

CITY OF MONTEREY CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

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Prepared by the Finance Department
Julie Porter, Finance Director



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For the Year Ended June 30, 2016

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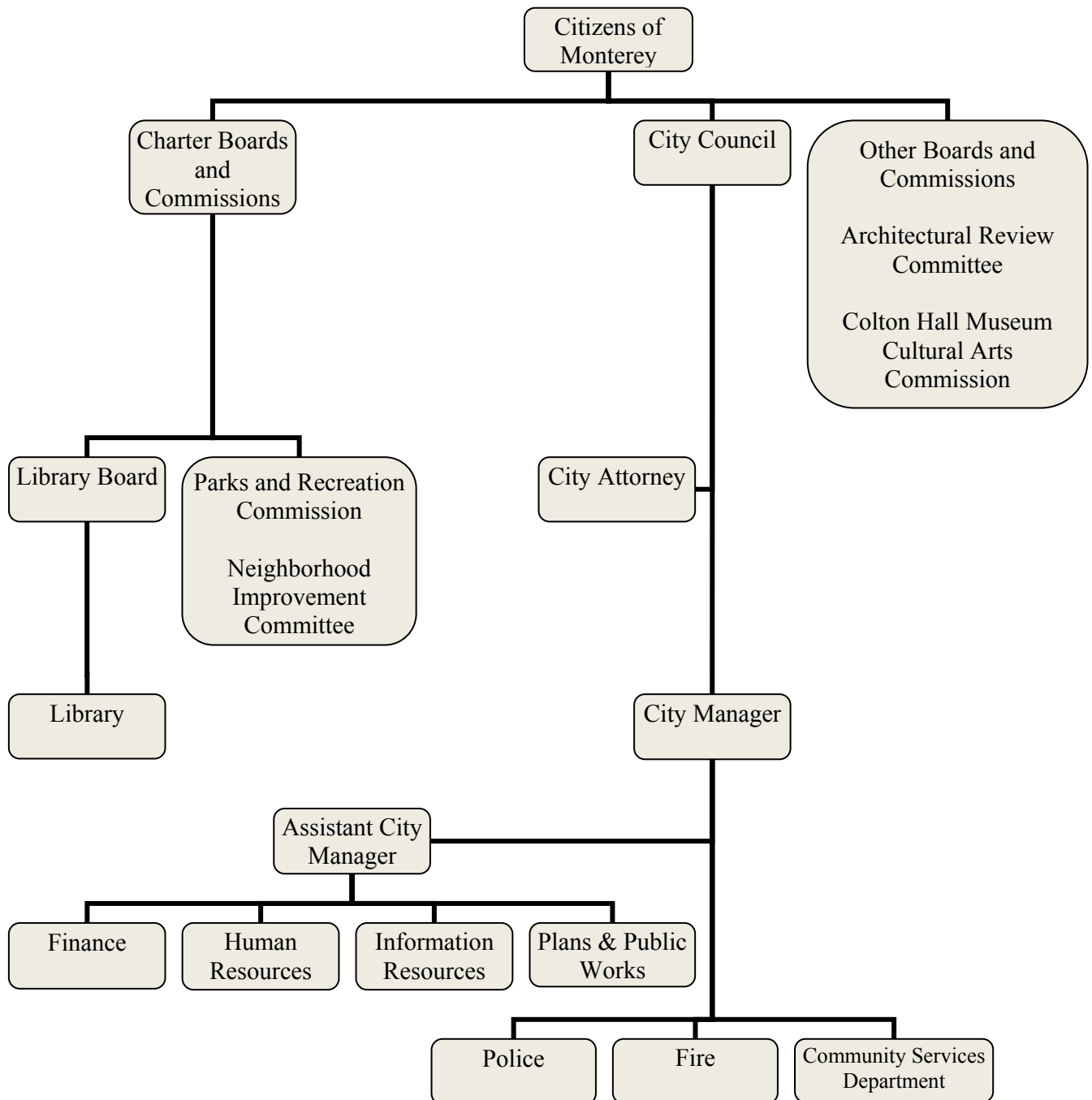
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City Organizational Chart



As of June 30, 2016

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 Attorney	Chrissy Davi
Community Services Director	Kim Bui-Burton
Deputy City Manager Plans & Public Works	Danial Pick
Information Resources Director and City Clerk	Bonnie Gawf
Human Resources Director	Gina Donnelly
Library Director	Inga Labeaune
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, 2015

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is fluid and cursive.

Executive Director/CEO

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December 16, 2016

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

I am pleased to present to you the 2015-16 (FY 16) 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, 2016, in conformity with GAAP. The Pun Group, LLP., 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, 2016, 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 10 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 FY16. The City's top revenue, Transient Occupancy Tax (TOT) continues to grow and increased by 8% over FY 15. This revenue growth is a good indication that the City's economy is healthy and growing, even in light of the Conference Center Renovation Project which began in November, 2015.

Monterey continues to be an attractive place to reside and the real estate market reflects significant growth in real property values as the 2015 median single-family sales price of \$685,000 increased by 7% in 2015 from 2014 when the average sales price was \$640,000. This is still far short of the record \$795,000 median sales set in 2007, prior to the Great Recession. However, there is no sign that the real estate market will slow down as the number of properties sold in 2015 increased by 45.5% over 2014 to 227. Given recent stronger numbers continuing through June 2016, property tax receipts are expected to increase another 2%, the maximum allowed under Proposition 13 for FY17. The City does not forecast increases in property tax revenues due to property transfers.

Receipts from sales tax (including in-lieu sales tax) reflect a 12.4% growth from the previous year, which includes the final true-up payment for the "triple flip" of \$1.09 million. In FY16, the State of California ended the "triple flip" in – an accounting practice utilized by the State which shifted revenues to create a dedicated general fund revenue source for bond payments. Notwithstanding these accounting adjustments, the City's baseline forecast for sales tax revenues is projected to grow by 4.9% in FY 17.

The nation has experienced a seven-year economic recovery, the fourth longest since 1850. While the City has not experienced any signs of a slow-down, given the cyclical nature of economics it is prudent to remain cautious, especially since the City relies heavily on tourism which is funded by discretionary income.

Long-term financial planning

For long-term financial forecasting and planning purposes the City of Monterey uses conservative estimates for revenue growth. The City General Fund's largest revenue source, TOT, has experienced significant growth in the last few years, despite construction during the first phase of the Conference Center rehabilitation project. This growth was unexpected and reflects the ability of the hotels to adjust their marketing to leisure travel versus conference travel over the short term. Future revenues beyond FY17 are projected to grow at a historical average rate of 4% due to a reinvigorated Conference Center, as well as the limited number of hotel rooms in the City's inventory. The City is limited by the Charter to the existing number of visitor accommodation facilities and thus the growth that the City has recently experienced will be limited by the average daily rate that the visitors will support. Out-year growth projections are 4.2% for sales taxes and 2% for Property Tax, indicating that these key revenue streams are expected to continue steady growth.

At the end of FY16 the City of Monterey General Fund had \$1,234,436 in its capital renewal reserves for the following facilities: public safety buildings, Conference Center, Sports Center, Library, Recreation Centers, and City Hall. These funds are scheduled for use, as necessary infrastructure renewal often has no other source of funds.

Beyond the General Fund, the City maintains \$15.8 million in working capital to maintain and replace facilities and equipment with separate funding sources such as wharves, 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 unanticipated fiscal events. This reserve was drawn down to as low as 10% in 2004, and has been restored over time, reaching 13.5% at the end of FY16; the City's five-year forecast projects full funding at 15% in FY18. In addition, the City is currently undertaking a Government Finance Officers' Association (GFOA) analysis 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 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. While the City has significant infrastructure projects underway, additional funding is needed to adequately care for the City's remaining infrastructure and facilities over the long run. The current forecast does not anticipate any growth in reserves for this very important obligation.

Long term liabilities remain a concern for the City and although the City has incorporated anticipated rate increases in the five-year forecast, CalPERS continues discussions regarding lowering the discount rate, which will likely have a significant impact on future retirement costs.

The Council adopted a two year budget in June, 2015, which reflected a projected operating deficit in FY16 and FY17 due to the Conference Center renovation and use of one time ending balance to cover an anticipated softening in transient occupancy tax (TOT). This was a unique situation that represented the importance to Council and the management team of investment in the City's infrastructure in anticipation of future viability and economic returns.

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 condition of the City's aging infrastructure will require the City to seriously consider the balancing act of providing current services with investing in renewal.

Major Initiatives

Rehabilitation of the City's aging infrastructure continues to be a priority. The City has made significant progress in that area with the following major initiatives underway, all with dedicated funding sources demonstrating the importance both to City leaders and the community. These projects, in conjunction with ongoing funding provided by the Neighborhood Improvement Program, are helping the City to achieve its goals of fiscal responsibility and sustainability.

The Measure P, Fixing Monterey Streets initiative completed its first year of work with \$6.3 million in pavement resurfacing and reconstruction, ADA ramp and signal compliance, storm drain improvements and sidewalk repairs. These improvements will continue with revenues from the voter approved 1% special transactions and use tax revenues for three more years.

The Monterey Conference Center and Portola Plaza renovation began in late fall 2015. The renovation is underway and expected to be completed in the spring of 2017. The renovation is a response to customer needs for more flexible and usable meeting space, upgraded technology and systems and a modernized, LEED certified building. The Conference Center Facilities District issued \$50 million in bonds to fund the renovation.

The Sanitary Sewer System Rehabilitation Program began in 2014 to repair and replace the City's aging sewer system. The second phase of the project began in 2016 and upon completion, the City will have invested \$16 million in repairs and rehabilitation, funded by a low interest State loan.

The Highway 68/Highway 1 Roundabout Project began in the fall of 2016 to relieve congestion at the intersection of Highway 68, Highway 1 and 17 Mile Drive. This project is a collaborative effort and a public-private partnership between the City of Monterey, City of Pacific Grove, Caltrans and the Transportation Agency for Monterey County. Funding for this project was secured by local grants, State Regional Surface Transportation Program (RSTP) funds and the Pebble Beach Company.

The North Fremont Bicycle and Pedestrian Access Project began in the fall of 2015 and will provide safe access to bicyclists and pedestrians on a North Fremont Street, a vital link between residential, commercial, educational and community facilities. The City has received \$6.5 million in Active Transportation Program grants, in combination with funding from RSTP and the City Neighborhood Improvement Program.

FINANCIAL INFORMATION

Accounting System and Budgetary Control

The City's accounting records for general government operations are maintained on a modified accrual basis, with 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 The Pun Group, LLP. 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 Uniform Grant Guidance, "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, 2015. This was the 20th 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, including Michael Andersen, Carol Bouchard, Robin Briggs, Rhonda Combs, Vicki Courtney, Wendy Davies, Lorraine Franks, Jimmy Forbis, Herlinda Franklin, Pamela Hart, Carol Hewett, Liza Linsao, Melanie Martin, Erika Martinez, Felicia Ming, Yolanda Munoz, Rachel Nolin, Rachel Polen, Vickie Rahman, Vincent Pizzo and Matteo Russo. It is only through the year round effectiveness and efficiency of these valuable staff members that the preparation and development of this report is possible. Each member of the department has my sincere appreciation for their contributions.

In closing, the City's Finance Department received leadership and support from the Mayor, City Council Members, City Manager and Assistant City Manager. 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,



Julie Porter
Finance Director

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INDEPENDENT AUDITORS' REPORT

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

Report on 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 City of Monterey, California (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, 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.

Emphasis of Matter

Net Pension Liability

The deficit unrestricted net position in the amount of \$(63,749,623), of which \$(60,147,498) was reported in Governmental Activities, and \$(3,602,125) was reported in Business-Type Activities, was resulted from the reporting of the aggregate net pension liability as discussed in Note 7. At June 30, 2016, the aggregate net pension liabilities for Governmental Activities and Business-Type Activities are in the amounts of \$105,690,706 and \$5,236,886, respectively. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Schedule of Changes in Net Pension Liability and Related Ratios – CalPERS Miscellaneous Plan, the Schedule of City's Proportionate share of the Net Pension Liability and Related Ratios – CalPERS Safety Plan, the Schedule of Contributions, and the Schedules of Funding Progress – Other Post Employment Benefits on pages 5 to 14 and 103 to 111 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Nonmajor Fund Financial Statements, the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections 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.

To the Honorable Mayor and the Members of the City Council
of the City of Monterey
Monterey, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The PwC Group, LLP

Santa Ana, California
December 16, 2016

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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, 2016. 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 \$144.4 million at June 30, 2016. Most of this amount (\$152.6 million) is made up of net investment in capital assets, such as infrastructure, roads, land and buildings. The restricted net position of \$55.5 million may be used for the City's ongoing obligations related to programs with external restrictions. Unrestricted net position reflects a deficit of \$63.7 million, primarily due to net pension liability of \$111 million on the Statement of Net Position.
- Government-wide revenues increased by \$16.5 million in FY16 primarily due to an additional \$7.5 million in sales tax received from the 1% Measure P transactions and use tax which went into effect in April, 2015, \$4.1 million in increased revenue for services provided at the Presidio of Monterey and \$3.4 million in grant reimbursements for Capital Projects. Taxes including transient occupancy tax and sales tax also contributed to the overall increase, with an increase of \$1.9 million in FY16, \$1 million of which reflects the final sales tax true-up payment from the "triple-flip". Revenues for Business-type activities including Parking and Marina increased slightly from FY15 to FY16.

The City's total expenses on the Statement of Activities reflect an increase of \$32.2 million in FY16. However, accounting for a prior period adjustment in FY15, the actual net increase was \$10.7 million. This increase was primarily related to construction costs associated with the Conference Center renovation, Measure P street infrastructure improvements and sewer rehabilitation projects. In FY16, the Presidio of Monterey Public Works Fund was reclassified from a business-type activity to a government activity. This resulted in a net transfer of \$11 million in expenses from business-type to governmental activities.

Fund Highlights:

- From the City's fund level statements, the Ending Fund Balance for the General Fund decreased by \$3.5 million during 2015/2016 to \$32.1 million. \$14.7 million dollars of this ending balance is "non-spendable" in that it represents long-term advances to other funds, primarily the Parking Fund. \$1.3 million is restricted for Housing Community Development Block Grant (CBDG) requirements; \$15 million has been set aside in a variety of reserves for encumbrances and for contingencies such as economic uncertainty and capital renewal, leaving a balance of \$1.1 million in assigned fund balance. The General Fund also recorded an advance of \$6.9 in FY16 for the Conference Center renovation; this advance has a dedicated repayment source funded by the Monterey County Visitors and Convention Bureau and does not affect current available resources.
- From the City's fund level statements, operating revenues from Business Type Activities exceeded operating expenses by \$6.4 million. This operating surplus was generated primarily by the Marina and Parking Funds, which generated \$1.6 million and \$4.5 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 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 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Conference Center Facilities District Capital Project and Debt Service Funds, Neighborhood Improvement Fund and Presidio of Monterey Public Works Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements that 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 5 enterprise funds and 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 and Parking Funds, as these are considered to be major funds of the City of Monterey. Data from the other three 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 contained in the Supplementary Information section. 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 in the Supplementary Information section.

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.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the entity-wide financial statement because the resources of those funds are not available to support the City of Monterey's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has two types of fiduciary funds: an agency fund for the Presidio Municipal Services Agency, 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, 2016 were \$3.5 million. The Private Purpose Trust Fund, which holds funds for the Redevelopment Retirement Obligation Fund, had total assets of \$86 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 in the Supplemental Information section.

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 \$144 million at the close of the fiscal year ended June 30, 2016.

By far the largest portion of the City of Monterey's net position (104%) reflects net investment in capital assets (e.g. infrastructure, land, buildings, machinery, and equipment). 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 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Current & other assets	\$ 168,223,772	\$ 152,549,538	\$ 2,989,153	\$ 2,440,587	\$ 171,212,925	\$ 154,990,125
Capital assets, net	154,626,750	134,692,940	20,720,681	21,385,697	175,347,431	156,078,637
Total assets	322,850,522	287,242,478	23,709,834	23,826,284	346,560,356	311,068,762
Deferred outflow of resources	17,475,341	8,231,385	944,020	494,607	18,419,361	8,725,992
Long-term liabilities outstanding	77,006,545	58,911,924	3,600,714	4,156,330	80,607,259	63,068,254
Net pension liabilities	105,690,706	93,881,364	5,236,886	6,219,849	110,927,592	100,101,213
Other liabilities	13,988,808	18,043,772	609,180	2,315,057	14,597,988	20,358,829
Total liabilities	196,686,059	170,837,060	9,446,780	12,691,236	206,132,839	183,528,296
Deferred inflow of resources	13,596,650	(4,355,128)	816,338	(271,692)	14,412,988	(4,626,820)
Net position:						
Net investment in capital assets	135,062,968	81,573,354	17,585,832	17,701,350	152,648,800	99,274,704
Restricted	55,127,684	41,852,947	407,029	406,976	55,534,713	42,259,923
Unrestricted	(60,147,498)	5,565,630	(3,602,125)	(6,206,979)	(63,749,623)	(641,349)
Total net position	\$ 130,043,154	\$ 128,991,931	\$ 14,390,736	\$ 11,901,347	\$ 144,433,890	\$ 140,893,278

Total net position for the Governmental Activities of \$130 million was comprised of \$135.1 million in net capital assets (infrastructure, buildings, roads, land, etc.), \$55.1 million in amounts legally restricted, and a deficit of \$60.1 million, classified as Unrestricted for accounting purposes. This amount reflects a deficit due to net pension liability of \$105.7 million.

Revenue and Expenses. The City's total net position increased by \$3.5 million from the ending net position in FY15 of \$140.9 million. However, the beginning net position was restated to \$121.9 million, primarily due to corrections in pension liability amounts and reallocation of net pension liabilities (see Note 15). This restatement is reflected primarily in Public Safety and business-type expenses. The actual increase in net position related to revenues and expenditures in FY16 was \$22.6 million. This is a result of an increase in revenues, in part due to the first full year of the 1% special transactions and use tax generating \$9 million for street infrastructure and repair. In addition, capital grants and contributions which include \$5 million in bonds issued for the Conference Center renovation project are reflected in the increase. These revenues will be utilized towards capital projects in subsequent years.

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 2016	FY 2015*	FY 2016	FY 2015	FY 2016	FY 2015
Revenues:						
Program Revenues:						
Charges for services	\$ 41,816,714	\$ 27,842,550	\$ 13,013,493	\$ 21,561,589	\$ 54,830,207	\$ 49,404,139
Operating grants & contributions	14,269,674	10,055,230	-	-	14,269,674	10,055,230
Capital grants & contributions	7,322,237	3,614,933	7,944	-	7,330,181	3,614,933
General Revenues:						
Transient occupancy tax	18,890,094	17,495,332	-	-	18,890,094	17,495,332
Property tax	7,973,011	7,287,199	-	-	7,973,011	7,287,199
Sales tax	8,538,569	6,332,058	-	-	8,538,569	6,332,058
In-lieu sales taxes (sales tax)	702,598	1,893,275	-	-	702,598	1,893,275
Other taxes	4,913,625	5,362,292	-	-	4,913,625	5,362,292
Investment income	5,583,028	5,177,382	186,467	397,812	5,769,495	5,575,194
In-lieu VLF (property tax)	2,545,491	2,392,180	-	-	2,545,491	2,392,180
Other revenues	348,113	189,910	-	-	348,113	189,910
Total revenues	112,903,154	87,642,341	13,207,904	21,959,401	126,111,058	109,601,742
Expenses:						
General government	6,242,043	5,468,878	-	-	6,242,043	5,468,878
Public safety	31,413,958	18,354,580	-	-	31,413,958	18,354,580
Public works	35,996,616	15,002,729	-	-	35,996,616	15,002,729
Community development	1,244,516	953,917	-	-	1,244,516	953,917
Community services	14,633,159	11,104,192	-	-	14,633,159	11,104,192
Library	2,992,626	2,028,633	-	-	2,992,626	2,028,633
Interest and fiscal charges	3,617,864	519,893	-	-	3,617,864	519,893
Marina	-	-	1,624,701	1,845,966	1,624,701	1,845,966
Parking	-	-	5,466,454	6,469,521	5,466,454	6,469,521
Presidio of Monterey public works	-	-	-	8,815,978	-	8,815,978
Other Business-type activities	-	-	302,184	765,531	302,184	765,531
Total Expenses	96,140,782	53,432,822	7,393,339	17,896,996	103,534,121	71,329,818
Change in net position before transfers	16,762,372	34,209,519	5,814,565	4,062,405	22,576,937	38,271,924
Transfers	738,512	459,090	(738,512)	(459,090)	-	-
Change in net position	17,500,884	34,668,609	5,076,053	3,603,315	22,576,937	38,271,924
Net position- Beginning, as restated (Note 15)	112,542,270	94,323,322	9,314,683	8,298,032	121,856,953	102,621,354
Net position- Ending	\$ 130,043,154	\$ 128,991,931	\$ 14,390,736	\$ 11,901,347	\$ 144,433,890	\$ 140,893,278

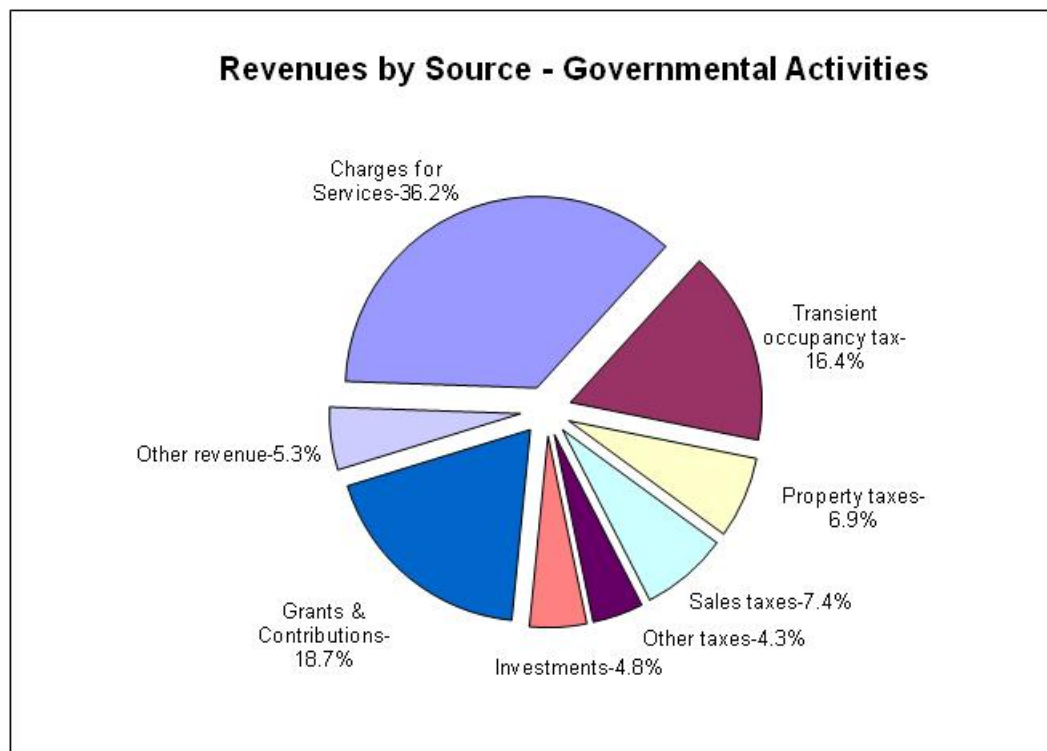
*FY2015 Governmental Activities recategorized between General and Program revenues, no net change

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

- Transient Occupancy Tax (TOT) receipts of \$22.5 million accounted for 19.9% of all governmental activities' revenues, with \$18.9 million in general revenues and \$3.6 million in program revenues (Neighborhood Improvement Program). For the fiscal year ended June 30, 2016, TOT increased by \$1.7 million or 7.9%. This was even higher than the revised estimate, and is attributed to a strong tourism economy and increased leisure marketing by hotels for the segment lost due to the Conference Center reconstruction.
- 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) and cost reimbursement contracts for Fire services with neighboring cities and maintenance services provided at the Presidio of Monterey and Naval Postgraduate School. These revenues reflect an increase of \$14 million to \$54.8 million during the fiscal year, primarily due to the reclassification of the Presidio and Navy maintenance services from Business-Type activities to Governmental Activities, which includes an additional increase of \$4 million in FY16 in contractual services provided under the contract.
- Operating Grants and Contributions consists of the portion of transient occupancy tax (16%) dedicated by City Charter to the Neighborhood Improvement Program and 1% district sales tax for street infrastructure rehabilitation approved by voters in 2014. FY16 was the first full year of the 1% district sales tax collections, an increase of \$7.4 million over FY15.
- Property Tax increased by \$685 thousand (9.4%) to \$8 million.
- Sales Tax receipts increased by \$1 million (12.3%) to \$9.2 million, which includes the final true-up payment of the "triple-flip". FY16 marked the end of the "Triple-Flip", reflected in the decrease in In-Lieu sales tax to \$703 thousand.

- Business-Type Activities increased the City of Monterey's net assets by \$1.4 million. The key elements of this increase were revenues generated by Parking and Marina operations. Excess revenues are maintained in the respective funds for future capital needs.

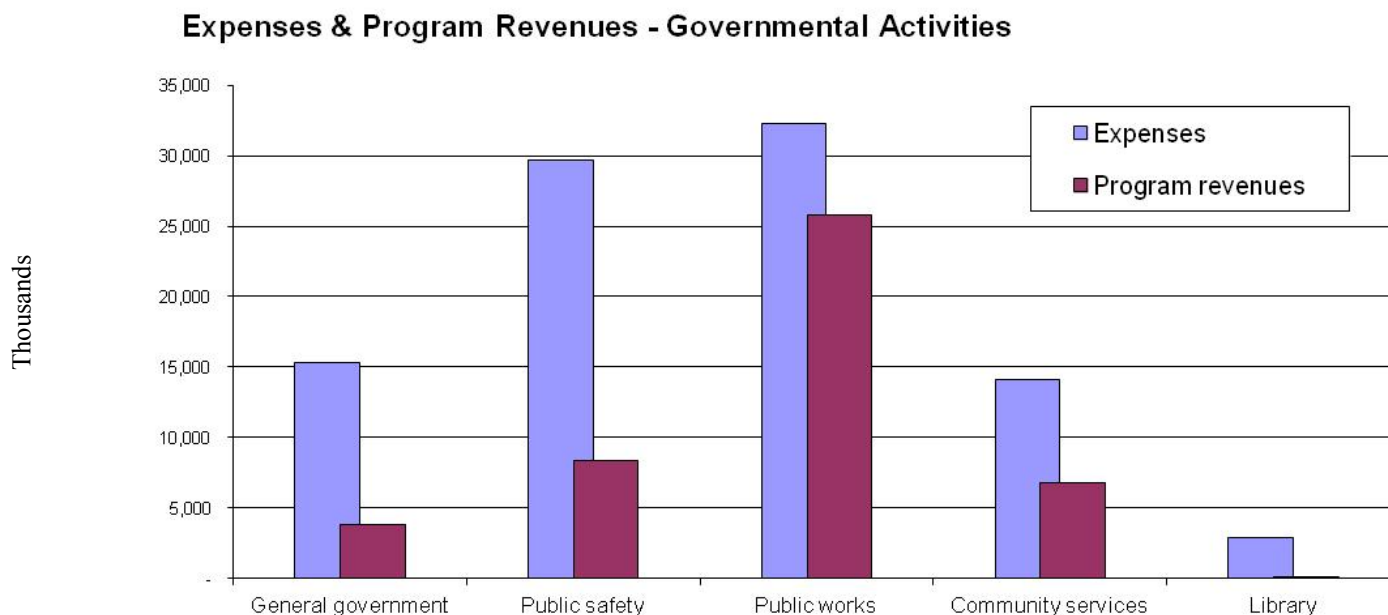
The pie chart below depicts the percentage of the total governmental revenues allocated by each revenue type.



Notwithstanding the restatement of beginning net assets and its effect on governmental functions/programs and business type expenses, increases in expenses reflect the City's current priorities of infrastructure renewal and carrying out projects with the revenues addressed above, including the Conference Center renovation, Street Infrastructure Renewal and Sewer Rehabilitation Program.

This bar chart below 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, all fund balances in the General Fund were either nonspendable, restricted, committed or assigned. Unassigned fund balance was zero, while total fund balance was \$32.1 million. Current revenues exceeded current expenditures by \$4.3 million. An excess of transfers to other funds over transfers in, primarily for capital projects and debt service, resulted in a decrease of \$7.8 million in the fund. \$6.2 million of these transfers were for the Conference Center renovation, received by the General Fund as interfund loans. Overall, General Fund activities generated a net decrease of \$3.5 million in fund balance during 2015/16, a result of the liability for these interfund loans, which will be repaid in future years. As a measure of the General Fund's liquidity, total fund balance represented 47% of General Fund expenditures.

The **Capital Improvement Fund** has a total fund balance of negative \$4.7 million, all of which is unassigned. The decrease of \$1.1 million in fund balance during the fiscal year is mainly due to invoices issued for reimbursement from outside sources.

The Neighborhood Improvement Fund has a total fund balance of \$10.8 million, all of which is committed to financing neighborhood related infrastructure maintenance and capital improvements.

The Conference Center Facilities District Capital Projects Fund has a total fund balance of \$43.1 million, all of which is restricted for use in the renovation of the Monterey Conference Center.

The Conference Center Facilities District Debt Service Fund has a total fund balance of \$4.1 million, all of which is restricted for use in bond repayments.

The Presidio of Monterey Fund has a total fund balance of \$1.8 million, \$250 thousand of which represents nonspendable advances due from the General Fund. \$1.5 million is restricted for use in carrying out the maintenance contract with the US Army, Presidio of Monterey. The Presidio of Monterey Fund was reclassified from a Proprietary Fund to a Governmental Fund in FY16.

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, \$2.8 million and the Parking fund, \$10.1 million, which reflects an increase of \$5.1 million as resources are accumulated for future capital needs.

General Fund Budgetary Highlights

Actual General Fund revenues were \$3.7 million higher than the final amended budget. All revenue sources exceeded estimates with the exception of in-lieu sales tax which ended in FY16, and investment income. Expenditure estimates for the General Fund as reflected in the final amended budget were \$2.9 million higher than the original adopted budget. The largest increase, \$926 thousand, was for unexpended encumbrances carried over from 2014/15, \$609 thousand was in the Fire department for overtime which is reimbursed by outside agencies (State of California, contract agencies), \$420 thousand was for new grant appropriations in Plans & Public Works and the balance was primarily to implement employee contract negotiations.

Total expenditures were under budget by \$1.4 million. Overall, general fund expenditures were 2.1% under budget and 4.8% above prior year expenditures.

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) do 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, 2016, amounts to \$175.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads and infrastructure. A summary of the City's capital assets at fiscal year end follows.

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 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Land	\$ 30,193,285	\$ 29,913,755	\$ 9,205,157	\$ 9,205,157	\$ 39,398,442	\$ 39,118,912
Buildings	28,627,241	26,502,864	7,492,893	7,979,864	36,120,134	34,482,728
Improvements other than buildings	10,852,769	10,450,850	3,104,208	3,369,764	13,956,978	13,820,614
Machinery and Equipment	5,252,323	4,856,269	348,280	412,048	5,600,603	5,268,317
Infrastructure	46,598,697	46,853,892	-	-	46,598,697	46,853,892
Construction in Progress	33,102,435	16,115,310	570,143	418,864	33,672,578	16,534,174
TOTAL CAPITAL ASSETS	\$ 154,626,750	\$ 134,692,940	\$ 20,720,681	\$ 21,385,697	\$ 175,347,431	\$ 156,078,637

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

	Governmental Activities		Business-Type Activities		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Land	\$ 30,193,285	\$ 29,913,755	\$ 9,205,157	\$ 9,205,157	\$ 39,398,442	\$ 39,118,912
Buildings	28,627,241	26,502,864	7,492,893	7,979,864	36,120,134	34,482,728
Improvements other than buildings	10,852,769	10,450,850	3,104,207	3,369,764	13,956,977	13,820,614
Machinery and Equipment	5,252,323	4,856,269	348,280	412,048	5,600,603	5,268,317
Infrastructure	46,598,697	46,853,892	-	-	46,598,697	46,853,892
Construction in Progress	33,102,435	16,115,310	570,143	418,864	33,672,578	16,534,174
TOTAL CAPITAL ASSETS	\$ 154,626,750	\$ 134,692,940	\$ 20,720,680	\$ 21,385,697	\$ 175,347,430	\$ 156,078,637

Long-term debt. \$64 million in long-term debt was outstanding at the end of the current fiscal year, not including \$6.6 million in compensated absences and other post-employment benefit (OPEB) obligations. This includes \$50 million in special tax revenue bonds issued by the Conference Center Facilities District, \$6.4 million in a facility lease agreement between the Joint Powers Financing Authority and Capital One Public Funding, \$770 thousand in lease revenue bonds issued by the former Redevelopment Agency and the Joint Powers Financing Authority, and \$6.8 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

	Governmental Activities		Business-Type Activities		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Lease Revenue Bonds/Loans	\$ 6,395,000	\$ 6,680,000	\$ 770,000	\$ 1,110,000	\$ 7,165,000	\$ 7,790,000
Loans Payable	4,427,986	1,439,586	2,364,849	2,574,348	6,792,835	4,013,934
TOTAL DEBT OF THE CITY	10,822,986	8,119,586	3,134,849	3,684,348	13,957,835	11,803,934
Special Tax Bonds*	50,000,000	45,000,000	-	-	50,000,000	45,000,000
TOTAL OUTSTANDING DEBT	\$ 60,822,986	\$ 53,119,586	\$ 3,134,849	\$ 3,684,348	\$ 63,957,835	\$ 56,803,934

*Special assessment debt - not a debt of the Government, however, proceeds are being used to renovate the Monterey Conference Center, an asset of the City of Monterey

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 revised estimates for 2016/17 (FY17), the second year of the biennial budget, show a general fund operating budget surplus of \$105,080 and an available ending balance of \$892 thousand. The General Fund Five-Year Forecast reflects a stable fund balance through 2017/18, based on conservative estimates for revenues over the remainder of the Conference Center renovation. Revenues are anticipated to return to more historical patterns following the reopening in Spring, 2017.

All significant revenue estimates and the FY17 ending balance will be reviewed at mid-year to consider whether any adjustments should be made. So far in FY17 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 be strong, 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 FY17 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.

Component Units

The Presidio Municipal Services Agency (PMSA) is included as an Agency Fund in the Fiduciary Fund, Statement of Fiduciary Net Position. PMSA is not a component unit of the City of Monterey, however, the City of Monterey has fiduciary responsibility for the PMSA. Services provided by the PMSA are performed by both the City of Monterey and the City of Seaside. Activities performed by the City of Monterey are recorded in the City of Monterey's Financial Statements under the Presidio of Monterey Public Works Fund.

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.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-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, total deferred outflows of resources, total liabilities, and total deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position presents similar information to the 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 and deferred inflows of resources from total assets and total deferred outflows of resources.

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 is legally separate but is a component unit of the City because it is controlled by the City, which is financially accountable for the activities of this entity.

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City of Monterey
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and investments	\$ 80,191,959	\$ 10,709,162	\$ 90,901,121
Restricted cash and investments	47,847,455	407,029	48,254,484
Taxes receivable	7,319,971	-	7,319,971
Accounts receivable	11,995,374	326,426	12,321,800
Interest receivable	197,366	41,230	238,596
Prepaid items	287,858	-	287,858
Internal balances	8,494,694	(8,494,694)	-
Rehabilitation loans receivable	2,144,185	-	2,144,185
Downpayment assistance loans receivable	2,031,905	-	2,031,905
Project subsidy loans receivable	6,699,566	-	6,699,566
Property held for resale	1,013,439	-	1,013,439
Capital assets:			
Non-depreciable assets	63,295,720	9,775,300	73,071,020
Depreciable assets (net of depreciation)	91,331,030	10,945,381	102,276,411
Total assets	322,850,522	23,709,834	346,560,356
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflow of resources	17,475,341	944,020	18,419,361
Total deferred outflow of resources	17,475,341	944,020	18,419,361
LIABILITIES:			
Accounts payable and accrued liabilities	12,128,991	484,764	12,613,755
Accrued interest	1,236,749	124,416	1,361,165
Unearned revenue	623,068	-	623,068
Long-term liabilities:			
Due within one year	4,269,889	627,776	4,897,665
Due in more than one year	72,736,656	2,972,938	75,709,594
Aggregate net pension liabilities	105,690,706	5,236,886	110,927,592
Total liabilities	196,686,059	9,446,780	206,132,839
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflow of resources	13,596,650	816,338	14,412,988
Total deferred inflow of resources	13,596,650	816,338	14,412,988
NET POSITION:			
Net investment in capital assets	135,062,968	17,585,832	152,648,800
Restricted for:			
Debt service	4,112,870	407,029	4,519,899
Endowments - nonspendable	2,476,127	-	2,476,127
Endowments - expendable	4,150	-	4,150
Conference Center	1,876,125	-	1,876,125
Tideland	9,322,000	-	9,322,000
Community development	15,937,597	-	15,937,597
Army and Navy public works	1,775,217	-	1,775,217
Public works	18,189,290	-	18,189,290
Others	1,434,308	-	1,434,308
Total restricted net position	55,127,684	407,029	55,534,713
Unrestricted (Deficit)	(60,147,498)	(3,602,125)	(63,749,623)
Total net position	\$ 130,043,154	\$ 14,390,736	\$ 144,433,890

City of Monterey
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 6,242,043	\$ 7,222,860	\$ 27,000	\$ -	\$ 7,249,860
Public safety	31,413,958	7,299,691	1,038,556	-	8,338,247
Public works	35,996,616	20,371,202	9,789,766	7,322,237	37,483,205
Community development	1,244,516	66,516	3,333,202	-	3,399,718
Community services	14,633,159	6,808,314	-	-	6,808,314
Library	2,992,626	48,131	81,150	-	129,281
Interest and fiscal charges	3,617,864	-	-	-	-
Total governmental activities	96,140,782	41,816,714	14,269,674	7,322,237	63,408,625
Business-type Activities:					
Marina	1,624,701	3,107,731	7,827	-	3,115,558
Parking	5,466,454	9,291,528	117	-	9,291,645
Cemetery	161,489	203,675	-	-	203,675
Materials Recovery	140,695	410,559	-	-	410,559
Total business-type activities	7,393,339	13,013,493	7,944	-	13,021,437
Total	\$ 103,534,121	\$ 54,830,207	\$ 14,277,618	\$ 7,322,237	\$ 76,430,062

City of Monterey
Statement of Activities (Continued)
For the Year Ended June 30, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Governmental activities:			
General government	\$ 1,007,817	\$ -	\$ 1,007,817
Public safety	(23,075,711)	-	(23,075,711)
Public works	1,486,589	-	1,486,589
Community development	2,155,202	-	2,155,202
Community services	(7,824,845)	-	(7,824,845)
Library	(2,863,345)	-	(2,863,345)
Interest and fiscal charges	(3,617,864)	-	(3,617,864)
Total governmental activities	(32,732,157)	-	(32,732,157)
Business-type Activities:			
Marina	-	1,490,857	1,490,857
Parking	-	3,825,191	3,825,191
Cemetery	-	42,186	42,186
Materials Recovery	-	269,864	269,864
Total business-type activities	-	5,628,098	5,628,098
Total	(32,732,157)	5,628,098	(27,104,059)
General revenues:			
Taxes:			
Property taxes	7,973,011	-	7,973,011
Sales tax	8,538,569	-	8,538,569
In-lieu sales taxes	702,598	-	702,598
In-lieu VLF for general purposes	2,545,491	-	2,545,491
Transient occupancy tax	18,890,094	-	18,890,094
Utility user taxes	3,007,338	-	3,007,338
Other taxes	1,906,287	-	1,906,287
Total taxes	43,563,388	-	43,563,388
Investment income	5,583,028	186,467	5,769,495
Other revenues	348,113	-	348,113
Transfers	738,512	(738,512)	-
Total general revenues and transfers	50,233,041	(552,045)	49,680,996
Changes in net position	17,500,884	5,076,053	22,576,937
Net position:			
Beginning of year, as restated (Note 15)	112,542,270	9,314,683	121,856,953
End of year	\$ 130,043,154	\$ 14,390,736	\$ 144,433,890

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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.

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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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.

CONFERENCE CENTER FACILITIES DISTRICT CAPITAL PROJECTS FUND

The **Conference Center Facilities District Capital Projects 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.

CONFERENCE CENTER FACILITIES DISTRICT DEBT SERVICE FUND

The **Conference Center Facilities District Debt Service Fund** was established to account for Conference Center Facilities District tax revenue for repayment of the Special Tax Bonds.

NEIGHBORHOOD IMPROVEMENT SPECIAL REVENUE 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.

PRESIDIO OF MONTEREY PUBLIC WORKS SPECIAL REVENUE FUND

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

City of Monterey
Balance Sheet
Governmental Funds
June 30, 2016

		Capital Projects Funds		Conference Center Facilities District Debt Service Fund
	General Fund	Capital Improvement	Conference Center Facilities District	
ASSETS				
Cash and investments	\$ 14,613,796	\$ -	\$ 4,304,521	\$ 2,904,360
Restricted cash and investments:				
Held by fiscal agent	1,343,207	82,521	338,619	563,291
Held by city	-	-	41,259,205	-
Receivables:				
Taxes receivable	6,724,505	-	-	-
Accounts receivable	1,104,173	4,695,501	-	638,258
Interest receivable	82,150	-	-	6,961
Prepaid items	215,868	-	-	-
Due from other funds	5,010,437	-	-	-
Advances to other funds	14,471,116	-	-	-
Loans receivable:				
Rehabilitation	-	-	-	-
Downpayment assistance	-	-	-	-
Project subsidy	-	-	-	-
Property held for resale	-	-	-	-
Total assets	\$ 43,565,252	\$ 4,778,022	\$ 45,902,345	\$ 4,112,870
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 3,921,193	\$ 1,552,563	\$ 2,767,015	\$ -
Due to other funds	-	3,484,484	-	-
Advances from other funds	6,925,057	121,625	-	-
Unearned revenues	623,068	-	-	-
Total Liabilities	11,469,318	5,158,672	2,767,015	-
Deferred Inflows of Resources:				
Unavailable revenues	-	4,280,941	-	-
Total deferred inflows of resources	-	4,280,941	-	-
Fund Balances:				
Nonspendable	14,686,984	-	-	-
Restricted	1,343,207	-	43,135,330	4,112,870
Committed	14,992,220	-	-	-
Assigned	1,073,523	-	-	-
Unassigned (deficit)	-	(4,661,591)	-	-
Total fund balances	32,095,934	(4,661,591)	43,135,330	4,112,870
Total liabilities, deferred inflows of resources, and fund balances	\$ 43,565,252	\$ 4,778,022	\$ 45,902,345	\$ 4,112,870

City of Monterey
Balance Sheet (Continued)
Governmental Funds
June 30, 2016

	Special Revenue Funds			
	Neighborhood Improvement	Presidio of Monterey Public Works	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 10,955,201	\$ -	\$ 30,425,523	\$ 63,203,401
Restricted cash and investments:				
Held by fiscal agent	-	-	160,152	2,487,790
Held by city	-	-	2,476,127	43,735,332
Receivables:				
Taxes receivable	594,732	-	734	7,319,971
Accounts receivable	119,355	3,278,672	2,118,206	11,954,165
Interest receivable	26,361	-	75,810	191,282
Prepaid items	-	-	-	215,868
Due from other funds	-	-	-	5,010,437
Advances to other funds	-	250,000	-	14,721,116
Loans receivable:				
Rehabilitation	-	-	2,144,185	2,144,185
Downpayment assistance	-	-	2,031,905	2,031,905
Project subsidy	-	-	6,699,566	6,699,566
Property held for resale	-	-	1,013,439	1,013,439
Total assets	\$ 11,695,649	\$ 3,528,672	\$ 47,145,647	\$ 160,728,457
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 825,430	\$ 752,183	\$ 1,105,029	\$ 10,923,413
Due to other funds	-	1,017,779	12,891	4,515,154
Advances from other funds	-	-	-	7,046,682
Unearned revenues	-	-	-	623,068
Total Liabilities	825,430	1,769,962	1,117,920	23,108,317
Deferred Inflows of Resources:				
Unavailable revenues	113,102	-	1,737,255	6,131,298
Total deferred inflows of resources	113,102	-	1,737,255	6,131,298
Fund Balances:				
Nonspendable	-	250,000	2,476,127	17,413,111
Restricted	-	1,508,710	41,823,390	91,923,507
Committed	10,757,117	-	-	25,749,337
Assigned	-	-	-	1,073,523
Unassigned (deficit)	-	-	(9,045)	(4,670,636)
Total fund balances	10,757,117	1,758,710	44,290,472	131,488,842
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,695,649	\$ 3,528,672	\$ 47,145,647	\$ 160,728,457

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City of Monterey
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2016

Total fund balances (deficits) reported on the governmental funds balance sheet \$ 131,488,842

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

Capital assets used in governmental activities are not current assets or provides financial resources and therefore are not reported in the Governmental Funds, net of \$3,160,429 reported in Internal Service Funds 151,466,321

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. 7,009,810

Revenues earned but not available to pay for current expenditures for governmental funds are reported as unavailable revenue in the Governmental Funds Balance Sheet. 6,131,298

Compensated absences were not due and payable in the current period; therefore, they were not reported in the governmental fund balance sheets, net of \$178,163 reported in Internal Service Funds. (3,603,430)

Other postemployment benefit obligations were not due and payable in the current period; therefore, they were not reported in the governmental fund balance sheets, net of \$103,990 reported in Internal Service Funds. (2,265,747)

Aggregate net pension liabilities and the related deferred outflows and inflows of resources were not due and payable in the current period; therefore, they were not reported in the governmental fund balance sheets:

Deferred outflows of resources, net of \$628,494 reported in Internal Service Funds	\$ 16,846,847	
Aggregate net pension liabilities, net of \$3,486,522 reported in Internal Service Funds	(102,204,184)	
Deferred inflows of resources, net of \$543,486 reported in Internal Service Funds	<u>(13,053,164)</u>	(98,410,501)

Long-term debts and related payables were not due and payable in the current period; therefore, they were not reported in the governmental fund balance sheets:

Bonds and loans payable, net of \$281,276 reported in Internal Service Funds	(60,541,711)	
Interest payable, net of \$5,021 reported in Internal Service Funds	<u>(1,231,728)</u>	<u>(61,773,439)</u>

Net position of governmental activities: \$ 130,043,154

City of Monterey
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

		Capital Projects Funds		Conference Center Facilities District Debt Service Fund
	General	Capital Improvement	Conference Center Facilities District	
REVENUES:				
Property tax	\$ 7,973,011	\$ -	\$ -	\$ -
Sales tax	8,538,569	-	-	-
In-lieu sales tax	3,248,090	-	-	-
Transient occupancy tax	18,890,094	-	-	-
Utility users tax	3,007,338	-	-	-
Other taxes	185,643	-	-	4,201,897
Intergovernmental	1,022,351	186,864	-	-
Investment income	967,821	-	299,959	26,561
Rental income	842,093	-	-	-
Licenses and permits	6,533,823	-	-	-
Charges for current services	17,235,158	-	-	-
Fines	247,599	-	-	-
Other	3,574,080	436,653	-	-
Total revenues	72,265,670	623,517	299,959	4,228,458
EXPENDITURES:				
Current:				
General government:	6,049,397	-	-	-
Police	13,958,559	-	-	-
Fire	17,754,114	-	-	-
Public works	14,090,353	-	-	-
Community development	-	-	-	-
Community services	12,999,635	-	-	-
Library	2,806,814	-	-	-
Capital outlay	-	11,116,743	12,253,419	-
Debt service:				
Principal	156,674	-	-	-
Interest and fiscal charges	100,604	-	-	2,002,150
Total expenditures	67,916,150	11,116,743	12,253,419	2,002,150
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,349,520	(10,493,226)	(11,953,460)	2,226,308
OTHER FINANCING SOURCES (USES):				
Debt issuance	-	3,171,875	-	5,000,000
Transfers in	443,883	6,471,606	14,403,055	-
Transfers out	(8,285,983)	(269,474)	(1,517,708)	(6,983,500)
Total other financing sources (uses)	(7,842,100)	9,374,007	12,885,347	(1,983,500)
NET CHANGE IN FUND BALANCES	(3,492,580)	(1,119,219)	931,887	242,808
FUND BALANCES:				
Beginning of year, as restated (Note 15)	35,588,514	(3,542,372)	42,203,443	3,870,062
End of year	\$ 32,095,934	\$ (4,661,591)	\$ 43,135,330	\$ 4,112,870

See accompanying Notes to the Basic Financial Statements.

City of Monterey
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds			
	Neighborhood Improvement	Presidio of Monterey Public Works	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Property tax	\$ -	\$ -	\$ 21,720	\$ 7,994,731
Sales tax	-	-	9,027,743	17,566,312
In-lieu sales tax	-	-	-	3,248,090
Transient occupancy tax	3,597,151	-	-	22,487,245
Utility users tax	-	-	-	3,007,338
Other taxes	-	-	586,671	4,974,211
Intergovernmental	-	12,918,917	444,516	14,572,648
Investment income	87,346	-	458,499	1,840,186
Rental income	-	-	1,271,480	2,113,573
Licenses and permits	-	-	38,964	6,572,787
Charges for current services	-	-	4,203,049	21,438,207
Fines	-	-	-	247,599
Other	500,000	-	150,225	4,660,958
Total revenues	<u>4,184,497</u>	<u>12,918,917</u>	<u>16,202,867</u>	<u>110,723,885</u>
EXPENDITURES:				
Current:				
General government:	-	-	-	6,049,397
Police	-	-	26,863	13,985,422
Fire	-	-	30,306	17,784,420
Public works	5,089,036	12,647,086	2,372,540	34,199,015
Community development	-	-	1,207,709	1,207,709
Community services	-	-	127,134	13,126,769
Library	-	-	114,229	2,921,043
Capital outlay	-	-	-	23,370,162
Debt service:				
Principal	-	-	285,000	441,674
Interest and fiscal charges	-	-	263,911	2,366,665
Total expenditures	<u>5,089,036</u>	<u>12,647,086</u>	<u>4,427,692</u>	<u>115,452,276</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(904,539)</u>	<u>271,831</u>	<u>11,775,175</u>	<u>(4,728,391)</u>
OTHER FINANCING SOURCES (USES):				
Debt issuance	-	-	-	8,171,875
Transfers in	505,970	-	584,715	22,409,229
Transfers out	-	(100,000)	(5,158,024)	(22,314,689)
Total other financing sources (uses)	<u>505,970</u>	<u>(100,000)</u>	<u>(4,573,309)</u>	<u>8,266,415</u>
NET CHANGE IN FUND BALANCES	<u>(398,569)</u>	<u>171,831</u>	<u>7,201,866</u>	<u>3,538,024</u>
FUND BALANCES:				
Beginning of year, as restated (Note 15)	11,155,686	1,586,879	37,088,606	127,950,818
End of year	<u>\$ 10,757,117</u>	<u>\$ 1,758,710</u>	<u>\$ 44,290,472</u>	<u>\$ 131,488,842</u>

See accompanying Notes to the Basic Financial Statements.

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City of Monterey
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds: \$ 3,538,024

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

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 amounts are expensed and allocated to the programs they support.

The capital outlay expenditures, net of \$703,560 reported in Internal Service Fund	\$ 24,020,176	
Depreciation expense, net of \$815,479 reported in Internal Service Funds.	(3,909,085)	
Net effect on disposal of capital assets	<u>(23,905)</u>	20,087,186

Revenues in the Government-Wide Statement of Activities that do not provide current financial resources and are not reported as revenue in the governmental funds.		2,128,570
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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	441,674	
Issuance of Special Tax Bonds	(5,000,000)	
Issuance of State Water Resources Control Board loans	(3,171,875)	
Interest expense	<u>(1,231,728)</u>	(8,961,929)

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 postemployment benefits obligation	(115,865)	
Compensated absences	(221,698)	
Pension expense	<u>(1,498,766)</u>	(1,836,329)

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 of governmental activities		<u><u>\$ 17,500,884</u></u>
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PROPRIETARY FUND FINANCIAL STATEMENTS

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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.

City of Monterey
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Marina	Parking	Nonmajor Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash and investments	\$ 3,184,480	\$ 7,217,209	\$ 307,473	\$ 10,709,162	\$ 16,988,558
Cash with fiscal agent	-	-	-	-	1,624,333
Accounts receivable	123,255	186,751	16,420	326,426	41,209
Interest receivable	7,631	17,119	16,480	41,230	6,084
Prepaid items	-	-	-	-	71,990
Total current assets	3,315,366	7,421,079	340,373	11,076,818	18,732,174
Noncurrent assets:					
Cash and investments with fiscal agent	-	-	407,029	407,029	-
Advances to other funds	123,688	5,852,734	-	5,976,422	820,260
Capital assets:					
Nondepreciable	13,850	9,761,450	-	9,775,300	16,180
Depreciable	10,661,629	24,615,121	4,603,119	39,879,869	12,587,095
Accumulated depreciation	(7,778,654)	(18,756,536)	(2,399,298)	(28,934,488)	(9,442,846)
Total capital assets, net	2,896,825	15,620,035	2,203,821	20,720,681	3,160,429
Total noncurrent assets	3,020,513	21,472,769	2,610,850	27,104,132	3,980,689
Total assets	6,335,879	28,893,848	2,951,223	38,180,950	22,712,863
DEFERRED OUTFLOWS OF RESOURCES					
Pension related deferred outflows of resources	166,544	753,867	23,609	944,020	628,494
Total deferred outflows of resources	166,544	753,867	23,609	944,020	628,494

(Continued)

City of Monterey
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Marina	Parking	Nonmajor Enterprise Funds	Total	
LIABILITIES					
Current liabilities:					
Accounts payable	39,746	273,237	958	313,941	1,094,316
Accrued liabilities	29,774	136,450	4,599	170,823	111,262
Interest payable	108,661	-	15,755	124,416	5,021
Due to other funds	-	-	-	-	495,283
Compensated absences, due within one year	7,572	29,029	2,249	38,850	31,624
Claims payables, due within one year	-	-	-	-	2,460,000
Bonds and loans payable, due within one year	218,926	-	370,000	588,926	27,619
Total current liabilities	404,679	438,716	393,561	1,236,956	4,225,125
Noncurrent liabilities:					
Advances from other funds	-	13,911,733	559,383	14,471,116	-
Compensated absences	29,095	111,531	8,643	149,269	146,539
Claims payable, due in more than one year	-	-	-	-	7,572,228
Bonds and loans payable, due in more than one year	2,145,923	-	400,000	2,545,923	253,657
Other post employment benefits obligations	43,754	224,206	9,786	277,746	103,990
Net pension liabilities	923,890	4,182,023	130,973	5,236,886	3,486,522
Total noncurrent liabilities	3,142,662	18,429,493	1,108,785	22,680,940	11,562,936
Total liabilities	3,547,341	18,868,209	1,502,346	23,917,896	15,788,061
DEFERRED INFLOWS OF RESOURCES					
Pension related deferred inflows of resources	144,018	651,903	20,417	816,338	543,486
Total deferred inflows of resources	144,018	651,903	20,417	816,338	543,486
NET POSITION					
Net investment in capital assets	531,976	15,620,035	1,433,821	17,585,832	2,879,153
Restricted for debt service	-	-	407,029	407,029	-
Unrestricted	2,279,088	(5,492,432)	(388,781)	(3,602,125)	4,130,657
Total net position	\$ 2,811,064	\$ 10,127,603	\$ 1,452,069	\$ 14,390,736	\$ 7,009,810
					(Concluded)

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City of Monterey
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Marina	Parking	Nonmajor Enterprise Funds	Totals	
OPERATING REVENUES:					
Charges for services	\$ 2,724,368	\$ 8,952,835	\$ 203,675	\$ 11,880,878	\$ 13,622,865
Lease revenue	331,300	219,564	410,559	961,423	1,797,475
Other revenue	52,063	119,129	-	171,192	378,751
Total operating revenues	3,107,731	9,291,528	614,234	13,013,493	15,799,091
OPERATING EXPENSES:					
Salaries and benefits	551,085	1,975,815	66,948	2,593,848	1,509,986
Services and supplies	713,303	2,385,939	73,533	3,172,775	4,372,243
Claims and insurance	-	-	-	-	7,294,526
Depreciation	253,109	451,125	120,760	824,994	815,479
Total operating expenses	1,517,497	4,812,879	261,241	6,591,617	13,992,234
Operating income	1,590,234	4,478,649	352,993	6,421,876	1,806,857
NONOPERATING REVENUES (EXPENSES):					
Investment income	29,192	148,584	8,691	186,467	23,699
Interest and fiscal charges	(107,204)	(653,575)	(40,943)	(801,722)	(19,471)
Grant revenues	6,514	-	-	6,514	27,000
Gains on sale of assets	1,313	117	-	1,430	63,305
Total nonoperating revenues (expenses)	(70,185)	(504,874)	(32,252)	(607,311)	94,533
Income before transfers	1,520,049	3,973,775	320,741	5,814,565	1,901,390
TRANSFERS:					
Transfers in	-	259,050	-	259,050	659,277
Transfers out	(229,003)	(254,499)	(514,060)	(997,562)	(15,305)
Net transfers	(229,003)	4,551	(514,060)	(738,512)	643,972
Change in net position	1,291,046	3,978,326	(193,319)	5,076,053	2,545,362
NET POSITION:					
Beginning of year, as restated (Note 15)	1,520,018	6,149,277	1,645,388	9,314,683	4,464,448
End of year	<u>\$ 2,811,064</u>	<u>\$ 10,127,603</u>	<u>\$ 1,452,069</u>	<u>\$ 14,390,736</u>	<u>\$ 7,009,810</u>

City of Monterey
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Marina	Parking	Nonmajor Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 3,104,799	\$ 9,338,153	\$ 604,235	\$ 13,047,187	\$ -
Receipts from user departments	-	-	-	-	15,594,452
Receipts from insurance recovery or settlements	-	-	-	-	376,117
Payments to suppliers	(727,249)	(2,369,967)	(77,777)	(3,174,993)	(3,712,952)
Payments to employees	(936,760)	(3,942,026)	(109,532)	(4,988,318)	(2,926,904)
Claims and insurance paid	-	-	-	-	(7,918,493)
Cash flows provided by operating activities	1,440,790	3,026,160	416,926	4,883,876	1,412,220
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts	45,000	-	-	45,000	-
Interfund payments	-	(3,500,891)	(100,000)	(3,600,891)	(188,619)
Transfers in	-	259,050	-	259,050	659,277
Transfers out	(229,003)	(254,499)	(514,060)	(997,562)	(15,305)
Grant receipts	6,514	-	-	6,514	27,000
Cash flows provided by (used in) noncapital financing activities	(177,489)	(3,496,340)	(614,060)	(4,287,889)	482,353
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(30,192)	(137,429)	-	(167,621)	(703,560)
Proceed from sale of assets	8,365	378	330	9,073	104,762
Debt principal repayment	(209,498)	-	(340,000)	(549,498)	(26,800)
Interest paid	(115,846)	(653,575)	(70,612)	(840,033)	(9,825)
Cash flows (used in) capital and related financing activities	(347,171)	(790,626)	(410,282)	(1,548,079)	(635,423)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	26,719	150,474	16,977	194,170	23,013
Cash flows provided by investing activities	26,719	150,474	16,977	194,170	23,013
Net increase (decrease) in cash and cash equivalent	942,849	(1,110,332)	(590,439)	(757,922)	1,282,163
CASH AND CASH EQUIVALENT:					
Beginning of year	2,241,631	8,327,541	1,304,941	11,874,113	17,330,728
End of year	<u>\$ 3,184,480</u>	<u>\$ 7,217,209</u>	<u>\$ 714,502</u>	<u>\$ 11,116,191</u>	<u>\$ 18,612,891</u>
CASH AND CASH EQUIVALENT:					
Cash and investments	\$ 3,184,480	\$ 7,217,209	\$ 307,473	\$ 10,709,162	\$ 16,988,558
Cash with fiscal agent	-	-	-	-	1,624,333
Cash and investments with fiscal agent	-	-	407,029	407,029	-
Total cash and cash equivalent	\$ 3,184,480	\$ 7,217,209	\$ 714,502	\$ 11,116,191	\$ 18,612,891

(Continued)

City of Monterey
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Marina	Parking	Nonmajor Enterprise Funds	Totals	
Reconciliation of operating income to net cash provided by Operating activities:					
Operating activities:					
Operating income (loss)	\$ 1,590,234	\$ 4,478,649	\$ 352,993	\$ 6,421,876	\$ 1,806,857
Adjustments to reconcile operating income to net cash flows provided by operating activities:					
Depreciation	253,109	451,125	120,760	824,994	815,479
Change in assets and liabilities:					
(Increase) decrease in accounts receivables	(2,932)	46,625	(9,999)	33,694	97,030
(Increase) decrease in prepaid items	-	-	-	-	(71,990)
(Increase) decrease in pension related deferred outflows of resources	(70,558)	(305,285)	(10,803)	(386,646)	(269,590)
Increase (decrease) in accounts payable	(13,946)	15,972	(4,244)	(2,218)	731,281
Increase (decrease) in accrued expenses	29,774	136,450	4,599	170,823	111,262
Increase (decrease) in due to other funds	-	-	-	-	74,448
Increase (decrease) in compensated absences	3,074	(15,133)	1,101	(10,958)	7,291
Increase (decrease) in claims payable	-	-	-	-	(623,967)
Increase (decrease) in OPEB obligations	2,091	10,543	307	12,941	6,037
Increase (decrease) in net pension liabilities	(283,169)	(1,459,048)	(30,067)	(1,772,284)	(1,026,808)
Increase (decrease) in pension related deferred inflows of resources	(66,887)	(333,738)	(7,721)	(408,346)	(245,110)
Cash flows provided by operating activities	\$ 1,440,790	\$ 3,026,160	\$ 416,926	\$ 4,883,876	\$ 1,412,220

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FIDUCIARY FUND

The City maintains two types of fiduciary funds: agency funds and private purpose trust funds. These funds are presented separately from the Entity-wide and Fund financial statements.

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.

Agency funds account for assets held by the City as agent for individuals, governmental entities, and non-public organizations.

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City of Monterey
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust Fund	Agency Funds
ASSETS:		
Cash and investments	\$ 85,408	\$ 41,104
Accounts receivable	-	3,419,220
Interest receivables	205	-
Total assets	<u>85,613</u>	<u><u>3,460,324</u></u>
LIABILITIES:		
Deposits payable	-	\$ 16
Due to the City	-	3,278,672
Due to the City of Seaside	-	132,264
Special assessments	-	49,372
Total liabilities	<u>-</u>	<u><u>\$ 3,460,324</u></u>
NET POSITION		
Held in trust pending distribution	<u><u>\$ 85,613</u></u>	

City of Monterey
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Year Ended June 30, 2016

	Private Purpose Trust Fund
ADDITIONS:	
Investment income	\$ 785
Other Taxes	<u>10,000</u>
Total additions	<u>10,785</u>
DEDUCTIONS:	
General and administrative	<u>24,678</u>
Total deductions	<u>24,678</u>
CHANGE IN NET POSITION	(13,893)
NET POSITION:	
Beginning of year	<u>99,506</u>
End of year	<u><u>\$ 85,613</u></u>

City of Monterey
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies

The City of Monterey, California (the “City”) 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, and general administration services.

A. Reporting Entity

The financial statements of the City 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 Successor Agency to the former Redevelopment 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 have 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 Accounting, Measurement Focus, and Financial Statements Presentation

The City’s basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Government Accounting Standards Board is the acknowledged standard-setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Financial Statements

The Statement of Net Position 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 government-wide financial statements are reported using the “*economic resources*” measurement focus and the *accrual basis* of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets (as well as infrastructure assets) and long-term liabilities, are included in the accompanying Statement of Net Position. 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. Certain indirect costs are included in program expenses reported for individual functions and activities.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting, Measurement Focus, and Financial Statements Presentation (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.

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.

Governmental Fund Financial Statements

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*.

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.

Major funds are those that have 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 – This 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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting, Measurement Focus, and Financial Statements Presentation (Continued)

Governmental Fund Financial Statements (Continued)

Capital Improvement 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).

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

Conference Center Facilities District Debt Service Fund – This fund was established to account for Conference Center Facilities District tax revenue for repayment of the Special Tax Bonds.

Neighborhood Improvement Special Revenue Fund – Established to provide a means for financing neighborhood related infrastructure maintenance and capital improvements. 16% of all transient occupancy tax revenue collected by the City is deposited in this fund.

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

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

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.

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 Enterprise 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 Enterprise 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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting, Measurement Focus, and Financial Statements Presentation (Continued)

Proprietary Fund Financial Statements (Continued)

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 Fund Financial Statements

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

Private Purpose Trust Fund – 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 – The City uses Agency Funds to account for assets held by the City as an agent for special districts including 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, Dubrovnik Sister City Donation, and Presidio Municipal Service Agency. Agency Funds have no measurement focus and are excluded from the Government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

C. Cash and Investments

The City's cash are cash on hand and demand deposits with financial institutions.

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.

Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas are presented in the footnotes:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

D. 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.

E. Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosure about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

F. Prepaid Items

Prepaid items are recorded under the consumption method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both the government-wide and fund financial statements.

G. 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.

H. Capital Assets

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. 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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

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.

Capital asset depreciation is calculated using mid-year convention, along with the straight-line method for the annual calculation. Depreciation has been provided on capital assets in the government-wide financial statements. Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the Statement of Net Position as a reduction in the book value of capital assets. Depreciation is reported using the straight-line method, which means 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

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.

I. Deferred Outflows of Resources and Deferred Inflows of Resources

The Statement of Net Position and the Balance Sheet report separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, will not be recognized as revenue until that time.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

J. 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.

K. 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.

L. Pension Plans

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

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and inflows of resources related to pensions and are to be recognized in further pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over five years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

M. 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 Position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of source. Net Position is classified 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, net of unspent debt proceeds.

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, endowment funds, debt proceeds restricted for the Conference Center, redevelopment funds restricted to low and moderate income purposes and grant funding restricted for public works projects.

Unrestricted describes the net position for the amount of the assets, deferred outflows of resources, net of liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of the net position.

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 the unrestricted component of net position as needed.

N. Fund Balances

In the Governmental Fund Financial Statements, fund balance are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable –nonspendable fund balances are items that are not expected to be converted to cash 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) or items that are required to be maintained intact, such as principal of an endowment.

Restricted – 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.

Committed – 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. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. The City Council is considered the highest authority for the City.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

Assigned – 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.

Unassigned – 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 nonspendable, restricted, committed and assigned fund balances for specific purposes exceed the positive fund balance for that fund.

At year end restricted fund balances for specific purposes are determined (excluding nonspendable 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 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 in the order of committed, assigned, and then unassigned.

O. 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 \$9,126,797.

P. Use of Estimates

The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Change in Accounting Principles

GASB Statement No. 72, Fair Value Measurement and Application - This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement became effective for periods beginning after June 15, 2015 and did not have any measurement impact on the City's investment portfolio, except for the additional disclosure regarding to measurement input as discussed in Note 2 of the City's financial statements for the year ended June 30, 2016.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 - This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. This Statement became effective for periods beginning after June 15, 2015 and did not have a significant impact on the City's financial statements for the year ended June 30, 2016.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - This Statement establishes standards relating to the hierarchy of generally accepted accounting principles. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement became effective for periods beginning after June 15, 2015, is applied retroactively, and did not have a significant impact on the City's financial statements for the year ended June 30, 2016.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants - This Statement establishes standards relating to accounting and financial reporting for certain external investment pools and pool participants. This Statement became effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. This Statement did not have a significant impact on the City's financial statements for the year ended June 30, 2016.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. Certain restricted funds which are held and invested by independent outside custodians through contractual agreements are not pooled. These restricted funds include the deposits held in escrow.

The City reported cash and investments at June 30, 2016 in the accompanying financial statements as follows:

	Government- Wide Statement of Net Position	Fiduciary Fund Statement of Net Position	Total
Cash and investments	\$ 90,901,121	\$ 126,512	\$ 91,027,633
Restricted cash and investments	48,254,484	-	48,254,484
Total cash and investments	\$ 139,155,605	\$ 126,512	\$ 139,282,117

The City had the following cash and investments at June 30, 2016:

Cash on hand	\$ 25,929
Deposits with financial institution	62,723,117
Payment obligation bond time deposits	1,343,207
Total cash	64,092,253
Investments:	
Local Agency Investment Fund	7,004,349
Money market funds	246,294
U.S. Treasury notes	20,688,653
U.S. government sponsored enterprise securities	28,518,038
Commerical paper	2,639,219
Corporate notes	15,122,992
Investments with fiscal agent:	
Money market funds	568,204
U.S. Treasury notes	86,310
U.S. government sponsored enterprise securities	315,805
Total investments	75,189,864
Total cash and investments	\$ 139,282,117

A. Demand Deposits

The carrying amounts of the City's deposits were \$64,066,324 at June 30, 2016. Bank balances at that date were \$65,023,623, the total amount of which was collateralized or insured with accounts held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

A. Demand Deposits (Continued)

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds deposited in escrow which were required by construction projects. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances.

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investments in One Issuer
U.S. government obligations	5 years	N/A	N/A
U.S. government sponsored enterprise securities	5 years	N/A	N/A
Bankers' Acceptances	180 days	40%	N/A
Commercial Paper*	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	N/A
Repurchase Agreements	90 days	N/A	N/A
Reverse repurchase agreement	90 days	20%	N/A
California Local Agency Investment Fund	N/A	N/A	N/A
Certificates of Deposit (or Time Deposits)	5 years	25%	N/A
Medium Term Corporate Notes**	5 years	30%	5%

* Rated A-1 by Standard & Poor's Corporation or P-1 by Moody's

** Rated A or better by Standard & Poor's Corporation or Moody's

N/A - Not Applicable

C. Investments Authorized by Debt Agreement

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments authorized for funds held by bond trustee include, United States Treasury obligations, United States government sponsored enterprise securities, certificates of deposits, commercial paper, local agency bonds, banker's acceptance, money market mutual funds, investment agreements, repurchase agreements, local agency investment fund of the State of California and any other investments permitted in writing by bond insurer. There were no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

D. Fair Value Measurement

At June 30, 2016, investments are reported at fair value. The following table presents the fair value measurements of investments on a recurring basis and the levels with GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2016.

Investment Type	Measurement Input			Total
	Level 1	Level 2	N/A	
Investments:				
Local Agency Investment Fund	\$ -	\$ 7,004,349	\$ -	\$ 7,004,349
Money market funds	-	-	246,294	246,294
U.S. Treasury notes	20,688,653	-	-	20,688,653
U.S. government sponsored enterprise securities	-	28,518,038	-	28,518,038
Commerical paper	-	2,639,219	-	2,639,219
Corporate notes	-	15,122,992	-	15,122,992
Investments with fiscal agent:				
Money market funds	-	-	568,204	568,204
U.S. Treasury notes	86,310	-	-	86,310
U.S. government sponsored enterprise securities	-	315,805	-	315,805
	<u>\$ 20,774,963</u>	<u>\$ 53,600,403</u>	<u>\$ 814,498</u>	<u>\$ 75,189,864</u>

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment 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. At June 30, 2016, the City had the following investment maturities:

Investment Type	Remaining Maturity (In Months)			Total
	12 Months or Less	13-24 Months	25-60 Months	
Investments:				
Local Agency Investment Fund	\$ 7,004,349	\$ -	\$ -	\$ 7,004,349
Money market funds	246,294	-	-	246,294
U.S. Treasury note	6,763,473	10,344,654	3,580,526	20,688,653
U.S. government sponsored enterprise securities	8,224,630	16,976,549	3,316,859	28,518,038
Commercial paper	2,639,219	-	-	2,639,219
Corporate notes	4,320,835	6,142,525	4,659,632	15,122,992
Investments with fiscal agent:				
Money market funds	568,204	-	-	568,204
U.S. Treasury notes	10,032	54,927	21,351	86,310
U.S. government sponsored enterprise securities	41,485	139,697	134,623	315,805
Total	<u>\$ 29,818,521</u>	<u>\$ 33,658,352</u>	<u>\$ 11,712,991</u>	<u>\$ 75,189,864</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

F. 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. At June 30, 2016, the City's investments are rated as following:

Investment Type	Total as of June 30, 2016	Minimum Legal Rating	AAA	AA	A	Not Required to be Rated
Investments:						
Local Agency Investment Fund	\$ 7,004,349	N/A	\$ -	\$ -	\$ -	\$ 7,004,349
Money market funds	246,294	N/A	246,294	-	-	-
U.S. Treasury note	20,688,653	N/A	20,688,653	-	-	-
U.S. government sponsored enterprise securities	28,518,038	N/A	28,518,038	-	-	-
Commercial paper	2,639,219	NA	-	-	2,639,219	-
Corporate notes	15,122,992	A	383,451	8,028,960	6,710,581	-
Investments with fiscal agent:						
Money market funds	568,204	N/A	568,204	-	-	-
U.S. Treasury notes	86,310	N/A	86,310	-	-	-
U.S. government sponsored enterprise securities	315,805	N/A	315,805	-	-	-
Total	\$ 75,189,864		\$ 50,806,755	\$ 8,028,960	\$ 9,349,800	\$ 7,004,349

G. 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.

Investment in any one issuer that represent 5% or more of total City investment, excluding investment with fiscal agent, are as follows:

Issuer	Investment Type	Amount	Percentage
Federal Home Loan Bank	U.S. government sponsored enterprise securities	\$ 10,366,021	14%
Federal Home Loan Mortgage Corporation	U.S. government sponsored enterprise securities	11,051,803	15%
Federal National Mortgage Association	U.S. government sponsored enterprise securities	7,100,215	10%

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

H. Custodial Credit Risk

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.

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.

I. 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 balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The City investments in LAIF at June 30, 2016 included a portion of pool funds invested in Structured Notes and Asset-Backed Securities.

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2016, the City had \$7,004,349 invested in LAIF, which had invested 2.81% of the pool investment funds in Structured Notes and Asset-Backed Securities.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Interfund Transactions

A. Government-Wide Financial Statements

Internal Balances – At June 30, 2016, the City had the following internal receivables and payables, which represents internal borrowing and lending between the governmental activities and business-type activities:

Internal Payables	
Business-Type Activities	
Internal Receivables	
Governmental Activities	\$ 8,494,694

Transfers – At June 30, 2016, the City had the following transfers:

Transfers Out	
Business-Type Activities	
Transfers In	
Governmental Activities	\$ 738,512

Specific details of all transfers are reflected in Note 3B.

B. Fund Financial Statements

Due To/From Other Funds – Current inter-fund balances represent short-term loans to cover negative cash balances, which result from timing of cash flows at year end. These inter-fund balances are expected to be repaid in the first quarter of the subsequent year. At June 30, 2016, the City had the following inter-fund balances:

Due To Other Funds					
Governmental Funds				Proprietary Funds	
Capital Improvement Projects Fund		Presidio of Monterey Public Works Special Revenue Fund		Nonmajor Governmental Funds	Internal Service Funds
Due From Other Funds					Total
Governmental Funds:					
General Fund		\$ 3,484,484	\$ 1,017,779	\$ 12,891	\$ 495,283
		\$ 3,484,484	\$ 1,017,779	\$ 12,891	\$ 495,283

The amounts above resulted from temporary borrowing made at June 30, 2016 to cover cash shortfalls.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Interfund Transactions (Continued)

B. Fund Financial Statements (Continued)

Advances To/From Other Funds – At June 30, 2016, the City had the following advances to/from other funds:

Advance From Other Funds					
	Governmental Funds		Proprietary Funds		Total
	General Fund	Capital Improvement Fund	Parking Enterprise Fund	Nonmajor Enterprise Funds	
Advance To Other Funds					
Governmental Funds					
General Fund	\$ -	\$ -	\$ 13,911,733	\$ 559,383	\$ 14,471,116
Presidio of Monterey					
Public Works					
Special Revenue Fund	250,000	-	-	-	250,000
Proprietary Funds					
Parking Enterprise Fund	5,852,734	-	-	-	5,852,734
Marina Enterprise Fund	2,063	121,625	-	-	123,688
Internal Service Funds	820,260	-	-	-	820,260
	<u>\$ 6,925,057</u>	<u>\$ 121,625</u>	<u>\$ 13,911,733</u>	<u>\$ 559,383</u>	<u>\$ 21,517,798</u>

The General Fund received advances from the Presidio of Monterey Public Works Special Revenue Fund and Equipment Replacement Internal Service Fund for the Conference Center renovation. Advances from the Parking Enterprise Fund for project costs related to the East Catellus Design, specifically the boat storage and parking lot. Advances were also made from the Marina Enterprise Fund for Wharf II Critical Repairs.

The Capital Projects Fund received advances from the Parking Fund for the Del Monte Improvement Project.

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

The Nonmajor Cemetery Enterprise 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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Interfund Transactions (Continued)

B. Fund Financial Statements (Continued)

Transfers In/Out – with Council approval, resources may be transferred from one City fund to another. Transfers between funds during the year ended June 30, 2016 were as follows:

Transfers In								
Transfers Out	Governmental Funds					Proprietary Funds		Total
	General Fund	Capital Projects		Neighborhood Improvement Special Revenue Fund	Nonmajor Governmental Fund	Parking Enterprise Fund	Internal Service Funds	
		Capital	Conference					
		Improvement Fund	Center Fund					
Governmental Funds:								
General Fund	\$ -	\$ -	\$ 7,150,081	\$ 505,970	\$ 584,715	\$ -	\$ 45,217	\$ 8,285,983
Capital Improvement								
Capital Projects Fund	-	-	269,474	-	-	-	-	269,474
Conference Center								
Facilities District	-	1,517,708	-	-	-	-	-	1,517,708
Capital Projects Fund								
Conference Center								
Facilities District								
Debt Service Fund	-	-	6,983,500	-	-	-	-	6,983,500
Presidio of Monterey								
Public Works								
Special Revenue Fund	-	-	-	-	-	-	100,000	100,000
Nonmajor Governmental	189,384	4,938,593	-	-	-	30,047	-	5,158,024
Proprietary Funds:								
Marina Enterprise Fund	-	-	-	-	-	229,003	-	229,003
Parking Enterprise Fund	254,499	-	-	-	-	-	-	254,499
Nonmajor Enterprise Funds	-	-	-	-	-	-	514,060	514,060
Internal Service Funds	-	15,305	-	-	-	-	-	15,305
	\$ 443,883	\$ 6,471,606	\$ 14,403,055	\$ 505,970	\$ 584,715	\$ 259,050	\$ 659,277	\$ 23,327,556

Transfers of \$443,883 into the General Fund came from:

- Non-major Governmental Funds: The Scholze fund for park maintenance (\$22,480), the State COPS, AB1913 funding of a Domestic Violence Officer (\$97,850), the Gas Tax fund for Engineer payment (\$6,000), and the Golden 55 Travelers fund (\$3,054) for staff reimbursement, the Tidelands Trust fund (\$60,000) for code compliance and real estate legal service.
- The Parking Fund (\$254,499) for custodial, parks, and street maintenance services.

Transfers of \$6,471,606 into the Capital Improvement Fund 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 Conference Center Facilities District (\$1,517,708) and other non-major funds like the Street Infrastructure Rehabilitation Fund (\$3,178,960), Sewer Line Maintenance Fund (\$482,959), and Construction Truck Impact Fee (\$274,188), Gas Tax fund (\$941,053), Tidelands Trust Fund (\$53,872), Wharf I Sprinkler System Fund (\$7,561) and the Information Service fund (\$15,305).

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Interfund Transactions (Continued)

B. Fund Financial Statements (Continued)

Transfers of \$14,403,055 into the Conference Center Facility District Capital Projects Fund came from:

- The General fund (\$7,150,081), Capital Improvement Capital Projects Fund (\$269,474), and Conference Center Facility District Debt Service Fund (\$6,983,500) for construction of the Conference Center.

Transfers of \$505,970 into the Neighborhood Improvement Fund came from:

- Grants for the Monterey regional water recovery study (\$85,000), and for the Frank Sollecito Park artificial turf improvement (\$420,970).

Transfers of \$584,715 into Non-Major Funds came from:

- The General Fund to the Debt Service Fund for lease payments on the 2013 Lease Revenue Bond (\$543,516).
- The General Fund to fund the City's share of Alvarado Street Maintenance District (\$41,199).

Transfers of \$259,050 into the Parking Fund came from:

- The Marina Fund for annual parking support (\$229,003).
- Parking Adjustment Fees (\$30,047).

Transfers of \$659,277 into Internal Service Funds came from:

- The Vehicle Replacement Fund (\$23,394) for replacement of fire apparatus, and the Health Insurance Trust (\$21,823) for IRS 415(b) plan.
- The Presidio of Monterey Fund (\$100,000) for additional funds needed to purchase of new vehicles, and the Institutional Network I-Net Fund (\$514,060) to fund technology reserves.

C. 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. At June 30, 2016, the outstanding balance was \$2,031,905.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 4 – Loans and Mortgages Receivable (Continued)

B. Rehabilitation Loans

These are loans up to \$90,000 to qualifying low-income homeowners in the City. Such loans bear simple interest at 5% per annum, with principal and interest due upon the sale or transfer of the residence. Due to the long-term nature of the interest receivable, interest on the loans is recorded only when it becomes available as net current assets. At June 30, 2016, the outstanding balance was \$2,144,185.

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. At June 30, 2016, the outstanding balance was \$3,871,297. Other project subsidy loan balances at June 30, 2016 included a loan to Carl Outzen for low/moderate income housing at 541 Wave Street (\$1,651,056), a loan to Interim, Inc. for 504 Franklin Street and 608 Pearl Street housing for low income chronically mentally ill adults, (\$641,612), a loan to Shelter Plus for a transitional housing project (\$460,175) and predevelopment loan to Mid-Peninsula Housing for the Van Buren Street Senior Housing development (\$75,426).

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 5 – Capital Assets

A. Governmental Activities

Summary of changes in the governmental activities capital assets for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Retirements	Reclassification	Balance June 30, 2016
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 29,913,755	\$ 279,530	\$ -	\$ -	\$ 30,193,285
Construction in progress	16,115,310	23,573,735	-	(6,586,610)	33,102,435
Total assets not being depreciated	46,029,065	23,853,265	-	(6,586,610)	63,295,720
Capital assets, being depreciated:					
Buildings and Improvements	59,459,064	-		3,524,826	62,983,890
Improvements other than buildings	28,503,373	-	(162,508)	1,133,977	29,474,842
Machinery and Equipment	17,714,559	870,471	(2,567,763)	597,671	16,614,938
Infrastructure	79,423,634	-	-	1,330,136	80,753,770
Total assets being depreciated	185,100,630	870,471	(2,730,271)	6,586,610	189,827,440
Less accumulated depreciation for:					
Buildings and Improvements	(32,956,200)	(1,400,449)		-	(34,356,649)
Improvements other than buildings	(18,052,523)	(683,566)	114,017	-	(18,622,072)
Machinery and Equipment	(12,858,290)	(1,045,378)	2,541,052	-	(11,362,616)
Infrastructure	(32,569,742)	(1,595,171)	9,840	-	(34,155,073)
Total accumulated depreciation	(96,436,755)	(4,724,564)	2,664,909	-	(98,496,410)
Total capital assets, being depreciated, net	88,663,875	(3,854,093)	(65,362)	6,586,610	91,331,030
Total capital assets, net	\$ 134,692,940	\$ 19,999,172	\$ (65,362)	\$ -	\$ 154,626,750

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

Governmental activities:	
General Government	\$ 4,645
Police	37,911
Fire	35,658
Public Works, including infrastructure	2,418,269
Community Development	23,484
Community Services	1,357,301
Library	31,817
Internal service Funds	815,479
Total depreciation expense	\$ 4,724,564

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 5 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in the business-type activities capital assets for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Retirements	Reclassification	Balance June 30, 2016
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 9,205,157	\$ -	\$ -	\$ -	\$ 9,205,157
Construction in progress	418,864	151,279	-	-	570,143
Total assets not being depreciated	9,624,021	151,279	-	-	9,775,300
Capital assets, being depreciated:					
Buildings and Improvements	26,418,262	-	-	-	26,418,262
Improvements other than buildings	12,477,959	-	(2,018)	-	12,475,941
Machinery and Equipment	1,076,700	16,342	(107,377)	-	985,665
Total assets being depreciated	39,972,921	16,342	(109,395)	-	39,879,868
Less accumulated depreciation for:					
Buildings and Improvements	(18,438,398)	(486,971)	-	-	(18,925,369)
Improvements other than buildings	(9,108,195)	(265,295)	1,757	-	(9,371,733)
Machinery and Equipment	(664,652)	(72,728)	99,995	-	(637,385)
Total accumulated depreciation	(28,211,245)	(824,994)	101,752	-	(28,934,487)
Total capital assets, being depreciated, net	11,761,676	(808,652)	(7,643)	-	10,945,381
Total capital assets, net	\$ 21,385,697	\$ (657,373)	\$ (7,643)	\$ -	\$ 20,720,681

Depreciation expenses charged to the business-type activities are as follows:

Business-type activity:	
Marina	\$ 253,109
Parking	451,125
Other business-type activities	120,760
Total depreciation expense	\$ 824,994

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long-Term Liabilities

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. Governmental Activities

The summary of changes in the governmental activities long-term liabilities for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015 (As Restated)	Additions	Retirements	Balance June 30, 2016	Due Within One Year	Due in More Than One Year
Governmental Activities						
Special Tax Bonds Payable:						
Conference Ctr Facilities District, 3.95%, due 12/01/2034	\$ 45,000,000	\$ 5,000,000	\$ -	\$ 50,000,000	\$ 511,023	\$ 49,488,977
Loans and Lease Payable:						
2013 Refunding-2002 Joint Powers Financing Authority, 3.87% due 5/01/32	6,680,000	-	(285,000)	6,395,000	295,000	6,100,000
County of Monterey 911 Dispatch Center various %, due 9/17	59,405	-	(30,725)	28,680	28,680	-
2010 California Energy Commission 1.0%, due 12/22/22	801,590		(103,429)	698,161	104,487	593,674
2008 California Energy Commission 3.95%, due 6/25/25	270,515	-	(22,520)	247,995	23,447	224,548
US Bancorp Pierce Fire Apparatus Lease 3.06%, due 11/2024	308,076	-	(26,800)	281,276	27,619	253,657
State Water Resources Control Board 2.10%, due 8/30/2035	-	3,171,875	-	3,171,875	148,541	3,023,334
Compensated Absences	3,552,604	2,128,586	(1,899,597)	3,781,593	671,092	3,110,501
Claims payable	10,583,131	2,496,806	(3,047,709)	10,032,228	2,460,000	7,572,228
Net OPEB Obligations (Note 8)	2,247,835	121,902	-	2,369,737	-	2,369,737
Total Governmental Activities	\$ 69,503,156	\$ 12,919,169	\$ (5,415,780)	\$ 77,006,545	\$ 4,269,889	\$ 72,736,656

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long-Term Liabilities (Continued)

B. Governmental Activities (Continued)

Special Tax Bonds Payable

On November 19, 2013, the City Council adopted a resolution of formation to create the Conference Center Facilities District No. 2013-1 (the “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 and were refunded and reissued with an additional \$5 million on September 30, 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.

At June 30, 2016, the City had \$541,273 maintained in the reserve account and the outstanding balances for the special tax bonds payable totaled \$50,000,000.

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
2017	\$ 511,023	\$ 2,309,653	\$ 2,820,676
2018	580,944	1,954,815	2,535,759
2019	1,533,668	1,931,867	3,465,535
2020	1,662,532	1,871,287	3,533,819
2021	1,799,259	1,805,617	3,604,876
2022-2026	11,289,988	7,844,734	19,134,722
2027-2031	15,854,442	5,271,341	21,125,783
2032-2036	16,768,144	1,705,637	18,473,781
Total	<u>\$ 50,000,000</u>	<u>\$ 24,694,951</u>	<u>\$ 74,694,951</u>

2013 Lease Agreement

On October 24, 2013, the Joint Powers Financing Authority entered into a \$7,170,000 Lease Agreement with Capital One Public Funding, LLC to refund 2002 Lease Revenue Bonds, which were originally issued to provide funds for the expansion of the Monterey Sports Center and the purchase of the Catellus East parcel. The 2002 Lease Revenue Bonds were 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 Lease Revenue Bonds during the year ended June 30, 2014 resulted in a difference in cash flows from debt service payments of \$1,618,297 over the remaining life of the bonds, and an overall net present value savings of \$481,715. Lease payments are to be made from the City’s General Fund, and are secured by the Police/Fire Station building and Fire Station #3.

At June 30, 2016, the outstanding balance for 2013 Lease Agreement was \$6,395,000.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long-Term Liabilities (Continued)

B. Governmental Activities (Continued)

2013 Lease Agreement (Continued)

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
2017	\$ 295,000	\$ 247,487	\$ 542,487
2018	310,000	236,070	546,070
2019	320,000	224,073	544,073
2020	330,000	211,689	541,689
2021	345,000	198,918	543,918
2022-2026	1,935,000	783,869	2,718,869
2027-2031	2,335,000	379,454	2,714,454
2032-2036	525,000	20,318	545,318
Total	<u>\$ 6,395,000</u>	<u>\$ 2,301,877</u>	<u>\$ 8,696,877</u>

County of Monterey 911 Dispatch Center Loan

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.

At June 30, 2016, the outstanding balance for County of Monterey 911 Dispatch Center Loan was \$28,680.

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
2017	\$ 28,680	\$ -	\$ 28,680
Total	<u>\$ 28,680</u>	<u>\$ -</u>	<u>\$ 28,680</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long-Term Liabilities (Continued)

B. Governmental Activities (Continued)

2010 California Energy Commission Loan

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 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 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 was December 22, 2012. The loan will be repaid from rebates and energy savings estimated at over \$100,000 annually.

At June 30, 2016, the outstanding balance for 2010 California Energy Commission Loan was \$698,161.

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
2017	\$ 104,487	\$ 6,722	\$ 111,209
2018	105,534	5,674	111,208
2019	106,592	4,616	111,208
2020	107,652	3,557	111,209
2021	108,740	2,469	111,209
2022-2023	165,156	1,656	166,812
Total	<u>\$ 698,161</u>	<u>\$ 24,694</u>	<u>\$ 722,855</u>

2008 California Energy Commission Loan

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.

At June 30, 2016, the outstanding balance for 2008 California Energy Commission Loan was \$247,995.

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
2017	\$ 23,447	\$ 9,567	\$ 33,014
2018	24,382	8,632	33,014
2019	25,355	7,660	33,015
2020	26,349	6,666	33,015
2021	27,417	5,597	33,014
2022-2025	121,045	11,012	132,057
Total	<u>\$ 247,995</u>	<u>\$ 49,134</u>	<u>\$ 297,129</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long Term Liabilities (Continued)

B. Governmental Activities (Continued)

US Bancorp Pierce Fire Apparatus Lease

On December 10, 2013, the City entered into a lease purchase agreement with U.S. Bancorp for the capital lease of a fire truck. Total principal of the lease amount was \$370,506 with an interest rate of 3.06%. The lease calls for annual principal and interest payments of \$36,277. The accumulated depreciation of the leased Fire Truck at June 30, 2016 was in the amount of \$55,621.

At June 30, 2016, the outstanding balance for the US Bancorp Pierce Fire Apparatus Lease was \$281,276.

Future minimum lease payments under the capital lease are as follows:

For the Year Ending June 30	
2017	\$ 36,227
2018	36,227
2019	36,227
2020	36,227
2021	36,227
2022-2025	144,909
Subtotal	326,044
Less: Interest	(44,768)
Present value of future minimum lease payments	\$ 281,276

State Water Resources Control Board 110 Loan

In February, 2014, the City was approved for a \$16.8 million low interest loan from a Clean Water State Revolving Fund financial assistance agreement administered by the State Water Resources Control Board (the "SWRCB"). 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.

During the year ended June 30, 2016, the SWRCB disbursed a total of \$3,171,875 under Agreement No 13-831-550 toward Project No. C-06-5228-110 Citywide Sewer Rehabilitation Project, Phases 1, 2, and 4 (the "110 Loan"). The 110 Loan bears an interest rate of 2.10% and is to be repaid in 20 installments in the amount of \$194,617 starting on August 30, 2016 and ending on August 30, 2035. The City pledged the sewer revenue for the repayment of the loan. There is a minimum reserve requirement in the amount of \$1,084,814, comprised of \$194,617 for the 110 loan and \$890,197 for 120 Loan (See Note 16 – Subsequent Event for 120 Loan).

At June 30, 2016, the City had maintained a reserve in the Sewer/Storm Water System Improvement Special Revenue Fund in the amount of \$1,106,768 and the outstanding balance for the State Water Resources Control Board 110 Loan was \$3,171,875.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long Term Liabilities (Continued)

B. Governmental Activities (Continued)

State Water Resources Control Board Loan (Continued)

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
2017	\$ 148,541	\$ 46,076	\$ 194,617
2018	131,127	63,490	194,617
2019	133,880	60,737	194,617
2020	136,692	57,925	194,617
2021	139,562	55,054	194,616
2022-2026	743,024	230,059	973,083
2027-2031	824,388	148,695	973,083
2032-2036	914,661	58,422	973,083
Total	<u>\$ 3,171,875</u>	<u>\$ 720,458</u>	<u>\$ 3,892,333</u>

Compensated Absences

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.

C. Business-Type Activities

The summary of changes in the governmental activities long-term liabilities for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015 (As Restated)	Additions	Retirements	Balance June 30, 2016	Due Within One Year	Due in More Than One Year
<u>Business-Type Activities</u>						
Lease Revenue Bonds Payable:						
1994 Materials Recovery Facility, 5.50-5.75%, due 3/1/18	\$ 1,110,000	\$ -	\$ (340,000)	\$ 770,000	\$ 370,000	400,000
Loans Payable:						
State of California Small Craft Harbor Loans, 4.50%, due 2024	2,574,348	-	(209,499)	2,364,849	218,926	2,145,923
Compensated Absences	199,078	165,225	(176,184)	188,119	38,850	149,269
Net OPEB Obligations (Note 8)	264,806	12,940	-	277,746	-	277,746
Total Business-Type Activities	<u>\$ 4,148,232</u>	<u>\$ 178,165</u>	<u>\$ (725,683)</u>	<u>\$ 3,600,714</u>	<u>\$ 627,776</u>	<u>\$ 2,972,938</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long Term Liabilities (Continued)

C. Business-Type Activities (Continued)

1994 Lease Revenue Bonds

On February 15, 1994, \$4,045,000 of Lease Revenue Bonds, Series 1994, was 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.

At June 30, 2016, the total outstanding balances for the 1994 Lease Revenue Bonds were \$770,000.

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
2017	\$ 370,000	\$ 44,275	\$ 414,275
2018	400,000	23,000	423,000
TOTAL	<u>\$ 770,000</u>	<u>\$ 67,275</u>	<u>\$ 837,275</u>

State of California Harbor 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.

At June 30, 2016, the total outstanding balance for the state of California harbor loans was \$2,364,849.

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
2017	\$ 218,926	\$ 106,418	\$ 325,344
2018	228,778	96,567	325,345
2019	239,073	86,272	325,345
2020	249,831	75,513	325,344
2021	261,073	64,271	325,344
2022-2025	1,167,168	134,194	1,301,362
TOTAL	<u>\$ 2,364,849</u>	<u>\$ 563,235</u>	<u>\$ 2,928,084</u>

D. Debt Compliance

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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Pension Plans

A. California Public Employees Retirement System (“CalPERS”)

The following is the summary of net pension liabilities and the related deferred outflows of resources and deferred inflows of resources at June 30, 2016 and pension expenses for the year then ended:

	Governmental Activities	Business- Type Activities	Total
Deferred outflows of resources:			
Pension contribution after measurement date:			
Miscellaneous	\$ 4,964,671	\$ 427,452	\$ 5,392,123
Safety	4,110,661	-	4,110,661
Total contribution after measurement date	<u>9,075,332</u>	<u>427,452</u>	<u>9,502,784</u>
Adjustment due to difference in proportions			
Safety	<u>2,160,270</u>	<u>-</u>	<u>2,160,270</u>
Employer contributions in excess of proportionate share of contribution:			
Safety	<u>240,030</u>	<u>-</u>	<u>240,030</u>
Actual earnings on pension plan investments in excess of projected earnings:			
Miscellaneous	<u>5,999,709</u>	<u>516,568</u>	<u>6,516,277</u>
Total deferred outflows of resources	<u><u>\$ 17,475,341</u></u>	<u><u>\$ 944,020</u></u>	<u><u>\$ 18,419,361</u></u>
Aggregate net pension liabilities:			
Miscellaneous	\$ 60,824,063	\$ 5,236,886	\$ 66,060,949
Safety	<u>44,866,643</u>	<u>-</u>	<u>44,866,643</u>
Total net pension liabilities	<u><u>\$105,690,706</u></u>	<u><u>\$ 5,236,886</u></u>	<u><u>\$110,927,592</u></u>
Deferred inflows of Resources:			
Changes in assumptions:			
Miscellaneous	\$ 2,210,187	\$ 190,295	\$ 2,400,482
Safety	<u>2,386,729</u>	<u>-</u>	<u>2,386,729</u>
Total changes in assumptions	<u>4,596,916</u>	<u>190,295</u>	<u>4,787,211</u>
Difference between expected and actual experience:			
Miscellaneous	34,191	2,944	37,135
Safety	<u>518,926</u>	<u>-</u>	<u>518,926</u>
Total difference between expected and actual experience	<u>553,117</u>	<u>2,944</u>	<u>556,061</u>
Projected earnings on pension plan investments in excess of actual earnings:			
Miscellaneous	7,237,007	623,099	7,860,106
Safety	<u>1,209,610</u>	<u>-</u>	<u>1,209,610</u>
Total projected earnings on pension plan investments in excess of actual earnings	<u>8,446,617</u>	<u>623,099</u>	<u>9,069,716</u>
Total deferred inflows of resources	<u><u>\$ 13,596,650</u></u>	<u><u>\$ 816,338</u></u>	<u><u>\$ 14,412,988</u></u>
Pension expenses (credit):			
Miscellaneous	\$ 6,291,315	\$ (2,139,824)	\$ 4,151,491
Safety	<u>2,741,275</u>	<u>-</u>	<u>2,741,275</u>
Total net pension expenses (credit)	<u><u>\$ 9,032,590</u></u>	<u><u>\$ (2,139,824)</u></u>	<u><u>\$ 6,892,766</u></u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Pension Plans (Continued)

A. California Public Employees Retirement System (“CalPERS”) (Continued)

General Information about the Pension Plan

Plan Description

The City contribution to the California Public Employees Retirement System (“CalPERS”), an agent multiple-employer defined benefit pension plan for miscellaneous employees and a cost-sharing multiple-employer defined benefit plan for safety employees. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2014 Annual Actuarial Valuation Report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

Benefit Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions under both plans are established by the State statute and City resolution as follows:

Classic (hired prior to January 1, 2013)	Miscellaneous	Safety	
		Fire	Police
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	50	50
Benefit per year of service, as a percentage of salary	2.70%	3.00%	3.00%
Required employee contribution rates *	8.000%	9.000%	9.000%
Required contribution during measurement period	23.636%	35.000%	35.000%
Required contribution during year ended June 30, 2016	25.766%	18.524%	18.524%

PEPRA (hired after January 1, 2013)	Miscellaneous	Safety	
		Fire	Police
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	62	57	57
Benefit per year of service, as a percentage of salary	2.00%	2.70%	2.70%
Required employee contribution rates	6.250%	11.500%	11.500%
Required contribution during measurement period	26.636%	11.500%	11.500%
Required contribution during year ended June 30, 2016	28.766%	11.153%	11.153%

* Effective September 16, 2011, the City amended its contract with CalPERS to incorporate cost-sharing of the City’s employer contribution rate. Classic employees contributed the following portion of the employer’s required contribution rate during the measurement period and the year ended June 30, 2016:

	Measurement Period 2014-15	Year Ended June 30, 2016
Miscellaneous	3%	3%
Safety - Fire	3%	4%
Safety - Police	3%	0%

For the year ended June 30, 2016, the contribution for Safety plans reflects the employer normal cost rate only. The employer payment for unfunded liability is a fixed amount.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Pension Plans (Continued)

A. California Public Employees' Retirement System ("CalPERS") (Continued)

General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

Participants are eligible for non-industrial disability retirement if they become disabled and have at least 5 years credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service.

Industrial disability benefits are not offered to miscellaneous employees. The City provides industrial disability retirement benefit to safety employees. The industrial disability retirement benefit is a monthly allowance equal to 50 percent of final compensation.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death. Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

Employees Covered by Benefit Terms

At June 30, 2014, the valuation date, the following employees were covered by the benefit terms:

	Miscellaneous	Classic	Safety	
			Fire PEPR	Police PEPR
Active employees	330	116	8	0
Transferred and terminated employees	238	71	0	1
Retired Employees and Beneficiaries	366	189	0	0
Total	934	376	8	1

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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 required contribution rates are shown in the Benefit Provided Section at page 81.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Pension Plans (Continued)

A. California Public Employees' Retirement System ("CalPERS") (Continued)

Net Pension Liability

Actuarial Methods and Assumption Used to Determine Total Pension Liability

For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% Net of Pension Plan Investment Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change in Assumption

GASB 68, paragraph 68 states that the long- term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.5% (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Pension Plans (Continued)

A. California Public Employees' Retirement System ("CalPERS") (Continued)

Net Pension Liability (Continued)

Discount Rate (Continued)

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

The table below reflects 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. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	<u>100.00%</u>		

¹ An expected inflation of 2.5% used

² An expected inflation of 3.0% used

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Pension Plans (Continued)

A. California Public Employees' Retirement System ("CalPERS") (Continued)

Changes in the Net Pension Liability

The following table shows the changes in net pension liability for the City's miscellaneous plan recognized over the measurement period.

Miscellaneous Plan			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2014 (Valuation Date)	\$ 214,273,272	\$ 154,292,817	\$ 59,980,455
Changes Recognized for the Measurement Period:			
Service Cost	4,506,126	-	4,506,126
Interest on the total pension liability	15,904,500	-	15,904,500
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(56,679)	-	(56,679)
Changes of assumptions	(3,663,893)	-	(3,663,893)
Plan to plan resource movement	-	1,986	(1,986)
Contributions from the employer	-	4,769,858	(4,769,858)
Contributions from employees	-	2,526,690	(2,526,690)
Net investment income, net of administrative expense	-	3,311,026	(3,311,026)
Benefit payments, including refunds of employee contributions	(9,807,582)	(9,807,582)	-
Net Changes during July 1, 2014 to June 30, 2015	\$ 6,882,472	\$ 801,978	\$ 6,080,494
Balance at June 30, 2015 (Measurement Date)	\$ 221,155,744	\$ 155,094,795	\$ 66,060,949

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the City's safety plan's proportionate share of the risk pool collective net pension liability over the measure period.

Safety Plan			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2014 (Valuation Date)	\$ 157,176,539	\$ 117,055,783	\$ 40,120,756
Balance at June 30, 2015 (Measurement Date)	160,885,421	116,018,778	44,866,643
Net Changes during 2014-2015	3,708,882	(1,037,005)	4,745,887

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Pension Plans (Continued)

A. California Public Employees' Retirement System ("CalPERS") (Continued)

Changes in the Net Pension Liability (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2014). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of market value assets.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense are allocated based on the City's share of contributions made during the measurement period.

The City's proportionate share of the net pension liability was as follows:

	<u>Safety Plan</u>
June 30, 2014	0.644773%
June 30, 2015	0.653660%
Change - Increase (Decrease)	<u>0.008887%</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Pension Plans (Continued)

A. California Public Employees' Retirement System ("CalPERS") (Continued)

Changes in the Net Pension Liability (Continued)

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

The following presents the net pension liability of the plans as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plan	<u>\$ 93,836,552</u>	<u>\$ 66,060,949</u>	<u>\$ 42,875,893</u>
Safety Plan	<u>\$ 66,925,676</u>	<u>\$ 44,866,643</u>	<u>\$ 26,778,641</u>

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial report.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense in the amounts of \$4,151,491 and \$2,741,275 for the miscellaneous plan and safety plan, respectively.

As of measurement date of June 30, 2015, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous Plan	
	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 5,392,123	\$ -
Changes of assumptions	-	(2,400,482)
Difference between expected and actual experience	-	(37,135)
Net difference between projected and actual earning on pension plan investments	6,516,277	(7,860,106)
Total	<u>\$ 11,908,400</u>	<u>\$ (10,297,723)</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Pension Plans (Continued)

A. California Public Employees' Retirement System ("CalPERS") (Continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

	Safety Plan	
	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 4,110,661	\$ -
Changes of assumptions	-	(2,386,729)
Difference between expected and actual experience	-	(518,926)
Adjustment due to difference in proportions	2,160,270	-
Employer contributions in excess of proportionate share of contribution	240,030	-
Net difference between projected and actual earning on pension plan investments	-	(1,209,610)
Total	<u>\$ 6,510,961</u>	<u>\$ (4,115,265)</u>

The amounts above are net of outflows and inflows recognized in the 2014-2015 measurement period expense.

The expected average remaining service lifetime ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the miscellaneous plan and the safety risk pool for the 2014-15 measurement period is 2.9 and 3.8 years, which was obtained by dividing the total service years of 2,729 and 467,023 (the sum of remaining service lifetimes of the active employees) by 934 and 122,410 (the total number of participants: active, inactive, and retired), respectively.

\$5,392,123 and \$4,110,661 reported as deferred outflows of resources related to pensions for miscellaneous plan and safety plan, respectively, resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in the future pension expense as follows:

	Deferred Outflows/(Inflows) of Resources	
Measurement Period Ended June 30	Miscellaneous Plan	Safety Plan
2017	\$ (2,273,921)	\$ (1,028,886)
2018	(2,145,628)	(1,056,751)
2019	(990,967)	(1,114,200)
2020	1,629,070	1,484,872
2021	-	-
Thereafter	-	-
	<u>\$ (3,781,446)</u>	<u>\$ (1,714,965)</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Pension Plans (Continued)

B. Deferred Compensation Plan

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

The laws governing deferred compensation plan assets require plan assets to be held by a trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from the accompanying financial statements. At June 30, 2016, total deferred compensation plan assets are valued at \$31,006,644.

Note 8 – Post Employment Benefits Other Than Pension

A. Plan Description

The City of Monterey Retiree Healthcare Plan ("OPEB 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 the Public Employees' Medical and Hospital Care Act (the "PEMHCA"). The City pays a portion of retiree healthcare premiums equal to the PEMHCA required minimum contribution under the unequal method, currently \$125 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, 2016, plan membership consisted of 371 active participants and 172 retirees and beneficiaries currently receiving benefits.

The City has also implemented the Retirement Health Savings Plan (the "RHSP") for Peace Officer Association ("POA"), Police Lieutenants' Management association ("PLMA"), International Association of Fire Fighters ("IAFF"), and Fire Management Association ("FMA") employees. RHSP is an individual account defined contribution retiree healthcare plan with employer contributions. RHSP was not included in this note.

B. 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 fiscal year 2012-13. There are no employee contributions. For the year ended June 30, 2016, the City contributed \$500,354 to the retiree healthcare plan and made \$290,615 pay-as-you-go payments toward retiree benefits and \$216,540 in implied subsidy.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Post Employment Benefits Other Than Pension (Continued)

C. 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, 2015, 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	\$ 1,134,187
Interest Adjustment on Net OPEB Assets	175,885
Adjustment to annual required contribution	<u>(167,721)</u>
Annual OPEB Cost	1,142,351
Contributions:	
Pay-as-you-go contributions	(290,615)
Implied subsidy	(216,540)
Contribution to the OPEB Plan	<u>(500,354)</u>
Increase in Net OPEB Obligations	134,842
Net OPEB Obligations:	
Beginning of Year	<u>2,512,641</u>
End of Year	<u><u>\$ 2,647,483</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three years ended June 30, 2016 are as follows:

Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 667,542	\$ 452,000	67.71%	\$ 2,421,542
June 30, 2015	698,099	607,000	86.95%	2,512,641
June 30, 2016	1,142,351	1,007,509	88.20%	2,647,483

D. Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the Actuarial Accrued Liability for benefits was \$10,864,712, and the actuarial value of assets was \$731,595, resulting in an Unfunded Actuarial Accrued Liability of \$10,133,117. The covered payroll (annual payroll of active employees covered by the Plan) was \$35,911,000, and the ratio of UAAL to the covered payroll was 28.2 percent

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Post Employment Benefits Other Than Pension (Continued)

D. Funded Status and Funding Progress (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 trends. 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.

E. 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, 2015 actuarial valuation, the plan's most recent actuarial date, the entry age normal actuarial cost method was used. The actuarial assumptions included (a) the expected long-term investment return of 7% 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 2015 and 2016. Medical costs are adjusted by 7% starting in 2017 and reduced by half a percent thereafter until reaching 5% for 2020.

The unfunded actuarial accrued liability is being amortized over an initial 30 years using the level-percentage of pay method on a closed basis. The remaining period at June 30, 2015 is assumed to be 24 years.

Note 9 – 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 \$125 of the monthly premium per employee. In addition, as a part of the Cafeteria plan, per approved Memorandum of Understanding with its bargaining groups, the City also provides between \$600 and \$1,652 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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 10 – 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.

	General Liabilities	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

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

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, 2016. Financial statements may be obtained from AACE at 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).

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 10 – Risk Management (Continued)

B. Liability for Self-Insured Claims (Continued)

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. 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, 2016.

Claims activities for the three years ended June 30, 2016 are presented as follows:

Years Ended	Balance Beginning of Year	Addition	Deletion	Balance End of Year
Worker's Compensation:				
June 30, 2014	\$ 9,084,000	\$ 235,966	\$ (1,637,716)	\$ 7,682,250
June 30, 2015	7,682,250	2,467,667	(2,165,417)	7,984,500
June 30, 2016	7,984,500	2,174,806	(2,174,806)	7,984,500
General Liability:				
June 30, 2014	2,486,257	129,612	(129,612)	2,486,257
June 30, 2015	2,486,257	791,117	(678,743)	2,598,631
June 30, 2016	2,598,631	322,000	(872,903)	2,047,728

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Fund Balances

At June 30, 2016, the City had the following fund balance classifications for the governmental funds:

		Capital Projects		Conference	Special Revenues			
		Capital	Conference	Center Facility	Neighborhood	Presidio of	Nonmajor	
	General Fund	Improvement	Center Facility	District	Improvement	Monterey	Governmental	Total
	Fund	Fund	District	Debt Service	Fund	Public Works	Fund	
Nonspendable:								
Prepaid items	\$ 215,868	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,868
Advances to other funds	14,471,116	-	-	-	-	250,000	-	14,721,116
Scholze Park								
Endowment	-	-	-	-	-	-	2,476,127	2,476,127
Total nonspendable	14,686,984	-	-	-	-	250,000	2,476,127	17,413,111
Restricted:								
Van Buren Project	1,343,207	-	-	-	-	-	-	1,343,207
Capital projects	-	-	43,135,330	-	-	-	-	43,135,330
Debt services	-	-	-	4,112,870	-	-	-	4,112,870
Army and Navy								
public works projects	-	-	-	-	-	1,508,710	16,507	1,525,217
Tideland	-	-	-	-	-	-	9,322,000	9,322,000
Community								
developments	-	-	-	-	-	-	12,857,135	12,857,135
Public works	-	-	-	-	-	-	18,189,290	18,189,290
Scholze Park	-	-	-	-	-	-	4,150	4,150
Other	-	-	-	-	-	-	1,434,308	1,434,308
Total restricted	1,343,207	-	43,135,330	4,112,870	-	1,508,710	41,823,390	91,923,507
Committed:								
Economic uncertainty	9,126,797	-	-	-	-	-	-	9,126,797
Capital outlays and								
cultural arts	1,773,809	-	-	-	-	-	-	1,773,809
Capital improvement								
programs	3,289,001	-	-	-	-	-	-	3,289,001
Community								
developments	-	-	-	-	10,757,117	-	-	10,757,117
Unexpended								
encumbrances	802,613	-	-	-	-	-	-	802,613
Total committed	14,992,220	-	-	-	10,757,117	-	-	25,749,337
Assigned:								
Unexpended								
encumbrances	1,073,523	-	-	-	-	-	-	1,073,523
Total assigned	1,073,523	-	-	-	-	-	-	1,073,523
Unassigned:								
Fund deficits	-	(4,661,591)	-	-	-	-	(9,045)	(4,670,636)
Total unassigned	-	(4,661,591)	-	-	-	-	(9,045)	(4,670,636)
Total fund balances	\$32,095,934	\$ (4,661,591)	\$43,135,330	\$ 4,112,870	\$10,757,117	\$ 1,758,710	\$44,290,472	\$ 131,488,842

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 12 – Presidio Municipal Services Agency (Jointly Governed Organization)

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 Special Revenue Fund. The Presidio Agency is reported as Agency Fund in the accompanying financial statements.

As of June 30, 2016, the Agency had outstanding receivables in the amount of \$3,410,936 from the Army, of which, \$3,278,672 and \$132,264 are due to the City and the City of Seaside, respectively. 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 June 30, 2016 which may be disallowed cannot be determined at this time. The City estimates such amounts, if any, to be immaterial.

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

Note 13 – 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, 2016.

The US Department of Housing and Urban Development (“HUD”) had informed the City that the Van Buren Low and Moderate Income Housing Project had 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 establishes benchmarks to demonstrate progress and has required that the City pledge security in the amount of \$1,343,207. The City has deposited this amount in a Payment Bond Time Deposit account to meet the security requirements. On June 22, 2016, HUD had agreed to release the Payment Bond Time Deposit.

The City is currently working with the California State Lands Commission to identify which geographic areas are included in the Tidelands area and reclassify revenues and expenditures related to the State Tidelands areas historically recorded in the General Fund to the Tidelands Fund. At such time as the included areas are agreed upon, the City will make the appropriate reclassification to the financial statements.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 14 – Other Required Disclosures

A. Expenditures Over Appropriations

At June 30, 2016, the following funds had expenditures over appropriations:

	Appropriation	Expenditures	Expenditures over Appropriation
Conference Center Facility District			
Debt Service Fund:			
Interest and fiscal charges	\$ 981,465	\$ 2,002,150	\$ (1,020,685)
Nonmajor Governmental Funds:			
Construction Impact Fee Special Revenue Fund:			
Community development	-	2,077	(2,077)

B. Deficit Fund Balance/Net Position

At June 30, 2016, the following funds had deficit fund balance or net position:

	Deficit Fund Balance/ Net Position
Capital Projects Capital Projects Fund	\$ (4,661,591)
Nonmajor Governmental Funds:	
Debt Service Fund	(7,299)
Construction Impact Fee Special Revenue Fund	(1,746)
Internal Service Funds:	
Vehicle Maintenance Fund	(1,650,990)

The deficit for Capital Projects Capital Projects Fund will be eliminated when the drawdown from the sewer loan with State Water Resources Control Board is completed. The deficit for Debt Service Fund and Construction Impact Fee Special Revenue Fund will be eliminated by June 30, 2017. The deficit for Vehicle Maintenance Internal Service Fund will be eliminated by future interfund charges for services provided to other funds.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 15 – Prior Period Adjustment

A. Government Wide Financial Statements

The net positions at July 1, 2015 for Governmental Activities and the Business-Type Activities were restated as following:

	Governmental Activities	Business-Type Activities
Net position at July 1, 2015, as previously reported	\$ 128,991,931	\$ 11,901,347
Fund type reclassification:		
Presidio of Monterey Public Works Fund	1,586,879	1,764,779
Navy Services Fund	14,796	(14,796)
Pension related deferred outflows of resources	356,985	254,470
Net pension liabilities	789,323	(3,200,045)
Pension related deferred inflows of resources	(21,706,214)	(1,391,072)
Net OPEB obligation (Presidio)	(8,101)	-
Unavailable revenue	2,516,671	-
Net position at July 1, 2015, as restated	<u>\$ 112,542,270</u>	<u>\$ 9,314,683</u>

Presidio of Monterey Public Works Fund and Navy Service Fund are reported as Governmental Activities instead of Business-Type Activities as these funds do not meet the criteria to be enterprise funds in accordance with GASB Statement No. 34.

Restatements were made to net pension liabilities and the related deferred amounts due to 1) transfer of Presidio of Monterey Public Works Fund from Business-Type Activities to Governmental Activities, 2) to correct amount reported as deferred inflows of resources at July 1, 2015, and 3) to reallocate net pension liabilities and the related deferred amounts for the miscellaneous plan based on the contribution amounts, net of the safety plan.

Restatement of net OPEB obligation is to account for \$8,101 reported in the Business-Type Activities (Presidio Public Works Enterprise Fund) in the prior year to the Governmental Activities.

Restatement of net position related to the unavailable revenue in the amount of \$2,516,671 is to recognize revenue based on full accrual basis of accounting for \$113,102, \$1,984,675, and \$418,894 reported as unearned revenues in prior year in the Neighborhood Improvement Special Revenue Fund, Low/Mod Income Housing Asset Fund, and Housing Grant Special Revenue Fund, respectively.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 15 – Prior Period Adjustments (Continued)

B. Fund Financial Statements

Governmental Funds

The fund balances at July 1, 2015 for Governmental Funds were restated as following:

	<u>Capital Projects Funds</u>		<u>Conference</u>	<u>Presidio of</u>	<u>Nonmajor Governmental</u>		
	<u>Capital</u>	<u>Conference</u>	<u>Center Facility</u>	<u>Monterey</u>	<u>Low/Mod</u>	<u>Navy</u>	<u>Total</u>
	<u>Improvement</u>	<u>District</u>	<u>Debt Service</u>	<u>Public Works</u>	<u>Income Housing</u>	<u>Services</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Special Revenue</u>	<u>Asset</u>	<u>Fund</u>	<u>Fund</u>
Fund Balances at July 1, 2015, as previously reported	\$ (4,240,037)	\$ 48,633,243	\$ -	\$ -	\$ 7,545,921	\$ -	\$ 127,835,200
Fund type reclassification:							
Presidio of Monterey	-	-	-	1,586,879	-	-	1,586,879
Navy Services Fund	-	-	-	-	-	14,796	14,796
Conference Center	2,559,738	(6,429,800)	3,870,062	-	-	-	-
Unavailable revenue	(1,862,073)	-	-	-	376,016	-	(1,486,057)
Fund Balance at July 1, 2015, as restated	<u>\$ (3,542,372)</u>	<u>\$ 42,203,443</u>	<u>\$ 3,870,062</u>	<u>\$ 1,586,879</u>	<u>\$ 7,921,937</u>	<u>\$ 14,796</u>	<u>\$ 127,950,818</u>

Reclassifications related to fund type more properly reflect the fund's activities.

- Current assets and current liabilities from Presidio of Monterey Public Works and Navy Service Enterprise Funds are now reported in the governmental funds. In addition, accounts receivable in the amount of \$210,324 reported as part of the Presidio Public Works Enterprise Funds at July 1, 2015 were restated to remove receivables for the City of Seaside that were accounted for by the Presidio Municipal Service Agency Fund.
- Certain reclassifications are also made to properly account for the activities of the Conference Center Facility District from the Capital Improvement Capital Projects Fund to the Conference Center Facility District Capital Projects Fund and to reclassify debt service activities from the Conference Center Facility District Capital Projects Fund to the Conference Center Facility District Debt Service Fund.

Unavailable revenue in the amount of \$1,862,073 reduces the revenue recognized in the prior period that was not available for current expenditures related to the Sewer project. In addition, reduction of unavailable revenue in the amount of \$376,016 is to recognize revenues for accrued interest on a loan that was converted to an asset in the prior year.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 15 – Prior Period Adjustments (Continued)

B. Fund Financial Statements (Continued)

Proprietary Funds

The net positions at July 1, 2015 for Proprietary Funds were restated as following:

	Marina Enterprise Fund	Parking Enterprise Fund	Presidio of Monterey Public Works Enterprise Fund	Nonmajor Enterprise Fund	Total Enterprise Fund	Internal Service Fund
Net position at July 1, 2015, as previously reported	\$ 2,266,839	\$ 9,639,466	\$ (1,764,779)	\$ 1,759,821	\$ 11,901,347	\$ 7,256,893
Presidio of Monterey	-	-	1,764,779	-	1,764,779	-
Navy Services Fund	-	-	-	(14,796)	(14,796)	-
Net pension liabilities	(551,084)	(2,575,438)	-	(73,523)	(3,200,045)	(2,060,566)
Pension related deferred:						
Outflows of resources	43,822	204,801	-	5,847	254,470	163,858
Inflows of resources	(239,559)	(1,119,552)	-	(31,961)	(1,391,072)	(895,737)
Net position at July 1, 2015, as restated	<u>\$ 1,520,018</u>	<u>\$ 6,149,277</u>	<u>\$ -</u>	<u>\$ 1,645,388</u>	<u>\$ 9,314,683</u>	<u>\$ 4,464,448</u>

Presidio of Monterey Public Works Fund and Navy Service Fund are reported as governmental funds instead of proprietary funds as these funds do not meet the criteria to be enterprise funds in accordance with GASB Statement No. 34.

Restatements were made to net pension liabilities and the related deferred amounts due to 1) transfer of Presidio of Monterey Public Works Fund from Business-Type Activities to Governmental Activities, 2) to correct amount reported as deferred inflows of resources at July 1, 2015, and 3) to reallocate net pension liabilities and the related deferred amounts for the miscellaneous plan based on contribution amounts, net of the safety plan.

Note 16 – Subsequent Events

A. HUD Payment Bond Time Deposit

On July 21, 2016, the \$1,343,207 Payment Bond Time Deposit as described in Note 13 was released and deposited back to the City treasury.

B. Second Supplemental Funding for Conference Center Project

On October 4, 2016, the City Council adopted Resolution 16-195 authorizing the execution and delivery of a second supplemental indenture providing for up to \$2 million in additional funding from excess special tax revenues to complete the Conference Center project.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 16 – Subsequent Events (Continued)

C. State Water Resource Control Board 120 Loan

On June 24, 2016 and August 17, 2016, the City requested drawdown from SWRCB totaling \$4,280,941 under Agreement No 13-832-550 for Project No. C-06-5228-120 Citywide Sewer Rehabilitation Project, Phases 3, 5, and 6 (“120 Loan”). The agreement provides total of \$13,298,677 in funding. The 120 Loan bears an interest rate of 2.10% and is to be repaid in 20 installments after completion of the drawdowns. \$329,448 was received by the City on October 4, 2016 and \$3,922,722 was received on November 30, 2016. The remaining \$9,017,736 is expected to be expended during the year ended June 30, 2017.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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City of Monterey
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over/(Under)
REVENUES:				
Property tax	\$ 7,555,979	\$ 7,797,176	\$ 7,973,011	\$ 175,835
Sales Tax	8,407,548	7,489,896	8,538,569	1,048,673
In-lieu sales tax	3,553,597	4,338,466	3,248,090	(1,090,376)
Transient occupancy tax	17,033,020	17,500,000	18,890,094	1,390,094
Utility users tax	2,776,359	2,776,359	3,007,338	230,979
Other taxes	166,000	166,000	185,643	19,643
Intergovernmental	162,826	272,826	1,022,351	749,525
Investment income	1,611,634	1,611,634	967,821	(643,813)
Rental income	530,150	530,150	842,093	311,943
Licenses and permits	5,873,996	5,873,996	6,533,823	659,827
Charges for current services	16,503,721	16,513,721	17,235,158	721,437
Fines	244,750	244,750	247,599	2,849
Other revenue	3,404,785	3,407,262	3,574,080	166,818
Total revenues	67,824,365	68,522,236	72,265,670	3,743,434
EXPENDITURES:				
Current:				
General government:				
City council	130,329	130,626	127,880	2,746
City manager	1,154,495	1,164,361	1,171,886	(7,525)
City attorney	875,811	882,095	882,531	(436)
Finance	2,273,302	2,312,552	2,131,423	181,129
Human resources	672,132	789,774	836,172	(46,398)
Information resources	457,468	471,771	436,187	35,584
Nondepartmental charges	502,937	560,027	463,318	96,709
Total general government	6,066,474	6,311,206	6,049,397	261,809
Public safety:				
Police	14,393,390	14,600,434	13,958,559	641,875
Fire	15,936,783	16,722,517	17,754,114	(1,031,597)
Total public safety	30,330,173	31,322,951	31,712,673	(389,722)
Public works	14,048,234	15,417,192	14,090,353	1,326,839
Community services	13,042,182	13,215,490	12,999,635	215,855
Library	2,820,437	2,925,395	2,806,814	118,581
Total current	66,307,500	69,192,234	67,658,872	1,533,362
Debt service:				
Principal	143,775	143,775	156,674	(12,899)
Interest	18,273	18,273	100,604	(82,331)
Total debt service	162,048	162,048	257,278	(95,230)
Total expenditures	66,469,548	69,354,282	67,916,150	1,438,132
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,354,817	(832,046)	4,349,520	5,181,566
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	443,883	443,883
Transfers out	-	-	(8,285,983)	(8,285,983)
Total other financing sources (uses)	-	-	(7,842,100)	(7,842,100)
NET CHANGES IN FUND BALANCES	\$ 1,354,817	\$ (832,046)	(3,492,580)	\$ (2,660,534)
FUND BALANCE:				
Beginning of year			35,588,514	
End of Year			<u>\$ 32,095,934</u>	

City of Monterey
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule (Continued)
Neighborhood Improvement Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over/(Under)
REVENUES:				
Transient occupancy tax	\$ -	\$ 3,244,385	\$ 3,597,151	\$ 352,766
Investment income	-	103,321	87,346	(15,975)
Other revenue	-	-	500,000	500,000
Total revenues	-	3,347,706	4,184,497	836,791
EXPENDITURES:				
Current:				
Public works	511,631	15,487,946	5,089,036	10,398,910
Total expenditures	511,631	15,487,946	5,089,036	10,398,910
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(511,631)	(12,140,240)	(904,539)	11,235,701
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	505,970	505,970
Total other financing sources (uses)	-	-	505,970	505,970
NET CHANGES IN FUND BALANCES	<u>\$ (511,631)</u>	<u>\$ (12,140,240)</u>	<u>(398,569)</u>	<u>\$ 11,741,671</u>
FUND BALANCE:				
Beginning of year			11,155,686	
End of Year			<u>\$ 10,757,117</u>	

City of Monterey
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule (Continued)
Presidio of Monterey Public Works Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over/(Under)
REVENUES:				
Intergovernmental	\$ 7,251,781	\$ 10,728,826	\$ 12,918,917	\$ 2,190,091
Total revenues	<u>7,251,781</u>	<u>10,728,826</u>	<u>12,918,917</u>	<u>2,190,091</u>
EXPENDITURES:				
Current:				
Public works	8,323,721	18,160,452	12,647,086	5,513,366
Total expenditures	<u>8,323,721</u>	<u>18,160,452</u>	<u>12,647,086</u>	<u>5,513,366</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,071,940)</u>	<u>(7,431,626)</u>	<u>271,831</u>	<u>7,703,457</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(100,000)	(100,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
NET CHANGES IN FUND BALANCES	<u>\$ (1,071,940)</u>	<u>\$ (7,431,626)</u>	<u>171,831</u>	<u>\$ 7,603,457</u>
FUND BALANCE:				
Beginning of year			1,586,879	
End of Year			<u>\$ 1,758,710</u>	

City of Monterey
Required Supplementary Information (Unaudited)
Notes to Budgetary Comparison Schedule
For the Year Ended June 30, 2016

Budget and Budgetary Accounting

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

- a. 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.
- b. The budget is legally enacted through passage of a resolution during a City Council meeting in the month of June.
- c. 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.
- d. 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.
- e. Budgets are adopted on a basis consistent with U.S. GAAP, except for Capital Projects Fund capital expenditures which are budgeted on a project length basis.
- f. Budgeted amounts are as originally adopted or as amended by City Council. Individual amendments were not material in relation to the original appropriations.
- g. 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.

City of Monterey
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Measurement period	2014-15	2013-14 ¹
Total pension liability		
Service cost	\$ 4,506,126	\$ 4,600,502
Interest	15,904,500	15,098,053
Changes of benefit terms	-	-
Differences between expected and actual experience	(3,663,893)	-
Changes of assumptions	(56,679)	-
Benefit payments, including refunds of employee contributions	(9,807,582)	(8,864,804)
Net change in total pension liability	6,882,472	10,833,751
Total pension liability - beginning	214,273,272	203,439,521
Total pension liability - ending (a)	<u>\$ 221,155,744</u>	<u>\$ 214,273,272</u>
Pension fiduciary net position		
Contributions - employer	\$ 4,769,858	\$ 4,082,086
Contributions - employee	2,526,690	3,282,621
Net investment income ²	3,485,612	22,937,070
Benefit payments, including refunds of employee contributions	(9,807,582)	(8,864,804)
Plan to plan resources movement	1,986	-
Administrative expense	(174,586)	-
Net change in plan fiduciary net position	801,978	21,436,973
Plan fiduciary net position - beginning	154,292,817	132,855,844
Plan fiduciary net position - ending (b)	<u>\$ 155,094,795</u>	<u>\$ 154,292,817</u>
Plan net pension liability - ending (a) - (b)	<u>\$ 66,060,949</u>	<u>\$ 59,980,455</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70.13%</u>	<u>72.01%</u>
Covered-employee payroll	<u>\$ 25,051,207</u>	<u>\$ 23,972,182</u>
Plan net pension liability as a percentage of covered-employee payroll	<u>263.70%</u>	<u>250.21%</u>

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Net of administrative expenses for measurement period 2013-14.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

City of Monterey
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Safety Plan

Measurement period	2014-15	2013-14 ¹
City's proportion of the net pension liability/(asset)	0.653660%	0.644773%
City's proportionate share of the net pension liability/(asset)	\$ 44,866,643	\$ 40,120,756
City's covered-employee payroll	<u>\$ 12,832,928</u>	<u>\$ 12,253,098</u>
City's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	<u>349.62%</u>	<u>327.43%</u>
Plan's fiduciary net position	<u>\$ 116,018,778</u>	<u>\$ 117,052,375</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72.11%</u>	<u>74.47%</u>

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

City of Monterey
Required Supplementary Information (Unaudited)
Schedule of Contributions
For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous

	2015-16	2014-15	2013-14 ¹
Actuarially determined contribution	\$ 5,392,123	\$ 4,769,858	\$ 4,082,086
Contributions in relation to the actuarially determined contribution	(5,392,123)	(4,769,858)	(4,082,086)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll ^{2, 3}	\$ 25,802,743	\$ 25,051,207	\$ 23,972,182
Contributions as a percentage of covered-employee payroll ²	20.90%	19.04%	17.03%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered-Employee Payroll represented above is based on pensionable earnings.

³ Payroll from prior year \$25,051,207 (2014-15) was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule:

Valuation date:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Asset valuation method	Market value
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 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 improvement using Scale AA published by the Society of Actuaries.

City of Monterey
Required Supplementary Information (Unaudited)
Schedule of Contributions (Continued)
For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Safety

	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14¹</u>
Actuarially determined contribution	\$ 4,110,661	\$ 3,956,300	\$ 3,806,512
Contributions in relation to the actuarially determined contribution	<u>(4,110,661)</u>	<u>(3,956,300)</u>	<u>(3,806,512)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll ^{2, 3}	\$ 13,217,916	\$ 12,832,928	\$ 12,253,098
Contributions as a percentage of covered-employee payroll ²	31.10%	30.83%	31.07%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered-Employee Payroll represented above is based on pensionable earnings.

³ Payroll from prior year \$12,832,928 (2014-15) was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

City of Monterey
Required Supplementary Information (Unaudited)
Schedule of Funding Progress
For the Year Ended June 30, 2016

OTHER POST-EMPLOYMENT BENEFIT PLAN

Actuarial Valuation Date	Entry Age Actuarial Accrued Liabilities (AAL) (a)	Actuarial Valuation of Assets (AVA) (b)	Unfunded AAL (UAAL) (a)-(b)	Funded Ratio AVA (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/(c)
6/30/2013	\$ 6,995,000	\$ -	\$ 6,995,000	0%	\$ 37,618,000	18.6%
6/30/2014	6,439,000	110,000	6,329,000	2%	33,782,000	18.7%
6/30/2015	10,864,712	731,595	10,133,117	7%	35,911,000	28.2%

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SUPPLEMENTARY INFORMATION

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City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Improvement Capital Projects Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 186,864	\$ 186,864
Investment income	-	-	-	-
Other	-	8,383,524	436,653	(7,946,871)
Total revenues	-	8,383,524	623,517	(7,760,007)
EXPENDITURES				
Capital outlay	-	82,537,062	11,116,743	71,420,319
Total expenditures	-	82,537,062	11,116,743	71,420,319
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	-	(74,153,538)	(10,493,226)	63,660,312
OTHER FINANCING SOURCES (USES)				
Debt issuance	-	-	3,171,875	3,171,875
Transfers in	-	-	6,471,606	6,471,606
Transfers out	-	-	(269,474)	(269,474)
Total other financing sources (uses)	-	-	9,374,007	9,374,007
NET CHANGES IN FUND BALANCES	\$ -	\$ (74,153,538)	(1,119,219)	\$ 73,034,319
FUND BALANCE				
Beginning of year			(3,542,372)	
End of year			\$ (4,661,591)	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Conference Center Facility District Capital Projects Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES				
Investment income	\$ -	\$ -	\$ 299,959	\$ 299,959
Total revenues	-	-	299,959	299,959
EXPENDITURES				
Capital outlay	-	56,924,458	12,253,419	44,671,039
Total expenditures	-	56,924,458	12,253,419	44,671,039
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	-	(56,924,458)	(11,953,460)	44,970,998
OTHER FINANCING SOURCES (USES)				
Debt issuance	-	-	-	-
Transfers in	-	-	14,403,055	14,403,055
Transfers out	-	-	(1,517,708)	(1,517,708)
Total other financing sources (uses)	-	-	12,885,347	12,885,347
NET CHANGES IN FUND BALANCES	\$ -	\$ (56,924,458)	931,887	\$ 57,856,345
FUND BALANCE				
Beginning of year			42,203,443	
End of year			\$ 43,135,330	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Conference Center Facility District Debt Service Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES				
Other taxes	\$ 4,165,500	\$ 4,165,500	\$ 4,201,897	\$ 36,397
Investment income	327,770	327,770	26,561	(301,209)
Total revenues	4,493,270	4,493,270	4,228,458	(264,812)
EXPENDITURES				
Debt services:				
Interest and fiscal charges	-	981,465	2,002,150	(1,020,685)
Total expenditures	-	981,465	2,002,150	(1,020,685)
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	4,493,270	3,511,805	2,226,308	(1,285,497)
OTHER FINANCING SOURCES (USES)				
Debt issuance	-	-	5,000,000	5,000,000
Transfers out	-	-	(6,983,500)	(6,983,500)
Total other financing sources (uses)	-	-	(1,983,500)	(1,983,500)
NET CHANGES IN FUND BALANCES	\$ 4,493,270	\$ 3,511,805	242,808	\$ (3,268,997)
FUND BALANCE				
Beginning of year			3,870,062	
End of year			\$ 4,112,870	

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NON-MAJOR GOVERNMENTAL FUNDS

Debt Service Fund

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 Combining Balance Sheet and the Combining Statement of Revenues, Expenditures and Changes in Fund Balances.

Special Revenue Funds

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

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

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.

Housing Grants Fund – This fund was created to account for financial transactions relating to the Community Development Block Grant Program of the U.S. 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 funds received from Monterey County Service Area 74 (CSA 74).



NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds (Continued)

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.

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

Tidelands Fund – 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.

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

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
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

		Special Revenue Funds				
		Debt Service Fund	Sewer/Storm Water System Improvements	Landscape Maintenance	State/Federal Grants	Construction Truck Impact Fee
ASSETS						
Cash and investments	\$	10,438	\$ 8,410,565	\$ 286,253	\$ 16,756	\$ 322,557
Restricted cash and investments:						
Held by fiscal agent		-	-	-	-	-
Held by City		-	-	-	-	-
Receivables:						
Taxes receivable		-	-	734	-	-
Accounts receivable		-	539,286	1,285	28,025	-
Interest receivable		25	19,566	686	40	-
Loans receivable:						
Rehabilitation		-	-	-	-	-
Downpayment assistance		-	-	-	-	-
Project subsidy loans		-	-	-	-	-
Property held for resale		-	-	-	-	-
Total assets	\$	10,463	\$ 8,969,417	\$ 288,958	\$ 44,821	\$ 322,557
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$	17,762	\$ 86,623	\$ 5,409	\$ -	\$ 322,557
Due to other funds		-	-	-	9,377	1,746
Total liabilities		17,762	86,623	5,409	9,377	324,303
Deferred Inflows of Resources:						
Unavailable revenue		-	-	-	-	-
Total deferred inflows of resources		-	-	-	-	-
Fund Balances:						
Nonspendable		-	-	-	-	-
Restricted		-	8,882,794	283,549	35,444	-
Unassigned (deficit)		(7,299)	-	-	-	(1,746)
Total fund balances (deficit)		(7,299)	8,882,794	283,549	35,444	(1,746)
Total liabilities, deferred inflows of resources and fund balances	\$	10,463	\$ 8,969,417	\$ 288,958	\$ 44,821	\$ 322,557

(Continued)

City of Monterey
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds				
	Gas Tax	Street Infrastructure Rehabilitation	Parking Adjustments	Housing Grants	Park Dedication
ASSETS					
Cash and investments	\$ 2,300,065	\$ 5,844,560	\$ 24,105	\$ 621,413	\$ 107,803
Restricted cash and investments:					
Held by fiscal agent	-	-	-	159,339	-
Held by City	-	-	-	-	-
Receivables:					
Taxes receivable	-	-	-	-	-
Accounts receivable	-	1,291,200	378	78,602	-
Interest receivable	5,512	13,387	80	1,491	258
Loans receivable:					
Rehabilitation	-	-	-	2,144,185	-
Downpayment assistance	-	-	-	888,820	-
Project subsidy loans	-	-	-	1,101,788	-
Property held for resale	-	-	-	599,614	-
Total assets	<u>\$ 2,305,577</u>	<u>\$ 7,149,147</u>	<u>\$ 24,563</u>	<u>\$ 5,595,252</u>	<u>\$ 108,061</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 83,843	\$ 383,378	\$ -	\$ 30,194	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>83,843</u>	<u>383,378</u>	<u>-</u>	<u>30,194</u>	<u>-</u>
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	427,188	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>427,188</u>	<u>-</u>
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	2,221,734	6,765,769	24,563	5,137,870	108,061
Unassigned (deficit)	-	-	-	-	-
Total fund balances (deficit)	<u>2,221,734</u>	<u>6,765,769</u>	<u>24,563</u>	<u>5,137,870</u>	<u>108,061</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,305,577</u>	<u>\$ 7,149,147</u>	<u>\$ 24,563</u>	<u>\$ 5,595,252</u>	<u>\$ 108,061</u>

(Continued)

City of Monterey
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds				
	Public Safety Training and Services	Asset Seizure	Public Education and Government Access	Senior Center Programs	Library
ASSETS					
Cash and investments	\$ 221,859	\$ 79,862	\$ 1,774	\$ 124,548	\$ 534,879
Restricted cash and investments:					
Held by fiscal agent	-	-	-	-	-
Held by City	-	-	-	-	-
Receivables:					
Taxes receivable	-	-	-	-	-
Accounts receivable	4,067	-	-	-	-
Interest receivable	-	-	4	298	1,281
Loans receivable:					
Rehabilitation	-	-	-	-	-
Downpayment assistance	-	-	-	-	-
Project subsidy loans	-	-	-	-	-
Property held for resale	-	-	-	-	-
Total assets	\$ 225,926	\$ 79,862	\$ 1,778	\$ 124,846	\$ 536,160
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,721	\$ 57,577	\$ -	\$ 822	\$ 4,224
Due to other funds	-	-	-	-	-
Total liabilities	2,721	57,577	-	822	4,224
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	223,205	22,285	1,778	124,024	531,936
Unassigned (deficit)	-	-	-	-	-
Total fund balances (deficit)	223,205	22,285	1,778	124,024	531,936
Total liabilities, deferred inflows of resources and fund balances	\$ 225,926	\$ 79,862	\$ 1,778	\$ 124,846	\$ 536,160

(Continued)

City of Monterey
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds				
	Museum	Special Deposits	Low /Mod Housing Assets	Tidelands	Navy Services
ASSETS					
Cash and investments	\$ 229,806	\$ 192,215	\$ 1,886,374	\$ 9,197,434	\$ 12,257
Restricted cash and investments:					
Held by fiscal agent	-	-	813	-	-
Held by City	-	-	-	-	-
Receivables:					
Taxes receivable	-	-	-	-	-
Accounts receivable	-	734	13,614	131,015	30,000
Interest receivable	551	149	4,521	22,043	-
Loans receivable:					
Rehabilitation	-	-	-	-	-
Downpayment assistance	-	-	1,143,085	-	-
Project subsidy loans	-	-	5,597,778	-	-
Property held for resale	-	-	413,825	-	-
Total assets	<u>\$ 230,357</u>	<u>\$ 193,098</u>	<u>\$ 9,060,010</u>	<u>\$ 9,350,492</u>	<u>\$ 42,257</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 40	\$ 396	\$ 55,241	\$ 28,492	\$ 25,750
Due to other funds	-	-	-	-	-
Total liabilities	<u>40</u>	<u>396</u>	<u>55,241</u>	<u>28,492</u>	<u>25,750</u>
Deferred Inflows of Resources:					
Unavailable revenue	-	-	1,310,067	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,310,067</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	230,317	192,702	7,694,702	9,322,000	16,507
Unassigned (deficit)	-	-	-	-	-
Total fund balances (deficit)	<u>230,317</u>	<u>192,702</u>	<u>7,694,702</u>	<u>9,322,000</u>	<u>16,507</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 230,357</u>	<u>\$ 193,098</u>	<u>\$ 9,060,010</u>	<u>\$ 9,350,492</u>	<u>\$ 42,257</u>

(Continued)

City of Monterey
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	Scholze Park Permanent Fund	Total
ASSETS		
Cash and investments	\$ -	\$ 30,425,523
Restricted cash and investments:		
Held by fiscal agent	-	160,152
Held by City	2,476,127	2,476,127
Receivables:		
Taxes receivable	-	734
Accounts receivable	-	2,118,206
Interest receivable	5,918	75,810
Loans receivable:		
Rehabilitation	-	2,144,185
Downpayment assistance	-	2,031,905
Project subsidy loans	-	6,699,566
Property held for resale	-	1,013,439
Total assets	<u><u>\$ 2,482,045</u></u>	<u><u>\$ 47,145,647</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 1,105,029
Due to other funds	1,768	12,891
Total liabilities	<u>1,768</u>	<u>1,117,920</u>
Deferred Inflows of Resources:		
Unavailable revenue	-	1,737,255
Total deferred inflows of resources	<u>-</u>	<u>1,737,255</u>
Fund Balances:		
Nonspendable	2,476,127	2,476,127
Restricted	4,150	41,823,390
Unassigned (deficit)	-	(9,045)
Total fund balances (deficit)	<u>2,480,277</u>	<u>44,290,472</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 2,482,045</u></u>	<u><u>\$ 47,145,647</u></u>

(Concluded)

City of Monterey
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds				
	Debt Service Fund	Sewer/Storm Water System Improvements	Landscape Maintenance	State/Federal Grants	Construction Truck Impact Fee
REVENUES:					
Property tax	\$ -	\$ -	\$ 21,720	\$ -	\$ -
Sales tax	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental	-	-	-	132,501	-
Investment income	91	73,027	2,548	485	-
Rental income	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Charges for services	-	3,941,625	74,429	-	-
Other	-	326	-	-	-
Total revenues	91	4,014,978	98,697	132,986	-
EXPENDITURES:					
Current:					
Police	-	-	-	25,863	-
Fire	-	-	-	-	-
Public works	-	1,985,462	100,997	-	2,077
Community development	-	-	-	-	-
Community services	-	10,388	-	-	-
Library	-	-	-	-	-
Debt service:					
Principal payment	285,000	-	-	-	-
Interest and fiscal charges	263,911	-	-	-	-
Total expenditures	548,911	1,995,850	100,997	25,863	2,077
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(548,820)	2,019,128	(2,300)	107,123	(2,077)
OTHER FINANCING SOURCES (USES):					
Transfers in	543,516	1,913	41,199	456	-
Transfers out	-	(492,434)	-	(98,306)	(274,188)
Total other financing sources (uses)	543,516	(490,521)	41,199	(97,850)	(274,188)
NET CHANGES IN FUND BALANCES	(5,304)	1,528,607	38,899	9,273	(276,265)
FUND BALANCES:					
Beginning of year, as restated	(1,995)	7,354,187	244,650	26,171	274,519
End of year	\$ (7,299)	\$ 8,882,794	\$ 283,549	\$ 35,444	\$ (1,746)

(Continued)

City of Monterey
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds				
	Gas Tax	Street Infrastructure Rehabilitation	Parking Adjustments	Housing Grants	Park Dedication
REVENUES:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	9,027,743	-	-	-
Other taxes	586,671	-	-	-	-
Intergovernmental	-	-	-	26,349	-
Investment income	23,917	43,754	361	84,596	965
Rental income	-	-	-	474,485	-
Licenses and permits	-	-	38,964	-	-
Charges for services	-	-	11,931	-	51,737
Other	-	-	-	13,826	-
Total revenues	610,588	9,071,497	51,256	599,256	52,702
EXPENDITURES:					
Current:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	798,420	-
Community services	-	-	-	-	-
Library	-	-	-	-	-
Debt service:					
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	-	-	-	798,420	-
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	610,588	9,071,497	51,256	(199,164)	52,702
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(947,053)	(3,178,960)	(30,046)	-	-
Total other financing sources (uses)	(947,053)	(3,178,960)	(30,046)	-	-
NET CHANGES IN FUND BALANCES	(336,465)	5,892,537	21,210	(199,164)	52,702
FUND BALANCES:					
Beginning of year, as restated	2,558,199	873,232	3,353	5,337,034	55,359
End of year	<u>\$ 2,221,734</u>	<u>\$ 6,765,769</u>	<u>\$ 24,563</u>	<u>\$ 5,137,870</u>	<u>\$ 108,061</u>

(Continued)

City of Monterey
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds				
	Public Safety Training and Services	Asset Seizure	Public Education and Government Access	Senior Center Programs	Library
REVENUES:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment income	-	-	35	1,218	5,020
Rental income	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Charges for services	61,900	-	-	-	9,085
Other	-	-	-	-	84,569
Total revenues	61,900	-	35	1,218	98,674
EXPENDITURES:					
Current:					
Police	-	1,000	-	-	-
Fire	30,306	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	-	24,448	-
Library	-	-	-	-	114,229
Debt service:					
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	30,306	1,000	-	24,448	114,229
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	31,594	(1,000)	35	(23,230)	(15,555)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGES IN FUND BALANCES	31,594	(1,000)	35	(23,230)	(15,555)
FUND BALANCES:					
Beginning of year, as restated	191,611	23,285	1,743	147,254	547,491
End of year	<u>\$ 223,205</u>	<u>\$ 22,285</u>	<u>\$ 1,778</u>	<u>\$ 124,024</u>	<u>\$ 531,936</u>

(Continued)

City of Monterey
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds				
	Museum	Special Deposits	Low /Mod Housing Assets	Tidelands	Navy Services
REVENUES:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	285,666
Investment income	2,112	345	110,874	85,821	49
Rental income	-	-	71,180	725,815	-
Licenses and permits	-	-	-	-	-
Charges for services	-	52,342	-	-	-
Other	18,188	33,316	-	-	-
Total revenues	20,300	86,003	182,054	811,636	285,715
EXPENDITURES:					
Current:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	284,004
Community development	-	-	409,289	-	-
Community services	18,090	29,933	-	44,275	-
Library	-	-	-	-	-
Debt service:					
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	18,090	29,933	409,289	44,275	284,004
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	2,210	56,070	(227,235)	767,361	1,711
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	(3,054)	-	(113,872)	-
Total other financing sources (uses)	-	(3,054)	-	(113,872)	-
NET CHANGES IN FUND BALANCES	2,210	53,016	(227,235)	653,489	1,711
FUND BALANCES:					
Beginning of year, as restated	228,107	139,686	7,921,937	8,668,511	14,796
End of year	\$ 230,317	\$ 192,702	\$ 7,694,702	\$ 9,322,000	\$ 16,507

(Continued)

City of Monterey
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2016

	Scholze Park Permanent Fund	Total
REVENUES:		
Property tax	\$ -	\$ 21,720
Sales tax	-	9,027,743
Other taxes	-	586,671
Intergovernmental	-	444,516
Investment income	23,281	458,499
Rental income	-	1,271,480
Licenses and permits	-	38,964
Charges for services	-	4,203,049
Other	-	150,225
Total revenues	<u>23,281</u>	<u>16,202,867</u>
EXPENDITURES:		
Current:		
Police	-	26,863
Fire	-	30,306
Public works	-	2,372,540
Community development	-	1,207,709
Community services	-	127,134
Library	-	114,229
Debt service:		
Principal payment	-	285,000
Interest and fiscal charges	-	263,911
Total expenditures	<u>-</u>	<u>4,427,692</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>23,281</u>	<u>11,775,175</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	587,084
Transfers out	<u>(22,480)</u>	<u>(5,160,393)</u>
Total other financing sources (uses)	<u>(22,480)</u>	<u>(4,573,309)</u>
NET CHANGES IN FUND BALANCES	801	7,201,866
FUND BALANCES:		
Beginning of year, as restated	2,479,476	37,088,606
End of year	<u>\$ 2,480,277</u>	<u>\$ 44,290,472</u>

(Concluded)

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 345,595	\$ 345,595	\$ 91	\$ (345,504)
Total revenues	<u>345,595</u>	<u>345,595</u>	<u>91</u>	<u>(345,504)</u>
EXPENDITURES:				
Debt service:				
Principal payment	285,000	285,000	285,000	-
Interest and fiscal charges	<u>256,501</u>	<u>1,237,966</u>	<u>263,911</u>	<u>974,055</u>
Total expenditures	<u>541,501</u>	<u>1,522,966</u>	<u>548,911</u>	<u>974,055</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(195,906)</u>	<u>(1,177,371)</u>	<u>(548,820)</u>	<u>628,551</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	543,516	543,516
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>543,516</u>	<u>543,516</u>
NET CHANGES IN FUND BALANCES	<u>\$ (195,906)</u>	<u>\$ (1,177,371)</u>	<u>(5,304)</u>	<u>\$ 1,172,067</u>
FUND BALANCE:				
Beginning of year			(1,995)	
End of year			<u>\$ (7,299)</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Sewer/Storm Water System Improvements Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 59,446	\$ 59,446	\$ 73,027	\$ 13,581
Charges for services	3,659,256	3,659,256	3,941,625	282,369
Other	1,500	1,500	326	(1,174)
Total revenues	<u>3,720,202</u>	<u>3,720,202</u>	<u>4,014,978</u>	<u>294,776</u>
EXPENDITURES:				
Current:				
Fire	25,750	25,750	-	25,750
Public works	3,592,465	3,698,025	1,985,462	1,712,563
Community services	20,600	20,600	10,388	10,212
Total expenditures	<u>3,638,815</u>	<u>3,744,375</u>	<u>1,995,850</u>	<u>1,748,525</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>81,387</u>	<u>(24,173)</u>	<u>2,019,128</u>	<u>2,043,301</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,913	1,913
Transfers out	-	-	(492,434)	(492,434)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(490,521)</u>	<u>(490,521)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 81,387</u>	<u>\$ (24,173)</u>	<u>1,528,607</u>	<u>\$ 1,552,780</u>
FUND BALANCE:				
Beginning of year			<u>7,354,187</u>	
End of year			<u>\$ 8,882,794</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Landscape Maintenance Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Property tax	\$ 17,450	\$ 17,450	\$ 21,720	\$ 4,270
Investment income	2,619	2,619	2,548	(71)
Charges for services	73,356	73,356	74,429	1,073
Total revenues	<u>93,425</u>	<u>93,425</u>	<u>98,697</u>	<u>5,272</u>
EXPENDITURES:				
Current:				
Public works	135,587	135,865	100,997	34,868
Total expenditures	<u>135,587</u>	<u>135,865</u>	<u>100,997</u>	<u>34,868</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(42,162)</u>	<u>(42,440)</u>	<u>(2,300)</u>	<u>40,140</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	41,199	41,199
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>41,199</u>	<u>41,199</u>
NET CHANGES IN FUND BALANCES	<u>\$ (42,162)</u>	<u>\$ (42,440)</u>	38,899	<u>\$ 81,339</u>
FUND BALANCE:				
Beginning of year			244,650	
End of year			<u>\$ 283,549</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
State/Federal Grants Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Intergovernmental	\$ 113,000	\$ 113,000	\$ 132,501	\$ 19,501
Investment income	-	-	485	485
Total revenues	<u>113,000</u>	<u>113,000</u>	<u>132,986</u>	<u>19,986</u>
EXPENDITURES:				
Current:				
General government	<u>13,000</u>	<u>27,049</u>	<u>25,863</u>	<u>1,186</u>
Total expenditures	<u>13,000</u>	<u>27,049</u>	<u>25,863</u>	<u>1,186</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>100,000</u>	<u>85,951</u>	<u>107,123</u>	<u>21,172</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	456	456
Transfers out	<u>-</u>	<u>-</u>	<u>(98,306)</u>	<u>(98,306)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(97,850)</u>	<u>(97,850)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 100,000</u>	<u>\$ 85,951</u>	<u>9,273</u>	<u>\$ (76,678)</u>
FUND BALANCE:				
Beginning of year			<u>26,171</u>	
End of year			<u>\$ 35,444</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Construction Truck Impact Fee Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
EXPENDITURES:				
Current:				
Community development	\$ -	\$ -	\$ 2,077	\$ (2,077)
Total expenditures	<u>-</u>	<u>-</u>	<u>2,077</u>	<u>(2,077)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(274,188)	(274,188)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(274,188)</u>	<u>(274,188)</u>
NET CHANGES IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	(276,265)	<u>\$ (276,265)</u>
FUND BALANCE:				
Beginning of year			<u>274,519</u>	
End of year			<u>\$ (1,746)</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Other taxes	\$ 654,241	\$ 654,241	\$ 586,671	\$ (67,570)
Investment income	22,940	22,940	23,917	977
Total revenues	<u>677,181</u>	<u>677,181</u>	<u>610,588</u>	<u>(66,593)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(947,053)	(947,053)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(947,053)</u>	<u>(947,053)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 677,181</u>	<u>\$ 677,181</u>	<u>(336,465)</u>	<u>\$ (1,013,646)</u>
FUND BALANCE:				
Beginning of year			2,558,199	
End of year			<u>\$ 2,221,734</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Street Infrastructure Rehabilitation Fund Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Sales tax	\$ 8,263,202	\$ 8,263,202	\$ 9,027,743	\$ 764,541
Investment income	-	-	43,754	43,754
Total revenues	<u>8,263,202</u>	<u>8,263,202</u>	<u>9,071,497</u>	<u>808,295</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(3,178,960)	(3,178,960)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,178,960)</u>	<u>(3,178,960)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 8,263,202</u>	<u>\$ 8,263,202</u>	5,892,537	<u>\$ (2,370,665)</u>
FUND BALANCE:				
Beginning of year			873,232	
End of year			<u>\$ 6,765,769</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Parking Adjustments Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 213	\$ 213	\$ 361	\$ 148
Licenses and permits	-	-	38,964	38,964
Charges for services	-	-	11,931	11,931
Total revenues	<u>213</u>	<u>213</u>	<u>51,256</u>	<u>51,043</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(30,046)	(30,046)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(30,046)</u>	<u>(30,046)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 213</u>	<u>\$ 213</u>	21,210	<u>\$ 20,997</u>
FUND BALANCE:				
Beginning of year			<u>3,353</u>	
End of year			<u>\$ 24,563</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Housing Grants Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Intergovernmental	\$ 180,000	\$ 1,142,634	\$ 26,349	\$ (1,116,285)
Investment income	123,982	123,982	84,596	(39,386)
Rental income	300,000	300,000	474,485	174,485
Other	120,600	120,600	13,826	(106,774)
Total revenues	<u>724,582</u>	<u>1,687,216</u>	<u>599,256</u>	<u>(1,087,960)</u>
EXPENDITURES:				
Current:				
Community development	<u>1,252,102</u>	<u>2,234,641</u>	<u>798,420</u>	<u>1,436,221</u>
Total expenditures	<u>1,252,102</u>	<u>2,234,641</u>	<u>798,420</u>	<u>1,436,221</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(527,520)</u>	<u>(547,425)</u>	<u>(199,164)</u>	<u>348,261</u>
NET CHANGES IN FUND BALANCES	<u>\$ (527,520)</u>	<u>\$ (547,425)</u>	<u>(199,164)</u>	<u>\$ 348,261</u>
FUND BALANCE:				
Beginning of year			<u>5,337,034</u>	
End of year			<u>\$ 5,137,870</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Park Dedication Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 180	\$ 180	\$ 965	\$ 785
Charges for services	-	-	51,737	51,737
Total revenues	<u>180</u>	<u>180</u>	<u>52,702</u>	<u>52,522</u>
NET CHANGES IN FUND BALANCES	<u>\$ 180</u>	<u>\$ 180</u>	52,702	<u>\$ 52,522</u>
FUND BALANCE:				
Beginning of year			55,359	
End of year			<u>\$ 108,061</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Public Safety Training and Services Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Charges for services	\$ 53,000	\$ 53,000	\$ 61,900	\$ 8,900
Total revenues	<u>53,000</u>	<u>53,000</u>	<u>61,900</u>	<u>8,900</u>
EXPENDITURES:				
Current:				
Fire	111,255	111,255	30,306	80,949
Total expenditures	<u>111,255</u>	<u>111,255</u>	<u>30,306</u>	<u>80,949</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(58,255)</u>	<u>(58,255)</u>	<u>31,594</u>	<u>89,849</u>
NET CHANGES IN FUND BALANCES	<u>\$ (58,255)</u>	<u>\$ (58,255)</u>	<u>31,594</u>	<u>\$ 89,849</u>
FUND BALANCE:				
Beginning of year			191,611	
End of year			<u>\$ 223,205</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Asset Seizure Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Other	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>
EXPENDITURES:				
Current:				
Police	5,000	5,000	1,000	4,000
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>1,000</u>	<u>4,000</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>\$ (1,000)</u>	<u>\$ (1,000)</u>	<u>(1,000)</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			23,285	
End of year			<u>\$ 22,285</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Public Education and Government Access Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 18	\$ 18	\$ 35	\$ 17
Licenses and permits	150,000	150,000	-	(150,000)
Total revenues	<u>150,018</u>	<u>150,018</u>	<u>35</u>	<u>(149,983)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 150,018</u>	<u>\$ 150,018</u>	<u>35</u>	<u>\$ (149,983)</u>
FUND BALANCE:				
Beginning of year			1,743	
End of year			<u>\$ 1,778</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Senior Center Programs Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 1,641	\$ 1,641	\$ 1,218	\$ (423)
Total revenues	<u>1,641</u>	<u>1,641</u>	<u>1,218</u>	<u>(423)</u>
EXPENDITURES:				
Current:				
Community services	<u>25,000</u>	<u>25,000</u>	<u>24,448</u>	<u>552</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>24,448</u>	<u>552</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(23,359)</u>	<u>(23,359)</u>	<u>(23,230)</u>	<u>129</u>
NET CHANGES IN FUND BALANCES	<u>\$ (23,359)</u>	<u>\$ (23,359)</u>	<u>(23,230)</u>	<u>\$ 129</u>
FUND BALANCE:				
Beginning of year			<u>147,254</u>	
End of year			<u>\$ 124,024</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Library Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 4,282	\$ 4,282	\$ 5,020	\$ 738
Charges for services	7,300	7,300	9,085	1,785
Other	39,142	39,142	84,569	45,427
Total revenues	50,724	50,724	98,674	47,950
EXPENDITURES:				
Current:				
Library	176,669	236,011	114,229	121,782
Total expenditures	176,669	236,011	114,229	121,782
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(125,945)	(185,287)	(15,555)	169,732
NET CHANGES IN FUND BALANCES	\$ (125,945)	\$ (185,287)	(15,555)	\$ 169,732
FUND BALANCE:				
Beginning of year			547,491	
End of year			<u>\$ 531,936</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Museum Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 1,644	\$ 1,644	\$ 2,112	\$ 468
Other	6,775	6,775	18,188	11,413
Total revenues	<u>8,419</u>	<u>8,419</u>	<u>20,300</u>	<u>11,881</u>
EXPENDITURES:				
Current:				
Community services	6,450	25,995	18,090	7,905
Total expenditures	<u>6,450</u>	<u>25,995</u>	<u>18,090</u>	<u>7,905</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>1,969</u>	<u>(17,576)</u>	<u>2,210</u>	<u>19,786</u>
NET CHANGES IN FUND BALANCES	<u>\$ 1,969</u>	<u>\$ (17,576)</u>	<u>2,210</u>	<u>\$ 19,786</u>
FUND BALANCE:				
Beginning of year			228,107	
End of year			<u>\$ 230,317</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Special Deposits Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ -	\$ -	\$ 345	\$ 345
Charges for services	-	-	52,342	52,342
Other	60,040	60,040	33,316	(26,724)
Total revenues	<u>60,040</u>	<u>60,040</u>	<u>86,003</u>	<u>25,963</u>
EXPENDITURES:				
Current:				
Community services	60,040	60,040	29,933	30,107
Total expenditures	<u>60,040</u>	<u>60,040</u>	<u>29,933</u>	<u>30,107</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>56,070</u>	<u>56,070</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(3,054)	(3,054)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,054)</u>	<u>(3,054)</u>
NET CHANGES IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>53,016</u>	<u>\$ 53,016</u>
FUND BALANCE:				
Beginning of year			139,686	
End of year			<u>\$ 192,702</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Low/Mod Income Housing Asset Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES				
Investment income	\$ 174,872	\$ 174,872	\$ 110,874	\$ (63,998)
Rental income	50,000	50,000	71,180	21,180
Other	150,000	150,000	-	(150,000)
Total revenues	374,872	374,872	182,054	(192,818)
EXPENDITURES:				
Current:				
Community development	1,480,565	1,829,467	409,289	1,420,178
Total expenditures	1,480,565	1,829,467	409,289	1,420,178
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(1,105,693)	(1,454,595)	(227,235)	1,227,360
NET CHANGES IN FUND BALANCES	\$ (1,105,693)	\$ (1,454,595)	(227,235)	\$ 1,227,360
FUND BALANCE:				
Beginning of year			7,921,937	
End of year			\$ 7,694,702	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Tidelands Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 96,447	\$ 96,447	\$ 85,821	\$ (10,626)
Rental income	727,250	727,250	725,815	(1,435)
Total revenues	<u>823,697</u>	<u>823,697</u>	<u>811,636</u>	<u>(12,061)</u>
EXPENDITURES:				
Current:				
Community services	-	273,100	44,275	228,825
Total expenditures	<u>-</u>	<u>273,100</u>	<u>44,275</u>	<u>228,825</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>823,697</u>	<u>550,597</u>	<u>767,361</u>	<u>216,764</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(113,872)	(113,872)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(113,872)</u>	<u>(113,872)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 823,697</u>	<u>\$ 550,597</u>	653,489	<u>\$ 102,892</u>
FUND BALANCE:				
Beginning of year			8,668,511	
End of year			<u>\$ 9,322,000</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Navy Services Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Intergovernmental	\$ 454,050	\$ 454,050	\$ 285,666	\$ (168,384)
Investment income	-	-	49	49
Total revenues	<u>454,050</u>	<u>454,050</u>	<u>285,715</u>	<u>(168,335)</u>
EXPENDITURES:				
Current:				
Public works	454,050	469,834	284,004	185,830
Total expenditures	<u>454,050</u>	<u>469,834</u>	<u>284,004</u>	<u>185,830</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>-</u>	<u>(15,784)</u>	<u>1,711</u>	<u>17,495</u>
NET CHANGES IN FUND BALANCES	<u>\$ -</u>	<u>\$ (15,784)</u>	<u>1,711</u>	<u>\$ 17,495</u>
FUND BALANCE:				
Beginning of year			14,796	
End of year			<u>\$ 16,507</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Scholze Park Permanent Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 25,304	\$ 25,304	\$ 23,281	\$ (2,023)
Total revenues	<u>25,304</u>	<u>25,304</u>	<u>23,281</u>	<u>(2,023)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(22,480)	(22,480)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(22,480)</u>	<u>(22,480)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 25,304</u>	<u>\$ 25,304</u>	801	<u>\$ (24,503)</u>
FUND BALANCE:				
Beginning of year			<u>2,479,476</u>	
End of year			<u>\$ 2,480,277</u>	

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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.

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. This fund was closed during the year ended June 30, 2016.

City of Monterey
Combining Statement of Net Position
Non-Major Enterprise Funds
For the Year Ended June 30, 2016

	Cemetery	Materials Recovery	Institutional Network	Totals
ASSETS:				
Current Assets:				
Cash and investments available for operations	\$ 124,256	\$ 183,217	\$ -	\$ 307,473
Accounts receivable	16,420	-	-	16,420
Interest receivable	298	16,182	-	16,480
Total current assets	140,974	199,399	-	340,373
Noncurrent assets:				
Cash and investments with fiscal agent	-	407,029	-	407,029
Capital assets:				
Depreciable	1,099,845	3,503,274	-	4,603,119
Accumulated depreciation	(526,369)	(1,872,929)	-	(2,399,298)
Total capital assets, net	573,476	1,630,345	-	2,203,821
Total noncurrent assets	573,476	2,037,374	-	2,610,850
Total assets	714,450	2,236,773	-	2,951,223
DEFERRED OUTFLOWS OF RESOURCES:				
Pension related deferred outflows of resources	23,609	-	-	23,609
Total deferred outflows of resources	23,609	-	-	23,609
LIABILITIES:				
Current liabilities:				
Accounts payable	652	306	-	958
Accrued liabilities	4,599	-	-	4,599
Accrued interest	-	15,755	-	15,755
Compensated absences, due within one year	2,249	-	-	2,249
Bonds payable, due within one year	-	370,000	-	370,000
Total current liabilities	7,500	386,061	-	393,561
Noncurrent liabilities:				
Advances from other funds	559,383	-	-	559,383
Compensated absences payable	8,643	-	-	8,643
Bonds payable, due in more than one year	-	400,000	-	400,000
Other post employment benefits obligations	9,786	-	-	9,786
Net pension liabilities	130,973	-	-	130,973
Total noncurrent liabilities	708,785	400,000	-	1,108,785
Total liabilities	716,285	786,061	-	1,502,346
DEFERRED INFLOW OF RESOURCES:				
Pension related deferred inflows of resources	20,417	-	-	20,417
Total deferred inflows of resources	20,417	-	-	20,417
NET POSITION:				
Net investment in capital assets	573,476	860,345	-	1,433,821
Restricted for debt service	-	407,029	-	407,029
Unrestricted (deficit)	(572,119)	183,338	-	(388,781)
Total net position	\$ 1,357	\$ 1,450,712	\$ -	\$ 1,452,069

City of Monterey
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-Major Enterprise Funds
For the Year Ended June 30, 2016

	Cemetery	Materials Recovery	Institutional Network	Total
OPERATING REVENUES:				
Charges for services	\$ 203,675	\$ -	\$ -	\$ 203,675
Lease revenue	-	410,559	-	410,559
Total operating revenues	203,675	410,559	-	614,234
OPERATING EXPENSES:				
Salaries and benefits	66,948	-	-	66,948
Services and supplies	67,108	6,425	-	73,533
Claims and insurance	-	-	-	-
Depreciation	27,433	93,327	-	120,760
Total operating expenses	161,489	99,752	-	261,241
Operating income	42,186	310,807	-	352,993
NONOPERATING REVENUES (EXPENSES):				
Investment income	1,176	7,015	500	8,691
Interest and fiscal charges	-	(40,943)	-	(40,943)
Total nonoperating revenues (expenses)	1,176	(33,928)	500	(32,252)
Income before transfers	43,362	276,879	500	320,741
TRANSFERS:				
Transfers out	-	-	(514,060)	(514,060)
Change in net position	43,362	276,879	(513,560)	(193,319)
NET POSITION:				
Beginning of year, as restated	(42,005)	1,173,833	513,560	1,645,388
End of year	\$ 1,357	\$ 1,450,712	\$ -	\$ 1,452,069

City of Monterey
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Year Ended June 30, 2016

	Cemetery	Materials Recovery	Institutional Network	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 193,676	\$ 410,559	\$ -	\$ 604,235
Payments to suppliers	(71,616)	(6,161)	-	(77,777)
Payments to employees	(109,532)	-	-	(109,532)
Cash flows provided by operating activities	12,528	404,398	-	416,926
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund payments	(100,000)	-	-	(100,000)
Transfers out	-	-	(514,060)	(514,060)
Cash flows provided by noncapital financing activities	(100,000)	-	(514,060)	(614,060)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Proceed from sale of assets	330	-	-	330
Debt principal repayment	-	(340,000)	-	(340,000)
Interest paid	-	(70,612)	-	(70,612)
Cash flows provided by capital financing activities	330	(410,612)	-	(410,282)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	1,361	13,937	1,679	16,977
Cash flows from investing activities	1,361	13,937	1,679	16,977
Net increase (decrease) in cash and cash equivalents	(85,781)	7,723	(512,381)	(590,439)
CASH AND CASH EQUIVALENT:				
Beginning of year	210,037	582,523	512,381	1,304,941
End of year	<u>\$ 124,256</u>	<u>\$ 590,246</u>	<u>\$ -</u>	<u>\$ 714,502</u>
CASH AND CASH EQUIVALENT:				
Cash and investments available for operations	124,256	183,217	-	307,473
Cash and investments with fiscal agent	-	407,029	-	407,029
Total cash and cash equivalent	124,256	590,246	-	714,502
Reconciliation of operating income to net cash flows provided by (used in) operating activities:				
Operating income	\$ 42,186	\$ 310,807	\$ -	\$ 352,993
Adjustments to reconcile operating income to net cash flows provided by operating activities:				
Depreciation	27,433	93,327	-	120,760
Change in assets and liabilities:				
(Increase) decrease in accounts receivables	(9,999)	-	-	(9,999)
(Increase) decrease in pension related deferred outflows of resources	(10,803)	-	-	(10,803)
Increase (decrease) in accounts payable	(4,508)	264	-	(4,244)
Increase (decrease) in accrued expenses	4,599	-	-	4,599
Increase (decrease) in compensated absences	1,101	-	-	1,101
Increase (decrease) in OPEB obligations	307	-	-	307
Increase (decrease) in net pension liabilities	(30,067)	-	-	(30,067)
Increase (decrease) in pension related deferred inflows of resources	(7,721)	-	-	(7,721)
Cash flows provided by operating activities	\$ 12,528	\$ 404,398	\$ -	\$ 416,926



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 Position.

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

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
Combining Statement of Net Position
Internal Service Funds
For the Year Ended June 30, 2016

	Equipment Replacement	Vehicle Maintenance	Information Services	Risk Management	Totals
ASSETS					
Current Assets:					
Cash and investments	\$ 2,538,602	\$ 53	\$ 2,658,681	\$ 11,791,222	\$ 16,988,558
Cash with fiscal agent	-	-	-	1,624,333	1,624,333
Accounts receivable	3,772	7,039	5,790	24,608	41,209
Interest receivable	6,084	-	-	-	6,084
Prepaid items	-	-	71,990	-	71,990
Total current assets	2,548,458	7,092	2,736,461	13,440,163	18,732,174
Noncurrent assets:					
Advances to other funds	820,260	-	-	-	820,260
Capital assets:					
Nondepreciable	-	-	16,180	-	16,180
Depreciable	9,816,204	66,475	2,704,416	-	12,587,095
Accumulated depreciation	(7,510,067)	(14,965)	(1,917,814)	-	(9,442,846)
Total capital assets, net	2,306,137	51,510	802,782	-	3,160,429
Total noncurrent assets	3,126,397	51,510	802,782	-	3,980,689
Total assets	5,674,855	58,602	3,539,243	13,440,163	22,712,863
DEFERRED OUTFLOW OF RESOURCES					
Pension related deferred outflows of resources	-	193,527	347,655	87,312	628,494
Total deferred outflows of resources	-	193,527	347,655	87,312	628,494
LIABILITIES					
Current liabilities:					
Accounts payable	-	46,294	565,964	482,058	1,094,316
Accrued liabilities	-	35,611	63,058	12,593	111,262
Accrued interest	5,021	-	-	-	5,021
Due to other funds	-	495,283	-	-	495,283
Compensated absences, due within one year	-	7,850	19,494	4,280	31,624
Claims payable, due within one year	-	-	-	2,460,000	2,460,000
Loans payable, due within one year	27,619	-	-	-	27,619
Total current liabilities	32,640	585,038	648,516	2,958,931	4,225,125
Noncurrent liabilities:					
Compensated absences, due in more than one year	-	36,377	90,330	19,832	146,539
Claims payable, due in more than one year	-	-	-	7,572,228	7,572,228
Loans payable, due in more than one year	253,657	-	-	-	253,657
Other post-employment benefits obligations	-	40,774	49,116	14,100	103,990
Net pension liabilities	-	1,073,579	1,928,589	484,354	3,486,522
Total noncurrent liabilities	253,657	1,150,730	2,068,035	8,090,514	11,562,936
Total liabilities	286,297	1,735,768	2,716,551	11,049,445	15,788,061
DEFERRED INFLOW OF RESOURCES					
Pension related deferred inflows of resources	-	167,351	300,633	75,502	543,486
Total deferred inflows of resources	-	167,351	300,633	75,502	543,486
NET POSITION					
Net investment in capital assets	2,024,861	51,510	802,782	-	2,879,153
Unrestricted (deficit)	3,363,697	(1,702,500)	66,932	2,402,528	4,130,657
Total net position	\$ 5,388,558	\$ (1,650,990)	\$ 869,714	\$ 2,402,528	\$ 7,009,810

City of Monterey
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2016

	Equipment Replacement	Vehicle Maintenance	Information Services	Risk Management	Total
OPERATING REVENUES:					
Charges for services	\$ 729,810	\$ 59,319	\$ 3,210,009	\$ 9,623,727	\$ 13,622,865
Lease revenue	-	1,797,475	-	-	1,797,475
Other revenue	2,500	-	-	376,251	378,751
Total operating revenues	732,310	1,856,794	3,210,009	9,999,978	15,799,091
OPERATING EXPENSES:					
Salaries and benefits	-	533,954	970,267	5,765	1,509,986
Services and supplies	53,020	965,443	1,810,444	1,543,336	4,372,243
Claims and insurance	-	-	-	7,294,526	7,294,526
Depreciation	573,450	2,882	239,147	-	815,479
Total operating expenses	626,470	1,502,279	3,019,858	8,843,627	13,992,234
Operating income	105,840	354,515	190,151	1,156,351	1,806,857
NONOPERATING REVENUES (EXPENSES):					
Investment income	23,699	-	-	-	23,699
Interest and fiscal charges	(19,471)	-	-	-	(19,471)
Grant revenue	27,000	-	-	-	27,000
Gain on sale of assets	63,305	-	-	-	63,305
Total nonoperating revenues (expenses)	94,533	-	-	-	94,533
Income before transfers	200,373	354,515	190,151	1,156,351	1,901,390
TRANSFERS:					
Transfers in	123,394	-	514,060	21,823	659,277
Transfers out	-	-	(15,305)	-	(15,305)
Net transfers	123,394	-	498,755	21,823	643,972
Change in net position	323,767	354,515	688,906	1,178,174	2,545,362
NET POSITION:					
Beginning of year, as restated	5,064,791	(2,005,505)	180,808	1,224,354	4,464,448
End of year	<u>\$ 5,388,558</u>	<u>\$ (1,650,990)</u>	<u>\$ 869,714</u>	<u>\$ 2,402,528</u>	<u>\$ 7,009,810</u>

City of Monterey
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016

	Equipment Replacement	Vehicle Maintenance	Information Resources	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from user departments	\$ 731,010	\$ 1,933,109	\$ 3,306,606	\$ 9,623,727	\$ 15,594,452
Receipts from insurance recovery	-	-	-	376,117	376,117
Payments to suppliers	(53,020)	(984,646)	(1,468,974)	(1,206,312)	(3,712,952)
Payments to employees	-	(950,599)	(1,523,928)	(452,377)	(2,926,904)
Claims and insurance paid	-	-	-	(7,918,493)	(7,918,493)
Cash flows provided by (used in) operating activities	677,990	(2,136)	313,704	422,662	1,412,220
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund payments	(188,619)	-	-	-	(188,619)
Transfers in	123,394	-	514,060	21,823	659,277
Transfers out	-	-	(15,305)	-	(15,305)
Grant receipts	27,000	-	-	-	27,000
Cash flows provided by (used in) noncapital financing activities	(38,225)	-	498,755	21,823	482,353
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(496,376)	(7,114)	(200,070)	-	(703,560)
Proceeds from sale of assets	63,305	9,303	32,154	-	104,762
Debt principal repayment	(26,800)	-	-	-	(26,800)
Interest paid	(9,825)	-	-	-	(9,825)
Cash flows provided by (used in) capital and related financing activities	(469,696)	2,189	(167,916)	-	(635,423)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	23,013	-	-	-	23,013
Cash flows provided by investing activities	23,013	-	-	-	23,013
Net increase in cash and cash equivalents	193,082	53	644,543	444,485	1,282,163
CASH AND CASH EQUIVALENT:					
Beginning of year	2,345,520	-	2,014,138	12,971,070	17,330,728
End of year	<u>\$ 2,538,602</u>	<u>\$ 53</u>	<u>\$ 2,658,681</u>	<u>\$ 13,415,555</u>	<u>\$ 18,612,891</u>
CASH AND CASH EQUIVALENT:					
Cash and investments	\$ 2,538,602	\$ 53	\$ 2,658,681	\$ 11,791,222	\$ 16,988,558
Cash with fiscal agent	-	-	-	1,624,333	1,624,333
Total cash and cash equivalent	<u>\$ 2,538,602</u>	<u>\$ 53</u>	<u>\$ 2,658,681</u>	<u>\$ 13,415,555</u>	<u>\$ 18,612,891</u>

(Continued)

City of Monterey
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2016

	Equipment Replacement	Vehicle Maintenance	Information Resources	Risk Management	Total
Reconciliation of operating income (loss) to net cash flows provided by (used in) operating activities:					
Operating income (loss)	\$ 105,840	\$ 354,515	\$ 190,151	\$ 1,156,351	\$ 1,806,857
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	573,450	2,882	239,147	-	815,479
Change in assets and liabilities:					
(Increase) decrease in accounts receivables	(1,300)	1,867	96,597	(134)	97,030
(Increase) decrease in prepaid items	-	-	(71,990)	-	(71,990)
(Increase) decrease in pension related deferred outflows of resources	-	(83,878)	(165,267)	(20,445)	(269,590)
Increase (decrease) in accounts payable	-	(19,203)	413,460	337,024	731,281
Increase (decrease) in accrued expenses	-	35,611	63,058	12,593	111,262
Increase (decrease) in due to other funds	-	74,448	-	-	74,448
Increase (decrease) in compensated absences	-	8,471	10,647	(11,827)	7,291
Increase (decrease) in claims payable	-	-	-	(623,967)	(623,967)
Increase (decrease) in OPEB obligations	-	2,022	3,012	1,003	6,037
Increase (decrease) in net pension liabilities	-	(305,297)	(364,995)	(356,516)	(1,026,808)
Increase (decrease) in pension related deferred inflows of resources	-	(73,574)	(100,116)	(71,420)	(245,110)
Cash flows provided by (used in) operating activities	\$ 677,990	\$ (2,136)	\$ 313,704	\$ 422,662	\$ 1,412,220

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AGENCY FUNDS

District Funds - Those funds are to account for fees and assessments collected for the following District Funds: Ocean View Plaza Community Service District, Monterey Convention Visitors' Bureau Tourism Improvement District, Cannery Row Business Improvement District, North Fremont Business Improvement District, New Monterey Business Improvement District, Downtown Promotion District and Wharf Promotion District.

Dubrovnik Sister City Donation Fund - To account for donations received for events associated with Monterey's sister city relationship with Dubrovnik, Croatia.

Presidio Municipal Service Agency Fund - To account for billing to the U.S. Army and disbursement to the City and the City of Seaside for public work services provided by the cities.

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City of Monterey
Combining Statement of Agency Assets and Liabilities
All Agency Funds
June 30, 2016

	District Funds	Dubrovnik Sister City Donation	Presidio Municipal Service Agency	Total
ASSETS:				
Cash and investments	\$ 41,088	\$ 16	\$ -	\$ 41,104
Accounts receivables	8,284	-	3,410,936	3,419,220
Total assets	<u>\$ 49,372</u>	<u>\$ 16</u>	<u>\$ 3,410,936</u>	<u>\$ 3,460,324</u>
LIABILITIES:				
Deposits	\$ -	\$ 16	\$ -	\$ 16
Due to the City	-	-	3,278,672	3,278,672
Due to the City of Seaside	-	-	132,264	132,264
Special assessment payable	49,372	-	-	49,372
Total liabilities	<u>\$ 49,372</u>	<u>\$ 16</u>	<u>\$ 3,410,936</u>	<u>\$ 3,460,324</u>

City of Monterey
Combining Statement of Changes in Agency Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<u>District Funds</u>				
ASSETS:				
Cash and investments	\$ 47,781	\$ 6,165	\$ (12,858)	\$ 41,088
Accounts receivable	2,004	6,350	(70)	8,284
Total assets	\$ 49,785	\$ 12,515	\$ (12,928)	\$ 49,372
LIABILITIES:				
Special assessment payable	\$ 48,225	\$ 12,515	\$ (11,368)	\$ 49,372
Deposits	1,560	-	(1,560)	-
Total liabilities	\$ 49,785	\$ 12,515	\$ (12,928)	\$ 49,372
<u>Dubrovnik Sister City Donation</u>				
ASSETS:				
Cash and investments	\$ 16	\$ -	\$ -	\$ 16
Total assets	\$ 16	\$ -	\$ -	\$ 16
LIABILITIES:				
Deposits	\$ 16	\$ -	\$ -	\$ 16
Total liabilities	\$ 16	\$ -	\$ -	\$ 16
<u>Presidio Municipal Service Agency</u>				
ASSETS:				
Accounts receivable	\$ 981,000	\$ 3,410,936	\$ (981,000)	\$ 3,410,936
Total assets	\$ 981,000	\$ 3,410,936	\$ (981,000)	\$ 3,410,936
LIABILITIES:				
Due to the City	\$ 770,676	\$ 3,278,672	\$ (770,676)	\$ 3,278,672
Due to the City of Seaside	210,324	132,264	(210,324)	132,264
Total liabilities	\$ 981,000	\$ 3,410,936	\$ (981,000)	\$ 3,410,936

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City of Monterey
Combining Statement of Changes in Agency Assets and Liabilities (Continued)
All Agency Funds
For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash and investments	\$ 47,797	\$ 6,165	\$ (12,858)	\$ 41,104
Accounts receivable	983,004	3,417,286	(981,070)	3,419,220
Total assets	<u>\$ 1,030,801</u>	<u>\$ 3,423,451</u>	<u>\$ (993,928)</u>	<u>\$ 3,460,324</u>
LIABILITIES:				
Deposits	\$ 1,576	\$ -	\$ (1,560)	\$ 16
Due to the City	770,676	3,278,672	(770,676)	3,278,672
Due to the City of Seaside	210,324	132,264	(210,324)	132,264
Special assessment payable	48,225	12,515	(11,368)	49,372
Total liabilities	<u>\$ 1,030,801</u>	<u>\$ 3,423,451</u>	<u>\$ (993,928)</u>	<u>\$ 3,460,324</u>

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STATISTICAL SECTION
(Unaudited)

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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 172-181)

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 183-188)

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 189-193)

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 194-195)

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 197-200)

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.

City of Monterey
Net Position by Component
Last Ten Fiscal Years Ended June 30, 2016
(accrual basis of accounting)

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
Governmental Activities					
Net investment in capital assets	\$ 118,927,030	\$ 121,625,816	\$ 124,462,307	\$ 122,902,447	\$ 123,156,792
Restricted	32,691,952	32,088,899	31,152,448	35,581,294	37,216,422
Unrestricted	25,278,714	42,676,222	41,506,306	38,282,898	36,206,132
Total governmental activities net position	<u>\$ 176,897,696</u>	<u>\$ 196,390,937</u>	<u>\$ 197,121,061</u>	<u>\$ 196,766,639</u>	<u>\$ 196,579,346</u>
Business-type Activities					
Net Investment in Capital Assets	\$ 13,527,445	\$ 14,415,213	\$ 15,096,311	\$ 16,065,850	\$ 18,360,622
Restricted	1,758,193	1,758,383	1,696,136	1,697,423	414,540
Unrestricted	13,306,459	(7,272,774)	(7,440,032)	(8,406,205)	(8,112,222)
Total business-type activities net position	<u>\$ 28,592,097</u>	<u>\$ 8,900,822</u>	<u>\$ 9,352,415</u>	<u>\$ 9,357,068</u>	<u>\$ 10,662,940</u>
Primary Government					
Net Investment in Capital Assets	\$ 132,454,475	\$ 132,454,475	\$ 136,041,029	\$ 138,968,297	\$ 141,517,414
Restricted	34,450,145	34,450,145	33,847,282	37,278,717	37,630,962
Unrestricted	38,585,173	38,585,173	35,403,448	29,876,693	29,876,693
Total Primary Government Net Position:	<u>\$ 205,489,793</u>	<u>\$ 205,489,793</u>	<u>\$ 205,291,759</u>	<u>\$ 206,123,707</u>	<u>\$ 209,025,069</u>

City of Monterey
Net Position by Component (Continued)
Last Ten Fiscal Years Ended June 30, 2016
(accrual basis of accounting)

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
Governmental Activities					
Net Investment in Capital Assets	\$ 120,401,873	\$ 117,782,513	\$ 121,163,828	\$ 81,573,354	\$ 135,062,968
Restricted	33,409,687	36,180,564	35,418,022	41,852,947	55,127,684
Unrestricted	41,130,596	37,585,610	41,697,391	5,565,630	(60,147,498)
Total governmental activities net position	<u>\$ 194,942,156</u>	<u>\$ 191,548,687</u>	<u>\$ 198,279,241</u>	<u>\$ 128,991,931</u>	<u>\$ 130,043,154</u>
Business-Type Activities					
Net investment in Capital Assets	\$ 18,280,879	\$ 17,988,110	\$ 17,907,867	\$ 17,701,350	\$ 17,585,832
Restricted	411,276	416,065	407,139	406,976	407,029
Unrestricted	(7,072,928)	(5,564,425)	(3,120,898)	(6,206,979)	(3,602,125)
Total business-type activities net position	<u>\$ 11,619,227</u>	<u>\$ 12,839,750</u>	<u>\$ 15,194,108</u>	<u>\$ 11,901,347</u>	<u>\$ 14,390,736</u>
Primary Government					
Net Investment in Capital Assets	\$ 138,682,752	\$ 135,770,623	\$ 139,071,695	\$ 99,274,704	\$ 152,648,800
Restricted	33,820,963	36,596,629	35,825,161	42,259,923	55,534,713
Unrestricted	34,057,668	32,021,185	38,576,493	(641,349)	(63,749,623)
Total Primary Government Net Position:	<u>\$ 206,561,383</u>	<u>\$ 204,388,437</u>	<u>\$ 213,473,349</u>	<u>\$ 140,893,278</u>	<u>\$ 144,433,890</u>

City of Monterey
Changes in Net Position
Last Ten Fiscal Years Ended June 30, 2016
(accrual basis of accounting)

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
Expenses					
Governmental Activities:					
General Government	\$ 5,851,972	\$ 7,023,171	\$ 8,500,337	\$ 6,785,765	\$ 7,674,774
Public Safety	19,293,844	22,713,685	24,901,618	25,348,522	24,479,714
Public Works**	14,870,152	21,322,325	16,758,226	20,876,964	19,706,824
Community Development	4,008,139	4,300,953	3,284,107	1,634,501	1,857,119
Recreation and Community Service	7,473,490	8,013,728	8,645,530	8,401,272	8,454,787
Library	3,133,434	3,381,103	3,789,795	3,515,397	3,251,530
Public Facilities	4,900,848	4,823,808	4,953,293	4,599,164	4,574,830
Nondepartmental	1,468,406	983,950	320,386	2,728,150	-
Interest and fiscal charges	581,390	554,904	525,497	498,238	471,315
Total governmental activities expenses:	61,581,675	73,117,627	71,678,789	74,387,973	70,470,893
Business-Type Activities:					
Marina	1,941,560	1,902,078	1,963,252	1,887,048	2,047,929
Parking	5,573,490	6,588,354	6,596,107	6,491,294	6,836,439
Presidio of Monterey Public Works**	8,122,515	11,202,661	11,370,245	10,630,416	13,712,889
Cemetery	338,155	325,867	378,326	358,412	374,530
Material Recovery	280,824	267,287	263,676	247,095	235,919
Navy Services	254,330	431,969	406,759	365,194	290,379
Institutional Network	-	-	-	-	920
Total business-type activities expenses:	16,510,874	20,718,216	20,978,365	19,979,459	23,499,005
Total primary government expenses:	78,092,549	93,835,843	92,657,154	94,367,432	93,969,898
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	3,070,895	3,364,012	5,586,347	3,578,598	5,672,273
Public safety	1,406,079	1,232,714	2,917,245	3,953,104	3,772,349
Public works	3,444,687	5,038,075	3,310,527	4,417,728	4,550,785
Community development	1,322,291	505,402	518,332	1,245,340	(15,584)
Community service	4,558,930	4,529,054	5,036,042	5,252,517	5,130,533
Library	118,979	102,190	100,328	113,344	113,609
Public Facilities*	2,130,850	1,918,940	1,628,338	1,622,883	1,328,531
Nondepartmental	2,733,821	1,786,322	320,386	2,447,644	-
Operating grants and Contributions	1,985,858	1,822,964	2,092,033	1,304,197	947,647
Capital grants and Contributions	890,640	1,707,277	1,046,005	1,280,919	1,661,932
Total governmental activities program revenues:	21,663,030	22,006,950	22,555,583	25,216,274	23,162,075

(Continued)

City of Monterey
Changes in Net Position (Continued)
Last Ten Fiscal Years Ended June 30, 2016
(accrual basis of accounting)

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15***	2015-16
Expenses					
Governmental Activities:					
General Government	\$ 8,727,041	\$ 9,052,121	\$ 12,352,952	\$ 5,468,878	\$ 6,242,043
Public Safety	24,635,437	28,230,175	27,656,343	18,354,580	31,413,958
Public Works**	19,662,862	19,952,596	9,486,246	15,002,729	35,996,616
Community Development	882,990	1,255,059	1,229,500	953,917	1,244,516
Recreation and Community Service	8,255,901	13,022,994	12,713,595	11,104,192	14,633,159
Library	3,203,459	3,362,875	3,068,552	2,028,633	2,992,626
Public Facilities	4,184,110	-	-	-	-
Nondepartmental	-	-	-	-	-
Interest and fiscal charges	403,001	392,114	463,574	519,893	3,617,864
Total governmental activities expenses:	69,954,801	75,267,934	66,970,762	53,432,822	96,140,782
Business-type activities:					
Marina	2,299,601	2,324,992	2,228,058	1,845,966	1,624,701
Parking	7,299,420	6,826,056	7,502,409	6,469,521	5,466,454
Presidio of Monterey Public Works**	13,022,559	11,571,576	8,474,449	8,815,978	-
Cemetery	274,918	192,412	242,726	176,973	161,489
Material Recovery	221,653	207,232	192,067	251,362	140,695
Navy Services	280,582	309,906	236,848	337,131	-
Institutional Network	1,479	2,734	-	65	-
Total business-type activities expenses:	23,400,212	21,434,908	18,876,557	17,896,996	7,393,339
Total primary government expenses:	93,355,013	96,702,842	85,847,319	71,329,818	103,534,121
Program revenues					
Governmental Activities:					
Charges for services:					
General government	6,251,417	6,169,847	8,148,244	7,238,903	7,222,860
Public safety	4,430,705	5,353,928	7,905,213	7,232,624	7,299,691
Public works**	5,038,460	5,333,070	6,055,328	6,277,294	20,371,202
Community development	94,181	74,142	83,067	(2,216)	66,516
Community service	5,132,533	7,006,731	6,989,209	7,019,594	6,808,314
Library	99,428	103,797	100,694	76,351	48,131
Public Facilities*	1,531,115	-	-	-	-
Nondepartmental	-	-	-	-	-
Operating Grants and Contributions	1,054,621	1,386,277	1,187,188	6,214,299	14,269,674
Capital Grants and Contributions	1,351,930	724,793	1,218,043	7,455,864	7,322,237
Total governmental activities program revenues:	24,984,390	26,152,585	31,686,986	41,512,713	63,408,625

(Continued)

* In FY 2013 Public Facilities was combined with Community Services

** In 2016, Presidio of Monterey Public Works and Navy Services were recatergorized from Business-type activities to Governmental activities (Public Works)

*** FY2015 Governmental Activities recatergorized between General and Program revenues, no net change

City of Monterey
Changes in Net Position (Continued)
Last Ten Fiscal Years Ended June 30, 2016
(accrual basis of accounting)

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
Business-type Activities:					
Charges for services:					
Marina	\$ 2,153,152	\$ 2,123,947	\$ 2,325,725	\$ 2,483,526	\$ 2,586,778
Parking	6,573,961	6,360,747	6,610,603	7,205,132	7,293,620
Presidio of Monterey Public Works**	9,458,892	11,733,919	11,670,716	9,612,860	14,037,989
Cemetery	245,459	181,511	285,375	291,432	228,593
Material Recovery	331,464	343,171	345,325	351,665	360,298
Navy Services	244,103	442,361	355,639	424,369	311,136
Operating Grants and Contributions	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-
Total business-type activities program revenues:	19,007,031	21,185,656	21,593,383	20,368,984	24,818,414
Total primary government program revenues:	40,670,061	43,192,606	44,148,966	45,585,258	47,980,489
Net (expenses)/revenue:					
Governmental activities	(39,918,645)	(51,110,677)	(49,123,206)	(49,171,699)	(47,308,818)
Business-type activities	2,496,157	467,440	615,018	389,525	1,319,409
Total net revenues (expenses):	<u>(37,422,488)</u>	<u>(50,643,237)</u>	<u>(48,508,188)</u>	<u>(48,782,174)</u>	<u>(45,989,409)</u>
General Revenue and Other Changes in Net Position:					
Governmental activities:					
Taxes:					
Property taxes	10,573,107	11,472,173	12,262,633	12,440,413	12,247,862
Sales tax	7,169,050	7,434,164	6,998,648	6,362,466	7,050,150
Transient occupancy taxes	15,171,974	15,870,646	14,796,323	14,702,871	14,655,418
Other taxes	5,306,738	5,549,907	5,312,979	5,240,940	5,635,273
Motor vehicle in lieu, unrestricted	2,216,346	2,327,149	2,401,820	2,394,765	2,391,256
Investment income	5,939,220	3,204,507	5,456,661	5,032,549	4,647,197
Other general revenues	293,032	3,870,156	1,978,604	194,625	249,936
Transfers	469,686	259,053	645,700	737,759	244,433
Extraordinary Event	-	-	-	-	-
Total governmental activities	47,139,153	49,987,755	49,853,368	47,106,388	47,121,525
Business-type activities:					
Investment income	701,746	716,501	482,275	352,887	230,896
Transfers	(469,686)	(259,053)	(645,700)	(737,759)	(244,433)
Total business-type activities:	232,060	457,448	(163,425)	(384,872)	(13,537)
Total primary government:	<u>47,371,213</u>	<u>50,445,203</u>	<u>49,689,943</u>	<u>46,721,516</u>	<u>47,107,988</u>
Changes in Net Position:					
Governmental activities	7,220,508	(1,122,922)	730,162	(2,065,311)	(187,293)
Business-type activities	2,728,217	924,888	451,593	4,653	1,305,872
Total primary government:	<u>\$ 9,948,725</u>	<u>\$ (198,034)</u>	<u>\$ 1,181,755</u>	<u>\$ (2,060,658)</u>	<u>\$ 1,118,579</u>

(Continued)

City of Monterey
Changes in Net Position (Continued)
Last Ten Fiscal Years Ended June 30, 2016
(accrual basis of accounting)

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15***	2015-16
Business-type Activities:					
Charges for services:					
Marina	\$ 2,644,373	\$ 2,714,930	\$ 2,948,031	\$ 3,054,187	\$ 3,107,731
Parking	7,879,181	7,858,075	8,463,429	8,944,423	9,291,528
Presidio of Monterey Public Works**	13,087,837	11,284,765	9,120,880	8,631,601	-
Cemetery	322,825	347,321	365,707	218,289	203,675
Material Recovery	369,419	378,845	385,298	395,435	410,559
Navy Services	245,164	329,826	221,742	317,654	-
Operating Grants and Contributions	-	-	-	-	7,944
Capital Grants and Contributions	-	-	-	-	-
Total business-type activities program revenues:	24,548,799	22,913,762	21,505,087	21,561,589	13,021,437
Total primary government program revenues:	49,533,189	49,066,347	53,192,073	63,074,302	76,430,062
Net (expenses)/revenue:					
Governmental activities	(44,970,411)	(49,115,349)	(35,283,776)	(11,920,109)	(32,732,157)
Business-type activities	1,148,587	1,478,854	2,628,530	3,664,593	5,628,098
Total net revenues (expenses):	(43,821,824)	(47,636,495)	(32,655,246)	(8,255,516)	(27,104,059)
General Revenue and Other Changes in Net Position:					
Governmental activities:					
Taxes:					
Property taxes	10,286,705	7,009,683	7,390,529	7,287,199	7,973,011
Sales tax	7,211,793	7,928,999	8,557,600	8,225,333	9,241,167
Transient occupancy taxes	16,536,943	17,601,144	19,320,052	17,495,332	18,890,094
Other taxes	5,912,623	5,985,960	6,288,542	5,362,292	4,913,625
Motor vehicle in lieu, unrestricted	2,234,587	2,251,469	2,289,995	2,392,180	2,545,491
Investment income	5,271,786	4,758,794	5,066,372	5,177,382	5,583,028
Other general revenues	280,134	229,695	150,849	189,910	348,113
Transfers	350,226	362,272	373,704	459,090	738,512
Extraordinary Event	(4,751,575)	(406,136)	(7,423,313)	-	-
Total governmental activities	43,333,222	45,721,880	42,014,330	46,588,718	50,233,041
Business-type activities:					
Investment income	157,926	103,941	94,132	397,812	186,467
Transfers	(350,226)	(362,272)	(373,704)	(459,090)	(738,512)
Total business-type activities:	(192,300)	(258,331)	(279,572)	(61,278)	(552,045)
Total primary government:	43,140,922	45,463,549	41,734,758	46,527,440	49,680,996
Changes in Net Position:					
Governmental activities	(1,637,189)	(3,393,469)	6,730,554	34,668,609	17,500,884
Business-type activities	956,287	1,220,523	2,348,958	3,603,315	5,076,053
Total primary government:	\$ (680,902)	\$ (2,172,946)	\$ 9,079,512	\$ 38,271,924	\$ 22,576,937

(Concluded)

* In FY 2013 Public Facilities was combined with Community Services

** In 2016, Presidio of Monterey Public Works and Navy Services were recategorized from Business-type activities to Governmental activities (Public Works)

*** FY2015 Governmental Activities recategorized between General and Program revenues, no net change

City of Monterey
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
General Fund:					
Nonspendable fund balance	\$ -	\$ -	\$ -	\$ -	\$ 22,682,645
Restricted fund balance	-	-	-	-	248,179
Committed fund balance	-	-	-	-	9,726,269
Assigned fund balance	-	-	-	-	551,473
Unassigned fund balance	-	-	-	-	41,108
Reserved ⁽¹⁾	3,813,441	22,181,992	21,273,435	21,495,370	-
Unreserved ⁽¹⁾	10,887,098	11,137,980	9,669,156	9,083,381	-
Total General Fund	<u>\$ 14,700,539</u>	<u>\$ 33,319,972</u>	<u>\$ 30,942,591</u>	<u>\$ 30,578,751</u>	<u>\$ 33,249,674</u>
All other governmental funds:					
Nonspendable fund balance	-	-	-	-	19,299,222
Restricted fund balance	-	-	-	-	17,229,293
Committed fund balance	-	-	-	-	5,770,460
Special revenue funds	-	-	-	-	(92,711)
Debt Service fund	-	-	-	-	(32,389,795)
Unassigned fund balance	-	-	-	-	-
Reserved ⁽¹⁾	15,939,983	23,439,262	22,922,882	25,482,962	-
Unreserved, reported in: ⁽¹⁾					
Special revenue funds	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	(47,181,343)	(42,715,832)	(38,262,965)	(37,070,879)	-
Capital projects fund	4,954,215	2,589,374	4,460,818	1,009,947	-
Total all other governmental funds	<u>\$ (7,342,274)</u>	<u>\$ (3,639,899)</u>	<u>\$ 2,922,292</u>	<u>\$ 7,062,974</u>	<u>\$ 9,816,469</u>

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
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
General Fund:					
Nonspendable fund balance	\$ 22,816,967	\$ 20,427,925	\$ 15,868,931	\$ 15,183,203	\$ 14,686,984
Restricted fund balance	-	-	-	-	1,343,207
Committed fund balance	10,090,824	9,994,916	13,837,690	14,511,940	14,992,220
Assigned fund balance	394,310	708,603	786,659	652,705	1,073,523
Unassigned fund balance	529,398	77,555	2,169,049	5,240,666	-
Reserved ⁽¹⁾	-	-	-	-	-
Unreserved ⁽¹⁾	-	-	-	-	-
Total General Fund	<u>\$ 33,831,499</u>	<u>\$ 31,208,999</u>	<u>\$ 32,662,329</u>	<u>\$ 35,588,514</u>	<u>\$ 32,095,934</u>
All other governmental funds:					
Nonspendable fund balance	15,713,621	17,203,665	13,566,341	13,410,067	2,726,127
Restricted fund balance	17,323,244	18,286,708	21,216,171	77,021,864	90,580,300
Committed fund balance	6,870,549	7,792,559	9,466,130	11,192,933	10,757,117
Special revenue funds	-	-	-	-	-
Debt Service fund	(28,206,724)	-	-	-	-
Unassigned fund balance	-	-	(1,202,400)	(9,378,178)	(4,670,636)
Reserved ⁽¹⁾	-	-	-	-	-
Unreserved, reported in: ⁽¹⁾					
Special revenue funds	-	-	-	-	-
Permanent funds - Nonexpendable	-	-	-	-	-
Permanent funds - Expendable	-	-	-	-	-
Low/Mod Income Housing	-	-	-	-	-
Debt Service fund	-	-	-	-	-
Capital projects fund	-	-	-	-	-
Total all other governmental funds	<u>\$ 11,700,690</u>	<u>\$ 43,282,932</u>	<u>\$ 43,046,242</u>	<u>\$ 92,246,686</u>	<u>\$ 99,392,908</u>

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)

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
Revenues:					
Taxes	\$ 38,220,869	\$ 40,326,890	\$ 39,370,583	\$ 38,746,690	\$ 39,588,703
Licenses and permits	4,535,708	4,726,272	4,209,088	3,705,052	3,654,304
Fines and forfeitures	341,163	461,314	479,684	444,167	376,857
Investment income	3,312,367	3,438,071	2,659,946	2,101,934	1,808,808
Rental income	7,252,913	7,642,805	8,074,287	3,412,445	3,339,846
Intergovernmental	5,421,614	6,047,826	6,254,226	5,834,202	10,166,960
Charge for services	12,430,149	12,521,579	14,164,052	16,191,553	15,302,794
Other	758,198	910,227	1,343,214	2,237,064	1,000,811
Total Revenues:	72,272,981	76,074,984	76,555,080	72,673,107	75,239,083
Expenditures:					
Current:					
General government	5,644,097	6,303,274	6,596,881	8,328,786	6,850,243
Public safety	19,238,349	22,781,983	23,731,900	24,950,815	24,106,242
Public works	12,938,457	14,408,540	17,060,180	15,629,131	16,016,944
Community development	3,982,360	4,275,923	3,281,264	1,606,658	1,816,472
Community services	6,740,696	7,307,666	7,701,164	7,562,605	7,620,535
Library	3,093,084	3,361,421	3,630,813	3,425,637	3,162,508
Public facilities	4,269,259	4,131,226	4,104,587	3,933,253	3,928,470
Capital outlays	11,013,491	10,557,068	4,731,862	4,301,127	4,183,799
Debt Service:					
Principal retirement	616,166	636,007	961,373	648,728	1,490,511
Interest and fiscal charges	563,983	541,033	515,314	488,699	466,441
Total Expenditures:	68,099,942	74,304,141	72,315,338	70,875,439	69,642,165
Excess of Revenues over (under) Expenditures	4,173,039	1,770,843	4,239,742	1,797,668	5,596,918
Other financing sources (uses):					
Transfers in	12,383,701	10,939,205	4,976,300	8,429,696	8,633,095
Transfers out	(13,462,715)	(11,004,403)	(5,031,194)	(8,161,411)	(8,805,595)
Debt issuance	-	-	-	-	-
Extraordinary event	-	-	-	-	-
Total Other Financing Sources (Uses):	(1,079,014)	(65,198)	(54,894)	268,285	(172,500)
Net change in fund balances	\$ 3,094,025	\$ 1,705,645	\$ 4,184,848	\$ 2,065,953	\$ 5,424,418
Debt service as a percentage of noncapital expenditures:	2.1%	1.8%	2.2%	1.7%	3.0%

City of Monterey
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
Revenues:					
Taxes	\$ 39,948,064	\$ 38,525,786	\$ 41,556,723	\$ 47,894,793	\$ 59,277,927
Licenses and permits	4,047,893	4,061,033	4,130,607	4,291,703	6,572,787
Fines and forfeitures	293,276	286,646	265,537	225,164	247,599
Investment income	1,739,735	1,305,930	1,317,917	1,322,855	1,840,186
Rental income	3,885,566	4,040,251	4,360,750	4,695,949	2,113,573
Intergovernmental	7,477,815	4,124,701	4,684,315	6,949,729	14,572,648
Charge for services	17,075,415	18,655,576	23,581,715	21,417,792	21,438,207
Other	976,999	834,874	835,477	45,824,962	4,660,958
Total Revenues:	75,444,763	71,834,797	80,733,041	132,622,947	110,723,885
Expenditures:					
Current:					
General government	6,498,691	6,680,979	6,571,149	6,153,711	6,049,397
Public safety	24,869,532	27,176,682	29,050,139	30,196,694	31,769,842
Public works	15,934,668	15,341,914	15,190,101	15,793,546	34,199,015
Community development	859,647	1,204,372	1,222,203	1,216,059	1,207,709
Community services	7,545,025	11,346,083	11,781,212	12,251,900	13,126,769
Library	3,213,515	3,182,378	3,202,152	2,765,271	2,921,043
Public facilities	3,638,093	-	-	-	-
Capital outlays	4,865,244	4,759,109	5,009,599	11,642,924	23,370,162
Debt Service:					
Principal retirement	269,347	401,569	845,648	417,572	441,674
Interest and fiscal charges	396,053	386,418	463,574	504,268	2,366,665
Total Expenditures:	68,089,815	70,479,504	73,335,777	80,941,945	115,452,276
Excess of Revenues over (under) Expenditures	7,354,948	1,355,293	7,397,264	51,681,002	(4,728,391)
Other Financing Sources (Uses):					
Transfers in	3,563,688	4,225,761	4,598,998	8,934,600	22,409,229
Transfers out	(3,701,014)	(4,333,375)	(3,963,388)	(8,488,973)	(22,314,689)
Debt issuance	-	-	-	-	8,171,875
Extraordinary event	(4,751,575)	28,319,142	(7,423,313)	-	-
Total Other Financing Sources (Uses):	(4,888,901)	28,211,528	(6,787,703)	445,627	8,266,415
Net change in fund balances	\$ 2,466,047	\$ 29,566,821	\$ 609,561	\$ 52,126,629	\$ 3,538,024
Debt service as a percentage of noncapital expenditures:	1.1%	1.2%	1.9%	1.3%	3.0%

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City of Monterey
Transient Occupancy Tax by Category
Last Ten Fiscal Years
(in thousands)

CATEGORY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Full Service	\$ 9,227	\$ 9,782	\$ 9,415	\$ 9,292	\$ 9,382	\$ -	\$ -	\$ -	\$ -	\$ -
Cannery Row	1,370	1,398	1,207	1,207	1,249	4,685	5,002	5,430	5,943	6,014
Downtown	-	-	-	-	-	4,125	4,491	4,820	4,975	5,506
Fremont Street	1,043	1,091	995	965	881	1,057	1,163	1,380	1,592	1,823
Munras Avenue/ Abrego Street	2,121	2,168	1,892	2,010	1,994	2,294	2,384	2,595	2,869	3,185
Other	1,409	1,428	1,247	1,191	1,137	4,374	4,543	5,100	5,449	5,958
Totals	\$ 15,170	\$ 15,867	\$ 14,756	\$ 14,665	\$ 14,643	\$ 16,535	\$ 17,582	\$ 19,325	\$ 20,828	\$ 22,486

The City's Transient Occupancy Tax rate has remained at 10% over the last ten years. 84% of Transient Occupancy Tax is categorized as General revenues, while 16% restricted for the Neighborhood Improvement Program is categorized as Operating Grants and contributions due.

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 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, 2016

Fiscal Year 2016	Fiscal Year 2007
Casa Munras Garden Hotel	Casa Munras Garden Hotel
Hilton Inn	Hilton Inn
Hotel Pacific	Hotel Pacific
Hyatt Regency	Hyatt Regency
Intercontinental the Clement	Monterey Beach Hotel
Monterey Bay Inn	Monterey Marriott Hotel
Monterey Beach Hotel	Monterey Plaza Hotel
Monterey Marriott Hotel	Portola Plaza Hotel
Monterey Plaza Hotel	
Portola Plaza Hotel	

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
Assesed 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
2015-16	\$ 4,652,548,847	\$ 332,297,598	\$ 4,984,846,445	\$ 4,984,846,445	1.00	\$ 4,984,846,445	100%
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%

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.

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	
2015-16	1.00	-	1.00	0.023039	0.030000	1.05304
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

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

Source: Monterey County Auditor-Controller.

		Taxable Secured Assessments	Secured Taxable Value	Taxable Unsecured Assessments	Unsecured Taxable Value	Combined Taxable Value	Pct. Of Total City Assessed Value
Fiscal Year 2016							
<u>Taxpayer</u>	<u>Type of Business</u>						
1000 Aguagito LLC	Comm., Store & Office or Res.	1	\$ 37,465,999	0	\$ -	\$ 37,465,999	0.76%
AAT Del Monte LLC	Commercial Motels & Hotels	3	118,499,553	0		118,499,553	2.39%
Cannery Row Company	Commercial Motels & Hotels	24	120,399,479	5	744,850	121,144,329	2.44%
Custom House Hotel Co Ltd	Commercial, Shopping Centers	4	34,703,735	1	6,428	34,710,163	0.70%
Hyatt Equities LLC	Commercial, Motels & Hotels	2	22,603,423	2	6,253,217	28,856,640	0.58%
Muller Ryan LLC	Residential, Apartments	6	37,125,353	0	-	37,125,353	0.75%
Outsen Carl M	Commercial, Motels & Hotels	29	23,850,508	0	-	23,850,508	0.48%
P Monterey LP	Commercial Motels & Hotels	1	43,684,058	0		43,684,058	0.88%
San Carlos Assoc LLC	Commercial, Motels & Hotels	1	47,820,360	0		47,820,360	0.96%
SWVP Monterey LLC	Commercial/Office Property	3	40,807,409	0		40,807,409	0.82%
Top 10 Totals		74	\$ 526,959,877	8	\$ 7,004,495	\$ 533,964,372	10.76%
2015/16 CITY-WIDE TOTALS			4,629,244,447		332,239,358	4,506,233,313	
Fiscal Year 2007							
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
		-	\$ -	-	\$ -	\$ -	-
2006/07 CITY-WIDE TOTALS			-		-	-	-

City of Monterey
Property Tax Levies and Collections ⁽¹⁾
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections (3)	Percent of Levy Collected	Supplemental Tax Collections (3)	Delinquent Tax Collections (2)	Total Tax Collections
2015-16	\$ 6,742,529	\$ 6,619,709	98.2	\$ 166,947	\$ 101,467	\$ 6,888,123
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

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 sepearate supplemental assessments from Current Tax Collections

City of Monterey
Computation of Direct and Overlapping
Bonded Debt
June 30, 2016

2015-16 Assessed Valuation: \$4,172,512,375 (after deducting \$812,334,070 redevelopment incremental valuation) (3)

OVERLAPPING TAX AND ASSESSMENT DEBT:	<u>%Applicable</u>	<u>Debt 6/30/16</u>
DIRECT AND OVERLAPPING BONDED DEBT:		
City of Monterey Long Term Debt (1)		\$ 61,422,986
Monterey County General Fund Obligations (2)	8.638% **	9,747,068
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>71,170,054</u>
COMBINED TOTAL DEBT		<u>\$ 71,170,054</u> *

Ratios to Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.62%
Combined Total Debt.....	1.62%

* 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

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City of Monterey
Legal Debt Margin Information
June 30, 2016

Total assessed value of all real/personal property	\$ 4,984,846,445
Debt limit percentage (per Government Code)	<u>15%</u>
Total debt limit	747,726,967
Amount of debt applicable to debt limit	<u>-</u>
Legal debt margin	<u><u>\$ 747,726,967</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

Fiscal Year	Governmental Activities			Business-Type Activities		
	Bonds	Loans*	Total Governmental Activities	Bonds	Marina Loans	Total Business-type Activities
2015-16	\$ 56,395,000	\$ 4,427,987	\$ 60,822,987	\$ 770,000	\$ 2,364,849	\$ 3,134,849
2014-15	51,680,000	1,436,669	53,116,669	1,110,000	2,574,347	3,684,347
2013-14	6,950,000	1,279,081	8,229,081	1,420,000	2,843,717	4,263,717
2012-13	7,635,000	1,439,730	9,074,730	1,705,000	3,101,491	4,806,491
2011-12	7,880,000	1,626,299	9,506,299	1,970,000	3,348,165	5,318,165
2010-11	8,115,000	490,574	8,605,574	2,210,000	3,600,547	5,810,547
2009-10	9,582,450	272,541	9,854,991	4,952,550	3,842,066	8,794,616
2008-09	10,208,350	388,235	10,596,585	5,976,650	4,073,186	10,049,836
2007-08	10,825,900	498,774	11,324,674	6,989,100	4,294,352	11,283,452
2006-07	11,441,700	604,373	12,046,073	8,008,300	4,557,873	12,566,173

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 (Continued)
Last Ten Fiscal Years

Fiscal Year	Total Primary Government			
	Total Primary Government	Debt Per Capita	Percent of Personal Income	Prop. Value
2015-16	\$ 63,957,836	2,125	5.8%	1.2%
2014-15	56,801,016	1,958	5.7%	1.3%
2013-14	12,492,798	439	1.2%	0.3%
2012-13	13,881,221	472	1.0%	0.3%
2011-12	14,824,464	503	1.2%	0.4%
2010-11	14,416,121	493	1.5%	0.3%
2009-10	18,649,607	636	2.0%	0.5%
2008-09	20,646,421	560	1.9%	0.6%
2007-08	22,608,126	750	2.2%	0.6%
2006-07	24,612,246	803	2.4%	0.7%

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
Demographic Information
June 30, 2016

	Population (1)	Per Capita Income (2)	Total Personal Income (000's) (3)	Estimated Labor Force (4)	Estimated Unemployment Rate (4)
2016	28,610	\$ 36,812	\$ 1,053,191	15,700	5.8%
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%

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, 2016

		FY 2016	FY 2007
Employer	Product/Function	Employee Size Range	Employee Size Range
PRIVATE SECTOR			
Community Hospital of Monterey Peninsula	Health Care	1000 to 4999	1750
Dole Fresh Vegetables Co	Agricultural Growers & Shippers	250 to 499	N/A
DRC/CTB	Educational Consultants	500 to 999	550
Hyatt Regency-Monterey	Lodging/Visitor Services	250 to 499	304
Language Line	Translator and Interpreter Services	250 to 499	N/A
Macy's	Department Stores	250 to 499	N/A
Monterey Bay Aquarium	Ecotourism	250 to 499	345
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
Robert Talbott Inc,	Clothing-Manufacturer	250-499	N/A
Trancredi Enterprises	Financial Planning Consultants	250-499	N/A
PUBLIC SECTOR			
City of Monterey	Government	250 to 499	482
Defense Language Institute	Education	500-999	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

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City of Monterey
Authorized Positions By Department
Full-Time and Part-Time
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police	79.00	79.00	72.00	72.00	69.00	68.50	68.50	68.50	68.50	70.00
Fire	54.00	54.00	66.00	66.00	65.00	72.00	72.00	82.00	82.00	80.75
Plans & Public Works*,**	163.75	145.75	162.00	162.75	158.00	144.75	152.50	153.50	154.00	156.00
Recreation	58.75	59.25	55.25	55.25	54.50	51.83	-	-	-	-
Library and Museum	27.25	27.50	22.50	23.25	22.75	21.83	21.75	20.25	19.92	19.50
Public Facilities	65.25	65.25	63.00	63.00	60.25	58.34	-	-	-	-
Community Services***	-	-	-	-	-	-	109.17	110.92	110.50	111.25
General Government*	46.00	46.00	46.00	48.75	48.25	46.00	46.50	46.50	47.00	46.25
Total	<u>494.00</u>	<u>476.75</u>	<u>486.75</u>	<u>491.00</u>	<u>477.75</u>	<u>463.25</u>	<u>470.42</u>	<u>481.67</u>	<u>481.92</u>	<u>483.75</u>

* 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, 2016
Last Ten Fiscal Years

	2007	2008	2009	2010	2011
Police (calendar year)					
Adult Arrests - Felony	356	351	343	343	369
Adult Arrests - Misdemeanor	1,606	1,698	1,733	1,733	1,286
Juvenile Arrests - Felony	60	46	64	61	58
Juvenile Arrests - Misdemeanor	146	169	121	142	122
DUI Arrests	309	339	342	305	255
Traffic Citations	5,769	8,177	7,995	8,653	5,635
Fire (calendar year)***					
Rescue and Emergency Medical Calls	3,044	3,252	4,241	4,241	4,095
Fire & Explosion Calls	119	128	196	196	129
False Alarm Calls	481	500	475	475	515
Other Calls	949	857	1,399	1,399	1,494
Finance					
Accounts Payable Checks Issued	10,862	11,269	10,180	7,738	7,862
Payroll Checks/Direct Deposit Notices Issued	18,177	18,997	18,998	18,579	17,875
Purchase Orders Issued	617	637	792	563	395
Recreation					
Monterey Sports Center:					
Average Daily Attendance*	3,000	3,000	3,000	3,000	3,000
Number of programs offered (2)	972	748	1,004	925	934
Number of program participants **	5,031	4,084	6,231	4,853	5,075
Community Center, sports & camp Programs:					
Number of programs offered	509	525	448	525	545
Number of program participants **	5,174	4,927	3,959	5,057	5,451
Activity Guide editions published	2	2	2	2	2
Activity Guide copies distributed	34,000	34,000	24,550	24,000	15,000
Library					
Visitors	354,254	383,591	388,653	355,606	333,274
Reference questions answered	32,624	39,104	30,124	42,213	30,903
Items checked out	447,333	498,177	556,324	533,661	540,515
Volunteer hours worked	1,636	1,893	2,169	1,959	3,368

Source - internal records of City Departments:

Police Department

Fire Department

Finance Department

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

** 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
Operating Indicators By Function (Continued)
June 30, 2016
Last Ten Fiscal Years

	2012	2013	2014	2015	2016
Police (calendar year)					
Adult Arrests - Felony	340	430	340	368	279
Adult Arrests - Misdemeanor	1,242	1,359	956	1,741	1,241
Juvenile Arrests - Felony	43	54	18	31	16
Juvenile Arrests - Misdemeanor	161	123	16	101	55
DUI Arrests	275	202	210	239	221
Traffic Citations	3,539	2,934	2,836	2,030	1,524
Fire (calendar year)***					
Rescue and Emergency Medical Calls	4,057	4,508	4,584	4,888	5,077
Fire & Explosion Calls	140	147	185	142	151
False Alarm Calls	489	586	576	655	683
Other Calls	1,547	1,650	1,836	2,195	2,253
Finance					
Accounts Payable Checks Issued	7,315	7,199	6,990	6,622	6,640
Payroll Checks/Direct Deposit Notices Issued	17,319	17,548	17,845	17,960	18,439
Purchase Orders Issued	425	400	410	455	500
Recreation					
Monterey Sports Center:					
Average Daily Attendance*	3,000	3,000	3,000	3,000	3,000
Number of programs offered (2)	1,152	1,262	1,147	1,145	1,103
Number of program participants **	7,427	7,748	7,703	7,202	7,231
Community Center, sports & camp Programs:					
Number of programs offered	721	787	819	767	713
Number of program participants **	8,073	8,939	8,732	8,632	8,225
Activity Guide editions published	2	2	2	2	2
Activity Guide copies distributed	14,000	12,000	12,000	11,000	10,500
Library					
Visitors	329,800	335,134	360,794	363,496	305,780
Reference questions answered	31,800	31,949	27,016	26,271	24,257
Items checked out	549,933	507,346	511,453	495,435	412,131
Volunteer hours worked	3,543	3,562	2,920	3,071	3,451

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 Assets Statistics
June 30, 2016

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).	47

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)	124,979

Source: City of Monterey