

CITY OF MONTEREY CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

CITY OF MONTEREY CALIFORNIA

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Prepared by the Finance Department
Jimmy Forbis, Finance Director



CITY OF MONTEREY
Comprehensive Annual Financial Report
For the Year Ended June 30, 2015

TABLE OF CONTENTS

INTRODUCTORY SECTION

Table of contents.....	i
City organizational chart.....	iv
City officials.....	v
GFOA certificate of achievement for excellence in financial reporting	vi
Letter of transmittal.....	vii

FINANCIAL SECTION

INDEPENDENT AUDITOR’S REPORT ON BASIC FINANCIAL STATEMENTS	1
---	----------

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)	3
---	----------

BASIC FINANCIAL STATEMENTS:

Entity-wide financial statements:	13
Statement of net position.....	14
Statement of activities	15
Fund financial statements:	16
Governmental funds:	16
Balance sheet.....	18
Reconciliation of the governmental funds balance sheet with the statement of net position	20
Statement of revenues, expenditures, and changes in fund balances	21
Reconciliation of the net change in fund balances total governmental funds with the statement of activities	23
Statement of revenues, expenditures, and changes in fund balances – budget and actual	24
Proprietary funds:	26
Statement of net position	27
Statement of revenues, expenses and changes in net position.....	28

CITY OF MONTEREY
Comprehensive Annual Financial Report
For the Year Ended June 30, 2015

TABLE OF CONTENTS

FINANCIAL SECTION (continued)

Statement of cash flows.....	29
Fiduciary fund:	30
Statement of fiduciary net position	31
Statement of changes in fiduciary net position-private purpose trust fund	31
Notes to the basic financial statements	33

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Schedule of Funding Progress - Public miscellaneous & safety employees retirement system	70
Schedule of Funding Progress – Other post-employment benefits	74

COMBINING AND INDIVIDUAL FUND STATEMENTS

Non-major governmental funds:	76
Combining balance sheets	78
Combining statements of revenues, expenditures, and changes in fund balances	82
Combining statements of revenues, expenditures, and changes in fund balances-budget and actual.....	86
Non-major enterprise funds:	95
Combining statement of net position	96
Combining statement of revenues, expenses and changes in funds net position.....	97
Combining statement of cash flows	98
Internal service funds:	99
Combining statement of net position.....	100
Combining statement of revenues, expenses and changes in net position	101
Combining statement of cash flows	102

CITY OF MONTEREY
Comprehensive Annual Financial Report
For the Year Ended June 30, 2015

TABLE OF CONTENTS

STATISTICAL SECTION (UNAUDITED)

Section Overview	104
------------------------	-----

FINANCIAL TRENDS

Net position by component	105
Changes in net position	106
Fund balances of governmental funds	108
Changes in fund balances of governmental funds	109

REVENUE CAPACITY

Transient occupancy tax by category	110
Principal transient occupancy tax generators.....	111
Assessed and estimated actual value of taxable property.....	112
Property tax rates - direct and overlapping governments	113
Principal property taxpayers.....	114
Property tax levies and collections.....	115

DEBT CAPACITY

Computation of direct and overlapping bonded debt	116
Legal debt margin information.....	117
Ratio of outstanding debt by type	118

DEMOGRAPHIC AND ECONOMIC INFORMATION

Demographic information	120
Summary of major employers.....	121

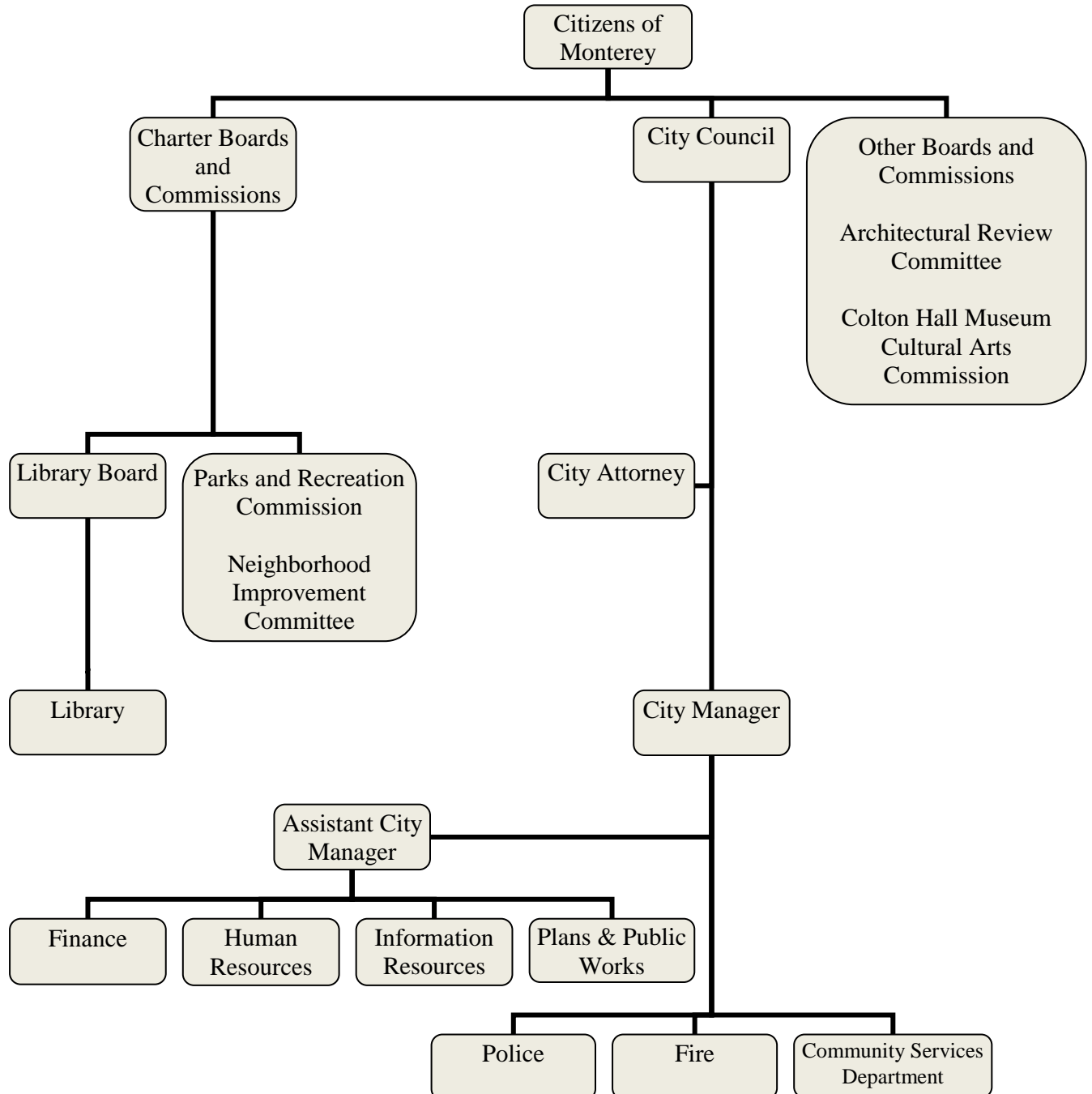
OPERATING INFORMATION

Authorized positions by department	122
Operating indicators by function.....	123
Capital Asset Statistics	124

CITY OF MONTEREY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2015

CITY ORGANIZATIONAL CHART



CITY COUNCIL

Clyde Roberson
Mayor

Timothy Barrett
Libby Downey

Alan Haffa
Ed Smith

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 DirectorJoanne Narloch
Library Director William Michael
Finance Director Jimmy Forbis
Fire Chief..... Gaudenz Panholzer
Police Chief David Hober



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, 2014

Executive Director/CEO



December 8, 2015

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

I am pleased to present to you the 2014-15 (FY 15) 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, 2015, 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, 2015, 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 steady growth in FY15. The City's top revenue, Transient Occupancy Tax (TOT) continues to grow and increased by 7.8% over FY 14. This revenue growth is a good indication that the City's economy is healthy and growing. In November 2015, the City expects to break ground on the \$50 million renovation of the Monterey Conference Center. This project is a significant investment in the City's tourism industry and will poise the City as the premier conference and convention destination on California's Central Coast. This project will have a significant impact on the City's revenues for FY 16 as the facility will be closed for most of 2016 which will have a significant impact on room stays at the City's largest hotels. For this reason, the City is projecting no growth in TOT revenues in FY 16 – indeed a conservative approach, but prudent given the significant impact anticipated due to the project.

Monterey continues to be an attractive place to reside and the real estate market reflects significant growth in real property values as the average single-family sales price increased by 24.3% in 2014 at \$764,000 from 2013 when the average sales price was \$614,000. It should be noted that this is a clear reflection of a lack of supply as the actual number of residences sold declined from 2,788 in 2013 to 2,315 in 2014, or 17%. There is no sign that the real estate market will slow down, however, the average single-family sales price is still 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%. The City does not forecast increases in property tax revenues due to property transfers.

Receipts from sales tax reflect 14.9% growth from the previous year. This increase is primarily due to a change in accounting methodology to recognize sales tax receipts in a manner more closely aligned with the period they were earned in. The State of California will end the "triple flip" – an accounting practice utilized by the State which shifted revenues to create a dedicated general fund revenue for bond payments. Triple flip true-up payments to the City will be completed in FY 16. Notwithstanding these accounting adjustments, the City's baseline forecast for sales tax revenues is projected to grow by 2.4% in FY 16.

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 has experienced significant growth in the last few years; however, revenue estimates are projected to grow in the out-years at a slower rate than in the past primarily due to the limited number of hotel rooms in the City's inventory. The City anticipates no growth in the number of visitor accommodation facilities and thus the growth that the City has recently experienced cannot be sustained. Historic growth patterns have shown a 4% increase annually over time, however, TOT is expected to increase at a much lower rate of only 2% going forward. As mentioned previously, it is anticipated that the Conference Center rehabilitation will have a significant effect on TOT during the course of the project, with construction expected to occur during FY16. Out-year growth

projections for property and sales taxes are both 2% indicating that these key revenue streams are expected to continue to rebound, although slowly over time.

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 \$11.9 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 "Reserve for Economic Uncertainty" 15% of net General Fund expenditures in order to have a cushion against fiscal uncertainties that arise. The City is currently undertaking a Government Finance Officers' Association (GFOA) process to determine the appropriate level of reserves and their allocations. This process is a risk-based analysis and will assist the City in allocating resources for reserves. The City's five-year forecast projects the City to maintain a reserve for economic uncertainty of 13.5%, which is below the Council-adopted policy of 15%. It should be noted, that the City Council has shown fiscal prudence and the City has replenished its' reserves after the drawdown during the dot com bubble. Before the City commits to achieving the 15% reserve level, it will await completion of the reserve level analysis to obtain a mathematical determination for the appropriate reserve level for Monterey. 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 needs. 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. In November 2014 the residents of Monterey approved a one-cent per dollar sales tax dedicated solely to the investment in streets, sidewalks, ADA ramp, and storm drain improvements; however this is only the first step in addressing the City's aging infrastructure needs.

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 FY16 is balanced, however due to the Conference Center renovation, the City intends to use reserves in FY 17 to offset the loss of revenue during construction. This is an extremely conservative approach, but prudent given the City's reliance on tourism-based revenues.

It is important to point out that 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

Measure P was approved by 74% of voters in November 2014. It authorized a local district tax to be used to address significant deferred maintenance by fixing streets, sidewalks, and potholes; improve related access and safety for senior citizens, disabled residents, and others; and repair the 100-year-old storm drain system to protect our beaches and Monterey. The tax is expected to generate \$32 million in funding and will be collected through March of 2019.

The Monterey Conference Center renovation will begin in late fall 2015. In May 2015, the Conference Center Facilities District issued \$45 million in revenue bonds (increased to \$50 million in September, 2015) secured through a tax levy on hotel stays within the district boundary. Anticipated completion is fall 2016.

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

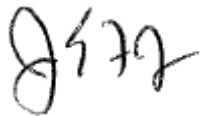
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Monterey for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the 19th consecutive year 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, Carol Bouchard, Robin Briggs, Rhonda Combs, Vicki Courtney, Wendy Davies, Herlinda Franklin, Lorraine Franks, Pamela Hart, Liza Linsao, Melanie Martin, Erika Martinez, Felicia Ming, Rachel Nolin, Rachel Polen, Julie Porter, Vickie Rahman, Matteo Russo, and Oded Zalmanovitch. 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 Clyde Roberson, Council Members Libby Downey, Alan Haffa, Timothy Barrett, and Ed Smith, 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, 2015, 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, 2015, 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.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 and required the restatement of net position as discussed in the notes to the financial statements:

Statement No. 68 – *Accounting and Financial Reporting for Pensions*

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*

The emphasis of this matter does not constitute modifications to our opinion.

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 4, 2015, 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 4, 2015



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, 2015. 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 \$141 million at June 30, 2015. Most of this amount (\$99.3 million) is made up of net investment in capital assets, such as infrastructure, roads, land and buildings. The restricted net position of \$42.3 million may be used for the City's ongoing obligations related to programs with external restrictions. Unrestricted net position reflects a deficit of \$641,349, primarily due to the addition of net pension liability on the Statement of Net Position.
- Government-wide revenues increased by \$7.2 million in 2014/15 primarily due to \$3.8 million received from the addition of the Conference Center Facilities District Tax which began on July 1, 2014 and an additional \$1.6 million in sales tax received, primarily from the 1% Measure P district sales tax which went into effect in April, 2015. Transient occupancy tax also contributed to the overall increase, with an increase of \$1.5 million in 2014/15. Business-type activities including Parking, Marina and Presidio of Monterey revenues remained relatively the same from 2013/14 to 2014/15, with small increases in the Marina total operating revenues in the Marina and Parking funds, offset by decreases in revenues for charges for services by the Presidio of Monterey.

The City's total expenses decreased by \$14.5 million in 2014/15, primarily related to reclassification of pension expense associated with Governmental Accounting Standards Board Statement 68 (GASB 68). This consisted of a \$13.5 million decrease in expenses related to governmental activities and a \$1 million decrease in expenses for business-type activities. Within governmental activities, GASB 68 has a significant impact on Public safety, resulting in a decrease of \$9 million, the difference between pension expense reported during the year versus the amount of pension expense determined in accordance with GASB 68. Decreases in expenses in business-type activities of \$1.1 million were also related primarily to the reclassification of pension expenses in 2014/15, with the exception of increases in expenses related to reimbursable services provided to the Presidio of Monterey and the Navy.

Fund Highlights

- From the City's fund level statements, the Ending Fund Balance for the General Fund increased by \$2.9 million during 2014/2015 to \$35.6 million. \$15.2 million dollars of this ending balance is "non-spendable" in that it represents long-term advances to other funds, primarily the Parking Fund. The remaining balance of just over \$20.4 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 \$1.1 million and \$2.5 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 24 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, Neighborhood Improvement, Low/Mod Income Housing Asset, Tidelands and Conference Center Facilities District Funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and are located after the notes to the financial statements.

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

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

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

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

CITY OF MONTEREY

Management's Discussion and Analysis

June 30, 2015

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, 2015 were \$50 thousand. The Private Purpose Trust Fund, which holds funds for the Redevelopment Retirement Obligation Fund, had total assets of \$100 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 \$141 million at the close of the fiscal year ended June 30, 2015.

By far the largest portion of the City of Monterey's net position (70%) 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 position follows:

City of Monterey's Net Position

	Governmental Activities		Business-Type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Current & other assets	\$ 152,549,538	\$ 99,807,129	\$ 2,440,587	\$ 247,169	\$ 154,990,125	\$ 100,054,298
Capital assets, net	134,692,940	129,392,910	21,385,697	22,171,584	156,078,637	151,564,494
Total assets	287,242,478	229,200,039	23,826,284	22,418,753	311,068,762	251,618,792
Deferred outflow of resources	8,231,385	-	494,607	-	8,725,992	-
Long-term liabilities outstanding	58,911,924	13,957,382	4,156,330	4,745,976	63,068,254	18,703,358
Other liabilities	111,925,136	16,963,416	8,534,906	2,478,669	120,460,042	19,442,085
Total liabilities	170,837,060	30,920,798	12,691,236	7,224,645	183,528,296	38,145,443
Deferred inflow of resources	(4,355,128)	-	(271,692)	-	(4,626,820)	-
Net position:						
Invested in capital assets, net of related debt	81,573,354	121,163,828	17,701,350	17,907,867	99,274,704	139,071,695
Restricted	41,852,947	35,418,022	406,976	407,139	42,259,923	35,825,161
Unrestricted	5,565,630	41,697,391	(6,206,979)	(3,120,898)	(641,349)	38,576,493
Total net position	\$ 128,991,931	\$ 198,279,241	\$ 11,901,347	\$ 15,194,108	\$ 140,893,278	\$ 213,473,349

CITY OF MONTEREY

Management's Discussion and Analysis

June 30, 2015

Total net position for the Governmental Activities consisted of \$129 million, which was comprised of \$81.6 million in net capital assets (infrastructure, buildings, roads, land, etc.), \$41.9 million in amounts legally restricted, and \$5.6 million, classified as Unrestricted for accounting purposes. This amount is significantly less than the previous year's unrestricted net position of \$41.7 million due to the addition of pension liability as required by GASB 68.

Revenue and Expenses. The City's total net position decreased by \$72.6 million during the fiscal year, primarily due to a prior period adjustment of \$110.9 million to reflect net pension liability as of June 30, 2014. This is offset by a reduction in expenses of \$14.7 million, also primarily related to entries for pension liability. Revenues increased by \$7.2 million in 2014/15, representing increases in TOT, sales tax and the addition of the Conference Center Facilities District Tax (other taxes).

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

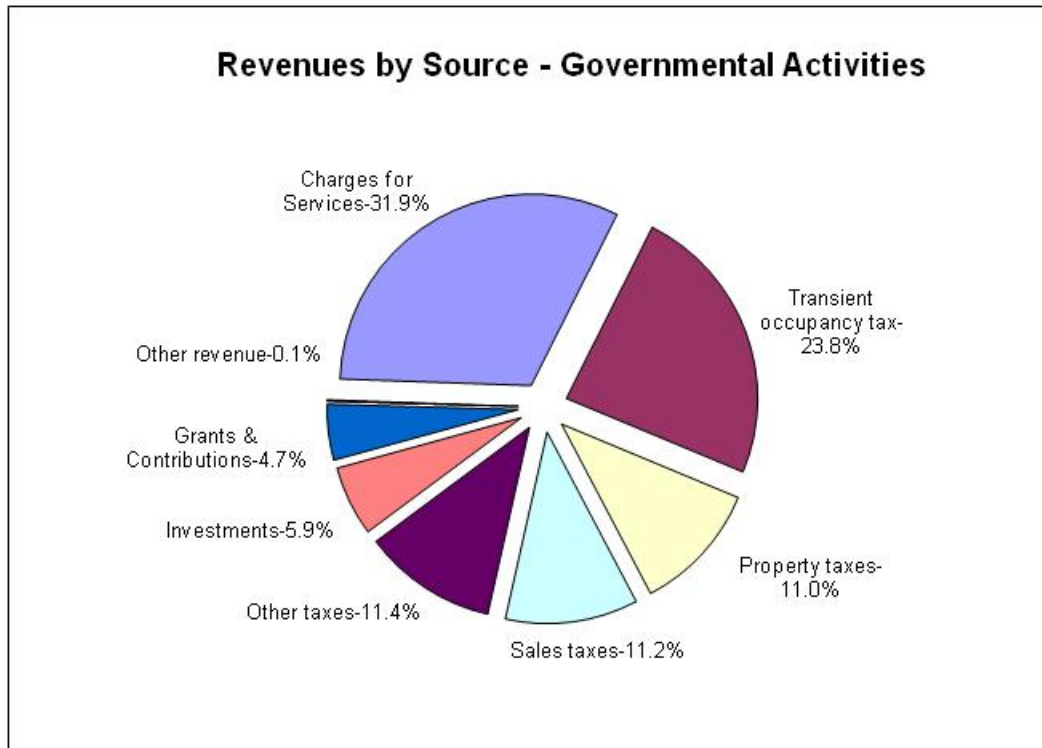
City of Monterey's Summary of Revenues & Expenses							
	Governmental Activities		Business-Type Activities		Total		
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	
Revenues:							
Program Revenues:							
Charges for services	\$ 27,842,550	\$ 29,281,755	\$ 21,561,589	\$ 21,505,087	\$ 49,404,139	\$ 50,786,842	
Operating grants & contributions	1,271,917	1,187,188	-	-	1,271,917	1,187,188	
Capital grants & contributions	2,873,609	1,218,043	-	-	2,873,609	1,218,043	
General Revenues:							
Transient occupancy tax	20,827,778	19,320,052	-	-	20,827,778	19,320,052	
Property tax	7,287,199	7,390,529	-	-	7,287,199	7,390,529	
Sales tax	7,941,994	6,339,717	-	-	7,941,994	6,339,717	
In-lieu sales taxes (sales tax)	1,893,275	2,217,883	-	-	1,893,275	2,217,883	
Other taxes	9,944,547	6,288,542	-	-	9,944,547	6,288,542	
Investment income	5,177,382	5,066,372	397,812	94,132.00	5,575,194	5,160,504	
In-lieu VLF (property tax)	2,392,180	2,289,995	-	-	2,392,180	2,289,995	
Other revenues	189,910	150,849	-	-	189,910	150,849	
Total revenues	87,642,341	80,750,925	21,959,401	21,599,219	109,601,742	102,350,144	
Expenses:							
General government	5,468,878	12,352,952	-	-	5,468,878	12,352,952	
Public safety	18,354,580	27,656,343	-	-	18,354,580	27,656,343	
Public works	15,002,729	9,486,246	-	-	15,002,729	9,486,246	
Community development	953,917	1,229,500	-	-	953,917	1,229,500	
Community services	11,104,192	12,713,595	-	-	11,104,192	12,713,595	
Library	2,028,633	3,068,552	-	-	2,028,633	3,068,552	
Interest and fiscal charges	519,893	463,574	-	-	519,893	463,574	
Marina	-	-	1,845,966	2,228,058	1,845,966	2,228,058	
Parking	-	-	6,469,521	7,502,409	6,469,521	7,502,409	
Presidio of Monterey Public Works	-	-	8,815,978	8,469,049	8,815,978	8,469,049	
Other Business-type activities	-	-	765,531	671,641	765,531	671,641	
Total Expenses	53,432,822	66,970,762	17,896,996	18,871,157	71,329,818	85,841,919	
Change in net position before transfers	34,209,519	13,780,163	4,062,405	2,728,062	38,271,924	16,508,225	
Transfers	459,090	373,704	(459,090)	(373,704)	-	-	
Extraordinary Event	-	(7,423,313)	-	-	-	(7,423,313)	
Change in net position	34,668,609	6,730,554	3,603,315	2,354,358	38,271,924	9,084,912	
Net position- Beginning	198,279,241	191,548,687	15,194,108	12,839,750	213,473,349	204,388,437	
Prior Period Adjustment	(103,955,919)	-	(6,896,076)	-	(110,851,995)	-	
Net position- Ending	\$ 128,991,931	\$ 198,279,241	\$ 11,901,347	\$ 15,194,108	\$ 140,893,278	\$ 213,473,349	

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

- Transient Occupancy Tax (TOT) receipts were 23.8% of all governmental activities' revenues totaling \$20.8 million. For the fiscal year ended June 30, 2015, TOT increased by \$1.5 million or 7.8%. 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.

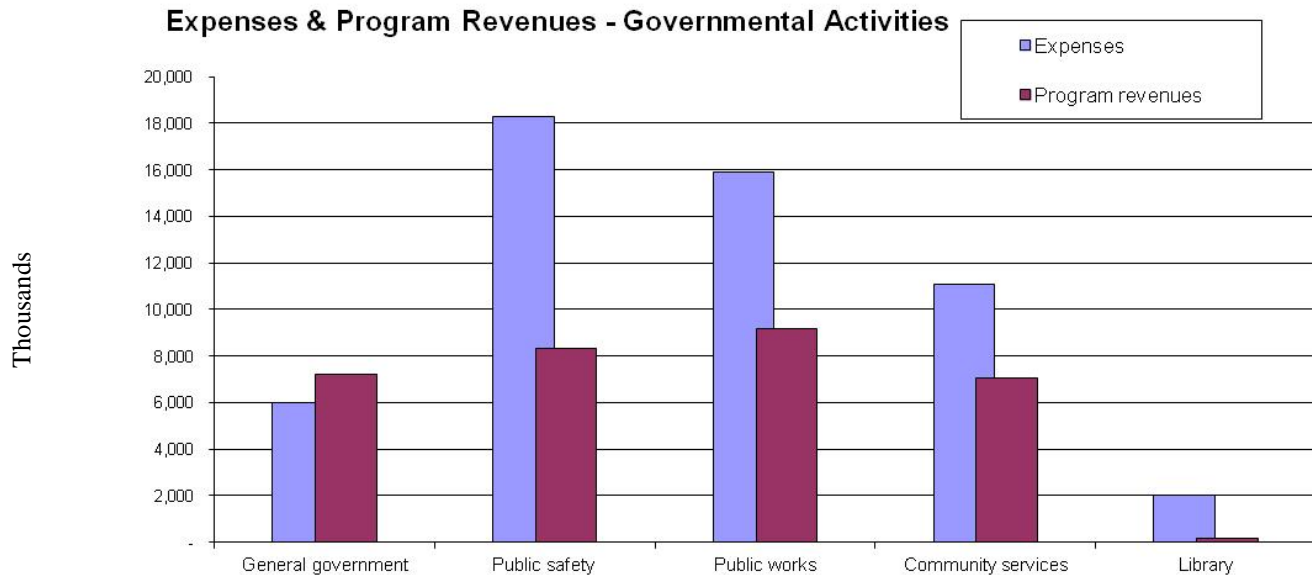
- Charges for Services, as an overall category, consists of individual departmental and program fees collected from users of the City's programs and services (e.g. Fire, Recreation, Planning and Building, Conference Center). These revenues reflect a decrease of \$1.4 (2.7%) to \$49.4 million during the fiscal year. However, this decrease is caused by one-time revenues received in 2013/14 for Fire and Administrative Support charges for the Presidio for previously deferred revenue. Notwithstanding these one time events, overall charges for service increased by \$1.6 million.
- Property Tax decreased slightly by \$.1 million (1.4%) to \$7.3 million.
- Sales Tax receipts (including "In-lieu sales tax") increased by \$1.3 million (14.9%) to \$9.8 million, primarily due to the addition of a 1% district tax approved by voters in November, 2014 for street infrastructure repair and improvement.
- Business-Type Activities increased the City of Monterey's net assets by \$.3 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 \$5.2 million, while total fund balance was \$35.6 million. Current revenues exceeded current expenditures by \$4.6 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 \$1.7 million in the fund. Overall, General Fund activities generated a net increase of \$2.9 million in fund balance during 2014/15. As a measure of the General Fund's liquidity, unassigned fund balance represented 8% of General Fund expenditures, with total fund balance representing a healthy 55% of that amount.

The **Capital Improvement Fund** has a total negative fund balance of \$4.2 million, all of which is restricted or unassigned. The net decrease in fund balance during the fiscal year is mainly due to the continuation of projects that have not yet been invoiced for reimbursement from outside sources, including a \$3 million loan from the Parking Fund for the initial costs of the Conference Center renovation, which will be repaid from Bond proceeds in the fall of 2015.

The **Neighborhood Improvement Fund** has a total fund balance of \$11.2 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 \$7.5 million, most of which is nonspendable in the form of housing loan receivables. As of June 30, 2015, \$1.6 million in funds were 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 Conference Center Facilities District Fund was established to account for Conference Center Facilities District tax revenue and bond proceeds used to fund the renovation of the Monterey Conference Center.

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 \$8.7 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: \$2.3 million, the Presidio of Monterey Public Works fund: negative \$1.8 million, and the Parking fund: \$9.6 million, which reflects an overall decrease of \$3.2 million. A major contributor to this decrease in net position is the recognition of net pension liability, which added \$6.2 million in liabilities in the proprietary funds.

General Fund Budgetary Highlights

Actual General Fund revenues were \$1.3 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 Other Revenue shortfalls. Expenditure estimates for the General Fund as reflected in the final amended budget were \$1.3 million higher than the original adopted budget. The largest increase, \$.6 million, was in the Fire department for overtime which is reimbursed by outside agencies (State of California, contract agencies), an extension of the SAFER grant staffing, and the addition of a Fire Training Captain position. The remaining balance, \$.8 million was primarily for unexpended encumbrances carried over from 2013/14.

Total expenditures were under budget by \$2.1 million. Overall, general fund expenditures were 3.1% under budget and only 2.5% 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, 2015, amounts to \$156.1 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 year end:

CITY OF MONTEREY

Management's Discussion and Analysis

June 30, 2015

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 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Land	\$ 29,913,755	\$ 29,913,755	\$ 9,205,157	\$ 9,205,157	\$ 39,118,912	\$ 39,118,912
Buildings	26,502,864	27,908,652	7,979,864	8,466,835	34,482,728	36,375,487
Improvements other than buildings	10,450,850	9,732,012	3,369,764	3,633,880	13,820,614	13,365,892
Machinery and Equipment	4,856,269	4,328,272	412,048	473,184	5,268,317	4,801,456
Infrastructure	46,853,892	48,284,306	-	-	46,853,892	48,284,306
Construction in Progress	16,115,310	9,225,913	418,864	392,528	16,534,174	9,618,441
TOTAL CAPITAL ASSETS	\$ 134,692,940	\$ 129,392,910	\$ 21,385,697	\$ 22,171,584	\$ 156,078,637	\$ 151,564,494

Long-term debt. At the end of the current fiscal year, the City of Monterey had \$56.8 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, \$45 million in special tax revenue bonds issued by the Conference Center Facilities District, \$7 million in a facility lease agreement between the Joint Powers Financing Authority and Capital One Public Funding, and \$4 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 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Lease Revenue Bonds/Loans	\$ 51,680,000	\$ 7,635,000	\$ 1,110,000	\$ 1,705,000	\$ 52,790,000	\$ 9,340,000
Loans Payable	1,439,586	1,439,730	2,574,348	3,101,491	4,013,934	4,541,221
TOTAL OUTSTANDING DEBT	\$ 53,119,586	\$ 9,074,730	\$ 3,684,348	\$ 4,806,491	\$ 56,803,934	\$ 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 2015-16 (FY16) show a general fund operating budget deficit of \$21 thousand and an available ending balance of \$2.2 million. The General Fund Five-Year Forecast reflects a decrease in available fund balance through 2017/18, primarily related to an expected leveling of revenues over the next two years during the renovation of the Monterey Conference Center, a primary driver of TOT and sales tax revenues.

All significant revenue estimates and the FY16 ending balance will be reviewed at mid-year due to consider whether any adjustments should be made. So far in FY16 a stronger than expected increase in Transient Occupancy Tax continues to help 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 FY16 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.

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, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments available for operations	\$ 111,224,040	\$ 12,651,238	\$ 123,875,278
Restricted cash and investments	6,150,131	406,976	6,557,107
Taxes receivable	4,812,068	-	4,812,068
Accounts receivable	6,219,283	1,402,198	7,621,481
Rehabilitation loans receivable	2,146,413	-	2,146,413
Downpayment assistance loans receivable	2,155,697	-	2,155,697
Project subsidy loans receivable	6,631,830	-	6,631,830
Interest receivable	161,114	48,933	210,047
Internal balances	12,068,758	(12,068,758)	-
Property held for resale	980,204	-	980,204
Capital assets:			
Non-depreciable assets	46,029,065	9,624,021	55,653,086
Depreciable assets (net of depreciation)	88,663,875	11,761,676	100,425,551
Total assets	287,242,478	23,826,284	311,068,762
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflow of resources - pension	8,231,385	494,607	8,725,992
Total deferred outflow of resources	8,231,385	494,607	8,725,992
LIABILITIES			
Accounts payable and accrued liabilities	4,687,256	2,152,330	6,839,586
Accrued interest	-	162,727	162,727
Accrued claims payable	10,656,195	-	10,656,195
Revenue received in advance	2,700,321	-	2,700,321
Long-term debt:			
Due within one year	2,966,493	569,050	3,535,543
Due in more than one year	55,945,431	3,587,280	59,532,711
Net pension liability	93,881,364	6,219,849	100,101,213
Total liabilities	170,837,060	12,691,236	183,528,296
DEFERRED INFLOW OF RESOURCES			
Deferred inflow of resources - pension	(4,355,128)	(271,692)	(4,626,820)
Total deferred inflow of resources	(4,355,128)	(271,692)	(4,626,820)
NET POSITION			
Net investment in capital assets	81,573,354	17,701,350	99,274,704
Restricted for:			
Capital projects	15,353,885	-	15,353,885
Debt service	-	406,976	406,976
Permanent Endowments - nonexpendable	2,476,127	-	2,476,127
Permanent Endowments - expendable	3,349	-	3,349
Grants, contributions & fees for specific purpose	22,975,149	-	22,975,149
Specific purpose by contract	1,044,437	-	1,044,437
Total restricted net position	41,852,947	406,976	42,259,923
Unrestricted	5,565,630	(6,206,979)	(641,349)
Total net position	\$ 128,991,931	\$ 11,901,347	\$ 140,893,278

See accompanying notes to financial statements

CITY OF MONTEREY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	\$ 5,468,878	\$ 7,238,903	\$ -	\$ -	\$ 1,770,025		\$ 1,770,025
Public safety	18,354,580	7,232,624	1,094,679	-	(10,027,277)		(10,027,277)
Public works	15,002,729	6,277,294	47,529	2,873,609	(5,804,297)		(5,804,297)
Community development	953,917	(2,216)	-	-	(956,133)		(956,133)
Community services	11,104,192	7,019,594	53,486	-	(4,031,112)		(4,031,112)
Library	2,028,633	76,351	76,223	-	(1,876,059)		(1,876,059)
Interest and fiscal charges	519,893	-	-	-	(519,893)		(519,893)
Total governmental activities	53,432,822	27,842,550	1,271,917	2,873,609	(21,444,746)		(21,444,746)
Business-type Activities:							
Marina	1,845,966	3,054,187				\$ 1,208,221	1,208,221
Parking	6,469,521	8,944,423				2,474,902	2,474,902
Presidio of Monterey Public Works	8,815,978	8,631,601				(184,377)	(184,377)
Cemetery	176,973	218,289				41,316	41,316
Materials Recovery	251,362	395,435				144,073	144,073
Navy Services	337,131	317,654				(19,477)	(19,477)
Institutional Network	65	-				(65)	(65)
Total business-type activities	17,896,996	21,561,589	-	-	-	3,664,593	3,664,593
Total	\$ 71,329,818	\$ 49,404,139	\$ 1,271,917	\$ 2,873,609	(21,444,746)	3,664,593	(17,780,153)
General revenues:							
Taxes:							
Property taxes					7,287,199	-	7,287,199
Sales taxes					7,941,994	-	7,941,994
In-lieu sales taxes					1,893,275	-	1,893,275
Transient occupancy tax					20,827,778	-	20,827,778
Utility users tax					3,149,042	-	3,149,042
Other taxes					6,795,505	-	6,795,505
Investment income					5,177,382	397,812	5,575,194
In-lieu VLF for general purposes					2,392,180	-	2,392,180
Other revenues					189,910	-	189,910
Transfers					459,090	(459,090)	-
Total general revenues and transfers					56,113,355	(61,278)	56,052,077
Changes in net position					34,668,609	3,603,315	38,271,924
Net position - beginning					198,279,241	15,194,108	213,473,349
Prior period adjustment					(103,955,919)	(6,896,076)	(110,851,995)
Net position - ending					\$ 128,991,931	\$ 11,901,347	\$ 140,893,278

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.

CONFERENCE CENTER FACILITIES DISTRICT FUND – The **Conference Center Facilities District Fund** was established to account for Conference Center Facilities District tax revenue and bond proceeds used to fund the renovation of the Monterey Conference Center.

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, 2015

	General	Capital Projects	Neighborhood Improvement	Low/Mod Income Housing Asset Fund	Conference Center Facilities District	Tidelands
ASSETS						
Cash and investments						
available for operations	\$ 14,377,835	\$ 1,571	\$ 10,591,199	\$ 1,336,569	\$47,499,965	\$ 8,492,662
Restricted cash and investments:						
Held by fiscal agent	1,343,207	-	-	445,937	529,874	-
Held by city	-	-	-	-	-	-
Receivables:						
Taxes receivable	4,262,184	-	549,884	-	-	-
Accounts receivable	1,141,470	2,292,221	146,871	22,625	597,106	156,306
Interest receivable	70,169	-	24,428	3,076	6,298	19,543
Due from other funds	3,331,680	-	-	-	-	-
Advances to other funds	15,183,203	-	-	-	-	-
Loans receivable:						
Rehabilitation	-	-	-	-	-	-
Downpayment assistance	-	-	-	1,266,877	-	-
Project subsidy	-	-	-	5,550,336	-	-
Property held for resale	-	-	-	556,985	-	-
Total assets	<u>\$ 39,709,748</u>	<u>\$ 2,293,792</u>	<u>\$ 11,312,382</u>	<u>\$ 9,182,405</u>	<u>\$ 48,633,243</u>	<u>\$ 8,668,511</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 2,785,739	\$ 655,526	\$ 43,594	\$ 27,825	\$ -	\$ -
Due to other funds	-	2,889,874	-	-	-	-
Advances from other funds	775,829	2,988,429	-	-	-	-
Revenue received in advance	559,666	-	113,102	1,608,659	-	-
Total liabilities	<u>4,121,234</u>	<u>6,533,829</u>	<u>156,696</u>	<u>1,636,484</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable fund balances	15,183,203	-	-	7,374,198	-	-
Restricted fund balances	-	5,196,849	-	171,723	48,633,243	8,668,511
Committed fund balances	14,511,940	-	11,155,686	-	-	-
Assigned fund balances	652,705	-	-	-	-	-
Unassigned fund balances	5,240,666	(9,436,886)	-	-	-	-
Total fund balances	<u>35,588,514</u>	<u>(4,240,037)</u>	<u>11,155,686</u>	<u>7,545,921</u>	<u>48,633,243</u>	<u>8,668,511</u>
Total liabilities and fund balances	<u>\$ 39,709,748</u>	<u>\$ 2,293,792</u>	<u>\$ 11,312,382</u>	<u>\$ 9,182,405</u>	<u>\$ 48,633,243</u>	<u>\$ 8,668,511</u>

See accompanying notes to financial statements

(Continued)

CITY OF MONTEREY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	Other Governmental Funds	Total Governmental Funds
ASSETS		
Cash and investments		
available for operations	\$ 12,875,458	\$ 95,175,259
Restricted cash and investments:		
Held by fiscal agent	73,039	2,392,057
Held by city	2,476,127	2,476,127
Receivables:		
Taxes receivable	-	4,812,068
Accounts receivable	1,724,445	6,081,044
Interest receivable	32,202	155,716
Due from other funds	-	3,331,680
Advances to other funds	-	15,183,203
Loans receivable:		
Rehabilitation	2,146,413	2,146,413
Downpayment assistance	888,820	2,155,697
Project subsidy	1,081,494	6,631,830
Property held for resale	423,219	980,204
	<u>\$ 21,721,217</u>	<u>\$ 141,521,298</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 816,162	\$ 4,328,846
Due to other funds	2,799	2,892,673
Advances from other funds	-	3,764,258
Revenue received in advance	418,894	2,700,321
	<u>1,237,855</u>	<u>13,686,098</u>
FUND BALANCES		
Nonspendable fund balances	7,016,073	29,573,474
Restricted fund balances	13,371,334	76,041,660
Committed fund balances	39,242	25,706,868
Assigned fund balances	-	652,705
Unassigned fund balances	56,713	(4,139,507)
	<u>20,483,362</u>	<u>127,835,200</u>
Total fund balances	<u>20,483,362</u>	<u>127,835,200</u>
Total liabilities and fund balances	<u>\$ 21,721,217</u>	<u>\$ 141,521,298</u>
See accompanying notes to financial statements		(Concluded)

CITY OF MONTEREY
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances (deficits) reported on the governmental funds balance sheet \$ 127,835,200

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:

	Statement of Net Position Governmental Funds	Internal Service Funds	
CAPITAL ASSETS			
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds:	\$ 131,379,135	\$ 3,313,805	134,692,940
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			16,048,781
Restricted cash and cash equivalents			1,281,947
Accounts and interest receivable			775,278
Accounts payable and accrued liabilities			(11,435,440)
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:			
Long-term debt - due within one year	(2,305,225)	-	(2,305,225)
Compensated absences - due within one year	(654,262)	(7,006)	(661,268)
Subtotal	(2,959,487)	(7,006)	(2,966,493)
Other post employment benefit obligation	(2,141,781)	(97,953)	(2,239,734)
Long-term debt - due in more than one year	(50,506,285)	-	(50,506,285)
Compensated absences - due in more than one year	(2,727,470)	(471,942)	(3,199,412)
Subtotal	(55,375,536)	(569,895)	(55,945,431)
Deferred outflows of resources	8,036,339	195,046	8,231,385
Deferred inflows of resources	4,247,987	107,141	4,355,128
Net pension liability	(91,428,600)	(2,452,764)	(93,881,364)
Subtotal	\$ (79,144,274)	\$ (2,150,577)	(81,294,851)
NET POSITION OF GOVERNMENTAL ACTIVITIES			<u>\$ 128,991,931</u>

See accompanying notes to financial statements

CITY OF MONTEREY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Neighborhood Improvement	Low/Mod Income Housing Asset Fund	Conference Center Facilities District	Tidelands
REVENUES						
Property tax	\$ 7,197,653	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	6,332,058	-	-	-	-	-
In-lieu sales tax	1,893,275	-	-	-	-	-
Transient occupancy tax	17,495,332	-	3,332,446	-	-	-
Utility users tax	3,149,042	-	-	-	-	-
Other taxes	2,213,250	-	-	-	3,840,931	-
Intergovernmental	3,972,314	2,807,273	536	-	-	-
Investment income	913,362	-	68,570	65,415	28,631	52,570
Rental income	3,499,861	-	-	60,333	-	792,606
Licenses and permits	4,280,022	-	-	-	-	-
Charges for current services	17,692,155	-	-	-	-	-
Fines	225,164	-	-	-	-	-
Other revenue	547,696	154	236	(4,055)	-	-
Total revenues	69,411,184	2,807,427	3,401,788	121,693	3,869,562	845,176
EXPENDITURES						
Current:						
General government:						
City council	128,698	-	-	-	-	-
City manager	1,102,856	-	-	-	-	-
City attorney	813,734	-	-	-	-	-
Finance	2,160,335	-	-	-	-	-
Human resources	738,668	-	-	-	-	-
Information resources	401,533	-	-	-	-	-
Nondepartmental charges	568,417	-	-	-	-	-
Total general government:	5,914,241	-	-	-	-	-
Public safety:						
Police	12,990,191	-	-	-	-	-
Fire	17,143,948	-	-	-	-	-
Total public safety	30,134,139	-	-	-	-	-
Public works	13,767,232	-	-	-	-	-
Community development	-	-	-	488,578	-	-
Community services	12,227,070	-	-	-	-	-
Library	2,619,065	-	-	-	-	-
Total current	64,661,747	-	-	488,578	-	-
Capital outlay	-	9,965,935	1,676,989	-	-	-
Debt service:						
Principal	147,572	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	235,303
Total debt service	147,572	-	-	-	-	235,303
Total expenditures	64,809,319	9,965,935	1,676,989	488,578	-	235,303
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,601,865	(7,158,508)	1,724,799	(366,885)	3,869,562	609,873
OTHER FINANCING SOURCES (USES)						
Debt proceeds	-	-	-	-	45,000,000	-
Transfers in	724,185	7,413,841	-	-	-	-
Transfers out	(2,399,865)	(4,407,048)	(112)	-	(236,319)	-
Total other financing sources (uses)	(1,675,680)	3,006,793	(112)	-	44,763,681	-
NET CHANGE IN FUND BALANCES	2,926,185	(4,151,715)	1,724,687	(366,885)	48,633,243	609,873
BEGINNING FUND BALANCES (DEFICITS)	32,662,329	(88,322)	9,430,999	7,912,806	-	8,058,638
ENDING FUND BALANCES (DEFICITS)	\$ 35,588,514	\$ (4,240,037)	\$ 11,155,686	\$ 7,545,921	\$ 48,633,243	\$ 8,668,511

See accompanying notes to financial statements

(Continued)

CITY OF MONTEREY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Other Governmental Funds	Total Governmental Funds
REVENUES		
Property tax	\$ 89,546	\$ 7,287,199
Sales tax	1,609,936	7,941,994
In-lieu sales tax	-	1,893,275
Transient occupancy tax	-	20,827,778
Utility users tax	-	3,149,042
Other taxes	741,324	6,795,505
Intergovernmental	169,606	6,949,729
Investment income	194,307	1,322,855
Rental income	343,149	4,695,949
Licenses and permits	11,681	4,291,703
Charges for current services	3,725,637	21,417,792
Fines	-	225,164
Other revenue	280,931	824,962
Total revenues	<u>7,166,117</u>	<u>87,622,947</u>
EXPENDITURES		
Current:		
General government:		
City council	-	128,698
City manager	39,866	1,142,722
City attorney	-	813,734
Finance	-	2,160,335
Human resources	-	738,668
Information resources	-	401,533
Nondepartmental charges	199,604	768,021
Total general government:	<u>239,470</u>	<u>6,153,711</u>
Public safety:		
Police	-	12,990,191
Fire	62,555	17,206,503
Total public safety	<u>62,555</u>	<u>30,196,694</u>
Public works	2,026,314	15,793,546
Community development	727,481	1,216,059
Community services	24,830	12,251,900
Library	146,206	2,765,271
Total current	<u>3,226,856</u>	<u>68,377,181</u>
Capital outlay	<u>-</u>	<u>11,642,924</u>
Debt service:		
Principal	270,000	417,572
Interest and fiscal charges	268,965	504,268
Total debt service	<u>538,965</u>	<u>921,840</u>
Total expenditures	<u>3,765,821</u>	<u>80,941,945</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,400,296</u>	<u>6,681,002</u>
OTHER FINANCING SOURCES (USES)		
Debt proceeds	-	45,000,000
Transfers in	796,574	8,934,600
Transfers out	(1,445,629)	(8,488,973)
Total other financing sources (uses)	<u>(649,055)</u>	<u>45,445,627</u>
NET CHANGE IN FUND BALANCES	2,751,241	52,126,629
BEGINNING FUND BALANCES (DEFICITS)	<u>17,732,121</u>	<u>75,708,571</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$ 20,483,362</u>	<u>\$ 127,835,200</u>

See accompanying notes to financial statements

(Concluded)

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, 2015

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	\$	52,126,629
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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		10,751,445
Depreciation expense is deducted from the fund balance		
(Depreciation expense is net of internal service fund depreciation of \$841,679 which has already been allocated to serviced funds)		(3,891,004)
Retirements of capital assets		(1,947,074)

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		417,572
Issuance of new debt principal is deducted from fund balance		(45,000,000)

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		(70,496)
Compensated absences		18,855
Net pension liability		22,092,215

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		170,467

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	34,668,609
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See accompanying notes to financial statements

CITY OF MONTEREY
BUDGETED MAJOR GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	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	\$ 7,290,142	\$ 7,486,572	\$ 7,197,653	\$ (288,919)	\$ -	\$ -	\$ -	\$ -
Sales tax	6,302,561	6,279,945	6,332,058	52,113	-	-	-	-
In-lieu sales tax	2,017,429	1,893,275	1,893,275	-	-	-	-	-
Transient occupancy tax	15,880,742	17,000,000	17,495,332	495,332	-	-	-	-
Utility users tax	3,120,067	2,995,869	3,149,042	153,173	-	-	-	-
Other taxes	1,917,949	1,930,506	2,213,250	282,744	-	-	-	-
Intergovernmental	2,966,510	3,686,015	3,972,314	286,299	-	-	-	-
Investment income	907,498	923,845	913,362	(10,483)	77,242	77,242	65,415	(11,827)
Rental income	3,271,885	3,271,885	3,499,861	227,976	60,000	60,000	60,333	333
Licenses and permits	4,258,127	4,343,127	4,280,022	(63,105)	-	-	-	-
Charges for current services	16,969,312	17,010,761	17,692,155	681,394	-	-	-	-
Fines	249,000	219,424	225,164	5,740	-	-	-	-
Other revenue	1,008,253	1,043,853	547,696	(496,157)	378,000	378,000	(4,055)	(382,055)
Total revenues	66,159,475	68,085,077	69,411,184	1,326,107	515,242	515,242	121,693	(393,549)
EXPENDITURES:								
Current:								
General government:								
City council	132,776	132,776	128,698	(4,078)	-	-	-	-
City manager	1,145,792	1,145,792	1,102,856	(42,936)	-	-	-	-
City attorney	795,627	814,832	813,734	(1,098)	-	-	-	-
Finance	2,217,517	2,217,517	2,160,335	(57,182)	-	-	-	-
Human resources	699,549	767,549	738,668	(28,881)	-	-	-	-
Information resources	514,190	514,190	401,533	(112,657)	-	-	-	-
Nondepartmental charges	804,507	750,111	568,417	(181,694)	-	-	-	-
Total general government:	6,309,958	6,342,767	5,914,241	(428,526)	-	-	-	-
Public safety:								
Police	14,201,628	14,294,555	12,990,191	(1,304,364)	-	-	-	-
Fire	16,143,610	16,775,055	17,143,948	368,893	-	-	-	-
Total public safety	30,345,238	31,069,610	30,134,139	(935,471)	-	-	-	-
Public works	13,605,004	14,053,366	13,767,232	(286,134)	-	-	-	-
Community development	-	-	-	-	1,697,392	1,386,973	488,578	(898,395)
Community services	12,260,003	12,626,668	12,227,070	(399,598)	-	-	-	-
Library	3,058,238	2,782,846	2,619,065	(163,781)	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total current	65,578,441	66,875,257	64,661,747	(2,213,510)	1,697,392	1,386,973	488,578	(898,395)
Debt service:								
Principal	-	-	147,572	147,572	-	-	-	-
Total debt service	-	-	147,572	147,572	-	-	-	-
Total expenditures	65,578,441	66,875,257	64,809,319	(2,065,938)	1,697,392	1,386,973	488,578	(898,395)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	581,034	1,209,820	4,601,865	3,392,045	(1,182,150)	(871,731)	(366,885)	504,846
OTHER FINANCING SOURCES (USES)								
Debt proceeds	-	-	-	-	-	-	-	-
Transfers in	-	-	724,185	724,185	-	-	-	-
Transfers out	-	-	(2,399,865)	(2,399,865)	-	-	-	-
Total other financing sources (uses)	-	-	(1,675,680)	(1,675,680)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 581,034	\$ 1,209,820	2,926,185	\$ 1,716,365	\$ (1,182,150)	\$ (871,731)	(366,885)	\$ 504,846
Fund balances, July 1, 2014			32,662,329				7,912,806	
Fund balances, June 30, 2015			\$ 35,588,514				\$ 7,545,921	

(Continued)

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, 2015

	Tidelands				Conference Center Facilities District			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Over/(Under)	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	-	-	-	-	-	-	3,840,931	3,840,931
Intergovernmental	-	-	-	-	-	-	-	-
Investment income	74,258	74,258	52,570	(21,688)	-	-	28,631	28,631
Rental income	450,000	450,000	792,606	342,606	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Charges for current services	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	524,258	524,258	845,176	320,918	-	-	3,869,562	3,869,562
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	-	-	235,303	235,303	-	-	-	-
Library	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total current	-	-	235,303	235,303	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Total debt service	-	-	-	-	-	-	-	-
Total expenditures	-	-	235,303	235,303	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	524,258	524,258	609,873	85,615	-	-	3,869,562	3,869,562
OTHER FINANCING SOURCES (USES)								
Debt proceeds	-	-	-	-	-	-	45,000,000	45,000,000
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(236,319)	(236,319)
Total other financing sources (uses)	-	-	-	-	-	-	44,763,681	44,763,681
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 524,258</u>	<u>\$ 524,258</u>	609,873	<u>\$ 85,615</u>	<u>\$ -</u>	<u>\$ -</u>	48,633,243	<u>\$ 48,633,243</u>
Fund balances, July 1, 2014			8,058,638				-	
Fund balances, June 30, 2015			<u>\$ 8,668,511</u>				<u>\$ 48,633,243</u>	

See accompanying notes to financial statements

(Concluded)



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, 2015

	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	\$ 2,241,631	\$ 8,327,541	\$ 1,184,101	\$ 897,965	\$ 12,651,238	\$ 16,048,781
Cash held by fiscal agent	-	-	-	-	-	1,281,947
Accounts receivable	120,323	233,376	981,000	67,499	1,402,198	138,239
Interest receivable	5,158	19,009	-	24,766	48,933	5,398
Total current assets	2,367,112	8,579,926	2,165,101	990,230	14,102,369	17,474,365
Noncurrent assets:						
Restricted cash and investments held by fiscal agent	-	-	-	406,976	406,976	-
Advances to other funds	168,688	2,988,429	-	-	3,157,117	631,641
Capital assets:						
Land	-	9,205,157	-	-	9,205,157	-
Construction in progress	-	418,864	-	-	418,864	1,121
Buildings and improvements	10,198,558	24,094,544	-	4,603,120	38,896,222	64,366
Machinery and equipment	492,148	575,752	-	8,800	1,076,700	13,432,440
Infrastructure	-	-	-	-	-	61,911
Accumulated depreciation	(7,563,912)	(18,360,325)	-	(2,287,009)	(28,211,246)	(10,246,033)
Total capital assets, net of accumulated depreciation	3,126,794	15,933,992	-	2,324,911	21,385,697	3,313,805
Total noncurrent assets	3,295,482	18,922,421	-	2,731,887	24,949,790	3,945,446
Total assets	5,662,594	27,502,347	2,165,101	3,722,117	39,052,159	21,419,811
DEFERRED OUTFLOW OF RESOURCES						
Deferred outflow of resources-pension	52,164	243,781	191,703	6,959	494,607	195,046
Total deferred outflow of resources	52,164	243,781	191,703	6,959	494,607	195,046
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	53,692	257,265	1,808,062	33,311	2,152,330	363,035
Accrued interest	117,303	-	-	45,424	162,727	(4,625)
Accrued claims payable	-	-	-	-	-	10,656,195
Due to other funds	-	-	-	18,173	18,173	420,835
Compensated absences-due within one year	96	18,417	-	1,038	19,551	7,006
Debt payable- due within one year	209,499	-	-	340,000	549,499	-
Total current liabilities	380,590	275,682	1,808,062	437,946	2,902,280	11,442,446
Noncurrent liabilities:						
Advances from other funds	-	14,548,319	-	659,383	15,207,702	-
Repayment agreements payable	-	-	-	-	-	-
Other post employment benefits	41,663	213,663	8,101	9,479	272,906	97,953
Compensated absences	33,497	137,276	-	8,753	179,526	163,866
Debt payable- due in more than one year	2,364,848	-	-	770,000	3,134,848	308,076
Net pension liability	655,975	3,065,633	2,410,724	87,517	6,219,849	2,452,764
Total noncurrent liabilities	3,095,983	17,964,891	2,418,825	1,535,132	25,014,831	3,022,659
Total liabilities	3,476,573	18,240,573	4,226,887	1,973,078	27,917,111	14,465,105
DEFERRED INFLOW OF RESOURCES						
Deferred inflow of resources-pension	(28,654)	(133,911)	(105,304)	(3,823)	(271,692)	(107,141)
Total deferred outflow of resources	(28,654)	(133,911)	(105,304)	(3,823)	(271,692)	(107,141)
NET POSITION						
Net investment in capital assets,	552,447	15,933,992	-	1,214,911	17,701,350	3,005,729
Restricted for debt service	-	-	-	406,976	406,976	-
Unrestricted	1,714,392	(6,294,526)	(1,764,779)	137,934	(6,206,979)	4,251,164
Total net position	\$ 2,266,839	\$ 9,639,466	\$ (1,764,779)	\$ 1,759,821	\$ 11,901,347	\$ 7,256,893

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, 2015

	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	\$ 2,680,745	\$ 8,349,953	\$ 8,630,801	\$ 535,943	\$ 20,197,442	\$ 17,040,923
Lease revenue	319,216	259,703	-	395,435	974,354	7,800
Other revenue	54,226	334,767	800	-	389,793	235,927
Total operating revenues	3,054,187	8,944,423	8,631,601	931,378	21,561,589	17,284,650
OPERATING EXPENSES						
Salaries and benefits	890,959	3,669,104	3,082,334	99,035	7,741,432	2,656,641
Services and supplies	563,903	1,664,381	5,733,644	388,821	8,350,749	6,003,874
Claims and insurance	-	-	-	-	-	7,629,218
Depreciation	253,109	455,482	-	120,760	829,351	841,679
Total operating expenses	1,707,971	5,788,967	8,815,978	608,616	16,921,532	17,131,412
Operating income (loss)	1,346,216	3,155,456	(184,377)	322,762	4,640,057	153,238
NONOPERATING REVENUES (EXPENSES)						
Investment income	249,932	60,181	-	87,699	397,812	19,394
Interest and fiscal charges	(137,995)	(680,554)	-	(156,915)	(975,464)	(15,625)
Total nonoperating revenues (expenses)	111,937	(620,373)	-	(69,216)	(577,652)	3,769
Income (loss) before transfers	1,458,153	2,535,083	(184,377)	253,546	4,062,405	157,007
Transfers in	-	252,528	-	-	252,528	122,576
Transfers out	(395,955)	(305,663)	-	(10,000)	(711,618)	(109,114)
Net transfers	(395,955)	(53,135)	-	(10,000)	(459,090)	13,462
Change in net position	1,062,198	2,481,948	(184,377)	243,546	3,603,315	170,469
BEGINNING NET POSITION	1,931,934	10,556,449	1,092,418	1,613,307	15,194,108	9,805,855
Prior period adjustment	(727,293)	(3,398,931)	(2,672,820)	(97,032)	(6,896,076)	(2,719,431)
ENDING NET POSITION	\$ 2,266,839	\$ 9,639,466	\$ (1,764,779)	\$ 1,759,821	\$ 11,901,347	\$ 7,256,893

See accompanying notes to financial statements

CITY OF MONTEREY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	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	\$ 3,048,464	\$ 9,123,359	\$ 10,037,111	\$ 943,104	\$ 23,152,038	\$ 17,388,073
Payments to suppliers	(561,389)	(1,911,487)	(5,663,701)	(365,103)	(8,501,680)	(6,401,168)
Payments to employees	(1,047,382)	(4,392,204)	(3,633,336)	(121,312)	(9,194,234)	(3,213,099)
Claims and insurance paid	-	-	-	-	-	(7,210,057)
Cash flows from operating activities	1,439,693	2,819,668	740,074	456,689	5,456,124	563,749
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund receipts	(1,196,639)	14,548,319	-	(92,472)	13,259,208	178,651
Interfund payments	1,045,000	(109,166)	-	-	935,834	-
Transfers in	-	252,528	-	(10,000)	242,528	122,576
Transfers out	(395,955)	(305,663)	-	-	(701,618)	(109,114)
Cash flows from noncapital financing activities	(547,594)	14,386,018	-	(102,472)	13,735,952	192,113
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	2,785	(46,249)	-	-	(43,464)	(1,228,342)
Debt principal repayment	(269,370)	(15,158,548)	-	(310,000)	(15,737,918)	308,076
Interest paid	(137,993)	(680,554)	-	(166,452)	(984,999)	(20,250)
Cash flows from capital and related financing activities	(404,578)	(15,885,351)	-	(476,452)	(16,766,381)	(940,516)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	248,598	58,640	-	94,325	401,563	18,494
Purchase of investment securities	-	-	-	-	-	112,587
Cash flows from investing activities	248,598	58,640	-	94,325	401,563	131,081
Net cash flows	736,119	1,378,975	740,074	(27,910)	2,827,258	(53,573)
Cash and investments at beginning of period (including restricted cash)	1,505,512	6,948,566	444,027	1,332,851	10,230,956	16,102,354
Cash and investments at end of period (including restricted cash)	\$ 2,241,631	\$ 8,327,541	\$ 1,184,101	\$ 1,304,941	\$ 13,058,214	\$ 16,048,781
Reconciliation of operating income (loss) to cash flows						
from operating activities:						
Operating income (loss)	\$ 1,346,216	\$ 3,155,456	\$ (184,377)	\$ 322,762	\$ 4,640,057	\$ 153,238
Adjustments to reconcile operating income to cash flows						
from operating activities:						
Depreciation and amortization	253,109	455,482	-	120,760	829,351	841,679
Other post employment benefits liability	1,373	7,103	8,101	203	16,780	3,822
Compensated absence liability	(5,660)	(19,213)	-	(2,183)	(27,056)	8,574
Pension expense	(152,136)	(710,990)	(559,103)	(20,297)	(1,442,526)	(568,854)
Change in assets and liabilities:						
Accounts receivables, net	(5,723)	178,936	1,405,510	11,726	1,590,449	103,423
Accounts payable and other accrued expenses	2,514	(247,106)	69,943	23,718	(150,931)	(397,294)
Accrued claims payable	-	-	-	-	-	419,161
Cash flows from operating activities	\$ 1,439,693	\$ 2,819,668	\$ 740,074	\$ 456,689	\$ 5,456,124	\$ 563,749

See accompanying notes to financial statements



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.

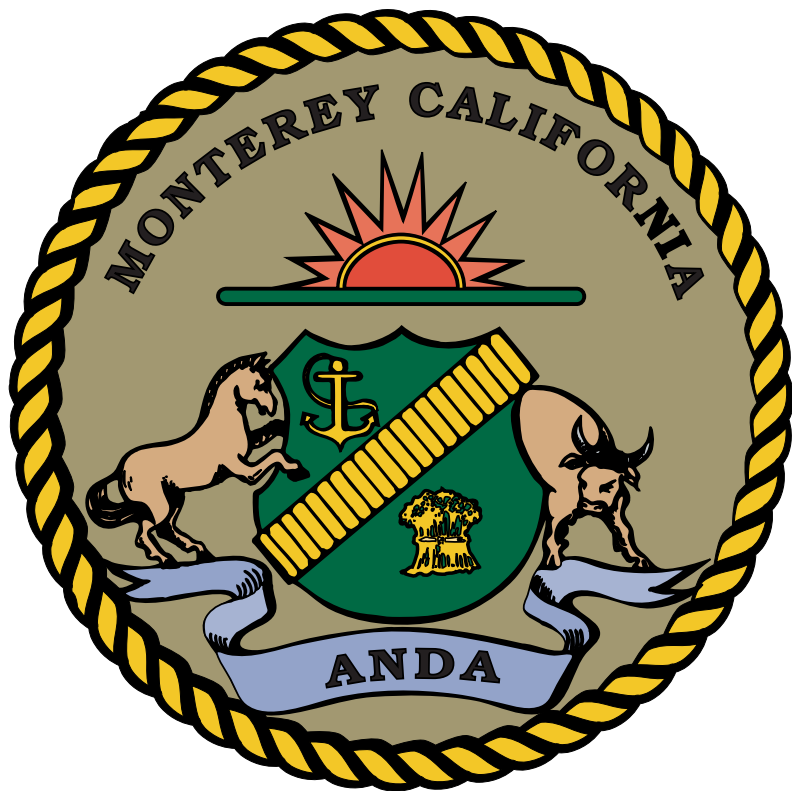
CITY OF MONTEREY
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	Agency Fund	Private Purpose Trust Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and investments	\$ 47,797	\$ 99,278
Accounts receivable	<u>2,004</u>	<u>228</u>
Total assets	<u><u>\$ 49,801</u></u>	<u><u>\$ 99,506</u></u>
LIABILITIES		
Special assessments	<u>\$ 49,801</u>	<u>\$ -</u>
Total liabilities	<u><u>\$ 49,801</u></u>	<u><u>-</u></u>
NET POSITION		
Held in trust pending distribution		<u><u>\$ 99,506</u></u>

CITY OF MONTEREY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
JUNE 30, 2015

	Private Purpose Trust Fund
	<u> </u>
ADDITIONS	
Cash and investments	<u>\$ 872</u>
Total additions	<u><u>872</u></u>
DEDUCTIONS	
General and administrative	7,917
Net assets disbursed per AB1484 ROPS/DDR	<u>2,445</u>
Total deductions	<u><u>10,362</u></u>
CHANGE IN NET POSITION	
Net position - beginning	<u>108,996</u>
Net position - ending	<u><u>\$ 99,506</u></u>

See accompanying notes to financial statements



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Reporting Entity*

The financial statements of the City of Monterey include the financial activities of the City as well as separate legal entities that are controlled by and dependent on the City. The City Council serves as the governing board of the 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)

Conference Center Facilities District Fund – This fund was established to account for Conference Center Facilities District tax revenue and bond proceeds used to fund the renovation of the Monterey Conference Center.

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*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All encumbrances outstanding at year-end are classified as a part of either Committed Fund Balance or Assigned Fund Balance in the General Fund, or as Restricted Fund Balance or Committed Fund Balance in other governmental funds.

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. However, included in the Capital Projects fund are \$4,456,973 in encumbrances related to the Conference Center Renovation Project, which is one-time major project spanning FY14/15 through FY16/17. 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, 2015

	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance	Net Position
<u>Governmental Funds - Major</u>				
General Fund	\$ -	\$ 391,732	\$ 652,705	\$ -
Capital Projects	-	5,196,849	-	-
Neighborhood Improvement	-	879,733	-	-
Low/Mod Income Housing Asset Fund	346,915	-	-	-
<u>Governmental Funds - Minor</u>				
Sewer/Storm	75,830	-	-	-
Gas Tax	236,719	-	-	-
Street Infrastructure Rehabilitation	548,216	-	-	-
Housing	17,324	-	-	-
Museum Trust	19,545	-	-	-
<u>Proprietary Funds</u>				
Marina	-	-	-	15,975
Parking	-	-	-	32,231
Presidio of Monterey Public Works	-	-	-	733,234
Navy Services	-	-	-	15,784
<u>Internal Service Funds</u>				
Equipment Replacement	-	-	-	22,972
Information Services	-	-	-	613,786
Risk Management	-	-	-	17,094
<u>Agency Funds</u>				
RDA Obligation Retirement	-	-	-	99,228
Classification Totals	1,244,550	6,468,314	652,705	1,550,303
City Total				<u>\$ 9,915,873</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.
5. **Conference Center Facilities District Fund** – This fund was established to account for Conference Center Facilities District tax revenue and bond proceeds used to fund the renovation of the Monterey Conference Center.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015								
	General	Capital Projects	Neighborhood Improvement	Low/Mod Income Housing Asset Fund	Conference Center Facilities District	Tidelands	Other Governmental Funds	Total Governmental Funds
FUND BALANCES								
Nonspendable fund balance								
Long-term receivables	\$ 15,183,203	\$ -	\$ -	\$ 6,817,213	\$ -	\$ -	\$ 4,116,727	\$ 26,117,143
Property held for resale	-	-	-	556,985	-	-	423,219	980,204
Scholze non-expendible trust	-	-	-	-	-	-	2,476,127	2,476,127
Total Nonspendable	15,183,203	-	-	7,374,198	-	-	7,016,073	29,573,474
Restricted fund balance								
Restricted for specific purposes	-	5,196,849	-	171,723	48,633,243	8,668,511	12,827,263	75,497,589
Sewer mains projects	-	-	-	-	-	-	321,549	321,549
Bookmobile replacement	-	-	-	-	-	-	156,793	156,793
Frank Emilio La Cauza trust	-	-	-	-	-	-	65,729	65,729
Total Restricted	-	5,196,849	-	171,723	48,633,243	8,668,511	13,371,334	76,041,660
Committed fund balance								
Committed for specific purposes	391,732	-	969,724	-	-	-	39,242	1,400,698
Stabilization reserve	8,705,618	-	-	-	-	-	-	8,705,618
Capital outlay and cultural arts	1,204,414	-	-	-	-	-	-	1,204,414
Capital improvement program	4,210,176	-	10,185,962	-	-	-	-	14,396,138
Total Committed	14,511,940	-	11,155,686	-	-	-	39,242	25,706,868
Assigned fund balance:								
For unexpended encumbrances	652,705	-	-	-	-	-	-	652,705
Unassigned fund balance	5,240,666	(9,436,886)	-	-	-	-	56,713	(4,139,507)
Total fund balance	\$ 35,588,514	\$ (4,240,037)	\$ 11,155,686	\$ 7,545,921	\$ 48,633,243	\$ 8,668,511	\$ 20,483,362	\$ 127,835,200

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

R. Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense information about the fiduciary net position of the City of Monterey’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Net Pension Liability for the CalPERS Miscellaneous Plans is allocated on a prorated basis to governmental and proprietary funds based on actual retirement contributions for the most recent fiscal year. Net Pension Liability for the CalPERS Safety Plans is attributable only to governmental funds.

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, 2015, the City had the following investments:

	Total Fair Value	1 Year or less	1-3 Years	3-5 Years	Rating at June 30, 2015
Agency	\$ 25,129,862	\$ 3,010,130	\$ 17,856,640	\$ 4,263,092	AA+
U.S. Treasury Note	21,618,765	10,061,734	9,540,703	2,016,328	AA+
US Corporate	1,996,066	-	1,996,066	-	AA+
US Corporate	1,010,744	-	1,010,744	-	AA
US Corporate	3,314,756	1,058,844	650,001	1,605,911	AA-
US Corporate	3,944,484	-	2,305,392	1,639,092	A+
US Corporate	5,547,123	1,062,951	3,486,722	997,450	A
Money Market Fund	1,106,943	1,106,943	-	-	AAA
Corporate Notes	1,199,543	1,199,543	-	-	A-1+
Corporate Notes	1,323,697	1,323,697	-	-	A-1
1994 Bond	406,976	406,976	-	-	Not Rated
2015 Bonds	529,874	529,874	-	-	Not Rated
Local Agency Investment Fund	7,002,632	7,002,632	-	-	Not Rated
Payment Obligation Bond Time Deposit	1,343,207	1,343,207	-	-	Not Rated
Total Investments	75,474,672	\$ 28,106,531	\$ 36,846,268	\$ 10,521,873	
Cash (overdraft) in bank and on hand	55,104,789				
Total cash and investments	\$ 130,579,460				

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

Statement of Net Position

Cash & investments available for operations	\$ 123,875,278
Restricted cash & investments	6,557,107
Fiduciary Funds- Cash & investments	147,075
Total cash and investments	\$ 130,579,460

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

Medium Term Corporate Notes
California Local Agency Investment Fund
Repurchase Agreements
Passbook Savings Accounts
Reverse Repurchase Agreements
Shares of beneficial interest issued by diversified management companies holding U.S.
Treasury or Government agency obligations

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

C. *Interest Rate Risk*

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

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.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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 \$8,493,464 at June 30, 2015.

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, 2015 was \$2,632 more than the City's cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

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, 2015 were as follows:

	Transfer In:					
	Governmental Funds			Enterprise Funds		Total Transfers Out
	General Fund	Capital Projects	Non-Major Gov.	Parking	Internal Service Funds	
Transfer Out From:						
Governmental Funds:						
General Fund	\$ -	\$ 1,603,291	\$ 796,574	\$ -	\$ -	\$ 2,399,865
Capital Projects	-	4,407,048	-	-	-	4,407,048
Neighborhood Improvement	-	112	-	-	-	112
Conf. Center Facilities Dist.	-	236,319	-	-	-	236,319
Non-Major Governmental	200,476	1,100,958	-	30,195	114,000	1,445,629
Enterprise Funds:						
Marina	173,622	-	-	222,333	-	395,955
Parking	297,087	-	-	-	8,576	305,663
Non-Major Enterprise	10,000	-	-	-	-	10,000
Internal Service Funds	43,000	66,114	-	-	-	109,114
Total Transfers In	\$ 724,185	\$ 7,413,842	\$ 796,574	\$ 252,528	\$ 122,576	\$ 9,309,705

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

Transfers of \$724,185 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 (\$70,000) from interest earnings, the Scholze fund for park maintenance (\$10,000), the State COPS, AB1913 funding of a Domestic Violence Officer (\$98,027), the Gas Tax fund for Engineer payment (\$6,000), and the Golden 55 Travelers fund (\$2,847) for staff reimbursement.
- The Marina Fund (\$128,622) for Wharf II maintenance and building repairs.
- The Parking Fund (\$297,087) for custodial, parks, and street maintenance services.
- Non-major Enterprise: Cemetery Fund (\$10,000) for cemetery irrigation project.
- Internal Service Funds: The Equipment Replacement Fund (\$32,941) and Information Services Fund (\$10,059) for fuel station upgrades.

Transfers of \$7,413,842 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 (\$1,603,291), the Neighborhood Improvement fund (\$112), and other non-major funds like the Street Infrastructure Rehabilitation Fund (\$737,363), Sewer Line Maintenance Fund (\$276,569) and Gas Tax fund (139,383). Internal transfers within Capital Project Funds accounted for the remaining \$4.6 million in transfers.
- The Equipment Replacement fund (\$66,114) for the replacement of the sewer and storm inspection van, including inspection equipment.

Transfers of \$796,574 into Non-Major Governmental Funds came from:

- The General Fund to the Debt Service Fund for lease payments on the 2013 Lease Revenue Bond (\$757,321). The General Fund to fund the City's share of Alvarado Street Maintenance District (\$39,253).

Transfers of \$252,528 into the Parking Fund came from:

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

Transfers of \$122,576 into Internal Service Funds came from:

- The Sewerline Maintenance Fund (\$114,000) for replacement of the sewer and storm inspection van and equipment.
- The Parking Fund (\$8,576) for additional funds needed to purchase a Parking Sweeper.

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, 2015, inter-fund balances comprised the following:

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

	<u>Due From / To Other Funds</u>	
	<u>Receivable</u>	<u>Payable</u>
Governmental Funds		
General Fund	\$ 3,331,680	\$ -
Capital Projects Fund	-	2,889,874
Scholze Park Fund	-	2,343
State/Federal Grants	-	456
Enterprise Funds		
Navy Services	-	18,173
Internal Service Funds		
Vehicle Maintenance Fund	-	420,835
	<u>\$ 3,331,680</u>	<u>\$ 3,331,680</u>

C. Long-Term Inter-fund Advances

At June 30, 2015 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	\$ 15,183,202	\$ 775,829
Capital Projects Fund	-	2,988,429
Enterprise Funds		
Parking Fund	2,988,429	14,548,319
Marina Fund	168,688	-
Non-Major Funds		
Cemetery Fund	-	659,383
Internal Service Funds		
Equipment Replacement Fund	631,641	-
	<u>\$ 18,971,960</u>	<u>\$ 18,971,960</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 Marina Fund for Wharf II Critical Repairs and 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 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.

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

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.

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.

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 August, 2004, the City entered into “Feasibility Contingency Plan” loan agreement with the developer of the Cannery Row Hotel Project at 750 Cannery Row. The loan balance of \$2,915,019 was fully repaid in April, 2015.

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 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

NOTE 5 – CAPITAL ASSETS (Continued)

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.

D. Capital Asset Additions and Retirements

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government	Balance June 30, 2014	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2015
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 29,913,755	\$ -	\$ -	\$ -	\$ 29,913,755
Construction in progress	9,225,913	8,818,062	(1,928,665)	-	16,115,310
Total assets not being depreciated	39,139,668	8,818,062	(1,928,665)	-	46,029,065
Capital assets, being depreciated:					
Buildings and Improvements	59,488,248	-	(29,184)	-	59,459,064
Improvements other than buildings	27,091,309	1,412,064	-	-	28,503,373
Machinery and Equipment	18,399,839	1,736,916	(2,422,196)	-	17,714,559
Infrastructure	79,268,373	155,261	-	-	79,423,634
Intangible Assets	-	-	-	-	-
Total assets being depreciated	184,247,769	3,304,241	(2,451,380)	-	185,100,630
Less accumulated depreciation for:					
Buildings and Improvements	(31,579,596)	(1,398,680)	22,076	-	(32,956,200)
Improvements other than buildings	(17,359,297)	(693,226)	-	-	(18,052,523)
Machinery and Equipment	(14,071,567)	(1,055,102)	2,268,379	-	(12,858,290)
Infrastructure	(30,984,067)	(1,585,675)	-	-	(32,569,742)
Total accumulated depreciation	(93,994,527)	(4,732,683)	2,290,455	-	(96,436,755)
Total capital assets, being depreciated, net	90,253,242	(1,428,442)	(160,925)	-	88,663,875
Governmental activities capital assets, net	\$ 129,392,910	\$ 7,389,620	\$ (2,089,590)	\$ -	\$ 134,692,940
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 9,205,157	\$ -	\$ -	\$ -	\$ 9,205,157
Construction in progress	392,528	46,249	(19,913)	-	418,864
Total assets not being depreciated	9,597,685	46,249	(19,913)	-	9,624,021
Capital assets, being depreciated:					
Buildings and Improvements	26,418,262	-	-	-	26,418,262
Improvements other than buildings	12,477,959	-	-	-	12,477,959
Machinery and Equipment	1,250,714	19,913	(193,927)	-	1,076,700
Infrastructure	-	-	-	-	-
Total assets being depreciated	40,146,935	19,913	(193,927)	-	39,972,921
Less accumulated depreciation for:					
Buildings and Improvements	(17,951,427)	(486,971)	-	-	(18,438,398)
Improvements other than buildings	(8,844,079)	(264,116)	-	-	(9,108,195)
Machinery and Equipment	(777,530)	(78,264)	191,142	-	(664,652)
Total accumulated depreciation	(27,573,036)	(829,351)	191,142	-	(28,211,245)
Total capital assets, being depreciated, net	12,573,899	(809,438)	(2,785)	-	11,761,676
Business-type activities capital assets, net	\$ 22,171,584	\$ (763,189)	\$ (22,698)	\$ -	\$ 21,385,697

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	\$ 2,695
Police	33,026
Fire	36,089
Public Works, including infrastructure assets	2,403,434
Community Development	23,484
Community Services	1,358,935
Library	33,341
Capital assets held by the City's internal service funds are charged to the various functions based on their usage	<u>841,679</u>
Total depreciation expense - governmental activities	<u>\$ 4,732,683</u>
Business-type activities:	
Marina	\$ 253,109
Parking	455,482
Other business-type activities	<u>120,760</u>
Total depreciation expense - business-type activities	<u>\$ 829,351</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.

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, 2015:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Special Tax Bonds Payable:					
Conference Ctr Facilities District, 3.95%, due 12/01/2034	\$ -	\$ 45,000,000	\$ -	\$ 45,000,000	\$ 1,836,750
Loans Payable:					
2013 Refunding-2002 Joint Powers Financing Authority, 3.87% due 5/01/32	6,950,000	-	270,000	6,680,000	285,000
County of Monterey 911 Dispatch Center various %, due 9/17	82,870	-	23,465	59,405	30,726
California Energy Commission 1.0%, due 12/22/22	904,013		102,423	801,590	103,429
California Energy Commission 3.95%, due 6/25/25	292,199	-	21,684	270,515	22,521
US Bancorp Loan					
Pierce Fire Apparatus Loan 3.06%, due 11/2024	-	370,306	62,230	308,076	26,799
Compensated Absences:	3,562,884	2,110,525	2,120,805	3,552,604	661,268
Net OPEB Obligation	2,165,416	74,318	-	2,239,734	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 13,957,382</u>	<u>\$ 47,555,149</u>	<u>\$ 2,600,607</u>	<u>\$ 58,911,924</u>	<u>\$ 2,966,493</u>
BUSINESS TYPE ACTIVITIES					
Lease Revenue Bonds Payable:					
1994 Materials Recovery Facility, 5.50-5.75%, due 3/1/18	\$ 1,420,000	\$ -	\$ 310,000	\$ 1,110,000	\$ 340,000
Loans Payable:					
State of California Small Craft Harbor Loans, (a), 4.50%, due 2024	2,843,717	-	269,369	2,574,348	209,499
Compensated Absences:	226,133	138,612	165,667	199,078	19,551
Net OPEB Obligation	256,126	16,781	-	272,907	-
TOTAL BUSINESS TYPE ACTIVITIES	<u>\$ 4,745,976</u>	<u>\$ 155,393</u>	<u>\$ 745,036</u>	<u>\$ 4,156,333</u>	<u>\$ 569,050</u>

The City had \$923,169 in restricted cash and investments at June 30, 2015 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.

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.

NOTE 6 – LONG TERM DEBT (Continued)

C. Repayment Requirements

At June 30, 2015 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	Special Tax Bonds		Lease Revenue Bonds		Miscellaneous Loans		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
Governmental							
2016	\$ -	\$ 1,836,750	\$ 285,000	\$ 258,516	\$ 183,474	\$ 29,324	\$ 2,593,064
2017	460,023	1,768,415	295,000	247,487	184,232	25,694	2,980,851
2018	522,944	1,749,001	310,000	236,070	158,381	22,069	2,998,465
2019	1,379,668	1,711,424	320,000	224,073	161,282	19,167	3,815,614
2020	1,496,532	1,654,619	330,000	211,689	164,234	16,216	3,873,290
2021-2025	9,450,040	7,246,902	1,860,000	855,851	587,983	36,244	20,037,020
2026-2030	13,368,567	5,008,243	2,255,000	466,722	-	-	21,098,532
2031-2035	18,322,226	1,896,898	1,025,000	59,985	-	-	21,304,109
TOTAL	<u>\$45,000,000</u>	<u>\$22,872,252</u>	<u>\$6,680,000</u>	<u>\$2,560,393</u>	<u>\$1,439,586</u>	<u>\$148,714</u>	<u>\$78,700,945</u>
Business Type							
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	325,345
2020			-	-	249,831	75,513	325,344
2021-2025			-	-	1,428,241	173,765	1,602,005
TOTAL			<u>\$1,110,000</u>	<u>\$ 130,930</u>	<u>\$2,574,348</u>	<u>\$654,380</u>	<u>\$ 4,469,658</u>

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.

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. The refunding of the 2002 bonds in FY2013/14 resulted in a difference in cash flows from debt service payments of \$1,618,297 over the remaining life of the bonds, and resulted in an overall net present value savings of \$481,715. Lease payments will be made from the City's General Fund, and are secured by the Police/Fire Station building and Fire Station #3.

NOTE 6 – LONG TERM DEBT (Continued)

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 became effective on July 1, 2014. \$45 million in private placement bonds were issued on May 19, 2015. The bonds bear interest at 3.95% over a period ending December 1, 2034, with a provision for mandatory redemption if special tax proceeds exceed the amounts required for debt service and reserves.

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 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.

NOTE 7 – PENSION PLANS

A. General Information: 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 issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CALPERS website.

Benefits Provided: CALPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. 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. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

Classic (hired prior to January 1, 2013)	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 2015)	32.00%	31.00%	20.636%
PEPRA (hired after January 1, 2013)	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	2.70%	2.70%	2.00%
Required employee contribution rates	11.50%	11.50%	6.25%
Required employer contribution rates (FY 2015)	11.50%	11.50%	23.636%

*Effective September 16, 2011 the City amended its contract with CalPERS to incorporate cost-sharing of the City's employer contribution rate. During FY2014/15, Classic Miscellaneous and Safety employees contributed 3% of the employer contribution rate.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by

NOTE 7 – PENSION PLANS (Continued)

the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City of Monterey is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

At June 30, 2015, the City of Monterey had no outstanding contributions due to the pension plan for the year ended June 30, 2015.

Employees Covered: At June 30, 2013, the date of the most recent census, the following employees were covered by the benefit terms for the Miscellaneous Plan.

<i>Miscellaneous Plan - Employees Covered</i>	<i># employees</i>
Inactive employees or beneficiaries currently receiving benefits	353
Inactive employees entitled to but not yet receiving benefits	236
Active employees	331

Net Pension Liability

The City of Monterey's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2014, using an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. As of June 30, 2013, the City's PEPPRA Miscellaneous and PEPPRA Safety Police plans had no members and therefore, no net pension liability to report. A summary of principal assumptions and methods used to determine the net pension liability is shown in the following table:

	Miscellaneous	Safety	PEPPRA Safety Fire
Valuation Date	June 30, 2013	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method		
Actuarial Assumptions:			
Discount Rate	7.50%		
Inflation	2.75%		
Payroll Growth	Protection allowance floor on purchasing power applies, 2.75% thereafter		
Projected Salary Increase	Varies by Entry Age and Service		
Investment Rate of Return ⁽¹⁾	7.50%		
Mortality ⁽²⁾	Mortality rate table		

(1) Net of pension plan investment and administrative expenses; includes inflation

(2) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

For more details on this table, please refer to the 2014 experience study report.

NOTE 7 – PENSION PLANS (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.5% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.5% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.5% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.5% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTE 7 – PENSION PLANS (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 ⁽¹⁾	Real Return Years 11+ ⁽²⁾
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.5	5.13
Infrastructure and Forestland	3.0	4.5	5.09
Liquidity	2	(0.6)	(1.1)

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

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

B. Changes in Net Pension Liability (Miscellaneous Plan) and Pension Liabilities & Expenses (Safety Plans)

The changes in the Net Pension Liability for the Miscellaneous, Agent-Multiple Employer Plan follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
MISCELLANEOUS PLAN			
Balance at June 30, 2013	\$ 203,439,521	\$ 132,855,844	\$ 70,583,677
Changes in the year:			
Service cost	4,600,502		4,600,502
Interest on the total pension liability	15,098,053		15,098,053
Differences between actual and expected experience	-		-
Changes in assumptions	-		-
Changes in benefit terms	-		-
Contribution - employer		4,082,086	(4,082,086)
Contribution - employee		3,282,621	(3,282,621)
Net investment income ⁽¹⁾		22,937,070	(22,937,070)
Benefit payments, including refunds of employee contributions	(8,864,804)	(8,864,804)	-
Net changes	\$ 10,833,751	\$ 21,436,973	\$ (10,603,222)
Balance at June 30, 2014	\$ 214,273,272	\$ 154,292,817	\$ 59,980,455

⁽¹⁾ Net of administrative expenses

NOTE 7 – PENSION PLANS (Continued)

As of June 30, 2015, the City of Monterey reported net pension liabilities for its proportionate shares of the net pension liability of the Safety and PEPRA Safety Fire Cost-Sharing Multiple-Employer Plans as follows:

	Proportionate Share of Net Pension Liability
Safety	\$ 40,120,367
PEPRA Safety Fire Plan	389
Total Net Pension Liability	\$ 40,120,756

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

	Safety	PEPRA Safety Fire Plan
Proportion - June 30, 2013	1.00662%	0.00001%
Proportion - June 30, 2014	1.06960%	0.00001%
Change - Inc(Dec)	0.06298%	0.00000%

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City of Monterey for each plan, calculated using the discount rate for each Plan, as well as what the City of Monterey's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate. The proportionate share of the net pension liability is used for each Safety Cost-Sharing, Multiple Employer Plans:

	Miscellaneous	Safety	PEPRA Safety Fire
1% Decrease	6.50%	6.50%	6.50%
Net Pension Liability	\$ 86,336,081	\$ 61,173,495	\$ 669
Current Discount Rate	7.50%	7.50%	7.50%
Net Pension Liability	\$ 59,980,455	\$ 40,120,367	\$ 389
1% Increase	8.50%	8.50%	8.50%
Net Pension Liability	\$ 37,874,501	\$ 22,773,499	\$ 158

NOTE 7 – PENSION PLANS (Continued)

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

C. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

MISCELLANEOUS PLAN

For the year ended June 30, 2015, the City of Monterey Miscellaneous Plan recognized pension expense of \$7,389,727. At June 30, 2015, the City of Monterey reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,769,692	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(10,480,141)
Total	<u>\$ 4,769,692</u>	<u>\$ (10,480,141)</u>

\$4,769,692 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2015	\$ (2,620,035)
2016	(2,620,035)
2017	(2,620,035)
2018	(2,620,035)
Thereafter	-

SAFETY PLAN

For the year ended June 30, 2015, the City of Monterey Safety Plan recognized pension expense of \$10,145,352. At June 30, 2015, the City of Monterey reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,812,427	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	56,838	-
Net differences between projected and actual earnings on plan investments	-	(8,065,861)
Total	<u>\$ 3,869,265</u>	<u>\$ (8,065,861)</u>

NOTE 7 – PENSION PLANS (Continued)

\$3,869,265 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2015	\$ (1,996,166)
2016	(1,996,166)
2017	(2,000,225)
2018	(2,016,466)
Thereafter	-

PEPRA SAFETY FIRE PLAN

For the year ended June 30, 2015, the City of Monterey PEPRA Safety Fire Plan recognized pension expense of \$47,380. At June 30, 2015, the City of Monterey reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 87,035	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(117)
Net differences between projected and actual earnings on plan investments	-	(29,651)
Total	<u>\$ 87,035</u>	<u>\$ (29,768)</u>

\$87,035 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2015	\$ (10,618)
2016	(10,618)
2017	(8,502)
2018	(30)
Thereafter	-

NOTE 7 – PENSION PLANS (Continued)

D. Payable to the Pension Plan

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

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.

F. 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 \$122.00 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, 2015, plan membership consisted of 363 active participants and 180 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 2014/15, the City contributed \$607,000 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	\$ 672,727
Interest on net OPEB obligation	170,719
Adjustment to annual required contribution	(145,347)
Annual OPEB cost (expense)	698,099
Contributions (benefit payments)	(607,000)
Increase in net OPEB obligation	91,099
Net OPEB obligation - beginning of year	2,421,542
Net OPEB obligation - end of year	<u>\$ 2,512,641</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 20012/13 through 2014/15 are as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
June 30, 2013	\$ 709	42.5%	\$ 2,206
June 30, 2014	\$ 668	67.7%	\$ 2,422
June 30, 2015	\$ 698	64.8%	\$ 2,513

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2015 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 (24 years remaining on June 30, 2015).

NOTE 9 – RISK MANAGEMENT

A. Coverage

The City is exposed to various risks of loss related to municipal devices such as 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 risk for its general liability, auto physical damage, and workers' compensation liability up to a certain retention level. The City shares risk with other public agencies via risk sharing pool joint powers authorities, and purchases excess insurance for the remainder of potential exposure amounts. 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 \$5,000,000	\$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 retention amount for workers' compensation is provided through insurance purchased by the City. Coverage above the self insured retention 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 risk management 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 (also known as a contribution) of \$297,860 to ACCEL for the year ended June 30, 2015. 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.

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, 2015.

NOTE 9 – RISK MANAGEMENT (Continued)

Preliminary Claims activities for the plan years ended June 30, 2015 and 2014 are presented as follows:

	Workers' Compensation	General Liability	Total	
			2015	2014
Beginning balances	\$ 7,682,250	\$ 2,486,257	\$ 10,168,507	\$ 10,611,374
Liability for current fiscal year claims	2,388,000	322,000	2,710,000	2,713,000
Change in liability for prior fiscal year claims and claims incurred but not reported (IBNR)	(4,251,167)	(888,369)	(5,139,537)	(5,882,078)
Claims paid	2,165,417	678,743	2,844,161	1,767,328
Ending balances	<u>\$ 7,984,500</u>	<u>\$ 2,598,631</u>	<u>\$ 10,583,131</u>	<u>\$ 10,168,507</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 \$122.00 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 \$1,652.00 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.

As of June 30, 2015, the City had outstanding receivables of \$981,000. 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 6/30/15 which may be disallowed cannot be determined at this time. The City estimates such amounts, if any, to be immaterial.

NOTE 11 – PRESIDIO MUNICIPAL SERVICES AGENCY (Continued)

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. In the opinion of the City Attorney, the total potential claims against the City, not covered by insurance, resulting from litigation would not materially affect the financial statements of the City as of June 30, 2015.

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. As of June 30, 2015, the City continues to demonstrate progress on the Van Buren project, and the funds remain in the Payment Bond Timed Deposit.

NOTE 13 – STEWARDSHIP AND COMPLIANCE

At June 30, 2015, the following non-major funds had an excess of expenditures over budget as follows:

Construction Truck Impact Fee	\$ 2,589
Special Deposits	\$ 207,578
Scholze Park	\$ 329

The Capital Projects Governmental Fund reflects a negative fund balance of \$4.2 million due to an advance of \$2.9 million from the Parking Fund to fund the Conference Center renovation project. This advance will be repaid by CCFD tax proceeds that exceed bond repayment requirements. In addition, \$2.3 million was received by the Capital Projects Fund from the

NOTE 13 – STEWARDSHIP AND COMPLIANCE (Continued)

General Fund as a short-term loan until \$2.3 million in outstanding receivables is paid, primarily from the State Revolving Fund for the Sewer Rehabilitation Project.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

In fiscal year 2014/15, the first year affected by GASB 68, an extra entry was necessary to restate the beginning net position to give retroactive effect to the implementation of GASB 68, reflecting the net pension liability as of June 30, 2013, the most recent measurement date. Entries are as follows:

Governmental Activities	
General Long-Term Liability	(\$101,236,488)
Internal Service Funds	(\$2,719,431)
Total	(\$103,955,919)
Business Type Activities Funds	
Marina	(\$727,293)
Parking	(\$3,398,931)
Presidio of Monterey Public Works	(\$2,672,820)
Other Enterprise Funds	(\$97,032)
Total	(\$6,896,076)

NOTE 15 – SUBSEQUENT EVENTS

On September 30, 2015, the \$45 million in Conference Center Facilities District private placement bonds that were issued May 19, 2015 were refunded and replaced by \$50 million in private placement bonds. The term and interest rate of the bonds remain unchanged.

Pension: Schedule of changes in the Net Pension Liability and Related Ratios, Schedule of Proportionate Share of Net Pension Liability, and Schedule of Contribution:

The City of Monterey, Agent Multiple-Employer Defined Benefit Pension Plan (Miscellaneous) As of June 30, 2015 Last 10 Years ⁽¹⁾ SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS	
	2013-14
Total Pension Liability	
Service Cost	\$ 4,600,502
Interest on total pension liability	15,098,053
Changes in benefits terms	-
Differences between expected and actual experiences	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(8,864,804)
Net change in total pension liability	10,833,751
Total pension liability - beginning	203,439,521
Total pension liability - ending (a)	\$ 214,273,272
Plan Fiduciary Net Position	
Contributions - employer	\$ 4,082,086
Contributions - employee	3,282,621
Net investment income ⁽²⁾	22,937,070
Benefit payments	(8,864,804)
Other changes in fiduciary net position	-
Net change in plan fiduciary net position	21,436,973
Plan fiduciary net position - beginning	132,855,844
Plan fiduciary net position - ending (b)	154,292,817
Net pension liability - ending (a)-(b)	\$ 59,980,455
Plan fiduciary net position as a percentage of the total pension liability	72.01%
Covered - employee payroll	\$ 23,972,182
Net pension liability as a percentage of covered-employee payroll	250.21%
⁽¹⁾ Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown	
⁽²⁾ Net of administrative expenses.	
Notes to Schedule:	
Benefit Changes: None	
Changes in Assumptions: There were no changes in assumptions	

The City of Monterey, Agent Multiple-Employer Defined Benefit Pension Plan (Miscellaneous) As of June 30, 2015 Last 10 Years ⁽¹⁾ SCHEDULE OF CONTRIBUTIONS	
	2013-14
Actuarially determined contribution	\$ 4,082,086
Contributions in relation to the actuarially determined contribution	(4,082,086)
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 23,972,182
Contributions as a percentage of covered-employee payroll	17.03%
⁽¹⁾ Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown	
Notes to Schedule	
Valuation date:	6/30/2013
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method/period	For details, see June 30, 2011 Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997-2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvements using Scale AA published by the Society of Actuaries

The City of Monterey, Cost Sharing Defined Benefit Pension Plan (Safety) As of June 30, 2015 Last 10 Years ⁽¹⁾ SCHEDULE OF THE CITY OF MONTEREY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	
	<u>6/30/2014</u>
Proportion of the net pension liability	64.477%
Proportionate share of the net pension liability	\$ 40,120,367
Covered-employee payroll	\$ 12,253,098
Proportionate Share of the net pension liability as percentage of covered-employee payroll	327.43%
Plan's fiduciary net position	-
Plan fiduciary net position as a percentage of the total pension liability	74.47%
⁽¹⁾ Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown	
Notes to Schedule:	
Benefit changes: None	
Changes in assumptions: None	

The City of Monterey, Cost Sharing Defined Benefit Pension Plan (Safety) As of June 30, 2015 Last 10 Years ⁽¹⁾ SCHEDULE OF CONTRIBUTIONS	
	<u>2013-14</u>
Actuarially determined contribution	\$ 3,756,725
Contributions in relation to the actuarially determined contribution	<u>(3,756,725)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 12,253,098
Contributions as a percentage of covered-employee payroll	30.66%
⁽¹⁾ Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown	
Notes to Schedule:	
Benefit changes: None	
Changes in assumptions: None	

The City of Monterey, Cost Sharing Defined Benefit Pension Plan (PEPRA Safety Fire)
As of June 30, 2015
Last 10 Years ⁽¹⁾

SCHEDULE OF THE CITY OF MONTEREY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

6/30/2014

Proportion of the net pension liability	0.00001%
Proportionate share of the net pension liability \$	389
Covered-employee payroll \$	368,679
Proportionate Share of the net pension liability as percentage of covered-employee payroll	0.11%
Plan's fiduciary net position	-
Plan fiduciary net position as a percentage of the total pension liability	81.41%

⁽¹⁾ Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

Notes to Schedule:

Benefit changes: None

Changes in assumptions: None

The City of Monterey, Cost Sharing Defined Benefit Pension Plan (PEPRA Safety Fire)
As of June 30, 2015
Last 10 Years ⁽¹⁾

SCHEDULE OF CONTRIBUTIONS

2013-14

Actuarially determined contribution	\$ 49,787
Contributions in relation to the actuarially determined contribution	(49,787)
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 368,679
Contributions as a percentage of covered-employee payroll	13.50%

⁽¹⁾ Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

Notes to Schedule:

Benefit changes: None

Changes in assumptions: None

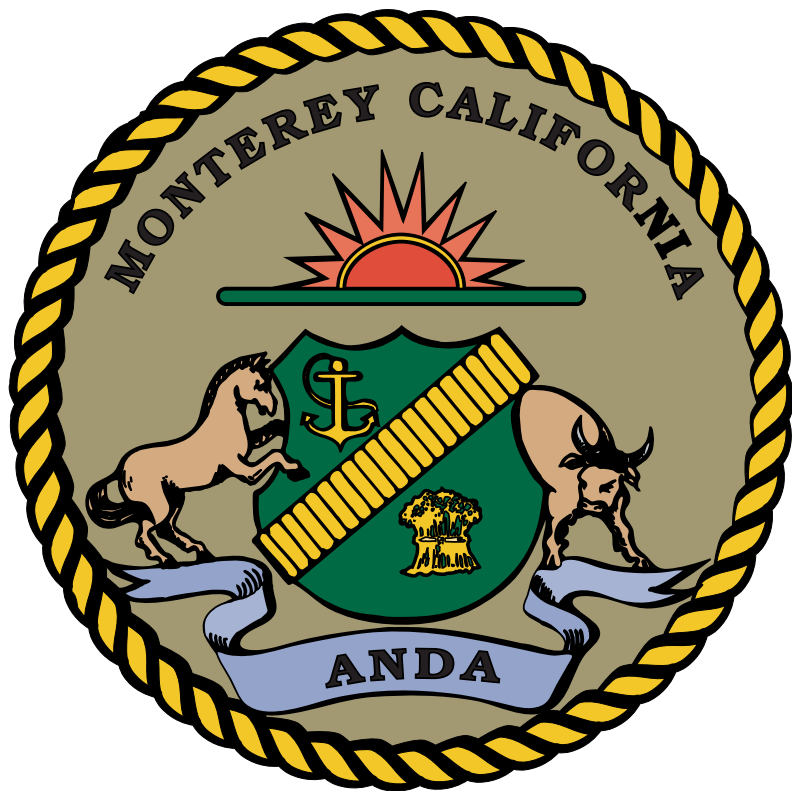
Post-Employment Health Care Benefits

Funding progress as of June 30, 2015 based on the most recent June 30, 2013 actuarial report:

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.

Street Infrastructure Rehabilitation Fund – This fund was established in April, 2015 to account for all sales and use tax revenue from Measure P, a 1% add-on district tax effective for four years. The purpose of Measure P is to fund street infrastructure rehabilitation 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.

NON-MAJOR GOVERNMENTAL FUNDS (continued)

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.

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, 2015

	SPECIAL REVENUE FUNDS			
	Debt Service	Sewer/Storm Water System Improvements	Landscape Maintenance	State/Federal Grants
ASSETS				
Cash and investments available for operations	\$ 15,560	\$ 6,912,831	\$ 247,973	\$ 9,961
Restricted cash and investments:				
Held by fiscal agent	-	-	-	-
Held by city	-	-	-	-
Receivables:				
Accounts receivable	-	555,763	-	16,666
Interest receivable	36	14,942	571	-
Loans receivable:				
Rehabilitation	-	-	-	-
Downpayment assistance	-	-	-	-
Project loans	-	-	-	-
Property held for resale	-	-	-	-
Total assets	<u>\$ 15,596</u>	<u>\$ 7,483,536</u>	<u>\$ 248,544</u>	<u>\$ 26,627</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 17,591	\$ 129,349	\$ 3,894	\$ -
Due to other funds	-	-	-	456
Revenue received in advance	-	-	-	-
Total liabilities	<u>17,591</u>	<u>129,349</u>	<u>3,894</u>	<u>456</u>
FUND EQUITY				
Fund balances				
Nonspendable fund balances	-	-	-	-
Restricted fund balances	-	7,354,187	244,650	26,171
Committed fund balances	-	-	-	-
Unassigned fund balances	(1,995)	-	-	-
Total fund balances	<u>(1,995)</u>	<u>7,354,187</u>	<u>244,650</u>	<u>26,171</u>
Total liabilities and fund balances	<u>\$ 15,596</u>	<u>\$ 7,483,536</u>	<u>\$ 248,544</u>	<u>\$ 26,627</u>

(Continued)

SPECIAL REVENUE FUNDS

Construction Truck Impact Fee	Gas Tax	Street Infrastructure Rehabilitation	Parking Adjustments	Housing Grants	Park Dedication	Public Safety Training and Services
\$ 275,547	\$ 2,559,763	\$283,871	\$ 3,007	\$ 1,165,714	\$ 55,232	\$ 193,385
-	-	-	-	73,039	-	-
-	-	-	-	-	-	-
-	-	1,131,200	269	18,403	-	-
-	5,873	-	77	2,683	127	-
-	-	-	-	2,146,413	-	-
-	-	-	-	888,820	-	-
-	-	-	-	1,081,494	-	-
-	-	-	-	423,219	-	-
<u>\$ 275,547</u>	<u>\$ 2,565,636</u>	<u>\$ 1,415,071</u>	<u>\$ 3,353</u>	<u>\$ 5,799,785</u>	<u>\$ 55,359</u>	<u>\$ 193,385</u>
\$ 1,028	\$ 7,437	\$ 541,839	\$ -	\$ 43,857	\$ -	\$ 1,774
-	-	-	-	-	-	-
-	-	-	-	418,894	-	-
<u>1,028</u>	<u>7,437</u>	<u>541,839</u>	<u>-</u>	<u>462,751</u>	<u>-</u>	<u>1,774</u>
-	-	-	-	4,539,946	-	-
274,519	2,558,199	873,232	3,353	797,088	-	152,369
-	-	-	-	-	-	39,242
-	-	-	-	-	55,359	-
<u>274,519</u>	<u>2,558,199</u>	<u>873,232</u>	<u>3,353</u>	<u>5,337,034</u>	<u>55,359</u>	<u>191,611</u>
<u>\$ 275,547</u>	<u>\$ 2,565,636</u>	<u>\$ 1,415,071</u>	<u>\$ 3,353</u>	<u>\$ 5,799,785</u>	<u>\$ 55,359</u>	<u>\$ 193,385</u>

(Continued)

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

	SPECIAL REVENUE FUNDS			
	Asset Seizure	Public Education and Government Access	Senior Center Programs	Library
ASSETS				
Cash and investments available for operations	\$ 78,058	\$ 1,739	\$ 148,596	\$ 557,662
Restricted cash and investments:				
Held by fiscal agent	-	-	-	-
Held by city	-	-	-	-
Receivables:				
Accounts receivable	-	-	-	195
Interest receivable	-	4	342	1,283
Loans receivable:				
Rehabilitation	-	-	-	-
Downpayment assistance	-	-	-	-
Project loans	-	-	-	-
Property held for resale	-	-	-	-
Total assets	<u>\$ 78,058</u>	<u>\$ 1,743</u>	<u>\$ 148,938</u>	<u>\$ 559,140</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 54,773	\$ -	\$ 1,684	\$ 11,649
Due to other funds	-	-	-	-
Revenue received in advance	-	-	-	-
Total liabilities	<u>54,773</u>	<u>-</u>	<u>1,684</u>	<u>11,649</u>
FUND EQUITY				
Fund balances				
Nonspendable fund balances	-	-	-	-
Restricted fund balances	23,285	1,743	147,254	547,491
Committed fund balances	-	-	-	-
Unassigned fund balances	-	-	-	-
Total fund balances	<u>23,285</u>	<u>1,743</u>	<u>147,254</u>	<u>547,491</u>
Total liabilities and fund balances	<u>\$ 78,058</u>	<u>\$ 1,743</u>	<u>\$ 148,938</u>	<u>\$ 559,140</u>

(Continued)

SPECIAL REVENUE FUND		PERMANENT FUND	
Museum	Special Deposits	Scholze Park	TOTAL
\$ 227,941	\$ 138,618	\$ -	\$ 12,875,458
-	-	-	73,039
-	-	2,476,127	2,476,127
-	1,949	-	1,724,445
525	47	5,692	32,202
-	-	-	2,146,413
-	-	-	888,820
-	-	-	1,081,494
-	-	-	423,219
<u>\$ 228,466</u>	<u>\$ 140,614</u>	<u>\$ 2,481,819</u>	<u>\$ 21,721,217</u>
\$ 359	\$ 928	\$ -	\$ 816,162
-	-	2,343	2,799
-	-	-	418,894
<u>359</u>	<u>928</u>	<u>2,343</u>	<u>1,237,855</u>
-	-	2,476,127	7,016,073
228,107	139,686	-	13,371,334
-	-	-	39,242
-	-	3,349	56,713
<u>228,107</u>	<u>139,686</u>	<u>2,479,476</u>	<u>20,483,362</u>
<u>\$ 228,466</u>	<u>\$ 140,614</u>	<u>\$ 2,481,819</u>	<u>\$ 21,721,217</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, 2015

	SPECIAL REVENUE FUNDS				
	Debt Service	Sewer/Storm Water System Improvements	Landscape Maintenance	State/Federal Grants	Construction Truck Impact Fee
REVENUES					
Property tax	\$ -	\$ -	\$ 89,546	\$ -	\$ -
Sales tax	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental	-	-	-	119,230	-
Investment income	275	41,882	1,616	130	-
Rental income	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Charges for services	-	3,576,341	-	-	-
Other	14,854	701	-	-	-
Total revenues	15,129	3,618,924	91,162	119,360	-
EXPENDITURES					
Current:					
General government	2,654	122	-	-	-
Fire	-	-	-	-	-
Public works	-	1,924,775	99,057	(107)	2,589
Community development	-	-	-	-	-
Community services	-	-	-	-	-
Library	-	-	-	-	-
Debt service:					
Principal payment	270,000	-	-	-	-
Interest and fiscal charges	268,965	-	-	-	-
Total expenditures	541,619	1,924,897	99,057	(107)	2,589
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(526,490)	1,694,027	(7,895)	119,467	(2,589)
OTHER FINANCING SOURCES (USES)					
Transfers in	757,321	-	39,253	-	-
Transfers out	(70,000)	(324,446)	-	(101,629)	(13,766)
Total other financing sources (uses)	687,321	(324,446)	39,253	(101,629)	(13,766)
NET CHANGE IN FUND BALANCES	160,831	1,369,581	31,358	17,838	(16,355)
BEGINNING FUND BALANCES (DEFICITS)	(162,826)	5,984,606	213,292	8,333	290,874
ENDING FUND BALANCES (DEFICITS)	\$ (1,995)	\$ 7,354,187	\$ 244,650	\$ 26,171	\$ 274,519

(Continued)

SPECIAL REVENUE FUNDS

<u>Gas Tax</u>	<u>Street Infrastructure Rehabilitation</u>	<u>Parking Adjustments</u>	<u>Housing Grants</u>	<u>Park Dedication</u>	<u>Public Safety Training and Services</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,609,936	-	-	-	-
741,324	-	-	-	-	-
-	-	-	-	-	48,971
16,286	659	138	109,275	208	-
-	-	-	343,149	-	-
-	-	11,681	-	-	-
-	-	18,635	-	37,600	16,835
-	-	-	1,840	-	-
<u>757,610</u>	<u>1,610,595</u>	<u>30,454</u>	<u>454,264</u>	<u>37,808</u>	<u>65,806</u>
-	-	-	28,787	-	-
-	-	-	-	-	62,555
-	-	-	-	-	-
-	-	-	727,481	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>756,268</u>	<u>-</u>	<u>62,555</u>
<u>757,610</u>	<u>1,610,595</u>	<u>30,454</u>	<u>(302,004)</u>	<u>37,808</u>	<u>3,251</u>
-	-	-	-	-	-
<u>(145,383)</u>	<u>(737,363)</u>	<u>(30,195)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(145,383)</u>	<u>(737,363)</u>	<u>(30,195)</u>	<u>-</u>	<u>-</u>	<u>-</u>
612,227	873,232	259	(302,004)	37,808	3,251
<u>1,945,972</u>	<u>-</u>	<u>3,094</u>	<u>5,639,038</u>	<u>17,551</u>	<u>188,360</u>
<u>\$ 2,558,199</u>	<u>\$ 873,232</u>	<u>\$ 3,353</u>	<u>\$ 5,337,034</u>	<u>\$ 55,359</u>	<u>\$ 191,611</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, 2015

	SPECIAL REVENUE FUNDS				
	Asset Seizure	Public Education and Government Access	Senior Center Programs	Library	Museum
REVENUES					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental	1,405	-	-	-	-
Investment income	-	11	1,134	4,096	1,328
Rental income	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	22,974	6,089
Other	-	-	-	52,043	53,485
Total revenues	1,405	11	1,134	79,113	60,902
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	24,830	-	-
Library	-	-	-	141,773	4,433
Debt service:					
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	-	-	24,830	141,773	4,433
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,405	11	(23,696)	(62,660)	56,469
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	1,405	11	(23,696)	(62,660)	56,469
BEGINNING FUND BALANCES (DEFICITS)	21,880	1,732	170,950	610,151	171,638
ENDING FUND BALANCES (DEFICITS)	\$ 23,285	\$ 1,743	\$ 147,254	\$ 547,491	\$ 228,107

(Continued)

SPECIAL REVENUE FUNDS		PERMANENT FUND
Special Deposits	Scholze Park	TOTAL
\$ -	\$ -	\$ 89,546
-	-	1,609,936
-	-	741,324
-	-	169,606
-	17,269	194,307
-	-	343,149
-	-	11,681
47,163	-	3,725,637
158,008	-	280,931
205,171	17,269	7,166,117
207,578	329	239,470
-	-	62,555
-	-	2,026,314
-	-	727,481
-	-	24,830
-	-	146,206
-	-	270,000
-	-	268,965
207,578	329	3,765,821
(2,407)	16,940	3,400,296
-	-	796,574
(2,847)	(20,000)	(1,445,629)
(2,847)	(20,000)	(649,055)
(5,254)	(3,060)	2,751,241
144,940	2,482,536	17,732,121
\$ 139,686	\$ 2,479,476	\$ 20,483,362
		(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, 2015

	Debt Service			Sewer/Storm Water System Improvements		
	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax			-			-
Other taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Investment income	-	275	275	28,452	41,882	13,430
Rental income	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Charges for services	-	-	-	3,096,820	3,576,341	479,521
Other	-	14,854	14,854	-	701	701
Total revenues	-	15,129	15,129	3,125,272	3,618,924	493,652
EXPENDITURES						
Current:						
General government	3,500	2,654	(846)	-	122	122
Fire	-	-	-	-	-	-
Public works	-	-	-	2,803,175	1,924,775	(878,400)
Community development	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Library	-	-	-	-	-	-
Debt service:						
Principal payment	270,000	270,000	-	-	-	-
Interest and fiscal charges	268,965	268,965	-	-	-	-
Total expenditures	542,465	541,619	(846)	2,803,175	1,924,897	(878,278)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(542,465)	(526,490)	15,975	322,097	1,694,027	1,371,930
OTHER FINANCING SOURCES (USES)						
Transfers in	-	757,321	757,321	-	-	-
Transfers out	-	(70,000)	(70,000)	-	(324,446)	(324,446)
Total other financing sources (uses)	-	687,321	687,321	-	(324,446)	(324,446)
NET CHANGE IN FUND BALANCES	\$ (542,465)	160,831	\$ 703,296	\$ 322,097	1,369,581	\$ 1,047,484
BEGINNING FUND BALANCES		(162,826)			5,984,606	
ENDING FUND BALANCES		\$ (1,995)			\$ 7,354,187	

(Continued)

Landscape Maintenance			State/Federal Grants		
Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
\$ 77,685	\$ 89,546	\$ 11,861	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	129,549	119,230	(10,319)
1,388	1,616	228	476	130	(346)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
79,073	91,162	12,089	130,025	119,360	(10,665)
-	-	-	-	-	-
-	-	-	-	-	-
154,486	99,057	(55,429)	21,149	(107)	(21,256)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
154,486	99,057	(55,429)	21,149	(107)	(21,256)
(75,413)	(7,895)	67,518	108,876	119,467	10,591
-	39,253	39,253	-	-	-
-	-	-	-	(101,629)	(101,629)
-	39,253	39,253	-	(101,629)	(101,629)
\$ (75,413)	31,358	\$ 106,771	\$ 108,876	17,838	\$ (91,038)
	213,292			8,333	
	\$ 244,650			\$ 26,171	

(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, 2015

	Construction Truck Impact Fee			Gas Tax		
	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax			-			-
Other taxes	-	-	-	772,747	741,324	(31,423)
Intergovernmental	-	-	-	-	-	-
Investment income	-	-	-	9,612	16,286	6,674
Rental income	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	-	-	-	782,359	757,610	(24,749)
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public works	-	2,589	2,589	-	-	-
Community development	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Library	-	-	-	-	-	-
Debt service:						
Principal payment	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	-	2,589	2,589	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(2,589)	(2,589)	782,359	757,610	(24,749)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(13,766)	(13,766)	-	(145,383)	(145,383)
Total other financing sources (uses)	-	(13,766)	(13,766)	-	(145,383)	(145,383)
NET CHANGE IN FUND BALANCES	\$ -	(16,355)	\$ (16,355)	\$ 782,359	612,227	\$ (170,132)
BEGINNING FUND BALANCES		290,874			1,945,972	
ENDING FUND BALANCES		\$ 274,519			\$ 2,558,199	

(Continued)

Street Infrastructure Rehab Fund			Parking Adjustments			Housing Grants		
Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	1,609,936	1,609,936						
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	183,890	-	(183,890)
156	659	503	156	138	(18)	53,158	109,275	56,117
-	-	-	-	-	-	332,584	343,149	10,565
14,043	-	(14,043)	14,043	11,681	(2,362)	-	-	-
18,635	-	(18,635)	18,635	18,635	-	-	-	-
-	-	-	-	-	-	175,000	1,840	(173,160)
<u>32,834</u>	<u>1,610,595</u>	<u>1,577,761</u>	<u>32,834</u>	<u>30,454</u>	<u>(2,380)</u>	<u>744,632</u>	<u>454,264</u>	<u>(290,368)</u>
-	-	-	-	-	-	-	28,787	28,787
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,386,973	727,481	(659,492)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,386,973</u>	<u>756,268</u>	<u>(630,705)</u>
<u>32,834</u>	<u>1,610,595</u>	<u>1,577,761</u>	<u>32,834</u>	<u>30,454</u>	<u>(2,380)</u>	<u>(642,341)</u>	<u>(302,004)</u>	<u>340,337</u>
-	-	-	-	-	-	-	-	-
-	(737,363)	(737,363)	-	(30,195)	(30,195)	-	-	-
-	(737,363)	(737,363)	-	(30,195)	(30,195)	-	-	-
<u>\$ 32,834</u>	<u>873,232</u>	<u>\$ 840,398</u>	<u>\$ 32,834</u>	<u>259</u>	<u>\$ (32,575)</u>	<u>\$ (642,341)</u>	<u>(302,004)</u>	<u>\$ 340,337</u>
	<u>-</u>			<u>3,094</u>			<u>5,639,038</u>	
	<u>\$ 873,232</u>			<u>\$ 3,353</u>			<u>\$ 5,337,034</u>	
		(Continued)						(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, 2015

	Park Dedication			Public Safety Training and Services		
	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	48,971	48,971
Investment income	111	208	97	40,000	-	(40,000)
Rental income	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Charges for services	-	37,600	37,600	11,000	16,835	5,835
Other	-	-	-	-	-	-
Total revenues	111	37,808	37,697	51,000	65,806	14,806
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Fire	-	-	-	257,238	62,555	(194,683)
Public works	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Library	-	-	-	-	-	-
Debt service:						
Principal payment	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	-	-	-	257,238	62,555	(194,683)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	111	37,808	37,697	(206,238)	3,251	209,489
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	\$ 111	37,808	\$ 37,697	\$ (206,238)	3,251	\$ 209,489
BEGINNING FUND BALANCES		17,551			188,360	
ENDING FUND BALANCES		\$ 55,359			\$ 191,611	

(Continued)

Asset Seizure			Public Education and Government Access		
Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
8,000	1,405	(6,595)	-	-	-
-	-	-	11	11	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	150,000	-	(150,000)
-	-	-	-	-	-
8,000	1,405	(6,595)	150,011	11	(150,000)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,000	-	(10,000)	-	-	-
(2,000)	1,405	3,405	150,011	11	(150,000)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ (2,000)	1,405	\$ 3,405	\$ 150,011	11	\$ (150,000)
	21,880			1,732	
	\$ 23,285			\$ 1,743	

(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, 2015

	Senior Center Programs			Library		
	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax						
Other taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Investment income	1,164	1,134	(30)	3,111	4,096	985
Rental income	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Charges for services	-	-	-	7,300	22,974	15,674
Other	-	-	-	39,142	52,043	12,901
Total revenues	1,164	1,134	(30)	49,553	79,113	29,560
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Community services	25,000	24,830	(170)	-	-	-
Library	-	-	-	201,759	141,773	(59,986)
Debt service:						
Principal payment	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	25,000	24,830	(170)	201,759	141,773	(59,986)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(23,836)	(23,696)	140	(152,206)	(62,660)	89,546
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	\$ (23,836)	(23,696)	\$ 140	\$ (152,206)	(62,660)	\$ 89,546
BEGINNING FUND BALANCES		170,950			610,151	
ENDING FUND BALANCES		\$ 147,254			\$ 547,491	

(Continued)

Museum			Special Deposits		
Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
968	1,328	360	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	6,089	6,089	-	47,163	47,163
6,200	53,485	47,285	-	158,008	158,008
7,168	60,902	53,734	-	205,171	205,171
-	-	-	-	207,578	207,578
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
208,209	4,433	(203,776)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
208,209	4,433	(203,776)	-	207,578	207,578
(201,041)	56,469	257,510	-	(2,407)	(2,407)
-	-	-	-	-	-
-	-	-	-	(2,847)	(2,847)
-	-	-	-	(2,847)	(2,847)
\$ (201,041)	56,469	\$ 257,510	\$ -	(5,254)	\$ (5,254)
	171,638			144,940	
	\$ 228,107			\$ 139,686	

(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, 2015

	Scholze Park			TOTALS		
	Budget	Actual	Variance- Over (Under)	Budget	Actual	Variance- Over (Under)
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ 77,685	\$ 89,546	\$ 11,861
Sales tax			-	-	1,609,936	1,609,936
Other taxes	-	-	-	772,747	741,324	(31,423)
Intergovernmental	-	-	-	321,439	169,606	(151,833)
Investment income	-	17,269	17,269	138,763	194,307	55,544
Rental income	-	-	-	332,584	343,149	10,565
Licenses and permits	-	-	-	28,086	11,681	(16,405)
Charges for services	-	-	-	3,302,390	3,725,637	423,247
Other	-	-	-	220,342	280,931	60,589
Total revenues	-	17,269	17,269	5,194,036	7,166,117	1,972,081
EXPENDITURES						
Current:						
General government	-	329	329	3,500	239,470	235,970
Fire	-	-	-	257,238	62,555	(194,683)
Public works	-	-	-	2,978,810	2,026,314	(952,496)
Community development	-	-	-	1,386,973	727,481	(659,492)
Community services	-	-	-	25,000	24,830	(170)
Library	-	-	-	409,968	146,206	(263,762)
Debt service:						
Principal payment	-	-	-	270,000	270,000	-
Interest and fiscal charges	-	-	-	268,965	268,965	-
Total expenditures	-	329	329	5,610,454	3,765,821	(1,844,633)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	16,940	16,940	(416,418)	3,400,296	3,816,714
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	796,574	796,574
Transfers out	-	(20,000)	(20,000)	-	(1,445,629)	(1,445,629)
Total other financing sources (uses)	-	(20,000)	(20,000)	-	(649,055)	(649,055)
NET CHANGE IN FUND BALANCES	\$ -	(3,060)	\$ (3,060)	\$ (416,418)	2,751,241	\$ 3,167,659
BEGINNING FUND BALANCES		2,482,536			17,732,121	
ENDING FUND BALANCES		\$ 2,479,476			\$ 20,483,362	

(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, 2015

	Cemetery	Materials Recovery	Navy Services	Institutional Network	Total
ASSETS					
Current assets:					
Cash and investments available for operations	\$ 210,037	\$ 175,547	\$ -	\$ 512,381	\$ 897,965
Accounts receivable	6,421	-	61,078	-	67,499
Interest receivable	483	23,104	-	1,179	24,766
Total current assets:	<u>216,941</u>	<u>198,651</u>	<u>61,078</u>	<u>513,560</u>	<u>990,230</u>
Noncurrent assets:					
Restricted cash and investments held by fiscal age	-	406,976	-	-	406,976
Capital assets:					
Buildings and improvements	1,099,845	3,503,275	-	-	4,603,120
Equipment	8,800	-	-	-	8,800
Accumulated depreciation	<u>(507,406)</u>	<u>(1,779,603)</u>	<u>-</u>	<u>-</u>	<u>(2,287,009)</u>
Total capital assets, net of accumulated depreciation	<u>601,239</u>	<u>1,723,672</u>	<u>-</u>	<u>-</u>	<u>2,324,911</u>
Total noncurrent assets	<u>601,239</u>	<u>2,130,648</u>	<u>-</u>	<u>-</u>	<u>2,731,887</u>
Total assets	<u>818,180</u>	<u>2,329,299</u>	<u>61,078</u>	<u>513,560</u>	<u>3,722,117</u>
DEFERRED OUTFLOW OF RESOURCES					
Deferred outflow of resources-pension	<u>6,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,959</u>
Total deferred outflow of resources	<u>6,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,959</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	5,160	42	28,109	-	33,311
Accrued interest	-	45,424	-	-	45,424
Due to other funds	-	-	18,173	-	18,173
Compensated absences-due within one year	1,038	-	-	-	1,038
Debt payable- due within one year	<u>-</u>	<u>340,000</u>	<u>-</u>	<u>-</u>	<u>340,000</u>
Total current liabilities	<u>6,198</u>	<u>385,466</u>	<u>46,282</u>	<u>-</u>	<u>437,946</u>
Noncurrent liabilities:					
Advances from other funds	659,383	-	-	-	659,383
Other post employment benefits	9,479	-	-	-	9,479
Compensated absences	8,753	-	-	-	8,753
Debt payable- due in more than one year	-	770,000	-	-	770,000
Net pension liability	<u>87,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,517</u>
Total noncurrent liabilities	<u>765,132</u>	<u>770,000</u>	<u>-</u>	<u>-</u>	<u>1,535,132</u>
Total liabilities	<u>771,330</u>	<u>1,155,466</u>	<u>46,282</u>	<u>-</u>	<u>1,973,078</u>
DEFERRED INFLOW OF RESOURCES					
Deferred outflow of resources-pension	<u>(3,823)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,823)</u>
Total deferred outflow of resources	<u>(3,823)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,823)</u>
NET POSITION					
Net investment in capital assets	601,239	613,672	-	-	1,214,911
Restricted for debt service	-	406,976	-	-	406,976
Unrestricted	<u>(543,607)</u>	<u>153,185</u>	<u>14,796</u>	<u>513,560</u>	<u>137,934</u>
Total net position	<u>\$ 57,632</u>	<u>\$ 1,173,833</u>	<u>\$ 14,796</u>	<u>\$ 513,560</u>	<u>\$ 1,759,821</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, 2015

	Cemetery	Materials Recovery	Navy Services	Institutional Network	Total
OPERATING REVENUES					
Charges for services	\$ 218,289	\$ -	\$ 317,654	\$ -	\$ 535,943
Lease revenue	-	395,435	-	-	395,435
Total operating revenues	218,289	395,435	317,654	-	931,378
OPERATING EXPENSES					
Salaries and benefits	99,035	-	-	-	99,035
Services and supplies	50,381	1,309	337,131	-	388,821
Depreciation	27,433	93,327	-	-	120,760
Total operating expenses	176,849	94,636	337,131	-	608,616
Operating income (loss)	41,440	300,799	(19,477)	-	322,762
NONOPERATING REVENUES (EXPENSES)					
Investment income	1,481	82,651	-	3,567	87,699
Interest and fiscal charges	(124)	(156,726)	-	(65)	(156,915)
Total nonoperating revenues (expenses)	1,357	(74,075)	-	3,502	(69,216)
Income (loss)	42,797	226,724	(19,477)	3,502	253,546
Transfers in (out)	(10,000)	-	-	-	(10,000)
Change in net position	32,797	226,724	(19,477)	3,502	243,546
BEGINNING NET POSITION	121,867	947,109	34,273	510,058	1,613,307
Prior period adjustment	(97,032)	-	-	-	(97,032)
ENDING NET POSITION	\$ 57,632	\$ 1,173,833	\$ 14,796	\$ 513,560	\$ 1,759,821

CITY OF MONTEREY
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Cemetery	Materials Recovery	Navy Services	Institutional Network	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 243,595	\$ 395,435	\$ 304,074	\$ -	\$ 943,104
Payments to suppliers	(52,192)	(1,309)	(311,602)	-	(365,103)
Payments to employees	(121,312)	-	-	-	(121,312)
Cash flows from operating activities	70,091	394,126	(7,528)	-	456,689
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts	(100,000)	-	7,528	-	(92,472)
Cash flows from noncapital financing activities	(110,000)	-	7,528	-	(102,472)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Debt principal repayment	-	(310,000)	-	-	(310,000)
Interest paid	(124)	(166,263)	-	(65)	(166,452)
Cash flows from capital financing activities	(124)	(476,263)	-	(65)	(476,452)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	1,631	89,015	-	3,679	94,325
Cash flows from investing activities	1,631	89,015	-	3,679	94,325
Net Cash Flows	(38,402)	6,878	-	3,614	(27,910)
Cash and investments at beginning of period	248,439	575,645	-	508,767	1,332,851
Cash and investments at end of period	<u>\$ 210,037</u>	<u>\$ 582,523</u>	<u>\$ -</u>	<u>\$ 512,381</u>	<u>\$ 1,304,941</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ 41,440	\$ 300,799	\$ (19,477)	\$ -	\$ 322,762
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	27,433	93,327	-	-	120,760
Other post employment benefits liability	203	-	-	-	203
Compensated absence liability	(2,183)	-	-	-	(2,183)
Pension expense	(20,297)	-	-	-	(20,297)
Change in assets and liabilities:					
Accounts receivable, net	25,306	-	(13,580)	-	11,726
Accounts payable and other accrued expenses	(1,811)	-	25,529	-	23,718
Cash flows from operating activities	<u>\$ 70,091</u>	<u>\$ 394,126</u>	<u>\$ (7,528)</u>	<u>\$ -</u>	<u>\$ 456,689</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, 2015

	Equipment Replacement	Vehicle Maintenance	Information Services	Risk Management	Total
ASSETS					
Current assets:					
Cash and investments available for operations	\$ 2,345,520	\$ -	\$ 2,014,138	\$ 11,689,123	\$ 16,048,781
Cash held by fiscal agent	-	-	-	1,281,947	1,281,947
Accounts receivable	2,472	8,906	102,387	24,474	138,239
Interest receivable	5,398	-	-	-	5,398
Total current assets:	<u>2,353,390</u>	<u>8,906</u>	<u>2,116,525</u>	<u>12,995,544</u>	<u>17,474,365</u>
Noncurrent assets:					
Advances to other funds	631,641	-	-	-	631,641
Capital assets:					
Construction in progress	-	-	1,121	-	1,121
Buildings and improvements	-	-	64,366	-	64,366
Equipment	10,475,288	68,664	2,888,488	-	13,432,440
Infrastructure	-	-	61,911	-	61,911
Accumulated depreciation	<u>(8,092,077)</u>	<u>(12,083)</u>	<u>(2,141,873)</u>	<u>-</u>	<u>(10,246,033)</u>
Total capital assets, net of accumulated depreciation	<u>2,383,211</u>	<u>56,581</u>	<u>874,013</u>	<u>-</u>	<u>3,313,805</u>
Total noncurrent assets	<u>3,014,852</u>	<u>56,581</u>	<u>874,013</u>	<u>-</u>	<u>3,945,446</u>
Total assets	<u>5,368,242</u>	<u>65,487</u>	<u>2,990,538</u>	<u>12,995,544</u>	<u>21,419,811</u>
DEFERRED OUTFLOW OF RESOURCES					
Deferred outflow of resources - pension	-	59,589	99,118	36,339	195,046
Total deferred outflow of resources	<u>-</u>	<u>59,589</u>	<u>99,118</u>	<u>36,339</u>	<u>195,046</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	-	65,497	152,504	145,034	363,035
Accrued interest	(4,625)	-	-	-	(4,625)
Accrued claims payable	-	-	-	10,656,195	10,656,195
Due to other funds	-	420,835	-	-	420,835
Compensated absences-due within one year	-	423	6,530	53	7,006
Total current liabilities:	<u>(4,625)</u>	<u>486,755</u>	<u>159,034</u>	<u>10,801,282</u>	<u>11,442,446</u>
Noncurrent liabilities:					
Other post employment benefits	-	38,752	46,104	13,097	97,953
Compensated absences payable	-	35,333	92,647	35,886	163,866
Debt payable- due in more than one year	308,076	-	-	-	308,076
Net pension liability	<u>-</u>	<u>749,349</u>	<u>1,246,445</u>	<u>456,970</u>	<u>2,452,764</u>
Total liabilities	<u>303,451</u>	<u>1,310,189</u>	<u>1,544,230</u>	<u>11,307,235</u>	<u>14,465,105</u>
DEFERRED INFLOW OF RESOURCES					
Deferred inflow of resources - pension	-	(32,733)	(54,447)	(19,961)	(107,141)
Total deferred inflow of resources	<u>-</u>	<u>(32,733)</u>	<u>(54,447)</u>	<u>(19,961)</u>	<u>(107,141)</u>
NET POSITION					
Net investment in capital assets	2,075,135	56,581	874,013	-	3,005,729
Unrestricted	<u>2,989,656</u>	<u>(1,208,961)</u>	<u>725,860</u>	<u>1,744,609</u>	<u>4,251,164</u>
Total net position	<u>\$ 5,064,791</u>	<u>\$ (1,152,380)</u>	<u>\$ 1,599,873</u>	<u>\$ 1,744,609</u>	<u>\$ 7,256,893</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, 2015

	<u>Equipment Replacement</u>	<u>Vehicle Maintenance</u>	<u>Information Services</u>	<u>Risk Management</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$ 832,736	\$ 1,590,916	\$ 2,935,697	\$ 11,681,574	\$ 17,040,923
Lease revenue	-	7,800	-	-	7,800
Other revenue	234,574	1,353	-	-	235,927
Total operating revenues	<u>1,067,310</u>	<u>1,600,069</u>	<u>2,935,697</u>	<u>11,681,574</u>	<u>17,284,650</u>
OPERATING EXPENSES					
Salaries and benefits	-	910,510	1,256,859	489,272	2,656,641
Services and supplies	122,568	530,648	1,146,547	4,204,111	6,003,874
Claims and insurance	-	-	-	7,629,218	7,629,218
Depreciation	588,546	1,649	251,484	-	841,679
Total operating expenses	<u>711,114</u>	<u>1,442,807</u>	<u>2,654,890</u>	<u>12,322,601</u>	<u>17,131,412</u>
Operating income (loss)	<u>356,196</u>	<u>157,262</u>	<u>280,807</u>	<u>(641,027)</u>	<u>153,238</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	19,394	-	-	-	19,394
Interest and fiscal charges	(15,625)	-	-	-	(15,625)
Total nonoperating revenues (expenses)	<u>3,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,769</u>
Income (loss) before transfers	<u>359,965</u>	<u>157,262</u>	<u>280,807</u>	<u>(641,027)</u>	<u>157,007</u>
Transfers in	122,576	-	-	-	122,576
Transfers out	(83,496)	-	(25,618)	-	(109,114)
Net transfers	<u>39,080</u>	<u>-</u>	<u>(25,618)</u>	<u>-</u>	<u>13,462</u>
Change in net position	399,045	157,262	255,189	(641,027)	170,469
BEGINNING 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>
Prior period adjustment	<u>-</u>	<u>(830,819)</u>	<u>(1,381,960)</u>	<u>(506,652)</u>	<u>(2,719,431)</u>
ENDING NET POSITION	<u>\$ 5,064,791</u>	<u>\$ (1,152,380)</u>	<u>\$ 1,599,873</u>	<u>\$ 1,744,609</u>	<u>\$ 7,256,893</u>

CITY OF MONTEREY
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Equipment Replacement	Vehicle Maintenance	Information Services	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 1,068,290	\$ 1,638,939	\$ 2,958,754	\$ 11,722,090	\$ 17,388,073
Payments to suppliers	(205,937)	(514,935)	(1,402,481)	(4,277,815)	(6,401,168)
Payments to employees	-	(1,075,408)	(1,548,566)	(589,125)	(3,213,099)
Claims and insurance paid	-	-	-	(7,210,057)	(7,210,057)
Cash flows from operating activities	<u>862,353</u>	<u>48,596</u>	<u>7,707</u>	<u>(354,907)</u>	<u>563,749</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts	209,703	(31,052)	-	-	178,651
Transfers in	122,576	-	-	-	122,576
Transfers out	(83,496)	-	(25,618)	-	(109,114)
Cash flows from noncapital financing activities	<u>248,783</u>	<u>(31,052)</u>	<u>(25,618)</u>	<u>-</u>	<u>192,113</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(875,566)	(17,544)	(335,232)	-	(1,228,342)
Debt principal repayment	308,076	-	-	-	308,076
Interest paid	(20,250)	-	-	-	(20,250)
Cash flows from capital and related financing activities	<u>(587,740)</u>	<u>(17,544)</u>	<u>(335,232)</u>	<u>-</u>	<u>(940,516)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	18,494	-	-	-	18,494
Purchase of investment securities	36,227	-	-	76,360	112,587
Cash flows from investing activities	<u>54,721</u>	<u>-</u>	<u>-</u>	<u>76,360</u>	<u>131,081</u>
Net cash flows	578,117	-	(353,143)	(278,547)	(53,573)
Cash and investments at beginning of period	<u>1,767,403</u>	<u>-</u>	<u>2,367,281</u>	<u>11,967,670</u>	<u>16,102,354</u>
Cash and investments at end of period	<u>\$ 2,345,520</u>	<u>\$ -</u>	<u>\$ 2,014,138</u>	<u>\$ 11,689,123</u>	<u>\$ 16,048,781</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ 356,196	\$ 157,262	\$ 280,807	\$ (641,027)	\$ 153,238
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	588,546	1,649	251,484	-	841,679
Other post employment benefits	-	1,289	1,897	636	3,822
Compensated absence liability	-	7,605	(4,524)	5,493	8,574
Pension expense	-	(173,792)	(289,080)	(105,982)	(568,854)
Change in assets and liabilities:					
Accounts receivables, net	980	38,870	23,057	40,516	103,423
Accounts payable and other accrued expenses	(83,369)	15,713	(255,934)	(73,704)	(397,294)
Accrued claims payable	-	-	-	419,161	419,161
Cash flows from operating activities	<u>\$ 862,353</u>	<u>\$ 48,596</u>	<u>\$ 7,707</u>	<u>\$ (354,907)</u>	<u>\$ 563,749</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 105-109)

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 110-115)

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 116-119)

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 120-121)

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 122-124)

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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 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	\$ 81,573,354
Restricted	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	41,852,947
Unrestricted	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	5,565,630
Total governmental activities net position	\$ 128,850,892	\$ 176,897,696	\$ 196,390,937	\$ 197,121,061	\$ 196,766,639	\$ 196,579,346	\$ 194,942,156	\$ 191,548,687	\$ 198,279,241	\$ 128,991,931
Business-type activities										
Net investment in capital assets	\$ 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	\$ 17,701,350
Restricted	1,756,942	1,758,193	1,758,383	1,696,136	1,697,423	414,540	411,276	416,065	407,139	406,976
Unrestricted	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)	(6,206,979)
Total business-type activities net position	\$ 25,863,880	\$ 28,592,097	\$ 8,900,822	\$ 9,352,415	\$ 9,357,068	\$ 10,662,940	\$ 11,619,227	\$ 12,839,750	\$ 15,194,108	\$ 11,901,347
Primary Government										
Net investment in capital assets	\$ 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	\$ 99,274,704
Restricted	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	42,259,923
Unrestricted	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	(641,349)
Total primary Government	\$ 154,714,772	\$ 205,489,793	\$ 205,489,793	\$ 205,291,759	\$ 206,123,707	\$ 209,025,069	\$ 206,561,383	\$ 204,388,437	\$ 213,473,349	\$ 140,893,278

CITY OF MONTEREY

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 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	\$ 5,468,878
Public safety	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	18,354,580
Public works	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	15,002,729
Community development	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	953,917
Recreation and community service	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	11,104,192
Library	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	2,028,633
Public Facilities	4,363,696	4,900,848	4,823,808	4,953,293	4,599,164	4,574,830	4,184,110	-	-	-
Nondepartmental	203,594	1,468,406	983,950	320,386	2,728,150	-	-	-	-	-
Interest and fiscal charges	795,513	581,390	554,904	525,497	498,238	471,315	403,001	392,114	463,574	519,893
Total governmental activities expenses	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	53,432,822
Business-type activities:										
Marina	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	1,845,966
Parking	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	6,469,521
Presidio of Monterey Public Works	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	8,815,978
Cemetery	319,620	338,155	325,867	378,326	358,412	374,530	274,918	192,412	242,726	176,973
Material Recovery	287,611	280,824	267,287	263,676	247,095	235,919	221,653	207,232	192,067	251,362
Navy Services	459,213	254,330	431,969	406,759	365,194	290,379	280,582	309,906	236,848	337,131
Institutional Network	1,476	-	-	-	-	920	1,479	2,734	-	65
Total business-type activities expenses	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	17,896,996
Total primary government expenses	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	71,329,818
Program revenues										
Governmental activities:										
Charges for services:										
General government	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	7,238,903
Public safety	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	7,232,624
Public works	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	6,277,294
Community development	1,010,875	1,322,291	505,402	518,332	1,245,340	(15,584)	94,181	74,142	83,067	(2,216)
Community service	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	7,019,594
Library	141,066	118,979	102,190	100,328	113,344	113,609	99,428	103,797	100,694	76,351
Public Facilities*	2,154,204	2,130,850	1,918,940	1,628,338	1,622,883	1,328,531	1,531,115	-	-	-
Nondepartmental	2,567,250	2,733,821	1,786,322	320,386	2,447,644	-	-	-	-	-
Operating grants and contributions	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	1,271,917
Capital grants and contributions	127,303	890,640	1,707,277	1,046,005	1,280,919	1,661,932	1,351,930	724,793	1,218,043	2,873,609
Total governmental activities program revenues	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	31,988,076

Continued

CITY OF MONTEREY

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Charges for services:										
Marina	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	3,054,187
Parking	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	8,944,423
Presidio of Monterey Public Works	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	8,631,601
Cemetery	210,191	245,459	181,511	285,375	291,432	228,593	322,825	347,321	365,707	218,289
Material Recovery	320,320	331,464	343,171	345,325	351,665	360,298	369,419	378,845	385,298	395,435
Navy Services	325,675	244,103	442,361	355,639	424,369	311,136	245,164	329,826	221,742	317,654
Total business-type activities										
program revenues	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	21,561,589
Total primary government										
program revenues	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	53,549,665
Net revenues (expenses):										
Governmental activities	(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)	(21,444,746)
Business-type activities	396,628	2,496,157	467,440	615,018	389,525	1,319,409	1,148,587	1,478,854	2,628,530	3,664,593
Total net revenues (expenses)	(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)	(17,780,153)
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
Property taxes	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	7,287,199
Sales tax	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	9,835,269
Transient occupancy taxes	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	20,827,778
Other taxes	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	9,944,547
Motor vehicle in lieu, unrestricted	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	2,392,180
Investment income	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	5,177,382
Other general revenues	429,167	293,032	3,870,156	1,978,604	194,625	249,936	280,134	229,695	150,849	189,910
Transfers	(19,561)	469,686	259,053	645,700	737,759	244,433	350,226	362,272	373,704	459,090
Extraordinary Event	-	-	-	-	-	-	(4,751,575)	(406,136)	(7,423,313)	-
Total governmental activities	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	56,113,355
Business-type activities:										
Investment income	433,376	701,746	716,501	482,275	352,887	230,896	157,926	103,941	94,132	397,812
Transfers	19,561	(469,686)	(259,053)	(645,700)	(737,759)	(244,433)	(350,226)	(362,272)	(373,704)	(459,090)
Total business-type activities	452,937	232,060	457,448	(163,425)	(384,872)	(13,537)	(192,300)	(258,331)	(279,572)	(61,278)
Total primary government	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	56,052,077
Changes in net position:										
Governmental activities	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	34,668,609
Business-type activities	849,565	2,728,217	924,888	451,593	4,653	1,305,872	956,287	1,220,523	2,348,958	3,603,315
Total primary government	\$ 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	\$ 38,271,924

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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Nonspendable fund balance						\$ 22,682,645	\$ 22,816,967	\$ 20,427,925	\$ 15,868,931	\$ 15,183,203
Restricted fund balance						248,179	-	-	-	-
Committed fund balance						9,726,269	10,090,824	9,994,916	13,837,690	14,511,940
Assigned fund balance						551,473	394,310	708,603	786,659	652,705
Unassigned fund balance						41,108	529,398	77,555	2,169,049	5,240,666
Reserved ⁽¹⁾	\$ 2,211,156	\$ 3,813,441	\$ 22,181,992	\$ 21,273,435	\$ 21,495,370	-	-	-	-	-
Unreserved ⁽¹⁾	10,053,989	10,887,098	11,137,980	9,669,156	9,083,381	-	-	-	-	-
Total General Fund	\$ 12,265,145	\$ 14,700,539	\$ 33,319,972	\$ 30,942,591	\$ 30,578,751	\$ 33,249,674	\$ 33,831,499	\$ 31,208,999	\$ 32,662,329	\$ 35,588,514
All other governmental funds:										
Nonspendable fund balance						\$ 19,299,222	\$ 15,713,621	\$ 17,203,665	\$ 13,566,341	\$ 13,410,067
Restricted fund balance						17,229,293	17,323,244	18,286,708	21,216,171	77,021,864
Committed fund balance						5,770,460	6,870,549	7,792,559	9,466,130	11,192,933
Special revenue funds						(92,711)	-	-	-	-
Debt Service fund						(32,389,795)	(28,206,724)	-	-	-
Unassigned fund balance						-	-	-	(1,202,400)	(9,378,178)
Reserved ⁽¹⁾	\$ 15,770,966	\$ 15,939,983	\$ 23,439,262	\$ 22,922,882	\$ 25,482,962	-	-	-	-	-
Unreserved, reported in: ⁽¹⁾										
Special revenue funds	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	(51,338,921)	(47,181,343)	(42,715,832)	(38,262,965)	(37,070,879)	-	-	-	-	-
Capital projects fund	11,363,281	4,954,215	2,589,374	4,460,818	1,009,947	-	-	-	-	-
Total all other governmental funds	\$ (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	\$ 92,246,686

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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Taxes	\$ 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	\$ 47,894,793
Licenses and permits	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	4,291,703
Fines and forfeitures	414,828	341,163	461,314	479,684	444,167	376,857	293,276	286,646	265,537	225,164
Investment income	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	1,322,855
Rental income	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	4,695,949
Intergovernmental	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	6,949,729
Charge for services	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	21,417,792
Other	1,096,658	758,198	910,227	1,343,214	2,237,064	1,000,811	976,999	834,874	835,477	45,824,962
Total revenues	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	132,622,947
Expenditures:										
Current:										
General government	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	6,153,711
Public safety	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	30,196,694
Public works	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	15,793,546
Community development	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	1,216,059
Community services	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	12,251,900
Library	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	2,765,271
Public facilities	4,055,288	4,269,259	4,131,226	4,104,587	3,933,253	3,928,470	3,638,093	-	-	-
Capital outlays	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	11,642,924
Debt Service										
Principal retirement	602,485	616,166	636,007	961,373	648,728	1,490,511	269,347	401,569	845,648	417,572
Interest and fiscal charges	709,866	563,983	541,033	515,314	488,699	466,441	396,053	386,418	463,574	504,268
Total expenditures	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	80,941,945
Excess (deficiency) of revenues over (under) expenditures	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	51,681,002
Other financing sources (uses):										
Transfers in	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	8,934,600
Transfers out	(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)	(8,488,973)
Extraordinary event	-	-	-	-	-	-	(4,751,575)	28,319,142	(7,423,313)	-
Total other financing sources (uses)	(1,098,036)	(1,079,014)	(65,198)	(54,894)	268,285	(172,500)	(4,888,901)	28,211,528	(6,787,703)	445,627
Net change in fund balances	\$ 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	\$ 52,126,629
Debt service as a percentage of noncapital expenditures	2.4%	2.1%	1.8%	2.2%	1.7%	3.0%	1.1%	1.2%	1.9%	1.3%

CITY OF MONTEREY

TRANSIENT OCCUPANCY TAX BY CATEGORY

LAST TEN FISCAL YEARS
(in thousands)

CATEGORY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Full Service	\$ 8,591	\$ 9,227	\$ 9,782	\$ 9,415	\$ 9,292	\$ 9,382	\$ -	\$ -	\$ -	\$ -
Cannery Row	1,280	1,370	1,398	1,207	1,207	1,249	4,685	5,002	5,430	5,943
Downtown	-	-	-	-	-	-	4,125	4,491	4,820	4,975
Fremont Street	999	1,043	1,091	995	965	881	1,057	1,163	1,380	1,592
Munras Avenue/ Abrego Street	2,015	2,121	2,168	1,892	2,010	1,994	2,294	2,384	2,595	2,869
Other	1,295	1,409	1,428	1,247	1,191	1,137	4,374	4,543	5,100	5,449
Totals	<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>	<u>\$ 20,828</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, 2015

<u>Fiscal Year 2015</u>	<u>Fiscal Year 2006</u>
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 67% 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
2014-15	\$	4,388,074,434	\$	318,622,785	\$ 4,706,697,219	\$ 4,706,697,219	1.00	\$ 4,706,697,219	100%
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%

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	
2014-15	1.00	-	1.00	0.032471	0.022774	1.05525
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

* Fiscal years 2011-12 and 2012-13 were revised in 2013-14.

Source: Monterey County Auditor-Controller.

CITY OF MONTEREY
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2015

Fiscal Year 2015		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	\$ 36,879,439	0	\$ -	\$ 36,879,439	0.79%
Cannery Row Company	Commercial Motels & Hotels	26	99,724,521	5	642,876	100,367,397	2.14%
Cannery Row Hotel Dev Venture	Commercial, Motels & Hotels	5	62,539,100	1	194,225	62,733,325	1.34%
Custom House Hotel Co Ltd.	Commercial Motels & Hotels	4	34,572,965	0	-	34,572,965	0.74%
Muller-Ryan LLC	Commercial/Office Property	6	36,398,219	0	-	36,398,219	0.78%
Outzen, Carl M	Commercial, Store & Office or Res.	28	22,509,591	0	-	22,509,591	0.48%
P Monterey LP	Residential, Apartments	1	43,593,241	0	-	43,593,241	0.93%
Pacific Holdings LP	Commercial, Shopping Centers	1	94,245,806	0	-	94,245,806	2.01%
San Carlos Associates	Commercial, Motels & Hotels	1	46,909,670	0	-	46,909,670	1.00%
SWVP Monterey LLC	Commercial, Motels & Hotels	3	40,000,889	0	-	40,000,889	0.85%
Top 10 Totals		<u>76</u>	<u>\$ 517,373,441</u>	<u>6</u>	<u>\$ 837,101</u>	<u>\$ 518,210,542</u>	
2014/15 CITY-WIDE TOTALS			4,169,257,808		336,975,505	4,506,233,313	
Fiscal Year 2006							
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
Kimberly Place 212 LLC	Apartments	n/a	n/a	n/a	n/a	n/a	n/a
Ocean Park Hotels MNY LLC	Lodging/Visitor Services	n/a	n/a	n/a	n/a	n/a	n/a
Pacific Oceanside Holdings LP	Commercial/Industrial Property	n/a	n/a	n/a	n/a	n/a	n/a
Pebble Beach Company	Miscellaneous	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
San Carlos Associates	Commercial/Industrial Property	n/a	n/a	n/a	n/a	n/a	n/a
2005/06 CITY-WIDE TOTALS		<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	
			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>
2014-15	\$ 6,087,447	\$ 5,971,175	98.1	\$ 113,601	\$ 88,545	\$ 6,173,321
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

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, 2015

2014-15 Assessed Valuation: \$3,935,546,175 (after deducting \$771,151,044 redevelopment incremental valuation) (3)

OVERLAPPING TAX AND ASSESSMENT DEBT:	<u>% Applicable</u>	<u>Debt 6/30/15</u>
DIRECT AND OVERLAPPING BONDED DEBT:		
City of Monterey Long Term Debt (1)		\$ 8,119,586
Monterey County General Fund Obligations (2)	8.641% **	10,129,086
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>18,248,672</u>
COMBINED TOTAL DEBT		<u>\$ 18,248,672</u> *

Ratios to Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.46%
Combined Total Debt.....	0.46%

* 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, 2015

Total assessed value of all real/personal property	\$	4,706,697,219
Debt limit percentage (per Government Code)		<u>15%</u>
Total debt limit		706,004,583
Amount of debt applicable to debt limit		<u>-</u>
Legal debt margin	\$	<u><u>706,004,583</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
2014-15	\$	51,680,000	\$ 1,436,669	\$ 53,116,669
2013-14		6,950,000	1,279,081	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

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		
Bonds	Marina Loans	Total Business-type Activities	Total Primary Government	Debt Per Capita	Percent of Personal Income
\$ 1,110,000	\$ 2,574,347	\$ 3,684,347	\$ 56,801,016	1,958	5.7%
1,420,000	2,843,717	4,263,717	12,492,798	439	1.2%
1,705,000	3,101,491	4,806,491	13,881,221	472	1.0%
1,970,000	3,348,165	5,318,165	14,824,464	503	1.2%
2,210,000	3,600,547	5,810,547	14,416,121	493	1.5%
4,952,550	3,842,066	8,794,616	18,649,607	636	2.0%
5,976,650	4,073,186	10,049,836	20,646,421	560	1.9%
6,989,100	4,294,352	11,283,452	22,608,126	750	2.2%
8,008,300	4,557,873	12,566,173	24,612,246	803	2.4%
8,972,350	4,810,045	13,782,395	26,526,517	877	2.7%

CITY OF MONTEREY
DEMOGRAPHIC INFORMATION
JUNE 30, 2015

	Population (1)	Per Capita Income (2)	Total Personal Income (000's) (3)	Estimated Labor Force (4)	Estimated Unemployment Rate (4)
2015	28,163	\$ 37,128	\$ 1,045,636	16,600	4.2%
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%

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, 2015

		FY 2015	FY 2006
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	550
Dole Fresh Vegetables Co	Agricultural Growers & Shippers	250 to 499	N/A
Hyatt Regency-Monterey	Lodging/Visitor Services	250 to 499	300
Language Line	Translator and Interpreter Services	250 to 499	N/A
Macy's	Department Stores	250 to 499	164
Monterey Bay Aquarium	Ecotourism	250 to 499	297
Monterey Institute-Intl Study	Education	250 to 499	150
Monterey Plaza Hotel & Spa	Lodging/Visitor Services	250 to 499	380
Portola Hotel & Spa	Lodging/Visitor Services	250 to 499	320
PUBLIC SECTOR			
City of Monterey	Government	250 to 499	482
Defense Language Institute	Education	1000 to 4999	1564
Monterey Peninsula College	Education	500 to 999	500
Monterey-Salinas Transit	Public Transportation	250 to 499	N/A
Naval Postgraduate School	Education	1000 to 4999	1564

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

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police	79.00	79.00	79.00	72.00	72.00	69.00	68.50	68.50	68.50	68.50
Fire	51.00	54.00	54.00	66.00	66.00	65.00	72.00	72.00	82.00	82.00
Plans & Public Works*,**	159.75	163.75	145.75	162.00	162.75	158.00	144.75	152.50	153.50	154.00
Recreation	57.75	58.75	59.25	55.25	55.25	54.50	51.83	-	-	-
Library and Museum	25.50	27.25	27.50	22.50	23.25	22.75	21.83	21.75	20.25	19.92
Public Facilities	62.25	65.25	65.25	63.00	63.00	60.25	58.34	-	-	-
Community Services***	-	-	-	-	-	-	-	109.17	110.92	110.50
General Government*	47.00	46.00	46.00	46.00	48.75	48.25	46.00	46.50	46.50	47.00
Total	482.25	494.00	476.75	486.75	491.00	477.75	463.25	470.42	481.67	481.92

* 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, 2015
LAST TEN FISCAL YEARS

	<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>	<u>2015</u>
Police (calendar year)										
Adult Arrests - Felony	395	356	351	343	343	369	340	430	340	368
Adult Arrests - Misdemeanor	1,313	1,606	1,698	1,733	1,733	1,286	1,242	1,359	956	1,741
Juvenile Arrests - Felony	59	60	46	64	61	58	43	54	18	31
Juvenile Arrests - Misdemeanor	125	146	169	121	142	122	161	123	16	101
DUI Arrests	389	309	339	342	305	255	275	202	210	239
Traffic Citations	6,421	5,769	8,177	7,995	8,653	5,635	3,539	2,934	2,836	2,030
Fire (calendar year)***										
Rescue and Emergency Medical Calls	3,146	3,044	3,252	4,241	4,241	4,095	4,057	4,508	4,584	4,888
Fire & Explosion Calls	118	119	128	196	196	129	140	147	185	142
False Alarm Calls	413	481	500	475	475	515	489	586	576	655
Other Calls	861	949	857	1,399	1,399	1,494	1,547	1,650	1,836	2,195
Finance										
Accounts Payable Checks Issued	10,655	10,862	11,269	10,180	7,738	7,862	7,315	7,199	6,990	6,622
Payroll Checks/Direct Deposit Notices Issued	17,913	18,177	18,997	18,998	18,579	17,875	17,319	17,548	17,845	17,960
Purchase Orders Issued	507	617	637	792	563	395	425	400	410	455
Recreation										
Monterey Sports Center:										
Average Daily Attendance*	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Number of programs offered (2)	1,063	972	748	1,004	925	934	1,152	1,262	1,147	1,145
Number of program participants **	6,463	5,031	4,084	6,231	4,853	5,075	7,427	7,748	7,703	7,202
Community Center, sports & camp Programs:										
Number of programs offered	605	509	525	448	525	545	721	787	819	767
Number of program participants **	5,684	5,174	4,927	3,959	5,057	5,451	8,073	8,939	8,732	8,632
Activity Guide editions published	2	2	2	2	2	2	2	2	2	2
Activity Guide copies distributed	36,000	34,000	34,000	24,550	24,000	15,000	14,000	12,000	12,000	11,000
Library										
Visitors	331,607	354,254	383,591	388,653	355,606	333,274	329,800	335,134	360,794	363,496
Reference questions answered	36,660	32,624	39,104	30,124	42,213	30,903	31,800	31,949	27,016	26,271
Items checked out	418,943	447,333	498,177	556,324	533,661	540,515	549,933	507,346	511,453	495,435
Volunteer hours worked	3,441	1,636	1,893	2,169	1,959	3,368	3,543	3,562	2,920	3,071

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, 2015

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)	80 **

** 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).	43

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)	117,640

Source: City of Monterey

