2, 2013, the Department of Finance approved the Due Diligence Review for “Other Funds and Accounts” and identified a balance of \$4,441,141 available for distribution to the taxing entities, of which \$542,623 were funds available in the Successor Agency’s reserves and the remaining \$3,898,488 came from general fund reserves. Funds for this payment had been set aside in the General Fund, Non-Spendable Fund Balance at the end of fiscal year 2013 in anticipation of this payment. Payment was remitted to the County Auditor-Controller on August 8, 2013.

On November 22, 2013 title for the residential condominium airspace parcel of the Monterey Hotel Mixed-Use Project was transferred to the City of Monterey via a deed-in-lieu. The previously recorded loan receivable in the Low/Mod Income Housing Asset Fund in the amount of \$3,524,825 was converted to a capital asset, which does not appear on the Governmental Fund Financial Statements.

NOTE 15 – SUBSEQUENT EVENTS

On November 18, 2014, the City Council authorized a settlement agreement for the June, 2014 lawsuit identified in Note 9. On December 16, 2014, the settlement was accepted by the Plaintiff in the amount of \$700,000. This settlement will become final on December 23, 2014.

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE 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 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. Included in the unfunded liability listed below, the liability of the Side Fund as of June 30, 2013 was \$12,785,989.

The Plans' actuarial values (which differ from market value) and funding progress for years 2011 and 2012 are set forth below at their actuarial valuation date of June 30. Effective with the June 30, 2013 valuations, plans will use the market value.

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				
2011	170,927,827	132,117,980	38,809,847	77.3%	24,120,548	160.9%
2012	183,088,989	140,643,028	42,445,961	76.8%	23,657,825	179.4%
2013	191,828,228	132,578,619	59,249,609	69.1%	23,273,963	254.6%

Public Safety 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				
2011	\$ 131,147,036	\$ 104,672,213	\$ 26,474,823	79.8%	\$ 11,072,283	239.1%
2012	\$ 136,649,390	\$ 109,090,961	\$ 27,558,429	79.8%	\$ 11,684,878	235.8%
2013	\$ 142,478,862	\$ 100,558,489	\$ 41,920,373	70.6%	\$ 11,896,212	352.4%

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS

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

(dollar amount 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)
06/30/12	\$ -	\$6,660	\$6,660	0%	\$36,434	18.3%
06/30/13	-	\$6,995	\$6,995	0%	\$37,618	18.6%
06/30/14	110	\$6,439	\$6,329	2%	\$33,782	18.7%





NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Debt Service Fund – 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.

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.

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. Fees were discontinued on July 2, 2013, and the remaining funds are dedicated to completion of existing capital projects.

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.

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, 2014

SPECIAL REVENUE FUNDS				
	Debt Service	Sewer/Storm Water System Improvements	Landscape Maintenance	State/Federal Grants
ASSETS				
Cash and investments available for operations	\$ 87,752	\$ 5,463,192	\$ 215,208	\$ -
Restricted cash and investments:				
Held by fiscal agent	-	-	-	-
Held by city	-	-	-	-
Receivables:				
Taxes receivable	-	-	-	-
Accounts receivable	-	557,399	-	8,333
Interest receivable	223	12,584	546	-
Loans receivable:				
Rehabilitation	-	-	-	-
Downpayment assistance	-	-	-	-
Project loans	-	-	-	-
Property held for resale	-	-	-	-
Total assets	<u>\$ 87,975</u>	<u>\$ 6,033,175</u>	<u>\$ 215,754</u>	<u>\$ 8,333</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 17,591	\$ 48,569	\$ 2,462	\$ -
Due to other funds	233,210	-	-	-
Revenue received in advance	-	-	-	-
Total liabilities	<u>250,801</u>	<u>48,569</u>	<u>2,462</u>	<u>-</u>
FUND EQUITY				
Nonspendable fund balance	-	-	-	-
Restricted fund balance	-	5,984,606	213,292	8,333
Committed fund balance	-	-	-	-
Unassigned fund balance	(162,826)	-	-	-
Total fund balance	<u>(162,826)</u>	<u>5,984,606</u>	<u>213,292</u>	<u>8,333</u>
Total liabilities and fund balances	<u>\$ 87,975</u>	<u>\$ 6,033,175</u>	<u>\$ 215,754</u>	<u>\$ 8,333</u>

(Continued)

SPECIAL REVENUE FUNDS

<u>Construction Truck Impact Fee</u>	<u>Gas Tax</u>	<u>Parking Adjustments</u>	<u>Housing Grants</u>	<u>Park Dedication</u>	<u>Public Safety Training and Services</u>
\$ 292,272	\$ 1,861,314	\$ 3,007	\$ 1,393,234	\$ 17,506	\$ 180,020
-	-	-	91,326	-	-
-	-	-	-	-	-
-	90,288	-	-	-	-
-	-	-	34,309	-	8,413
-	4,737	87	3,549	45	-
-	-	-	2,320,984	-	-
-	-	-	888,820	-	-
-	-	-	1,049,783	-	-
-	-	-	269,926	-	-
<u>\$ 292,272</u>	<u>\$ 1,956,339</u>	<u>\$ 3,094</u>	<u>\$ 6,051,931</u>	<u>\$ 17,551</u>	<u>\$ 188,433</u>
\$ 1,398	\$ 10,367	\$ -	\$ 25,710	\$ -	\$ 73
-	-	-	-	-	-
-	-	-	387,183	-	-
<u>1,398</u>	<u>10,367</u>	<u>-</u>	<u>412,893</u>	<u>-</u>	<u>73</u>
-	-	-	4,259,587	-	-
290,874	1,945,972	3,094	1,379,451	-	153,229
-	-	-	-	-	35,131
-	-	-	-	17,551	-
<u>290,874</u>	<u>1,945,972</u>	<u>3,094</u>	<u>5,639,038</u>	<u>17,551</u>	<u>188,360</u>
<u>\$ 292,272</u>	<u>\$ 1,956,339</u>	<u>\$ 3,094</u>	<u>\$ 6,051,931</u>	<u>\$ 17,551</u>	<u>\$ 188,433</u>

(Continued)

CITY OF MONTEREY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

SPECIAL REVENUE FUNDS

	Asset Seizure	Public Education and Government Access	Senior Center Programs	Library
ASSETS				
Cash and investments available for operations	\$ 74,147	\$ 1,727	\$ 171,013	\$ 613,727
Restricted cash and investments:				
Held by fiscal agent	-	-	-	-
Held by city	-	-	-	-
Receivables:				
Taxes receivable	-	-	-	-
Accounts receivable	-	44,846	-	4,447
Interest receivable	-	5	437	1,568
Loans receivable:				
Rehabilitation	-	-	-	-
Downpayment assistance	-	-	-	-
Project loans	-	-	-	-
Property held for resale	-	-	-	-
	<u>74,147</u>	<u>46,578</u>	<u>171,450</u>	<u>619,742</u>
Total assets	<u>\$ 74,147</u>	<u>\$ 46,578</u>	<u>\$ 171,450</u>	<u>\$ 619,742</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 52,267	\$ 44,846	\$ 500	\$ 9,591
Due to other funds	-	-	-	-
Revenue received in advance	-	-	-	-
	<u>52,267</u>	<u>44,846</u>	<u>500</u>	<u>9,591</u>
Total liabilities	<u>52,267</u>	<u>44,846</u>	<u>500</u>	<u>9,591</u>
FUND EQUITY				
Nonspendable fund balance	-	-	-	-
Restricted fund balance	21,880	1,732	170,950	610,151
Committed fund balance	-	-	-	-
Unassigned fund balance	-	-	-	-
	<u>21,880</u>	<u>1,732</u>	<u>170,950</u>	<u>610,151</u>
Total fund balance	<u>21,880</u>	<u>1,732</u>	<u>170,950</u>	<u>610,151</u>
Total liabilities and fund balances	<u>\$ 74,147</u>	<u>\$ 46,578</u>	<u>\$ 171,450</u>	<u>\$ 619,742</u>

(Continued)

<u>SPECIAL REVENUE FUND</u>		<u>PERMANENT FUND</u>	
<u>Museum</u>	<u>Special Deposits</u>	<u>Scholze Park</u>	<u>TOTAL</u>
\$ 171,202	\$ 146,160	\$ 159	\$ 10,691,640
-	-	-	91,326
-	-	2,476,127	2,476,127
-	-	-	90,288
-	-	-	657,747
436	80	6,250	30,547
-	-	-	2,320,984
-	-	-	888,820
-	-	-	1,049,783
-	-	-	269,926
<u>\$ 171,638</u>	<u>\$ 146,240</u>	<u>\$ 2,482,536</u>	<u>\$ 18,567,188</u>
\$ -	\$ 1,300	\$ -	\$ 214,674
-	-	-	233,210
-	-	-	387,183
-	1,300	-	835,067
-	-	2,476,127	6,735,714
171,638	144,940	-	11,100,142
-	-	-	35,131
-	-	6,409	(138,866)
<u>171,638</u>	<u>144,940</u>	<u>2,482,536</u>	<u>17,732,121</u>
<u>\$ 171,638</u>	<u>\$ 146,240</u>	<u>\$ 2,482,536</u>	<u>\$ 18,567,188</u>

(Concluded)

CITY OF MONTEREY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS				
	Debt Service	Sewer/Storm Water System Improvements	Landscape Maintenance	State/Federal Grants	Construction Truck Impact Fee
REVENUES					
Property tax	\$ -	\$ -	\$ 75,503	\$ -	\$ -
Other taxes	-	-	-	-	-
Intergovernmental	-	-	-	112,079	-
Investment income	21,263	36,203	1,598	327	-
Rental income	-	-	-	-	-
Licenses and permits	-	-	-	-	350
Charges for services	-	3,492,521	-	-	-
Other	17,825	1,258	-	-	-
Total revenues	39,088	3,529,982	77,101	112,406	350
EXPENDITURES					
Current:					
General government	91,397	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Public works	-	1,901,616	99,098	25,889	1,458
Community development	-	-	-	-	-
Community services	-	-	-	-	-
Library	-	-	-	-	-
Debt service:					
Principal payment	685,000	-	-	-	-
Interest and fiscal charges	463,574	-	-	-	-
Total expenditures	1,239,971	1,901,616	99,098	25,889	1,458
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,200,883)	1,628,366	(21,997)	86,517	(1,108)
OTHER FINANCING SOURCES (USES)					
Transfers in	573,849	-	39,253	-	-
Transfers out	(100,000)	(770,922)	-	(105,515)	(72,784)
Total other financing sources (uses)	473,849	(770,922)	39,253	(105,515)	(72,784)
NET CHANGE IN FUND BALANCES	(727,034)	857,444	17,256	(18,998)	(73,892)
BEGINNING FUND BALANCES (DEFICITS)	564,208	5,127,162	196,036	27,331	364,766
ENDING FUND BALANCES (DEFICITS)	\$ (162,826)	\$ 5,984,606	\$ 213,292	\$ 8,333	\$ 290,874

(Continued)

SPECIAL REVENUE FUNDS

Gas Tax	Parking Adjustments	Housing Grants	Park Dedication	Public Safety Training and Services
\$ -	\$ -	\$ -	\$ -	\$ -
926,547	-	-	-	-
77,122	-	20,795	-	-
12,837	130	82,469	115	-
-	-	393,870	-	-
-	12,096	-	-	-
-	18,635	-	17,680	26,417
-	-	63,765	-	-
<u>1,016,506</u>	<u>30,861</u>	<u>560,899</u>	<u>17,795</u>	<u>26,417</u>
-	-	65,757	-	-
-	-	-	-	-
-	-	-	-	50,548
-	-	-	-	-
-	-	513,994	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	579,751	-	50,548
<u>1,016,506</u>	<u>30,861</u>	<u>(18,852)</u>	<u>17,795</u>	<u>(24,131)</u>
-	-	28,324	-	183,885
<u>(374,976)</u>	<u>(30,882)</u>	<u>-</u>	<u>-</u>	<u>(14,265)</u>
<u>(374,976)</u>	<u>(30,882)</u>	<u>28,324</u>	<u>-</u>	<u>169,620</u>
641,530	(21)	9,472	17,795	145,489
<u>1,304,442</u>	<u>3,115</u>	<u>5,629,566</u>	<u>(244)</u>	<u>42,871</u>
<u>\$ 1,945,972</u>	<u>\$ 3,094</u>	<u>\$ 5,639,038</u>	<u>\$ 17,551</u>	<u>\$ 188,360</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, 2014

	SPECIAL REVENUE FUNDS				
	Asset Seizure	Public Education and Government Access	Senior Center Programs	Library	Museum
REVENUES					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	172,283	-	-	-
Intergovernmental	6,468	-	-	5,750	-
Investment income	-	51	1,395	4,980	1,273
Rental income	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	9,958	6,089
Other	-	-	-	74,353	18,574
Total revenues	6,468	172,334	1,395	95,041	25,936
EXPENDITURES					
Current:					
General government	-	203,060	-	-	-
Police	3,000	-	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	24,969	-	-
Library	-	-	-	184,676	2,738
Debt service:					
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	3,000	203,060	24,969	184,676	2,738
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,468	(30,726)	(23,574)	(89,635)	23,198
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	3,468	(30,726)	(23,574)	(89,635)	23,198
BEGINNING FUND BALANCES (DEFICITS)	18,412	32,458	194,524	699,786	148,440
ENDING FUND BALANCES (DEFICITS)	\$ 21,880	\$ 1,732	\$ 170,950	\$ 610,151	\$ 171,638

(Continued)

SPECIAL REVENUE FUNDS		PERMANENT FUND
Special Deposits	Scholze Park	TOTAL
\$ -	\$ -	\$ 75,503
-	-	1,098,830
-	-	222,214
66	19,028	181,735
-	-	393,870
-	-	12,446
58,069	-	3,629,369
132,961	-	308,736
191,096	19,028	5,922,703
173,693	-	533,907
-	-	3,000
-	-	50,548
-	-	2,028,061
-	-	513,994
-	-	24,969
-	-	187,414
-	-	685,000
-	-	463,574
173,693	-	4,490,467
17,403	19,028	1,432,236
-	-	825,311
(2,856)	(7,470)	(1,479,670)
(2,856)	(7,470)	(654,359)
14,547	11,558	777,877
130,393	2,470,978	16,954,244
\$ 144,940	\$ 2,482,536	\$ 17,732,121
(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, 2014

	Debt Service			Sewer/Storm Water System Improvements		
	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Investment income	-	21,263	21,263	30,451	36,203	5,752
Rental income	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Charges for services	-	-	-	3,058,946	3,492,521	433,575
Other	-	17,825	17,825	-	1,258	1,258
Total revenues	-	39,088	39,088	3,089,397	3,529,982	440,585
EXPENDITURES						
Current:						
General government	5,800	91,397	85,597	-	-	-
Fire	-	-	-	-	-	-
Public works	-	-	-	2,672,087	1,901,616	(770,471)
Community development	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Library	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal payment	255,000	685,000	430,000	-	-	-
Interest and fiscal charges	374,150	463,574	89,424	-	-	-
Total expenditures	634,950	1,239,971	605,021	2,672,087	1,901,616	(770,471)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(634,950)	(1,200,883)	(565,933)	417,310	1,628,366	1,211,056
OTHER FINANCING SOURCES (USES)						
Transfers in	-	573,849	573,849	-	-	-
Transfers out	-	(100,000)	(100,000)	-	(770,922)	(770,922)
Total other financing sources (uses)	-	473,849	473,849	-	(770,922)	(770,922)
NET CHANGE IN FUND BALANCES	\$ (634,950)	(727,034)	\$ (92,084)	\$ 417,310	857,444	\$ 440,134
BEGINNING FUND BALANCES		564,208			5,127,162	
ENDING FUND BALANCES		\$ (162,826)			\$ 5,984,606	

(Continued)

Landscape Maintenance			State/Federal Grants		
Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
\$ 75,595	\$ 75,503	\$ (92)	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	112,963	112,079	(884)
1,341	1,598	257	-	327	327
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
76,936	77,101	165	112,963	112,406	(557)
-	-	-	-	-	-
-	-	-	-	-	-
161,149	99,098	(62,051)	52,900	25,889	(27,011)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
161,149	99,098	(62,051)	52,900	25,889	(27,011)
(84,213)	(21,997)	62,216	60,063	86,517	26,454
-	39,253	39,253	-	-	-
-	-	-	-	(105,515)	(105,515)
-	39,253	39,253	-	(105,515)	(105,515)
\$ (84,213)	17,256	\$ 101,469	\$ 60,063	(18,998)	\$ (79,061)
	196,036			27,331	
	\$ 213,292			\$ 8,333	

(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, 2014

	Construction Truck Impact Fee			Gas Tax		
	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	895,637	926,547	30,910
Intergovernmental	-	-	-	-	77,122	77,122
Investment income	-	-	-	12,032	12,837	805
Rental income	-	-	-	-	-	-
Licenses and permits	-	350	350	-	-	-
Charges for services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	-	350	350	907,669	1,016,506	108,837
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public works	-	1,458	1,458	-	-	-
Community development	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Library	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal payment	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	-	1,458	1,458	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(1,108)	(1,108)	907,669	1,016,506	108,837
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(72,784)	(72,784)	-	(374,976)	(374,976)
Total other financing sources (uses)	-	(72,784)	(72,784)	-	(374,976)	(374,976)
NET CHANGE IN FUND BALANCES	\$ -	(73,892)	\$ (73,892)	\$ 907,669	641,530	\$ (266,139)
BEGINNING FUND BALANCES		364,766			1,304,442	
ENDING FUND BALANCES		\$ 290,874			\$ 1,945,972	

(Continued)

Parking Adjustments			Housing Grants		
Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	181,774	20,795	(160,979)
170	130	(40)	46,277	82,469	36,192
-	-	-	357,312	393,870	36,558
14,043	12,096	(1,947)	-	-	-
18,635	18,635	-	-	-	-
-	-	-	305,800	63,765	(242,035)
32,848	30,861	(1,987)	891,163	560,899	(330,264)
-	-	-	-	65,757	65,757
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,030,369	513,994	(516,375)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,030,369	579,751	(450,618)
32,848	30,861	(1,987)	(139,206)	(18,852)	120,354
-	-	-	-	28,324	28,324
-	(30,882)	(30,882)	-	-	-
-	(30,882)	(30,882)	-	28,324	28,324
\$ 32,848	(21)	\$ (32,869)	\$ (139,206)	9,472	\$ 148,678
	3,115			5,629,566	
	\$ 3,094			\$ 5,639,038	

(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, 2014

	Park Dedication			Public Safety Training and Services		
	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Investment income	-	115	115	-	-	-
Rental income	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Charges for services	-	17,680	17,680	11,000	26,417	15,417
Other	-	-	-	-	-	-
Total revenues	-	17,795	17,795	11,000	26,417	15,417
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Fire	-	-	-	250,890	50,548	(200,342)
Public works	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Library	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal payment	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	-	-	-	250,890	50,548	(200,342)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	17,795	17,795	(239,890)	(24,131)	215,759
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	183,885	183,885
Transfers out	-	-	-	-	(14,265)	(14,265)
Total other financing sources (uses)	-	-	-	-	169,620	169,620
NET CHANGE IN FUND BALANCES	\$ -	17,795	\$ 17,795	\$ (239,890)	145,489	\$ 385,379
BEGINNING FUND BALANCES		(244)			42,871	
ENDING FUND BALANCES		\$ 17,551			\$ 188,360	

(Continued)

Asset Seizure			Public Education and Government Access		
Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	150,000	172,283	22,283
20,000	6,468	(13,532)	-	-	-
-	-	-	-	51	51
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20,000	6,468	(13,532)	150,000	172,334	22,334
-	-	-	140,092	203,060	62,968
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,000	3,000	(7,000)	140,092	203,060	62,968
10,000	3,468	(6,532)	9,908	(30,726)	(40,634)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 10,000	3,468	\$ (6,532)	\$ 9,908	(30,726)	\$ (40,634)
	18,412			32,458	
	\$ 21,880			\$ 1,732	

(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, 2014

	Senior Center Programs			Library		
	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	5,750	5,750
Investment income	1,431	1,395	(36)	4,992	4,980	(12)
Rental income	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Charges for services	-	-	-	9,150	9,958	808
Other	-	-	-	35,199	74,353	39,154
Total revenues	1,431	1,395	(36)	49,341	95,041	45,700
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Community services	25,000	24,969	(31)	-	-	-
Library	-	-	-	223,548	184,676	(38,872)
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal payment	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	25,000	24,969	(31)	223,548	184,676	(38,872)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(23,569)	(23,574)	(5)	(174,207)	(89,635)	84,572
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	\$ (23,569)	(23,574)	\$ (5)	\$ (174,207)	(89,635)	\$ 84,572
BEGINNING FUND BALANCES		194,524			699,786	
ENDING FUND BALANCES		\$ 170,950			\$ 610,151	

(Continued)

Museum			Special Deposits		
Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
1,013	1,273	260	-	66	66
-	-	-	-	-	-
-	-	-	-	-	-
5,000	6,089	1,089	75,000	58,069	(16,931)
2,000	18,574	16,574	-	132,961	132,961
8,013	25,936	17,923	75,000	191,096	116,096
-	-	-	75,000	173,693	98,693
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,450	2,738	(3,712)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,450	2,738	(3,712)	75,000	173,693	98,693
1,563	23,198	21,635	-	17,403	17,403
-	-	-	-	-	-
-	-	-	-	(2,856)	(2,856)
-	-	-	-	(2,856)	(2,856)
\$ 1,563	23,198	\$ 21,635	\$ -	14,547	\$ 14,547
	148,440			130,393	
	\$ 171,638			\$ 144,940	

(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, 2014

	Scholze Park			TOTALS		
	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ 75,595	\$ 75,503	\$ (92)
Other taxes	-	-	-	1,045,637	1,098,830	53,193
Intergovernmental	-	-	-	314,737	222,214	(92,523)
Investment income	17,046	19,028	1,982	114,753	181,735	66,982
Rental income	-	-	-	357,312	393,870	36,558
Licenses and permits	-	-	-	14,043	12,446	(1,597)
Charges for services	-	-	-	3,177,731	3,629,369	451,638
Other	-	-	-	342,999	308,736	(34,263)
Total revenues	17,046	19,028	1,982	5,442,807	5,922,703	479,896
EXPENDITURES						
Current:						
General government	-	-	-	220,892	533,907	313,015
Fire	-	-	-	250,890	50,548	(200,342)
Public works	-	-	-	2,886,136	2,028,061	(858,075)
Community development	-	-	-	1,030,369	513,994	(516,375)
Community services	-	-	-	25,000	24,969	(31)
Library	-	-	-	229,998	187,414	(42,584)
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal payment	-	-	-	255,000	685,000	430,000
Interest and fiscal charges	-	-	-	374,150	463,574	89,424
Total expenditures	-	-	-	5,282,435	4,490,467	(791,968)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,046	19,028	1,982	160,372	1,432,236	1,271,864
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	825,311	825,311
Transfers out	-	(7,470)	(7,470)	-	(1,479,670)	(1,479,670)
Total other financing sources (uses)	-	(7,470)	(7,470)	-	(654,359)	(654,359)
NET CHANGE IN FUND BALANCES	\$ 17,046	11,558	\$ (5,488)	\$ 160,372	777,877	\$ 617,505
BEGINNING FUND BALANCES		2,470,978			16,954,244	
ENDING FUND BALANCES		\$ 2,482,536			\$ 17,732,121	

(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 POSITION
JUNE 30, 2014

	Cemetery	Materials Recovery	Navy Services	Institutional Network	Total
ASSETS					
Current assets:					
Cash and investments available for operations	\$ 248,439	\$ 168,506	\$ -	\$ 508,767	\$ 925,712
Accounts receivable	31,727	-	47,498	-	79,225
Interest receivable	633	29,468	-	1,291	31,392
Total current assets:	<u>280,799</u>	<u>197,974</u>	<u>47,498</u>	<u>510,058</u>	<u>1,036,329</u>
Noncurrent assets:					
Restricted cash held by fiscal agent	-	407,139	-	-	407,139
Issuance costs (net of accumulated amortization)	-	3,147	-	-	3,147
Capital assets:					
Buildings and improvements	1,099,845	3,503,274	-	-	4,603,119
Equipment	8,800	-	-	-	8,800
Accumulated depreciation	<u>(479,973)</u>	<u>(1,686,276)</u>	<u>-</u>	<u>-</u>	<u>(2,166,249)</u>
Total capital assets, net of accumulated depreciation	<u>628,672</u>	<u>1,816,998</u>	<u>-</u>	<u>-</u>	<u>2,445,670</u>
Total noncurrent assets	<u>628,672</u>	<u>2,227,284</u>	<u>-</u>	<u>-</u>	<u>2,855,956</u>
Total assets	<u>909,471</u>	<u>2,425,258</u>	<u>47,498</u>	<u>510,058</u>	<u>3,892,285</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	6,971	41	2,580	-	9,592
Accrued interest	-	58,108	-	-	58,108
Due to other funds	-	-	10,645	-	10,645
Compensated absences-due within one year	-	-	-	-	-
Debt payable- due within one year	<u>-</u>	<u>310,000</u>	<u>-</u>	<u>-</u>	<u>310,000</u>
Total current liabilities	<u>6,971</u>	<u>368,149</u>	<u>13,225</u>	<u>-</u>	<u>388,345</u>
Noncurrent liabilities:					
Advances from other funds	759,383	-	-	-	759,383
Other post employment benefits	9,276	-	-	-	9,276
Compensated absences	11,974	-	-	-	11,974
Debt payable- due in more than one year	<u>-</u>	<u>1,110,000</u>	<u>-</u>	<u>-</u>	<u>1,110,000</u>
Total noncurrent liabilities	<u>780,633</u>	<u>1,110,000</u>	<u>-</u>	<u>-</u>	<u>1,890,633</u>
Total liabilities	<u>787,604</u>	<u>1,478,149</u>	<u>13,225</u>	<u>-</u>	<u>2,278,978</u>
NET POSITION					
Net investment in capital assets	628,672	396,998	-	-	1,025,670
Restricted for debt service	-	407,139	-	-	407,139
Unrestricted	<u>(506,805)</u>	<u>142,972</u>	<u>34,273</u>	<u>510,058</u>	<u>180,498</u>
Total net position	<u>\$ 121,867</u>	<u>\$ 947,109</u>	<u>\$ 34,273</u>	<u>\$ 510,058</u>	<u>\$ 1,613,307</u>

CITY OF MONTEREY
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Cemetery	Materials Recovery	Navy Services	Institutional Network	Total
OPERATING REVENUES					
Charges for services	\$ 365,707	\$ -	\$ 221,742	\$ -	\$ 587,449
Lease revenue	-	385,298	-	-	385,298
Total operating revenues	365,707	385,298	221,742	-	972,747
OPERATING EXPENSES					
Salaries and benefits	105,072	-	-	-	105,072
Services and supplies	109,583	2,537	236,631	-	348,751
Depreciation and amortization	28,071	95,182	-	-	123,253
Total operating expenses	242,726	97,719	236,631	-	577,076
Operating income (loss)	122,981	287,579	(14,889)	-	395,671
NONOPERATING REVENUES (EXPENSES)					
Investment income	1,935	6,634	-	3,922	12,491
Interest and fiscal charges	-	(94,348)	(217)	-	(94,565)
Total nonoperating revenues (expenses)	1,935	(87,714)	(217)	3,922	(82,074)
Income (loss)	124,916	199,865	(15,106)	3,922	313,597
Change in net position	124,916	199,865	(15,106)	3,922	313,597
BEGINNING NET POSITION	(3,049)	747,244	49,379	506,136	1,299,710
ENDING NET POSITION	\$ 121,867	\$ 947,109	\$ 34,273	\$ 510,058	\$ 1,613,307

CITY OF MONTEREY
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Cemetery	Materials Recovery	Navy Services	Institutional Network	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 340,641	\$ 386,718	\$ 244,532	\$ -	\$ 971,891
Payments to suppliers	(110,101)	(2,558)	(260,828)	-	(373,487)
Payments to employees	(103,963)	-	-	-	(103,963)
Cash flows from operating activities	126,577	384,160	(16,296)	-	494,441
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts	(100,000)	-	10,645	-	(89,355)
Cash flows from noncapital financing activities	(100,000)	-	10,645	-	(89,355)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Debt principal repayment	-	(285,000)	-	-	(285,000)
Interest paid	-	(106,012)	(217)	-	(106,229)
Cash flows from capital financing activities	-	(391,012)	(217)	-	(391,229)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	1,903	12,498	-	4,143	18,544
Cash flows from investing activities	1,903	12,498	-	4,143	18,544
Net Cash Flows	28,480	5,646	(5,868)	4,143	32,401
Cash and investments at beginning of period	219,959	569,999	5,868	504,624	1,300,450
Cash and investments at end of period	<u>\$ 248,439</u>	<u>\$ 575,645</u>	<u>\$ -</u>	<u>\$ 508,767</u>	<u>\$ 1,332,851</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ 122,981	\$ 287,579	\$ (14,889)	\$ -	\$ 395,671
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation and amortization	28,071	95,182	-	-	123,253
Compensated absence liability	1,109	-	-	-	1,109
Change in assets and liabilities:					
Accounts receivable, net	(25,066)	1,420	22,790	-	(856)
Accounts payable and other accrued expenses	(518)	(21)	(24,197)	-	(24,736)
Cash flows from operating activities	<u>\$ 126,577</u>	<u>\$ 384,160</u>	<u>\$ (16,296)</u>	<u>\$ -</u>	<u>\$ 494,441</u>



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 POSITION
JUNE 30, 2014

	Equipment Replacement	Vehicle Maintenance	Information Services	Risk Management	Total
ASSETS					
Current assets:					
Cash and investments available for operations	\$ 1,767,403	\$ -	\$ 2,367,281	\$ 11,967,670	\$ 16,102,354
Cash held by fiscal agent	36,227	-	-	1,358,307	1,394,534
Accounts receivable	3,452	47,776	125,444	64,990	241,662
Interest receivable	4,498	-	-	-	4,498
Total current assets:	<u>1,811,580</u>	<u>47,776</u>	<u>2,492,725</u>	<u>13,390,967</u>	<u>17,743,048</u>
Noncurrent assets:					
Due to other funds	233,210	-	-	-	233,210
Advances to other funds	608,134	-	-	-	608,134
Capital assets:					
Buildings and improvements	-	-	64,366	-	64,366
Equipment	10,515,189	51,120	3,222,898	-	13,789,207
Infrastructure	-	-	61,911	-	61,911
Accumulated depreciation	<u>(8,418,998)</u>	<u>(10,434)</u>	<u>(2,558,910)</u>	<u>-</u>	<u>(10,988,342)</u>
Total capital assets, net of accumulated depreciation	<u>2,096,191</u>	<u>40,686</u>	<u>790,265</u>	<u>-</u>	<u>2,927,142</u>
Total noncurrent assets	<u>2,937,535</u>	<u>40,686</u>	<u>790,265</u>	<u>-</u>	<u>3,768,486</u>
Total assets	<u>4,749,115</u>	<u>88,462</u>	<u>3,282,990</u>	<u>13,390,967</u>	<u>21,511,534</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	83,369	49,784	408,438	218,738	760,329
Accrued claims payable	-	-	-	10,237,034	10,237,034
Due to other funds	-	451,887	-	-	451,887
Compensated absences-due within one year	-	513	2,574	312	3,399
Total current liabilities:	<u>83,369</u>	<u>502,184</u>	<u>411,012</u>	<u>10,456,084</u>	<u>11,452,649</u>
Noncurrent liabilities:					
Other post employment benefits	-	37,463	44,207	12,461	94,131
Compensated absences payable	-	27,638	101,127	30,134	158,899
Total liabilities	<u>83,369</u>	<u>567,285</u>	<u>556,346</u>	<u>10,498,679</u>	<u>11,705,679</u>
NET POSITION					
Net investment in capital assets	2,096,191	40,686	790,265	-	2,927,142
Unrestricted	<u>2,569,555</u>	<u>(519,509)</u>	<u>1,936,379</u>	<u>2,892,288</u>	<u>6,878,713</u>
Total net position	<u>\$ 4,665,746</u>	<u>\$ (478,823)</u>	<u>\$ 2,726,644</u>	<u>\$ 2,892,288</u>	<u>\$ 9,805,855</u>

CITY OF MONTEREY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Equipment Replacement	Vehicle Maintenance	Information Services	Risk Management	Total
OPERATING REVENUES					
Charges for services	\$ 815,544	\$ 2,050,090	\$ 3,219,994	\$ 12,920,197	\$ 19,005,825
Other revenue	25,935	4,033	1,004	-	30,972
Total operating revenues	841,479	2,054,123	3,220,998	12,920,197	19,036,797
OPERATING EXPENSES					
Salaries and benefits	-	842,329	1,104,806	435,037	2,382,172
Services and supplies	(49,948)	1,195,709	1,474,756	2,945,594	5,566,111
Claims and insurance	-	-	-	7,211,420	7,211,420
Depreciation	598,858	1,159	189,722	-	789,739
Total operating expenses	548,910	2,039,197	2,769,284	10,592,051	15,949,442
Operating income (loss)	292,569	14,926	451,714	2,328,146	3,087,355
NONOPERATING REVENUES (EXPENSES)					
Investment income	17,883	-	-	-	17,883
Total nonoperating revenues (expenses)	17,883	-	-	-	17,883
Income (loss) before transfers	310,452	14,926	451,714	2,328,146	3,105,238
Transfers out	(94,906)	-	(167,000)	-	(261,906)
Net transfers	(94,906)	-	(167,000)	-	(261,906)
Change in net position	215,546	14,926	284,714	2,328,146	2,843,332
BEGINNING NET POSITION	4,450,200	(493,749)	2,441,930	564,142	6,962,523
ENDING NET POSITION	\$ 4,665,746	\$ (478,823)	\$ 2,726,644	\$ 2,892,288	\$ 9,805,855

CITY OF MONTEREY
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Equipment Replacement	Vehicle Maintenance	Information Services	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 842,200	\$ 2,043,539	\$ 3,177,489	\$ 12,879,113	\$ 18,942,341
Payments to suppliers	133,317	(1,245,844)	(1,162,938)	(2,894,109)	(5,169,574)
Payments to employees	-	(835,466)	(1,074,283)	(445,648)	(2,355,397)
Claims and insurance paid	-	-	-	(8,597,242)	(8,597,242)
Cash flows from operating activities	975,517	(37,771)	940,268	942,114	2,820,128
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts	209,703	37,771	-	-	247,474
Transfers in	-	-	-	-	-
Cash flows from noncapital financing activities	114,797	37,771	(167,000)	-	(14,432)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(284,807)	-	(270,119)	-	(554,926)
Interest paid	-	-	-	-	-
Cash flows from capital and related financing activities	(284,807)	-	(270,119)	-	(554,926)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	17,344	-	-	-	17,344
Purchase of investment securities	(36,227)	-	-	(136,780)	(173,007)
Cash flows from investing activities	(18,883)	-	-	(136,780)	(155,663)
Net cash flows	786,624	-	503,149	805,334	2,095,107
Cash and investments at beginning of period	980,779	-	1,864,132	11,162,336	14,007,247
Cash and investments at end of period	\$ 1,767,403	\$ -	\$ 2,367,281	\$ 11,967,670	\$ 16,102,354
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ 292,569	\$ 14,926	\$ 451,714	\$ 2,328,146	\$ 3,087,355
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	598,858	1,159	189,722	-	789,739
Other post employment benefits	-	3,092	4,638	515	8,245
Compensated absence liability	-	3,771	25,885	(11,126)	18,530
Change in assets and liabilities:					
Accounts receivables, net	721	(10,584)	(43,509)	(41,084)	(94,456)
Accounts payable and other accrued expenses	83,369	(50,135)	311,818	51,485	396,537
Accrued claims payable	-	-	-	(1,385,822)	(1,385,822)
Cash flows from operating activities	\$ 975,517	\$ (37,771)	\$ 940,268	\$ 942,114	\$ 2,820,128



FIDUCIARY FUND

The City maintains two fiduciary funds: an agency fund and a private purpose trust fund. These funds are 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, Monterey Convention Visitor's Bureau Tourism Business Improvement District, New Monterey Business Improvement, Downtown Promotion and the Wharf Promotion Districts.

A private purpose trust fund is used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations or other governments. A summary description of the City's fund is as follows:

Redevelopment Obligation Retirement fund – This fund was established to account for assets held by the Redevelopment Successor Agency pending distribution to the appropriate taxing entities after the payment of enforceable obligations that were in effect as of the signing of Assembly Bill X1 26.

CITY OF MONTEREY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
JUNE 30, 2014

	Private Purpose Trust Fund
ADDITIONS	
Cash and investments	\$ 867,615
Transfers in	3,898,488
Total additions	<u>4,766,103</u>
DEDUCTIONS	
General and administrative	112,125
Net assets disbursed per AB1484 ROPS/DDR	4,540,541
Total deductions	<u>4,652,666</u>
CHANGE IN NET POSITION	
Net position - beginning	(4,441)
Net position - ending	<u><u>\$ 108,996</u></u>

CITY OF MONTEREY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR FISCAL YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
ASSETS				
Cash and investments	\$ 55,786	\$ (11,925)	\$ -	\$ 43,861
Accounts receivable	319,742	15,328	-	335,070
Total assets	<u><u>\$ 375,528</u></u>	<u><u>\$ 3,403</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 378,931</u></u>
LIABILITIES				
Special assessments	<u>\$ 375,528</u>	<u>\$ 3,403</u>	<u>\$ -</u>	<u>\$ 378,931</u>
Total liabilities	<u><u>\$ 375,528</u></u>	<u><u>\$ 3,403</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 378,931</u></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 97-101)

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 102-107)

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 108-111)

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 112-113)

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 114-116)

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 POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 70,009,434	\$ 72,531,108	\$ 118,927,030	\$ 121,625,816	\$ 124,462,307	\$ 122,902,447	\$ 123,156,792	\$ 120,401,873	\$ 117,782,513	\$ 121,163,828
Restricted	26,572,854	28,151,012	32,691,952	32,088,899	31,152,448	35,581,294	37,216,422	33,409,687	36,180,564	35,418,022
Unrestricted	28,340,493	28,168,772	25,278,714	42,676,222	41,506,306	38,282,898	36,206,132	41,130,596	37,585,610	41,697,391
Total governmental activities net position	<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>	<u>\$ 194,942,156</u>	<u>\$ 191,548,687</u>	<u>\$ 198,279,241</u>
Business-type activities										
Net investment in capital assets	\$ 11,353,857	\$ 12,295,576	\$ 13,527,445	\$ 14,415,213	\$ 15,096,311	\$ 16,065,850	\$ 18,360,622	\$ 18,280,879	\$ 17,988,110	\$ 17,907,867
Restricted	1,756,272	1,756,942	1,758,193	1,758,383	1,696,136	1,697,423	414,540	411,276	416,065	407,139
Unrestricted	11,904,186	11,811,362	13,306,459	(7,272,774)	(7,440,032)	(8,406,205)	(8,112,222)	(7,072,928)	(5,564,425)	(3,120,898)
Total business-type activities net position	<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>	<u>\$ 11,619,227</u>	<u>\$ 12,839,750</u>	<u>\$ 15,194,108</u>
Primary Government										
Net investment in capital assets	\$ 74,485,950	\$ 84,826,684	\$ 132,454,475	\$ 132,454,475	\$ 136,041,029	\$ 138,968,297	\$ 141,517,414	\$ 138,682,752	\$ 135,770,623	\$ 139,071,695
Restricted	27,707,812	29,907,954	34,450,145	34,450,145	33,847,282	37,278,717	37,630,962	33,820,963	36,596,629	35,825,161
Unrestricted	39,546,477	39,980,134	38,585,173	38,585,173	35,403,448	29,876,693	29,876,693	34,057,668	32,021,185	38,576,493
Total primary Government	<u>\$ 141,740,239</u>	<u>\$ 154,714,772</u>	<u>\$ 205,489,793</u>	<u>\$ 205,489,793</u>	<u>\$ 205,291,759</u>	<u>\$ 206,123,707</u>	<u>\$ 209,025,069</u>	<u>\$ 206,561,383</u>	<u>\$ 204,388,437</u>	<u>\$ 213,473,349</u>

CITY OF MONTEREY

CHANGES IN NET POSITION LAST TEN FISCAL YEARS (accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 6,626,798	\$ 6,749,172	\$ 5,851,972	\$ 7,023,171	\$ 8,500,337	\$ 6,785,765	\$ 7,674,774	\$ 8,727,041	\$ 9,052,121	\$ 12,352,952
Public safety	18,020,573	18,401,090	19,293,844	22,713,685	24,901,618	25,348,522	24,479,714	24,635,437	28,230,175	27,656,343
Public works	12,890,303	16,522,792	14,870,152	21,322,325	16,758,226	20,876,964	19,706,824	19,662,862	19,952,596	9,486,246
Community development	3,228,628	3,437,964	4,008,139	4,300,953	3,284,107	1,634,501	1,857,119	882,990	1,255,059	1,229,500
Recreation and community service	6,994,395	6,976,882	7,473,490	8,013,728	8,645,530	8,401,272	8,454,787	8,255,901	13,022,994	12,713,595
Library	2,499,250	2,735,681	3,133,434	3,381,103	3,789,795	3,515,397	3,251,530	3,203,459	3,362,875	3,068,552
Public Facilities	4,791,814	4,363,696	4,900,848	4,823,808	4,953,293	4,599,164	4,574,830	4,184,110	-	-
Nondepartmental	104,327	203,594	1,468,406	983,950	320,386	2,728,150	-	-	-	-
Interest and fiscal charges	788,297	795,513	581,390	554,904	525,497	498,238	471,315	403,001	392,114	463,574
Total governmental activities expenses	55,944,385	60,186,384	61,581,675	73,117,627	71,678,789	74,387,973	70,470,893	69,954,801	75,267,934	66,970,762
Business-type activities:										
Marina	1,747,354	1,879,337	1,941,560	1,902,078	1,963,252	1,887,048	2,047,929	2,299,601	2,324,992	2,228,058
Parking	4,539,377	4,659,077	5,573,490	6,588,354	6,596,107	6,491,294	6,836,439	7,299,420	6,826,056	7,502,409
Presidio of Monterey Public Works	5,493,320	11,887,182	8,122,515	11,202,661	11,370,245	10,630,416	13,712,889	13,022,559	11,571,576	8,474,449
Cemetery	309,373	319,620	338,155	325,867	378,326	358,412	374,530	274,918	192,412	242,726
Material Recovery	292,442	287,611	280,824	267,287	263,676	247,095	235,919	221,653	207,232	192,067
Navy Services	120,837	459,213	254,330	431,969	406,759	365,194	290,379	280,582	309,906	236,848
Institutional Network	-	1,476	-	-	-	-	920	1,479	2,734	-
Total business-type activities expenses	12,502,703	19,493,516	16,510,874	20,718,216	20,978,365	19,979,459	23,499,005	23,400,212	21,434,908	18,876,557
Total primary government expenses	68,447,088	79,679,900	78,092,549	93,835,843	92,657,154	94,367,432	93,969,898	93,355,013	96,702,842	85,847,319
Program revenues										
Governmental activities:										
Charges for services:										
General government	2,698,906	2,929,941	3,070,895	3,364,012	5,586,347	3,578,598	5,672,273	6,251,417	6,169,847	8,148,244
Public safety	1,389,081	1,487,458	1,406,079	1,232,714	2,917,245	3,953,104	3,772,349	4,430,705	5,353,928	7,905,213
Public works	2,855,366	2,790,258	3,444,687	5,038,075	3,310,527	4,417,728	4,550,785	5,038,460	5,333,070	6,055,328
Community development	941,168	1,010,875	1,322,291	505,402	518,332	1,245,340	(15,584)	94,181	74,142	83,067
Community service	4,087,390	4,248,633	4,558,930	4,529,054	5,036,042	5,252,517	5,130,533	5,132,533	7,006,731	6,989,209
Library	131,277	141,066	118,979	102,190	100,328	113,344	113,609	99,428	103,797	100,694
Public Facilities*	2,380,342	2,154,204	2,130,850	1,918,940	1,628,338	1,622,883	1,328,531	1,531,115	-	-
Nondepartmental	1,706,941	2,567,250	2,733,821	1,786,322	320,386	2,447,644	-	-	-	-
Operating grants and contributions	1,099,951	2,590,085	1,985,858	1,822,964	2,092,033	1,304,197	947,647	1,054,621	1,386,277	1,187,188
Capital grants and contributions	1,684,218	127,303	890,640	1,707,277	1,046,005	1,280,919	1,661,932	1,351,930	724,793	1,218,043
Total governmental activities program revenues	18,974,640	20,047,073	21,663,030	22,006,950	22,555,583	25,216,274	23,162,075	24,984,390	26,152,585	31,686,986

Continued

CITY OF MONTEREY

CHANGES IN NET POSITION LAST TEN FISCAL YEARS (accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Charges for services:										
Marina	2,036,127	2,071,047	2,153,152	2,123,947	2,325,725	2,483,526	2,586,778	2,644,373	2,714,930	2,948,031
Parking	6,046,909	5,942,510	6,573,961	6,360,747	6,610,603	7,205,132	7,293,620	7,879,181	7,858,075	8,463,429
Presidio of Monterey Public Works	5,965,791	11,020,401	9,458,892	11,733,919	11,670,716	9,612,860	14,037,989	13,087,837	11,284,765	9,120,880
Cemetery	243,706	210,191	245,459	181,511	285,375	291,432	228,593	322,825	347,321	365,707
Material Recovery	315,115	320,320	331,464	343,171	345,325	351,665	360,298	369,419	378,845	385,298
Navy Services	175,867	325,675	244,103	442,361	355,639	424,369	311,136	245,164	329,826	221,742
Total business-type activities										
program revenues	14,783,515	19,890,144	19,007,031	21,185,656	21,593,383	20,368,984	24,818,414	24,548,799	22,913,762	21,505,087
Total primary government										
program revenues	33,758,155	39,937,217	40,670,061	43,192,606	44,148,966	45,585,258	47,980,489	49,533,189	49,066,347	53,192,073
Net revenues (expenses):										
Governmental activities	(36,969,745)	(40,139,311)	(39,918,645)	(51,110,677)	(49,123,206)	(49,171,699)	(47,308,818)	(44,970,411)	(49,115,349)	(35,283,776)
Business-type activities	2,280,812	396,628	2,496,157	467,440	615,018	389,525	1,319,409	1,148,587	1,478,854	2,628,530
Total net revenues (expenses)	(34,688,933)	(39,742,683)	(37,422,488)	(50,643,237)	(48,508,188)	(48,782,174)	(45,989,409)	(43,821,824)	(47,636,495)	(32,655,246)
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
Property taxes	9,985,536	10,591,813	10,573,107	11,472,173	12,262,633	12,440,413	12,247,862	10,286,705	7,009,683	7,390,529
Sales tax	6,891,464	6,999,447	7,169,050	7,434,164	6,998,648	6,362,466	7,050,150	7,211,793	7,928,999	8,557,600
Transient occupancy taxes	13,627,997	14,191,800	15,171,974	15,870,646	14,796,323	14,702,871	14,655,418	16,536,943	17,601,144	19,320,052
Other taxes	4,785,478	5,096,139	5,306,738	5,549,907	5,312,979	5,240,940	5,635,273	5,912,623	5,985,960	6,288,542
Motor vehicle in lieu, unrestricted	1,809,332	2,155,338	2,216,346	2,327,149	2,401,820	2,394,765	2,391,256	2,234,587	2,251,469	2,289,995
Investment income	4,596,553	4,623,279	5,939,220	3,204,507	5,456,661	5,032,549	4,647,197	5,271,786	4,758,794	5,066,372
Other general revenues	782,570	429,167	293,032	3,870,156	1,978,604	194,625	249,936	280,134	229,695	150,849
Transfers	96,342	(19,561)	469,686	259,053	645,700	737,759	244,433	350,226	362,272	373,704
Extraordinary Event	-	-	-	-	-	-	-	(4,751,575)	(406,136)	(7,423,313)
Total governmental activities	42,575,272	44,067,422	47,139,153	49,987,755	49,853,368	47,106,388	47,121,525	43,333,222	45,721,880	42,014,330
Business-type activities:										
Investment income	406,860	433,376	701,746	716,501	482,275	352,887	230,896	157,926	103,941	94,132
Transfers	(96,342)	19,561	(469,686)	(259,053)	(645,700)	(737,759)	(244,433)	(350,226)	(362,272)	(373,704)
Total business-type activities	310,518	452,937	232,060	457,448	(163,425)	(384,872)	(13,537)	(192,300)	(258,331)	(279,572)
Total primary government	42,885,790	44,520,359	47,371,213	50,445,203	49,689,943	46,721,516	47,107,988	43,140,922	45,463,549	41,734,758
Changes in net position:										
Governmental activities	5,605,527	3,928,111	7,220,508	(1,122,922)	730,162	(2,065,311)	(187,293)	(1,637,189)	(3,393,469)	6,730,554
Business-type activities	2,591,330	849,565	2,728,217	924,888	451,593	4,653	1,305,872	956,287	1,220,523	2,348,958
Total primary government	\$ 8,196,857	\$ 4,777,676	\$ 9,948,725	\$ (198,034)	\$ 1,181,755	\$ (2,060,658)	\$ 1,118,579	\$ (680,902)	\$ (2,172,946)	\$ 9,079,512

Concluded

* In FY 2013 Public Facilities was combined with Community Services

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Nonspendable fund balance							\$ 22,682,645	\$ 22,816,967	\$ 20,427,925	\$ 15,868,931
Restricted fund balance							248,179	-	-	-
Committed fund balance							9,726,269	10,090,824	9,994,916	13,837,690
Assigned fund balance							551,473	394,310	708,603	786,659
Unassigned fund balance							41,108	529,398	77,555	2,169,049
Reserved ⁽¹⁾	\$ 2,709,474	\$ 2,211,156	\$ 3,813,441	\$ 22,181,992	\$ 21,273,435	\$ 21,495,370	-	-	-	-
Unreserved ⁽¹⁾	11,697,164	10,053,989	10,887,098	11,137,980	9,669,156	9,083,381	-	-	-	-
Total General Fund	\$ 14,406,638	\$ 12,265,145	\$ 14,700,539	\$ 33,319,972	\$ 30,942,591	\$ 30,578,751	\$ -	\$ 33,831,499	\$ 31,208,999	\$ 32,662,329
All other governmental funds:										
Nonspendable fund balance							\$ 19,299,222	\$ 15,713,621	\$ 17,203,665	\$ 13,566,341
Restricted fund balance							17,229,293	17,323,244	18,286,708	21,216,171
Committed fund balance							5,770,460	6,870,549	7,792,559	9,466,130
Special revenue funds							(92,711)	-	-	-
Debt Service fund							(32,389,795)	(28,206,724)	-	-
Unassigned fund balance							-	-	-	(1,202,400)
Reserved ⁽¹⁾	\$ 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	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	(54,995,623)	(51,338,921)	(47,181,343)	(42,715,832)	(38,262,965)	(37,070,879)		-	-	-
Capital projects fund	11,053,863	11,363,281	4,954,215	2,589,374	4,460,818	1,009,947		-	-	-
Total all other governmental funds	\$ (15,462,419)	\$ (8,000,806)	\$ (7,342,274)	\$ (3,639,899)	\$ 2,922,292	\$ 7,062,974	\$ 9,816,469	\$ 11,700,690	\$ 43,282,932	\$ 43,046,242

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 TEN FISCAL YEARS
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Taxes	\$ 35,290,475	\$ 36,879,200	\$ 38,220,869	\$ 40,326,890	\$ 39,370,583	\$ 38,746,690	\$ 39,588,703	\$ 39,948,064	\$ 38,525,786	\$ 41,556,723
Licenses and permits	3,260,190	3,480,028	4,535,708	4,726,272	4,209,088	3,705,052	3,654,304	4,047,893	4,061,033	4,130,607
Fines and forfeitures	414,174	414,828	341,163	461,314	479,684	444,167	376,857	293,276	286,646	265,537
Investment income	2,227,152	2,083,615	3,312,367	3,438,071	2,659,946	2,101,934	1,808,808	1,739,735	1,305,930	1,317,917
Rental income	7,710,161	6,716,126	7,252,913	7,642,805	8,074,287	3,412,445	3,339,846	3,885,566	4,040,251	4,360,750
Intergovernmental	4,903,585	4,268,796	5,421,614	6,047,826	6,254,226	5,834,202	10,166,960	7,477,815	4,124,701	4,684,315
Charge for services	11,448,258	12,790,494	12,430,149	12,521,579	14,164,052	16,191,553	15,302,794	17,075,415	18,655,576	23,581,715
Other	977,748	1,096,658	758,198	910,227	1,343,214	2,237,064	1,000,811	976,999	834,874	835,477
Total revenues	66,231,743	67,729,746	72,272,981	76,074,984	76,555,080	72,673,107	75,239,083	75,444,763	71,834,797	80,733,041
Expenditures:										
Current:										
General government	6,368,453	6,490,180	5,644,097	6,303,274	6,596,881	8,328,786	6,850,243	6,498,691	6,680,979	6,571,149
Public safety	17,666,518	18,849,523	19,238,349	22,781,983	23,731,900	24,950,815	24,106,242	24,869,532	27,176,682	29,050,139
Public works	10,313,147	11,535,467	12,938,457	14,408,540	17,060,180	15,629,131	16,016,944	15,934,668	15,341,914	15,190,101
Community development	3,173,133	3,451,867	3,982,360	4,275,923	3,281,264	1,606,658	1,816,472	859,647	1,204,372	1,222,203
Community services	6,200,750	6,394,130	6,740,696	7,307,666	7,701,164	7,562,605	7,620,535	7,545,025	11,346,083	11,781,212
Library	2,413,220	2,746,158	3,093,084	3,361,421	3,630,813	3,425,637	3,162,508	3,213,515	3,182,378	3,202,152
Public facilities	4,338,982	4,055,288	4,269,259	4,131,226	4,104,587	3,933,253	3,928,470	3,638,093	-	-
Capital outlays	6,285,694	6,476,625	11,013,491	10,557,068	4,731,862	4,301,127	4,183,799	4,865,244	4,759,109	5,009,599
Debt Service										
Principal retirement	3,351,283	602,485	616,166	636,007	961,373	648,728	1,490,511	269,347	401,569	845,648
Interest and fiscal charges	749,107	709,866	563,983	541,033	515,314	488,699	466,441	396,053	386,418	463,574
Total expenditures	60,860,287	61,311,588	68,099,942	74,304,141	72,315,338	70,875,439	69,642,165	68,089,815	70,479,504	73,335,777
Excess (deficiency) of revenues over (under) expenditures	5,371,456	6,418,158	4,173,039	1,770,843	4,239,742	1,797,668	5,596,918	7,354,948	1,355,293	7,397,264
Other financing sources (uses):										
Transfers in	4,414,971	7,619,572	12,383,701	10,939,205	4,976,300	8,429,696	8,633,095	3,563,688	4,225,761	4,598,998
Transfers out	(4,617,179)	(8,717,608)	(13,462,715)	(11,004,403)	(5,031,194)	(8,161,411)	(8,805,595)	(3,701,014)	(4,333,375)	(3,963,388)
Extraordinary event	-	-	-	-	-	-	-	(4,751,575)	28,319,142	(7,423,313)
Total other financing sources (uses)	(202,208)	(1,098,036)	(1,079,014)	(65,198)	(54,894)	268,285	(172,500)	(4,888,901)	28,211,528	(6,787,703)
Net change in fund balances	\$ 5,169,248	\$ 5,320,122	\$ 3,094,025	\$ 1,705,645	\$ 4,184,848	\$ 2,065,953	\$ 5,424,418	\$ 2,466,047	\$ 29,566,821	\$ 609,561
Debt service as a percentage of noncapital expenditures	7.5%	2.4%	2.1%	1.8%	2.2%	1.7%	3.0%	1.1%	1.2%	1.9%

CITY OF MONTEREY

TRANSIENT OCCUPANCY TAX BY CATEGORY

LAST TEN FISCAL YEARS

(in thousands)

CATEGORY	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Full Service	\$ 8,464	\$ 8,591	\$ 9,227	\$ 9,782	\$ 9,415	\$ 9,292	\$ 9,382	\$ -	\$ -	\$ -
Cannery Row	1,153	1,280	1,370	1,398	1,207	1,207	1,249	4,685	5,002	5,430
Downtown	-	-	-	-	-	-	-	4,125	4,491	4,820
Fremont Street	951	999	1,043	1,091	995	965	881	1,057	1,163	1,380
Munras Avenue/ Abrego Street	1,847	2,015	2,121	2,168	1,892	2,010	1,994	2,294	2,384	2,595
Other	1,213	1,295	1,409	1,428	1,247	1,191	1,137	4,374	4,543	5,100
Totals	<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>	<u>\$ 16,535</u>	<u>\$ 17,582</u>	<u>\$ 19,325</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. Use of this category for reporting was discontinued in FY12 and all lodging establishments are reported in FY12 by geographic location or summarized as "Other"

Totals do not include interest and penalties

CITY OF MONTEREY
PRINCIPAL TRANSIENT OCCUPANCY TAX GENERATORS
June 30, 2014

Fiscal Year 2014	Fiscal Year 2005
Casa Munras Garden Hotel	Casa Munras Garden Hotel
Hilton Inn	Hilton Inn
Hotel Pacific	Hotel Pacific
Hyatt Regency	Hyatt Regency
Intercontinental the Clement	Monterey Bay Inn
Monterey Bay Inn	Monterey Beach Hotel
Monterey Beach Hotel	Monterey Marriott Hotel
Monterey Marriott Hotel	Monterey Plaza Hotel
Monterey Plaza Hotel	Portola Plaza Hotel
Portola Plaza Hotel	Spindrift Inn

Note: All tax generators are listed in alphabetical order; tax generators above account for over 60% 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
2013-14	\$	4,192,187,315	\$	313,379,264	\$ 4,505,566,579	\$ 4,505,566,579	1.00	\$ 4,505,566,579	100%
2012-13		4,060,213,408		312,974,363	4,373,187,771	4,373,187,771	1.00	4,373,187,771	100%
2011-12		4,041,986,257		324,842,877	4,366,829,134	4,366,829,134	1.00	4,366,829,134	100%
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%

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		Total
	Basic Levy	General Obligation Debt Service	Total Direct Rate	Monterey Peninsula Community College	Monterey Peninsula Unified School District	
2013-14	1.00	-	1.00	0.015772	0.021309	1.03708
2012-13 *	1.00	-	1.00	0.022367	0.027965	1.05033
2011-12 *	1.00	-	1.00	0.023570	0.028790	1.05236
2010-11	1.00	-	1.00	0.021460		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	0.020660		1.02066
2005-06	1.00	-	1.00	0.018000		1.01800
2004-05	1.00	-	1.00	0.020620		1.02062

* 2012-13 and 2011-12 revised from previous year's report.

Source: Monterey County Auditor-Controller

CITY OF MONTEREY
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2014

Fiscal Year 2014		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>						
1000 Aquijito LLC	Commercial Motels & Hotels	1	\$ 36,547,150	0	\$ -	\$ 36,547,150	0.63%
Cannery Row Company	Commercial Motels & Hotels	49	190,998,191	3	497,407	191,495,598	2.45%
Custom House Hotel Co Ltd.	Commercial Motels & Hotels	4	34,820,790	1	6,277	34,827,067	0.79%
Muller-Ryan LLC	Commercial/Office Property	4	30,799,800	0	-	30,799,800	0.76%
Outzen, Carl M	Commercial, Store & Office or Res.	30	25,376,320	0	-	25,376,320	1.49%
P Monterey LP	Residential, Apartments	1	42,089,468	0	-	42,089,468	0.97%
Pacific Holdings LP	Commercial, Shopping Centers	1	93,825,010	0	-	93,825,010	2.21%
Pebble Beach Co	Commercial, Motels & Hotels	15	23,176,264	0	-	23,176,264	0.55%
San Carlos Associates	Commercial, Motels & Hotels	1	46,911,760	0	-	46,911,760	0.89%
SWVP Monterey LLC	Commercial, Motels & Hotels	3	39,901,806	0	-	39,901,806	0.91%
Top 10 Totals		<u>109</u>	<u>\$ 564,446,559</u>	<u>4</u>	<u>\$ 503,684</u>	<u>\$ 564,950,243</u>	
2013/14 CITY-WIDE TOTALS			4,169,257,808		336,975,505	4,506,233,313	
Fiscal Year 2005							
Cannery Row Company	Commercial/Industrial Property	n/a	n/a	n/a	n/a	n/a	n/a
Classic Park Lane Partnership	Residence, Apartments	n/a	n/a	n/a	n/a	n/a	n/a
CTB Macmillan McGraw Hill Co.	Printing/Publishing	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	Commercial/Industrial Property	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
Ryan Oaks LLC	Commercial/Industrial Property	n/a	n/a	n/a	n/a	n/a	n/a
SP Kimberly LP	Apartments	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
Shepherds Knoll Association	Residence, Condominiums, Townhouse	n/a	n/a	n/a	n/a	n/a	n/a
2004/05 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>
2013-14	\$ 6,040,799	\$ 5,913,945	97.9	\$ 121,900	\$ 113,721	\$ 6,149,566
2012-13	5,884,593	5,731,092	97.4	90,374	118,409	5,939,875
2011-12	5,874,312	5,611,550	95.5	78,928	182,008	5,872,486
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

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
COMPUTATION OF DIRECT AND OVERLAPPING
BONDED DEBT
JUNE 30, 2014

2013-14 Assessed Valuation: \$3,747,046,320 (after deducting \$758,520,259 redevelopment incremental valuation) (3)

OVERLAPPING TAX AND ASSESSMENT DEBT:	<u>% Applicable</u>	<u>Debt 6/30/14</u>
DIRECT AND OVERLAPPING BONDED DEBT:		
City of Monterey Long Term Debt (1)		\$ 8,229,082
Monterey County General Fund Obligations (2)	8.741% **	10,610,755
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>18,839,837</u>
COMBINED TOTAL DEBT		<u>\$ 18,839,837</u> *

Ratios to Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.50%
Combined Total Debt.....	0.50%

* 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, 2014

Total assessed value of all real/personal property	\$	4,505,566,579
Debt limit percentage (per Government Code)		<u>15%</u>
Total debt limit		675,834,987
Amount of debt applicable to debt limit		<u>-</u>
Legal debt margin	\$	<u><u>675,834,987</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
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Governmental Activities				
Fiscal Year	Bonds		Loans*	Total Governmental Activities
2013-14	\$	-	\$ 8,229,081	\$ 8,229,081
2012-13		7,635,000	1,439,730	9,074,730
2011-12		7,880,000	1,626,299	9,506,299
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

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)

*Loans include Private Placement/Lease Revenue Agreements

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

Business-Type Activities				Total Primary Government			
		Marina	Total	Total	Debt	<u>Percent of</u>	
Bonds		Loans	Business-type	Primary	Per	Personal	
			Activities	Government	Capita	Income	
\$	1,420,000	\$ 2,843,717	\$ 4,263,717	\$ 12,492,798	431	1.2%	
	1,705,000	3,101,491	4,806,491	13,881,221	488	1.4%	
	1,970,000	3,348,165	5,318,165	14,824,464	504	1.0%	
	2,210,000	3,600,547	5,810,547	14,416,121	489	1.1%	
	4,952,550	3,842,066	8,794,616	18,649,607	638	1.9%	
	5,976,650	4,073,186	10,049,836	20,646,421	704	2.2%	
	6,989,100	4,294,352	11,283,452	22,608,126	613	2.0%	
	8,008,300	4,557,873	12,566,173	24,612,246	816	2.4%	
	8,972,350	4,810,045	13,782,395	26,526,517	866	2.5%	
	9,894,600	5,068,179	14,962,779	28,387,904	939	2.9%	

CITY OF MONTEREY
DEMOGRAPHIC INFORMATION
JUNE 30, 2014

	Population (1)	Per Capita Income (2)	Total Personal Income (000's) (3)	Estimated Labor Force (4)	Estimated Unemployment Rate (4)
2014	28,294	\$ 36,042	\$ 1,019,772	18,900	3.0%
2013	28,252	36,148	1,021,253	19,300	3.4%
2012	28,460	35,283	1,004,154	19,400	4.8%
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%

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, 2014

		FY 2014	FY 2005
Employer	Product/Function	Employee Size Range	Employee Size Range
PRIVATE SECTOR			
Community Hospital of Monterey Peninsula	Health Care	1000 to 4999	N/A
Ctb Mc Graw-Hill LLC	Educational Consultants	500 to 999	N/A
Dole Fresh Vegetables Co	Agricultural Growers & Shippers	250 to 499	N/A
Hyatt Regency-Monterey	Lodging/Visitor Services	250 to 499	N/A
Intercontinental - The Clement	Lodging/Visitor Services	250 to 499	N/A
Language Line	Translator and Interpreter Services	250 to 499	N/A
Macy's	Department Stores	250 to 499	N/A
Monterey Plaza Hotel & Spa	Lodging/Visitor Services	250 to 499	N/A
Portola Hotel & Spa	Lodging/Visitor Services	250 to 499	N/A
Robert Talbott Inc	Men's Clothing Manufacturers	250 to 499	N/A
PUBLIC SECTOR			
City of Monterey	Government	250 to 499	N/A
Monterey Institute-Intl Study	Education	250 to 499	N/A
Monterey Peninsula College	Education	500 to 999	N/A
Monterey-Salinas Transit	Public Transportation	250 to 499	N/A
Naval Postgraduate School	Education	1000 to 4999	N/A

Source: Reference USA, City of Monterey Finance Department
As of FY2012, employer size is reported as a range instead of an actual amount, due to source data available
No amounts were reported in the FY2005 CAFR for comparison

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police	81.00	79.00	79.00	79.00	72.00	72.00	69.00	68.50	68.50	68.50
Fire	51.00	51.00	54.00	54.00	66.00	66.00	65.00	72.00	72.00	82.00
Plans & Public Works*,**	159.75	159.75	163.75	145.75	162.00	162.75	158.00	144.75	152.50	153.50
Recreation	61.00	57.75	58.75	59.25	55.25	55.25	54.50	51.83	-	-
Library and Museum	25.50	25.50	27.25	27.50	22.50	23.25	22.75	21.83	21.75	20.25
Public Facilities	62.25	62.25	65.25	65.25	63.00	63.00	60.25	58.34	-	-
Community Services***	-	-	-	-	-	-	-	-	109.17	110.92
General Government*	45.75	47.00	46.00	46.00	46.00	48.75	48.25	46.00	46.50	46.50
Total	-	482.25	494.00	476.75	486.75	491.00	477.75	463.25	470.42	481.67

* Includes positions related to Internal Service divisions

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

*** Recreation and Public Facilities combined in FY13

Source: City of Monterey Budget Document

CITY OF MONTEREY
OPERATING INDICATORS BY FUNCTION
JUNE 30, 2014
LAST TEN FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police (calendar year)										
Adult Arrests - Felony	427	395	356	351	343	343	369	340	430	340
Adult Arrests - Misdemeanor	1574	1,313	1,606	1,698	1,733	1,733	1,286	1,242	1,359	956
Juvenile Arrests - Felony	52	59	60	46	64	61	58	43	54	18
Juvenile Arrests - Misdemeanor	164	125	146	169	121	142	122	161	123	16
DUI Arrests	n/a	389	309	339	342	305	255	275	202	210
Traffic Citations	n/a	6,421	5,769	8,177	7,995	8,653	5,635	3,539	2,934	2,836
Fire (calendar year)***										
Rescue and Emergency Medical Calls	2855	3,146	3,044	3,252	4,241	4,241	4,095	4,057	4,508	4,584
Fire & Explosion Calls	118	118	119	128	196	196	129	140	147	185
False Alarm Calls	449	413	481	500	475	475	515	489	586	576
Other Calls	814	861	949	857	1,399	1,399	1,494	1,547	1,650	1,836
Finance										
Accounts Payable Checks Issued	11,520	10,655	10,862	11,269	10,180	7,738	7,862	7,315	7,199	6,990
Payroll Checks Issued	17,661	17,913	18,177	18,997	18,998	18,579	17,875	17,319	17,548	17,845
Purchase Orders Issued	482	507	617	637	792	563	395	425	400	410
Recreation										
Monterey Sports Center:										
Average Daily Attendance*	3000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Number of programs offered (2)	1143	1,063	972	748	1,004	925	934	1,152	1,262	1,147
Number of program participants **	6967	6,463	5,031	4,084	6,231	4,853	5,075	7,427	7,748	7,703
Community Center, sports & camp Programs:										
Number of programs offered	544	605	509	525	448	525	545	721	787	819
Number of program participants **	4883	5,684	5,174	4,927	3,959	5,057	5,451	8,073	8,939	8,732
Activity Guide editions published	3	2	2	2	2	2	2	2	2	2
Activity Guide copies distributed	53000	36,000	34,000	34,000	24,550	24,000	15,000	14,000	12,000	12,000
Library										
Visitors	306,407	331,607	354,254	383,591	388,653	355,606	333,274	329,800	335,134	360,794
Reference questions answered	32,976	36,660	32,624	39,104	30,124	42,213	30,903	31,800	31,949	27,016
Items checked out	419,814	418,943	447,333	498,177	556,324	533,661	540,515	549,933	507,346	511,453
Volunteer hours worked	3,313	3,441	1,636	1,893	2,169	1,959	3,368	3,543	3,562	2,920

Source - internal records of City Departments:

Police Department

Fire Department

Finance Department

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

** Summer and Fall program statistics added in 2012

Monterey Public Library

*** Fire department's statistics include:

City of Pacific Grove (Beg 12/16/08)

City of Carmel (Beg 01/01/12)

Monterey Airport (Beg 01/01/14)

CITY OF MONTEREY
CAPITAL ASSET STATISTICS
JUNE 30, 2014

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.	6 **
Number of commissioned fire personnel (actual)	79 **

** Includes Fire Services provided to the City of Pacific Grove, the City of Carmel, and Monterey Airport by contract. One PG fire station, one Carmel station, and one Monterey Airport 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).	45

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)	121,371

Source: City of Monterey

