

CITY OF MONTEREY CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

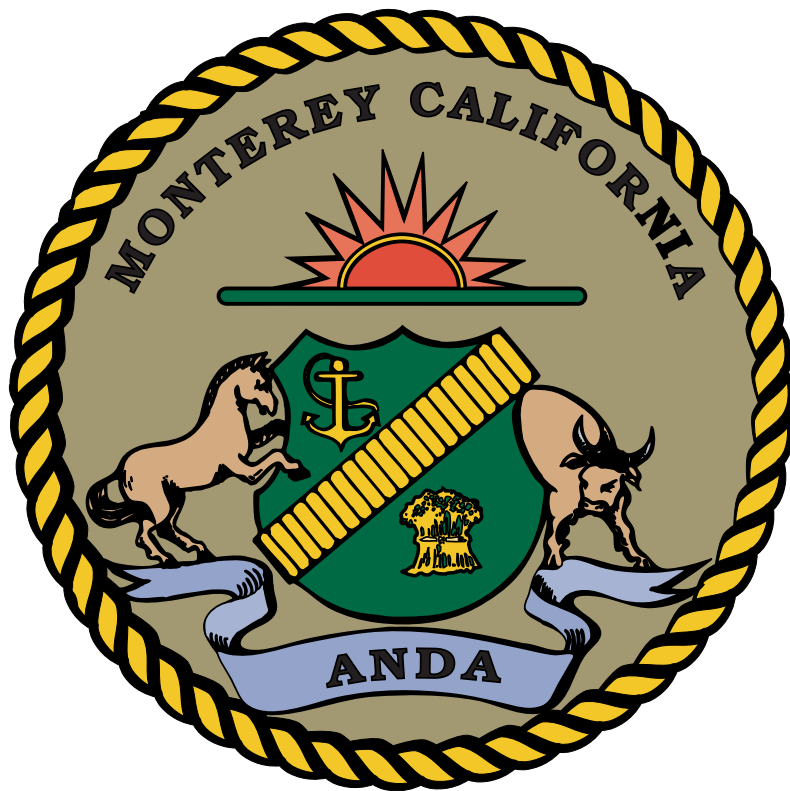
For the Fiscal Year Ended June 30, 2017

CITY OF MONTEREY CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended June 30, 2017



**Prepared by the Finance Department
Julie Porter, Finance Director**



City of Monterey
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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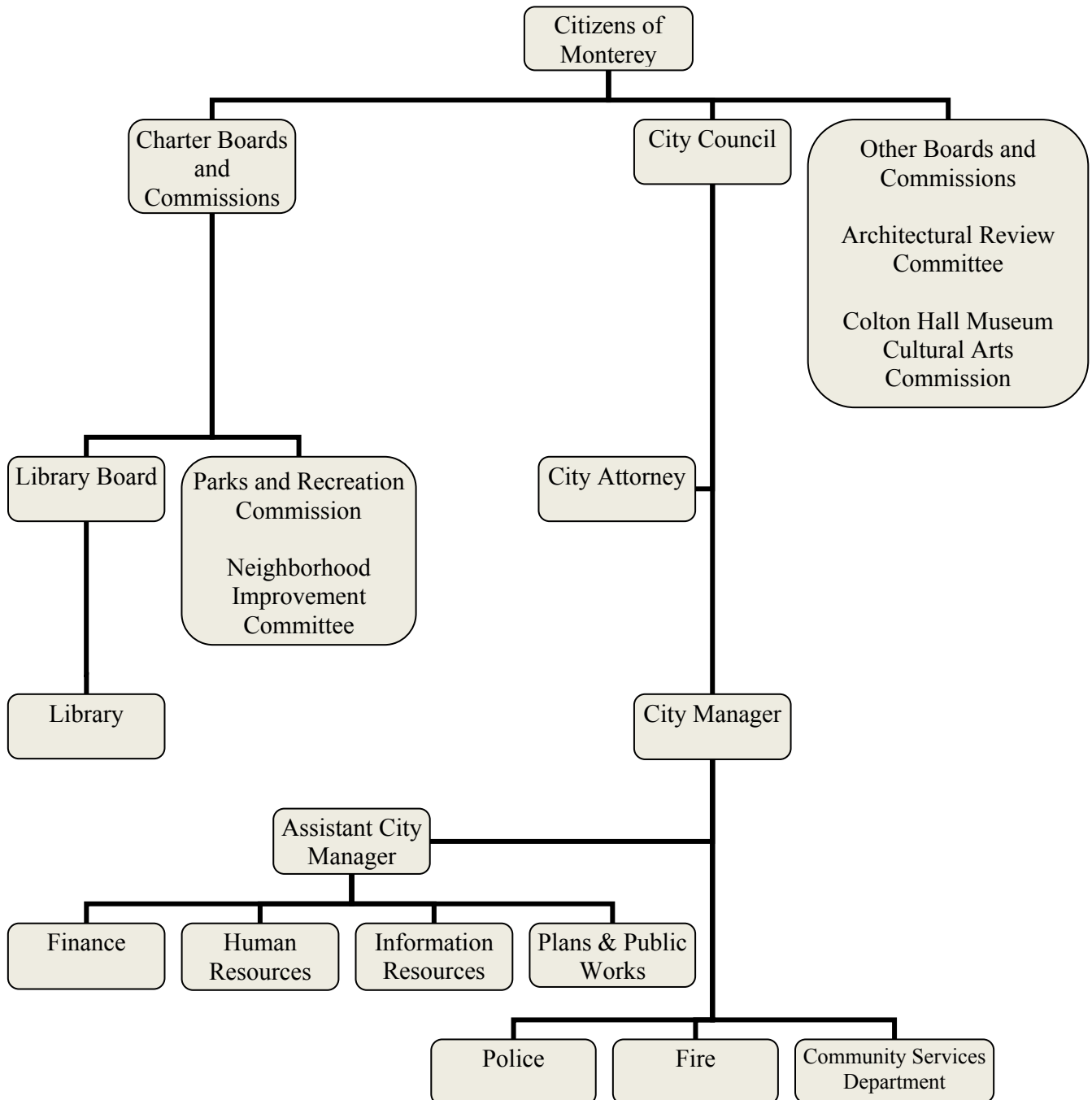
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City of Monterey
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

City Organizational Chart



As of June 30, 2017

CITY COUNCIL

Clyde Roberson
Mayor

Timothy Barrett
Dan Albert

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 Vacant
Information Resources Director and City Clerk Bonnie Gawf
Human Resources Director Allyson Hauck
Library Director Inga Waite
Finance Director Julie Porter
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, 2016

Executive Director/CEO

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December 20, 2017

Honorable Mayor and City Council
City Manager
City of Monterey

I am pleased to present to you the 2016-17 (FY 17) 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 misuse 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, 2017, 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, 2017, 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 FY17. The City's top revenue, Transient Occupancy Tax (TOT) continues to grow and increased by 3.1% over FY16. 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 2016 median single-family sales price of \$775,000 reflects a 13% increase over 2015. In addition, several development projects have either been completed or are underway, adding to the property tax rolls for the City. Given recent stronger numbers continuing through July 2017, property tax receipts are expected to increase another 4% in FY18.

Receipts from sales tax reflect a .6% increase over the previous year; sales tax has not kept pace with the growth of TOT, which is a departure from historical trends but not surprising, considering the largest category of sales tax is restaurants, which correlate to conference business. The City's baseline forecast for sales tax revenues is projected to grow by 1.8% in FY18 and 2.7% in FY19.

While there are no immediate indicators of a slowing economy, the City remains cautious as our primary revenue sources are subject to cyclical changes and we are well beyond the historical timing for a correction. The City anticipates the reopening of the Conference Center in January, 2018 to be a catalyst for further economic growth in the City.

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 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 2.7% for sales taxes and 4% for Property Tax, indicating that these key revenue streams are expected to continue steady growth.

At the end of FY17 the City of Monterey General Fund had \$1,669,317 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 \$21.9 million in working capital to maintain and replace facilities and equipment with separate funding sources such as wharves, parking, marina, sewer system, 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. These reserves address operational needs for risks such as revenue volatility and extreme events and natural disasters. This reserve was drawn down to as low as 10% in 2004, and has been restored over time, reaching 14.5% at the end of FY17; the City's five-year forecast projects full funding at 15% in FY18.

The City completed 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 recommended a minimum of 16.6% of net General Fund expenditures in allocating resources for reserves. The increase of the reserve level to 16.6% would also incorporate reserves to provide leverage for pension obligations, so that the City could maintain operations during times when pension costs fluctuate. However, it does not address reserves for capital repairs and replacement, which remain underfunded.

The Council adopted a two year budget in June, 2017, which reflected a projected operating deficit in FY17 and FY18 due to the use of one time ending balance to cover one-time expenses in FY17 and the first year of the three year phase in of the actuarial policy changes by the California Public Employees Retirement System (CalPERS) to decrease the forecast return on investments (discount rate) from 7.5% to 7%.

The impact of the discount rate reduction will have a dramatic impact on the City's budget in future years. 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, addressing the cost of unfunded retirement liabilities along with 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 and long term liabilities.

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 second year of work with \$8.4 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 through March, 2019.

The Monterey Conference Center and Portola Plaza renovation began in late fall 2015. The renovation is underway and the grand opening is scheduled for January 31, 2018. The renovation is a response to customer needs for more flexible and usable meeting space, upgraded technology and systems and a modernized, LEED (Leadership in Energy and Environmental Design) certified building. The Conference Center Facilities District issued \$50 million in bonds to fund the renovation and a \$2 million supplemental indenture for excess tax revenues. The remainder of the project is funded by other City funds and internal loans. While the project has exceeded the initial time frame for completion, it remains within budget.

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 which began in 2016 represents \$13 million in rehabilitation; 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 project was completed in early FY18.

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. 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, 2016. This was the 21st 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, Vicki Courtney, Wendy Davies, Kimberly Drabner, Herlinda Franklin, Pamela Hart, Lane Hayes, Carol Hewett, Liza Linsao, Melanie Martin, Felicia Ming, Yolanda Munoz, Vickie Rahman, Vincent Pizzo, Matteo Russo and Stella Sandoval. 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 the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Monterey, California (the "City") as of and for the year ended June 30, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 7 to 16 and 105 to 113 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
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, 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 the effectiveness of the City's 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 Pw Group, LLP

Santa Ana, California
December 20, 2017

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monterey, California (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2017.

Internal Control over Financial Reporting

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

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

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

To the Honorable Mayor and Members of City Council
of the City of Monterey
Monterey, California
Page 2

Compliance and Other Matters

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

Purpose of this Report

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

The PwC Group, LLP

Santa Ana, California
December 20, 2017

City of Monterey
Management's Discussion & Analysis
For the Year Ended June 30, 2017

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, 2017. 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 \$145.2 million at June 30, 2017. Most of this amount (\$153.8 million) is made up of net investment in capital assets, such as infrastructure, roads, land and buildings. The restricted net position of \$59.8 million may be used for the City's ongoing obligations related to programs with external restrictions. Unrestricted net position reflects a deficit of \$68.5 million, primarily due to net pension liability of \$131.4 million on the Statement of Net Position.
- Government-wide revenues decreased by \$400 thousand in FY17. While overall, the net change is relatively small, it is a combination of revenue increases in some categories and decreases in other. The City's primary sources of discretionary revenue remained relatively stable; transient occupancy tax, sales tax and property tax combined reflected an increase of \$586 thousand in FY17. Taxes classified as program revenues, including the Measure P special sales tax and the portion of transient occupancy tax assigned to the Neighborhood Improvement Program increased similarly by \$590 thousand. Operating grants in Community Development increased by \$970 thousand, as the City executed its' spending plan for prior year program income in the Community Development Block Grant program. The largest decreases were in revenues related to contract reimbursements with the Army of \$964 thousand, which is mainly reflective of timing of special projects completed and one time external contributions for capital projects. Decreases also were a result of \$642 thousand in fewer fees generated by the Conference Center during construction.
- In FY17, \$2.6 million in revenues from the Sewerline Maintenance Fund were reclassified in FY17 from Governmental Activities to Business-Type activities, a requirement of generally accepting accounting principles when there is outstanding debt backed solely by fees and charges.
- The City's total expenses on the Statement of Activities reflect an increase of \$21.5 million in FY17. This increase was primarily related to construction costs associated with the capital projects including the Conference Center renovation, Measure P street infrastructure improvements, Holman Highway roundabout and sewer rehabilitation projects. These capital costs contributed to increased governmental activities of \$18.4 million. Expenses also increased by \$3.1 million in Public Safety due to reduced vacancies in Police and increased overtime in Fire due to State strike-team call-outs and \$2.8 million in Community Development due to Housing CDBG program activities meeting timeliness spending goals from prior years.

Expenditures for business type activities increased by \$3.1 million from FY16. Increases of \$1.5 million are a result of the reclassification of the Sewerline maintenance Fund; the Parking Fund reflected an increase of \$1.3 over FY16 expenditures, primarily due to the prior year adjustment entry for pension liability in FY16.

City of Monterey
Management's Discussion & Analysis (Continued)
For the Year Ended June 30, 2017

Fund Highlights:

- From the City's fund level statements, the Ending Fund Balance for the General Fund decreased by \$1.4 million during FY17 to \$30.7 million. \$14.2 million of this ending balance is "non-spendable" in that it represents long-term advances to other funds, primarily the Parking Fund. \$14 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 \$2.5 million in assigned fund balance.
The Ending Fund Balance for the Conference Center Facilities District Capital Project fund has been drawn down from \$43.1 million in FY16 to \$12 million at the end of FY17, as the majority of the construction was completed during the year.
- From the City's fund level statements, operating revenues from Business Type Activities exceeded operating expenses by \$5.8 million. Notably, operating surplus was \$3.1 million in the Parking Fund, \$1.3 million in the Marina Fund and \$1 million in the Sewer Fund. Parking and Marina Fund revenues are set to be able to provide for operation, maintenance and facility improvements. Fees for Sewerline Maintenance were increased in FY12 in order to fund loan payments for the Sewerline Rehabilitation Project. While the first phase was completed and loan repayments began in FY17, the second, larger phase of the project is yet to be completed and loan repayments will not begin until the project is completed. Any excess revenues are restricted to sewerline maintenance and repair.

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.

City of Monterey
Management's Discussion & Analysis (Continued)
For the Year Ended June 30, 2017

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, Parking and Sewer Funds, as these are considered to be major funds of the City of Monterey. Data from the other two 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.

City of Monterey
Management's Discussion & Analysis (Continued)
For the Year Ended June 30, 2017

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, 2017 were \$3.4 million. The Private Purpose Trust Fund, which holds funds for the Redevelopment Retirement Obligation Fund, had total assets of \$82 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 position was \$145.2 million at the close of the fiscal year ended June 30, 2017.

By far the largest portion of the City of Monterey's net position (106%) 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 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Current & other assets	\$ 130,397,376	\$ 168,223,771	\$ 12,876,500	\$ 2,989,153	\$ 143,273,876	\$ 171,212,924
Capital assets, net	176,353,365	154,626,750	37,793,518	20,720,679	214,146,883	175,347,429
Total assets	306,750,741	322,850,521	50,670,018	23,709,832	357,420,759	346,560,353
Deferred outflow of resources	35,423,574	17,475,340	1,633,559	944,020	37,057,133	18,419,360
Long-term liabilities outstanding	72,061,067	77,006,545	14,034,571	3,600,713	86,095,638	80,607,259
Net pension liabilities	124,994,664	105,690,706	6,373,896	5,236,886	131,368,560	110,927,592
Other liabilities	17,428,788	13,988,808	1,251,602	609,180	18,680,390	14,597,988
Total liabilities	214,484,519	196,686,059	21,660,069	9,446,780	236,144,588	206,132,839
Deferred inflow of resources	12,589,166	13,596,652	580,621	816,338	13,169,787	14,412,988
Net position:						
Net investment in capital assets	129,531,992	135,062,968	24,301,739	17,585,832	153,833,731	152,648,800
Restricted	59,385,118	55,127,684	406,907	407,029	59,792,025	55,543,713
Unrestricted	(73,816,480)	(60,147,498)	5,354,241	(3,602,125)	(68,462,239)	(63,749,623)
Total net position	\$ 115,100,630	\$ 130,043,154	\$ 30,062,887	\$ 14,390,736	\$ 145,163,517	\$ 144,433,890

City of Monterey
Management's Discussion & Analysis (Continued)
For the Year Ended June 30, 2017

Total net position for the Governmental Activities of \$115.1 million was comprised of \$129.5 million in net capital assets (infrastructure, buildings, roads, land, etc.), \$59.4 million in amounts legally restricted, and a deficit of \$73.8 million, classified as Unrestricted for accounting purposes. This deficit is generated due to net pension liability of \$125 million.

Revenue and Expenses. The City's total net position increased by \$730 thousand from the FY16 ending net position of \$144.4 million. As discussed earlier, total revenues remained relatively flat. However expenses increased by \$21.5 million, primarily a result of capital expenditures.

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 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	
Revenues:							
Program Revenues:							
Charges for services	\$ 39,972,705	\$ 41,816,714	\$ 15,529,421	\$ 13,013,493	\$ 55,502,126	\$ 54,830,207	
Operating grants & contributions	17,507,346	14,269,674	-	-	17,507,346	14,269,674	
Capital grants & contributions	6,205,949	7,322,237	-	7,944	6,205,949	7,330,181	
General Revenues:							
Transient occupancy tax	19,476,470	18,890,094	-	-	19,476,470	18,890,094	
Property tax	8,238,549	7,973,011	-	-	8,238,549	7,973,011	
Sales tax	8,590,013	8,538,569	-	-	8,590,013	8,538,569	
In-lieu sales taxes (sales tax)	-	702,598	-	-	-	702,598	
Other taxes	5,166,317	4,913,625	-	-	5,166,317	4,913,625	
Investment income	702,388	5,583,028	144,345	186,467	846,733	5,769,495	
In-lieu VLF (property tax)	2,651,567	2,545,491	-	-	2,651,567	2,545,491	
Other revenues	1,591,232	348,113	-	-	1,591,232	348,113	
Total revenues	<u>110,102,536</u>	<u>112,903,154</u>	<u>15,673,766</u>	<u>13,207,904</u>	<u>125,776,302</u>	<u>126,111,058</u>	
Expenses:							
General government	6,440,218	6,242,043	-	-	6,440,218	6,242,043	
Public safety	34,598,683	31,413,958	-	-	34,598,683	31,413,958	
Public works	49,867,441	35,996,616	1,593,559	-	51,461,000	35,996,616	
Community development	4,026,511	1,244,516	-	-	4,026,511	1,244,516	
Community services	14,179,688	14,633,159	-	-	14,179,688	14,633,159	
Library	3,106,859	2,992,626	-	-	3,106,859	2,992,626	
Interest and fiscal charges	2,325,866	3,617,864	-	-	2,325,866	3,617,864	
Marina	-	-	1,825,353	1,624,701	1,825,353	1,624,701	
Parking	-	-	6,733,325	5,466,454	6,733,325	5,466,454	
Other Business-type activities	-	-	349,172	302,184	349,172	302,184	
Total Expenses	<u>114,545,266</u>	<u>96,140,782</u>	<u>10,501,409</u>	<u>7,393,339</u>	<u>125,046,675</u>	<u>103,534,121</u>	
Change in net position before transfers	(4,442,730)	16,762,372	5,172,357	5,814,565	729,627	22,576,937	
Transfers	(10,499,794)	738,512	10,499,794	(738,512)	-	-	
Change in net position	(14,942,524)	17,500,884	15,672,151	5,076,053	729,627	22,576,937	
Net position- Beginning	130,043,154	112,542,270	14,390,736	9,314,683	144,433,890	121,856,953	
Net position- Ending	<u>\$ 115,100,630</u>	<u>\$ 130,043,154</u>	<u>\$ 30,062,887</u>	<u>\$ 14,390,736</u>	<u>\$ 145,163,517</u>	<u>\$ 144,433,890</u>	

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

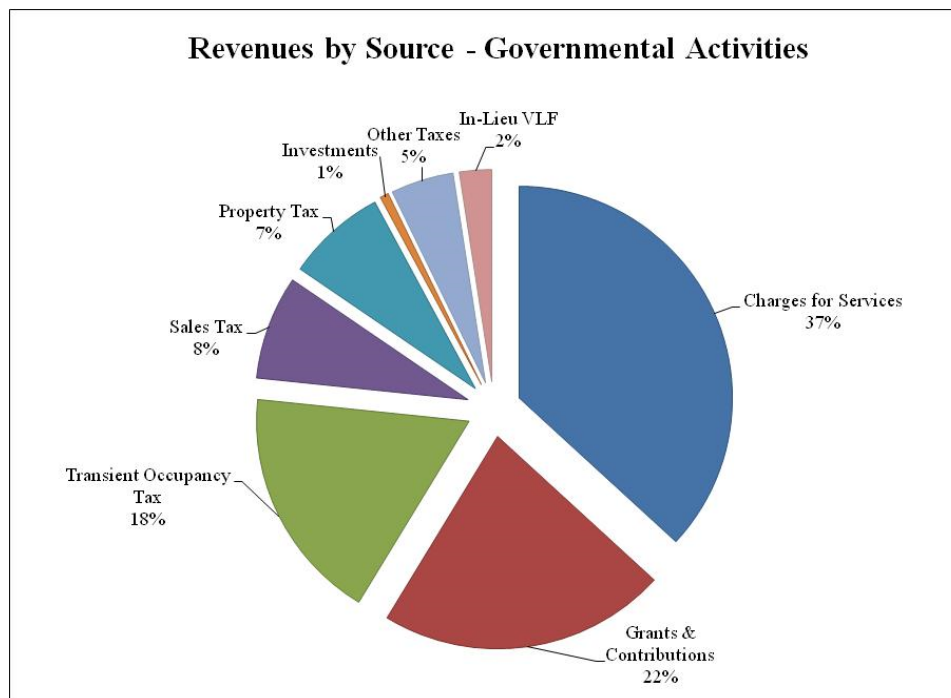
- Transient Occupancy Tax (TOT) receipts of \$23.2 million accounted for 22.8% of all governmental activities' revenues, with \$19.5 million in general revenues and \$3.7 million in program revenues (Neighborhood Improvement Program). For the fiscal year ended June 30, 2017, general revenue TOT increased by \$586 thousand or 3.1%.
- 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 \$672 thousand during the fiscal year;

City of Monterey
Management's Discussion & Analysis (Continued)
For the Year Ended June 30, 2017

- 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. These revenues increased in FY17 relative to the TOT tax increase of 3.1% and an increase of 5.6% in the district sales tax. This category also includes Tideland fund revenues of \$2.8 million, \$1.8 million of which was categorized as investment income in FY16.
- Capital Grants and Contributions of \$6.2 million in Governmental activities reflect the reimbursement for capital projects funded by state and federal grants, district tax and private partnerships, the largest of which was the Holman Highway Roundabout Project.
- Property Tax increased by \$266 thousand (3.3%) to \$8.2 million.
- Sales Tax receipts remained relatively flat at \$8.6 million, realizing a .6% increase. Sales tax growth has slowed in recent years, impacted by lower revenues from restaurant categories, related to the Conference Center renovation, as well as lower brick and mortar retail sales.
- Investment Income reflects a decrease of \$4.9 million in FY17. The majority of this is a result of the following classification changes from FY16:
 - \$1.8 million in rental income in the Tideland Fund is reported in FY17 as Operating Grants and Contributions in Community Services;
 - \$1.2 million in rental income in the General Fund is reported in FY17 as General Revenue, Other Revenue;
 - \$119,600 in investment income in restricted funds is reported in FY17 as Capital or Operating Grants and Contributions, as required by external restrictions.

In addition, investments adjusted to market value reflected a decrease of \$775 thousand from FY16.

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



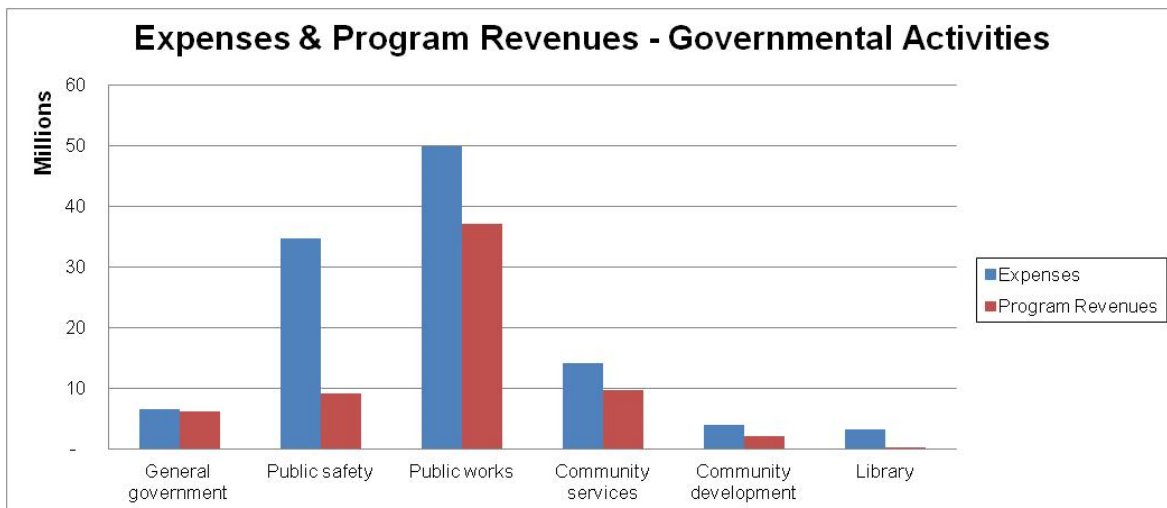
City of Monterey
Management's Discussion & Analysis (Continued)
For the Year Ended June 30, 2017

- **Business-Type Activities:** Notwithstanding the addition of \$10.7 million from the reclassification of the Sewerline Maintenance fund, business-type activities increased the City of Monterey's net position by \$5 million. The key elements of this increase were revenues generated by Parking and Marina operations, and Sewerline maintenance fees, which are set to repay debt; debt service payments for the Sewerline Rehabilitation Project will begin once the project is complete. Excess revenues are maintained in the respective funds for future capital needs.

Overall, 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.

The 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 non-spendable, restricted, committed or assigned. Unassigned fund balance was zero, while total fund balance was \$30.6 million. Current revenues exceeded current expenditures by \$2 million, however, net transfers to other funds, primarily for capital projects and debt service, resulted in a decrease of \$3.4 million in the fund. Overall, General Fund activities generated a net decrease of \$1.4 million in fund balance during FY17. As a measure of the General Fund's liquidity, total fund balance represented 44% of General Fund expenditures, a decrease of 3% from FY16.

City of Monterey
Management's Discussion & Analysis (Continued)
For the Year Ended June 30, 2017

The Capital Improvement Fund has a total fund balance of negative \$3 million, all of which is unassigned. The increase of \$1.7 million in fund balance during the fiscal year is mainly due to reimbursements received from outside sources.

The Conference Center Facilities District Capital Projects Fund has a total fund balance of \$12 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 \$5.9 million, all of which is restricted for use in bond repayments.

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 Presidio of Monterey Fund has a total fund balance of \$1.2 million, which is restricted for use in carrying out the maintenance contract with the US Army, Presidio of Monterey.

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, \$3.8 million, the Parking fund, \$12.8 million, which reflects an increase of \$1 million and \$2.7 million respectively as resources are accumulated for future capital needs. The reclassification of the Sewerline Maintenance Fund adds \$11.7 million to the major Enterprise funds' net position at the end of the fiscal year.

General Fund Budgetary Highlights

Actual General Fund revenues were \$112 thousand higher than the final amended budget. All revenue sources exceeded estimates with the exception of sales tax (.9%, \$77 thousand under budget), investment income (50%, \$858 thousand under budget), rental income (16%, \$114 thousand under budget), and fines (10%, \$26 thousand under budget). Other revenue includes internal loan repayments, which are budgeted, but when received, are reclassified for accounting purposes as a reduction in loan receivable. Expenditure estimates for the General Fund as reflected in the final amended budget were \$3.5 million higher than the original adopted budget. The largest increase, \$1.3 million, was to implement employee contract negotiations, \$943 thousand was for unexpended encumbrances carried over from FY16, \$700 thousand was in the Fire department for overtime which is reimbursed by outside agencies (State of California, contract agencies), and \$650 thousand was for new grant appropriations in Plans & Public Works.

Total expenditures were under budget by \$2.1 million. Overall, general fund expenditures were 2.9% under budget and 2.1% 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, market value of investments, 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.

City of Monterey
Management's Discussion & Analysis (Continued)
For the Year Ended June 30, 2017

Capital Assets 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, 2017, amounts to \$214 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.

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

	Governmental Activities		Business-Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Land	\$ 30,193,285	\$ 30,193,285	\$ 9,205,157	\$ 9,205,157	\$ 39,398,442	\$ 39,398,442
Buildings	27,192,139	28,627,241	7,005,922	7,492,893	34,198,061	36,120,134
Improvements other than buildings	10,364,116	10,852,770	3,155,324	3,104,208	13,519,440	13,956,979
Machinery and Equipment	5,054,698	5,252,322	302,820	348,280	5,357,518	5,600,602
Infrastructure	43,327,859	46,598,697	1,982,228	-	45,310,087	46,598,697
Construction in Progress	60,221,268	33,102,435	16,142,067	570,143	76,363,335	33,672,578
TOTAL CAPITAL ASSETS	\$ 176,353,365	\$ 154,626,750	\$ 37,793,518	\$ 20,720,681	\$ 214,146,883	\$ 175,347,431

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

Long-term debt. \$70.2 million in long-term debt was outstanding at the end of the current fiscal year, not including \$6.9 million in compensated absences, claims payable, and other post-employment benefit (OPEB) obligations. This includes \$49.5 million in special tax revenue bonds issued by the Conference Center Facilities District, \$6.1 million in a facility lease agreement between the Joint Powers Financing Authority and Capital One Public Funding, \$400 thousand in lease revenue bonds issued by the former Redevelopment Agency and the Joint Powers Financing Authority, and \$14.2 million in loans issued by the State of California and loans for Fire apparatus. Below is a summary of the City's outstanding liabilities:

City of Monterey's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Lease Revenue Bonds/Loans	\$ 6,100,000	\$ 6,395,000	\$ 400,000	\$ 770,000	\$ 6,500,000	\$ 7,165,000
Loans Payable	1,071,879	4,427,987	13,091,779	2,364,849	14,163,658	6,792,836
TOTAL DEBT OF THE CITY	7,171,879	10,822,987	13,491,779	3,134,849	20,663,658	13,957,836
Special Tax Bonds*	49,488,977	50,000,000	-	-	49,488,977	50,000,000
TOTAL OUTSTANDING DEBT	\$ 56,660,856	\$ 60,822,987	\$ 13,491,779	\$ 3,134,849	\$ 70,152,635	\$ 63,957,836

*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.

City of Monterey
Management's Discussion & Analysis (Continued)
For the Year Ended June 30, 2017

Economic Factors and Next Year's Budgets and Rates

The City's estimates for the 2017/18 (FY18) budget, show a general fund operating budget surplus of \$310 thousand and an available ending balance of \$3.5 million. The General Fund Five-Year Forecast reflects a declining fund balance of \$1.3 million at the end of 2018/19 (FY19), with a deficit beginning in 2019/20. This forecasted deficit continues to grow as a result of increased retirement contributions to cover benefits earned in prior years as well as more realistic future earnings. This will result in a stronger funding model for the retirement system in the long-term, but will require a concerted plan to rebalance the budget in the near term.

All significant revenue estimates and the FY17 ending balance will be reviewed at mid-year to consider whether any adjustments should be made. The City is also currently reviewing all budget assumptions, including any projected changes to expenditures, in order to update the estimated operating budget for FY18 and beyond. In addition, the City will begin the challenging work of identifying solutions and strategies for resolving the projected deficits. 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, California 93940.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Monterey
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and investments	\$ 76,601,064	\$ 19,484,318	\$ 96,085,382
Restricted cash and investments	17,132,237	406,907	17,539,144
Taxes receivable	7,330,740	-	7,330,740
Accounts receivable	9,975,028	689,947	10,664,975
Interest receivable	206,775	67,390	274,165
Prepaid items	421,863	-	421,863
Internal balances	7,772,062	(7,772,062)	-
Rehabilitation loans receivable	1,988,029	-	1,988,029
Downpayment assistance loans receivable	1,676,684	-	1,676,684
Project subsidy loans receivable	6,643,938	-	6,643,938
Property held for resale	648,956	-	648,956
Capital assets:			
Non-depreciable assets	90,414,553	25,347,224	115,761,777
Depreciable assets (net of depreciation)	85,938,812	12,446,294	98,385,106
Total assets	306,750,741	50,670,018	357,420,759
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflow of resources	35,423,574	1,633,559	37,057,133
Total deferred outflow of resources	35,423,574	1,633,559	37,057,133
LIABILITIES:			
Accounts payable and accrued liabilities	15,101,308	1,085,588	16,186,896
Accrued interest	1,185,496	166,014	1,351,510
Unearned revenue	1,141,984	-	1,141,984
Long-term liabilities:			
Due within one year	4,606,694	820,671	5,427,365
Due in more than one year	67,454,373	13,213,900	80,668,273
Aggregate net pension liabilities	124,994,664	6,373,896	131,368,560
Total liabilities	214,484,519	21,660,069	236,144,588
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflow of resources	12,589,166	580,621	13,169,787
Total deferred inflow of resources	12,589,166	580,621	13,169,787
NET POSITION:			
Net investment in capital assets	129,531,992	24,301,739	153,833,731
Restricted for:			
Capital projects	10,822,149	-	10,822,149
Debt service	5,928,497	406,907	6,335,404
Endowments - nonspendable	2,476,127	-	2,476,127
Endowments - expendable	6,836	-	6,836
Conference Center	2,162,500	-	2,162,500
Tidelands	9,408,877	-	9,408,877
Community development	15,413,621	-	15,413,621
Army and Navy public works	1,192,203	-	1,192,203
Public works	10,705,823	-	10,705,823
Others	1,268,485	-	1,268,485
Total restricted net position	59,385,118	406,907	59,792,025
Unrestricted (Deficit)	(73,816,480)	5,354,241	(68,462,239)
Total net position	\$ 115,100,630	\$ 30,062,887	\$ 145,163,517

City of Monterey
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 6,440,218	\$ 6,072,895	\$ -	\$ -	\$ 6,072,895
Public safety	34,598,683	7,877,786	1,159,933	-	9,037,719
Public works	49,867,441	15,807,678	15,004,252	6,205,949	37,017,879
Community development	4,026,511	1,037,010	1,099,776	-	2,136,786
Community services	14,179,688	9,134,011	149,575	-	9,283,586
Library	3,106,859	43,325	93,810	-	137,135
Interest and fiscal charges	2,325,866	-	-	-	-
Total governmental activities	114,545,266	39,972,705	17,507,346	6,205,949	63,686,000
Business-type Activities:					
Marina	1,825,353	3,052,843	-	-	3,052,843
Parking	6,733,325	9,268,334	-	-	9,268,334
Sewer	1,593,559	2,561,703	-	-	2,561,703
Cemetery	201,536	229,357	-	-	229,357
Materials Recovery	147,636	417,184	-	-	417,184
Total business-type activities	10,501,409	15,529,421	-	-	15,529,421
Total	\$ 125,046,675	\$ 55,502,126	\$ 17,507,346	\$ 6,205,949	\$ 79,215,421

City of Monterey
Statement of Activities (Continued)
For the Year Ended June 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Governmental activities:			
General government	\$ (367,323)	\$ -	\$ (367,323)
Public safety	(25,560,964)	-	(25,560,964)
Public works	(12,849,562)	-	(12,849,562)
Community development	(1,889,725)	-	(1,889,725)
Community services	(4,896,102)	-	(4,896,102)
Library	(2,969,724)	-	(2,969,724)
Interest and fiscal charges	(2,325,866)	-	(2,325,866)
Total governmental activities	(50,859,266)	-	(50,859,266)
Business-type Activities:			
Marina	-	1,227,490	1,227,490
Parking	-	2,535,009	2,535,009
Sewer		968,144	968,144
Cemetery	-	27,821	27,821
Materials Recovery	-	269,548	269,548
Total business-type activities	-	5,028,012	5,028,012
Total	(50,859,266)	5,028,012	(45,831,254)
General revenues:			
Taxes:			
Property taxes	8,238,549	-	8,238,549
Sales tax	8,590,013	-	8,590,013
Property tax in-lieu of VLF	2,651,567	-	2,651,567
Transient occupancy tax	19,476,470	-	19,476,470
Utility user taxes	3,248,124	-	3,248,124
Other taxes	1,918,193	-	1,918,193
Total taxes	44,122,916	-	44,122,916
Investment income	702,388	144,345	846,733
Other revenues	1,591,232	-	1,591,232
Transfers	(10,499,794)	10,499,794	-
Total general revenues and transfers	35,916,742	10,644,139	46,560,881
Changes in net position	(14,942,524)	15,672,151	729,627
Net position:			
Beginning of year	130,043,154	14,390,736	144,433,890
End of year	\$ 115,100,630	\$ 30,062,887	\$ 145,163,517

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FUND FINANCIAL STATEMENTS

The Fund Financial Statements only present individual major funds, while nonmajor funds are combined in a single column. Major funds are generally defined 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 nonmajor funds may be found in the Supplementary Information 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 IMPROVEMENT CAPITAL PROJECTS FUND

The **Capital Improvement 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, 2017

		Capital Projects Funds		Conference Center Facilities District Debt Service Fund
	General Fund	Capital Improvement	Conference Center Facilities District	
ASSETS				
Cash and investments	\$ 16,492,846	\$ -	\$ 4,163,455	\$ 4,531,013
Restricted cash and investments:				
Held by fiscal agent	-	350,393	1,909,319	699,199
Held by city	-	-	9,839,483	-
Receivables:				
Taxes receivable	5,232,654	-	-	-
Accounts receivable	1,457,889	3,212,784	-	685,561
Interest receivable	78,649	-	-	12,724
Prepaid items	337,083	-	-	-
Due from other funds	5,267,927	-	-	-
Advances to other funds	13,831,486	-	-	-
Loans receivable:				
Rehabilitation	-	-	-	-
Downpayment assistance	-	-	-	-
Project subsidy	-	-	-	-
Property held for resale	-	-	-	-
Total assets	<u>\$ 42,698,534</u>	<u>\$ 3,563,177</u>	<u>\$ 15,912,257</u>	<u>\$ 5,928,497</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 4,297,674	\$ 1,257,353	\$ 3,910,274	\$ -
Due to other funds	-	3,825,793	-	-
Advances from other funds	6,581,234	80,625	-	-
Unearned revenues	1,141,984	-	-	-
Total Liabilities	<u>12,020,892</u>	<u>5,163,771</u>	<u>3,910,274</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenues	29,752	1,384,151	-	-
Total deferred inflows of resources	<u>29,752</u>	<u>1,384,151</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable	14,168,569	-	-	-
Restricted	-	-	12,001,983	5,928,497
Committed	13,992,585	-	-	-
Assigned	2,486,736	-	-	-
Unassigned (deficit)	-	(2,984,745)	-	-
Total fund balances	<u>30,647,890</u>	<u>(2,984,745)</u>	<u>12,001,983</u>	<u>5,928,497</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 42,698,534</u>	<u>\$ 3,563,177</u>	<u>\$ 15,912,257</u>	<u>\$ 5,928,497</u>

City of Monterey
Balance Sheet (Continued)
Governmental Funds
June 30, 2017

	Special Revenue Funds			
	Neighborhood Improvement	Presidio of Monterey Public Works	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 10,525,766	\$ -	\$ 25,482,435	\$ 61,195,515
Restricted cash and investments:				
Held by fiscal agent	-	-	18,672	2,977,583
Held by city	-	-	2,476,127	12,315,610
Receivables:				
Taxes receivable	617,886	-	1,480,200	7,330,740
Accounts receivable	114,345	2,975,624	1,016,027	9,462,230
Interest receivable	29,551	-	77,857	198,781
Prepaid items	-	-	-	337,083
Due from other funds	-	-	-	5,267,927
Advances to other funds	-	-	-	13,831,486
Loans receivable:				
Rehabilitation	-	-	1,988,029	1,988,029
Downpayment assistance	-	-	1,676,684	1,676,684
Project subsidy	-	-	6,643,938	6,643,938
Property held for resale	-	-	648,956	648,956
Total assets	\$ 11,287,548	\$ 2,975,624	\$ 41,508,925	\$ 123,874,562
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 352,297	\$ 527,539	\$ 4,089,992	\$ 14,435,129
Due to other funds	-	636,228	219,011	4,681,032
Advances from other funds	-	-	100,000	6,761,859
Unearned revenues	-	-	-	1,141,984
Total Liabilities	352,297	1,163,767	4,409,003	27,020,004
Deferred Inflows of Resources:				
Unavailable revenues	113,102	647,630	1,830,673	4,005,308
Total deferred inflows of resources	113,102	647,630	1,830,673	4,005,308
Fund Balances:				
Nonspendable	-	-	2,476,127	16,644,696
Restricted	-	1,164,227	32,826,310	51,921,017
Committed	10,822,149	-	-	24,814,734
Assigned	-	-	-	2,486,736
Unassigned (deficit)	-	-	(33,188)	(3,017,933)
Total fund balances	10,822,149	1,164,227	35,269,249	92,849,250
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,287,548	\$ 2,975,624	\$ 41,508,925	\$ 123,874,562

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City of Monterey
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2017

Total fund balances reported on the governmental funds balance sheet	\$ 92,849,250
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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 \$3,238,843 reported in Internal Service Funds	173,114,522
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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.	7,476,578
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Revenues earned but not available to pay for current expenditures for governmental funds are reported as unavailable revenue in the Governmental Funds Balance Sheet.	4,005,308
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Compensated absences were not due and payable in the current period; therefore, they were not reported in the governmental fund balance sheets, net of \$212,237 reported in Internal Service Funds.	(3,848,307)
--	-------------

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 \$104,374 reported in Internal Service Funds.	(2,236,315)
--	-------------

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 \$1,070,537 reported in Internal Service Funds	\$ 34,353,037		
Aggregate net pension liabilities, net of \$4,177,069 reported in Internal Service Funds	(120,817,595)		
Deferred inflows of resources, net of \$380,500 reported in Internal Service Funds	(12,208,666)		(98,673,224)

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 \$253,657 reported in Internal Service Funds	(56,407,199)		
Interest payable, net of \$5,513 reported in Internal Service Funds	(1,179,983)		(57,587,182)

Net position of governmental activities:	\$ 115,100,630
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City of Monterey
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

		Capital Projects Funds		Conference Center Facilities District Debt Service Fund
	General	Capital Improvement	Conference Center Facilities District	
REVENUES:				
Property tax	\$ 8,238,549	\$ -	\$ -	\$ -
Sales tax	8,590,013	-	-	-
In-lieu sales tax	2,651,567	-	-	-
Transient occupancy tax	19,476,470	-	-	-
Utility users tax	3,248,124	-	-	-
Other taxes	1,918,193	-	-	4,315,901
Intergovernmental	1,320,086	4,893,591	-	-
Investment income (loss)	847,401	(702)	(144,496)	23,194
Rental income	607,014	-	-	-
Licenses and permits	4,913,189	-	-	-
Charges for current services	17,180,944	-	-	-
Fines	230,611	-	-	-
Other	2,106,820	-	-	-
Total revenues	71,328,981	4,892,889	(144,496)	4,339,095
EXPENDITURES:				
Current:				
General government:	6,192,906	-	-	-
Police	14,406,038	-	-	-
Fire	19,207,989	-	-	-
Public works	14,448,237	-	-	-
Community development	-	-	-	-
Community services	11,954,537	-	-	-
Library	2,915,767	-	-	-
Capital outlay	-	21,864,966	30,764,987	-
Debt service:				
Principal	156,614	-	-	511,023
Interest and fiscal charges	86,262	-	-	1,990,407
Total expenditures	69,368,350	21,864,966	30,764,987	2,501,430
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,960,631	(16,972,077)	(30,909,483)	1,837,665
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	3,922,722	-	-
Transfers in	1,378,042	15,563,096	22,038	-
Transfers out	(4,786,717)	(836,895)	(245,902)	(22,038)
Total other financing sources (uses)	(3,408,675)	18,648,923	(223,864)	(22,038)
NET CHANGE IN FUND BALANCES	(1,448,044)	1,676,846	(31,133,347)	1,815,627
FUND BALANCES:				
Beginning of year	32,095,934	(4,661,591)	43,135,330	4,112,870
End of year	<u>\$ 30,647,890</u>	<u>\$ (2,984,745)</u>	<u>\$ 12,001,983</u>	<u>\$ 5,928,497</u>

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, 2017

	Special Revenue Funds			
	Neighborhood Improvement	Presidio of Monterey Public Works	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Property tax	\$ -	\$ -	\$ 22,628	\$ 8,261,177
Sales tax	-	-	9,511,457	18,101,470
In-lieu sales tax	-	-	-	2,651,567
Transient occupancy tax	3,709,851	-	-	23,186,321
Utility users tax	-	-	-	3,248,124
Other taxes	-	-	519,673	6,753,767
Intergovernmental	-	10,790,076	1,584,017	18,587,770
Investment income (loss)	95,254	-	541,213	1,361,864
Rental income	-	-	3,112,589	3,719,603
Licenses and permits	-	-	18,584	4,931,773
Charges for current services	-	270,615	1,428,405	18,879,964
Fines	-	-	-	230,611
Other	25,000	-	172,703	2,304,523
Total revenues	<u>3,830,105</u>	<u>11,060,691</u>	<u>16,911,269</u>	<u>112,218,534</u>
EXPENDITURES:				
Current:				
General government:	-	-	197,769	6,390,675
Police	-	-	30,855	14,436,893
Fire	-	-	156,765	19,364,754
Public works	3,731,887	11,537,424	1,575,737	31,293,285
Community development	-	-	4,000,100	4,000,100
Community services	-	-	1,300,291	13,254,828
Library	-	-	151,611	3,067,378
Capital outlay	-	-	-	52,629,953
Debt service:				
Principal	-	-	295,000	962,637
Interest and fiscal charges	-	-	250,098	2,326,767
Total expenditures	<u>3,731,887</u>	<u>11,537,424</u>	<u>7,958,226</u>	<u>147,727,270</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>98,218</u>	<u>(476,733)</u>	<u>8,953,043</u>	<u>(35,508,736)</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	-	-	3,922,722
Transfers in	17,000	-	1,012,166	17,992,342
Transfers out	(50,186)	(117,750)	(18,986,432)	(25,045,920)
Total other financing sources (uses)	<u>(33,186)</u>	<u>(117,750)</u>	<u>(17,974,266)</u>	<u>(3,130,856)</u>
NET CHANGE IN FUND BALANCES	65,032	(594,483)	(9,021,223)	(38,639,592)
FUND BALANCES:				
Beginning of year	10,757,117	1,758,710	44,290,472	131,488,842
End of year	<u>\$ 10,822,149</u>	<u>\$ 1,164,227</u>	<u>\$ 35,269,249</u>	<u>\$ 92,849,250</u>

See accompanying Notes to the Basic Financial Statements.

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, 2017

Net change in fund balances - total governmental funds:	\$ (38,639,592)
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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 \$1,060,576 reported in Internal Service Fund	\$ 39,900,497	
Depreciation expense, net of \$932,504 reported in Internal Service Funds.	(3,894,991)	
Transfer of capital assets to the Sewer Enterprise Fund	(11,322,297)	
Net effect on disposal of capital assets	(3,035,008)	21,648,201

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.	(2,125,990)
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt 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	962,637	
Interest expense	9,509	
Proceed of long-term debt	(3,922,722)	(2,950,576)

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:

Other postemployment benefits obligation	(7,290)	
Compensated absences	(244,877)	
Transfer of net pension liabilities and related deferred outflows of resources and deferred inflows of resources to the Sewer Enterprise Fund	838,109	
Transfer of long-term debt to the Sewer Enterprise Fund and related interest payable of \$42,236	7,136,833	
Transfer of OPEB obligation to the Sewer Enterprise Fund	36,722	
Pension expense, net of contribution made after measurement date \$10,864,532	(1,100,832)	6,658,665

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	\$ (14,942,524)
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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.

SEWER FUND

This fund was established to pay for construction, operation, and maintenance of sewer line and improvements. All revenues collected are from residential and commercial sewer fees.

City of Monterey
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Marina	Parking	Sewer	Nonmajor Enterprise Funds	Total	Funds
ASSETS						
Current assets:						
Cash and investments	\$ 4,232,856	\$ 8,658,379	\$ 6,336,830	\$ 256,253	\$ 19,484,318	\$ 15,405,549
Cash with fiscal agent	-	-	-	-	-	1,839,044
Accounts receivable	57,580	220,784	398,151	13,432	689,947	512,798
Interest receivable	11,801	24,539	22,176	8,874	67,390	7,994
Prepaid items	-	-	-	-	-	84,780
Total current assets	4,302,237	8,903,702	6,757,157	278,559	20,241,655	17,850,165
Noncurrent assets:						
Cash and investments with fiscal agent	-	-	-	406,907	406,907	-
Advances to other funds	78,688	5,880,736	-	-	5,959,424	702,435
Capital assets:						
Nondepreciable	96,304	9,819,818	15,431,102	-	25,347,224	157,323
Depreciable	10,661,629	24,923,680	3,694,624	4,603,119	43,883,052	12,175,040
Accumulated depreciation	(8,030,512)	(19,200,619)	(1,685,569)	(2,520,058)	(31,436,758)	(9,093,520)
Total capital assets, net	2,727,421	15,542,879	17,440,157	2,083,061	37,793,518	3,238,843
Total noncurrent assets	2,806,109	21,423,615	17,440,157	2,489,968	44,159,849	3,941,278
Total assets	7,108,346	30,327,317	24,197,314	2,768,527	64,401,504	21,791,443
DEFERRED OUTFLOWS OF RESOURCES						
Pension related deferred outflows of resources	275,564	1,086,396	233,932	37,667	1,633,559	1,070,537
Total deferred outflows of resources	275,564	1,086,396	233,932	37,667	1,633,559	1,070,537

(Continued)

City of Monterey
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Marina	Parking	Sewer	Nonmajor Enterprise Funds	Total	
LIABILITIES						
Current liabilities:						
Accounts payable	36,131	233,236	621,224	908	891,499	545,033
Accrued liabilities	32,296	142,498	15,501	3,794	194,089	121,146
Interest payable	99,631	-	58,199	8,184	166,014	5,513
Due to other funds	-	-	-	-	-	586,895
Compensated absences, due within one year	7,142	27,264	10,526	1,132	46,064	31,435
Claims payables, due within one year	-	-	-	-	-	2,918,015
Bonds and loans payable, due within one year	228,778	-	145,829	400,000	774,607	28,464
Total current liabilities	403,978	402,998	851,279	414,018	2,072,273	4,236,501
Noncurrent liabilities:						
Advances from other funds	-	13,272,103	-	459,383	13,731,486	-
Compensated absences	27,443	104,766	40,449	8,659	181,317	180,802
Claims payable, due in more than one year	-	-	-	-	-	6,080,963
Bonds and loans payable, due in more than one year	1,917,145	-	10,800,027	-	12,717,172	225,193
Other postemployment benefits obligations	43,887	224,876	36,843	9,805	315,411	104,374
Net pension liabilities	1,075,208	4,238,950	912,767	146,971	6,373,896	4,177,069
Total noncurrent liabilities	3,063,683	17,840,695	11,790,086	624,818	33,319,282	10,768,401
Total liabilities	3,467,661	18,243,693	12,641,365	1,038,836	35,391,555	15,004,902
DEFERRED INFLOWS OF RESOURCES						
Pension related deferred inflows of resources	97,945	386,140	83,148	13,388	580,621	380,500
Total deferred inflows of resources	97,945	386,140	83,148	13,388	580,621	380,500
NET POSITION						
Net investment in capital assets	581,498	15,542,879	6,494,301	1,683,061	24,301,739	2,985,186
Restricted for debt service	-	-	-	406,907	406,907	-
Unrestricted	3,236,806	(2,758,999)	5,212,432	(335,998)	5,354,241	4,491,392
Total net position	\$ 3,818,304	\$ 12,783,880	\$ 11,706,733	\$ 1,753,970	\$ 30,062,887	\$ 7,476,578
(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, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Marina	Parking	Sewer	Nonmajor Enterprise Funds	Totals
OPERATING REVENUES:					
Charges for services	\$ 2,700,441	\$ 8,849,358	\$ 2,561,703	\$ 229,357	\$ 14,340,859
Lease revenue	328,960	249,322	-	417,184	995,466
Other revenue	23,442	169,654	-	-	193,096
Total operating revenues	3,052,843	9,268,334	2,561,703	646,541	15,529,421
OPERATING EXPENSES:					
Salaries and benefits	929,092	3,552,618	750,702	108,721	5,341,133
Services and supplies	547,015	2,110,595	705,654	75,416	3,438,680
Claims and insurance	-	-	-	-	-
Depreciation	251,858	444,084	75,164	120,760	891,866
Total operating expenses	1,727,965	6,107,297	1,531,520	304,897	9,671,679
Operating income	1,324,878	3,161,037	1,030,183	341,644	5,857,742
NONOPERATING REVENUES (EXPENSES):					
Investment income	15,623	96,740	27,450	4,532	144,345
Interest and fiscal charges	(97,388)	(626,028)	(62,039)	(44,275)	(829,730)
Gains on sale of assets	-	-	-	-	-
Total nonoperating revenues (expenses)	(81,765)	(529,288)	(34,589)	(39,743)	(685,385)
Income before transfers	1,243,113	2,631,749	995,594	301,901	5,172,357
TRANSFERS:					
Transfers in	-	286,663	10,711,139	-	10,997,802
Transfers out	(235,873)	(262,135)	-	-	(498,008)
Net transfers	(235,873)	24,528	10,711,139	-	10,499,794
Change in net position	1,007,240	2,656,277	11,706,733	301,901	15,672,151
NET POSITION:					
Beginning of year	2,811,064	10,127,603	-	1,452,069	14,390,736
End of year	<u>\$ 3,818,304</u>	<u>\$ 12,783,880</u>	<u>\$ 11,706,733</u>	<u>\$ 1,753,970</u>	<u>\$ 30,062,887</u>

City of Monterey
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Marina	Parking	Sewer	Nonmajor Enterprise Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 3,118,518	\$ 9,234,301	\$ 2,539,288	\$ 649,529	\$ 15,541,636
Receipts from user departments	-	-	-	-	18,701,276
Receipts from insurance recovery or settlements	-	-	-	-	561,367
Payments to suppliers	(550,630)	(2,150,596)	(111,115)	(75,466)	(4,979,549)
Payments to employees	(932,294)	(4,095,795)	(785,346)	(115,697)	(2,933,166)
Claims and insurance paid	-	-	-	-	(11,711,279)
Cash flows provided by operating activities	1,635,594	2,987,910	1,642,827	458,366	(361,351)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts	45,000	-	-	-	-
Interfund payments	-	(667,632)	-	(100,000)	117,825
Transfers in	-	286,663	6,895,810	-	145,867
Transfers out	(235,873)	(262,135)	-	-	(281,450)
Cash flows provided by (used in) noncapital financing activities	(190,873)	(643,104)	6,895,810	(100,000)	(17,758)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(82,454)	(366,928)	(6,193,024)	-	(1,060,576)
Proceed from sale of assets	-	-	-	-	99,040
Debt principal repayment	(218,926)	-	(148,541)	(370,000)	(27,619)
Issuance of debt	-	-	3,999,800	-	-
Interest paid	(106,418)	(626,028)	(46,076)	(51,846)	(8,116)
Transfers in	-	-	164,237	-	-
Cash flows (used in) capital and related financing activities	(407,798)	(992,956)	(2,223,604)	(421,846)	(997,271)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	11,453	89,320	21,797	12,138	8,082
Cash flows provided by investing activities	11,453	89,320	21,797	12,138	8,082
Net increase (decrease) in cash and cash equivalent	1,048,376	1,441,170	6,336,830	(51,342)	(1,368,298)
CASH AND CASH EQUIVALENT:					
Beginning of year	3,184,480	7,217,209	-	714,502	18,612,891
End of year	<u>\$ 4,232,856</u>	<u>\$ 8,658,379</u>	<u>\$ 6,336,830</u>	<u>\$ 663,160</u>	<u>\$ 17,244,593</u>
CASH AND CASH EQUIVALENT:					
Cash and investments	\$ 4,232,856	\$ 8,658,379	\$ 6,336,830	\$ 256,253	\$ 15,405,549
Cash with fiscal agent	-	-	-	-	1,839,044
Cash and investments with fiscal agent	-	-	-	406,907	-
Total cash and cash equivalent	\$ 4,232,856	\$ 8,658,379	\$ 6,336,830	\$ 663,160	\$ 17,244,593

(Continued)

City of Monterey
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Marina	Parking	Sewer	Nonmajor Enterprise Funds	Totals	
NONCASH OPERATING ACTIVITIES:						
Transfer of Sewer operation from governmental funds to Enterprise Fund	\$ -	\$ -	\$ 7,236,269	\$ -	\$ 7,236,269	\$ -
Transfers of net pension liabilities and OPEB obligation from governmental activities to Enterprise Fund	-	-	(874,831)	-	(874,831)	-
TOTAL NONCASH OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,361,438</u>	<u>\$ -</u>	<u>\$ 6,361,438</u>	<u>\$ -</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:						
Transfer of capital assets from governmental activities to Enterprise Fund	\$ -	\$ -	\$ 11,322,297	\$ -	\$ 11,322,297	\$ -
Transfers of capital related debt from governmental activities to Enterprise Fund	-	-	(7,136,833)	-	(7,136,833)	-
TOTAL NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>\$ -</u>	<u>\$ -</u>	<u>4,185,464</u>	<u>\$ -</u>	<u>\$ 4,185,464</u>	<u>\$ -</u>
TOTAL NONCASH TRANSACTION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,546,902</u>	<u>\$ -</u>	<u>\$ 10,546,902</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided by Operating activities:						
Operating activities:						
Operating income (loss)	\$ 1,324,878	\$ 3,161,037	\$ 1,030,183	\$ 341,644	\$ 5,857,742	\$ 551,585
Adjustments to reconcile operating income to net cash flows provided by operating activities:						
Depreciation	251,858	444,084	75,164	120,760	891,866	932,504
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	65,675	(34,033)	(22,415)	2,988	12,215	(471,589)
(Increase) decrease in prepaid items	-	-	-	-	-	(12,790)
(Increase) decrease in pension related deferred outflows of resources	(109,020)	(332,529)	(233,932)	(14,058)	(689,539)	(442,043)
Increase (decrease) in accounts payable	(3,615)	(40,001)	594,539	(50)	550,873	(549,283)
Increase (decrease) in accrued expenses	2,522	6,048	(9,614)	(805)	(1,849)	9,884
Increase (decrease) in due to other funds	-	-	-	-	-	91,612
Increase (decrease) in compensated absences	(2,082)	(8,530)	50,975	(1,101)	39,262	34,074
Increase (decrease) in claims payable	-	-	-	-	-	(1,033,250)
Increase (decrease) in OPEB obligations	133	670	121	19	943	384
Increase (decrease) in net pension liabilities	151,318	56,927	74,658	15,998	298,901	690,547
Increase (decrease) in pension related deferred inflows of resources	(46,073)	(265,763)	83,148	(7,029)	(235,717)	(162,986)
Cash flows provided by operating activities	<u>\$ 1,635,594</u>	<u>\$ 2,987,910</u>	<u>\$ 1,642,827</u>	<u>\$ 458,366</u>	<u>\$ 6,724,697</u>	<u>\$ (361,351)</u>

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FIDUCIARY FUNDS

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, 2017

	Private Purpose Trust Fund	Agency Funds
ASSETS:		
Cash and investments	\$ 81,985	\$ 39,613
Accounts receivable	-	3,319,066
Interest receivables	230	-
Total assets	<u>82,215</u>	<u>\$ 3,358,679</u>
LIABILITIES:		
Accounts payable	\$ 50	\$ -
Deposits payable	-	16
Due to the City	-	2,975,624
Due to the City of Seaside	-	328,487
Special assessments	-	54,552
Total liabilities	<u>50</u>	<u>\$ 3,358,679</u>
NET POSITION		
Held in trust pending distribution	<u>\$ 82,165</u>	

City of Monterey
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2017

	Private Purpose Trust Fund
ADDITIONS:	
Investment income	\$ 275
Total additions	<u>275</u>
DEDUCTIONS:	
General and administrative	<u>3,723</u>
Total deductions	<u>3,723</u>
CHANGE IN NET POSITION	(3,448)
NET POSITION:	
Beginning of year	<u>85,613</u>
End of year	<u><u>\$ 82,165</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Monterey
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For the Year Ended June 30, 2017

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City of Monterey
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For the Year Ended June 30, 2017

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City of Monterey
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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 blended (i.e. aggregated and merged) 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 most 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, 2017

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, 2017

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 nonmajor 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, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Proprietary Fund Financial Statements (Continued)

Sewer Enterprise Fund - This fund was established to pay for construction, operation, and maintenance of sewer lines and improvements. The revenue sources include residential and commercial sewer fees.

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, workers' 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, 2017

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

U.S. GAAP 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 reported as prepaid items 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 threshold of \$150,000 cost and a useful life of 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 acquisition 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, 2017

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, 2017

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, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

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, 2017

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, former 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 items, 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, 2017

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 \$9,823,460.

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, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Change in Accounting Principles

GASB has issued Statement No. 77, *Tax Abatement Disclosure*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. 2) The gross dollar amount of taxes abated during the period 3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. This statement became effective for periods beginning after June 15, 2016 and did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

GASB has issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement became effective for periods beginning after June 15, 2016 and did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement became effective for periods beginning after June 15, 2016, and should be applied retroactively. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

GASB has issued Statement No. 82, *Pension Issues*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement became effective for periods beginning after June 15, 2016, and should be applied retroactively. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017 in the accompanying financial statements as follows:

	Government- Wide Statement of Net Position	Fiduciary Fund Statement of Net Position	Total
Cash and investments	\$ 96,085,382	\$ 121,598	\$ 96,206,980
Restricted cash and investments	17,539,144	-	17,539,144
Total cash and investments	\$ 113,624,526	\$ 121,598	\$ 113,746,124

The City had the following cash and investments at June 30, 2017:

Cash on hand	\$ 34,906
Deposits with financial institution	29,226,919
Total cash	29,261,825
Investments:	
Local Agency Investment Fund	15,983,051
Money market funds	751,086
U.S. Treasury notes	19,436,094
U.S. government sponsored enterprise securities	27,931,249
Commerical paper	2,690,060
Corporate notes	16,586,653
Investments with fiscal agent:	
Money market funds	755,507
U.S. Treasury notes	76,279
U.S. government sponsored enterprise securities	274,320
Total investments	84,484,299
Total cash and investments	\$ 113,746,124

A. Demand Deposits

The carrying amounts of the City's deposits were \$29,226,919 at June 30, 2017. Bank balances at that date were \$30,971,113, 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, 2017

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 of Portfolio**	Maximum Investment 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)	N/A	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, 2017

Note 2 – Cash and Investments (Continued)

D. Fair Value Measurements

At June 30, 2017, 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, 2017.

Investment Type	Measurement Input			Total
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Uncategorized	
Investments:				
Local Agency Investment Fund	\$ -	\$ -	\$ 15,983,051	\$ 15,983,051
Money market funds	-	-	751,086	751,086
U.S. Treasury notes	19,436,094	-	-	19,436,094
U.S. government sponsored enterprise securities	-	27,931,249 ⁽¹⁾	-	27,931,249
Commercial paper	-	2,690,060 ⁽²⁾	-	2,690,060
Corporate notes	-	16,586,653 ⁽¹⁾	-	16,586,653
Investments with fiscal agent:				
Money market funds	-	-	755,507	755,507
U.S. Treasury notes	76,279	-	-	76,279
U.S. government sponsored enterprise securities	-	274,320 ⁽¹⁾	-	274,320
	<u>\$ 19,512,373</u>	<u>\$ 47,482,282</u>	<u>\$ 17,489,644</u>	<u>\$ 84,484,299</u>

⁽¹⁾ Priced based on IDSI Institutional Bond Quotes

⁽²⁾ Priced based on matrix pricing

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, 2017, 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	\$ 15,983,051	\$ -	\$ -	\$ 15,983,051
Money market funds	751,086	-	-	751,086
U.S. Treasury note	2,746,688	7,444,472	9,244,934	19,436,094
U.S. government sponsored enterprise securities	10,566,700	7,240,715	10,123,834	27,931,249
Commercial paper	2,690,060	-	-	2,690,060
Corporate notes	5,041,535	3,622,360	7,922,758	16,586,653
Investments with fiscal agent:				
Money market funds	755,507	-	-	755,507
U.S. Treasury notes	54,927	21,352	-	76,279
U.S. government sponsored enterprise securities	139,697	65,746	68,877	274,320
Total	<u>\$ 38,729,251</u>	<u>\$ 18,394,645</u>	<u>\$ 27,360,403</u>	<u>\$ 84,484,299</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017, the City's investments are rated as following:

Investment Type	Total as of June 30, 2017	Minimum Legal Rating	AAA	AA	A	N/A	Not Required to be Rated
Investments:							
Local Agency Investment Fund	\$ 15,983,051	N/A	\$ -	\$ -	\$ -	\$ -	\$ 15,983,051
Money market funds	751,086	N/A	751,086	-	-	-	-
U.S. Treasury note	19,436,094	N/A	-	19,436,094	-	-	-
U.S. government sponsored enterprise securities	27,931,249	N/A	-	26,931,689	-	999,560	-
Commercial paper	2,690,060	NA	-	-	2,690,060	-	-
Corporate notes	16,586,653	A	1,155,094	5,716,258	9,715,301	-	-
Investments with fiscal agent:							
Money market funds	755,507	N/A	755,507	-	-	-	-
U.S. Treasury notes	76,279	N/A	-	76,279	-	-	-
U.S. government sponsored enterprise securities	274,320	N/A	-	274,320	-	-	-
Total	\$ 84,484,299		\$ 2,661,687	\$ 52,434,640	\$ 12,405,361	\$ 999,560	\$ 15,983,051

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	\$ 9,330,775	11%
Federal Home Loan Mortgage Corporation	U.S. government sponsored enterprise securities	10,297,620	12%
Federal National Mortgage Association	U.S. government sponsored enterprise securities	8,302,854	10%

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017 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, 2017, the City had \$15,983,051 invested in LAIF, which had invested 2.89% 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, 2017

Note 3 – Interfund Transactions

A. Government-Wide Financial Statements

Internal Balances – At June 30, 2017, 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	\$ 7,772,062

Transfers – At June 30, 2017, the City had the following transfers:

Transfers Out	
Business-Type Activities	
Transfers In	
Governmental Activities	\$ (10,499,794)

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, 2017, 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		Total
Due From Other Funds					
Governmental Funds:					
General Fund	\$ 3,825,793	\$ 636,228	\$ 219,011	\$ 586,895	\$ 5,267,927
	\$ 3,825,793	\$ 636,228	\$ 219,011	\$ 586,895	\$ 5,267,927

The amounts above resulted from temporary borrowing made at June 30, 2017 to cover cash shortfalls.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Interfund Transactions (Continued)

B. Fund Financial Statements (Continued)

Advances To/From Other Funds – At June 30, 2017, the City had the following advances to/from other funds:

Advance From Other Funds						
Advance To Other Funds	Governmental Funds			Proprietary Funds		Total
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Parking Enterprise Fund	Nonmajor Enterprise Funds	
Governmental Funds						
General Fund	\$ -	\$ -	\$ 100,000	\$ 13,272,103	\$ 459,383	\$ 13,831,486
Proprietary Funds						
Marina Enterprise Fund	78,688	-	-	-	-	78,688
Parking Enterprise Fund	5,800,111	80,625	-	-	-	5,880,736
Internal Service Funds	702,435	-	-	-	-	702,435
	<u>\$ 6,581,234</u>	<u>\$ 80,625</u>	<u>\$ 100,000</u>	<u>\$ 13,272,103</u>	<u>\$ 459,383</u>	<u>\$ 20,493,345</u>

The General Fund received advances from the Parking Enterprise Fund for the Conference Center renovation project and for project costs related to East Catellus boat storage and parking lot design. Advances were made from the Marina Enterprise Fund for Wharf II Critical Repairs. Advances were also made from the Equipment Replacement Internal Service Fund for the Conference Center renovation, public safety radio paid off, and fire truck loans. .

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

The Nonmajor Low Mod Housing Asset Special Revenue Fund received advances from the General Fund for Monterey Hotel/Affordable Housing and the advance will be paid back by the project rent.

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, 2017

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, 2017 were as follows:

		Transfers In													
		Governmental Funds				Proprietary Funds									
		Capital Projects		Neighborhood											
		Capital	Conference	Improvement	Nonmajor	Parking	Sewer	Internal Service							
Transfers Out		Improvement	Center	Special Revenue	Governmental	Enterprise	Enterprise	Funds	Total						
		Fund	Fund	Fund	Fund	Fund	Fund								
Governmental Funds:															
General Fund	\$	-	\$ 3,747,961	\$	-	\$ 15,000	\$ 1,001,606	\$	-	\$	-	\$ 22,150	\$ 4,786,717		
Capital Improvement															
Capital Projects Fund		672,658		-		-		-		164,237		-	836,895		
Conference Center															
Facilities District															
Capital Projects Fund		-		245,902		-		-				-	245,902		
Conference Center															
Facilities District															
Debt Service Fund		-		-		22,038		-		-			22,038		
Neighborhood Improvement															
Special Revenue Fund				50,186									50,186		
Presidio of Monterey															
Public Works															
Special Revenue Fund		-		-		-		-				117,750	117,750		
Nonmajor Governmental		443,249		11,243,564		-		2,000		10,560		50,790	7,236,269	-	18,986,432
Proprietary Funds:															
Marina Enterprise Fund		-		-		-		-		235,873		-	235,873		
Parking Enterprise Fund		262,135		-		-		-		-		-	262,135		
Nonmajor Enetrprise Funds		-		-		-		-		-		-	-		
Internal Service Funds		-		275,483		-		-		-		5,967	281,450		
Governmental Activities		-		-		-		-		3,310,633		-	3,310,633		
		\$ 1,378,042		\$ 15,563,096		\$ 22,038		\$ 17,000		\$ 1,012,166		\$ 286,663	\$ 10,711,139	\$ 145,867	\$ 29,136,011

Transfers of \$1,378,042 into the General Fund came from:

- Capital Improvement Fund (\$672,658) from CIP project funding deappropriation.
- Nonmajor Governmental Funds: The Scholze Fund for park maintenance (\$6,485), the State COPS, AB1913 funding of a Domestic Violence Officer (\$134,841), the Gas Tax Fund for Engineer payment (\$6,000), and the Golden 55 Travelers Fund (\$1,794) for staff reimbursement, the Tidelands Trust Fund (\$215,894) for code compliance and real estate legal services, Tidelands Trust Fund (\$78,235) for parks and street maintenance services.
- The Parking Fund (\$262,135) for custodial, parks, and street maintenance services

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Interfund Transactions (Continued)

B. Fund Financial Statements (Continued)

Transfers of \$15,563,096 into the Capital Improvement Fund came from:

- The City utilizes Capital Improvement Capital Project Funds for all capital projects expenses, and funding comes from the following funding sources: General fund (\$3,747,961), the Conference Center Facilities District Capital Projects Fund (\$245,902), the Neighborhood Improvement Special Revenue Fund (\$50,186), and other nonmajor governmental funds including the Street Infrastructure Rehabilitation Special Revenue Fund (\$8,844,728), Construction Truck Impact Fee Special Revenue Fund (\$82), Gas Tax Special Revenue fund (\$1,520,001), Tidelands Trust Special Revenue Fund (\$775,744), and Park Dedication Special Revenue Fund (\$103,009), and Internal Service Funds including Information Service Fund (\$270,446) and Vehicle Maintenance Fund (\$5,037).

Transfers of \$22,038 into the Conference Center Capital Improvement Fund came from the Conference Center Facilities Debt Service Fund for cost of issuance expenses.

Transfers of \$17,000 into the Neighborhood Improvement Fund came from:

- The General Fund for the Lighthouse Traffic Ave. Adaptive Signal Project (\$15,000)
- The Gas Tax Special Revenue Fund (\$2,000)

Transfers of \$1,012,166 into Nonmajor governmental funds came from:

- The General Fund to the Debt Service Fund for lease payments on the 2013 Lease Revenue Bond (\$542,487).
- The General Fund to fund the City's share of Alvarado Street Maintenance District (\$42,023).
- The General Fund to the Successor Housing Agency for the Monterey Hotel Low/Mod Income Apartment project (\$417,096).
- Transfer (\$10,560) from Storm Water System Improvements to Tidelands Special Revenue Funds

Transfers of \$286,663 into the Parking Fund came from:

- The Marina Fund for annual parking support (\$235,873)
- Nonmajor governmental fund from Parking Adjustment Fees (\$50,790)

Transfers of \$10,711,139 into the Sewer Fund came from:

- Nonmajor Storm Water System Improvements (\$3,310,633) for transfer of capital assets and long-term liabilities for Sewer Fund.
- Governmental Activities (\$7,236,269)
- A reimbursement was made from Capital Projects to the Sewer Enterprise Fund (\$164,237)

Transfers of \$145,867 into Internal Service Funds came from:

- The Vehicle Replacement Internal Service Fund (\$117,750) for fleet additions for the Presidio contract, the General Fund (\$22,150) for the IRS 415(b) plan and Risk Management Internal Service Fund for damage to City property (\$5,967).

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Interfund Transactions (Continued)

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, 2017, the outstanding balance was \$1,676,684.

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, 2017, the outstanding balance was \$1,988,029.

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, 2017, the outstanding balance was \$3,948,248.

Other project subsidy loan balances at June 30, 2017 included a loan to Carl Outzen for low/moderate income housing at 541 Wave Street in the amount of \$1,573,665, a loan to Interim, Inc. for 504 Franklin Street and 608 Pearl Street housing for low income chronically mentally ill adults in the amount of \$652,850, and a loan to Shelter Plus for a transitional housing project in the amount of \$469,175.

At June 30, 2017, total outstanding balance was \$6,643,938.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 5 – Capital Assets

A. Governmental Activities

Summary of changes in the governmental activities capital assets for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Reclassification	Transfers	Deletion	Balance June 30, 2017
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 30,193,285	\$ -	\$ -	\$ -	\$ -	\$ 30,193,285
Construction in progress	33,102,435	39,997,882	(599,044)	(9,252,414)	(3,027,591)	60,221,268
Total assets not being depreciated	63,295,720	39,997,882	(599,044)	(9,252,414)	(3,027,591)	90,414,553
Capital assets, being depreciated:						
Buildings and Improvements	62,983,890	-	-	-	(137,265)	62,846,625
Improvements other than buildings	29,474,842	-	206,713	(35,487)	(138,225)	29,507,843
Machinery and Equipment	16,614,938	963,191	60,000	(62,166)	(1,465,802)	16,110,161
Infrastructure	80,753,770	-	332,331	(3,582,635)	-	77,503,466
Total assets being depreciated	189,827,440	963,191	599,044	(3,680,288)	(1,741,292)	185,968,095
Less accumulated depreciation for:						
Buildings and Improvements	(34,356,649)	(1,422,146)	-	-	124,309	(35,654,486)
Improvements other than buildings	(18,622,072)	(688,842)	-	28,962	138,225	(19,143,727)
Machinery and Equipment	(11,362,616)	(1,167,219)	-	52,689	1,421,683	(11,055,463)
Infrastructure	(34,155,073)	(1,549,288)	-	1,528,754	-	(34,175,607)
Total accumulated depreciation	(98,496,410)	(4,827,495)	-	1,610,405	1,684,217	(100,029,283)
Total capital assets, being depreciated, net	91,331,030	(3,864,304)	599,044	(2,069,883)	(57,075)	85,938,812
Total capital assets, net	\$ 154,626,750	\$ 36,133,578	\$ -	\$ (11,322,297)	\$ (3,084,666)	\$ 176,353,365

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	\$ 3,247
Police	39,084
Fire	34,728
Public Works, including infrastructure	2,851,085
Community Development	23,484
Community Services	911,546
Library	31,817
Internal service Funds	932,504
Total depreciation expense	\$ 4,827,495

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017 was as follows:

	Balance July 1, 2016	Additions	Reclassification	Transfers	Deletion	Balance June 30, 2017
<u>Business-type activities:</u>						
Capital assets, not being depreciated:						
Land	\$ 9,205,157	\$ -	\$ -	\$ -	\$ -	\$ 9,205,157
Construction in progress	570,143	6,628,070	(308,560)	9,252,414	-	16,142,067
Total assets not being depreciated	9,775,300	6,628,070	(308,560)	9,252,414	-	25,347,224
Capital assets, being depreciated:						
Buildings and Improvements	26,418,262	-	-	-	-	26,418,262
Improvements other than buildings	12,475,941	-	308,560	35,487	-	12,819,988
Machinery and Equipment	985,665	14,336	-	62,166	-	1,062,167
Infrastructure	-	-	-	3,582,635	-	3,582,635
Total assets being depreciated	39,879,868	14,336	308,560	3,680,288	-	43,883,052
Less accumulated depreciation for:						
Buildings and Improvements	(18,925,369)	(486,971)	-	-	-	(19,412,340)
Improvements other than buildings	(9,371,733)	(263,969)	-	(28,962)	-	(9,664,664)
Machinery and Equipment	(637,385)	(69,273)	-	(52,689)	-	(759,347)
Infrastructure	-	(71,653)	-	(1,528,754)	-	(1,600,407)
Total accumulated depreciation	(28,934,487)	(891,866)	-	(1,610,405)	-	(31,436,758)
Total capital assets, being depreciated, net	10,945,381	(877,530)	308,560	2,069,883	-	12,446,294
Total capital assets, net	\$ 20,720,681	\$ 5,750,540	\$ -	\$ 11,322,297	\$ -	\$ 37,793,518

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

Business-type activity:	
Marina	\$ 251,858
Parking	444,084
Sewer	75,164
Other business-type activities	120,760
Total depreciation expense	\$ 891,866

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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 bonded indebtedness of up to \$50,000,000.

B. Governmental Activities

The summary of changes in the governmental activities long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017	Due Within One Year	Due in More Than One Year
<u>Governmental Activities</u>							
Special Tax Bonds Payable:							
Conference Ctr Facilities District, 3.95%, due 12/01/2034	\$ 50,000,000	\$ -	\$ (511,023)	\$ -	\$ 49,488,977	\$ 580,944	\$ 48,908,033
Loans and Lease Payable:							
2013 Refunding-2002 Joint Powers Financing Authority, 3.87% due 5/01/32	6,395,000	-	(295,000)	-	6,100,000	310,000	5,790,000
County of Monterey 911 Dispatch Center various %, due 9/17	28,680	-	(28,680)	-	-	-	-
2010 California Energy Commission 1.0%, due 12/22/22	698,161	-	(104,487)	-	593,674	105,534	488,140
2008 California Energy Commission 3.95%, due 6/25/25	247,995	-	(23,447)	-	224,548	24,382	200,166
US Bancorp Pierce Fire Apparatus Lease 3.06%, due 11/2024	281,276	-	(27,619)	-	253,657	28,464	225,193
State Water Resources Control Board State Water Resources 110 2.10%, due 8/30/2035	3,171,875	-	-	(3,171,875)	-	-	-
State Water Resources 120 2.10%	-	3,922,722	-	(3,922,722)	-	-	-
Compensated Absences	3,781,593	2,252,073	(1,973,122)	-	4,060,544	639,355	3,421,189
Claims payable	10,032,228	2,502,193	(3,535,443)	-	8,998,978	2,918,015	6,080,963
Net OPEB Obligations (Note 8)	2,369,737	1,037,149	(1,029,475)	(36,722)	2,340,689	-	2,340,689
Total Governmental Activities	\$ 77,006,545	\$ 9,714,137	\$ (7,528,296)	\$ (7,131,319)	\$ 72,061,067	\$ 4,606,694	\$ 67,454,373

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 million. 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, 2017, the City had \$699,199 maintained in the redemption fund and \$3,000,000 in the reserve fund and the outstanding balances for the special tax bonds payable totaled \$49,488,977.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long-Term Liabilities (Continued)

B. Governmental Activities (Continued)

Special Tax Bonds Payable (Continued)

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
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	1,942,106	1,734,547	3,676,653
2023-2027	12,118,772	7,398,779	19,517,551
2028-2032	16,903,358	4,645,090	21,548,448
2033-2035	12,948,338	1,043,296	13,991,634
Total	<u>\$ 49,488,977</u>	<u>\$ 22,385,298</u>	<u>\$ 71,874,275</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 made from the City's General Fund, and are secured by the Police/Fire Station building and Fire Station #3.

At June 30, 2017, the outstanding balance for 2013 Lease Agreement was \$6,100,000.

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
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	360,000	185,567	545,567
2023-2027	2,005,000	708,984	2,713,984
2028-2032	2,430,000	289,088	2,719,088
Total	<u>\$ 6,100,000</u>	<u>\$ 2,054,389</u>	<u>\$ 8,154,389</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long-Term Liabilities (Continued)

B. Governmental Activities (Continued)

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 determined by applying the average quarterly rate of interest earned by the Monterey County Treasurer's pooled investment fund. The final payment was due on September 30, 2016. Payments are made from the City's General Fund.

The loan was paid off during the year ended June 30, 2017.

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, 2017, the outstanding balance for 2010 California Energy Commission Loan was \$593,674.

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
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	109,830	1,378	111,208
2023	55,326	278	55,604
Total	<u>\$ 593,674</u>	<u>\$ 17,972</u>	<u>\$ 611,646</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long Term Liabilities (Continued)

B. Governmental Activities (Continued)

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, 2017, the outstanding balance for the 2008 California Energy Commission Loan was \$224,548.

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
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	28,511	4,503	33,014
2023-2025	92,534	6,509	99,043
Total	<u>\$ 224,548</u>	<u>\$ 39,567</u>	<u>\$ 264,115</u>

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 \$36,227. The accumulated depreciation of the leased Fire Truck at June 30, 2017 was in the amount of \$1 36,326.

At June 30, 2017, the outstanding balance for the US Bancorp Pierce Fire Apparatus Lease was \$253,657.

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

For the Year Ending June 30	
2018	\$ 36,227
2019	36,227
2020	36,227
2021	36,227
2022	36,227
2023-2025	108,681
Subtotal	289,816
Less: Interest	(36,159)
Present value of future minimum lease payments	<u>\$ 253,657</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long Term Liabilities (Continued)

B. Governmental Activities (Continued)

State Water Resources Control Board Loan

At July 1, 2016, the loan was transferred to the Business-Type Activities. See Note 6 C for details.

Compensated Absences

Liabilities for governmental fund compensated absences are liquidated as they incur in the fund where positions are allocated. 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, 2017 is as follows:

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017	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	\$ 770,000	\$ -	\$ (370,000)	\$ -	\$ 400,000	\$ 400,000	-
Loans Payable:							
State of California Small Craft Harbor Loans, 4.50%, due 2024	2,364,849	-	(218,926)	-	2,145,923	228,778	1,917,145
State Water Resources Control Board State Water Resources 110 2.10%, due 8/30/2035	-	329,448	(148,541)	3,171,875	3,352,782	145,829	3,206,953
State Water Resources 120 2.10%	-	3,670,352	-	3,922,722	7,593,074	-	7,593,074
Compensated Absences	188,119	198,927	(159,665)		227,381	46,064	181,317
Net OPEB Obligations (Note 8)	277,746	139,666	(138,723)	36,722	315,411	-	315,411
Total Business-Type Activities	<u>\$ 3,600,714</u>	<u>\$ 4,338,393</u>	<u>\$ (1,035,855)</u>	<u>\$ 7,131,319</u>	<u>\$ 14,034,571</u>	<u>\$ 820,671</u>	<u>\$ 13,213,900</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017, the total outstanding balances for the 1994 Lease Revenue Bonds were \$400,000.

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
2018	\$ 400,000	\$ 23,000	\$ 423,000

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, 2017, the total outstanding balance for the state of California harbor loans was \$2,145,923.

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
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	272,822	52,523	325,345
2023-2025	894,346	81,671	976,017
TOTAL	\$ 2,145,923	\$ 456,817	\$ 2,602,740

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long Term Liabilities (Continued)

C. Business-Type Activities (Continued)

State Water Resources Control Board 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. Loan repayments, due over twenty years, will not begin until the construction is completed for each portion of the loan. Repayment of this loan is fully funded by a Council approved fee structure, which was implemented in 2011.

During the year ended June 30, 2017, the SWRCB disbursed additional \$329,448 for a total of \$3,501,323 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 amounts ranges from \$194,617 to \$215,796 starting on August 30, 2016 and ending on August 30, 2035.

During the year ended June 30, 2017, the SWRCB disbursed \$7,593,074 under Agreement No. 13-832-550 toward Project N. C-06-5228-120 Citywide Sewer Rehabilitation Project, Phases 3, 5, and 6 (the “120 Loan”), and the City applied for an additional \$1,856,038 million in additional funds, not yet received as of June 30, 2017. The 120 Loan bears an interest rate of 2.10% and is to be repaid in 20 installments in the amount estimated to be \$871,651 starting on November 30, 2019. The City pledged the sewer revenue for the repayment of the loans.

There is a minimum reserve requirement in the amount of \$1,087,447, comprised of \$215,796 for the 110 loan and \$871,651 for 120 Loan. At June 30, 2017, the City had maintained a reserve in the Sewer/Storm Water System Improvement Special Revenue Fund in the amount of \$1,106,768**350,393**. The outstanding balances for the SWRCB 110 Loan and 120 Loan were \$3,352,782 and \$7,593,074, respectively.

The debt service schedule for 110 Loan to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
2018	\$ 145,829	\$ 69,967	\$ 215,796
2019	148,451	67,345	215,796
2020	151,567	64,229	215,796
2021	154,750	61,046	215,796
2022	158,000	57,796	215,796
2023-2027	841,186	237,794	1,078,980
2028-2032	933,299	145,681	1,078,980
2033-2036	819,700	43,481	863,181
Total	<u>\$ 3,352,782</u>	<u>\$ 747,339</u>	<u>\$ 4,100,121</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long Term Liabilities (Continued)

C. Business-Type Activities (Continued)

State Water Resources Control Board Loan (Continued)

The estimated debt service schedule for 120 Loan to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
2018	\$ -	\$ -	\$ -
2019	-	-	-
2020	582,321	289,330	871,651
2021	587,291	284,360	871,651
2022	599,624	272,027	871,651
2023-2027	3,192,377	1,165,878	4,358,255
2028-2032	3,541,954	816,301	4,358,255
2033-2037	3,929,810	428,445	4,358,255
2038-2039	1,689,887	53,418	1,743,305
Total	<u>\$ 14,123,264</u>	<u>\$ 3,309,759</u>	<u>\$ 17,433,023</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, 2017

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, 2017 and pension expenses for the year then ended:

	Governmental Activities	Business- Type Activities	Total
Deferred outflows of resources:			
Pension contribution after measurement date:			
Miscellaneous	\$ 5,717,893	\$ 513,464	\$ 6,231,357
Safety	4,611,867	-	4,611,867
Total contribution after measurement date	10,329,760	513,464	10,843,224
Adjustment due to difference in proportions			
Safety	1,066,323	-	1,066,323
Employer contributions in excess of proportionate share of contribution:			
Safety	228,232	-	228,232
Actual earnings on pension plan investments in excess of projected earnings:			
Miscellaneous	12,473,297	1,120,095	13,593,392
Safety	11,325,962	-	11,325,962
Total Actual earnings on pension plan investments in excess of projected earnings	23,799,259	1,120,095	24,919,354
Total deferred outflows of resources	\$ 35,423,574	\$ 1,633,559	\$ 37,057,133
Aggregate net pension liabilities:			
Miscellaneous	\$ 70,979,215	\$ 6,373,896	\$ 77,353,111
Safety	54,015,449	-	54,015,449
Total net pension liabilities	\$124,994,664	\$ 6,373,896	\$131,368,560
Deferred inflows of Resources:			
Changes in assumptions:			
Miscellaneous	\$ 1,043,376	\$ 93,695	\$ 1,137,071
Safety	1,412,347	-	1,412,347
Total changes in assumptions	2,455,723	93,695	2,549,418
Difference between expected and actual experience:			
Miscellaneous	614,062	55,143	669,205
Safety	323,927	-	323,927
Total difference between expected and actual experience	937,989	55,143	993,132
Projected earnings on pension plan investments in excess of actual earnings:			
Miscellaneous	4,808,288	431,783	5,240,071
Safety	4,387,166	-	4,387,166
Total projected earnings on pension plan investments in excess of actual earnings	9,195,454	431,783	9,627,237
Total deferred inflows of resources	\$ 12,589,166	\$ 580,621	\$ 13,169,787
Pension expenses (credit):			
Miscellaneous	\$ 5,817,106	\$ 537,846	\$ 6,354,952
Safety	5,047,425	-	5,047,425
Total net pension expenses (credit)	\$ 10,864,531	\$ 537,846	\$ 11,402,377

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2015 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	25.766%	18.524%	18.524%
Required contribution during year ended June 30, 2017	27.881%	19.536%	19.536%

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	28.766%	11.153%	11.153%
Required contribution during year ended June 30, 2017	30.881%	12.082%	12.082%

* 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, 2017:

	Measurement Period 2015-16	Year Ended June 30, 2017
Miscellaneous	3%	3%
Safety - Fire	4%	4%
Safety - Police	0%	0%

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Pension Plans (Continued)

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

General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

For the year ended June 30, 2017, the contribution for Safety plans reflects the employer normal cost rate only. The employer payment for unfunded liability is a fixed amount.

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 becomes deceased 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, 2015, the valuation date, the following employees were covered by the benefit terms:

	Miscellaneous	Safety	
		Classic	Police PEPPRA
Active employees	312	108	8
Transferred and terminated employees	244	70	0
Retired Employees and Beneficiaries	387	195	0
Total	943	373	5

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Pension Plans (Continued)

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

General Information about the Pension Plan (Continued)

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 86.

Net Pension Liability

Actuarial Methods and Assumption Used to Determine Total Pension Liability

For the measurement period ended June 30, 2016, the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 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% 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, 2015 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. In 2015, the discount rate was adjusted from 7.50 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). To determine whether the municipal bond rate should be used in the calculation of the 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 (“PERF”). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Pension Plans (Continued)

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

Net Pension Liability (Continued)

Discount Rate (Continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF pension fund cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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 equal 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, 2015.

Asset Class	New Strategic Allocation	Real Return	Real Return
	July 1, 2015	Years 1-10 ¹	Years 11+ ²
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	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	1.00%	-0.55%	-1.05%

¹ An expected inflation of 2.5% used for this period.

² An expected inflation of 3.0% used for this period.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2015 (Valuation Date)	\$ 221,155,744	\$ 155,094,795	\$ 66,060,949
Changes recognized for the measurement period:			
Service cost	4,333,862	-	4,333,862
Interest on the total pension liability	16,604,300	-	16,604,300
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(1,034,916)	-	(1,034,916)
Changes of assumptions	-	-	-
Plan to plan resource movement	-	-	-
Contributions from the employer	-	5,391,281	(5,391,281)
Contributions from employees	-	2,500,181	(2,500,181)
Net investment income, net of administrative expense	-	814,144	(814,144)
Benefit payments, including refunds of employee contributions	(10,476,155)	(10,476,155)	-
Administrative expense	-	(94,522)	94,522
Net Changes during July 1, 2015 to June 30, 2016	\$ 9,427,091	\$ (1,865,071)	\$ 11,292,162
Balance at June 30, 2016 (Measurement Date)	\$ 230,582,835	\$ 153,229,724	\$ 77,353,111

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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2015 (Valuation Date)	\$ 160,885,421	\$ 116,018,778	44,866,643
Balance at June 30, 2016 (Measurement Date)	168,214,943	114,199,494	54,015,449
Net Changes during 2015-2016	7,329,522	(1,819,284)	9,148,806

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2015). 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, 2016). 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 (2015-16).
- (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, 2015	0.653660%
June 30, 2016	0.624233%
Change - Increase (Decrease)	<u>-0.029427%</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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	\$ 105,920,502	\$ 77,353,111	\$ 53,493,089
Safety Plan	\$ 80,859,053	\$ 54,015,449	\$ 31,979,601

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, 2017, the City recognized pension expense in the amounts of \$6,354,952 and \$5,047,426 for the miscellaneous plan and safety plan, respectively.

As of measurement date of June 30, 2016, 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	\$ 6,231,357	\$ -
Changes of assumptions	-	(1,137,071)
Difference between expected and actual experience	-	(669,205)
Net difference between projected and actual earning on pension plan investments	13,593,392	(5,240,071)
Total	\$ 19,824,749	\$ (7,046,347)

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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	\$ 4,611,867	\$ -
Changes of assumptions	-	(1,412,347)
Difference between expected and actual experience	-	(323,927)
Adjustment due to difference in proportions	1,066,323	-
Employer contributions in excess of proportionate share of contribution	228,232	-
Net difference between projected and actual earning on pension plan investments	11,325,962	(4,387,166)
Total	<u>\$ 17,232,384</u>	<u>\$ (6,123,440)</u>

The amounts above are net of outflows and inflows recognized in the 2015-2016 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 2015-16 measurement period is 2.7 and 3.7 years, which was obtained by dividing the total service years of 2,582 and 475,689 (the sum of remaining service lifetimes of the active employees) by 943 and 127,009 (the total number of participants: active, inactive, and retired), respectively.

\$6,231,357 and \$4,611,867 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 are recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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	\$ (352,384)	\$ 823,675
2018	917,267	749,727
2019	3,805,616	3,117,304
2020	2,176,546	1,806,371
2021	-	-
Thereafter	-	-
	<u>\$ 6,547,045</u>	<u>\$ 6,497,077</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Pension Plans (Continued)

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

CalPERS Discount Rate

On December 16, 2016, the CalPERS Board of Administration (the “Board”) approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent net of administrative expenses over the next three years. This will increase the City’s employer contribution costs beginning in fiscal year 2018-19. The phase in of the discount rate change approved by the Board for the next three fiscal year is as follows:

<u>Valuate Date</u>	<u>Required Contribution Rate</u>	<u>Discount Rate</u>
June 30, 2016	2018-19	7.375%
June 30, 2017	2019-20	7.250%
June 30, 2018	2020-21	7.000%

Lowering the discount rate means plans will see increases in both normal costs, the cost of pension benefits accruing in one year for active members and the accrued liabilities. These increases will result in higher required employer contributions.

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, 2017, total deferred compensation plan assets are valued at \$37,857,941.

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 \$128 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, 2017, plan membership consisted of 376 active participants and 176 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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

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, 2017, the City contributed \$668,865 to the retiree healthcare plan and made \$263,050 pay-as-you-go payments toward retiree benefits and \$236,283 in implied subsidy.

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	\$ 1,168,213
Interest Adjustment on Net OPEB Assets	185,324
Adjustment to annual required contribution	<u>(176,722)</u>
Annual OPEB Cost	1,176,815
Contributions:	
Pay-as-you-go contributions	(263,050)
Implied subsidy	(236,283)
Contribution to the OPEB Plan	<u>(668,865)</u>
Increase in Net OPEB Obligations	8,617
Net OPEB Obligations:	
Beginning of Year	<u>2,647,483</u>
End of Year	<u><u>\$ 2,656,100</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, 2017 are as follows:

Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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
June 30, 2017	1,176,815	1,168,198	99.27%	2,656,100

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, 2017

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 \$128 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 \$1,860 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, 2017

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 \$228,559 to ACCEL pool, and \$76,450 in excess liability insurance premiums for various carriers totaling \$305,009 for the year ended June 30, 2017. Financial statements may be obtained from ACCEL 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, 2017

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, 2017.

Claims activities for the three years ended June 30, 2017 are presented as follows:

Years Ended	Balance Beginning of Year	Addition	Deletion	Balance End of Year
Worker's Compensation:				
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
June 30, 2017	7,984,500	2,340,913	(2,493,913)	7,831,500
General Liability:				
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
June 30, 2017	2,047,728	161,280	(1,041,530)	1,167,478

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Fund Balances

At June 30, 2017, 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	\$ 337,083	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 337,083
Advances to other funds	13,831,486	-	-	-	-	-	-	13,831,486
Scholze Park								
Endowment	-	-	-	-	-	-	2,476,127	2,476,127
Total nonspendable	14,168,569	-	-	-	-	-	2,476,127	16,644,696
Restricted:								
Capital projects	-	-	12,001,983	-	-	-	-	12,001,983
Debt services	-	-	-	5,928,497	-	-	-	5,928,497
Army and Navy								
public works projects	-	-	-	-	-	1,164,227	27,976	1,192,203
Tideland	-	-	-	-	-	-	9,408,877	9,408,877
Community								
developments	-	-	-	-	-	-	11,408,313	11,408,313
Public works	-	-	-	-	-	-	10,705,823	10,705,823
Scholze Park	-	-	-	-	-	-	6,836	6,836
Other	-	-	-	-	-	-	1,268,485	1,268,485
Total restricted	-	-	12,001,983	5,928,497	-	1,164,227	32,826,310	51,921,017
Committed:								
Economic uncertainty	9,823,460	-	-	-	-	-	-	9,823,460
Capital outlays and								
cultural arts	413,881	-	-	-	-	-	-	413,881
Capital improvement								
programs	3,755,244	-	-	-	-	-	-	3,755,244
Public works	-	-	-	-	10,822,149	-	-	10,822,149
Total committed	13,992,585	-	-	-	10,822,149	-	-	24,814,734
Assigned:								
Unexpended								
encumbrances	2,486,736	-	-	-	-	-	-	2,486,736
Total assigned	2,486,736	-	-	-	-	-	-	2,486,736
Unassigned:								
Fund deficits	-	(2,984,745)	-	-	-	-	(33,188)	(3,017,933)
Total unassigned	-	(2,984,745)	-	-	-	-	(33,188)	(3,017,933)
Total fund balances	\$30,647,890	\$ (2,984,745)	\$12,001,983	\$ 5,928,497	\$10,822,149	\$ 1,164,227	\$35,269,249	\$ 92,849,250

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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 an Agency Fund in the accompanying financial statements.

As of June 30, 2017, the Agency had outstanding receivables in the amount of \$3,304,111 from the Army, of which, \$2,975,624 and \$328,487 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, 2017 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 Uniform Guidance 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, 2017.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 14 – Other Required Disclosures

A. Expenditures Over Appropriations

At June 30, 2017, the following funds had expenditures over appropriations:

	Appropriation	Expenditures	Expenditures over Appropriation
Conference Center Facility District			
Debt Service Fund:			
Principal payment	\$ 460,023	\$ 511,023	\$ (51,000)
Interest and fiscal charges	1,063,500	1,990,407	(926,907)
Nonmajor Governmental Funds:			
Library Special Revenue Fund:			
Community services	1,125	2,157	(1,032)
Tidelands Special Revenue Fund:			
Police	13,769	15,953	(2,184)
Fire	80,815	82,307	(1,492)
Public works	-	1,699	(1,699)

B. Deficit Fund Balance/Net Position

At June 30, 2017, the following funds had deficit fund balance or net position:

	Deficit Fund Balance/ Net Position
Capital Projects Fund, Capital Improvement	\$ (2,984,745)
Nonmajor Governmental Funds:	
Debt Service Fund	(9,794)
State/Federal Grant Special Revenue Fund	(23,394)
Internal Service Funds:	
Vehicle Maintenance Fund	(1,678,601)
Information Services	(205,539)

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 will be eliminated by June 30, 2018. The deficit for the Vehicle Maintenance and Information Services Internal Service Funds are primarily due to pension liabilities and will be eliminated as these liabilities are paid down. The deficit for State/Federal Grant Fund will be eliminated when grant reimbursements are received.

Note 15 – Subsequent Events

On October 6, 2017, the City received \$1,558,231 in loan disbursements applied for prior to June 30, 2017 from the State Water Resources Control District for the Sewerline Rehabilitation Project, "120 Loan".

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**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, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over/(Under)
REVENUES:				
Property tax	\$ 7,953,120	\$ 8,150,833	\$ 8,238,549	\$ 87,716
Sales Tax	8,923,909	8,666,746	8,590,013	(76,733)
In-lieu sales tax	2,534,128	2,638,750	2,651,567	12,817
Transient occupancy tax	17,540,000	19,380,192	19,476,470	96,278
Utility users tax	2,754,868	2,754,868	3,248,124	493,256
Other taxes	1,920,203	1,920,203	1,918,193	(2,010)
Intergovernmental	162,201	1,316,180	1,320,086	3,906
Investment income	1,982,373	1,705,658	847,401	(858,257)
Rental income	721,400	721,400	607,014	(114,386)
Licenses and permits	4,177,471	4,813,800	4,913,189	99,389
Charges for current services	16,704,360	16,978,539	17,180,944	202,405
Fines	256,800	256,800	230,611	(26,189)
Other revenue	3,508,811	1,912,757	2,106,820	194,063
Total revenues	69,139,644	71,216,726	71,328,981	112,255
EXPENDITURES:				
Current:				
General government:				
City council	134,425	134,424	130,201	4,223
City manager	1,191,279	1,222,862	1,147,828	75,034
City attorney	900,546	928,628	872,891	55,737
Finance	2,315,794	2,428,096	2,142,172	285,924
Human resources	730,749	857,799	739,842	117,957
Information resources	539,872	548,666	530,845	17,821
Nondepartmental charges	783,418	776,572	629,127	147,445
Total general government	6,596,083	6,897,047	6,192,906	704,141
Public safety:				
Police	14,455,791	15,015,169	14,406,038	609,131
Fire	16,416,565	17,589,491	19,207,989	(1,618,498)
Total public safety	30,872,356	32,604,660	33,614,027	(1,009,367)
Public works	14,320,910	16,146,078	14,448,237	1,697,841
Community services	13,053,582	12,614,589	11,954,537	660,052
Library	2,947,081	3,027,030	2,915,767	111,263
Total current	67,790,012	71,289,404	69,125,474	2,163,930
Debt service:				
Principal	145,758	145,758	156,614	(10,856)
Interest	16,289	16,289	86,262	(69,973)
Total debt service	162,047	162,047	242,876	(80,829)
Total expenditures	67,952,059	71,451,451	69,368,350	2,083,101
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,187,585	(234,725)	1,960,631	2,195,356
OTHER FINANCING SOURCES (USES):				
Transfers in	750,000	1,122,788	1,378,042	255,254
Transfers out	(4,554,623)	(4,986,719)	(4,786,717)	200,002
Total other financing sources (uses)	(3,804,623)	(3,863,931)	(3,408,675)	455,256
NET CHANGES IN FUND BALANCES	\$ (2,617,038)	\$ (4,098,656)	(1,448,044)	\$ 2,650,612
FUND BALANCE:				
Beginning of year			32,095,934	
End of Year			\$ 30,647,890	

City of Monterey
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule (Continued)
Neighborhood Improvement Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over/(Under)
REVENUES:				
Transient occupancy tax	\$ 3,244,385	\$ 3,244,385	\$ 3,709,851	\$ 465,466
Intergovernmental	-	-	-	-
Investment income	214,036	214,036	95,254	(118,782)
Other	-	-	25,000	25,000
Total revenues	<u>3,458,421</u>	<u>3,458,421</u>	<u>3,830,105</u>	<u>371,684</u>
EXPENDITURES:				
Current:				
Public works	326,470	13,654,266	3,731,887	9,922,379
Total expenditures	<u>326,470</u>	<u>13,654,266</u>	<u>3,731,887</u>	<u>9,922,379</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,131,951</u>	<u>(10,195,845)</u>	<u>98,218</u>	<u>10,294,063</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	17,000	17,000	-
Transfers out	(50,186)	(50,186)	(50,186)	-
Total other financing sources (uses)	<u>(50,186)</u>	<u>(33,186)</u>	<u>(33,186)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>\$ 3,081,765</u>	<u>\$ (10,229,031)</u>	<u>65,032</u>	<u>\$ 10,294,063</u>
FUND BALANCE:				
Beginning of year			<u>10,757,117</u>	
End of year			<u>\$ 10,822,149</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, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over/(Under)
REVENUES:				
Intergovernmental	\$ 7,365,236	\$ 9,743,194	\$ 10,790,076	\$ 1,046,882
Charges for current services		475,444	270,615	(204,829)
Total revenues	<u>7,365,236</u>	<u>10,218,638</u>	<u>11,060,691</u>	<u>842,053</u>
EXPENDITURES:				
Current:				
Public works	<u>8,728,143</u>	<u>17,653,586</u>	<u>11,537,424</u>	<u>6,116,162</u>
Total expenditures	<u>8,728,143</u>	<u>17,653,586</u>	<u>11,537,424</u>	<u>6,116,162</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,362,907)</u>	<u>(7,434,948)</u>	<u>(476,733)</u>	<u>6,958,215</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>-</u>	<u>(117,750)</u>	<u>(117,750)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(117,750)</u>	<u>(117,750)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>\$ (1,362,907)</u>	<u>\$ (7,552,698)</u>	<u>(594,483)</u>	<u>\$ 6,958,215</u>
FUND BALANCE:				
Beginning of year			<u>1,758,710</u>	
End of year			<u>\$ 1,164,227</u>	

City of Monterey
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2017

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 biennial 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, 2017

Last Ten Fiscal Years

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

Measurement period	2015-16	2014-15	2013-14 ¹
Total pension liability			
Service cost	\$ 4,333,862	\$ 4,506,126	\$ 4,600,502
Interest	16,604,300	15,904,500	15,098,053
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(1,034,916)	(56,679)	-
Changes of assumptions	-	(3,663,893)	-
Benefit payments, including refunds of employee contributions	(10,476,155)	(9,807,582)	(8,864,804)
Net change in total pension liability	9,427,091	6,882,472	10,833,751
Total pension liability - beginning	221,155,744	214,273,272	203,439,521
Total pension liability - ending (a)	\$ 230,582,835	\$ 221,155,744	\$ 214,273,272
Pension fiduciary net position			
Contributions - employer	\$ 5,391,281	\$ 4,769,858	\$ 4,082,086
Contributions - employee	2,500,181	2,526,690	3,282,621
Net investment income ²	814,144	3,485,612	22,937,070
Benefit payments, including refunds of employee contributions	(10,476,155)	(9,807,582)	(8,864,804)
Plan to plan resources movement	-	1,986	-
Administrative expense	(94,522)	(174,586)	-
Net change in plan fiduciary net position	(1,865,071)	801,978	21,436,973
Plan fiduciary net position - beginning	155,094,795	154,292,817	132,855,844
Plan fiduciary net position - ending (b)	\$ 153,229,724	\$ 155,094,795	\$ 154,292,817
Plan net pension liability - ending (a) - (b)	\$ 77,353,111	\$ 66,060,949	\$ 59,980,455
Plan fiduciary net position as a percentage of the total pension liability	66.45%	70.13%	72.01%
Covered payroll	\$ 23,628,081	\$ 24,360,068	\$ 23,972,182
Plan net pension liability as a percentage of covered payroll	327.38%	271.19%	250.21%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

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

Notes to Schedule:

Benefit Changes: There were no benefit changes.

Changes of Assumptions: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

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, 2017

Last Ten Fiscal Years

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

Measurement period	2015-16	2014-15	2013-14 ¹
City's proportion of the net pension liability/(asset)	0.624233%	0.653660%	0.644773%
City's proportionate share of the net pension liability/(asset)	\$ 54,015,449	\$ 44,866,643	\$ 40,120,756
City's covered payroll	<u>\$ 12,930,722</u>	<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 payroll	<u>417.73%</u>	<u>349.62%</u>	<u>327.43%</u>
City's proportionate share of Plan's fiduciary net position	<u>\$ 114,199,494</u>	<u>\$ 116,018,778</u>	<u>\$ 117,052,375</u>
City's share of Plan fiduciary net position as a percentage of the City's share of the total pension liability	<u>67.89%</u>	<u>72.11%</u>	<u>74.47%</u>

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

City of Monterey
Required Supplementary Information (Unaudited)
Schedule of Contributions
For the Year Ended June 30, 2017

Last Ten Fiscal Years

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

	2016-17	2015-16	2014-15	2013-14 ¹
Actuarially determined contribution	\$ 6,231,357	\$ 5,392,123	\$ 4,769,858	\$ 4,082,086
Contributions in relation to the actuarially determined contribution	(6,231,357)	(5,392,123)	(4,769,858)	(4,082,086)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$23,898,015	\$23,628,081	\$25,051,207	\$23,972,182
Contributions as a percentage of covered payroll	26.07%	22.82%	19.04%	17.03%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

Notes to Schedule:

Valuation date:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2014 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	7.65% 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, 2017

Last Ten Fiscal Years

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

	2016-17	2015-16	2014-15	2013-14 ¹
Actuarially determined contribution	\$ 2,146,344	\$ 4,110,661	\$ 3,956,300	\$ 3,806,512
Contributions in relation to the actuarially determined contribution	(4,611,867)	(4,110,661)	(3,956,300)	(3,806,512)
Contribution deficiency (excess)	\$ (2,465,523)	\$ -	\$ -	\$ -
Covered payroll ²	\$ 13,318,644	\$ 12,930,722	\$ 12,832,928	\$ 12,253,098
Contributions as a percentage of covered payroll ²	34.63%	31.79%	30.83%	31.07%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

² Payroll from prior year \$12,930,722 (2015-16) was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule:

Benefit Changes: There were no benefit changes.

Changes of Assumptions: There were no changes of assumptions.

City of Monterey
Required Supplementary Information (Unaudited)
Schedule of Funding Progress
For the Year Ended June 30, 2017

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 4,893,591	\$ 4,893,591
Investment loss	-	-	(702)	(702)
Total revenues	-	-	4,892,889	4,892,889
EXPENDITURES				
Capital outlay	-	74,390,265	21,864,966	52,525,299
Total expenditures	-	74,390,265	21,864,966	52,525,299
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	-	(74,390,265)	(16,972,077)	57,418,188
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	3,922,722	3,922,722
Transfers in	15,398,858	15,398,858	15,563,096	164,238
Transfers out	(164,237)	(836,895)	(836,895)	-
Total other financing sources (uses)	15,234,621	14,561,963	18,648,923	4,086,960
NET CHANGES IN FUND BALANCES	\$ 15,234,621	\$ (59,828,302)	1,676,846	\$ 61,505,148
FUND BALANCE				
Beginning of year			(4,661,591)	
End of year			\$ (2,984,745)	

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES				
Investment loss	\$ -	\$ -	\$ (144,496)	\$ (144,496)
Total revenues	-	-	(144,496)	(144,496)
EXPENDITURES				
Capital outlay	-	45,288,421	30,764,987	14,523,434
Total expenditures	-	45,288,421	30,764,987	14,523,434
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	-	(45,288,421)	(30,909,483)	14,378,938
OTHER FINANCING SOURCES (USES)				
Transfers in	-	115,000	22,038	(92,962)
Transfers out	(245,900)	(245,900)	(245,902)	(2)
Total other financing sources (uses)	(245,900)	(130,900)	(223,864)	(92,964)
NET CHANGES IN FUND BALANCES	<u>\$ (245,900)</u>	<u>\$ (45,419,321)</u>	<u>(31,133,347)</u>	<u>\$ 14,285,974</u>
FUND BALANCE				
Beginning of year			43,135,330	
End of year			<u>\$ 12,001,983</u>	

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES				
Other taxes	\$ 4,319,500	\$ 4,319,500	\$ 4,315,901	\$ (3,599)
Investment income	360,276	360,276	23,194	(337,082)
Total revenues	4,679,776	4,679,776	4,339,095	(340,681)
EXPENDITURES				
Debt services:				
Principal payment		460,023	511,023	(51,000)
Interest and fiscal charges	25,000	1,063,500	1,990,407	(926,907)
Total expenditures	25,000	1,523,523	2,501,430	(977,907)
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	4,654,776	3,156,253	1,837,665	(1,318,588)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(115,000)	(22,038)	92,962
Total other financing sources (uses)	-	(115,000)	(22,038)	92,962
NET CHANGES IN FUND BALANCES	\$ 4,654,776	\$ 3,041,253	1,815,627	\$ (1,225,626)
FUND BALANCE				
Beginning of year			4,112,870	
End of year			\$ 5,928,497	

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NONMAJOR 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

Storm Water System Improvements Fund – This fund is used to account for revenues and expenditures for improvements, operations and maintenance of the City's 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 and Calle Principal Maintenance Districts were formed to help pay for the maintenance and upkeep of Alvarado and Calle Principal Streets. 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).



NONMAJOR 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, 2017

	Special Revenue Funds				
	Debt Service Fund	Storm Water System Improvements	Landscape Maintenance	State/Federal Grants	Construction Truck Impact Fee
ASSETS					
Cash and investments	\$ 7,775	\$ 1,574,328	\$ 318,771	\$ 13,889	\$ 249
Restricted cash and investments:					
Held by fiscal agent	-	-	-	-	-
Held by City	-	-	-	-	-
Receivables:					
Taxes receivable	-	-	-	-	-
Accounts receivable	-	172,823	-	36,779	-
Interest receivable	22	3,699	895	33	-
Loans receivable:					
Rehabilitation	-	-	-	-	-
Downpayment assistance	-	-	-	-	-
Project subsidy loans	-	-	-	-	-
Property held for resale	-	-	-	-	-
Total assets	\$ 7,797	\$ 1,750,850	\$ 319,666	\$ 50,701	\$ 249
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 17,591	\$ 26,540	\$ 2,773	\$ 54,391	\$ -
Due to other funds	-	-	-	19,704	-
Advance from other funds	-	-	-	-	-
Total liabilities	17,591	26,540	2,773	74,095	-
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	1,724,310	316,893	-	249
Unassigned (deficit)	(9,794)	-	-	(23,394)	-
Total fund balances (deficit)	(9,794)	1,724,310	316,893	(23,394)	249
Total liabilities, deferred inflows of resources and fund balances	\$ 7,797	\$ 1,750,850	\$ 319,666	\$ 50,701	\$ 249

(Continued)

City of Monterey
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds				
	Gas Tax	Street Infrastructure Rehabilitation	Parking Adjustments	Housing Grants	Park Dedication
ASSETS					
Cash and investments	\$ 1,194,687	\$ 8,925,589	\$ 3,851	\$ 802,073	\$ 58,651
Restricted cash and investments:					
Held by fiscal agent	-	-	-	17,859	-
Held by City	-	-	-	-	-
Receivables:					
Taxes receivable	-	1,480,200	-	-	-
Accounts receivable	-	-	549	82,252	-
Interest receivable	3,402	25,712	95	2,252	174
Loans receivable:					
Rehabilitation	-	-	-	1,988,029	-
Downpayment assistance	-	-	-	686,000	-
Project subsidy loans	-	-	-	1,122,026	-
Property held for resale	-	-	-	462,175	-
Total assets	\$ 1,198,089	\$ 10,431,501	\$ 4,495	\$ 5,162,666	\$ 58,825
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 150	\$ 2,965,069	\$ -	\$ 162,379	\$ -
Due to other funds	-	-	-	-	-
Advance from other funds					
Total liabilities	150	2,965,069	-	162,379	-
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	447,426	-
Total deferred inflows of resources	-	-	-	447,426	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	1,197,939	7,466,432	4,495	4,552,861	58,825
Unassigned (deficit)	-	-	-	-	-
Total fund balances (deficit)	1,197,939	7,466,432	4,495	4,552,861	58,825
Total liabilities, deferred inflows of resources and fund balances	\$ 1,198,089	\$ 10,431,501	\$ 4,495	\$ 5,162,666	\$ 58,825

(Continued)

City of Monterey
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds				
	Public Safety Training and Services	Asset Seizure	Public Education and Government Access	Senior Center Programs	Library
ASSETS					
Cash and investments	\$ 227,527	\$ 84,179	\$ 13,044	\$ 100,204	\$ 497,565
Restricted cash and investments:					
Held by fiscal agent	-	-	-	-	-
Held by City	-	-	-	-	-
Receivables:					
Taxes receivable	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Interest receivable	-	-	37	281	1,396
Loans receivable:					
Rehabilitation	-	-	-	-	-
Downpayment assistance	-	-	-	-	-
Project subsidy loans	-	-	-	-	-
Property held for resale	-	-	-	-	-
Total assets	<u>\$ 227,527</u>	<u>\$ 84,179</u>	<u>\$ 13,081</u>	<u>\$ 100,485</u>	<u>\$ 498,961</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 19,420	\$ 66,445	\$ 11,192	\$ 961	\$ 12,861
Due to other funds	-	-	-	-	-
Advance from other funds	-	-	-	-	-
Total liabilities	<u>19,420</u>	<u>66,445</u>	<u>11,192</u>	<u>961</u>	<u>12,861</u>
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	208,107	17,734	1,889	99,524	486,100
Unassigned (deficit)	-	-	-	-	-
Total fund balances (deficit)	<u>208,107</u>	<u>17,734</u>	<u>1,889</u>	<u>99,524</u>	<u>486,100</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 227,527</u>	<u>\$ 84,179</u>	<u>\$ 13,081</u>	<u>\$ 100,485</u>	<u>\$ 498,961</u>

(Continued)

City of Monterey
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds				
	Museum	Special Deposits	Low /Mod Housing Assets	Tidelands	Navy Services
ASSETS					
Cash and investments	\$ 240,769	\$ 155,106	\$ 2,311,788	\$ 8,952,390	\$ -
Restricted cash and investments:					
Held by fiscal agent	-	-	813	-	-
Held by City	-	-	-	-	-
Receivables:					
Taxes receivable	-	-	-	-	-
Accounts receivable	-	909	19,928	457,680	245,107
Interest receivable	676	59	6,492	25,796	-
Loans receivable:					
Rehabilitation	-	-	-	-	-
Downpayment assistance	-	-	990,684	-	-
Project subsidy loans	-	-	5,521,912	-	-
Property held for resale	-	-	186,781	-	-
Total assets	<u>\$ 241,445</u>	<u>\$ 156,074</u>	<u>\$ 9,038,398</u>	<u>\$ 9,435,866</u>	<u>\$ 245,107</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 896	\$ 317	\$ 704,194	\$ 26,989	\$ 17,824
Due to other funds	-	-	-	-	199,307
Advance from other funds	-	-	100,000	-	-
Total liabilities	<u>896</u>	<u>317</u>	<u>804,194</u>	<u>26,989</u>	<u>217,131</u>
Deferred Inflows of Resources:					
Unavailable revenue	-	-	1,383,247	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,383,247</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	240,549	155,757	6,850,957	9,408,877	27,976
Unassigned (deficit)	-	-	-	-	-
Total fund balances (deficit)	<u>240,549</u>	<u>155,757</u>	<u>6,850,957</u>	<u>9,408,877</u>	<u>27,976</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 241,445</u>	<u>\$ 156,074</u>	<u>\$ 9,038,398</u>	<u>\$ 9,435,866</u>	<u>\$ 245,107</u>

(Continued)

City of Monterey
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2017

	Scholze Park Permanent Fund	Total
ASSETS		
Cash and investments	\$ -	\$ 25,482,435
Restricted cash and investments:		
Held by fiscal agent	-	18,672
Held by City	2,476,127	2,476,127
Receivables:		
Taxes receivable	-	1,480,200
Accounts receivable	-	1,016,027
Interest receivable	6,836	77,857
Loans receivable:		
Rehabilitation	-	1,988,029
Downpayment assistance	-	1,676,684
Project subsidy loans	-	6,643,938
Property held for resale	-	648,956
Total assets	\$ 2,482,963	\$ 41,508,925
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 4,089,992
Due to other funds	-	219,011
Advance from other funds	-	100,000
Total liabilities	-	4,409,003
Deferred Inflows of Resources:		
Unavailable revenue	-	1,830,673
Total deferred inflows of resources	-	1,830,673
Fund Balances:		
Nonspendable	2,476,127	2,476,127
Restricted	6,836	32,826,310
Unassigned (deficit)	-	(33,188)
Total fund balances (deficit)	2,482,963	35,269,249
Total liabilities, deferred inflows of resources and fund balances	\$ 2,482,963	\$ 41,508,925

(Concluded)

City of Monterey
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds				
	Debt Service Fund	Storm Water System Improvements	Landscape Maintenance	State/Federal Grants	Construction Truck Impact Fee
REVENUES:					
Property tax	\$ -	\$ -	\$ 22,628	\$ -	\$ -
Sales tax	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental	-	-	-	174,202	-
Investment income (loss)	116	4,041	1,436	662	-
Rental income	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Charges for services	-	1,053,169	74,581	-	-
Other	-	-	-	-	2,077
Total revenues	116	1,057,210	98,645	174,864	2,077
EXPENDITURES:					
Current:					
General Government	-	-	-	-	-
Police	-	-	-	10,351	-
Fire	-	-	-	-	-
Public works	-	957,373	107,324	88,510	-
Community development	-	-	-	-	-
Community services	-	11,492	-	-	-
Library	-	-	-	-	-
Debt service:					
Principal payment	295,000	-	-	-	-
Interest and fiscal charges	250,098	-	-	-	-
Total expenditures	545,098	968,865	107,324	98,861	-
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(544,982)	88,345	(8,679)	76,003	2,077
OTHER FINANCING SOURCES (USES):					
Transfers in	542,487	-	42,023	-	-
Transfers out	-	(7,246,829)	-	(134,841)	(82)
Total other financing sources (uses)	542,487	(7,246,829)	42,023	(134,841)	(82)
NET CHANGES IN FUND BALANCES	(2,495)	(7,158,484)	33,344	(58,838)	1,995
FUND BALANCES:					
Beginning of year	(7,299)	8,882,794	283,549	35,444	(1,746)
End of year	\$ (9,794)	\$ 1,724,310	\$ 316,893	\$ (23,394)	\$ 249

(Continued)

City of Monterey
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds				
	Gas Tax	Street Infrastructure Rehabilitation	Parking Adjustments	Housing Grants	Park Dedication
REVENUES:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	9,511,457	-	-	-
Other taxes	519,673	-	-	-	-
Intergovernmental	-	-	-	996,524	-
Investment income (loss)	3,591	33,934	(85)	272,871	307
Rental income	-	-	-	549,294	-
Licenses and permits	-	-	18,584	-	-
Charges for services	-	-	12,223	-	53,466
Other	-	-	-	2,313	-
Total revenues	<u>523,264</u>	<u>9,545,391</u>	<u>30,722</u>	<u>1,821,002</u>	<u>53,773</u>
EXPENDITURES:					
Current:					
General Government	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Public works	19,058	-	-	-	-
Community development	-	-	-	2,406,011	-
Community services	-	-	-	-	-
Library	-	-	-	-	-
Debt service:					
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>19,058</u>	<u>-</u>	<u>-</u>	<u>2,406,011</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>504,206</u>	<u>9,545,391</u>	<u>30,722</u>	<u>(585,009)</u>	<u>53,773</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(1,528,001)	(8,844,728)	(50,790)	-	(103,009)
Total other financing sources (uses)	<u>(1,528,001)</u>	<u>(8,844,728)</u>	<u>(50,790)</u>	<u>-</u>	<u>(103,009)</u>
NET CHANGES IN FUND BALANCES	<u>(1,023,795)</u>	<u>700,663</u>	<u>(20,068)</u>	<u>(585,009)</u>	<u>(49,236)</u>
FUND BALANCES:					
Beginning of year	2,221,734	6,765,769	24,563	5,137,870	108,061
End of year	<u>\$ 1,197,939</u>	<u>\$ 7,466,432</u>	<u>\$ 4,495</u>	<u>\$ 4,552,861</u>	<u>\$ 58,825</u>

(Continued)

City of Monterey
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	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 (loss)	-	-	111	405	1,956
Rental income	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Charges for services	59,360	-	-	-	6,229
Other	-	-	-	-	99,747
Total revenues	59,360	-	111	405	107,932
EXPENDITURES:					
Current:					
General Government	-	-	-	-	-
Police	-	4,551	-	-	-
Fire	74,458	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	-	24,905	2,157
Library	-	-	-	-	151,611
Debt service:					
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	74,458	4,551	-	24,905	153,768
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(15,098)	(4,551)	111	(24,500)	(45,836)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGES IN FUND BALANCES	(15,098)	(4,551)	111	(24,500)	(45,836)
FUND BALANCES:					
Beginning of year	223,205	22,285	1,778	124,024	531,936
End of year	\$ 208,107	\$ 17,734	\$ 1,889	\$ 99,524	\$ 486,100

(Continued)

City of Monterey
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds				
	Museum	Special Deposits	Low /Mod Housing Assets	Tidelands	Navy Services
REVENUES:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	413,291
Investment income (loss)	920	(632)	177,945	34,513	(49)
Rental income	-	-	40,841	2,522,454	-
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	169,377	-
Other	13,708	8,340	1,976	44,542	-
Total revenues	14,628	7,708	220,762	2,770,886	413,242
EXPENDITURES:					
Current:					
General Government	-	-	-	197,769	-
Police	-	-	-	15,953	-
Fire	-	-	-	82,307	-
Public works	-	-	-	1,699	401,773
Community development	-	-	1,481,603	112,486	-
Community services	4,396	42,859	-	1,214,482	-
Library	-	-	-	-	-
Debt service:					
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	4,396	42,859	1,481,603	1,624,696	401,773
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	10,232	(35,151)	(1,260,841)	1,146,190	11,469
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	417,096	10,560	-
Transfers out	-	(1,794)	-	(1,069,873)	-
Total other financing sources (uses)	-	(1,794)	417,096	(1,059,313)	-
NET CHANGES IN FUND BALANCES	10,232	(36,945)	(843,745)	86,877	11,469
FUND BALANCES:					
Beginning of year	230,317	192,702	7,694,702	9,322,000	16,507
End of year	\$ 240,549	\$ 155,757	\$ 6,850,957	\$ 9,408,877	\$ 27,976

(Continued)

City of Monterey
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Scholze Park Permanent Fund	Total
REVENUES:		
Property tax	\$ -	\$ 22,628
Sales tax	-	9,511,457
Other taxes	-	519,673
Intergovernmental	-	1,584,017
Investment income (loss)	9,171	541,213
Rental income	-	3,112,589
Licenses and permits	-	18,584
Charges for services	-	1,428,405
Other	-	172,703
Total revenues	<u>9,171</u>	<u>16,911,269</u>
EXPENDITURES:		
Current:		
General Government	-	197,769
Police	-	30,855
Fire	-	156,765
Public works	-	1,575,737
Community development	-	4,000,100
Community services	-	1,300,291
Library	-	151,611
Debt service:		
Principal payment	-	295,000
Interest and fiscal charges	-	250,098
Total expenditures	<u>-</u>	<u>7,958,226</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>9,171</u>	<u>8,953,043</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	1,012,166
Transfers out	(6,485)	(18,986,432)
Total other financing sources (uses)	<u>(6,485)</u>	<u>(17,974,266)</u>
NET CHANGES IN FUND BALANCES	2,686	(9,021,223)
FUND BALANCES:		
Beginning of year	2,480,277	44,290,472
End of year	<u>\$ 2,482,963</u>	<u>\$ 35,269,249</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 378,101	17,825	\$ 116	\$ (17,709)
Total revenues	<u>378,101</u>	<u>17,825</u>	<u>116</u>	<u>(17,709)</u>
EXPENDITURES:				
Debt service:				
Principal payment	755,023	295,000	295,000	-
Interest and fiscal charges	<u>275,986</u>	<u>250,986</u>	<u>250,098</u>	<u>888</u>
Total expenditures	<u>1,031,009</u>	<u>545,986</u>	<u>545,098</u>	<u>888</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(652,908)</u>	<u>(528,161)</u>	<u>(544,982)</u>	<u>(16,821)</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>542,487</u>	<u>(542,487)</u>	<u>542,487</u>	<u>1,084,974</u>
Total other financing sources	<u>542,487</u>	<u>(542,487)</u>	<u>542,487</u>	<u>1,084,974</u>
NET CHANGES IN FUND BALANCES	<u>\$ (110,421)</u>	<u>\$ (1,070,648)</u>	<u>(2,495)</u>	<u>\$ 1,068,153</u>
FUND BALANCE:				
Beginning of year			<u>(7,299)</u>	
End of year			<u>\$ (9,794)</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Storm Water System Improvements Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 20,938	\$ 20,938	\$ 4,041	\$ (16,897)
Charges for services	1,095,600	1,095,600	1,053,169	(42,431)
Other	1,500	1,500	-	(1,500)
Total revenues	<u>1,118,038</u>	<u>1,118,038</u>	<u>1,057,210</u>	<u>(60,828)</u>
EXPENDITURES:				
Current:				
Fire	25,750	25,750	-	25,750
Public works	1,264,269	1,447,456	957,373	490,083
Community services	20,600	20,600	11,492	9,108
Total expenditures	<u>1,310,619</u>	<u>1,493,806</u>	<u>968,865</u>	<u>524,941</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(192,581)</u>	<u>(375,768)</u>	<u>88,345</u>	<u>464,113</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	200,000	200,000	-	(200,000)
Transfers out	-	-	(7,246,829)	(7,246,829)
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>	<u>(7,246,829)</u>	<u>(7,446,829)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 7,419</u>	<u>\$ (175,768)</u>	<u>(7,158,484)</u>	<u>\$ (6,982,716)</u>
FUND BALANCE:				
Beginning of year			8,882,794	
End of year			<u>\$ 1,724,310</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Property tax	\$ 17,450	\$ 17,450	\$ 22,628	\$ 5,178
Investment income	5,425	5,425	1,436	(3,989)
Charges for services	73,356	73,356	74,581	1,225
Total revenues	<u>96,231</u>	<u>96,231</u>	<u>98,645</u>	<u>2,414</u>
EXPENDITURES:				
Current:				
Public works	<u>127,431</u>	<u>137,434</u>	<u>107,324</u>	<u>30,110</u>
Total expenditures	<u>127,431</u>	<u>137,434</u>	<u>107,324</u>	<u>30,110</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(31,200)</u>	<u>(41,203)</u>	<u>(8,679)</u>	<u>32,524</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>42,023</u>	<u>42,023</u>	<u>42,023</u>	<u>-</u>
Total other financing sources	<u>42,023</u>	<u>42,023</u>	<u>42,023</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>\$ 10,823</u>	<u>\$ 820</u>	<u>33,344</u>	<u>\$ 32,524</u>
FUND BALANCE:				
Beginning of year			<u>283,549</u>	
End of year			<u>\$ 316,893</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Intergovernmental	\$ 113,200	\$ 113,200	\$ 174,202	\$ 61,002
Investment income	-	-	662	662
Total revenues	<u>113,200</u>	<u>113,200</u>	<u>174,864</u>	<u>61,664</u>
EXPENDITURES:				
Current:				
Police	13,000	23,351	10,351	13,000
Public works	-	478,755	88,510	390,245
Total expenditures	<u>13,000</u>	<u>502,106</u>	<u>98,861</u>	<u>403,245</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>100,200</u>	<u>(388,906)</u>	<u>76,003</u>	<u>464,909</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(100,000)	(100,000)	(134,841)	(34,841)
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(134,841)</u>	<u>(34,841)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 200</u>	<u>\$ (488,906)</u>	<u>(58,838)</u>	<u>\$ 430,068</u>
FUND BALANCE:				
Beginning of year			35,444	
End of year			<u>\$ (23,394)</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES				
Other	\$ -	\$ -	\$ 2,077	\$ 2,077
Total revenues	<u>-</u>	<u>-</u>	<u>2,077</u>	<u>2,077</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(82)	(82)	(82)	-
Total other financing sources (uses)	<u>(82)</u>	<u>(82)</u>	<u>(82)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>\$ (82)</u>	<u>\$ (82)</u>	1,995	<u>\$ 2,077</u>
FUND BALANCE:				
Beginning of year			(1,746)	
End of year			<u>\$ 249</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Other taxes	\$ 626,483	\$ 626,483	\$ 519,673	\$ (106,810)
Investment income	47,522	47,522	3,591	(43,931)
Total revenues	<u>674,005</u>	<u>674,005</u>	<u>523,264</u>	<u>(150,741)</u>
EXPENDITURES:				
Current:				
Public works	-	22,000	19,058	2,942
Total expenditures	<u>-</u>	<u>22,000</u>	<u>19,058</u>	<u>2,942</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>-</u>	<u>652,005</u>	<u>504,206</u>	<u>(147,799)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,528,001)	(1,528,001)	(1,528,001)	-
Total other financing sources (uses)	<u>(1,528,001)</u>	<u>(1,528,001)</u>	<u>(1,528,001)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>\$ (853,996)</u>	<u>\$ (875,996)</u>	<u>(1,023,795)</u>	<u>\$ (147,799)</u>
FUND BALANCE:				
Beginning of year			2,221,734	
End of year			<u>\$ 1,197,939</u>	

City of Monterey
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Street Infrastructure Rehabilitation Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Sales tax	\$ 8,560,677	\$ 8,560,677	\$ 9,511,457	\$ 950,780
Investment income	-	-	33,934	33,934
Total revenues	<u>8,560,677</u>	<u>8,560,677</u>	<u>9,545,391</u>	<u>984,714</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(8,844,728)	(8,844,728)	(8,844,728)	-
Total other financing sources (uses)	<u>(8,844,728)</u>	<u>(8,844,728)</u>	<u>(8,844,728)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>\$ (284,051)</u>	<u>\$ (284,051)</u>	<u>700,663</u>	<u>\$ 984,714</u>
FUND BALANCE:				
Beginning of year			6,765,769	
End of year			<u>\$ 7,466,432</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income (loss)	\$ 442	\$ 442	\$ (85)	\$ (527)
Licenses and permits	-	-	18,584	18,584
Charges for services	-	-	12,223	12,223
Total revenues	<u>442</u>	<u>442</u>	<u>30,722</u>	<u>30,280</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(50,790)	(50,790)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(50,790)</u>	<u>(50,790)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 442</u>	<u>\$ 442</u>	<u>(20,068)</u>	<u>\$ (20,510)</u>
FUND BALANCE:				
Beginning of year			24,563	
End of year			<u>\$ 4,495</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Intergovernmental	\$ 180,000	\$ 180,000	\$ 996,524	\$ 816,524
Investment income	126,212	126,212	272,871	146,659
Rental income	320,000	320,000	549,294	229,294
Other	130,600	130,600	2,313	(128,287)
Total revenues	<u>756,812</u>	<u>756,812</u>	<u>1,821,002</u>	<u>1,064,190</u>
EXPENDITURES:				
Current:				
Community development	<u>382,590</u>	<u>3,416,506</u>	<u>2,406,011</u>	<u>1,010,495</u>
Total expenditures	<u>382,590</u>	<u>3,416,506</u>	<u>2,406,011</u>	<u>1,010,495</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>374,222</u>	<u>(2,659,694)</u>	<u>(585,009)</u>	<u>2,074,685</u>
NET CHANGES IN FUND BALANCES	<u>\$ 374,222</u>	<u>\$ (2,659,694)</u>	<u>(585,009)</u>	<u>\$ 2,074,685</u>
FUND BALANCE:				
Beginning of year			<u>5,137,870</u>	
End of year			<u>\$ 4,552,861</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 374	\$ 374	\$ 307	\$ (67)
Charges for services	-	-	53,466	53,466
Total revenues	<u>374</u>	<u>374</u>	<u>53,773</u>	<u>53,399</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(103,009)	(103,009)	(103,009)	-
Total other financing sources (uses)	<u>(103,009)</u>	<u>(103,009)</u>	<u>(103,009)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u><u>\$ (102,635)</u></u>	<u><u>\$ (102,635)</u></u>	<u>(49,236)</u>	<u><u>\$ 53,399</u></u>
FUND BALANCE:				
Beginning of year			108,061	
End of year			<u><u>\$ 58,825</u></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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Charges for services	\$ 75,000	\$ 75,000	\$ 59,360	\$ (15,640)
Total revenues	<u>75,000</u>	<u>75,000</u>	<u>59,360</u>	<u>(15,640)</u>
EXPENDITURES:				
Current:				
Fire	76,255	79,485	74,458	5,027
Total expenditures	<u>76,255</u>	<u>79,485</u>	<u>74,458</u>	<u>5,027</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(1,255)</u>	<u>(4,485)</u>	<u>(15,098)</u>	<u>(10,613)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(100,000)	-	-	-
Total other financing sources (uses)	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>\$ (101,255)</u>	<u>\$ (4,485)</u>	<u>(15,098)</u>	<u>\$ (10,613)</u>
FUND BALANCE:				
Beginning of year			223,205	
End of year			<u>\$ 208,107</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, 2017

	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	4,551	449
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>4,551</u>	<u>449</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(1,000)</u>	<u>(1,000)</u>	<u>(4,551)</u>	<u>(3,551)</u>
NET CHANGES IN FUND BALANCES	<u>\$ (1,000)</u>	<u>\$ (1,000)</u>	<u>(4,551)</u>	<u>\$ (3,551)</u>
FUND BALANCE:				
Beginning of year			22,285	
End of year			<u>\$ 17,734</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 37	\$ 37	\$ 111	\$ 74
Licenses and permits	150,000	150,000	-	(150,000)
Total revenues	<u>150,037</u>	<u>150,037</u>	<u>111</u>	<u>(149,926)</u>
EXPENDITURES:				
Current:				
Finance	5,000	150,000	-	150,000
Total expenditures	<u>5,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(5,000)</u>	<u>37</u>	<u>111</u>	<u>74</u>
NET CHANGES IN FUND BALANCES	<u>\$ 150,037</u>	<u>\$ 37</u>	<u>111</u>	<u>\$ 74</u>
FUND BALANCE:				
Beginning of year			<u>1,778</u>	
End of year			<u>\$ 1,889</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 3,399	\$ 3,399	\$ 405	\$ (2,994)
Total revenues	<u>3,399</u>	<u>3,399</u>	<u>405</u>	<u>(2,994)</u>
EXPENDITURES:				
Current:				
Community services	25,000	25,000	24,905	95
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>24,905</u>	<u>95</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(21,601)</u>	<u>(21,601)</u>	<u>(24,500)</u>	<u>(2,899)</u>
NET CHANGES IN FUND BALANCES	<u>\$ (21,601)</u>	<u>\$ (21,601)</u>	<u>(24,500)</u>	<u>\$ (2,899)</u>
FUND BALANCE:				
Beginning of year			124,024	
End of year			<u>\$ 99,524</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 8,871	\$ 8,871	\$ 1,956	\$ (6,915)
Charges for services	7,300	7,300	6,229	(1,071)
Other	33,850	33,850	99,747	65,897
Total revenues	<u>50,021</u>	<u>50,021</u>	<u>107,932</u>	<u>57,911</u>
EXPENDITURES:				
Current:				
Community services	-	1,125	2,157	(1,032)
Library	133,807	206,900	151,611	55,289
Total expenditures	<u>133,807</u>	<u>208,025</u>	<u>153,768</u>	<u>54,257</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(83,786)</u>	<u>(158,004)</u>	<u>(45,836)</u>	<u>112,168</u>
NET CHANGES IN FUND BALANCES	<u>\$ (83,786)</u>	<u>\$ (158,004)</u>	<u>(45,836)</u>	<u>\$ 112,168</u>
FUND BALANCE:				
Beginning of year			<u>531,936</u>	
End of year			<u>\$ 486,100</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 3,407	\$ 3,407	\$ 920	\$ (2,487)
Other	7,040	7,040	13,708	6,668
Total revenues	<u>10,447</u>	<u>10,447</u>	<u>14,628</u>	<u>4,181</u>
EXPENDITURES:				
Current:				
Community services	6,450	13,133	4,396	8,737
Total expenditures	<u>6,450</u>	<u>13,133</u>	<u>4,396</u>	<u>8,737</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>3,997</u>	<u>(2,686)</u>	<u>10,232</u>	<u>12,918</u>
NET CHANGES IN FUND BALANCES	<u>\$ 3,997</u>	<u>\$ (2,686)</u>	<u>10,232</u>	<u>\$ 12,918</u>
FUND BALANCE:				
Beginning of year			230,317	
End of year			<u>\$ 240,549</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment loss	\$ -	\$ -	\$ (632)	\$ (632)
Other	60,040	60,040	8,340	(51,700)
Total revenues	<u>60,040</u>	<u>60,040</u>	<u>7,708</u>	<u>(52,332)</u>
EXPENDITURES:				
Current:				
Community services	60,040	60,040	42,859	17,181
Total expenditures	<u>60,040</u>	<u>60,040</u>	<u>42,859</u>	<u>17,181</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(35,151)</u>	<u>(35,151)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(1,794)	(1,794)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,794)</u>	<u>(1,794)</u>
NET CHANGES IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>(36,945)</u>	<u>\$ (36,945)</u>
FUND BALANCE:				
Beginning of year			192,702	
End of year			<u>\$ 155,757</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES				
Investment income	\$ 195,808	\$ 195,808	\$ 177,945	\$ (17,863)
Rental income	53,000	53,000	40,841	(12,159)
Other	150,000	150,000	1,976	(148,024)
Total revenues	398,808	398,808	220,762	(178,046)
EXPENDITURES:				
Current:				
Community development	290,776	3,024,477	1,481,603	1,542,874
Total expenditures	290,776	3,024,477	1,481,603	1,542,874
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	108,032	(2,625,669)	(1,260,841)	1,364,828
OTHER FINANCING SOURCES				
Transfers in	-	(471,096)	417,096	888,192
Total other financing sources	-	(471,096)	417,096	888,192
NET CHANGES IN FUND BALANCES	\$ 108,032	\$ (3,096,765)	(843,745)	\$ 2,253,020
FUND BALANCE:				
Beginning of year			7,694,702	
End of year			\$ 6,850,957	

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 221,046	\$ 221,046	\$ 34,513	\$ (186,533)
Rental income	750,000	-	2,522,454	2,522,454
Charges for current services	-	1,799,614	169,377	(1,630,237)
Other revenue	-	780,000	44,542	(735,458)
Total revenues	<u>971,046</u>	<u>2,800,660</u>	<u>2,770,886</u>	<u>(29,774)</u>
EXPENDITURES:				
Current:				
General Government	166,269	825,769	197,769	628,000
Police	-	13,769	15,953	(2,184)
Fire	-	80,815	82,307	(1,492)
Public works	-	-	1,699	(1,699)
Community development	-	112,486	112,486	-
Community services	5,000	1,378,798	1,214,482	164,316
Total expenditures	<u>171,269</u>	<u>2,411,637</u>	<u>1,624,696</u>	<u>786,941</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>799,777</u>	<u>389,023</u>	<u>1,146,190</u>	<u>757,167</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	10,560	10,560
Transfers out	(775,743)	(1,069,873)	(1,069,873)	-
Total other financing sources (uses)	<u>(775,743)</u>	<u>(1,069,873)</u>	<u>(1,059,313)</u>	<u>10,560</u>
NET CHANGES IN FUND BALANCES	<u>\$ 24,034</u>	<u>\$ (680,850)</u>	<u>86,877</u>	<u>\$ 767,727</u>
FUND BALANCE:				
Beginning of year			9,322,000	
End of year			<u>\$ 9,408,877</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Intergovernmental	\$ 454,050	\$ 595,644	\$ 413,291	\$ (182,353)
Investment loss	-	-	(49)	(49)
Total revenues	<u>454,050</u>	<u>595,644</u>	<u>413,242</u>	<u>(182,402)</u>
EXPENDITURES:				
Current:				
Public works	<u>454,050</u>	<u>595,644</u>	<u>401,773</u>	<u>193,871</u>
Total expenditures	<u>454,050</u>	<u>595,644</u>	<u>401,773</u>	<u>193,871</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>11,469</u>	<u>11,469</u>
NET CHANGES IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>11,469</u>	<u>\$ 11,469</u>
FUND BALANCE:				
Beginning of year			<u>16,507</u>	
End of year			<u>\$ 27,976</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 52,418	\$ 52,418	\$ 9,171	\$ (43,247)
Total revenues	<u>52,418</u>	<u>52,418</u>	<u>9,171</u>	<u>(43,247)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,485)	(6,485)	(6,485)	-
Total other financing sources (uses)	<u>(6,485)</u>	<u>(6,485)</u>	<u>(6,485)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>\$ 45,933</u>	<u>\$ 45,933</u>	<u>2,686</u>	<u>\$ (43,247)</u>
FUND BALANCE:				
Beginning of year			2,480,277	
End of year			<u>\$ 2,482,963</u>	

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NONMAJOR 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.

City of Monterey
Combining Statement of Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Cemetery	Materials Recovery	Totals
ASSETS:			
Current Assets:			
Cash and investments	\$ 75,615	\$ 180,638	\$ 256,253
Accounts receivable	13,432	-	13,432
Interest receivable	212	8,662	8,874
Total current assets	<u>89,259</u>	<u>189,300</u>	<u>278,559</u>
Noncurrent assets:			
Cash and investments with fiscal agent	-	406,907	406,907
Capital assets:			
Depreciable	1,099,845	3,503,274	4,603,119
Accumulated depreciation	(553,802)	(1,966,256)	(2,520,058)
Total capital assets, net	<u>546,043</u>	<u>1,537,018</u>	<u>2,083,061</u>
Total noncurrent assets	<u>546,043</u>	<u>1,943,925</u>	<u>2,489,968</u>
Total assets	<u>635,302</u>	<u>2,133,225</u>	<u>2,768,527</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows of resources	37,667	-	37,667
Total deferred outflows of resources	<u>37,667</u>	<u>-</u>	<u>37,667</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	700	208	908
Accrued liabilities	3,794	-	3,794
Accrued interest	-	8,184	8,184
Compensated absences, due within one year	1,132	-	1,132
Bonds payable, due within one year	-	400,000	400,000
Total current liabilities	<u>5,626</u>	<u>408,392</u>	<u>414,018</u>
Noncurrent liabilities:			
Advances from other funds	459,383	-	459,383
Compensated absences payable	8,659	-	8,659
Bonds payable, due in more than one year	-	-	-
Other postemployment benefits obligations	9,805	-	9,805
Net pension liabilities	146,971	-	146,971
Total noncurrent liabilities	<u>624,818</u>	<u>-</u>	<u>624,818</u>
Total liabilities	<u>630,444</u>	<u>408,392</u>	<u>1,038,836</u>
DEFERRED INFLOW OF RESOURCES:			
Pension related deferred inflows of resources	13,388	-	13,388
Total deferred inflows of resources	<u>13,388</u>	<u>-</u>	<u>13,388</u>
NET POSITION:			
Net investment in capital assets	546,043	1,137,018	1,683,061
Restricted for debt service	-	406,907	406,907
Unrestricted (deficit)	(516,906)	180,908	(335,998)
Total net position	<u>\$ 29,137</u>	<u>\$ 1,724,833</u>	<u>\$ 1,753,970</u>

City of Monterey
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Cemetery	Materials Recovery	Total
OPERATING REVENUES:			
Charges for services	\$ 229,357	\$ -	\$ 229,357
Lease revenue	-	417,184	417,184
Total operating revenues	229,357	417,184	646,541
OPERATING EXPENSES:			
Salaries and benefits	108,721	-	108,721
Services and supplies	65,382	10,034	75,416
Depreciation	27,433	93,327	120,760
Total operating expenses	201,536	103,361	304,897
Operating income	27,821	313,823	341,644
NONOPERATING REVENUES (EXPENSES):			
Investment income (loss)	(41)	4,573	4,532
Interest and fiscal charges	-	(44,275)	(44,275)
Total nonoperating revenues (expenses)	(41)	(39,702)	(39,743)
Change in net position	27,780	274,121	301,901
NET POSITION:			
Beginning of year	1,357	1,450,712	1,452,069
End of year	<u>\$ 29,137</u>	<u>\$ 1,724,833</u>	<u>\$ 1,753,970</u>

City of Monterey
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Cemetery	Materials Recovery	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 232,345	\$ 417,184	\$ 649,529
Payments to suppliers	(65,334)	(10,132)	(75,466)
Payments to employees	(115,697)	-	(115,697)
Cash flows provided by operating activities	51,314	407,052	458,366
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interfund payments	(100,000)	-	(100,000)
Cash flows used in noncapital financing activities	(100,000)	-	(100,000)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Debt principal repayment	-	(370,000)	(370,000)
Interest paid	-	(51,846)	(51,846)
Cash flows provided by capital financing activities	-	(421,846)	(421,846)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	45	12,093	12,138
Cash flows provided by investing activities	45	12,093	12,138
Net increase (decrease) in cash and cash equivalents	(48,641)	(2,701)	(51,342)
CASH AND CASH EQUIVALENT:			
Beginning of year	124,256	590,246	714,502
End of year	<u>\$ 75,615</u>	<u>\$ 587,545</u>	<u>\$ 663,160</u>
CASH AND CASH EQUIVALENT:			
Cash and investments available for operations	\$ 75,615	\$ 180,638	\$ 256,253
Cash and investments with fiscal agent	-	406,907	406,907
Total cash and cash equivalent	<u>\$ 75,615</u>	<u>\$ 587,545</u>	<u>\$ 663,160</u>
Reconciliation of operating income to net cash flows provided by operating activities:			
Operating income	\$ 27,821	\$ 313,823	\$ 341,644
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	2,988	-	2,988
(Increase) decrease in pension related deferred outflows of resources	(14,058)	-	(14,058)
Increase (decrease) in accounts payable	48	(98)	(50)
Increase (decrease) in accrued expenses	(805)	-	(805)
Increase (decrease) in compensated absences	(1,101)	-	(1,101)
Increase (decrease) in OPEB obligations	19	-	19
Increase (decrease) in net pension liabilities	15,998	-	15,998
Increase (decrease) in pension related deferred inflows of resources	(7,029)	-	(7,029)
Cash flows provided by operating activities	<u>\$ 51,314</u>	<u>\$ 407,052</u>	<u>\$ 458,366</u>



INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

City of Monterey
Combining Statement of Net Position
Internal Service Funds
For the Year Ended June 30, 2017

	Equipment Replacement	Vehicle Maintenance	Information Services	Risk Management	Totals
ASSETS					
Current Assets:					
Cash and investments	\$ 2,946,786	\$ -	\$ 1,155,952	\$ 11,302,811	\$ 15,405,549
Cash with fiscal agent	-	-	-	1,839,044	1,839,044
Accounts receivable	219	16,921	5,790	489,868	512,798
Interest receivable	7,994	-	-	-	7,994
Prepaid items	-	-	84,780	-	84,780
Total current assets	2,954,999	16,921	1,246,522	13,631,723	17,850,165
Noncurrent assets:					
Advances to other funds	702,435	-	-	-	702,435
Capital assets:					
Nondepreciable	-	-	157,323	-	157,323
Depreciable	10,132,828	66,475	1,975,737	-	12,175,040
Accumulated depreciation	(7,841,291)	(18,203)	(1,234,026)	-	(9,093,520)
Total capital assets, net	2,291,537	48,272	899,034	-	3,238,843
Total noncurrent assets	2,993,972	48,272	899,034	-	3,941,278
Total assets	5,948,971	65,193	2,145,556	13,631,723	21,791,443
DEFERRED OUTFLOW OF RESOURCES					
Pension related deferred outflows of resources	-	299,354	604,655	166,528	1,070,537
Total deferred outflows of resources	-	299,354	604,655	166,528	1,070,537
LIABILITIES					
Current liabilities:					
Accounts payable	-	59,179	137,118	348,736	545,033
Accrued liabilities	-	33,306	67,251	20,589	121,146
Accrued interest	5,513	-	-	-	5,513
Due to other funds	-	586,895	-	-	586,895
Compensated absences, due within one year	-	677	11,972	18,786	31,435
Claims payable, due within one year	-	-	-	2,918,015	2,918,015
Loans payable, due within one year	28,464	-	-	-	28,464
Total current liabilities	33,977	680,057	216,341	3,306,126	4,236,501
Noncurrent liabilities:					
Compensated absences, due in more than one year	-	47,757	115,919	17,126	180,802
Claims payable, due in more than one year	-	-	-	6,080,963	6,080,963
Loans payable, due in more than one year	225,193	-	-	-	225,193
Other postemployment benefits obligations	-	40,903	49,307	14,164	104,374
Net pension liabilities	-	1,168,033	2,359,270	649,766	4,177,069
Total noncurrent liabilities	225,193	1,256,693	2,524,496	6,762,019	10,768,401
Total liabilities	259,170	1,936,750	2,740,837	10,068,145	15,004,902
DEFERRED INFLOW OF RESOURCES					
Pension related deferred inflows of resources	-	106,398	214,913	59,189	380,500
Total deferred inflows of resources	-	106,398	214,913	59,189	380,500
NET POSITION					
Net investment in capital assets	2,037,880	48,272	899,034	-	2,985,186
Unrestricted (deficit)	3,651,921	(1,726,873)	(1,104,573)	3,670,917	4,491,392
Total net position	\$ 5,689,801	\$ (1,678,601)	\$ (205,539)	\$ 3,670,917	\$ 7,476,578

City of Monterey
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2017

	Equipment Replacement	Vehicle Maintenance	Information Services	Risk Management	Total
OPERATING REVENUES:					
Charges for services	\$ 715,259	\$ 103,832	\$ 3,262,096	\$ 12,852,975	\$ 16,934,162
Lease revenue	-	1,681,289	-	-	1,681,289
Other revenue	-	542	-	1,026,627	1,027,169
Total operating revenues	<u>715,259</u>	<u>1,785,663</u>	<u>3,262,096</u>	<u>13,879,602</u>	<u>19,642,620</u>
OPERATING EXPENSES:					
Salaries and benefits	-	918,135	1,646,168	498,723	3,063,026
Services and supplies	17,667	886,864	2,062,301	1,450,644	4,417,476
Claims and insurance	-	-	-	10,678,029	10,678,029
Depreciation	570,750	3,238	358,516	-	932,504
Total operating expenses	<u>588,417</u>	<u>1,808,237</u>	<u>4,066,985</u>	<u>12,627,396</u>	<u>19,091,035</u>
Operating income	<u>126,842</u>	<u>(22,574)</u>	<u>(804,889)</u>	<u>1,252,206</u>	<u>551,585</u>
NONOPERATING REVENUES (EXPENSES):					
Investment income	9,992	-	-	-	9,992
Interest and fiscal charges	(8,608)	-	-	-	(8,608)
Gain on sale of assets	49,300	-	82	-	49,382
Total nonoperating revenues (expenses)	<u>50,684</u>	<u>-</u>	<u>82</u>	<u>-</u>	<u>50,766</u>
Income before transfers	<u>177,526</u>	<u>(22,574)</u>	<u>(804,807)</u>	<u>1,252,206</u>	<u>602,351</u>
TRANSFERS:					
Transfers in	123,717	-	-	22,150	145,867
Transfers out	-	(5,037)	(270,446)	(5,967)	(281,450)
Net transfers	<u>123,717</u>	<u>(5,037)</u>	<u>(270,446)</u>	<u>16,183</u>	<u>(135,583)</u>
Change in net position	<u>301,243</u>	<u>(27,611)</u>	<u>(1,075,253)</u>	<u>1,268,389</u>	<u>466,768</u>
NET POSITION:					
Beginning of year	5,388,558	(1,650,990)	869,714	2,402,528	7,009,810
End of year	<u>\$ 5,689,801</u>	<u>\$ (1,678,601)</u>	<u>\$ (205,539)</u>	<u>\$ 3,670,917</u>	<u>\$ 7,476,578</u>

City of Monterey
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017

	Equipment Replacement	Vehicle Maintenance	Information Resources	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from user departments	\$ 718,812	\$ 1,867,393	\$ 3,262,096	\$ 12,852,975	\$ 18,701,276
Receipts from insurance recovery	-	-	-	561,367	561,367
Payments to suppliers	(17,667)	(873,979)	(2,503,937)	(1,583,966)	(4,979,549)
Payments to employees	-	(988,430)	(1,535,756)	(408,980)	(2,933,166)
Claims and insurance paid	-	-	-	(11,711,279)	(11,711,279)
Cash flows provided by (used in) operating activities	701,145	4,984	(777,597)	(289,883)	(361,351)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund payments	117,825	-	-	-	117,825
Transfers in	123,717	-	-	22,150	145,867
Transfers out	-	(5,037)	(270,446)	(5,967)	(281,450)
Cash flows provided by (used in) noncapital financing activities	241,542	(5,037)	(270,446)	16,183	(17,758)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(564,452)	-	(496,124)	-	(1,060,576)
Proceeds from sale of assets	57,602	-	41,438	-	99,040
Debt principal repayment	(27,619)	-	-	-	(27,619)
Interest paid	(8,116)	-	-	-	(8,116)
Cash flows provided by (used in) capital and related financing activities	(542,585)	-	(454,686)	-	(997,271)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	8,082	-	-	-	8,082
Cash flows provided by investing activities	8,082	-	-	-	8,082
Net increase in cash and cash equivalents	408,184	(53)	(1,502,729)	(273,700)	(1,368,298)
CASH AND CASH EQUIVALENT:					
Beginning of year	2,538,602	53	2,658,681	13,415,555	18,612,891
End of year	<u>\$ 2,946,786</u>	<u>\$ -</u>	<u>\$ 1,155,952</u>	<u>\$ 13,141,855</u>	<u>\$ 17,244,593</u>
CASH AND CASH EQUIVALENT:					
Cash and investments	\$ 2,946,786	\$ -	\$ 1,155,952	\$ 11,302,811	\$ 15,405,549
Cash with fiscal agent	-	-	-	1,839,044	1,839,044
Total cash and cash equivalent	<u><u>\$ 2,946,786</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,155,952</u></u>	<u><u>\$ 13,141,855</u></u>	<u><u>\$ 17,244,593</u></u>

(Continued)

City of Monterey
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2017

	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)	\$ 126,842	\$ (22,574)	\$ (804,889)	\$ 1,252,206	\$ 551,585
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	570,750	3,238	358,516	-	932,504
Change in assets and liabilities:					
(Increase) decrease in accounts receivables	3,553	(9,882)	-	(465,260)	(471,589)
(Increase) decrease in prepaid items	-	-	(12,790)	-	(12,790)
(Increase) decrease in pension related deferred outflows of resources	-	(105,827)	(257,000)	(79,216)	(442,043)
Increase (decrease) in accounts payable	-	12,885	(428,846)	(133,322)	(549,283)
Increase (decrease) in accrued expenses	-	(2,305)	4,193	7,996	9,884
Increase (decrease) in due to other funds	-	91,612	-	-	91,612
Increase (decrease) in compensated absences	-	4,207	18,067	11,800	34,074
Increase (decrease) in claims payable	-	-	-	(1,033,250)	(1,033,250)
Increase (decrease) in OPEB obligations	-	129	191	64	384
Increase (decrease) in net pension liabilities	-	94,454	430,681	165,412	690,547
Increase (decrease) in pension related deferred inflows of resources	-	(60,953)	(85,720)	(16,313)	(162,986)
Cash flows provided by (used in) operating activities	\$ 701,145	\$ 4,984	\$ (777,597)	\$ (289,883)	\$ (361,351)

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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, 2017

	District Funds	Dubrovnik Sister City Donation	Presidio Municipal Service Agency	Total
ASSETS:				
Cash and investments	\$ 39,597	\$ 16	\$ -	\$ 39,613
Accounts receivables	14,955	-	3,304,111	3,319,066
Total assets	<u>\$ 54,552</u>	<u>\$ 16</u>	<u>\$ 3,304,111</u>	<u>\$ 3,358,679</u>
LIABILITIES:				
Deposits	\$ -	\$ 16	\$ -	\$ 16
Due to the City	-	-	2,975,624	2,975,624
Due to the City of Seaside	-	-	328,487	328,487
Special assessment payable	54,552	-	-	54,552
Total liabilities	<u>\$ 54,552</u>	<u>\$ 16</u>	<u>\$ 3,304,111</u>	<u>\$ 3,358,679</u>

City of Monterey
Combining Statement of Changes in Agency Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>District Funds</u>				
ASSETS:				
Cash and investments	\$ 41,088	\$ 17,773,017	\$ (17,774,508)	\$ 39,597
Accounts receivable	8,284	11,036	(4,365)	14,955
Total assets	\$ 49,372	\$ 17,784,053	\$ (17,778,873)	\$ 54,552
LIABILITIES:				
Special assessment payable	\$ 49,372	\$ 2,774,672	\$ (2,769,492)	\$ 54,552
Total liabilities	\$ 49,372	\$ 2,774,672	\$ (2,769,492)	\$ 54,552
<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	\$ 3,410,936	\$ 12,428,816	\$ (12,535,641)	\$ 3,304,111
Total assets	\$ 3,410,936	\$ 12,428,816	\$ (12,535,641)	\$ 3,304,111
LIABILITIES:				
Due to the City	\$ 3,278,672	\$ 2,975,624	\$ (3,278,672)	\$ 2,975,624
Due to the City of Seaside	132,264	328,487	(132,264)	328,487
Total liabilities	\$ 3,410,936	\$ 3,304,111	\$ (3,410,936)	\$ 3,304,111

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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, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash and investments	\$ 41,104	\$ -	\$ (17,774,508)	\$ 39,613
Accounts receivable	3,419,220	12,439,852	(12,540,006)	3,319,066
Total assets	<u>\$ 3,460,324</u>	<u>\$ 12,439,852</u>	<u>\$ (30,314,514)</u>	<u>\$ 3,358,679</u>
LIABILITIES:				
Deposits	\$ 16	\$ -	\$ -	\$ 16
Due to the City	3,278,672	2,975,624	(3,278,672)	2,975,624
Due to the City of Seaside	132,264	328,487	(132,264)	328,487
Special assessment payable	49,372	2,774,672	(2,769,492)	54,552
Total liabilities	<u>\$ 3,460,324</u>	<u>\$ 6,078,783</u>	<u>\$ (6,180,428)</u>	<u>\$ 3,358,679</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 174-183)

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 184-189)

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 190-193)

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 196-198)

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
(accrual basis of accounting)

	2007-08	2008-09	2009-10	2010-11	2011-12
Governmental activities					
Net investment in capital assets	\$ 121,625,816	\$ 124,462,307	\$ 122,902,447	\$ 123,156,792	\$ 120,401,873
Restricted	32,088,899	31,152,448	35,581,294	37,216,422	33,409,687
Unrestricted	42,676,222	41,506,306	38,282,898	36,206,132	41,130,596
Total governmental activities net position	<u>\$ 196,390,937</u>	<u>\$ 197,121,061</u>	<u>\$ 196,766,639</u>	<u>\$ 196,579,346</u>	<u>\$ 194,942,156</u>
Business-type activities					
Net investment in capital assets	\$ 14,415,213	\$ 15,096,311	\$ 16,065,850	\$ 18,360,622	\$ 18,280,879
Restricted	1,758,383	1,696,136	1,697,423	414,540	411,276
Unrestricted	(7,272,774)	(7,440,032)	(8,406,205)	(8,112,222)	(7,072,928)
Total business-type activities net position	<u>\$ 8,900,822</u>	<u>\$ 9,352,415</u>	<u>\$ 9,357,068</u>	<u>\$ 10,662,940</u>	<u>\$ 11,619,227</u>
Primary Government					
Net investment in capital assets	\$ 132,454,475	\$ 136,041,029	\$ 138,968,297	\$ 141,517,414	\$ 138,682,752
Restricted	34,450,145	33,847,282	37,278,717	37,630,962	33,820,963
Unrestricted	38,585,173	35,403,448	29,876,693	29,876,693	34,057,668
Total primary Government	<u>\$ 205,489,793</u>	<u>\$ 205,291,759</u>	<u>\$ 206,123,707</u>	<u>\$ 209,025,069</u>	<u>\$ 206,561,383</u>

City of Monterey
Net Position by Component (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2012-13	2013-14	2014-15	2015-16	2016-17
Governmental activities					
Net investment in capital assets	\$ 117,782,513	\$ 121,163,828	\$ 81,573,354	\$ 135,062,968	\$ 129,531,992
Restricted	36,180,564	35,418,022	41,852,947	55,127,684	59,385,118
Unrestricted	37,585,610	41,697,391	5,565,630	(60,147,498)	(73,816,480)
Total governmental activities net position	<u>\$ 191,548,687</u>	<u>\$ 198,279,241</u>	<u>\$ 128,991,931</u>	<u>\$ 130,043,154</u>	<u>\$ 115,100,630</u>
Business-type activities					
Net investment in capital assets	\$ 17,988,110	\$ 17,907,867	\$ 17,701,350	\$ 17,585,832	\$ 24,301,739
Restricted	416,065	407,139	406,976	407,029	406,907
Unrestricted	(5,564,425)	(3,120,898)	(6,206,979)	(3,602,125)	5,354,241
Total business-type activities net position	<u>\$ 12,839,750</u>	<u>\$ 15,194,108</u>	<u>\$ 11,901,347</u>	<u>\$ 14,390,736</u>	<u>\$ 30,062,887</u>
Primary Government					
Net investment in capital assets	\$ 135,770,623	\$ 139,071,695	\$ 99,274,704	\$ 152,648,800	\$ 153,833,731
Restricted	36,596,629	35,825,161	42,259,923	55,534,713	59,792,025
Unrestricted	32,021,185	38,576,493	(641,349)	(63,749,623)	(68,462,239)
Total primary Government	<u>\$ 204,388,437</u>	<u>\$ 213,473,349</u>	<u>\$ 140,893,278</u>	<u>\$ 144,433,890</u>	<u>\$ 145,163,517</u>

City of Monterey
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2007-08	2008-09	2009-10	2010-11	2011-12
Expenses					
Governmental activities:					
General government	\$ 7,023,171	\$ 8,500,337	\$ 6,785,765	\$ 7,674,774	\$ 8,727,041
Public safety	22,713,685	24,901,618	25,348,522	24,479,714	24,635,437
Public works	21,322,325	16,758,226	20,876,964	19,706,824	19,662,862
Community development	4,300,953	3,284,107	1,634,501	1,857,119	882,990
Recreation and community service	8,013,728	8,645,530	8,401,272	8,454,787	8,255,901
Library	3,381,103	3,789,795	3,515,397	3,251,530	3,203,459
Public Facilities	4,823,808	4,953,293	4,599,164	4,574,830	4,184,110
Nondepartmental	983,950	320,386	2,728,150	-	-
Interest and fiscal charges	554,904	525,497	498,238	471,315	403,001
Total governmental activities expenses	73,117,627	71,678,789	74,387,973	70,470,893	69,954,801
Business-type activities:					
Marina	1,902,078	1,963,252	1,887,048	2,047,929	2,299,601
Parking	6,588,354	6,596,107	6,491,294	6,836,439	7,299,420
Sewer	-	-	-	-	-
Presidio of Monterey Public Works	11,202,661	11,370,245	10,630,416	13,712,889	13,022,559
Cemetery	325,867	378,326	358,412	374,530	274,918
Material Recovery	267,287	263,676	247,095	235,919	221,653
Navy Services	431,969	406,759	365,194	290,379	280,582
Institutional Network	-	-	-	920	1,479
Total business-type activities expenses	20,718,216	20,978,365	19,979,459	23,499,005	23,400,212
Total primary government expenses	93,835,843	92,657,154	94,367,432	93,969,898	93,355,013
Program revenues					
Governmental activities:					
Charges for services:					
General government	3,364,012	5,586,347	3,578,598	5,672,273	6,251,417
Public safety	1,232,714	2,917,245	3,953,104	3,772,349	4,430,705
Public works	5,038,075	3,310,527	4,417,728	4,550,785	5,038,460
Community development	505,402	518,332	1,245,340	(15,584)	94,181
Community service	4,529,054	5,036,042	5,252,517	5,130,533	5,132,533
Library	102,190	100,328	113,344	113,609	99,428
Public Facilities*	1,918,940	1,628,338	1,622,883	1,328,531	1,531,115
Nondepartmental	1,786,322	320,386	2,447,644	-	-
Operating grants and contributions	1,822,964	2,092,033	1,304,197	947,647	1,054,621
Capital grants and contributions	1,707,277	1,046,005	1,280,919	1,661,932	1,351,930
Total governmental activities program revenues	22,006,950	22,555,583	25,216,274	23,162,075	24,984,390

City of Monterey
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2012-13	2013-14	2014-15	2015-16	2016-17
Expenses					
Governmental activities:					
General government	\$ 9,052,121	\$ 12,352,952	\$ 5,468,878	\$ 6,242,043	\$ 6,440,218
Public safety	28,230,175	27,656,343	18,354,580	31,413,958	34,598,683
Public works	19,952,596	9,486,246	15,002,729	35,996,616	49,867,441
Community development	1,255,059	1,229,500	953,917	1,244,516	4,026,511
Recreation and community service	13,022,994	12,713,595	11,104,192	14,633,159	14,179,688
Library	3,362,875	3,068,552	2,028,633	2,992,626	3,106,859
Public Facilities	-	-	-	-	-
Nondepartmental	-	-	-	-	-
Interest and fiscal charges	392,114	463,574	519,893	3,617,864	2,325,866
Total governmental activities expenses	75,267,934	66,970,762	53,432,822	96,140,782	114,545,266
Business-type activities:					
Marina	2,324,992	2,228,058	1,845,966	1,624,701	1,825,353
Parking	6,826,056	7,502,409	6,469,521	5,466,454	6,733,325
Sewer	-	-	-	-	1,593,559
Presidio of Monterey Public Works	11,571,576	8,474,449	8,815,978	-	-
Cemetery	192,412	242,726	176,973	161,489	201,536
Material Recovery	207,232	192,067	251,362	140,695	147,636
Navy Services	309,906	236,848	337,131	-	-
Institutional Network	2,734	-	65	-	-
Total business-type activities expenses	21,434,908	18,876,557	17,896,996	7,393,339	10,501,409
Total primary government expenses	96,702,842	85,847,319	71,329,818	103,534,121	125,046,675
Program revenues					
Governmental activities:					
Charges for services:					
General government	6,169,847	8,148,244	7,238,903	7,222,860	6,072,895
Public safety	5,353,928	7,905,213	7,232,624	7,299,691	7,877,786
Public works	5,333,070	6,055,328	6,277,294	20,371,202	15,807,678
Community development	74,142	83,067	(2,216)	66,516	1,037,010
Community service	7,006,731	6,989,209	7,019,594	6,808,314	9,134,011
Library	103,797	100,694	76,351	48,131	43,325
Public Facilities*	-	-	-	-	-
Nondepartmental	-	-	-	-	-
Operating grants and contributions	1,386,277	1,187,188	1,271,917	14,269,674	17,507,346
Capital grants and contributions	724,793	1,218,043	2,873,609	7,322,237	6,205,949
Total governmental activities program revenues	26,152,585	31,686,986	31,988,076	63,408,625	63,686,000

Continued

City of Monterey
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2007-08	2008-09	2009-10	2010-11	2011-12
Business-type activities:					
Charges for services:					
Marina	2,123,947	2,325,725	2,483,526	2,586,778	2,644,373
Parking	6,360,747	6,610,603	7,205,132	7,293,620	7,879,181
Sewer	-	-	-	-	-
Presidio of Monterey Public Works	11,733,919	11,670,716	9,612,860	14,037,989	13,087,837
Cemetery	181,511	285,375	291,432	228,593	322,825
Material Recovery	343,171	345,325	351,665	360,298	369,419
Navy Services	442,361	355,639	424,369	311,136	245,164
Total business-type activities					
program revenues	21,185,656	21,593,383	20,368,984	24,818,414	24,548,799
Total primary government					
program revenues	43,192,606	44,148,966	45,585,258	47,980,489	49,533,189
Net revenues (expenses):					
Governmental activities	(51,110,677)	(49,123,206)	(49,171,699)	(47,308,818)	(44,970,411)
Business-type activities	467,440	615,018	389,525	1,319,409	1,148,587
Total net revenues (expenses)	(50,643,237)	(48,508,188)	(48,782,174)	(45,989,409)	(43,821,824)
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes	11,472,173	12,262,633	12,440,413	12,247,862	10,286,705
Sales tax	7,434,164	6,998,648	6,362,466	7,050,150	7,211,793
Transient occupancy taxes	15,870,646	14,796,323	14,702,871	14,655,418	16,536,943
Other taxes	5,549,907	5,312,979	5,240,940	5,635,273	5,912,623
Motor vehicle in lieu, unrestricted	2,327,149	2,401,820	2,394,765	2,391,256	2,234,587
Investment income	3,204,507	5,456,661	5,032,549	4,647,197	5,271,786
Other general revenues	3,870,156	1,978,604	194,625	249,936	280,134
Transfers	259,053	645,700	737,759	244,433	350,226
Extraordinary Event	-	-	-	-	(4,751,575)
Total governmental activities	49,987,755	49,853,368	47,106,388	47,121,525	43,333,222
Business-type activities:					
Investment income	716,501	482,275	352,887	230,896	157,926
Transfers	(259,053)	(645,700)	(737,759)	(244,433)	(350,226)
Total business-type activities	457,448	(163,425)	(384,872)	(13,537)	(192,300)
Total primary government	50,445,203	49,689,943	46,721,516	47,107,988	43,140,922
Changes in net position:					
Governmental activities	(1,122,922)	730,162	(2,065,311)	(187,293)	(1,637,189)
Business-type activities	924,888	451,593	4,653	1,305,872	956,287
Total primary government	\$ (198,034)	\$ 1,181,755	\$ (2,060,658)	\$ 1,118,579	\$ (680,902)

* In FY 2013 Public Facilities was combined with Community Services

City of Monterey
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2012-13	2013-14	2014-15	2015-16	2016-17
Business-type activities:					
Charges for services:					
Marina	2,714,930	2,948,031	3,054,187	3,107,731	3,052,843
Parking	7,858,075	8,463,429	8,944,423	9,291,528	9,268,334
Sewer	-	-	-	-	2,561,703
Presidio of Monterey Public Works	11,284,765	9,120,880	8,631,601	-	-
Cemetery	347,321	365,707	218,289	203,675	229,357
Material Recovery	378,845	385,298	395,435	410,559	417,184
Navy Services	329,826	221,742	317,654	-	-
Total business-type activities				7,944	
program revenues	22,913,762	21,505,087	21,561,589	13,021,437	15,529,421
Total primary government					
program revenues	49,066,347	53,192,073	53,549,665	76,430,062	79,215,421
Net revenues (expenses):					
Governmental activities	(49,115,349)	(35,283,776)	(21,444,746)	(32,732,157)	(50,859,266)
Business-type activities	1,478,854	2,628,530	3,664,593	5,628,098	5,028,012
Total net revenues (expenses)	(47,636,495)	(32,655,246)	(17,780,153)	(27,104,059)	(45,831,254)
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes	7,009,683	7,390,529	7,287,199	7,973,011	8,238,549
Sales tax	7,928,999	8,557,600	9,835,269	9,241,167	8,590,013
Transient occupancy taxes	17,601,144	19,320,052	20,827,778	18,890,094	19,476,470
Other taxes	5,985,960	6,288,542	9,944,547	4,913,625	5,166,317
Motor vehicle in lieu, unrestricted	2,251,469	2,289,995	2,392,180	2,545,491	2,651,567
Investment income	4,758,794	5,066,372	5,177,382	5,583,028	702,388
Other general revenues	229,695	150,849	189,910	348,113	1,591,232
Transfers	362,272	373,704	459,090	738,512	(10,499,794)
Extraordinary Event	(406,136)	(7,423,313)	-	-	-
Total governmental activities	45,721,880	42,014,330	56,113,355	50,233,041	35,916,742
Business-type activities:					
Investment income	103,941	94,132	397,812	186,467	144,345
Transfers	(362,272)	(373,704)	(459,090)	(738,512)	10,499,794
Total business-type activities	(258,331)	(279,572)	(61,278)	(552,045)	10,644,139
Total primary government	45,463,549	41,734,758	56,052,077	49,680,996	46,560,881
Changes in net position:					
Governmental activities	(3,393,469)	6,730,554	34,668,609	17,500,884	(14,942,524)
Business-type activities	1,220,523	2,348,958	3,603,315	5,076,053	15,672,151
Total primary government	\$ (2,172,946)	\$ 9,079,512	\$ 38,271,924	\$ 22,576,937	\$ 729,627

Concluded

* In FY 2013 Public Facilities was combined with Community Services

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

	2007-08	2008-09	2009-10	2010-11	2011-12
General Fund:					
Nondspendable fund balance				\$ 22,682,645	\$ 22,816,967
Restricted fund balance				248,179	-
Committed fund balance				9,726,269	10,090,824
Assigned fund balance				551,473	394,310
Unassigned fund balance				41,108	529,398
Reserved ⁽¹⁾	\$ 22,181,992	\$ 21,273,435	\$ 21,495,370	-	-
Unreserved ⁽¹⁾	11,137,980	9,669,156	9,083,381	-	-
Total General Fund	\$ 33,319,972	\$ 30,942,591	\$ 30,578,751	\$ 33,249,674	\$ 33,831,499
All other governmental funds:					
Nondspendable fund balance				\$ 19,299,222	\$ 15,713,621
Restricted fund balance				17,229,293	17,323,244
Committed fund balance				5,770,460	6,870,549
Unassigned fund balance					
Special revenue funds				(92,711)	-
Debt Service fund				(32,389,795)	(28,206,724)
Unassigned fund balance				-	-
Reserved ⁽¹⁾	\$ 23,439,262	\$ 22,922,882	\$ 25,482,962	-	-
Unreserved, reported in: ⁽¹⁾					
Special revenue funds	8,528,382	11,181,765	12,916,637	-	-
Permanent funds - Nonexpendable	2,476,127	2,476,127	2,476,127	-	-
Permanent funds - Expendable	582,546	565,259	235,188	-	-
Low/Mod Income Housing	1,460,242	(421,594)	2,012,992	-	-
Debt Service fund	(42,715,832)	(38,262,965)	(37,070,879)	-	-
Capital projects fund	2,589,374	4,460,818	1,009,947	-	-
Total all other governmental funds	\$ (3,639,899)	\$ 2,922,292	\$ 7,062,974	\$ 9,816,469	\$ 11,700,690

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)

	2012-13	2013-14	2014-15	2015-16	2016-17
General Fund:					
Nonspendable fund balance	\$ 20,427,925	\$ 15,868,931	\$ 15,183,203	\$ 14,686,984	\$ 14,168,569
Restricted fund balance	-	-	-	1,343,207	-
Committed fund balance	9,994,916	13,837,690	14,511,940	14,992,220	13,992,585
Assigned fund balance	708,603	786,659	652,705	1,073,523	2,486,736
Unassigned fund balance	77,555	2,169,049	5,240,666	-	-
Reserved ⁽¹⁾	-	-	-	-	-
Unreserved ⁽¹⁾	-	-	-	-	-
Total General Fund	\$ 31,208,999	\$ 32,662,329	\$ 35,588,514	\$ 32,095,934	\$ 30,647,890
All other governmental funds:					
Nonspendable fund balance	\$ 17,203,665	\$ 13,566,341	\$ 13,410,067	\$ 2,726,127	\$ 2,476,127
Restricted fund balance	18,286,708	21,216,171	77,021,864	90,580,300	51,921,017
Committed fund balance	7,792,559	9,466,130	11,192,933	10,757,117	10,822,149
Unassigned fund balance					
Special revenue funds	-	-	-	-	-
Debt Service fund	-	-	-	-	-
Unassigned fund balance	-	(1,202,400)	(9,378,178)	(4,670,636)	(3,017,933)
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	\$ 43,282,932	\$ 43,046,242	\$ 92,246,686	\$ 99,392,908	\$ 62,201,360

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)

	2007-08	2008-09	2009-10	2010-11	2011-12
Revenues:					
Taxes	\$ 40,326,890	\$ 39,370,583	\$ 38,746,690	\$ 39,588,703	\$ 39,948,064
Licenses and permits	4,726,272	4,209,088	3,705,052	3,654,304	4,047,893
Fines and forfeitures	461,314	479,684	444,167	376,857	293,276
Investment income	3,438,071	2,659,946	2,101,934	1,808,808	1,739,735
Rental income	7,642,805	8,074,287	3,412,445	3,339,846	3,885,566
Intergovernmental	6,047,826	6,254,226	5,834,202	10,166,960	7,477,815
Charge for services	12,521,579	14,164,052	16,191,553	15,302,794	17,075,415
Other	910,227	1,343,214	2,237,064	1,000,811	976,999
Total revenues	76,074,984	76,555,080	72,673,107	75,239,083	75,444,763
Expenditures:					
Current:					
General government	6,303,274	6,596,881	8,328,786	6,850,243	6,498,691
Public safety	22,781,983	23,731,900	24,950,815	24,106,242	24,869,532
Public works	14,408,540	17,060,180	15,629,131	16,016,944	15,934,668
Community development	4,275,923	3,281,264	1,606,658	1,816,472	859,647
Community services	7,307,666	7,701,164	7,562,605	7,620,535	7,545,025
Library	3,361,421	3,630,813	3,425,637	3,162,508	3,213,515
Public facilities	4,131,226	4,104,587	3,933,253	3,928,470	3,638,093
Capital outlays	10,557,068	4,731,862	4,301,127	4,183,799	4,865,244
Debt Service					
Principal retirement	636,007	961,373	648,728	1,490,511	269,347
Interest and fiscal charges	541,033	515,314	488,699	466,441	396,053
Total expenditures	74,304,141	72,315,338	70,875,439	69,642,165	68,089,815
Excess (deficiency) of revenues over (under) expenditures	1,770,843	4,239,742	1,797,668	5,596,918	7,354,948
Other financing sources (uses):					
Transfers in	10,939,205	4,976,300	8,429,696	8,633,095	3,563,688
Transfers out	(11,004,403)	(5,031,194)	(8,161,411)	(8,805,595)	(3,701,014)
Debt Issuance	-	-	-	-	-
Extraordinary event	-	-	-	-	(4,751,575)
Total other financing sources (uses)	(65,198)	(54,894)	268,285	(172,500)	(4,888,901)
Net change in fund balances	\$ 1,705,645	\$ 4,184,848	\$ 2,065,953	\$ 5,424,418	\$ 2,466,047
Debt service as a percentage of noncapital expenditures	1.7%	2.2%	1.7%	3.0%	1.0%

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

	2012-13	2013-14	2014-15	2015-16	2016-17
Revenues:					
Taxes	\$ 38,525,786	\$ 41,556,723	\$ 47,894,793	\$ 59,277,927	\$ 62,202,426
Licenses and permits	4,061,033	4,130,607	4,291,703	6,572,787	4,931,773
Fines and forfeitures	286,646	265,537	225,164	247,599	230,611
Investment income	1,305,930	1,317,917	1,322,855	1,840,186	1,361,864
Rental income	4,040,251	4,360,750	4,695,949	2,113,573	3,719,603
Intergovernmental	4,124,701	4,684,315	6,949,729	14,572,648	18,587,770
Charge for services	18,655,576	23,581,715	21,417,792	21,438,207	18,879,964
Other	834,874	835,477	45,824,962	4,660,958	2,304,523
Total revenues	71,834,797	80,733,041	132,622,947	110,723,885	112,218,534
Expenditures:					
Current:					
General government	6,680,979	6,571,149	6,153,711	6,049,397	6,390,675
Public safety	27,176,682	29,050,139	30,196,694	31,769,842	33,801,647
Public works	15,341,914	15,190,101	15,793,546	34,199,015	31,293,285
Community development	1,204,372	1,222,203	1,216,059	1,207,709	4,000,100
Community services	11,346,083	11,781,212	12,251,900	13,126,769	13,254,828
Library	3,182,378	3,202,152	2,765,271	2,921,043	3,067,378
Public facilities	-	-	-	-	-
Capital outlays	4,759,109	5,009,599	11,642,924	23,370,162	52,629,953
Debt Service					
Principal retirement	401,569	845,648	417,572	441,674	962,637
Interest and fiscal charges	386,418	463,574	504,268	2,366,665	2,326,767
Total expenditures	70,479,504	73,335,777	80,941,945	115,452,276	147,727,270
Excess (deficiency) of revenues over (under) expenditures	1,355,293	7,397,264	51,681,002	(4,728,391)	(35,508,736)
Other financing sources (uses):					
Transfers in	4,225,761	4,598,998	8,934,600	22,409,229	17,992,342
Transfers out	(4,333,375)	(3,963,388)	(8,488,973)	(22,314,689)	(25,045,920)
Debt Issuance	-	-	-	8,171,875	3,922,722
Extraordinary event	28,319,142	(7,423,313)	-	-	-
Total other financing sources (uses)	28,211,528	(6,787,703)	445,627	8,266,415	(3,130,856)
Net change in fund balances	\$ 29,566,821	\$ 609,561	\$ 52,126,629	\$ 3,538,024	\$ (38,639,592)
Debt service as a percentage of noncapital expenditures	1.2%	2.1%	1.3%	3.1%	3.1%

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

CATEGORY	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Full Service	\$ 9,782	\$ 9,415	\$ 9,292	\$ 9,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cannery Row	1,398	1,207	1,207	1,249	4,685	5,002	5,430	5,943	6,014	5,941
Downtown	-	-	-	-	4,125	4,491	4,820	4,975	5,506	5,704
Fremont Street	1,091	995	965	881	1,057	1,163	1,380	1,592	1,823	1,956
Munras Avenue/ Abrego Street	2,168	1,892	2,010	1,994	2,294	2,384	2,595	2,869	3,185	3,283
Other	1,428	1,247	1,191	1,137	4,374	4,543	5,100	5,449	5,958	6,297
Totals	<u>\$ 15,867</u>	<u>\$ 14,756</u>	<u>\$ 14,665</u>	<u>\$ 14,643</u>	<u>\$ 16,535</u>	<u>\$ 17,582</u>	<u>\$ 19,325</u>	<u>\$ 20,828</u>	<u>\$ 22,486</u>	<u>\$ 23,180</u>

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.

Notes:

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

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

"Full Service" is defined as all lodging facilities having in-house restaurants and are categorized regardless of location. Use of this category for reporting was discontinued in FY12 and all lodging establishments are reported in FY12 by geographic location or summarized as "Other"

Source: City of Monterey Finance Department

City of Monterey
Top Ten Principal Transient Occupancy Tax Generators
June 30, 2017

Fiscal Year 2017	Fiscal Year 2008
Casa Munras Garden Hotel	Casa Munras Garden Hotel
Hilton Inn	Hilton Inn
Hotel Abrego	Hotel Pacific
Hotel Pacific	Hyatt Regency
Hyatt Regency	Monterey Bay Inn
Intercontinental the Clement	Monterey Beach Hotel
Monterey Marriott Hotel	Monterey Marriott Hotel
Monterey Plaza Hotel	Monterey Plaza Hotel
Monterey Tides Hotel	Portola Plaza Hotel
Portola Plaza Hotel	Spindrift Inn

Note: All tax generators are listed in alphabetical order; tax generators above account for 66% of transient occupancy tax

City of Monterey
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Secured	Unsecured	Total	Estimated Actual Value	Total Direct Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a % of Actual Taxable Value
2016-17	\$ 4,862,251,945	\$ 328,394,791	\$ 5,190,646,736	\$ 5,190,646,736	1.00	\$ 5,190,646,736	100%
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%

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

Source: Monterey County Auditor-Controller

City of Monterey
Property Taxes Rates - Direct and Overlapping Governments
(Per \$100 of Assessed Value)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Basic Levy</u>	<u>General Obligation Debt Service</u>	<u>Total Direct Rate</u>	<u>Monterey Peninsula Community College</u>	<u>Monterey Peninsula Unified School District</u>	<u>Total</u>
2016-17	1.00	-	1.00	0.022336	0.030000	1.05234
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

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

Source: Monterey County Auditor-Controller.

City of Monterey

Principal Property Taxpayers

June 30, 2017

Fiscal Year 2016		Taxable Secured Assessments	Secured Taxable Value	Taxable Unsecured Assessments	Unsecured Taxable Value	Combined Taxable Value	Pct. Of Total City Assessed Value
<u>Taxpayer</u>	<u>Type of Business</u>						
AAT DEL MONTE LLC	Commercial Motels & Hotels	2	\$ 113,097,113	0	\$ -	\$ 113,097,113	2.19%
AMERICAN REALTY CAPITAL	Commercial Motels & Hotels	1	33,201,260	0	-	33,201,260	0.64%
CANNERY ROW COMPANY	Commercial Motels & Hotels	24	121,351,932	5	753,902	122,105,834	2.36%
CUSTOM HOUSE HOTEL CO LTD	Commercial, Shopping Centers	4	34,653,998	1	6,525	34,660,523	0.67%
HYATT EQUITIES LLC	Commercial, Motels & Hotels	2	22,948,124	2	5,754,442	28,702,566	0.56%
INNS OF CANNERY ROW	Commercial, Motels & Hotels	7	43,857,768	3	151,044	44,008,812	0.85%
MULLER RYAN LLC	Residential, Apartments	6	37,691,440	0	-	37,691,440	0.73%
P MONTEREY LP	Commercial Motels & Hotels	1	43,684,058	0	-	43,684,058	0.88%
SAN CARLOS ASSOC LLC	Commercial, Motels & Hotels	1	48,646,982	0	-	48,646,982	0.94%
SWVP MONTEREY LLC	Commercial/Office Property	3	42,405,838	0	-	42,405,838	0.82%
Top 10 Totals		51	\$ 541,538,513	11	\$ 6,665,913	\$ 548,204,426	10.64%
2016/17 CITY-WIDE TOTALS			4,629,244,447		332,239,358	4,506,233,313	
Fiscal Year 2008							
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
		-	-	-	-	-	-

Note: Listed in alphabetical order

Source: MBIA MuniServices Company, Municipal Resource Consultants

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

Fiscal Year	Total Tax Levy	Current Tax Collections (3)	Percent of Levy Collected	Supplemental Tax Collections (3)	Delinquent Tax Collections (2)	Total Tax Collections
2016-17	\$ 7,052,832	\$ 6,892,644	97.7	\$ 174,102	\$ 98,232	\$ 7,164,978
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

Sources:

(1) Monterey County Auditor-Controller

(2) Monterey County reports collections as current period, irregardless of original levy year.

(3) Fiscal years 2001-2010 have been restated in FY10/11 to seperate supplemental assessments from Current Tax Collections

City of Monterey
Computation of Direct and Overlapping Bonded Debt
June 30, 2017

2016-17 Assessed Valuation: \$4,357,732,448 (after deducting \$832,914,288 redevelopment incremental valuation) (3)

OVERLAPPING TAX AND ASSESSMENT DEBT:	<u>%Applicable</u>	<u>Debt 6/30/17</u>
DIRECT AND OVERLAPPING BONDED DEBT:		
City of Monterey Long Term Debt (1)		\$ 56,660,856
Monterey County General Fund Obligations (2)	8.610% **	9,323,011
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>65,983,867</u>
COMBINED TOTAL DEBT		<u>\$ 65,983,867</u> *

Ratios to Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.27%
Combined Total Debt.....	1.27%

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

** Percentages calculated with assessed property values of applicable entities

Sources

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

*Percentages calculated with property values

City of Monterey
Legal Debt Margin
June 30, 2017

Total assessed value of all real/personal property	\$ 5,190,646,736
Debt limit percentage (per Government Code)	<u>15%</u>
Total debt limit	778,597,010
Amount of debt applicable to debt limit	<u>-</u>
Legal debt margin	<u><u>\$ 778,597,010</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		
	Bonds	Loans*	Total Governmental Activities
2016-17	\$ 55,588,977	\$ 1,071,879	\$ 56,660,856
2015-16	56,395,000	1,256,111	57,651,111
2014-15	51,680,000	1,436,669	53,116,669
2013-14	6,950,000	1,279,081	8,229,081
2012-13	7,635,000	1,439,730	9,074,730
2011-12	7,880,000	1,626,299	9,506,299
2010-11	8,115,000	490,574	8,605,574
2009-10	9,582,450	272,541	9,854,991
2008-09	10,208,350	388,235	10,596,585
2007-08	10,825,900	498,774	11,324,674
2006-07	11,441,700	604,373	12,046,073

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	Business-Type Activities			Total Primary Government			
	Bonds	Marina Loans	Total Business-type Activities	Total Primary Government	Debt Per Capita	Percent of Personal Income	Prop. Value
2016-17	\$ 400,000	\$ 2,145,923	\$ 2,545,923	\$ 59,206,779	2,081	5.5%	1.1%
2015-16	770,000	2,364,849	3,134,849	60,785,960	2,120	5.8%	1.3%
2014-15	1,110,000	2,574,347	3,684,347	56,801,016	1,958	5.7%	1.3%
2013-14	1,420,000	2,843,717	4,263,717	12,492,798	439	1.2%	0.3%
2012-13	1,705,000	3,101,491	4,806,491	13,881,221	472	1.0%	0.3%
2011-12	1,970,000	3,348,165	5,318,165	14,824,464	503	1.2%	0.4%
2010-11	2,210,000	3,600,547	5,810,547	14,416,121	493	1.5%	0.3%
2009-10	4,952,550	3,842,066	8,794,616	18,649,607	636	2.0%	0.5%
2008-09	5,976,650	4,073,186	10,049,836	20,646,421	560	1.9%	0.6%
2007-08	6,989,100	4,294,352	11,283,452	22,608,126	750	2.2%	0.6%
2006-07	8,008,300	4,557,873	12,566,173	24,612,246	803	2.4%	0.7%

*Loans include Private Placement/Lease Revenue Agreements

City of Monterey
Demographic Information
June 30, 2017

	Population (1)	Per Capita Income (2)	Total Personal Income (000's) (3)	Estimated Labor Force (4)	Estimated Unemployment Rate (4)
2017	28,454	\$ 37,915	\$ 1,078,833	15,900	3.3%
2016	28,672	36,812	1,055,474	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%

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, 2017

		FY 2017	FY 2008
Employer	Product/Function	Employee Size Range	Employee Size Range
PRIVATE SECTOR			
Community Hospital of Monterey Peninsula	Health Care	1000 to 4999	2,299
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	140
Monterey Plaza Hotel & Spa	Lodging/Visitor Services	250 to 499	380
Portola Hotel & Spa	Lodging/Visitor Services	250 to 499	230
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	591
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	602

As of FY2012, employer size is reported as a range instead of an actual amount, due to source data available

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Police	79.00	72.00	72.00	69.00	68.50	68.50	68.50	68.50	70.00	70.00
Fire	54.00	66.00	66.00	65.00	72.00	72.00	82.00	82.00	80.75	80.75
Plans & Public Works*,**	145.75	162.00	162.75	158.00	144.75	152.50	153.50	154.00	156.00	154.00
Recreation	59.25	55.25	55.25	54.50	51.83	-	-	-	-	
Library and Museum	27.50	22.50	23.25	22.75	21.83	21.75	20.25	19.92	19.50	19.25
Public Facilities	65.25	63.00	63.00	60.25	58.34	-	-	-	-	
Community Services***	-	-	-	-	-	109.17	110.92	110.50	111.25	110.50
General Government*	46.00	46.00	48.75	48.25	46.00	46.50	46.50	47.00	46.25	46.25
Total	<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>	<u>480.75</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, 2017
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police (calendar year)										
Adult Arrests - Felony	351	343	343	369	340	430	340	368	279	251
Adult Arrests - Misdemeanor	1,698	1,733	1,733	1,286	1,242	1,359	956	1,741	1,241	1,638
Juvenile Arrests - Felony	46	64	61	58	43	54	18	31	16	10
Juvenile Arrests - Misdemeanor	169	121	142	122	161	123	16	101	55	71
DUI Arrests	339	342	305	255	275	202	210	239	221	218
Traffic Citations	8,177	7,995	8,653	5,635	3,539	2,934	2,836	2,030	1,524	1,658
Fire (calendar year)***										
Rescue and Emergency Medical Calls	3,252	4,241	4,241	4,095	4,057	4,508	4,584	4,888	5,077	5,149
Fire & Explosion Calls	128	196	196	129	140	147	185	142	151	177
False Alarm Calls	500	475	475	515	489	586	576	655	683	626
Other Calls	857	1,399	1,399	1,494	1,547	1,650	1,836	2,195	2,253	2,344
Finance										
Accounts Payable Checks Issued	11,269	10,180	7,738	7,862	7,315	7,199	6,990	6,622	6,640	6,641
Payroll Checks/Direct Deposit Notices Issued	18,997	18,998	18,579	17,875	17,319	17,548	17,845	17,960	18,439	18,395
Purchase Orders Issued	637	792	563	395	425	400	410	455	500	461
Recreation										
Monterey Sports Center:										
Average Daily Attendance*	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Number of programs offered (2)	748	1,004	925	934	1,152	1,262	1,147	1,145	1,103	1,117
Number of program participants **	4,084	6,231	4,853	5,075	7,427	7,748	7,703	7,202	7,231	7,063
Community Center, sports & camp Programs:										
Number of programs offered	525	448	525	545	721	787	819	767	713	729
Number of program participants **	4,927	3,959	5,057	5,451	8,073	8,939	8,732	8,632	8,225	8,056
Activity Guide editions published	2	2	2	2	2	2	2	2	2	2
Activity Guide copies distributed	34,000	24,550	24,000	15,000	14,000	12,000	12,000	11,000	10,500	10,000
Library										
Visitors	383,591	388,653	355,606	333,274	329,800	335,134	360,794	363,496	305,780	289,618
Reference questions answered	39,104	30,124	42,213	30,903	31,800	31,949	27,016	26,271	24,257	28,765
Items checked out	498,177	556,324	533,661	540,515	549,933	507,346	511,453	495,435	412,131	420,604
Volunteer hours worked	1,893	2,169	1,959	3,368	3,543	3,562	2,920	3,071	3,451	3,105

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, 2017

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)	82 **

** 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)	122,710

Source: City of Monterey