

CITY OF MONTEREY CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

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COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended June 30, 2018



**Prepared by the Finance Department
Lauren Lai, Finance Director**



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For the Year Ended June 30, 2018

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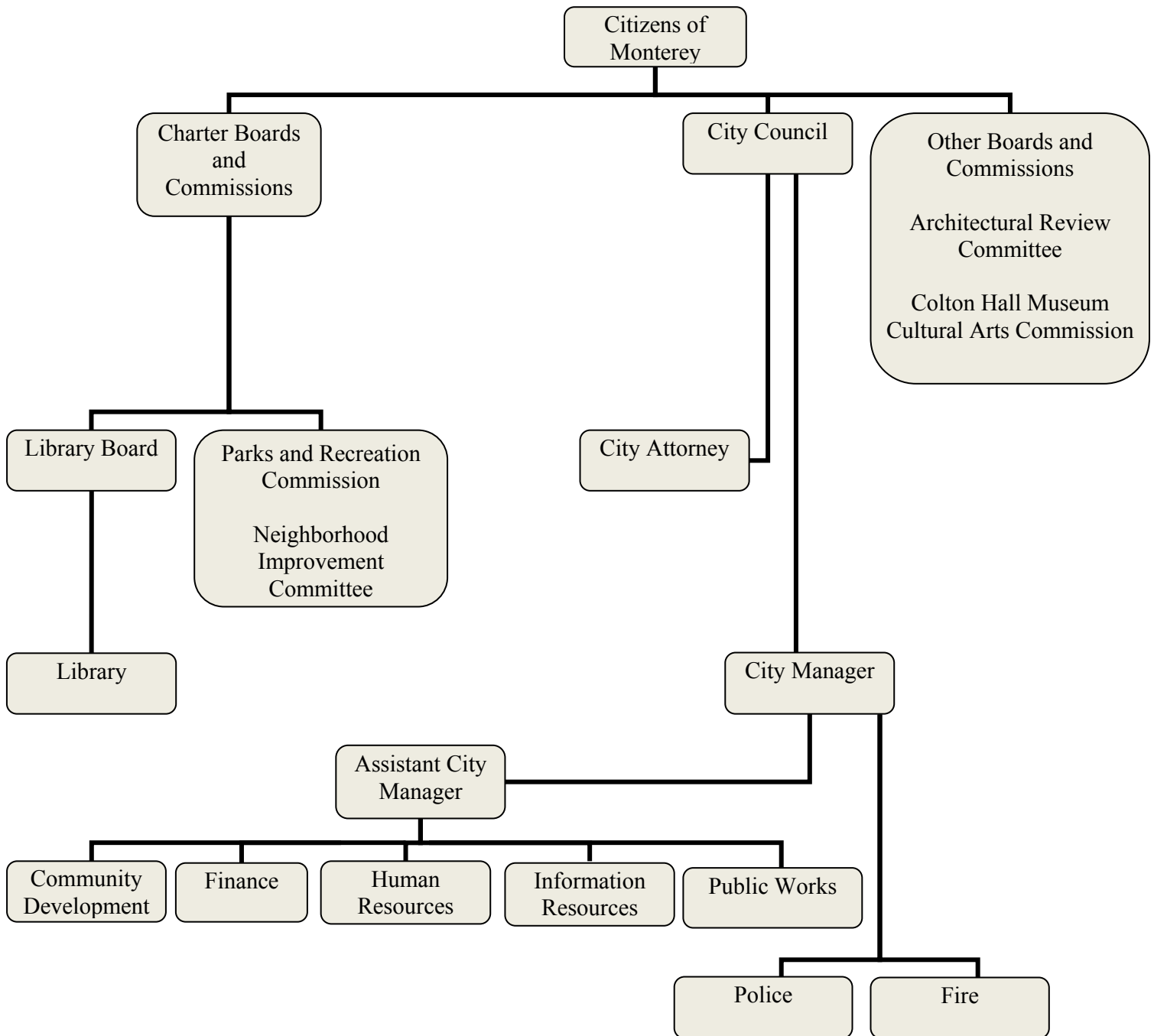
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City Organizational Chart



As of June 30, 2018

CITY COUNCIL

Clyde Roberson
Mayor

Timothy Barrett
Dan Albert

Alan Haffa
Ed Smith

PRINCIPAL ADMINISTRATIVE OFFICERS

City ManagerHans Uslar
Interim Assistant City Manager..... Bonnie Gawf
City Attorney Christine Davi
Community Development Director..... Kimberly Cole
Public Works Director Steve Wittry
Human Resources DirectorAllyson Hauck
Library DirectorInga Waite
Interim Finance Director.....Carol Bouchard
Fire Chief..... Gaudenz Panholzer
Police ChiefDavid Hober
Acting City ClerkClementine Bonner Klein
Acting Information Systems Director Angie Blake



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, 2017

Christopher P. Morill

Executive Director/CEO

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December 19, 2018

Honorable Mayor and City Council
City Manager
City of Monterey

I am pleased to present to you the 2017-18 (FY 18) 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). 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 report includes a letter 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, 2018, 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, 2018, 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 FY18. The City's top revenue, Transient Occupancy Tax (TOT) continues to grow and increased by 5.9% over FY17. This revenue growth is a good indication that the City's economy is healthy and growing, especially in light of the Conference Center Renovation Project which was completed in January 2018.

Monterey continues to be an attractive place to reside and the real estate market remains strong. The 2017 median single-family sales price of \$815,250 reflects a 5% increase over the prior year. State law limits the increase in most real property assessments, however property taxes in the coming year are expected to match the 4% increase experienced in FY18.

Receipts from sales tax reflect a 1.9% 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 approximately 1.8% to 2% in the near futures.

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, especially after the Conference Center rehabilitation project. Future revenues beyond FY18 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 approximately 2% for sales taxes and 4% for Property Tax, indicating that these key revenue streams are expected to continue steady growth.

At the end of FY18 the City of Monterey General Fund had \$2.0 million 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 working capital to maintain and replace facilities and equipment within 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 third year of work with \$10.0 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, which in November 2018, the City voters overwhelming approved by 82% Measure S to extend till March 31, 2027.

The Monterey Conference Center and Portola Plaza renovation began in late fall 2015. The renovation was completed and the grand opening was in January 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.

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. This project is now completed.

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.

The Citywide network and communications systems replacement project of \$1.5 million was completed in 2018. The City replaced security software and systems to improve City and data security. Also, the City received the award for "Excellence in Information Technology Practices for 2018" from the Municipal Information Systems Association of California. This is the first time Monterey has won this award for excelling in creative and efficient uses of resources in local government. This award signifies that we met or exceeded standards in the technology-focused areas of Budget, Strategic Planning, Purchasing, Operations and Staffing, Customer Satisfaction, Internet, Project Management, Professional Development and Training, Disaster Preparation and Recovery, Policies and Procedures, and Security."

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, 2017. This was the 22nd 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, Herlinda Franklin, Pamela Hart, Lane Hayes, Carol Hewett, Liza Linsao, Melanie Martin, Felicia Ming, 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 preserving Monterey's extraordinary quality of life.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Lauren Lai', is positioned above the printed name.

Lauren Lai, CPA
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, 2018, 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, 2018, 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.

Emphasis of Matter

Implementation of GASB 75

As discussed in Note 1 to the basic financial statements, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of the standard required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2017 as described in Note 15 to the basic financial statements. In addition, net other postemployment benefits ("OPEB") liability is reported in the Statement of Net Position in the amount of \$9,583,049 as of the measurement date. Net OPEB liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2017 which is also the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Schedule of Changes in Net Pension Liability and Related Ratios – CalPERS Miscellaneous Plan, the Schedule of City's Proportionate share of the Net Pension Liability and Related Ratios – CalPERS Safety Plan, the Schedule of Contributions, the Schedule of Changes in Net OPEB Liability, and the Schedule of Contributions – Other Postemployment Benefits Plan on pages 5 to 14 and 103 to 112 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, the Combining and Individual Nonmajor Fund Financial Statements, the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, and the 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, 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 solely 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 PwC Group, LLP

Santa Ana, California
December 19, 2018

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City of Monterey
Management's Discussion & Analysis (Unaudited)
For the Year Ended June 30, 2018

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, 2018. 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 and deferred outflow of resources less total liabilities and deferred inflows of resources) of \$135.1 million at June 30, 2018. Most of this amount (\$160.7 million) is made up of net investment in capital assets, such as infrastructure, roads, land and buildings. The restricted net position of \$58.2 million may be used for the City's ongoing obligations related to programs with external restrictions. Unrestricted net position reflects a deficit of \$83.8 million, primarily due to net pension liability of \$136.8 million on the Statement of Net Position.
- Government-wide revenues increased by \$6.4 million in FY18, which is 5.1% over FY17. It is a combination of revenue increases in some categories and decreases in other. The City's primary sources of discretionary revenue increased over prior year; transient occupancy tax ("TOT"), sales tax and property tax combined reflected an increase of \$1.8 million in FY18, with \$1.1 million due to TOT. 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 \$219 thousand.
- The City's total expenses on the Statement of Activities reflect an increase of \$11.3 million in FY18, which is 9.0% over FY17. This increase was primarily related to public safety, community development and marina costs. These costs contributed to increased governmental activities of \$8.3 million. Expenses in Public Safety increased due to overtime in Fire due to State strike-team call-outs and reduced vacancies in Police. Expenses for business type activities increased by \$3.0 million from FY17.

Fund Highlights:

- From the City's fund level statements, the Ending Fund Balance for the General Fund decreased by \$1.4 million during FY18 to \$29.2 million. \$13.5 million of this ending balance is "non-spendable" in that it represents long-term advances to other funds, primarily the Parking Fund. \$15.7 million has been set aside in a variety of reserves for encumbrances and for contingencies such as economic uncertainty and capital renewal.
- From the City's fund level statements, operating revenues from Business Type Activities exceeded operating expenses by \$3.5 million. Notably, operating surplus was \$1.3 million in the Parking Fund, \$0.7 million in the Marina Fund and \$1.2 million in the Sewer Fund. Parking and Marina Fund revenues are set to be able to provide for operation, maintenance and facility improvements.
- From the City's fund level statements, operating expenses from Internal Service Funds exceeded operating revenues by \$6.7 million. Notably, the Custom House settlement of \$2.85 million and increasing the assumption for incurred but not yet report (IBNR) contributed to this operating result.

City of Monterey
Management's Discussion & Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

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.

Government-Wide financial statements. The government-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, deferred outflows of resources, liabilities, and deferred inflow of resources, with the difference between the four 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 position 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 government-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, sewer, materials recovery facility and the operation of a communication network.

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-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 government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-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.

City of Monterey
Management's Discussion & Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

The City of Monterey maintains 28 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 government-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 government-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.

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, 2018 were \$62 thousand. The Private Purpose Trust Fund, which holds funds for the Redevelopment Retirement Obligation Fund, had total assets of \$78 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.

City of Monterey
Management's Discussion & Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

Government-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 \$135.1 million at the close of the fiscal year ended June 30, 2018.

By far the largest portion of the City of Monterey's net position (\$160.7 million) 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 2018	FY 2017 (As restated)	FY 2018	FY 2017 (As restated)	FY 2018	FY 2017 (As restated)
Current & other assets	\$ 114,153,717	\$ 130,397,376	\$ 17,647,148	\$ 12,876,500	\$ 131,800,865	\$ 143,273,876
Capital assets, net	190,739,626	176,353,365	37,621,747	37,793,518	228,361,373	214,146,883
Total assets	304,893,343	306,750,741	55,268,895	50,670,018	360,162,238	357,420,759
Deferred outflow of resources*	31,706,098	36,473,542	2,046,740	1,760,421	33,752,838	38,233,963
Long-term liabilities outstanding	71,361,925	72,061,067	14,675,853	14,034,571	86,037,778	86,095,638
Net pension liabilities	135,755,920	124,994,664	1,033,054	6,373,896	136,788,974	131,368,560
Net OPEB liabilities*	8,549,995	8,685,480	1,033,054	1,049,423	9,583,049	9,734,903
Other liabilities	15,302,980	15,088,099	8,888,697	936,191	24,191,677	16,024,290
Total liabilities	230,970,820	220,829,310	25,630,658	22,394,081	256,601,478	243,223,391
Deferred inflow of resources	2,003,957	12,589,166	235,896	580,621	2,239,853	13,169,787
Net position:						
Net investment in capital assets	137,503,581	129,531,992	23,167,028	24,301,739	160,670,609	153,833,731
Restricted	57,132,729	59,385,118	1,106,768	406,907	58,239,497	59,792,025
Unrestricted	(91,011,646)	(79,111,303)	7,175,285	4,747,091	(83,836,361)	(74,364,212)
Total net position	\$ 103,624,664	\$ 109,805,807	\$ 31,449,081	\$ 29,455,737	\$ 135,073,745	\$ 139,261,544

* 2017 balances were restated due to implementation of GASB 75.

Total net position for the Governmental Activities of \$103.6 million was comprised of \$137.5 million in net capital assets (infrastructure, buildings, roads, land, etc.), \$57.1 million in amounts legally restricted, and a deficit of \$91.0 million, classified as Unrestricted for accounting purposes. This deficit is generated due to net pension liability of \$135.8 million.

Revenue and Expenses. The City's total net position decreased by \$4.2 million from the FY17 ending net position of \$139.3 million, which was restated due to GASB75 requirements. As discussed earlier, total revenues remained relatively flat. However expenses increased by \$11.3 million, primarily a result of pension, extraordinary claims, public safety, marina and parking projects and operations.

City of Monterey
Management's Discussion & Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

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 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	
Revenues:							
Program Revenues:							
Charges for services	\$ 40,764,503	\$ 39,972,705	\$ 15,997,657	\$ 15,529,421	\$ 56,762,160	55,502,126	
Operating grants & contribution:	19,481,638	17,507,346	8,982	-	19,490,620	17,507,346	
Capital grants & contributions	6,894,489	6,205,949	-	-	6,894,489	6,205,949	
General Revenues:							
Transient occupancy tax	20,625,414	19,476,470	-	-	20,625,414	19,476,470	
Property tax	8,601,373	8,238,549	-	-	8,601,373	8,238,549	
Sales tax	8,750,802	8,590,013	-	-	8,750,802	8,590,013	
Other taxes	5,553,617	5,166,317	-	-	5,553,617	5,166,317	
Investment income	657,734	702,388	164,516	144,345	822,250	846,733	
In-lieu VLF (property tax)	2,749,263	2,651,567	-	-	2,749,263	2,651,567	
Other revenues	1,939,379	1,591,232	-	-	1,939,379	1,591,232	
Total revenues	116,018,212	110,102,536	16,171,155	15,673,766	132,189,367	125,776,302	
Expenses:							
General government	7,632,951	6,440,218	-	-	7,632,951	6,440,218	
Public safety	43,535,737	34,598,683	-	-	43,535,737	34,598,683	
Public works	46,929,655	49,867,441	1,701,290	1,593,559	48,630,945	51,461,000	
Community development	3,053,804	4,026,511	-	-	3,053,804	4,026,511	
Community services	15,967,720	14,179,688	-	-	15,967,720	14,179,688	
Library	3,471,277	3,106,859	-	-	3,471,277	3,106,859	
Interest and fiscal charges	2,277,343	2,325,866	-	-	2,277,343	2,325,866	
Marina	-	-	2,603,399	1,825,353	2,603,399	1,825,353	
Parking	-	-	8,835,074	6,733,325	8,835,074	6,733,325	
Other Business-type activities	-	-	368,916	349,172	368,916	349,172	
Total Expenses	122,868,487	114,545,266	13,508,679	10,501,409	136,377,166	125,046,675	
Change in net position before transfer	(6,850,275)	(4,442,730)	2,662,476	5,172,357	(4,187,799)	729,627	
Transfers	669,132	(10,499,794)	(669,132)	10,499,794	-	-	
Change in net position	(6,181,143)	(14,942,524)	1,993,344	15,672,151	(4,187,799)	729,627	

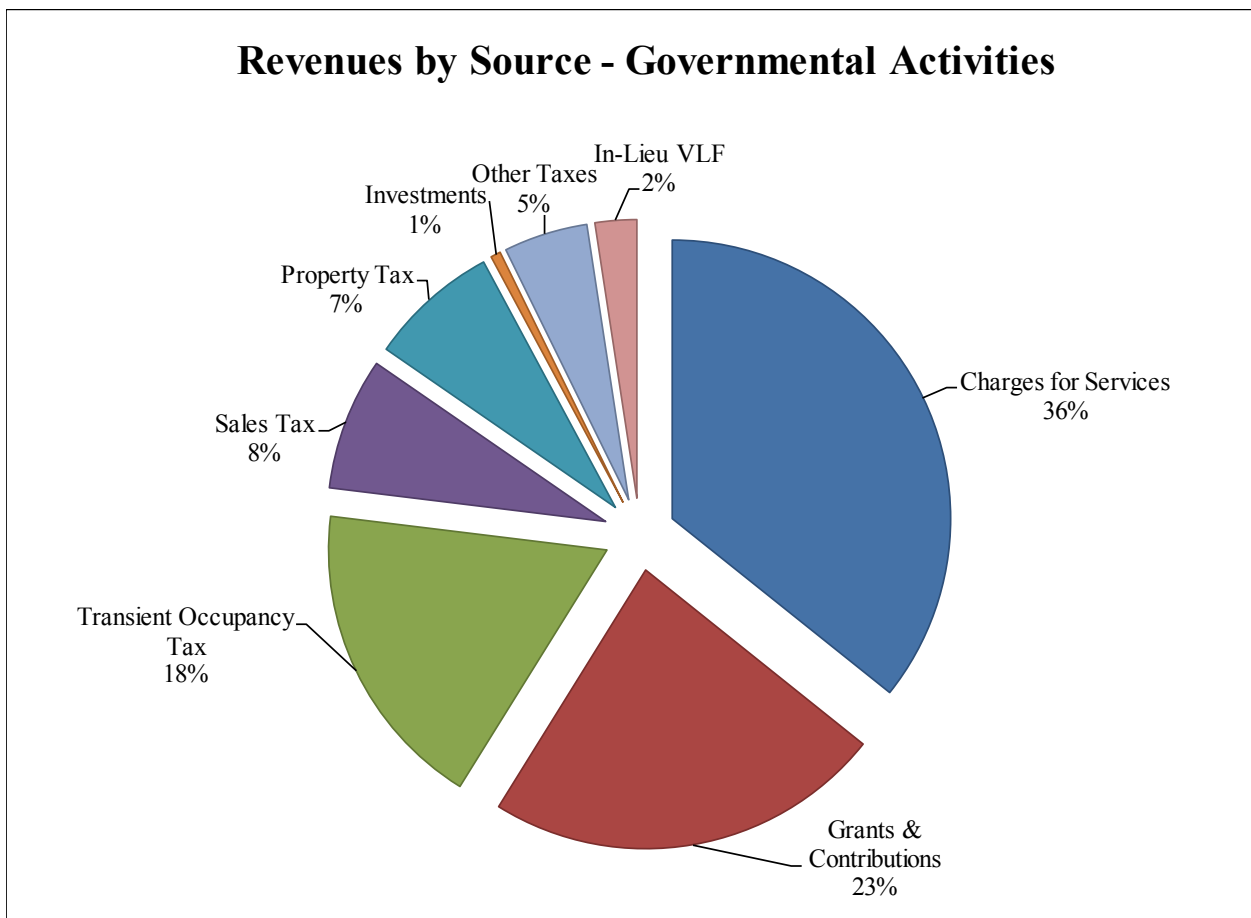
The largest components of the City's revenue were as follows:

- Transient Occupancy Tax (TOT) receipts of \$24.6 million accounted for 21.2% of all governmental activities' revenues, with \$20.6 million in general revenues and \$3.9 million in program revenues (Neighborhood Improvement Program). For the fiscal year ended June 30, 2018, general revenue TOT increased by \$1.1 million or 5.9% and NIP TOT increased by \$0.2 million or 5.9%.
- 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 \$1.3 million or 2.3% during the fiscal year;
- 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 FY18 relative to the TOT tax increase of 5.9% and an increase of 5.4% in the district sales tax. This category also includes Tidelands fund revenues of \$2.7 million.
- Capital Grants and Contributions of \$6.9 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.

City of Monterey
Management's Discussion & Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

- Property Tax increased by \$363 thousand (4.4%) to \$8.6 million.
- Sales Tax receipts remained relatively flat at \$8.8 million, realizing a 1.9% 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.
- Other Taxes which includes utilities users tax, franchise taxes and business license increased by \$0.4 million (7.5%) to \$5.6 million.
- Investment Income remained relatively flat at \$0.6 million in FY18.

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

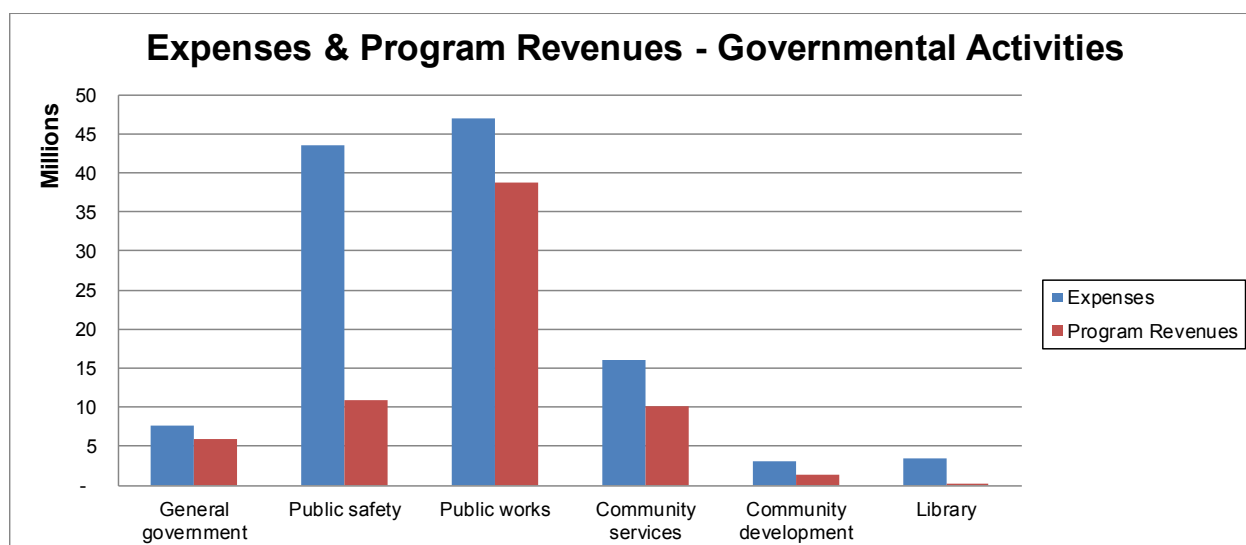


City of Monterey
Management's Discussion & Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

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 \$29.2 million. Current revenues exceeded current expenditures by \$200 thousand, however, net transfers to other funds, primarily for capital projects and debt service, resulted in a decrease of \$1.7 million in the fund. Overall, General Fund activities generated a net decrease of \$1.5 million in fund balance during FY18. As a measure of the General Fund's liquidity, total fund balance represented 39% of General Fund expenditures, a decrease of 5% from FY17; however, this includes the nonspendable fund balance.

The Capital Improvement Fund has a total fund balance of negative \$3 million, all of which is unassigned. During the fiscal year, revenues and expenditures were almost equal with a net decrease of \$29 thousand in fund balance.

The Conference Center Facilities District Capital Projects Fund has a total fund balance of \$0.5 million, all of which is restricted for use in the renovation of the Monterey Conference Center.

City of Monterey
Management's Discussion & Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

The Conference Center Facilities District Debt Service Fund has a total fund balance of \$6.7 million, all of which is restricted for use in bond repayments.

The Neighborhood Improvement Fund has a total fund balance of \$10.7 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 \$0.4 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, \$4.1 million, the Parking fund, \$13.2 million, the Sewer fund, \$12.5 million which reflects an increase of \$0.4 million, \$0.8 million and \$0.9 million, respectively as resources are accumulated for future capital needs.

General Fund Budgetary Highlights

Actual General Fund revenues were \$3.3 million higher than the final amended budget. All revenue sources exceeded estimates with the exception of investment income (\$948 thousand under budget), and fines (\$22 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 \$4.9 million higher than the original adopted budget. The largest increase was \$2.8 million in public safety followed by \$1.8 million in public works to implement public works projects, employee contract negotiations and Fire department for overtime which is reimbursed by outside agencies (State of California, contract agencies).

Total expenditures were under budget by \$2.1 million. Overall, general fund expenditures were 2.9% under final budget and 8.3% 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.

Capital Asset and Debt Administration

Capital assets. The City of Monterey's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$228 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
Management's Discussion & Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

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

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

	Governmental Activities		Business-Type Activities		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Land	\$ 30,193,285	\$ 30,193,285	\$ 9,205,157	\$ 9,205,157	\$ 39,398,442	\$ 39,398,442
Buildings	82,812,697	27,192,139	6,519,359	7,005,922	89,332,056	34,198,061
Improvements other than buildings	10,459,825	10,364,116	3,210,630	3,155,324	13,670,455	13,519,440
Machinery and Equipment	5,622,345	5,054,698	237,621	302,820	5,859,966	5,357,518
Infrastructure	43,247,508	43,327,859	2,704,842	1,982,228	45,952,350	45,310,087
Construction in Progress	18,403,966	60,221,268	15,744,138	16,142,067	34,148,104	76,363,335
TOTAL CAPITAL ASSETS	\$ 190,739,626	\$ 176,353,365	\$ 37,621,747	\$ 37,793,518	\$ 228,361,373	\$ 214,146,883

Long-term debt. \$86 million in long-term debt was outstanding at the end of the current fiscal year. This includes \$47.6 million in special tax revenue bonds issued by the Conference Center Facilities District, \$5.8 million in a facility lease agreement between the Joint Powers Financing Authority and Capital One Public Funding, and \$15.4 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 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Lease Revenue Bonds/Loans	\$ 5,790,000	\$ 6,100,000	\$ -	\$ 400,000	\$ 5,790,000	\$ 6,500,000
Loans Payable	913,499	1,071,879	14,454,719	13,091,779	15,368,218	14,163,658
TOTAL DEBT OF THE CITY	6,703,499	7,171,879	14,454,719	13,491,779	21,158,218	20,663,658
Special Tax Bonds*	47,598,579	49,488,977	-	-	47,598,579	49,488,977
Claims Payable	12,845,378	8,998,978			12,845,378	8,998,978
Compensated Absences	4,214,469	4,060,544	221,134	227,381	4,435,603	4,287,925
TOTAL OUTSTANDING DEBT	\$ 71,361,925	\$ 69,720,378	\$ 14,675,853	\$ 13,719,160	\$ 86,037,778	\$ 83,439,538

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

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

Economic Factors and Next Year's Budgets and Rates

The City's estimates for the 2018/19 (FY19) budget, show a general fund operating budget deficit of \$0.8 million, with one-time expenditures funded by fund balance. Due to pension obligations, the General Fund Five-Year Forecast reflects a declining fund balance starting in 2018/19 (FY19). The FY19/20 forecasted deficit of approximately 5% will continue to grow as a result of increased retirement contributions to cover benefits earned in prior years. This will result in a stronger funding model for the retirement system in the long-term, but will require a concerted fiscal health response plan to ensure the City sustained fiscal health and quality of life.

City of Monterey
Management's Discussion & Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

With the Conference Center re-opening, the City anticipates improving TOT and sales tax revenue; however, this are both tempered for the above reasons. Also, in November 2018, the City voters overwhelming approved by 82% Measure S to extend the temporary City 1% sales tax till March 31, 2027. This ensure funding for pavement resurfacing and reconstruction, ADA ramp and signal compliance, storm drain improvements and sidewalk repairs.

All significant revenue estimates and the FY19 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 FY19 and beyond. The City launched its fiscal health response plan to identify strategies for ensuring fiscal sustainability and quality of life.

Despite these challenges, it remains the City's firm policy to adopt a balanced budget where ongoing inflows equal or exceed ongoing outflows and all infrastructure renewal and other unfunded liability obligations are met.

Requests for Information

This financial report is designed to provide a general overview of the City of Monterey's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Monterey, Finance Department, 735 Pacific Street, Suite A, Monterey, 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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and investments	\$ 72,108,227	\$ 23,645,843	\$ 95,754,070
Restricted cash and investments	6,863,992	-	6,863,992
Taxes receivable	7,608,379	-	7,608,379
Accounts receivable	9,306,031	1,011,396	10,317,427
Interest receivable	269,147	79,773	348,920
Prepaid items	346,689	-	346,689
Internal balances	7,089,864	(7,089,864)	-
Rehabilitation loans receivable	1,629,956	-	1,629,956
Downpayment assistance loans receivable	1,612,749	-	1,612,749
Project subsidy loans receivable	6,671,014	-	6,671,014
Property held for resale	647,669	-	647,669
Capital assets:			
Non-depreciable assets	48,597,251	24,949,294	73,546,545
Depreciable assets (net of depreciation)	142,142,375	12,672,453	154,814,828
Total assets	304,893,343	55,268,895	360,162,238
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflow of resources	30,604,049	1,913,586	32,517,635
OPEB related deferred outflow of resources	1,102,049	133,154	1,235,203
Total deferred outflow of resources	31,706,098	2,046,740	33,752,838
LIABILITIES:			
Accounts payable and accrued liabilities	13,046,867	635,826	13,682,693
Accrued interest	1,171,561	205,099	1,376,660
Unearned revenue	1,084,552	-	1,084,552
Long-term liabilities:			
Due within one year	8,671,003	899,668	9,570,671
Due in more than one year	62,690,922	13,776,185	76,467,107
Net OPEB liability (Note 8)	8,549,995	1,033,054	9,583,049
Aggregate net pension liability (Note 7)	135,755,920	9,080,826	144,836,746
Total liabilities	230,970,820	25,630,658	256,601,478
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflow of resources	1,977,171	232,660	2,209,831
OPEB related deferred inflow of resources	26,786	3,236	30,022
Total deferred inflow of resources	2,003,957	235,896	2,239,853
NET POSITION:			
Net investment in capital assets	137,503,581	23,167,028	160,670,609
Restricted for:			
Capital projects	10,662,622	-	10,662,622
Debt service	6,719,756	1,106,768	7,826,524
Endowments - nonspendable	2,476,127	-	2,476,127
Tidelands	9,328,940	-	9,328,940
Community development	13,439,447	-	13,439,447
Army and Navy public works	458,561	-	458,561
Public works	12,894,092	-	12,894,092
Others	1,153,184	-	1,153,184
Total restricted net position	57,132,729	1,106,768	58,239,497
Unrestricted (Deficit)	(91,011,646)	7,175,285	(83,836,361)
Total net position	\$ 103,624,664	\$ 31,449,081	\$ 135,073,745

City of Monterey
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 7,632,951	\$ 5,918,038	\$ 7,500	\$ -	\$ 5,925,538
Public safety	43,535,737	8,361,306	2,618,466	-	10,979,772
Public works	46,929,655	15,462,868	16,383,428	6,894,489	38,740,785
Community development	3,053,804	941,302	373,760	-	1,315,062
Community services	15,967,720	10,039,739	9,916	-	10,049,655
Library	3,471,277	41,250	88,568	-	129,818
Interest and fiscal charges	2,277,343	-	-	-	-
Total governmental activities	122,868,487	40,764,503	19,481,638	6,894,489	67,140,630
Business-type Activities:					
Marina	2,603,399	3,171,005	8,982	-	3,179,987
Parking	8,835,074	9,569,804	-	-	9,569,804
Sewer	1,701,290	2,595,064	-	-	2,595,064
Cemetery	245,043	344,534	-	-	344,534
Materials Recovery	123,873	317,250	-	-	317,250
Total business-type activities	13,508,679	15,997,657	8,982	-	16,006,639
Total	\$ 136,377,166	\$ 56,762,160	\$ 19,490,620	\$ 6,894,489	\$ 83,147,269

City of Monterey
Statement of Activities (Continued)
For the Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Governmental activities:			
General government	\$ (1,707,413)	\$ -	\$ (1,707,413)
Public safety	(32,555,965)	-	(32,555,965)
Public works	(8,188,870)	-	(8,188,870)
Community development	(1,738,742)	-	(1,738,742)
Community services	(5,918,065)	-	(5,918,065)
Library	(3,341,459)	-	(3,341,459)
Interest and fiscal charges	(2,277,343)	-	(2,277,343)
Total governmental activities	(55,727,857)	-	(55,727,857)
Business-type Activities:			
Marina	-	576,588	576,588
Parking	-	734,730	734,730
Sewer	-	893,774	893,774
Cemetery	-	99,491	99,491
Materials Recovery	-	193,377	193,377
Total business-type activities	-	2,497,960	2,497,960
Total	(55,727,857)	2,497,960	(53,229,897)
General revenues:			
Taxes:			
Property taxes	8,601,373	-	8,601,373
Sales tax	8,750,802	-	8,750,802
Property tax in-lieu of VLF	2,749,263	-	2,749,263
Transient occupancy tax	20,625,414	-	20,625,414
Utility user taxes	3,510,025	-	3,510,025
Other taxes	2,043,592	-	2,043,592
Total taxes	46,280,469	-	46,280,469
Investment income	657,734	164,516	822,250
Other revenues	1,939,379	-	1,939,379
Transfers	669,132	(669,132)	-
Total general revenues and transfers	49,546,714	(504,616)	49,042,098
Changes in net position	(6,181,143)	1,993,344	(4,187,799)
Net position:			
Beginning of year, as restated (Note 15)	109,805,807	29,455,737	139,261,544
End of year	\$ 103,624,664	\$ 31,449,081	\$ 135,073,745

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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, 2018

		Capital Projects Funds		Conference Center Facilities District Debt Service Fund
	General Fund	Capital Improvement	Conference Center Facilities District	
ASSETS				
Cash and investments	\$ 15,992,742	\$ -	\$ -	\$ 5,148,479
Restricted cash and investments:				
Held by fiscal agent	-	-	2,472,078	833,236
Held by city	-	-	1,066,033	-
Receivables:				
Taxes receivable	5,358,986	-	-	-
Accounts receivable	1,882,230	1,088,946	1,676	719,397
Interest receivable	114,667	-	-	18,644
Prepaid items	346,689	-	-	-
Due from other funds	3,861,972	-	-	-
Advances to other funds	13,163,073	-	-	-
Loans receivable:				
Rehabilitation	-	-	-	-
Downpayment assistance	-	-	-	-
Project subsidy	-	-	-	-
Property held for resale	-	-	-	-
Total assets	\$ 40,720,359	\$ 1,088,946	\$ 3,539,787	\$ 6,719,756
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 4,179,523	\$ 2,688,395	\$ 2,972,150	\$ -
Due to other funds	-	534,876	78,730	-
Advances from other funds	6,257,151	50,668	-	-
Unearned revenues	1,084,552	-	-	-
Total Liabilities	11,521,226	3,273,939	3,050,880	-
Deferred Inflows of Resources:				
Unavailable revenues	-	828,579	-	-
Total deferred inflows of resources	-	828,579	-	-
Fund Balances:				
Nonspendable	13,509,762	-	-	-
Restricted	-	-	488,907	6,719,756
Committed	13,972,854	-	-	-
Assigned	1,716,517	-	-	-
Unassigned (deficit)	-	(3,013,572)	-	-
Total fund balances	29,199,133	(3,013,572)	488,907	6,719,756
Total liabilities, deferred inflows of resources, and fund balances	\$ 40,720,359	\$ 1,088,946	\$ 3,539,787	\$ 6,719,756

City of Monterey
Balance Sheet (Continued)
Governmental Funds
June 30, 2018

	Special Revenue Funds			
	Neighborhood Improvement	Presidio of Monterey Public Works	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 10,394,237	\$ 67,141	\$ 23,462,096	\$ 55,064,695
Restricted cash and investments:				
Held by fiscal agent	-	-	16,518	3,321,832
Held by city	-	-	2,476,127	3,542,160
Receivables:				
Taxes receivable	658,950	-	1,590,443	7,608,379
Accounts receivable	198,851	3,494,923	1,785,632	9,171,655
Interest receivable	37,325	-	87,639	258,275
Prepaid items	-	-	-	346,689
Due from other funds	-	-	-	3,861,972
Advances to other funds	-	-	-	13,163,073
Loans receivable:				
Rehabilitation	-	-	1,629,956	1,629,956
Downpayment assistance	-	-	1,612,749	1,612,749
Project subsidy	-	-	6,671,014	6,671,014
Property held for resale	-	-	647,669	647,669
Total assets	\$ 11,289,363	\$ 3,562,064	\$ 39,979,843	\$ 106,900,118
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 513,639	\$ 460,799	\$ 1,618,828	\$ 12,433,334
Due to other funds	-	2,492,174	69,555	3,175,335
Advances from other funds	-	-	100,000	6,407,819
Unearned revenues	-	-	-	1,084,552
Total Liabilities	513,639	2,952,973	1,788,383	23,101,040
Deferred Inflows of Resources:				
Unavailable revenues	113,102	198,714	2,334,353	3,474,748
Total deferred inflows of resources	113,102	198,714	2,334,353	3,474,748
Fund Balances:				
Nonspendable	-	-	2,476,127	15,985,889
Restricted	-	410,377	33,389,099	41,008,139
Committed	10,662,622	-	-	24,635,476
Assigned	-	-	-	1,716,517
Unassigned (deficit)	-	-	(8,119)	(3,021,691)
Total fund balances	10,662,622	410,377	35,857,107	80,324,330
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,289,363	\$ 3,562,064	\$ 39,979,843	\$ 106,900,118

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City of Monterey
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2018

Total fund balances reported on the governmental funds balance sheet	\$ 80,324,330
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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 \$3,855,659 reported in Internal Service Funds.	186,883,967
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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.	864,625
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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.	3,474,748
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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 \$188,337 reported in Internal Service Funds.	(4,026,132)
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Aggregate net OPEB liability 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 \$55,460 reported in Internal Service Funds	\$ 1,046,589	
Aggregate net OPEB liability, net of \$430,280 reported in Internal Service Funds	(8,119,715)	
Deferred inflows of resources, net of \$1,347 reported in Internal Service Funds	(25,439)	(7,098,565)

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 \$1,440,943 reported in Internal Service Funds	29,163,106	
Aggregate net pension liability, net of \$6,837,921 reported in Internal Service Funds	(128,917,999)	
Deferred inflows of resources, net of \$175,194 reported in Internal Service Funds	(1,801,977)	(101,556,870)

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 \$225,193 reported in Internal Service Funds	(54,076,885)	
Interest payable, net of \$7,007 reported in Internal Service Funds	(1,164,554)	(55,241,439)

Net position of governmental activities:	\$ 103,624,664
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City of Monterey
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

		Capital Projects Funds		Conference Center Facilities District Debt Service Fund
	General	Capital Improvement	Conference Center Facilities District	
REVENUES:				
Property tax	\$ 8,601,373	\$ -	\$ -	\$ -
Sales tax	8,750,802	-	-	-
In-lieu sales tax	2,749,263	-	-	-
Transient occupancy tax	20,625,414	-	-	-
Utility users tax	3,510,025	-	-	-
Other taxes	2,043,592	-	-	4,593,315
Intergovernmental	2,264,273	2,692,663	-	-
Investment income (loss)	634,481	302	21,264	32,176
Rental income	1,080,432	-	-	-
Licenses and permits	5,418,769	-	-	-
Charges for current services	17,462,475	-	-	-
Fines	224,007	-	-	-
Other	2,188,574	-	-	-
Total revenues	75,553,480	2,692,965	21,264	4,625,491
EXPENDITURES:				
Current:				
General government:	6,687,060	-	-	-
Police	15,911,722	-	-	-
Fire	21,051,067	-	-	-
Public works	15,194,102	-	-	-
Community development	-	-	-	-
Community services	13,240,608	-	-	-
Library	3,019,316	-	-	-
Capital outlay	-	15,560,056	11,534,340	-
Debt service:				
Principal	129,916	-	-	1,890,398
Interest and fiscal charges	103,658	-	-	1,943,834
Total expenditures	75,337,449	15,560,056	11,534,340	3,834,232
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	216,031	(12,867,091)	(11,513,076)	791,259
OTHER FINANCING SOURCES (USES):				
Transfers in	1,180,048	14,619,631	-	-
Transfers out	(2,844,836)	(1,781,367)	-	-
Total other financing sources (uses)	(1,664,788)	12,838,264	-	-
NET CHANGE IN FUND BALANCES	(1,448,757)	(28,827)	(11,513,076)	791,259
FUND BALANCES:				
Beginning of year	30,647,890	(2,984,745)	12,001,983	5,928,497
End of year	\$ 29,199,133	\$ (3,013,572)	\$ 488,907	\$ 6,719,756

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, 2018

	Special Revenue Funds			
	Neighborhood Improvement	Presidio of Monterey Public Works	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Property tax	\$ -	\$ -	\$ 23,796	\$ 8,625,169
Sales tax	-	-	10,022,893	18,773,695
In-lieu sales tax	-	-	-	2,749,263
Transient occupancy tax	3,928,652	-	-	24,554,066
Utility users tax	-	-	-	3,510,025
Other taxes	-	-	583,712	7,220,619
Intergovernmental	85,000	10,431,912	2,416,308	17,890,156
Investment income (loss)	123,641	-	452,016	1,263,880
Rental income	-	-	3,336,350	4,416,782
Licenses and permits	-	-	18,635	5,437,404
Charges for current services	-	331,677	1,611,455	19,405,607
Fines	-	-	-	224,007
Other	-	1,137	154,763	2,344,474
Total revenues	<u>4,137,293</u>	<u>10,764,726</u>	<u>18,619,928</u>	<u>116,415,147</u>
EXPENDITURES:				
Current:				
General government:	-	-	564,652	7,251,712
Police	-	-	355,302	16,267,024
Fire	-	-	225,966	21,277,033
Public works	4,295,890	11,378,126	1,645,432	32,513,550
Community development	-	-	3,030,649	3,030,649
Community services	-	-	1,041,990	14,282,598
Library	-	-	155,331	3,174,647
Capital outlay	-	-	-	27,094,396
Debt service:				
Principal	-	-	310,000	2,330,314
Interest and fiscal charges	-	-	237,517	2,285,009
Total expenditures	<u>4,295,890</u>	<u>11,378,126</u>	<u>7,566,839</u>	<u>129,506,932</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(158,597)</u>	<u>(613,400)</u>	<u>11,053,089</u>	<u>(13,091,785)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	605,746	16,405,425
Transfers out	(930)	(140,450)	(11,070,977)	(15,838,560)
Total other financing sources (uses)	<u>(930)</u>	<u>(140,450)</u>	<u>(10,465,231)</u>	<u>566,865</u>
NET CHANGE IN FUND BALANCES	<u>(159,527)</u>	<u>(753,850)</u>	<u>587,858</u>	<u>(12,524,920)</u>
FUND BALANCES:				
Beginning of year	<u>10,822,149</u>	<u>1,164,227</u>	<u>35,269,249</u>	<u>92,849,250</u>
End of year	<u>\$ 10,662,622</u>	<u>\$ 410,377</u>	<u>\$ 35,857,107</u>	<u>\$ 80,324,330</u>

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, 2018

Net change in fund balances - total governmental funds: \$ (12,524,920)

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 \$1,486,377 reported in Internal Service Funds.	\$ 17,833,103	
Depreciation expense, net of \$845,138 reported in Internal Service Funds.	(3,714,291)	
Net effect on disposal of capital assets, net of \$24,423 reported in Internal Service Funds.	(349,367)	13,769,445

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. (530,560)

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	2,330,314	
Interest expense	15,429	2,345,743

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:

OPEB credit, net of contribution made after measurement date \$1,046,589 and net of OPEB expense reported under Internal Service Funds of \$47,369	152,689	
Compensated absences, net of \$(23,900) reported under Internal Service Funds	(177,825)	
Pension expense, net of contribution made after measurement date \$10,804,521 and net of pension expense reported under Internal Service Funds of \$2,647,780	(2,883,646)	(2,908,782)

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. (6,332,069)

Change in net position of governmental activities \$ (6,181,143)

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 nonmajor funds may be found in the Supplementary Information 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, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Marina	Parking	Sewer	Nonmajor Enterprise Funds	Total	
ASSETS						
Current assets:						
Cash and investments	\$ 5,056,976	\$ 10,277,039	\$ 8,031,420	\$ 280,408	\$ 23,645,843	\$ 17,043,532
Accounts receivable	86,305	169,516	742,505	13,070	1,011,396	134,376
Interest receivable	18,274	36,939	23,441	1,119	79,773	10,872
Total current assets	5,161,555	10,483,494	8,797,366	294,597	24,737,012	17,188,780
Noncurrent assets:						
Advances to other funds	33,688	5,939,521	-	-	5,973,209	334,610
Capital assets:						
Nondepreciable	186,874	10,093,757	14,668,663	-	24,949,294	31,808
Depreciable	10,661,629	24,923,680	4,785,147	4,603,119	44,973,575	12,919,218
Accumulated depreciation	(8,282,370)	(19,642,953)	(1,735,389)	(2,640,410)	(32,301,122)	(9,095,367)
Total capital assets, net	2,566,133	15,374,484	17,718,421	1,962,709	37,621,747	3,855,659
Total noncurrent assets	2,599,821	21,314,005	17,718,421	1,962,709	43,594,956	4,190,269
Total assets	7,761,376	31,797,499	26,515,787	2,257,306	68,331,968	21,379,049
DEFERRED OUTFLOWS OF RESOURCES						
Pension related deferred outflows of resources	346,959	1,260,382	270,841	35,404	1,913,586	1,440,943
OPEB related deferred outflows of resources	19,640	94,122	16,675	2,717	133,154	55,460
Total deferred outflows of resources	366,599	1,354,504	287,516	38,121	2,046,740	1,496,403

(Continued)

City of Monterey
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Marina	Parking	Sewer	Nonmajor Enterprise Funds	Total	
LIABILITIES						
Current liabilities:						
Accounts payable	119,627	262,478	71,014	4,764	457,883	512,716
Accrued liabilities	32,710	120,391	24,842	-	177,943	100,817
Interest payable	90,194	-	114,905	-	205,099	7,007
Due to other funds	-	-	-	-	-	686,637
Compensated absences, due within one year	6,715	37,271	12,857	445	57,288	50,130
Claims payables, due within one year	-	-	-	-	-	5,787,429
Bonds and loans payable, due within one year	239,073	-	603,307	-	842,380	29,336
Total current liabilities	488,319	420,140	826,925	5,209	1,740,593	7,174,072
Noncurrent liabilities:						
Advances from other funds	-	12,603,690	-	459,383	13,063,073	-
Compensated absences	30,031	87,987	45,828	-	163,846	138,207
Claims payable, due in more than one year	-	-	-	-	-	7,057,949
Bonds and loans payable, due in more than one year	1,678,072	-	11,934,267	-	13,612,339	195,857
Net OPEB liability	152,371	730,229	129,371	21,083	1,033,054	430,280
Net pension liability	1,646,477	5,981,081	1,285,260	168,008	9,080,826	6,837,921
Total noncurrent liabilities	3,506,951	19,402,987	13,394,726	648,474	36,953,138	14,660,214
Total liabilities	3,995,270	19,823,127	14,221,651	653,683	38,693,731	21,834,286
DEFERRED INFLOWS OF RESOURCES						
Pension related deferred inflows of resources	42,184	153,241	32,930	4,305	232,660	175,194
OPEB related deferred inflows of resources	477	2,288	405	66	3,236	1,347
Total deferred inflows of resources	42,661	155,529	33,335	4,371	235,896	176,541
NET POSITION						
Net investment in capital assets	648,988	15,374,484	5,180,847	1,962,709	23,167,028	3,630,466
Restricted	-	-	1,106,768	-	1,106,768	-
Unrestricted	3,441,056	(2,201,137)	6,260,702	(325,336)	7,175,285	(2,765,841)
Total net position	\$ 4,090,044	\$ 13,173,347	\$ 12,548,317	\$ 1,637,373	\$ 31,449,081	\$ 864,625
						(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, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Marina	Parking	Sewer	Nonmajor Enterprise Funds	Total
OPERATING REVENUES:					
Charges for services	\$ 2,773,230	\$ 9,206,280	\$ 2,595,047	\$ 344,534	\$ 14,919,091
Lease revenue	360,805	335,463	-	317,250	1,013,518
Other revenue	36,970	28,061	17	-	65,048
Total operating revenues	3,171,005	9,569,804	2,595,064	661,784	15,997,657
OPERATING EXPENSES:					
Salaries and benefits	1,449,989	4,938,298	973,339	136,622	7,498,248
Services and supplies	814,423	2,857,197	328,400	88,942	4,088,962
Claims and insurance	-	-	-	-	-
Depreciation	251,858	442,334	71,653	120,352	886,197
Total operating expenses	2,516,270	8,237,829	1,373,392	345,916	12,473,407
Operating income	654,735	1,331,975	1,221,672	315,868	3,524,250
NONOPERATING REVENUES (EXPENSES):					
Investment income	16,341	114,728	26,501	6,946	164,516
Interest and fiscal charges	(87,129)	(597,245)	(305,988)	(23,000)	(1,013,362)
Gains (loss) on sale of assets	-	-	(21,910)	-	(21,910)
Intergovernmental revenues	8,982	-	-	-	8,982
Total nonoperating revenues (expenses)	(61,806)	(482,517)	(301,397)	(16,054)	(861,774)
Income before transfers	592,929	849,458	920,275	299,814	2,662,476
TRANSFERS:					
Transfers in	-	254,179	-	-	254,179
Transfers out	(229,003)	(286,920)	-	(407,388)	(923,311)
Net transfers	(229,003)	(32,741)	-	(407,388)	(669,132)
Change in net position	363,926	816,717	920,275	(107,574)	1,993,344
NET POSITION:					
Beginning of year, as restated (Note 15)	3,726,118	12,356,630	11,628,042	1,744,947	29,455,737
End of year	\$ 4,090,044	\$ 13,173,347	\$ 12,548,317	\$ 1,637,373	\$ 31,449,081

City of Monterey
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

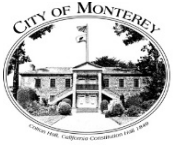
	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Marina	Parking	Sewer	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 3,142,280	\$ 9,621,072	\$ 2,250,710	\$ 662,146	\$15,676,208	\$ -
Receipts from user departments	-	-	-	-	-	20,018,737
Receipts from insurance recovery or settlements	-	-	-	-	-	554,508
Payments to suppliers	(730,927)	(2,827,955)	(878,610)	(85,086)	(4,522,578)	(4,962,530)
Payments to employees	(1,006,166)	(3,645,662)	(673,355)	(135,941)	(5,461,124)	(3,327,997)
Claims and insurance paid	-	-	-	-	-	(11,819,665)
Cash flows provided by operating activities	<u>1,405,187</u>	<u>3,147,455</u>	<u>698,745</u>	<u>441,119</u>	<u>5,692,506</u>	<u>463,053</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund receipts	45,000	-	-	-	45,000	467,567
Interfund payments	-	(727,198)	-	-	(727,198)	-
Transfers in	-	254,179	-	-	254,179	170,340
Transfers out	(229,003)	(286,920)	-	(407,388)	(923,311)	(68,073)
Intergovernmental revenue	8,982	-	-	-	8,982	121,935
Cash flows provided by (used in) noncapital financing activities	<u>(175,021)</u>	<u>(759,939)</u>	<u>-</u>	<u>(407,388)</u>	<u>(1,342,348)</u>	<u>691,769</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(90,570)	(273,939)	(371,827)	-	(736,336)	(1,486,377)
Proceed from sale of assets	-	-	-	-	-	156,415
Debt principal repayment	(228,778)	-	(145,829)	(400,000)	(774,607)	(28,464)
Issuance of debt	-	-	1,737,547	-	1,737,547	-
Interest paid	(96,566)	(597,245)	(249,282)	(31,184)	(974,277)	(6,269)
Cash flows (used in) capital and related financing activities	<u>(415,914)</u>	<u>(871,184)</u>	<u>970,609</u>	<u>(431,184)</u>	<u>(747,673)</u>	<u>(1,364,695)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	9,868	102,328	25,236	14,701	152,133	8,812
Cash flows provided by investing activities	<u>9,868</u>	<u>102,328</u>	<u>25,236</u>	<u>14,701</u>	<u>152,133</u>	<u>8,812</u>
Net increase (decrease) in cash and cash equivalent	<u>824,120</u>	<u>1,618,660</u>	<u>1,694,590</u>	<u>(382,752)</u>	<u>3,754,618</u>	<u>(201,061)</u>
CASH AND CASH EQUIVALENT:						
Beginning of year	4,232,856	8,658,379	6,336,830	663,160	19,891,225	17,244,593
End of year	<u>\$ 5,056,976</u>	<u>\$10,277,039</u>	<u>\$ 8,031,420</u>	<u>\$ 280,408</u>	<u>\$23,645,843</u>	<u>\$17,043,532</u>
CASH AND CASH EQUIVALENT:						
Cash and investments	\$ 5,056,976	\$10,277,039	\$ 8,031,420	\$ 280,408	\$23,645,843	\$17,043,532
Total cash and cash equivalent	<u>\$ 5,056,976</u>	<u>\$10,277,039</u>	<u>\$ 8,031,420</u>	<u>\$ 280,408</u>	<u>\$23,645,843</u>	<u>\$17,043,532</u>

(Continued)

City of Monterey
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Marina	Parking	Sewer	Nonmajor Enterprise Funds	Total	
Reconciliation of operating income to net cash provided by Operating activities:						
Operating activities:						
Operating income (loss)	\$ 654,735	\$ 1,331,975	\$ 1,221,672	\$ 315,868	\$ 3,524,250	\$ (6,692,190)
Adjustments to reconcile operating income to net cash flows provided by operating activities:						
Depreciation	251,858	442,334	71,653	120,352	886,197	845,138
Change in assets and liabilities:						
(Increase) decrease in accounts receivables	(28,725)	51,268	(344,354)	362	(321,449)	378,422
(Increase) decrease in prepaid items	-	-	-	-	-	84,780
(Increase) decrease in pension related deferred outflows of resources	(71,395)	(173,986)	(36,909)	2,263	(280,027)	(370,406)
(Increase) decrease in OPEB related deferred outflows of resources	(928)	(4,448)	(788)	(128)	(6,292)	(2,620)
Increase (decrease) in accounts payable	83,496	29,242	(550,210)	3,856	(433,616)	(32,317)
Increase (decrease) in accrued expenses	414	(22,107)	9,341	(3,794)	(16,146)	(20,329)
Increase (decrease) in compensated absences	2,161	(6,772)	7,710	(9,346)	(6,247)	(23,900)
Increase (decrease) in claims payable	-	-	-	-	-	3,846,400
Increase (decrease) in net OPEB liabilities	(2,414)	(11,571)	(2,050)	(334)	(16,369)	(6,818)
Increase (decrease) in net pension liabilities	571,269	1,742,131	372,493	21,037	2,706,930	2,660,852
Increase (decrease) in pension related deferred inflows of resources	(55,761)	(232,899)	(50,218)	(9,083)	(347,961)	(205,306)
Increase (decrease) in OPEB related deferred inflows of resources	477	2,288	405	66	3,236	1,347
Cash flows provided by operating activities	<u><u>\$ 1,405,187</u></u>	<u><u>\$ 3,147,455</u></u>	<u><u>\$ 698,745</u></u>	<u><u>\$ 441,119</u></u>	<u><u>\$ 5,692,506</u></u>	<u><u>\$ 463,053</u></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, 2018

	Private Purpose Trust Fund	Agency Funds
ASSETS:		
Cash and investments	\$ 77,715	\$ 37,264
Accounts receivable	-	24,241
Interest receivables	281	-
Total assets	<u>77,996</u>	<u><u>61,505</u></u>
LIABILITIES:		
Deposits payable	\$ -	\$ 16
Special assessments	-	61,489
Total liabilities	<u>-</u>	<u><u>61,505</u></u>
NET POSITION		
Held in trust pending distribution	<u><u>\$ 77,996</u></u>	

City of Monterey
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2018

	Private Purpose Trust Fund
ADDITIONS:	
Investment income	\$ 372
Total additions	<u>372</u>
DEDUCTIONS:	
General and administrative	<u>4,541</u>
Total deductions	<u>4,541</u>
CHANGE IN NET POSITION	(4,169)
NET POSITION:	
Beginning of year	<u>82,165</u>
End of year	<u><u>\$ 77,996</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, 2018

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City of Monterey
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For the Year Ended June 30, 2018

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City of Monterey
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Unit

Management determined that the following component unit should be blended based on the criteria above:

Although the following is legally separate from the City, it has been “blended” as though it is part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component unit; and/or the component unit provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

City of Monterey Joint Powers Financing Authority - 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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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 nonmajor 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*.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Financial Statements (Continued)

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. Issuance of governmental long-term debt and 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, assessed, or when underlying transactions take place. 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Financial Statements (Continued)

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, deferred outflows of resources, liabilities, and deferred inflows of resources (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.

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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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, and Dubrovnik Sister City Donation. 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.

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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

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 acquisition cost or at net realizable value, 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.

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

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

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, 2018

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, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Other Postemployment Benefits (“OPEB”) Plan

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s OPEB Plan and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are reported OPEB reporting:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the sources of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

N. 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 and retention payable.

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, 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 position 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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

O. 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

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.

P. 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 \$10,746,207.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. 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

R. Change in Accounting Principles

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement resulted in restatement of beginning net position for the year ended June 30, 2018. See Note 11 for further details.

GASB Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2018.

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, 2018 in the accompanying financial statements as follows:

	Government- Wide Statement of Net Position	Fiduciary Fund Statement of Net Position	Total
Cash and investments	\$ 95,754,070	\$ 114,979	\$ 95,869,049
Restricted cash and investments	6,863,992	-	6,863,992
Total cash and investments	\$ 102,618,062	\$ 114,979	\$ 102,733,041

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

The City had the following cash and investments at June 30, 2018:

Cash on hand	\$ 32,913
Deposits with financial institution	25,359,102
Total cash	<u>25,392,015</u>
Investments:	
Local Agency Investment Fund	8,443,178
Money market funds	1,118,766
U.S. Treasury notes	20,873,269
U.S. government sponsored enterprise securities	26,168,820
Commerical paper	1,355,759
Negotiable certificate of deposit	1,184,372
Corporate notes	17,363,626
Investments with fiscal agent:	
Money market funds	833,236
Total investments	<u>77,341,026</u>
Total cash and investments	<u><u>\$ 102,733,041</u></u>

A. Demand Deposits

The carrying amounts of the City's deposits were \$25,359,102 at June 30, 2018. Bank balances at that date were \$27,426,200, 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.

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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

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, 2018

Note 2 – Cash and Investments (Continued)

D. Fair Value Measurements

At June 30, 2018, 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, 2018.

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	\$ -	\$ -	\$ 8,443,178	\$ 8,443,178
Money market funds	-	-	1,118,766	1,118,766
U.S. Treasury notes	20,873,269	-	-	20,873,269
U.S. government sponsored enterprise securities	-	26,168,820 ⁽¹⁾	-	26,168,820
Commercial paper	-	1,355,759 ⁽²⁾	-	1,355,759
Negotiable certificate deposits	-	1,184,372 ⁽¹⁾	-	1,184,372
Corporate notes	-	17,363,626 ⁽¹⁾	-	17,363,626
Investments with fiscal agent:				
Money market funds	-	-	833,236	833,236
	<u>\$ 20,873,269</u>	<u>\$ 46,072,577</u>	<u>\$ 10,395,180</u>	<u>\$ 77,341,026</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, 2018, 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	\$ 8,443,178	\$ -	\$ -	\$ 8,443,178
Money market funds	1,118,766	-	-	1,118,766
U.S. Treasury note	7,451,739	4,432,505	8,989,025	20,873,269
U.S. government sponsored enterprise securities	7,272,374	9,091,426	9,805,020	26,168,820
Commercial paper	1,355,759	-	-	1,355,759
Negotiable certificate of deposit	-	-	1,184,372	1,184,372
Corporate notes	3,594,139	4,128,346	9,641,141	17,363,626
Investments with fiscal agent:				
Money market funds	833,236	-	-	833,236
Total	<u>\$ 30,069,191</u>	<u>\$ 17,652,277</u>	<u>\$ 29,619,558</u>	<u>\$ 77,341,026</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018, the City's investments are rated as following:

Investment Type	Total as of June 30, 2018	Minimum Legal Rating	AAA	AA	A	P-1	Not Required to be Rated
Investments:							
Local Agency Investment Fund	\$ 8,443,178	N/A	\$ -	\$ -	\$ -	\$ -	\$ 8,443,178
Money market funds	1,118,766	N/A	1,118,766	-	-	-	-
U.S. Treasury note	20,873,269	N/A	20,873,269	-	-	-	-
U.S. government sponsored enterprise securities	26,168,820	N/A	-	26,168,820	-	-	-
Commercial paper	1,355,759	NA	-	-	-	1,355,759	-
Negotiable certificate of deposit	1,184,372	NA	-	-	-	1,184,372	-
Corporate notes	17,363,626	A	1,151,277	5,324,907	10,887,442	-	-
Investments with fiscal agent:							
Money market funds	833,236	N/A	833,236	-	-	-	-
Total	\$ 77,341,026		\$ 23,976,548	\$ 31,493,727	\$ 10,887,442	\$ 2,540,131	\$ 8,443,178

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	\$ 11,072,933	14%
Federal Home Loan Mortgage Corporation	U.S. government sponsored enterprise securities	7,246,754	9%
Federal National Mortgage Association	U.S. government sponsored enterprise securities	7,849,133	10%

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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

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, 2018 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, 2018, the City had \$8,443,178 invested in LAIF, which had invested 2.67% of the pool investment funds in Structured Notes and Asset-Backed Securities.

Note 3 – Interfund Transactions

A. Government-Wide Financial Statements

Internal Balances – At June 30, 2018, 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	\$	7,089,864

Transfers – At June 30, 2018, the City had the following transfers:

		Transfers Out
		Business-Type
		Activities
Transfers In		
Governmental Activities	\$	669,132

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

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Interfund Transactions (Continued)

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, 2018, the City had the following inter-fund balances:

Due To Other Funds						
	Governmental Funds				Proprietary Funds	Total
	Capital Improvement Projects Fund	Conference Center Facilities District Capital Projects Fund	Presidio of Monterey Public Works Special Revenue Fund	Nonmajor Governmental Funds	Internal Service Funds	
Due From Other Funds						
Governmental Funds:						
General Fund	\$ 534,876	\$ 78,730	\$ 2,492,174	\$ 69,555	\$ 686,637	\$ 3,861,972
	<u>\$ 534,876</u>	<u>\$ 78,730</u>	<u>\$ 2,492,174</u>	<u>\$ 69,555</u>	<u>\$ 686,637</u>	<u>\$ 3,861,972</u>

The amounts above resulted from temporary borrowing made at June 30, 2018 to cover cash shortfalls.

Advances To/From Other Funds – At June 30, 2018, the City had the following advances to/from other funds:

Advance From Other Funds						
	Governmental Funds			Proprietary Funds		Total
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Parking Enterprise Fund	Nonmajor Enterprise Funds	
Advance To Other Funds						
Governmental Funds						
General Fund	\$ -	\$ -	\$ 100,000	\$ 12,603,690	\$ 459,383	\$ 13,163,073
Proprietary Funds						
Marina Enterprise Fund	33,688	-	-	-	-	33,688
Parking Enterprise Fund	5,888,853	50,668	-	-	-	5,939,521
Internal Service Funds	334,610	-	-	-	-	334,610
	<u>\$ 6,257,151</u>	<u>\$ 50,668</u>	<u>\$ 100,000</u>	<u>\$ 12,603,690</u>	<u>\$ 459,383</u>	<u>\$ 19,470,892</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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Interfund Transactions (Continued)

B. Fund Financial Statements (Continued)

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.

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, 2018 were as follows:

	Transfers In					
	Governmental Funds			Proprietary Funds		
	General Fund	Capital Projects	Nonmajor Governmental Fund	Parking Enterprise Fund	Internal Service Funds	Total
		Capital Improvement Fund				
Transfers Out	General Fund	Fund	Fund	Fund	Funds	Total
Governmental Funds:						
General Fund	\$ -	\$ 2,216,607	\$ 605,746	\$ -	\$ 22,483	\$ 2,844,836
Capital Improvement						
Capital Projects Fund	-	1,781,367	-	-	-	1,781,367
Neighborhood Improvement						
Special Revenue Fund	-	930	-	-	-	930
Presidio of Monterey Public						
Works Special Revenue Fund	-	-	-	-	140,450	140,450
Nonmajor Governmental	502,662	10,535,732	-	25,176	7,407	11,070,977
Proprietary Funds:						
Marina Enterprise Fund	-	-	-	229,003	-	229,003
Parking Enterprise Fund	269,998	16,922	-	-	-	286,920
Nonmajor Enetrprise Funds	407,388	-	-	-	-	407,388
Internal Service Funds	-	68,073	-	-	-	68,073
	\$ 1,180,048	\$ 14,619,631	\$ 605,746	\$ 254,179	\$ 170,340	\$ 16,829,944

Transfers of \$1,180,048 into the General Fund came from:

- Nonmajor Governmental Funds: The Scholze Park Permanent Fund for park maintenance (\$30,000), the State/Federal Grant Special Revenue Fund - State COPS, AB1913 funding of a Domestic Violence Officer (\$152,557), and the Special Deposit Special Revenue Fund - Golden 55 Travelers fund (\$1,039) for staff reimbursement, the Gas Tax Special Revenue Fund (\$51,000), Tidelands Special Revenue Fund (\$250,213), the Parking Adjustments Special Revenue Fund - homeless parking meter donations (\$5,798), and the Museum Special Revenue Fund (\$12,055) for PTS Artifact Specialist.
- The Parking Fund (\$269,998) for custodial, parks, and street maintenance services.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Interfund Transactions (Continued)

B. Fund Financial Statements (Continued)

- Nonmajor Enterprise Fund - Materials Recovery Facility (\$407,388) for bond payment.

Transfers of \$14,619,631 into the Capital Improvement Fund came from:

- The City utilizes Capital Project Funds for all capital projects expenses, and reimbursement comes from the appropriate funding sources: General Fund (\$2,216,607), Capital Improvement (\$1,733,836) for State Funded Projects, (\$35,340) for Federal Stimulus Projects, and (\$12,191) for other funding sources, Neighborhood Improvement Fund (\$930), nonmajor governmental funds, including the Street Infrastructure Rehabilitation Fund (\$9,237,822), Gas Tax Fund (\$459,740), Tidelands Trust Fund (\$492,951), Transportation Safety (\$321,585), and Park Dedication Fund (\$23,634), Parking Enterprise Fund (\$16,922), and Internal Service Funds from Information Service Fund (\$68,073).

Transfers of \$605,746 into Nonmajor Funds came from the General Fund:

- To the Debt Service Fund for lease payments on the 2013 Lease Revenue Bond (\$550,070), to the Scholze Park Permanent Fund for the playground (\$12,813), and to the Landscape Maintenance Special Revenue Fund for the City's share of Alvarado Street Maintenance District (\$42,863).

Transfers of \$254,179 into the Parking Enterprise Fund came from:

- The Marina Enterprise Fund for annual parking support (\$229,003)
 - Nonmajor governmental funds – The Parking Adjustment Special Revenue Fund \$(25,176)

Transfers of \$170,340 into Internal Service Funds came from:

- The Vehicle Replacement Fund (\$7,407) for fleet additions for the Presidio contract, the General Fund (\$22,483) for the IRS 415(b) plan and Risk Management. Presidio Fund for purchase of new vehicles (\$140,450).

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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018, the outstanding balance was \$1,612,749.

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, 2018, the outstanding balance was \$1,629,956.

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, 2018, the outstanding balance was \$4,025,198.

Other project subsidy loan balances at June 30, 2018 included a loan to Carl Outzen for low/moderate income housing at 541 Wave Street with a balance of \$1,503,553, a loan to Interim, Inc. for 504 Franklin Street and 608 Pearl Street housing for low income chronically mentally ill adults with a balance of \$664,088, and a loan to Shelter Plus for a transitional housing project with a balance of \$478,175.

At June 30, 2018, total outstanding balance was \$6,671,014.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Capital Assets

A. Governmental Activities

Summary of changes in the governmental activities capital assets for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Reclassification	Deletion	Balance June 30, 2018
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 30,193,285	\$ -	\$ -	\$ -	\$ 30,193,285
Construction in progress	60,221,268	17,651,966	(59,317,317)	(151,951)	18,403,966
Total assets not being depreciated	90,414,553	17,651,966	(59,317,317)	(151,951)	48,597,251
Capital assets, being depreciated:					
Buildings and improvements	62,846,625	38,123	57,065,808	(2,828,504)	117,122,052
Improvements other than buildings	29,507,843	-	750,286	(86,667)	30,171,462
Machinery and equipment	16,110,161	1,629,391	51,779	(867,713)	16,923,618
Infrastructure	77,503,466	-	1,449,444	-	78,952,910
Total assets being depreciated	185,968,095	1,667,514	59,317,317	(3,782,884)	243,170,042
Less accumulated depreciation for:					
Buildings and improvements	(35,654,486)	(1,279,131)	-	2,624,261	(34,309,356)
Improvements other than buildings	(19,143,727)	(654,577)	-	86,667	(19,711,637)
Machinery and equipment	(11,055,463)	(1,095,926)	-	850,117	(11,301,272)
Infrastructure	(34,175,607)	(1,529,795)	-	-	(35,705,402)
Total accumulated depreciation	(100,029,283)	(4,559,429)	-	3,561,045	(101,027,667)
Total capital assets, being depreciated, net	85,938,812	(2,891,915)	59,317,317	(221,839)	142,142,375
Total capital assets, net	\$ 176,353,365	\$ 14,760,051	\$ -	\$ (373,790)	\$ 190,739,626

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	38,540
Fire	39,449
Public Works, including infrastructure	2,793,398
Community Development	24,516
Community Services	783,545
Library	31,596
Internal service Funds	845,138
Total depreciation expense	\$ 4,559,429

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018 was as follows:

	Balance July 1, 2017	Additions	Reclassification	Deletion	Balance June 30, 2018
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 9,205,157	\$ -	\$ -	\$ -	\$ 9,205,157
Construction in progress	16,142,067	736,336	(1,112,356)	(21,910)	15,744,137
Total assets not being depreciated	25,347,224	736,336	(1,112,356)	(21,910)	24,949,294
Capital assets, being depreciated:					
Buildings and improvements	26,418,262	-	-	-	26,418,262
Improvements other than buildings	12,819,988	-	318,089	-	13,138,077
Machinery and equipment	1,062,167	-	-	(21,833)	1,040,334
Infrastructure	3,582,635	-	794,267	-	4,376,902
Total assets being depreciated	43,883,052	-	1,112,356	(21,833)	44,973,575
Less accumulated depreciation for:					
Buildings and improvements	(19,412,340)	(486,563)	-	-	(19,898,903)
Improvements other than buildings	(9,664,664)	(262,782)	-	-	(9,927,446)
Machinery and equipment	(759,347)	(65,199)	-	21,833	(802,713)
Infrastructure	(1,600,407)	(71,653)	-	-	(1,672,060)
Total accumulated depreciation	(31,436,758)	(886,197)	-	21,833	(32,301,122)
Total capital assets, being depreciated, net	12,446,294	(886,197)	1,112,356	-	12,672,453
Total capital assets, net	\$ 37,793,518	\$ (149,861)	\$ -	\$ (21,910)	\$ 37,621,747

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

Business-type activity:	
Marina	\$ 251,858
Parking	442,334
Sewer	71,653
Other business-type activities	120,352
Total depreciation expense	\$ 886,197

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Liabilities

A. Governmental Activities

The summary of changes in the governmental activities long-term liabilities for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	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 12/2034	\$ 49,488,977	\$ -	\$ (1,890,398)	\$ 47,598,579	\$ 1,533,668	\$ 46,064,911
Loans and Lease Payable:						
2013 Refunding-2002 Joint Powers Financing Authority, 3.87% due 5/32	6,100,000	-	(310,000)	5,790,000	320,000	5,470,000
2010 California Energy Commission 1.0%, due 12/22	593,674	-	(105,534)	488,140	106,592	381,548
2008 California Energy Commission 3.95%, due 6/25	224,548	-	(24,382)	200,166	25,355	174,811
US Bancorp Pierce Fire Apparatus Lease 3.06%, due 11/2024	253,657	-	(28,464)	225,193	29,336	195,857
Compensated Absences	4,060,544	2,336,497	(2,182,572)	4,214,469	868,623	3,345,846
Claims payable	8,998,978	6,354,858	(2,508,458)	12,845,378	5,787,429	7,057,949
Total Governmental Activities	\$ 69,720,378	\$ 8,691,355	\$ (7,049,808)	\$ 71,361,925	\$ 8,671,003	\$ 62,690,922

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, 2018, the City had \$831,768 maintained in the reserve fund and the outstanding balances for the special tax bonds payable totaled \$47,598,579.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Liabilities (Continued)

A. 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
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	2,092,340	1,657,833	3,750,173
2024-2028	12,987,904	6,920,088	19,907,992
2029-2033	18,002,164	3,977,408	21,979,572
2034-2035	7,578,606	531,836	8,110,442
Total	<u>\$ 47,598,579</u>	<u>\$ 20,430,483</u>	<u>\$ 68,029,062</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, 2018, the outstanding balance for 2013 Lease Agreement was \$5,790,000.

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
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	370,000	171,634	541,634
2024-2028	2,085,000	631,390	2,716,390
2029-2032	1,980,000	195,048	2,175,048
Total	<u>\$ 5,790,000</u>	<u>\$ 1,818,319</u>	<u>\$ 7,608,319</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

2010 California Energy Commission Loan

On March 10, 2010, the City entered into an energy conservation assistance loan agreement with the California Energy Commission. The 1% interest bearing loan in the amount of \$1,104,522 was used to complete the retrofit of the bike path/trail lighting with induction lighting; the retrofit of all City street lights with LED lights, and the replacement of tunnel lights with LED lighting. Principal and interest payments are due semi-annually on December 22 and June 22. The due date for the first payment was December 22, 2012. The loan will be repaid from rebates and energy savings estimated at over \$100,000 annually.

At June 30, 2018, the outstanding balance for 2010 California Energy Commission Loan was \$488,140.

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
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>\$ 488,140</u>	<u>\$ 12,298</u>	<u>\$ 500,438</u>

2008 California Energy Commission Loan

On November 24, 2008, an agreement was entered into with the California Energy Commission to complete energy efficiency projects including lighting retrofits and installation of a photovoltaic system. The total amount of funds disbursed through September, 2010 under the agreement was \$337,940 with an interest rate of 3.95%. The loan calls for semi-annual principal and interest payments each December 22 and June 25. The source of these payments comes from energy savings generated by the projects.

At June 30, 2018, the outstanding balance for the 2008 California Energy Commission Loan was \$200,166.

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
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	29,648	3,366	33,014
2024-2025	62,886	3,143	66,029
Total	<u>\$ 200,166</u>	<u>\$ 30,935</u>	<u>\$ 231,101</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

US Bancorp Pierce Fire Apparatus Lease

On December 10, 2013, the City entered into a lease purchase agreement with U.S. Bancorp for the capital lease of a fire truck. Total principal of the lease amount was \$370,506 with an interest rate of 3.06%. The lease calls for annual principal and interest payments of \$36,277. The accumulated depreciation of the leased Fire Truck at June 30, 2018 was in the amount of \$167,027.

At June 30, 2018, the outstanding balance for the US Bancorp Pierce Fire Apparatus Lease was \$225,193.

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

For the Year Ending June 30	
2019	\$ 36,227
2020	36,227
2021	36,227
2022	36,227
2023	36,227
2024-2025	72,454
Subtotal	253,589
Less: Interest	(28,396)
Present value of future minimum lease payments	<u>\$ 225,193</u>

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.

B. Business-Type Activities

The summary of changes in the governmental activities long-term liabilities for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	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 3/18	\$ 400,000	\$ -	\$ (400,000)	\$ -	\$ -	-
Loans Payable:						
State of California Small Craft Harbor Loans, 4.50%, due 2024	2,145,923	-	(228,778)	1,917,145	239,073	1,678,072
State Water Resources Control Board State Water Resources 110 2.10%, due 8/2035	3,352,782	-	(145,829)	3,206,953	148,451	3,058,502
State Water Resources 120 2.10% due 3/2038	7,593,074	1,737,547	-	9,330,621	454,856	8,875,765
Compensated Absences	227,381	186,720	(192,967)	221,134	57,288	163,846
Total Business-Type Activities	<u>\$ 13,719,160</u>	<u>\$ 1,924,267</u>	<u>\$ (967,574)</u>	<u>\$ 14,675,853</u>	<u>\$ 899,668</u>	<u>\$ 13,776,185</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Liabilities (Continued)

B. 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 1994 Lease Revenue Bonds were paid off during the year ended June 30, 2018.

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, 2018, the total outstanding balance for the state of California harbor loans was \$1,917,145.

The debt service schedule to maturity is as follows:

For the Year Ending June 30	Principal	Interest	Total
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	285,098	40,245	325,343
2024-2025	609,248	41,425	650,673
TOTAL	<u>\$ 1,917,145</u>	<u>\$ 360,249</u>	<u>\$ 2,277,394</u>

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.

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, 2018, the SWRCB disbursed additional \$1,737,547 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 \$1,541,627 in additional funds, not yet received as of June 30, 2018. The 120 Loan bears an interest rate of 2.10% and is to be repaid in 20 installments in the amount estimated to be \$454,856 starting on March 12, 2019. The City pledged the sewer revenue for the repayment of the loans.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

State Water Resources Control Board Loan (Continued)

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, 2018, the City had maintained a reserve in the Sewer/Storm Water System Improvement Special Revenue Fund in the amount of \$1,106,768. The outstanding balances for the SWRCB 110 Loan and 120 Loan were \$3,206,953 and \$9,330,621, respectively.

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

For the Year Ending June 30	Principal	Interest	Total
2019	\$ 148,451	\$ 67,346	\$ 215,797
2020	151,566	64,229	215,795
2021	154,750	61,046	215,796
2022	158,000	57,796	215,796
2023	161,318	54,478	215,796
2024-2028	858,851	220,128	1,078,979
2029-2033	952,898	126,082	1,078,980
2034-2036	621,119	26,268	647,387
Total	<u>\$ 3,206,953</u>	<u>\$ 677,373</u>	<u>\$ 3,884,326</u>

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

For the Year Ending June 30	Principal	Interest	Total
2019	\$ 454,856	\$ 215,727	\$ 670,583
2020	451,818	218,765	670,583
2021	461,306	209,277	670,583
2022	470,994	199,590	670,584
2023	480,885	189,699	670,584
2024-2028	2,560,210	792,705	3,352,915
2029-2033	2,840,563	512,354	3,352,917
2034-2039	3,151,615	201,303	3,352,918
Total	<u>\$ 10,872,247</u>	<u>\$ 2,539,420</u>	<u>\$ 13,411,667</u>
Amount borrowed after the year ended (Note 16)	<u>(1,541,626)</u>		
	<u>\$ 9,330,621</u>		

C. 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, 2018

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, 2018 and pension expenses for the year then ended:

	Governmental Activities	Business- Type Activities	Total
Deferred outflows of resources:			
Pension contribution after measurement date:			
Miscellaneous	\$ 6,164,881	\$ 747,195	\$ 6,912,076
Safety	5,202,284	-	5,202,284
Total contribution after measurement date	<u>11,367,165</u>	<u>747,195</u>	<u>12,114,360</u>
Changes in assumptions:			
Miscellaneous	\$ 7,624,056	\$ 924,051	\$ 8,548,107
Safety	7,160,724	-	7,160,724
Total changes in assumptions	<u>14,784,780</u>	<u>924,051</u>	<u>15,708,831</u>
Difference between expected and actual experience:			
Safety	395,353	-	395,353
Employer contributions in excess of proportionate share of contribution:			
Safety	366,217	-	366,217
Actual earnings on pension plan investments in excess of projected earnings:			
Miscellaneous	1,999,473	242,340	2,241,813
Safety	1,691,061	-	1,691,061
Total actual earnings on pension plan investments in excess of projected earnings	<u>3,690,534</u>	<u>242,340</u>	<u>3,932,874</u>
Total deferred outflows of resources	<u><u>\$ 30,604,049</u></u>	<u><u>\$ 1,913,586</u></u>	<u><u>\$ 32,517,635</u></u>
Aggregate net pension liabilities:			
Miscellaneous	\$ 74,923,117	\$ 9,080,826	\$ 84,003,943
Safety	60,832,803	-	60,832,803
Total net pension liabilities	<u><u>\$135,755,920</u></u>	<u><u>\$ 9,080,826</u></u>	<u><u>\$144,836,746</u></u>
Deferred inflows of Resources:			
Difference between expected and actual experience:			
Miscellaneous	1,919,603	232,660	2,152,263
Adjustment due to difference in proportions			
Safety	57,568	-	57,568
Total deferred inflows of resources	<u><u>\$ 1,977,171</u></u>	<u><u>\$ 232,660</u></u>	<u><u>\$ 2,209,831</u></u>
Pension expenses (credit):			
Miscellaneous	\$ 7,965,437	\$ 2,826,140	\$ 10,791,577
Safety	8,370,510	-	8,370,510
Total net pension expenses (credit)	<u><u>\$ 16,335,947</u></u>	<u><u>\$ 2,826,140</u></u>	<u><u>\$ 19,162,087</u></u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2016 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	27.881%	19.536%	19.536%
Required contribution during year ended June 30, 2018	11.052%	19.723%	19.723%

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	30.881%	12.082%	12.082%
Required contribution during year ended June 30, 2018	11.052%	11.990%	11.990%

* 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, 2018:

	Measurement Period 2016-17	Year Ended June 30, 2018
Miscellaneous	3%	3%
Safety - Fire	4%	4%
Safety - Police	0%	3%

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018, 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, 2016, the valuation date, the following employees were covered by the benefit terms:

	Miscellaneous	Safety	
		Classic	Police PEPR
Active employees	326	104	6
Transferred and terminated employees	241	71	5
Retired Employees and Beneficiaries	408	197	0
Total	975	372	11

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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 82.

Net Pension Liability

Actuarial Methods and Assumption Used to Determine Total Pension Liability

For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 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	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% 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, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change in Assumptions

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Pension Plans (Continued)

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

Net Pension Liability (Continued)

Discount Rate (Continued)

The discount rate used to measure the total pension liability was 7.15 percent. 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 7.15 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 7.15 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.

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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (“PERF”) 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, 2014.

Asset Class	New Strategic Allocation	Real Return	Real Return
	July 1, 2014	Years 1-10 ¹	Years 11+ ²
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

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, 2018

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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2016 (Valuation Date)	\$ 230,582,835	\$ 153,229,724	\$ 77,353,111
Changes recognized for the measurement period:			
Service cost	4,839,793	-	4,839,793
Interest on the total pension liability	17,001,092	-	17,001,092
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(2,930,591)	-	(2,930,591)
Changes of assumptions	13,297,055	-	13,297,055
Plan to plan resource movement	-	(141)	141
Contributions from the employer	-	6,231,357	(6,231,357)
Contributions from employees	-	2,586,548	(2,586,548)
Net investment income, net of administrative expense	-	16,964,986	(16,964,986)
Benefit payments, including refunds of employee contributions	(11,183,381)	(11,183,381)	-
Administrative expense	-	(226,233)	226,233
Net Changes during July 1, 2016 to June 30, 2017	\$ 21,023,968	\$ 14,373,136	\$ 6,650,832
Balance at June 30, 2017 (Measurement Date)	\$ 251,606,803	\$ 167,602,860	\$ 84,003,943

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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2016 (Valuation Date)	\$ 168,214,943	\$ 114,199,494	54,015,449
Balance at June 30, 2017 (Measurement Date)	183,121,588	122,288,785	60,832,803
Net Changes during 2016-2017	14,906,645	8,089,291	6,817,354

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2016). 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, 2017). 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, 2017 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2016-17).
- (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, 2016	0.624233%
June 30, 2017	0.613404%
Change - Increase (Decrease)	<u>-0.010829%</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plan	\$ 115,914,520	\$ 84,003,943	\$ 57,419,977
Safety Plan	\$ 90,953,102	\$ 60,832,803	\$ 36,210,961

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, 2018, the City recognized pension expense in the amounts of \$10,791,577 and \$8,370,510 for the miscellaneous plan and safety plan, respectively.

As of measurement date of June 30, 2017, 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	\$ 6,912,076	\$ -
Changes of assumptions	8,548,107	-
Difference between expected and actual experience	-	(2,152,263)
Net difference between projected and actual earning on pension plan investments	2,241,813	-
Total	\$ 17,701,996	\$ (2,152,263)

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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	\$ 5,202,284	\$ -
Changes of assumptions	7,160,724	-
Difference between expected and actual experience	395,353	-
Adjustment due to difference in proportions	-	(57,568)
Employer contributions in excess of proportionate share of contribution	366,217	-
Net difference between projected and actual earning on pension plan investments	1,691,061	-
Total	<u>\$ 14,815,639</u>	<u>\$ (57,568)</u>

The amounts above are net of outflows and inflows recognized in the 2016-2017 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 2016-17 measurement period is 2.8 and 3.8 years, which was obtained by dividing the total service years of 2,757 and 490,088 (the sum of remaining service lifetimes of the active employees) by 975 and 130,595 (the total number of participants: active, inactive, and retired), respectively.

\$6,912,076 and \$5,202,284 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 for the miscellaneous plan and collective net pension liability for the safety plan in the year ending June 30, 2019. 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
2018	\$ 3,388,093	\$ 2,645,838
2019	5,535,982	4,859,388
2020	945,064	3,040,062
2021	(1,231,482)	(989,501)
2022	-	-
Thereafter	-	-
	<u>\$ 8,637,657</u>	<u>\$ 9,555,787</u>

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Pension Plans (Continued)

B. Deferred Compensation Plan

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

The laws governing deferred compensation plan assets require plan assets to be held by a trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from the accompanying financial statements. At June 30, 2018, total deferred compensation plan assets are valued at \$43,734,372.

Note 8 – Other Postemployment Benefits (“OPEB”) Plan

At June 30, 2018, net OPEB liability and related deferred outflows of resources and deferred inflows of resources are as follow:

	Governmental Activities	Business- Type Activities	Total
Deferred outflows of resources:			
OPEB contribution after measurement date	\$ 1,102,049	\$ 133,154	\$ 1,235,203
Total deferred outflows of resources	\$ 1,102,049	\$ 133,154	\$ 1,235,203
Net OPEB liability:	\$ 8,549,995	\$ 1,033,054	\$ 9,583,049
Deferred inflows of Resources:			
Net difference between projected and actual earnings	\$ 26,786	\$ 3,236	\$ 30,022
Total deferred inflows of resources	\$ 26,786	\$ 3,236	\$ 30,022
OPEB expenses (credit):	\$ 941,269	\$ 113,729	\$ 1,054,998

A. General Information about the OPEB Plan

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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Other Postemployment Benefits (“OPEB”) Plan (Continued)

A. General Information about the OPEB Plan (Continued)

Benefit Provided

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, \$128 and \$133 per month for calendar years of 2017 and 2018, respectively. Retirees and their beneficiaries pay the annual premium cost not paid by the employer. Dental, vision and life insurance benefits are not provided.

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.

Employees Covered by Benefit Term

At June 30, 2017, the date of the latest actuarial valuation, membership in the Plan consisted of following:

Inactive plan members or beneficiaries	
currently receiving benefits	180
Inactive plan members entitled to	
but not yet receiving benefits	59
Active plan members	458
Total	<u>697</u>

Eligibility

Eligibility for the City’s contribution requires retirement under PERS (typically on or after age 50 with at least 5 years of service). The City’s contribution will continue for the lifetime of the retiree and any surviving eligible spouse.

Contributions

The City contributed \$1,176,830 during the measurement period and \$1,235,203 during the fiscal year ended June 30, 2018.

B. Net OPEB Liability

Net OPEB Liability was determined by an actuarial valuation as of June 30, 2017. Standard actuarial update procedures were used to project/discount from June 30, 2016 to June 30, 2017, the measurement period.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Other Postemployment Benefits (“OPEB”) Plan (Continued)

B. Net OPEB Liability (Continued)

Actuarial Assumptions

The total OPEB liability as of June 30, 2017 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Asset Return	7.0% per annum; assumes the City invests in the CERBT asset allocation Strategy 1 with a margin for adverse deviation of 28 bps.
Discount Rate	7.0% per annum. This discount rate assumes the City Continues to fully fund for its retiree health benefits through the California Employers’ Retiree Benefit Trust (CERBT) under its investment allocation strategy 1.
Inflation	3.0% per annum, in aggregate
Salary Increases	3.0% per annum, in aggregate
Pre-retirement Turnover/Mortality Rate/Disability Rate/Retirement Age	Consistent with the most recent CalPERS pension plan valuation.
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds.
Participation Rates	60% of future retirees are assumed to elect medical coverage at retirement through the CalPERS Health Plan and to continue coverage through the CalPERS Health Plan beyond Medicare eligibility age. For current retirees under age 65 and currently waiving coverage, 20% are assumed to elect coverage at age 65.
Spouse Coverage	50% of future retirees are assumed to elect coverage for a spouse at retirement. Actual spousal coverage is used for current retirees. Male spouses are assumed to be 3 years older than female spouses. Actual spouse age is used for current retirees. 100% of surviving spouses are assumed to elect to continue coverage upon death of retiree.
Medical Trend Rates	6.0% (HMO) and 6.5% (PPO) to ultimate 5% in 2022 and beyond

Discount Rate

7.0% per annum. This discount rate assumes the City continues to fully fund for its retiree health benefits through the California Employers’ Retiree Benefit Trust (“CERBT”) under its investment allocation strategy 1.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 are summarized in the following table:

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Other Postemployment Benefits (“OPEB”) Plan (Continued)

B. Net OPEB Liability (Continued)

Discount Rate (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
CERBT		
Global Equity	57.00%	5.50%
US Fixed Income	27.00%	2.35%
Inflation Assets	5.00%	1.50%
Commodities	3.00%	1.75%
REITs	8.00%	3.65%
Total	100.00%	
Long-term expected rate of return is 7.00%.		

C. Changes in Net OPEB Liability

The following table shows the changes in the net OPEB liability recognized over the measurement period.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2016	\$ 10,984,794	\$ 1,249,891	\$ 9,734,903
Changes recognized for the measurement period:			
Service cost	393,907	-	393,907
Interest on the total OPEB liability	778,730	-	778,730
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions from the employer	-	1,176,830	(1,176,830)
Contributions from employees	-	-	-
Net investment income, net of administrative expense	-	148,405	(148,405)
Benefit payments, including refunds of employee contributions	(507,965)	(507,965)	-
Administrative expense	-	(744)	744
Net Changes during July 1, 2016 to June 30, 2017	\$ 664,672	\$ 816,526	\$ (151,854)
Balance at June 30, 2017 (Measurement Date)	\$ 11,649,466	\$ 2,066,417	\$ 9,583,049

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current discount rate:

Plan's Net OPEB Liability/(Asset)		
Discount Rate - 1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate + 1% (8.00%)
\$ 11,004,822	\$ 9,583,049	\$ 8,397,443

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Other Postemployment Benefits (“OPEB”) Plan (Continued)

C. Changes in Net OPEB Liability (Continued)

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00 percent - HMO or 5.5 percent - PPO decreasing to 4.00 percent) or 1-percentage-point higher (7.00 percent – HMO or 7.50 PPO decreasing to 6.00 percent) than the current healthcare cost trend rates:

Plan's Net OPEB Liability/(Asset)		
1% Decrease (5.00%HMO/ 5.50% PPO decreasing to 4.00% HMO and PPO)	Current Rate (6.00%HMO/ 6.50% PPO decreasing to 5.00% HMO and PPO)	1% Increase (7.00%HMO/ 7.50% PPO decreasing to 6.00% HMO and PPO)
\$ 8,250,775	\$ 9,583,049	\$ 11,204,046

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expenses of \$1,054,998. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from following sources:

OPEB Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 1,235,203	\$ -
Changes of assumptions	-	-
Difference between expected and actual experience	-	-
Net difference between projected and actual earning on pension plan investments	-	(30,022)
Total	\$ 1,235,203	\$ (30,022)

The amounts above are net of outflows and inflows recognized during the measurement period expense. The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five year period.

The \$1,253,203 reported as deferred outflows of resources related to OPEB resulting from the City’s contribution sequent to the measurement date during the year ended June 30, 2018 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follow:

Measurement Period Ended June 30	Deferred Outflows /(Inflows) of Resources
2018	\$ (7,506)
2019	(7,506)
2020	(7,506)
2021	(7,504)
2022	-
Thereafter	-
	\$ (30,022)

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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 \$133 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 \$1,993 per month per employee which can be used towards insurance premiums or other employment benefits. Dental and vision insurance is provided at no cost to its employees (dependent dental insurance premiums are paid by the employee). The City also provides long-term disability for certain employees and life insurance to all but its regular part-time and part-time seasonal employees.

Note 10 – 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 \$242,777 to ACCEL pool, and \$78,666 in excess liability insurance premiums for various carriers totaling \$321,443 for the year ended June 30, 2018. 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.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Risk Management (Continued)

B. Liability for Self-Insured Claims

The liability for the self insured portion of claims and judgments included in the internal service fund is based on the results of a bi-annual third party actuarial study obtained by the City. The liability includes amount for claims incurred but not reported (“IBNR”). The total liability is calculated by considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts and other economic social factors and is based on a range of 80-90% probability level (IBNR is based on the expected level).

Claims and judgments, including a provision for claims incurred but not reported are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. 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, 2018.

Claims activities for the three years ended June 30, 2018 are presented as follows:

Years Ended	Balance Beginning of Year	Addition	Deletion	Balance End of Year
Worker's Compensation:				
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
June 30, 2018	7,831,500	3,778,159	(2,433,127)	9,176,532
General Liability:				
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
June 30, 2018	1,167,478	2,576,699	(75,331)	3,668,846

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Fund Balances

At June 30, 2018, 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	District	Debt Service	Improvement	Monterey	Governmental		Total
	Fund	Fund	Fund	Fund	Fund	Public Works	Fund		
Nonspendable:									
Prepaid items	\$ 346,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 346,689
Advances to other funds	13,163,073	-	-	-	-	-	-	-	13,163,073
Scholze Park									
Endowment	-	-	-	-	-	-	2,476,127		2,476,127
Total nonspendable	13,509,762	-	-	-	-	-	2,476,127		15,985,889
Restricted:									
Capital projects	-	-	488,907	-	-	-	-		488,907
Debt services	-	-	-	6,719,756	-	-	-		6,719,756
Army and Navy									
public works projects	-	-	-	-	-	410,377	48,184		458,561
Tideland	-	-	-	-	-	-	9,328,940		9,328,940
Community									
developments	-	-	-	-	-	-	9,964,699		9,964,699
Public works	-	-	-	-	-	-	12,894,092		12,894,092
Other	-	-	-	-	-	-	1,153,184		1,153,184
Total restricted	-	-	488,907	6,719,756	-	410,377	33,389,099		41,008,139
Committed:									
Economic uncertainty	10,746,207	-	-	-	-	-	-		10,746,207
Capital outlays and									
cultural arts	184,020	-	-	-	-	-	-		184,020
Capital improvement									
programs	3,042,627	-	-	-	-	-	-		3,042,627
Public works	-	-	-	-	10,662,622	-	-		10,662,622
Total committed	13,972,854	-	-	-	10,662,622	-	-		24,635,476
Assigned:									
Unexpended									
encumbrances	1,716,517	-	-	-	-	-	-		1,716,517
Total assigned	1,716,517	-	-	-	-	-	-		1,716,517
Unassigned:									
Fund deficits	-	(3,013,572)	-	-	-	-	(8,119)		(3,021,691)
Total unassigned	-	(3,013,572)	-	-	-	-	(8,119)		(3,021,691)
Total fund balances	\$29,199,133	\$ (3,013,572)	\$ 488,907	\$ 6,719,756	\$10,662,622	\$ 410,377	\$35,857,107		\$ 80,324,330

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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.

At June 30, 2018, the Agency had outstanding receivables in the amount of \$3,846,470 from the Army, of which, \$3,494,923 and \$351,547 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, 2018 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. The Presidio Agency is not reported as part of the City’s financial statements as of July 1, 2017. 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, 2018 except the case of “Custom House vs. City of Monterey” reached settlement of \$2.85 million in September 2018 as the City Council approved payment and this liability was included in the General Liability additions during the year ended June 30, 2018 disclosed in the Note 10. A related cross complaint with the General Contractor of the Monterey Conference Center remodel is currently in process.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 14 – Other Required Disclosures

A. Expenditures Over Appropriations

At June 30, 2018, the following funds had expenditures over appropriations:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Expenditures over Appropriation</u>
Conference Center Facility District			
Capital Projects Fund:			
Capital outlay	\$ -	\$ 11,534,340	\$ (11,534,340)
Conference Center Facility District			
Debt Service Fund:			
Principal payment	1,886,102	1,890,398	(4,296)
Nonmajor Governmental Funds:			
State/Federal Grant Special Revenue Fund:			
Public works	134,355	150,722	(16,367)
Tidelands Special Revenue Fund:			
Police	242,095	355,302	(113,207)
Public works	53,541	70,808	(17,267)

B. Deficit Fund Balance/Net Position

At June 30, 2018, the following funds had deficit fund balance or net position:

	<u>Deficit Fund Balance/ Net Position</u>
Capital Projects Fund, Capital Improvement	\$ (3,013,572)
Nonmajor Governmental Funds:	
Debt Service Fund	(7,201)
Internal Service Funds:	
Vehicle Maintenance Fund	(2,381,960)
Information Services	(1,320,779)
Risk Management	(1,515,781)

The deficit for Capital Projects Capital Projects Fund will be eliminated when the grant revenue is received and the future budgeted transfers in from other funds. The deficit for Debt Service Fund will be eliminated by June 30, 2019. The deficit for the Vehicle Maintenance, Information Services, and Risk Management Internal Service Funds are primarily due to pension liabilities and OPEB liabilities and will be eliminated with future charges to users departments. The deficit for the Risk Management Internal Service Fund is also due to additional accruals booked during the year and will be eliminated as the claims are paid.

City of Monterey
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 15 – Restatement of Net Positions

The City implemented GASB Statement No. 75 during the year ended June 30, 2018. The beginning net positions at July 1, 2017 were related as follows.

	Governmental Activities	Business-Type Activities	Total
Net position at July 1, 2017, as previously reported	\$ 115,100,630	\$ 30,062,887	\$ 145,163,517
OPEB Obligation	2,340,689	315,411	2,656,100
Deferred Outflows of Resources - OPEB Contribution after measurement period	1,049,968	126,862	1,176,830
Net OPEB Liability	(8,685,480)	(1,049,423)	(9,734,903)
Net position at July 1, 2017, as restated	<u>\$ 109,805,807</u>	<u>\$ 29,455,737</u>	<u>\$ 139,261,544</u>

	Marina Enterprise Fund	Parking Enterprise Fund	Sewer Enterprise Fund	Nonmajor Enterprise Fund	Total Enterprise Fund	Internal Service Fund
Net position at July 1, 2017, as previously reported	\$ 3,818,304	\$ 12,783,880	\$ 11,706,733	\$ 1,753,970	\$ 30,062,887	\$ 7,476,578
OPEB Obligation	43,887	224,876	36,843	9,805	315,411	104,374
Deferred Outflows of Resources - OPEB Contribution after measurement period	18,712	89,674	15,887	2,589	126,862	52,840
Net OPEB Liability	(154,785)	(741,800)	(131,421)	(21,417)	(1,049,423)	(437,098)
Net position at July 1, 2017, as restated	<u>\$ 3,726,118</u>	<u>\$ 12,356,630</u>	<u>\$ 11,628,042</u>	<u>\$ 1,744,947</u>	<u>\$ 29,455,737</u>	<u>\$ 7,196,694</u>

Note 16 – Subsequent Events

On August 2, 2018, the City received \$1,541,626 in loan disbursements from the State Water Resources Control Board for the Sewerline Rehabilitation Project, "120 Loan".

In November 2018, voters approved an eight year extension of the 1% add-on district transactions and use tax to continue the Street Infrastructure Rehabilitation Special Revenue Fund through March, 2027.

**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, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over/(Under)
REVENUES:				
Property tax	\$ 8,559,064	\$ 8,559,064	\$ 8,601,373	\$ 42,309
Sales Tax	8,738,824	8,738,824	8,750,802	11,978
In-lieu sales tax	2,744,300	2,744,300	2,749,263	4,963
Transient occupancy tax	20,386,935	20,386,935	20,625,414	238,479
Utility users tax	2,875,000	2,875,000	3,510,025	635,025
Other taxes	2,009,161	2,009,161	2,043,592	34,431
Intergovernmental	402,403	447,335	2,264,273	1,816,938
Investment income	1,582,770	1,582,770	634,481	(948,289)
Rental income	895,160	895,160	1,080,432	185,272
Licenses and permits	4,503,218	4,503,218	5,418,769	915,551
Charges for current services	17,423,976	17,423,976	17,462,475	38,499
Fines	245,700	245,700	224,007	(21,693)
Other revenue	1,854,527	1,854,527	2,188,574	334,047
Total revenues	<u>72,221,038</u>	<u>72,265,970</u>	<u>75,553,480</u>	<u>3,287,510</u>
EXPENDITURES:				
Current:				
General government:				
City council	127,601	127,601	132,497	(4,896)
City manager	1,356,024	1,379,722	1,164,093	215,629
City attorney	962,573	962,635	938,256	24,379
Finance	2,569,854	2,600,023	2,523,460	76,563
Human resources	763,641	868,826	877,904	(9,078)
Information resources	550,206	550,251	477,538	72,713
Nondepartmental charges	427,012	650,408	573,312	77,096
Total general government	<u>6,756,911</u>	<u>7,139,466</u>	<u>6,687,060</u>	<u>452,406</u>
Public safety:				
Police	15,973,242	16,812,808	15,911,722	901,086
Fire	18,664,274	20,615,614	21,051,067	(435,453)
Total public safety	<u>34,637,516</u>	<u>37,428,422</u>	<u>36,962,789</u>	<u>465,633</u>
Public works	14,508,713	16,267,686	15,194,102	1,073,584
Community services	13,332,955	13,296,099	13,240,608	55,491
Library	3,070,201	3,087,780	3,019,316	68,464
Total current	<u>72,306,296</u>	<u>77,219,453</u>	<u>75,103,875</u>	<u>2,115,578</u>
Debt service:				
Principal	147,741	147,741	129,916	17,825
Interest	14,306	14,306	103,658	(89,352)
Total debt service	<u>162,047</u>	<u>162,047</u>	<u>233,574</u>	<u>(71,527)</u>
Total expenditures	<u>72,468,343</u>	<u>77,381,500</u>	<u>75,337,449</u>	<u>2,044,051</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(247,305)</u>	<u>(5,115,530)</u>	<u>216,031</u>	<u>5,331,561</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,464,073	1,464,073	1,180,048	(284,025)
Transfers out	(795,181)	(795,181)	(2,844,836)	(2,049,655)
Total other financing sources (uses)	<u>668,892</u>	<u>668,892</u>	<u>(1,664,788)</u>	<u>(2,333,680)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 421,587</u>	<u>\$ (4,446,638)</u>	<u>(1,448,757)</u>	<u>\$ 2,997,881</u>
FUND BALANCE:				
Beginning of year			30,647,890	
End of Year			<u>\$ 29,199,133</u>	

City of Monterey
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule (Continued)
Neighborhood Improvement Special Revenue Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over/(Under)
REVENUES:				
Transient occupancy tax	\$ 4,100,000	\$ 3,788,438	\$ 3,928,652	\$ 140,214
Intergovernmental	-	42,575	85,000	42,425
Investment income	-	132,721	123,641	(9,080)
Total revenues	<u>4,100,000</u>	<u>3,963,734</u>	<u>4,137,293</u>	<u>173,559</u>
EXPENDITURES:				
Current:				
Public works	<u>3,781,000</u>	<u>14,128,110</u>	<u>4,295,890</u>	<u>9,832,220</u>
Total expenditures	<u>3,781,000</u>	<u>14,128,110</u>	<u>4,295,890</u>	<u>9,832,220</u>
		-	-	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>319,000</u>	<u>(10,164,376)</u>	<u>(158,597)</u>	<u>10,005,779</u>
OTHER FINANCING USES:				
Transfers out	<u>-</u>	<u>-</u>	<u>(930)</u>	<u>(930)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(930)</u>	<u>(930)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 319,000</u>	<u>\$ (10,164,376)</u>	<u>(159,527)</u>	<u>\$ 10,004,849</u>
FUND BALANCE:				
Beginning of year			<u>10,822,149</u>	
End of year			<u>\$ 10,662,622</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, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over/(Under)
REVENUES:				
Intergovernmental	\$ 10,510,457	\$ 19,162,451	\$ 10,431,912	\$ (8,730,539)
Charges for current services	875,151	875,151	331,677	(543,474)
Other	-	-	1,137	1,137
Total revenues	<u>11,385,608</u>	<u>20,037,602</u>	<u>10,764,726</u>	<u>(9,272,876)</u>
EXPENDITURES:				
Current:				
Public works	<u>11,442,170</u>	<u>23,786,286</u>	<u>11,378,126</u>	<u>12,408,160</u>
Total expenditures	<u>11,442,170</u>	<u>23,786,286</u>	<u>11,378,126</u>	<u>12,408,160</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(56,562)</u>	<u>(3,748,684)</u>	<u>(613,400)</u>	<u>3,135,284</u>
OTHER FINANCING USES:				
Transfers out	<u>(140,450)</u>	<u>(140,450)</u>	<u>(140,450)</u>	<u>-</u>
Total other financing uses	<u>(140,450)</u>	<u>(140,450)</u>	<u>(140,450)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (197,012)</u>	<u>\$ (3,889,134)</u>	<u>(753,850)</u>	<u>\$ 3,135,284</u>
FUND BALANCE:				
Beginning of year			<u>1,164,227</u>	
End of year			<u>\$ 410,377</u>	

City of Monterey
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2018

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.
- h. For the year ended June 30, 2018, there were no adopted operating budgets for Construction Truck Impact Fee, Asset Seizure, and Transportation Safety & Investment Plan Special Revenue Funds.

City of Monterey
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2018

Last Ten Fiscal Years

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

Measurement period	2016-17	2015-16	2014-15	2013-14 ¹
Total pension liability				
Service cost	\$ 4,839,793	\$ 4,333,862	\$ 4,506,126	\$ 4,600,502
Interest	17,001,092	16,604,300	15,904,500	15,098,053
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(2,930,591)	(1,034,916)	(56,679)	-
Changes of assumptions	13,297,055	-	(3,663,893)	-
Benefit payments, including refunds of employee contributions	(11,183,381)	(10,476,155)	(9,807,582)	(8,864,804)
Net change in total pension liability	21,023,968	9,427,091	6,882,472	10,833,751
Total pension liability - beginning	230,582,835	221,155,744	214,273,272	203,439,521
Total pension liability - ending (a)	<u>\$ 251,606,803</u>	<u>\$ 230,582,835</u>	<u>\$ 221,155,744</u>	<u>\$ 214,273,272</u>
Pension fiduciary net position				
Contributions - employer	\$ 6,231,357	\$ 5,391,281	\$ 4,769,858	\$ 4,082,086
Contributions - employee	2,586,548	2,500,181	2,526,690	3,282,621
Net investment income ²	16,964,986	814,144	3,485,612	22,937,070
Benefit payments, including refunds of employee contributions	(11,183,381)	(10,476,155)	(9,807,582)	(8,864,804)
Plan to plan resources movement	(141)	-	1,986	-
Administrative expense	(226,233)	(94,522)	(174,586)	-
Net change in plan fiduciary net position	14,373,136	(1,865,071)	801,978	21,436,973
Plan fiduciary net position - beginning	153,229,724	155,094,795	154,292,817	132,855,844
Plan fiduciary net position - ending (b)	<u>\$ 167,602,860</u>	<u>\$ 153,229,724</u>	<u>\$ 155,094,795</u>	<u>\$ 154,292,817</u>
Plan net pension liability - ending (a) - (b)	<u>\$ 84,003,943</u>	<u>\$ 77,353,111</u>	<u>\$ 66,060,949</u>	<u>\$ 59,980,455</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>66.61%</u>	<u>66.45%</u>	<u>70.13%</u>	<u>72.01%</u>
Covered payroll	<u>\$ 24,614,955</u>	<u>\$ 23,628,081</u>	<u>\$ 24,360,068</u>	<u>\$ 23,972,182</u>
Plan net pension liability as a percentage of covered payroll	<u>341.27%</u>	<u>327.38%</u>	<u>271.19%</u>	<u>250.21%</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.

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

Notes to Schedule:

Benefit Changes: There were no benefit changes.

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. 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, 2018

Last Ten Fiscal Years

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

Measurement period	2016-17	2015-16	2014-15	2013-14 ¹
City's proportion of the net pension liability/(asset)	0.613404%	0.624233%	0.653660%	0.644773%
City's proportionate share of the net pension liability/(asset)	\$ 60,832,803	\$ 54,015,449	\$ 44,866,643	\$ 40,120,756
City's covered payroll	\$ 13,937,961	\$ 12,930,722	\$ 12,832,928	\$ 12,253,098
City's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	<u>436.45%</u>	<u>417.73%</u>	<u>349.62%</u>	<u>327.43%</u>
City's proportionate share of Plan's fiduciary net position	<u>\$ 122,288,785</u>	<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>66.78%</u>	<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 - Pension
For the Year Ended June 30, 2018

Last Ten Fiscal Years

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

	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Actuarially determined contribution	\$ 2,151,967	\$ 6,231,357	\$ 5,392,123	\$ 4,769,858	\$ 4,082,086
Contributions in relation to the actuarially determined contribution	(6,912,076)	(6,231,357)	(5,392,123)	(4,769,858)	(4,082,086)
Contribution deficiency (excess)	<u>\$ (4,760,109)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 25,353,404	\$ 24,614,955	\$ 23,628,081	\$ 25,051,207	\$ 23,972,182
Contributions as a percentage of covered payroll	27.26%	25.32%	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 2017-18 were from the June 30, 2015 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Asset valuation method	Market value
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Payroll Growth	3.00%
Investment rate of return	7.50% 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 - Pension (Continued)
For the Year Ended June 30, 2018

Last Ten Fiscal Years

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

	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Actuarially determined contribution	\$ 2,328,683	\$ 2,146,344	\$ 4,110,661	\$ 3,956,300	\$ 3,806,512
Contributions in relation to the actuarially determined contribution	(5,202,284)	(4,611,867)	(4,110,661)	(3,956,300)	(3,806,512)
Contribution deficiency (excess)	<u>\$ (2,873,601)</u>	<u>\$ (2,465,523)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ²	\$ 14,356,100	\$ 13,937,961	\$ 12,930,722	\$ 12,832,928	\$ 12,253,098
Contributions as a percentage of covered payroll ²	36.24%	33.09%	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 \$13,937,961 (2016-17) 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: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. 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 Changes in Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2018

Last Ten Fiscal Years

Other Post-Employment Benefit Plan

Measurement period	2016-2017 ¹
Total OPEB liability	
Service cost	\$ 393,907
Interest	778,730
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(507,965)
Net change in total OPEB liability	664,672
Total OPEB liability - beginning	10,984,794
Total OPEB liability - ending (a)	<u>\$ 11,649,466</u>
OPEB fiduciary net position	
Contributions - employer	\$ 1,176,830
Contributions - member	-
Net investment income	148,405
Benefit payments, including refunds of employee contributions	(507,965)
Plan to plan resources movement	-
Administrative expense	(744)
Net change in plan fiduciary net position	816,526
Plan fiduciary net position - beginning	1,249,891
Plan fiduciary net position - ending (b)	<u>\$ 2,066,417</u>
Plan net OPEB liability - ending (a) - (b)	<u>\$ 9,583,049</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>17.74%</u>
Covered payroll	<u>\$ 36,990,088</u>
Plan net OPEB liability as a percentage of covered payroll	<u>25.91%</u>

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable. Additional years' information will be displayed as it becomes available.

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 Contributions - Other Postemployment Benefits Plan
For the Year Ended June 30, 2018

Last Ten Fiscal Years

Other Post-Employment Benefit Plan

	2017-18	2016-17 ¹
Actuarially determined contribution	\$ 1,169,802	\$ 1,168,213
Contributions in relation to the actuarially determined contribution	(1,235,203)	(1,176,830)
Contribution deficiency (excess)	<u>\$ (65,401)</u>	<u>\$ (8,617)</u>
Covered payroll ²	\$ 38,099,700	\$ 36,990,000
Contributions as a percentage of covered payroll	3.24%	3.18%

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable. Additional years' information will be displayed as it becomes available.

² Salary was assumed to increase by 3% from prior year covered payroll in the amount of \$36,990,000.

Notes to Schedule:

Valuation date:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2015 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	3.0% per annum, in aggregate
Investment rate of return	7.0% per annum. This discount rate assumes the City continues to fully fund for its retiree health benefits through the California Employers' Retiree Benefit Trust (CERBT) under its investment allocation strategy.
Retirement age	According to the retirement rates under the most recent CalPERS pension plan experience study.
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.

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 2,692,663	\$ 2,692,663
Investment loss	-	-	302	302
Total revenues	-	-	2,692,965	2,692,965
EXPENDITURES				
Capital outlay	-	48,106,666	15,560,056	32,546,610
Total expenditures	-	48,106,666	15,560,056	32,546,610
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	-	(48,106,666)	(12,867,091)	35,239,575
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	14,619,631	14,619,631
Transfers out	(301,213)	(301,213)	(1,781,367)	(1,480,154)
Total other financing sources (uses)	(301,213)	(301,213)	12,838,264	13,139,477
NET CHANGES IN FUND BALANCES	<u>\$ (301,213)</u>	<u>\$ (48,407,879)</u>	(28,827)	<u>\$ 48,379,052</u>
FUND BALANCE				
Beginning of year			(2,984,745)	
End of year			<u>\$ (3,013,572)</u>	

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES				
Investment loss	\$ 2,000	\$ 2,000	\$ 21,264	\$ 19,264
Total revenues	2,000	2,000	21,264	19,264
EXPENDITURES				
Capital outlay	-	-	11,534,340	(11,534,340)
Total expenditures	-	-	11,534,340	(11,534,340)
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	2,000	2,000	(11,513,076)	(11,515,076)
NET CHANGES IN FUND BALANCES	<u>\$ 2,000</u>	<u>\$ 2,000</u>	(11,513,076)	<u>\$ (11,515,076)</u>
FUND BALANCE				
Beginning of year			12,001,983	
End of year			<u>\$ 488,907</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES				
Other taxes	\$ 4,054,000	\$ 4,054,000	\$ 4,593,315	\$ 539,315
Investment income	38,158	38,158	32,176	(5,982)
Total revenues	4,092,158	4,092,158	4,625,491	533,333
EXPENDITURES				
Debt services:				
Principal payment	580,944	1,886,102	1,890,398	(4,296)
Interest and fiscal charges	1,979,815	1,979,815	1,943,834	35,981
Total expenditures	2,560,759	3,865,917	3,834,232	31,685
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	1,531,399	226,241	791,259	565,018
NET CHANGES IN FUND BALANCES	\$ 1,531,399	\$ 226,241	791,259	\$ 565,018
FUND BALANCE				
Beginning of year			5,928,497	
End of year			\$ 6,719,756	

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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 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.

Transportation & Safety Investment Plan Fund – This fund was established to account for proceeds from a countywide 3/8% transactions and use tax that was approved by voters in November, 2016 ("Measure X"). Funds are allocated annually by the Transportation Agency for Monterey County (TAMC) based on population and lane miles, and may be used in accordance with TAMC's Transportation Safety and Improvement Plan for transportation safety and mobility projects.

Permanent Fund

Scholze Park Trust Fund – This fund was created for the purpose of maintaining and improving parks and playgrounds owned by the City. It is funded by Scholze Estate and 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, 2018

	Special Revenue Funds				
	Debt Service Fund	Storm Water System Improvements	Landscape Maintenance	State/Federal Grants	Construction Truck Impact Fee
ASSETS					
Cash and investments	\$ 10,352	\$ 1,519,417	\$ 333,143	\$ 143,034	\$ 249
Restricted cash and investments:					
Held by fiscal agent	-	-	-	-	-
Held by City	-	-	-	-	-
Receivables:					
Taxes receivable	-	-	-	-	-
Accounts receivable	-	325,736	-	783,075	-
Interest receivable	38	4,488	1,206	-	-
Loans receivable:					
Rehabilitation	-	-	-	-	-
Downpayment assistance	-	-	-	-	-
Project subsidy loans	-	-	-	-	-
Property held for resale	-	-	-	-	-
Total assets	\$ 10,390	\$ 1,849,641	\$ 334,349	\$ 926,109	\$ 249
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 17,591	\$ 28,168	\$ 56,046	\$ 25,633	\$ -
Due to other funds	-	-	-	45,127	-
Advance from other funds	-	-	-	-	-
Total liabilities	17,591	28,168	56,046	70,760	-
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	406,492	-
Total deferred inflows of resources	-	-	-	406,492	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	1,821,473	278,303	448,857	249
Unassigned (deficit)	(7,201)	-	-	-	-
Total fund balances (deficit)	(7,201)	1,821,473	278,303	448,857	249
Total liabilities, deferred inflows of resources and fund balances	\$ 10,390	\$ 1,849,641	\$ 334,349	\$ 926,109	\$ 249

(Continued)

City of Monterey
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds				
	Gas Tax	Street Infrastructure Rehabilitation	Parking Adjustments	Housing Grants	Park Dedication
ASSETS					
Cash and investments	\$ 1,414,006	\$ 7,609,097	\$ 3,756	\$ 877,733	\$ 48,281
Restricted cash and investments:					
Held by fiscal agent	-	-	-	15,705	-
Held by City	-	-	-	-	-
Receivables:					
Taxes receivable	-	1,590,443	-	-	-
Accounts receivable	61,101	-	510	97,421	-
Interest receivable	4,730	27,554	101	3,178	175
Loans receivable:					
Rehabilitation	-	-	-	1,629,956	-
Downpayment assistance	-	-	-	686,000	-
Project subsidy loans	-	-	-	1,142,264	-
Property held for resale	-	-	-	460,888	-
Total assets	\$ 1,479,837	\$ 9,227,094	\$ 4,367	\$ 4,913,145	\$ 48,456
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 35,529	\$ 941,466	\$ -	\$ 42,877	\$ -
Due to other funds	-	-	-	-	-
Advance from other funds	-	-	-	-	-
Total liabilities	35,529	941,466	-	42,877	-
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	467,664	-
Total deferred inflows of resources	-	-	-	467,664	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	1,444,308	8,285,628	4,367	4,402,604	48,456
Unassigned (deficit)	-	-	-	-	-
Total fund balances (deficit)	1,444,308	8,285,628	4,367	4,402,604	48,456
Total liabilities, deferred inflows of resources and fund balances	\$ 1,479,837	\$ 9,227,094	\$ 4,367	\$ 4,913,145	\$ 48,456

(Continued)

City of Monterey
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds				
	Public Safety Training and Services	Asset Seizure	Public Education and Government Access	Senior Center Programs	Library
ASSETS					
Cash and investments	\$ 182,396	\$ 110,121	\$ 1,903	\$ 78,063	\$ 445,699
Restricted cash and investments:					
Held by fiscal agent	-	-	-	-	-
Held by City	-	-	-	-	-
Receivables:					
Taxes receivable	-	-	-	-	-
Accounts receivable	50	-	-	-	-
Interest receivable	-	-	7	282	1,614
Loans receivable:					
Rehabilitation	-	-	-	-	-
Downpayment assistance	-	-	-	-	-
Project subsidy loans	-	-	-	-	-
Property held for resale	-	-	-	-	-
Total assets	\$ 182,446	\$ 110,121	\$ 1,910	\$ 78,345	\$ 447,313
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,248	\$ 92,387	\$ -	\$ 2,797	\$ 19,856
Due to other funds	-	-	-	-	-
Advance from other funds	-	-	-	-	-
Total liabilities	1,248	92,387	-	2,797	19,856
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	181,198	17,734	1,910	75,548	427,457
Unassigned (deficit)	-	-	-	-	-
Total fund balances (deficit)	181,198	17,734	1,910	75,548	427,457
Total liabilities, deferred inflows of resources and fund balances	\$ 182,446	\$ 110,121	\$ 1,910	\$ 78,345	\$ 447,313

(Continued)

City of Monterey
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds				
	Museum	Special Deposits	Low/Mod Housing Assets	Tidelands	Navy Services
ASSETS					
Cash and investments	\$ 235,654	\$ 154,274	\$ 460,089	\$ 9,071,665	\$ -
Restricted cash and investments:					
Held by fiscal agent	-	-	813	-	-
Held by City	-	-	-	-	-
Receivables:					
Taxes receivable	-	-	-	-	-
Accounts receivable	-	436	20,394	403,277	93,632
Interest receivable	853	76	1,666	32,942	-
Loans receivable:					
Rehabilitation	-	-	-	-	-
Downpayment assistance	-	-	926,749	-	-
Project subsidy loans	-	-	5,528,750	-	-
Property held for resale	-	-	186,781	-	-
Total assets	<u>\$ 236,507</u>	<u>\$ 154,786</u>	<u>\$ 7,125,242</u>	<u>\$ 9,507,884</u>	<u>\$ 93,632</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 145	\$ 742	\$ 7,317	\$ 178,944	\$ 30,667
Due to other funds	-	-	-	-	14,781
Advance from other funds	-	-	100,000	-	-
Total liabilities	<u>145</u>	<u>742</u>	<u>107,317</u>	<u>178,944</u>	<u>45,448</u>
Deferred Inflows of Resources:					
Unavailable revenue	-	-	1,460,197	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,460,197</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	236,362	154,044	5,557,728	9,328,940	48,184
Unassigned (deficit)	-	-	-	-	-
Total fund balances (deficit)	<u>236,362</u>	<u>154,044</u>	<u>5,557,728</u>	<u>9,328,940</u>	<u>48,184</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 236,507</u>	<u>\$ 154,786</u>	<u>\$ 7,125,242</u>	<u>\$ 9,507,884</u>	<u>\$ 93,632</u>

(Continued)

City of Monterey
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds		
	Transportation Safety & Investment Plan	Scholze Park Permanent Fund	Total
ASSETS			
Cash and investments	\$ 763,164	\$ -	\$ 23,462,096
Restricted cash and investments:			
Held by fiscal agent	-	-	16,518
Held by City	-	2,476,127	2,476,127
Receivables:			
Taxes receivable	-	-	1,590,443
Accounts receivable	-	-	1,785,632
Interest receivable	-	8,729	87,639
Loans receivable:			
Rehabilitation	-	-	1,629,956
Downpayment assistance	-	-	1,612,749
Project subsidy loans	-	-	6,671,014
Property held for resale	-	-	647,669
Total assets	\$ 763,164	\$ 2,484,856	\$ 39,979,843
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 137,415	\$ -	\$ 1,618,828
Due to other funds	-	9,647	69,555
Advance from other funds	-	-	100,000
Total liabilities	137,415	9,647	1,788,383
Deferred Inflows of Resources:			
Unavailable revenue	-	-	2,334,353
Total deferred inflows of resources	-	-	2,334,353
Fund Balances:			
Nonspendable	-	2,476,127	2,476,127
Restricted	625,749	-	33,389,099
Unassigned (deficit)	-	(918)	(8,119)
Total fund balances (deficit)	625,749	2,475,209	35,857,107
Total liabilities, deferred inflows of resources and fund balances	\$ 763,164	\$ 2,484,856	\$ 39,979,843

(Concluded)

City of Monterey
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds				
	Debt Service Fund	Storm Water System Improvements	Landscape Maintenance	State/Federal Grants	Construction Truck Impact Fee
REVENUES:					
Property tax	\$ -	\$ -	\$ 23,796	\$ -	\$ -
Sales tax	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental	-	-	-	774,579	-
Investment income (loss)	40	5,092	1,507	951	-
Rental income	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Charges for services	-	1,072,011	73,226	-	-
Other	-	507	-	-	-
Total revenues	40	1,077,610	98,529	775,530	-
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Public works	-	958,072	179,982	150,722	-
Community development	-	-	-	-	-
Community services	-	14,968	-	-	-
Library	-	-	-	-	-
Debt service:					
Principal payment	310,000	-	-	-	-
Interest and fiscal charges	237,517	-	-	-	-
Total expenditures	547,517	973,040	179,982	150,722	-
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(547,477)	104,570	(81,453)	624,808	-
OTHER FINANCING SOURCES (USES):					
Transfers in	550,070	-	42,863	-	-
Transfers out	-	(7,407)	-	(152,557)	-
Total other financing sources (uses)	550,070	(7,407)	42,863	(152,557)	-
NET CHANGES IN FUND BALANCES	2,593	97,163	(38,590)	472,251	-
FUND BALANCES:					
Beginning of year	(9,794)	1,724,310	316,893	(23,394)	249
End of year	\$ (7,201)	\$ 1,821,473	\$ 278,303	\$ 448,857	\$ 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, 2018

	Special Revenue Funds				
	Gas Tax	Street Infrastructure Rehabilitation	Parking Adjustments	Housing Grants	Park Dedication
REVENUES:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	10,022,893	-	-	-
Other taxes	583,712	-	-	-	-
Intergovernmental	168,919	-	-	219,419	-
Investment income (loss)	4,478	34,125	97	252,779	445
Rental income	-	-	-	588,639	-
Licenses and permits	-	-	18,635	-	-
Charges for services	-	-	6,316	-	12,820
Other	-	-	-	2,872	-
Total revenues	<u>757,109</u>	<u>10,057,018</u>	<u>25,048</u>	<u>1,063,709</u>	<u>13,265</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	1,213,966	-
Community services	-	-	-	-	-
Library	-	-	-	-	-
Debt service:					
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,213,966</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>757,109</u>	<u>10,057,018</u>	<u>25,048</u>	<u>(150,257)</u>	<u>13,265</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(510,740)	(9,237,822)	(25,176)	-	(23,634)
Total other financing sources (uses)	<u>(510,740)</u>	<u>(9,237,822)</u>	<u>(25,176)</u>	<u>-</u>	<u>(23,634)</u>
NET CHANGES IN FUND BALANCES	246,369	819,196	(128)	(150,257)	(10,369)
FUND BALANCES:					
Beginning of year	1,197,939	7,466,432	4,495	4,552,861	58,825
End of year	<u>\$ 1,444,308</u>	<u>\$ 8,285,628</u>	<u>\$ 4,367</u>	<u>\$ 4,402,604</u>	<u>\$ 48,456</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, 2018

	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)	-	-	21	484	2,444
Rental income	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Charges for services	67,716	-	-	-	7,608
Other	-	-	-	-	109,024
Total revenues	67,716	-	21	484	119,076
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Police	-	-	-	-	-
Fire	94,625	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	-	24,460	22,388
Library	-	-	-	-	155,331
Debt service:					
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	94,625	-	-	24,460	177,719
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(26,909)	-	21	(23,976)	(58,643)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGES IN FUND BALANCES	(26,909)	-	21	(23,976)	(58,643)
FUND BALANCES:					
Beginning of year	208,107	17,734	1,889	99,524	486,100
End of year	<u>\$ 181,198</u>	<u>\$ 17,734</u>	<u>\$ 1,910</u>	<u>\$ 75,548</u>	<u>\$ 427,457</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, 2018

	Special Revenue Funds				
	Museum	Special Deposits	Low/Mod Housing Assets	Tidelands	Navy Services
REVENUES:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	306,056
Investment income (loss)	1,205	(761)	102,064	37,612	-
Rental income	-	-	43,107	2,704,604	-
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	371,758	-
Other	11,738	30,611	11	-	-
Total revenues	12,943	29,850	145,182	3,113,974	306,056
EXPENDITURES:					
Current:					
General government	-	-	-	564,652	-
Police	-	-	-	355,302	-
Fire	-	-	-	131,341	-
Public works	-	-	-	70,808	285,848
Community development	-	-	1,438,411	378,272	-
Community services	5,075	24,727	-	950,372	-
Library	-	-	-	-	-
Debt service:					
Principal payment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	5,075	24,727	1,438,411	2,450,747	285,848
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	7,868	5,123	(1,293,229)	663,227	20,208
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(12,055)	(6,836)	-	(743,164)	-
Total other financing sources (uses)	(12,055)	(6,836)	-	(743,164)	-
NET CHANGES IN FUND BALANCES	(4,187)	(1,713)	(1,293,229)	(79,937)	20,208
FUND BALANCES:					
Beginning of year	240,549	155,757	6,850,957	9,408,877	27,976
End of year	\$ 236,362	\$ 154,044	\$ 5,557,728	\$ 9,328,940	\$ 48,184

(Continued)

City of Monterey
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds		
	Transportation Safety & Investment Plan	Scholze Park Permanent Fund	Total
REVENUES:			
Property tax	\$ -	\$ -	\$ 23,796
Sales tax	-	-	10,022,893
Other taxes	-	-	583,712
Intergovernmental	947,335	-	2,416,308
Investment income (loss)	-	9,433	452,016
Rental income	-	-	3,336,350
Licenses and permits	-	-	18,635
Charges for services	-	-	1,611,455
Other	-	-	154,763
Total revenues	947,335	9,433	18,619,928
EXPENDITURES:			
Current:			
General government	-	-	564,652
Police	-	-	355,302
Fire	-	-	225,966
Public works	-	-	1,645,432
Community development	-	-	3,030,649
Community services	-	-	1,041,990
Library	-	-	155,331
Debt service:			
Principal payment	-	-	310,000
Interest and fiscal charges	-	-	237,517
Total expenditures	-	-	7,566,839
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	947,335	9,433	11,053,089
OTHER FINANCING SOURCES (USES):			
Transfers in	-	12,813	605,746
Transfers out	(321,586)	(30,000)	(11,070,977)
Total other financing sources (uses)	(321,586)	(17,187)	(10,465,231)
NET CHANGES IN FUND BALANCES	625,749	(7,754)	587,858
FUND BALANCES:			
Beginning of year	-	2,482,963	35,269,249
End of year	\$ 625,749	\$ 2,475,209	\$ 35,857,107

(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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$4,000	\$4,000	\$40	\$ (3,960)
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>40</u>	<u>(3,960)</u>
EXPENDITURES:				
Debt service:				
Principal payment	310,000	310,000	310,000	-
Interest and fiscal charges	240,070	241,518	237,517	4,001
Total expenditures	<u>550,070</u>	<u>551,518</u>	<u>547,517</u>	<u>4,001</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(546,070)</u>	<u>(547,518)</u>	<u>(547,477)</u>	<u>41</u>
OTHER FINANCING SOURCES:				
Transfers in	550,070	550,070	550,070	-
Total other financing sources	<u>550,070</u>	<u>550,070</u>	<u>550,070</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 4,000</u>	<u>\$ 2,552</u>	2,593	<u>\$ 41</u>
FUND BALANCE:				
Beginning of year			(9,794)	
End of year			<u>\$ (7,201)</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 12,543	\$ 12,543	\$ 5,092	\$ (7,451)
Charges for services	1,064,600	1,064,600	1,072,011	7,411
Other	500	500	507	7
Total revenues	<u>1,077,643</u>	<u>1,077,643</u>	<u>1,077,610</u>	<u>(33)</u>
EXPENDITURES:				
Current:				
Fire	25,750	25,750	-	25,750
Public works	1,290,651	1,609,440	958,072	651,368
Community services	20,600	32,705	14,968	17,737
Total expenditures	<u>1,337,001</u>	<u>1,667,895</u>	<u>973,040</u>	<u>694,855</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(259,358)</u>	<u>(590,252)</u>	<u>104,570</u>	<u>694,822</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	200,000	200,000	-	(200,000)
Transfers out	(7,407)	(7,407)	(7,407)	-
Total other financing sources (uses)	<u>192,593</u>	<u>192,593</u>	<u>(7,407)</u>	<u>(200,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (66,765)</u>	<u>\$ (397,659)</u>	<u>97,163</u>	<u>\$ 494,822</u>
FUND BALANCE:				
Beginning of year			<u>1,724,310</u>	
End of year			<u>\$ 1,821,473</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Property tax	\$ 24,000	\$ 24,000	\$ 23,796	\$ (204)
Investment income	3,349	3,349	1,507	(1,842)
Charges for services	73,356	73,356	73,226	(130)
Total revenues	<u>100,705</u>	<u>100,705</u>	<u>98,529</u>	<u>(2,176)</u>
EXPENDITURES:				
Current:				
Public works	147,323	185,963	179,982	5,981
Total expenditures	<u>147,323</u>	<u>185,963</u>	<u>179,982</u>	<u>5,981</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(46,618)</u>	<u>(85,258)</u>	<u>(81,453)</u>	<u>3,805</u>
OTHER FINANCING SOURCES:				
Transfers in	42,863	42,863	42,863	-
Total other financing sources	<u>42,863</u>	<u>42,863</u>	<u>42,863</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,755)</u>	<u>\$ (42,395)</u>	<u>(38,590)</u>	<u>\$ 3,805</u>
FUND BALANCE:				
Beginning of year			316,893	
End of year			<u>\$ 278,303</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Intergovernmental	\$ 113,000	\$ 113,000	\$ 774,579	\$ 661,579
Investment income	1,017	1,017	951	(66)
Total revenues	<u>114,017</u>	<u>114,017</u>	<u>775,530</u>	<u>661,513</u>
EXPENDITURES:				
Current:				
Public works	-	134,355	150,722	(16,367)
Total expenditures	<u>-</u>	<u>134,355</u>	<u>150,722</u>	<u>(16,367)</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>114,017</u>	<u>(20,338)</u>	<u>624,808</u>	<u>645,146</u>
OTHER FINANCING USES:				
Transfers out	(559,945)	(559,945)	(152,557)	407,388
Total other financing uses	<u>(559,945)</u>	<u>(559,945)</u>	<u>(152,557)</u>	<u>407,388</u>
NET CHANGE IN FUND BALANCE	<u>\$ (445,928)</u>	<u>\$ (580,283)</u>	472,251	<u>\$ 1,052,534</u>
FUND BALANCE:				
Beginning of year			(23,394)	
End of year			<u>\$ 448,857</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Other taxes	\$ 804,611	\$ 804,611	\$ 583,712	\$ (220,899)
Intergovernmental	-	-	168,919	168,919
Investment income	19,290	19,290	4,478	(14,812)
Total revenues	<u>823,901</u>	<u>823,901</u>	<u>757,109</u>	<u>(66,792)</u>
EXPENDITURES:				
Current:				
Public works	-	22,000	-	22,000
Total expenditures	<u>-</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>-</u>	<u>801,901</u>	<u>757,109</u>	<u>(44,792)</u>
OTHER FINANCING USES:				
Transfers out	(51,000)	(51,000)	(510,740)	(459,740)
Total other financing uses	<u>(51,000)</u>	<u>(51,000)</u>	<u>(510,740)</u>	<u>(459,740)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 772,901</u>	<u>\$ 750,901</u>	246,369	<u>\$ (504,532)</u>
FUND BALANCE:				
Beginning of year			1,197,939	
End of year			<u>\$ 1,444,308</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Sales tax	\$ 9,308,912	\$ 9,308,912	\$ 10,022,893	\$ 713,981
Investment income	86,498	86,498	34,125	(52,373)
Total revenues	<u>9,395,410</u>	<u>9,395,410</u>	<u>10,057,018</u>	<u>661,608</u>
OTHER FINANCING USES:				
Transfers out	-	-	(9,237,822)	(9,237,822)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(9,237,822)</u>	<u>(9,237,822)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 9,395,410</u>	<u>\$ 9,395,410</u>	819,196	<u>\$ (8,576,214)</u>
FUND BALANCE:				
Beginning of year			7,466,432	
End of year			<u>\$ 8,285,628</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 200	\$ 200	\$ 97	\$ (103)
Licenses and permits	1,800	1,800	18,635	16,835
Charges for services	-	-	6,316	6,316
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>25,048</u>	<u>23,048</u>
OTHER FINANCING USES:				
Transfers out	-	-	(25,176)	(25,176)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(25,176)</u>	<u>(25,176)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 2,000</u>	<u>\$ 2,000</u>	(128)	<u>\$ (2,128)</u>
FUND BALANCE:				
Beginning of year			4,495	
End of year			<u>\$ 4,367</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Intergovernmental	\$ 198,304	\$ 198,304	\$ 219,419	\$ 21,115
Investment income	256,132	256,132	252,779	(3,353)
Rental income	424,981	424,981	588,639	163,658
Other	265,900	265,900	2,872	(263,028)
Total revenues	<u>1,145,317</u>	<u>1,145,317</u>	<u>1,063,709</u>	<u>(81,608)</u>
EXPENDITURES:				
Current:				
Community development	<u>1,181,078</u>	<u>1,552,506</u>	<u>1,213,966</u>	<u>338,540</u>
Total expenditures	<u>1,181,078</u>	<u>1,552,506</u>	<u>1,213,966</u>	<u>338,540</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(35,761)</u>	<u>(407,189)</u>	<u>(150,257)</u>	<u>256,932</u>
NET CHANGE IN FUND BALANCE	<u>\$ (35,761)</u>	<u>\$ (407,189)</u>	<u>(150,257)</u>	<u>\$ 256,932</u>
FUND BALANCE:				
Beginning of year			<u>4,552,861</u>	
End of year			<u>\$ 4,402,604</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 1,399	\$ 1,399	\$ 445	\$ (954)
Charges for services	-	-	12,820	12,820
Total revenues	<u>1,399</u>	<u>1,399</u>	<u>13,265</u>	<u>11,866</u>
OTHER FINANCING USES:				
Transfers out	-	-	(23,634)	(23,634)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(23,634)</u>	<u>(23,634)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,399</u>	<u>\$ 1,399</u>	(10,369)	<u>\$ (11,768)</u>
FUND BALANCE:				
Beginning of year			58,825	
End of year			<u>\$ 48,456</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Charges for services	\$ 40,000	\$ 40,000	\$ 67,716	\$ 27,716
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>67,716</u>	<u>27,716</u>
EXPENDITURES:				
Current:				
Fire	75,000	110,642	94,625	16,017
Total expenditures	<u>75,000</u>	<u>110,642</u>	<u>94,625</u>	<u>16,017</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(35,000)</u>	<u>(70,642)</u>	<u>(26,909)</u>	<u>43,733</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (35,000)</u></u>	<u><u>\$ (70,642)</u></u>	<u>(26,909)</u>	<u><u>\$ 43,733</u></u>
FUND BALANCE:				
Beginning of year			208,107	
End of year			<u><u>\$ 181,198</u></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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Other	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
EXPENDITURES:				
Current:				
Police	22,000	22,000	-	22,000
Total expenditures	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>-</u>	<u>\$ 20,000</u>
FUND BALANCE:				
Beginning of year			17,734	
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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 399	\$ 399	\$ 21	\$ (378)
Total revenues	<u>399</u>	<u>399</u>	<u>21</u>	<u>(378)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 399</u>	<u>\$ 399</u>	<u>21</u>	<u>\$ (378)</u>
FUND BALANCE:				
Beginning of year			<u>1,889</u>	
End of year			<u>\$ 1,910</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 1,330	\$ 1,330	\$ 484	\$ (846)
Total revenues	<u>1,330</u>	<u>1,330</u>	<u>484</u>	<u>(846)</u>
EXPENDITURES:				
Current:				
Community services	<u>25,000</u>	<u>25,000</u>	<u>24,460</u>	<u>540</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>24,460</u>	<u>540</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(23,670)</u>	<u>(23,670)</u>	<u>(23,976)</u>	<u>(306)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (23,670)</u></u>	<u><u>\$ (23,670)</u></u>	<u>(23,976)</u>	<u><u>\$ (306)</u></u>
FUND BALANCE:				
Beginning of year			<u>99,524</u>	
End of year			<u><u>\$ 75,548</u></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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 4,234	\$ 4,234	\$ 2,444	\$ (1,790)
Charges for services	6,600	6,600	7,608	1,008
Other	57,000	57,000	109,024	52,024
Total revenues	<u>67,834</u>	<u>67,834</u>	<u>119,076</u>	<u>51,242</u>
EXPENDITURES:				
Current:				
Community services	12,548	23,921	22,388	1,533
Library	186,961	202,264	155,331	46,933
Total expenditures	<u>199,509</u>	<u>226,185</u>	<u>177,719</u>	<u>48,466</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(131,675)</u>	<u>(158,351)</u>	<u>(58,643)</u>	<u>99,708</u>
NET CHANGE IN FUND BALANCE	<u>\$ (131,675)</u>	<u>\$ (158,351)</u>	<u>(58,643)</u>	<u>\$ 99,708</u>
FUND BALANCE:				
Beginning of year			<u>486,100</u>	
End of year			<u>\$ 427,457</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 1,868	\$ 1,868	\$ 1,205	\$ (663)
Other	7,500	7,500	11,738	4,238
Total revenues	<u>9,368</u>	<u>9,368</u>	<u>12,943</u>	<u>3,575</u>
EXPENDITURES:				
Current:				
Community services	6,450	13,133	5,075	8,058
Total expenditures	<u>6,450</u>	<u>13,133</u>	<u>5,075</u>	<u>8,058</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>2,918</u>	<u>(3,765)</u>	<u>7,868</u>	<u>11,633</u>
OTHER FINANCING USES:				
Transfers out	-	-	(12,055)	(12,055)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(12,055)</u>	<u>(12,055)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 2,918</u>	<u>\$ (3,765)</u>	<u>(4,187)</u>	<u>\$ (422)</u>
FUND BALANCE:				
Beginning of year			240,549	
End of year			<u>\$ 236,362</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment loss	\$ -	\$ -	\$ (761)	\$ (761)
Other	60,040	60,040	30,611	(29,429)
Total revenues	<u>60,040</u>	<u>60,040</u>	<u>29,850</u>	<u>(30,190)</u>
EXPENDITURES:				
Current:				
Community services	60,040	60,040	24,727	35,313
Total expenditures	<u>60,040</u>	<u>60,040</u>	<u>24,727</u>	<u>35,313</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>5,123</u>	<u>5,123</u>
OTHER FINANCING USES				
Transfers out	(18,892)	(18,892)	(6,836)	12,056
Total other financing uses	<u>(18,892)</u>	<u>(18,892)</u>	<u>(6,836)</u>	<u>12,056</u>
NET CHANGE IN FUND BALANCE	<u>\$ (18,892)</u>	<u>\$ (18,892)</u>	<u>(1,713)</u>	<u>\$ 17,179</u>
FUND BALANCE:				
Beginning of year			155,757	
End of year			<u>\$ 154,044</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES				
Investment income	\$ 208,777	\$ 208,777	\$ 102,064	\$ (106,713)
Rental income	41,650	41,650	43,107	1,457
Other	220,000	220,000	11	(219,989)
Total revenues	<u>470,427</u>	<u>470,427</u>	<u>145,182</u>	<u>(325,245)</u>
EXPENDITURES:				
Current:				
Community development	<u>329,232</u>	<u>1,589,598</u>	<u>1,438,411</u>	<u>151,187</u>
Total expenditures	<u>329,232</u>	<u>1,589,598</u>	<u>1,438,411</u>	<u>151,187</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>141,195</u>	<u>(1,119,171)</u>	<u>(1,293,229)</u>	<u>(174,058)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 141,195</u>	<u>\$ (1,119,171)</u>	<u>(1,293,229)</u>	<u>\$ (174,058)</u>
FUND BALANCE:				
Beginning of year			<u>6,850,957</u>	
End of year			<u>\$ 5,557,728</u>	

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 150,485	\$ 150,485	\$ 37,612	\$ (112,873)
Rental income	2,594,017	2,594,017	2,704,604	110,587
Charges for current services	224,560	224,560	371,758	147,198
Total revenues	<u>2,969,062</u>	<u>2,969,062</u>	<u>3,113,974</u>	<u>144,912</u>
EXPENDITURES:				
Current:				
General government	163,453	791,453	564,652	226,801
Police	242,095	242,095	355,302	(113,207)
Fire	137,030	137,030	131,341	5,689
Public works	53,541	53,541	70,808	(17,267)
Community development	314,624	698,051	378,272	319,779
Community services	824,024	1,764,417	950,372	814,045
Total expenditures	<u>1,734,767</u>	<u>3,686,587</u>	<u>2,450,747</u>	<u>1,235,840</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>1,234,295</u>	<u>(717,525)</u>	<u>663,227</u>	<u>1,380,752</u>
OTHER FINANCING USES				
Transfers out	(250,213)	(250,213)	(743,164)	(492,951)
Total other financing uses	<u>(250,213)</u>	<u>(250,213)</u>	<u>(743,164)</u>	<u>(492,951)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 984,082</u>	<u>\$ (967,738)</u>	<u>(79,937)</u>	<u>\$ 887,801</u>
FUND BALANCE:				
Beginning of year			9,408,877	
End of year			<u>\$ 9,328,940</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Intergovernmental	\$ 454,050	\$ 454,050	\$ 306,056	\$ (147,994)
Total revenues	<u>454,050</u>	<u>454,050</u>	<u>306,056</u>	<u>(147,994)</u>
EXPENDITURES:				
Current:				
Public works	<u>454,050</u>	<u>454,050</u>	<u>285,848</u>	<u>168,202</u>
Total expenditures	<u>454,050</u>	<u>454,050</u>	<u>285,848</u>	<u>168,202</u>
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>20,208</u>	<u>20,208</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>20,208</u>	<u>\$ 20,208</u>
FUND BALANCE:				
Beginning of year			<u>27,976</u>	
End of year			<u>\$ 48,184</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Investment income	\$ 28,128	\$ 28,128	\$ 9,433	\$ (18,695)
Total revenues	<u>28,128</u>	<u>28,128</u>	<u>9,433</u>	<u>(18,695)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	12,813	12,813
Transfers out	(12,812)	(12,812)	(30,000)	(17,188)
Total other financing sources (uses)	<u>(12,812)</u>	<u>(12,812)</u>	<u>(17,187)</u>	<u>(4,375)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 15,316</u>	<u>\$ 15,316</u>	<u>(7,754)</u>	<u>\$ (23,070)</u>
FUND BALANCE:				
Beginning of year			2,482,963	
End of year			<u>\$ 2,475,209</u>	



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.

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City of Monterey
Combining Statement of Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2018

	Cemetery	Materials Recovery	Total
ASSETS:			
Current Assets:			
Cash and investments	\$ 206,449	\$ 73,959	\$ 280,408
Accounts receivable	13,070	-	13,070
Interest receivable	785	334	1,119
Total current assets	220,304	74,293	294,597
Noncurrent assets:			
Capital assets:			
Depreciable	1,099,845	3,503,274	4,603,119
Accumulated depreciation	(580,827)	(2,059,583)	(2,640,410)
Total capital assets, net	519,018	1,443,691	1,962,709
Total noncurrent assets	519,018	1,443,691	1,962,709
Total assets	739,322	1,517,984	2,257,306
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows of resources	35,404	-	35,404
OPEB related deferred outflows of resources	2,717	-	2,717
Total deferred outflows of resources	38,121	-	38,121
LIABILITIES:			
Current liabilities:			
Accounts payable	4,556	208	4,764
Compensated absences, due within one year	445	-	445
Total current liabilities	5,001	208	5,209
Noncurrent liabilities:			
Advances from other funds	459,383	-	459,383
Net OPEB liability	21,083	-	21,083
Net pension liabilities	168,008	-	168,008
Total noncurrent liabilities	648,474	-	648,474
Total liabilities	653,475	208	653,683
DEFERRED INFLOW OF RESOURCES:			
Pension related deferred inflows of resources	4,305	-	4,305
OPEB related deferred inflows of resources	66	-	66
Total deferred inflows of resources	4,371	-	4,371
NET POSITION:			
Investment in capital assets	519,018	1,443,691	1,962,709
Unrestricted (deficit)	(399,421)	74,085	(325,336)
Total net position	\$ 119,597	\$ 1,517,776	\$ 1,637,373

City of Monterey
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2018

	Cemetery	Materials Recovery	Total
OPERATING REVENUES:			
Charges for services	\$ 344,534	\$ -	\$ 344,534
Lease revenue	-	317,250	317,250
Total operating revenues	344,534	317,250	661,784
OPERATING EXPENSES:			
Salaries and benefits	136,622	-	136,622
Services and supplies	81,396	7,546	88,942
Depreciation	27,025	93,327	120,352
Total operating expenses	245,043	100,873	345,916
Operating income	99,491	216,377	315,868
NONOPERATING REVENUES (EXPENSES):			
Investment income (loss)	(8)	6,954	6,946
Interest and fiscal charges	-	(23,000)	(23,000)
Total nonoperating revenues (expenses)	(8)	(16,046)	(16,054)
Income before transfers	99,483	200,331	299,814
Transfers:			
Transfers out	-	(407,388)	(407,388)
Change in net position	99,483	(207,057)	(107,574)
NET POSITION:			
Beginning of year, as restated (Note 15)	20,114	1,724,833	1,744,947
End of year	\$ 119,597	\$ 1,517,776	\$ 1,637,373

City of Monterey
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2018

	Cemetery	Materials Recovery	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 344,896	\$ 317,250	\$ 662,146
Payments to suppliers	(77,540)	(7,546)	(85,086)
Payments to employees	(135,941)	-	(135,941)
Cash flows provided by operating activities	131,415	309,704	441,119
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	-	(407,388)	(407,388)
Cash flows (used in) noncapital financing activities	-	(407,388)	(407,388)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Debt principal repayment	-	(400,000)	(400,000)
Interest paid	-	(31,184)	(31,184)
Cash flows (used in) capital financing activities	-	(431,184)	(431,184)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	(581)	15,282	14,701
Cash flows provided by investing activities	(581)	15,282	14,701
Net change in cash and cash equivalents	130,834	(513,586)	(382,752)
CASH AND CASH EQUIVALENT:			
Beginning of year	75,615	587,545	663,160
End of year	<u>\$ 206,449</u>	<u>\$ 73,959</u>	<u>\$ 280,408</u>
Reconciliation of operating income to net cash flows provided by operating activities:			
Operating income	\$ 99,491	\$ 216,377	\$ 315,868
Adjustments to reconcile operating income to net cash flows provided by operating activities:			
Depreciation	27,025	93,327	120,352
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	362	-	362
(Increase) decrease in pension related deferred outflows of resources	2,263	-	2,263
(Increase) decrease in OPEB related deferred outflows of resources	(128)	-	(128)
Increase (decrease) in accounts payable	3,856	-	3,856
Increase (decrease) in accrued expenses	(3,794)	-	(3,794)
Increase (decrease) in compensated absences	(9,346)	-	(9,346)
Increase (decrease) in net OPEB liabilities	(334)	-	(334)
Increase (decrease) in net pension liabilities	21,037	-	21,037
Increase (decrease) in pension related deferred inflows of resources	(9,083)	-	(9,083)
Increase (decrease) in OPEB related deferred inflows of resources	66	-	66
Cash flows provided by operating activities	\$ 131,415	\$ 309,704	\$ 441,119

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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, 2018

	Equipment Replacement	Vehicle Maintenance	Information Services	Risk Management	Total
ASSETS					
Current Assets:					
Cash and investments	\$ 3,002,354	\$ -	\$ 1,339,934	\$ 12,701,244	\$ 17,043,532
Accounts receivable	-	6,719	5,999	121,658	134,376
Interest receivable	10,872	-	-	-	10,872
Total current assets	3,013,226	6,719	1,345,933	12,822,902	17,188,780
Noncurrent assets:					
Advances to other funds	334,610	-	-	-	334,610
Capital assets:					
Nondepreciable	-	-	31,808	-	31,808
Depreciable	10,533,904	66,475	2,318,839	-	12,919,218
Accumulated depreciation	(7,566,395)	(21,441)	(1,507,531)	-	(9,095,367)
Total capital assets, net	2,967,509	45,034	843,116	-	3,855,659
Total noncurrent assets	3,302,119	45,034	843,116	-	4,190,269
Total assets	6,315,345	51,753	2,189,049	12,822,902	21,379,049
DEFERRED OUTFLOW OF RESOURCES					
Pension related deferred outflows of resources	-	391,214	785,969	263,760	1,440,943
OPEB related deferred outflows of resources	-	18,034	26,927	10,499	55,460
Total deferred outflows of resources	-	409,248	812,896	274,259	1,496,403
LIABILITIES					
Current liabilities:					
Accounts payable	-	27,933	118,122	366,661	512,716
Accrued liabilities	-	31,485	55,556	13,776	100,817
Interest payable	7,007	-	-	-	7,007
Due to other funds	-	686,637	-	-	686,637
Compensated absences, due within one year	-	1,484	26,958	21,688	50,130
Claims payable, due within one year	-	-	-	5,787,429	5,787,429
Loans payable, due within one year	29,336	-	-	-	29,336
Total current liabilities	36,343	747,539	200,636	6,189,554	7,174,072
Noncurrent liabilities:					
Compensated absences, due in more than one year	-	51,019	87,188	-	138,207
Claims payable, due in more than one year	-	-	-	7,057,949	7,057,949
Loans payable, due in more than one year	195,857	-	-	-	195,857
Net OPEB liabilities	-	139,913	208,911	81,456	430,280
Net pension liabilities	-	1,856,487	3,729,775	1,251,659	6,837,921
Total noncurrent liabilities	195,857	2,047,419	4,025,874	8,391,064	14,660,214
Total liabilities	232,200	2,794,958	4,226,510	14,580,618	21,834,286
DEFERRED INFLOW OF RESOURCES					
Pension related deferred inflows of resources	-	47,565	95,560	32,069	175,194
OPEB related deferred inflows of resources	-	438	654	255	1,347
Total deferred inflows of resources	-	48,003	96,214	32,324	176,541
NET POSITION					
Net investment in capital assets	2,742,316	45,034	843,116	-	3,630,466
Unrestricted (deficit)	3,340,829	(2,426,994)	(2,163,895)	(1,515,781)	(2,765,841)
Total net position	\$ 6,083,145	\$ (2,381,960)	\$ (1,320,779)	\$ (1,515,781)	\$ 864,625

City of Monterey
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2018

	Equipment Replacement	Vehicle Maintenance	Information Services	Risk Management	Total
OPERATING REVENUES:					
Charges for services	\$ 867,001	\$ 57,090	\$ 3,774,803	\$ 13,383,410	\$ 18,082,304
Lease revenue	-	1,926,183	-	-	1,926,183
Other revenue	-	38	-	186,298	186,336
Total operating revenues	<u>867,001</u>	<u>1,983,311</u>	<u>3,774,803</u>	<u>13,569,708</u>	<u>20,194,823</u>
OPERATING EXPENSES:					
Salaries and benefits	-	1,469,217	2,793,268	1,098,332	5,360,817
Services and supplies	170,524	1,130,170	1,617,937	2,096,362	5,014,993
Claims and insurance	-	-	-	15,666,065	15,666,065
Depreciation	568,394	3,238	273,506	-	845,138
Total operating expenses	<u>738,918</u>	<u>2,602,625</u>	<u>4,684,711</u>	<u>18,860,759</u>	<u>26,887,013</u>
Operating income (loss)	<u>128,083</u>	<u>(619,314)</u>	<u>(909,908)</u>	<u>(5,291,051)</u>	<u>(6,692,190)</u>
NONOPERATING REVENUES (EXPENSES):					
Investment income	11,690	-	-	-	11,690
Interest and fiscal charges	(7,763)	-	-	-	(7,763)
Gain on sale of assets	131,992	-	-	-	131,992
Intergovernmental revenue	121,935	-	-	-	121,935
Total nonoperating revenues (expenses)	<u>257,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,854</u>
Income before transfers	<u>385,937</u>	<u>(619,314)</u>	<u>(909,908)</u>	<u>(5,291,051)</u>	<u>(6,434,336)</u>
TRANSFERS:					
Transfers in	7,407	-	-	162,933	170,340
Transfers out	-	-	(68,073)	-	(68,073)
Net transfers	<u>7,407</u>	<u>-</u>	<u>(68,073)</u>	<u>162,933</u>	<u>102,267</u>
Change in net position	<u>393,344</u>	<u>(619,314)</u>	<u>(977,981)</u>	<u>(5,128,118)</u>	<u>(6,332,069)</u>
NET POSITION:					
Beginning of year, as restated (Note 15)	<u>5,689,801</u>	<u>(1,762,646)</u>	<u>(342,798)</u>	<u>3,612,337</u>	<u>7,196,694</u>
End of year	<u>\$ 6,083,145</u>	<u>\$ (2,381,960)</u>	<u>\$ (1,320,779)</u>	<u>\$ (1,515,781)</u>	<u>\$ 864,625</u>

City of Monterey
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

	Equipment Replacement	Vehicle Maintenance	Information Services	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from user departments	\$ 867,220	\$ 1,993,513	\$ 3,774,594	\$ 13,383,410	\$ 20,018,737
Receipts from insurance recovery	-	-	-	554,508	554,508
Payments to suppliers	(170,524)	(1,161,416)	(1,552,153)	(2,078,437)	(4,962,530)
Payments to employees	-	(931,839)	(1,752,798)	(643,360)	(3,327,997)
Claims and insurance paid	-	-	-	(11,819,665)	(11,819,665)
Cash flows provided by (used in) operating activities	696,696	(99,742)	469,643	(603,544)	463,053
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Intergovernmental revenue	121,935	-	-	-	121,935
Interfund receipts	367,825	99,742	-	-	467,567
Transfers in	7,407	-	-	162,933	170,340
Transfers out	-	-	(68,073)	-	(68,073)
Cash flows provided by (used in) noncapital financing activities	497,167	99,742	(68,073)	162,933	691,769
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(1,268,789)	-	(217,588)	-	(1,486,377)
Proceeds from sale of assets	156,415	-	-	-	156,415
Debt principal repayment	(28,464)	-	-	-	(28,464)
Interest paid	(6,269)	-	-	-	(6,269)
Cash flows used in capital and related financing activities	(1,147,107)	-	(217,588)	-	(1,364,695)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	8,812	-	-	-	8,812
Cash flows provided by investing activities	8,812	-	-	-	8,812
Net change in cash and cash equivalents	55,568	-	183,982	(440,611)	(201,061)
CASH AND CASH EQUIVALENT:					
Beginning of year	2,946,786	-	1,155,952	13,141,855	17,244,593
End of year	<u>\$ 3,002,354</u>	<u>\$ -</u>	<u>\$ 1,339,934</u>	<u>\$ 12,701,244</u>	<u>\$ 17,043,532</u>
CASH AND CASH EQUIVALENT:					
Cash and investments	<u>\$ 3,002,354</u>	<u>\$ -</u>	<u>\$ 1,339,934</u>	<u>\$ 12,701,244</u>	<u>\$ 17,043,532</u>
Total cash and cash equivalent	<u><u>\$ 3,002,354</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,339,934</u></u>	<u><u>\$ 12,701,244</u></u>	<u><u>\$ 17,043,532</u></u>

(Continued)

City of Monterey
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2018

	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)	\$ 128,083	\$ (619,314)	\$ (909,908)	\$ (5,291,051)	\$ (6,692,190)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	568,394	3,238	273,506	-	845,138
Change in assets and liabilities:					
(Increase) decrease in accounts receivables	219	10,202	(209)	368,210	378,422
(Increase) decrease in prepaid items	-	-	84,780	-	84,780
(Increase) decrease in pension related deferred outflows of resources	-	(91,860)	(181,314)	(97,232)	(370,406)
(Increase) decrease in OPEB related deferred outflows of resources	-	(852)	(1,272)	(496)	(2,620)
Increase (decrease) in accounts payable	-	(31,246)	(18,996)	17,925	(32,317)
Increase (decrease) in accrued expenses	-	(1,821)	(11,695)	(6,813)	(20,329)
Increase (decrease) in compensated absences	-	4,069	(13,745)	(14,224)	(23,900)
Increase (decrease) in claims payable	-	-	-	3,846,400	3,846,400
Increase (decrease) in net OPEB liabilities	-	(2,217)	(3,310)	(1,291)	(6,818)
Increase (decrease) in net pension liabilities	-	688,454	1,370,505	601,893	2,660,852
Increase (decrease) in pension related deferred inflows of resources	-	(58,833)	(119,353)	(27,120)	(205,306)
Increase (decrease) in OPEB related deferred inflows of resources	-	438	654	255	1,347
Cash flows provided by (used in) operating activities	<u>\$ 696,696</u>	<u>\$ (99,742)</u>	<u>\$ 469,643</u>	<u>\$ (603,544)</u>	<u>\$ 463,053</u>

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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.

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City of Monterey
Combining Statement of Agency Assets and Liabilities
All Agency Funds
June 30, 2018

	District Funds	Dubrovnik Sister City Donation	Total
ASSETS:			
Cash and investments	\$ 37,248	\$ 16	\$ 37,264
Accounts receivables	24,241	-	24,241
Total assets	\$ 61,489	\$ 16	\$ 61,505
LIABILITIES:			
Deposits	\$ -	\$ 16	\$ 16
Due to the City	-	-	-
Due to the City of Seaside	-	-	-
Special assessment payable	61,489	-	61,489
Total liabilities	\$ 61,489	\$ 16	\$ 61,505

City of Monterey
Combining Statement of Changes in Agency Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>District Funds</u>				
ASSETS:				
Cash and investments	\$ 39,597	\$ 2,549,751	\$ (2,552,100)	\$ 37,248
Accounts receivable	14,955	13,651	(4,365)	24,241
Total assets	\$ 54,552	\$ 2,563,402	\$ (2,556,465)	\$ 61,489
LIABILITIES:				
Special assessment payable	\$ 54,552	\$ 2,559,151	\$ (2,552,214)	\$ 61,489
Total liabilities	\$ 54,552	\$ 2,559,151	\$ (2,552,214)	\$ 61,489
<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>Total - All Agency Funds</u>				
ASSETS:				
Cash and investments	\$ 39,613	\$ 2,549,751	\$ (2,552,100)	\$ 37,264
Accounts receivable	14,955	13,651	(4,365)	24,241
Total assets	\$ 54,568	\$ 2,563,402	\$ (2,556,465)	\$ 61,505
LIABILITIES:				
Deposits	\$ 16	\$ -	\$ -	\$ 16
Due to the City	-	-	-	-
Due to the City of Seaside	-	-	-	-
Special assessment payable	54,552	2,559,151	(2,552,214)	61,489
Total liabilities	\$ 54,568	\$ 2,559,151	\$ (2,552,214)	\$ 61,505

(Concluded)

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 170-179)

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 180-185)

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 186-189)

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 190-191)

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 192-194)

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)

	2008-09	2009-10	2010-11	2011-12	2012-13
Governmental activities					
Net investment in capital assets	\$ 124,462,307	\$ 122,902,447	\$ 123,156,792	\$ 120,401,873	\$ 117,782,513
Restricted	31,152,448	35,581,294	37,216,422	33,409,687	36,180,564
Unrestricted	41,506,306	38,282,898	36,206,132	41,130,596	37,585,610
Total governmental activities net position	<u>\$ 197,121,061</u>	<u>\$ 196,766,639</u>	<u>\$ 196,579,346</u>	<u>\$ 194,942,156</u>	<u>\$ 191,548,687</u>
Business-type activities					
Net investment in capital assets	\$ 15,096,311	\$ 16,065,850	\$ 18,360,622	\$ 18,280,879	\$ 17,988,110
Restricted	1,696,136	1,697,423	414,540	411,276	416,065
Unrestricted	(7,440,032)	(8,406,205)	(8,112,222)	(7,072,928)	(5,564,425)
Total business-type activities net position	<u>\$ 9,352,415</u>	<u>\$ 9,357,068</u>	<u>\$ 10,662,940</u>	<u>\$ 11,619,227</u>	<u>\$ 12,839,750</u>
Primary Government					
Net investment in capital assets	\$ 136,041,029	\$ 138,968,297	\$ 141,517,414	\$ 138,682,752	\$ 135,770,623
Restricted	33,847,282	37,278,717	37,630,962	33,820,963	36,596,629
Unrestricted	35,403,448	29,876,693	29,876,693	34,057,668	32,021,185
Total primary Government	<u>\$ 205,291,759</u>	<u>\$ 206,123,707</u>	<u>\$ 209,025,069</u>	<u>\$ 206,561,383</u>	<u>\$ 204,388,437</u>

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

	2013-14	2014-15	2015-16	2016-17	2017-18
Governmental activities					
Net investment in capital assets	\$ 121,163,828	\$ 81,573,354	\$ 135,062,968	\$ 129,531,992	\$ 137,503,581
Restricted	35,418,022	41,852,947	55,127,684	59,385,118	57,132,729
Unrestricted	41,697,391	5,565,630	(60,147,498)	(73,816,480)	(91,011,646)
Total governmental activities net position	<u>\$ 198,279,241</u>	<u>\$ 128,991,931</u>	<u>\$ 130,043,154</u>	<u>\$ 115,100,630</u>	<u>\$ 103,624,664</u>
Business-type activities					
Net investment in capital assets	\$ 17,907,867	\$ 17,701,350	\$ 17,585,832	\$ 24,301,739	\$ 23,167,028
Restricted	407,139	406,976	407,029	406,907	1,106,768
Unrestricted	(3,120,898)	(6,206,979)	(3,602,125)	5,354,241	7,175,285
Total business-type activities net position	<u>\$ 15,194,108</u>	<u>\$ 11,901,347</u>	<u>\$ 14,390,736</u>	<u>\$ 30,062,887</u>	<u>\$ 31,449,081</u>
Primary Government					
Net investment in capital assets	\$ 139,071,695	\$ 99,274,704	\$ 152,648,800	\$ 153,833,731	\$ 160,670,609
Restricted	35,825,161	42,259,923	55,534,713	59,792,025	58,239,497
Unrestricted	38,576,493	(641,349)	(63,749,623)	(68,462,239)	(83,836,361)
Total primary Government	<u>\$ 213,473,349</u>	<u>\$ 140,893,278</u>	<u>\$ 144,433,890</u>	<u>\$ 145,163,517</u>	<u>\$ 135,073,745</u>

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

	2008-09	2009-10	2010-11	2011-12	2012-13
Expenses					
Governmental activities:					
General government	\$ 8,500,337	\$ 6,785,765	\$ 7,674,774	\$ 8,727,041	\$ 9,052,121
Public safety	24,901,618	25,348,522	24,479,714	24,635,437	28,230,175
Public works	16,758,226	20,876,964	19,706,824	19,662,862	19,952,596
Community development	3,284,107	1,634,501	1,857,119	882,990	1,255,059
Recreation and community service	8,645,530	8,401,272	8,454,787	8,255,901	13,022,994
Library	3,789,795	3,515,397	3,251,530	3,203,459	3,362,875
Public Facilities	4,953,293	4,599,164	4,574,830	4,184,110	-
Nondepartmental	320,386	2,728,150	-	-	-
Interest and fiscal charges	525,497	498,238	471,315	403,001	392,114
Total governmental activities expenses	71,678,789	74,387,973	70,470,893	69,954,801	75,267,934
Business-type activities:					
Marina	1,963,252	1,887,048	2,047,929	2,299,601	2,324,992
Parking	6,596,107	6,491,294	6,836,439	7,299,420	6,826,056
Sewer	-	-	-	-	-
Presidio of Monterey Public Works	11,370,245	10,630,416	13,712,889	13,022,559	11,571,576
Cemetery	378,326	358,412	374,530	274,918	192,412
Material Recovery	263,676	247,095	235,919	221,653	207,232
Navy Services	406,759	365,194	290,379	280,582	309,906
Institutional Network	-	-	920	1,479	2,734
Total business-type activities expenses	20,978,365	19,979,459	23,499,005	23,400,212	21,434,908
Total primary government expenses	92,657,154	94,367,432	93,969,898	93,355,013	96,702,842
Program revenues					
Governmental activities:					
Charges for services:					
General government	5,586,347	3,578,598	5,672,273	6,251,417	6,169,847
Public safety	2,917,245	3,953,104	3,772,349	4,430,705	5,353,928
Public works	3,310,527	4,417,728	4,550,785	5,038,460	5,333,070
Community development	518,332	1,245,340	(15,584)	94,181	74,142
Community service	5,036,042	5,252,517	5,130,533	5,132,533	7,006,731
Library	100,328	113,344	113,609	99,428	103,797
Public Facilities*	1,628,338	1,622,883	1,328,531	1,531,115	-
Nondepartmental	320,386	2,447,644	-	-	-
Operating grants and contributions	2,092,033	1,304,197	947,647	1,054,621	1,386,277
Capital grants and contributions	1,046,005	1,280,919	1,661,932	1,351,930	724,793
Total governmental activities program revenues	22,555,583	25,216,274	23,162,075	24,984,390	26,152,585

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

	2013-14	2014-15	2015-16	2016-17	2017-18
Expenses					
Governmental activities:					
General government	\$ 12,352,952	\$ 5,468,878	\$ 6,242,043	\$ 6,440,218	\$ 7,632,951
Public safety	27,656,343	18,354,580	31,413,958	34,598,683	43,535,737
Public works	9,486,246	15,002,729	35,996,616	49,867,441	46,929,655
Community development	1,229,500	953,917	1,244,516	4,026,511	3,053,804
Recreation and community service	12,713,595	11,104,192	14,633,159	14,179,688	15,967,720
Library	3,068,552	2,028,633	2,992,626	3,106,859	3,471,277
Public Facilities	-	-	-	-	-
Nondepartmental	-	-	-	-	-
Interest and fiscal charges	463,574	519,893	3,617,864	2,325,866	2,277,343
Total governmental activities expenses	66,970,762	53,432,822	96,140,782	114,545,266	122,868,487
Business-type activities:					
Marina	2,228,058	1,845,966	1,624,701	1,825,353	2,603,399
Parking	7,502,409	6,469,521	5,466,454	6,733,325	8,835,074
Sewer	-	-	-	1,593,559	1,701,290
Presidio of Monterey Public Works	8,474,449	8,815,978	-	-	-
Cemetery	242,726	176,973	161,489	201,536	245,043
Material Recovery	192,067	251,362	140,695	147,636	123,873
Navy Services	236,848	337,131	-	-	-
Institutional Network	-	65	-	-	-
Total business-type activities expenses	18,876,557	17,896,996	7,393,339	10,501,409	13,508,679
Total primary government expenses	85,847,319	71,329,818	103,534,121	125,046,675	136,377,166
Program revenues					
Governmental activities:					
Charges for services:					
General government	8,148,244	7,238,903	7,222,860	6,072,895	5,918,038
Public safety	7,905,213	7,232,624	7,299,691	7,877,786	8,361,306
Public works	6,055,328	6,277,294	20,371,202	15,807,678	15,462,868
Community development	83,067	(2,216)	66,516	1,037,010	941,302
Community service	6,989,209	7,019,594	6,808,314	9,134,011	10,039,739
Library	100,694	76,351	48,131	43,325	41,250
Public Facilities*	-	-	-	-	-
Nondepartmental	-	-	-	-	-
Operating grants and contributions	1,187,188	1,271,917	14,269,674	17,507,346	19,481,638
Capital grants and contributions	1,218,043	2,873,609	7,322,237	6,205,949	6,894,489
Total governmental activities program revenues	31,686,986	31,988,076	63,408,625	63,686,000	67,140,630

Continued

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

	2008-09	2009-10	2010-11	2011-12	2012-13
Business-type activities:					
Charges for services:					
Marina	2,325,725	2,483,526	2,586,778	2,644,373	2,714,930
Parking	6,610,603	7,205,132	7,293,620	7,879,181	7,858,075
Sewer	-	-	-	-	-
Presidio of Monterey Public Works	11,670,716	9,612,860	14,037,989	13,087,837	11,284,765
Cemetery	285,375	291,432	228,593	322,825	347,321
Material Recovery	345,325	351,665	360,298	369,419	378,845
Navy Services	355,639	424,369	311,136	245,164	329,826
Operating grants and contributions	-	-	-	-	-
Total business-type activities					
program revenues	21,593,383	20,368,984	24,818,414	24,548,799	22,913,762
Total primary government					
program revenues	44,148,966	45,585,258	47,980,489	49,533,189	49,066,347
Net revenues (expenses):					
Governmental activities	(49,123,206)	(49,171,699)	(47,308,818)	(44,970,411)	(49,115,349)
Business-type activities	615,018	389,525	1,319,409	1,148,587	1,478,854
Total net revenues (expenses)	(48,508,188)	(48,782,174)	(45,989,409)	(43,821,824)	(47,636,495)
General revenues and other changes in net position:					
Governmental activities:					
Taxes:					
Property taxes	12,262,633	12,440,413	12,247,862	10,286,705	7,009,683
Sales tax	6,998,648	6,362,466	7,050,150	7,211,793	7,928,999
Transient occupancy taxes	14,796,323	14,702,871	14,655,418	16,536,943	17,601,144
Other taxes	5,312,979	5,240,940	5,635,273	5,912,623	5,985,960
Motor vehicle in lieu, unrestricted	2,401,820	2,394,765	2,391,256	2,234,587	2,251,469
Investment income	5,456,661	5,032,549	4,647,197	5,271,786	4,758,794
Other general revenues	1,978,604	194,625	249,936	280,134	229,695
Transfers	645,700	737,759	244,433	350,226	362,272
Extraordinary Event	-	-	-	(4,751,575)	(406,136)
Total governmental activities	49,853,368	47,106,388	47,121,525	43,333,222	45,721,880
Business-type activities:					
Investment income	482,275	352,887	230,896	157,926	103,941
Transfers	(645,700)	(737,759)	(244,433)	(350,226)	(362,272)
Total business-type activities	(163,425)	(384,872)	(13,537)	(192,300)	(258,331)
Total primary government	49,689,943	46,721,516	47,107,988	43,140,922	45,463,549
Changes in net position:					
Governmental activities	730,162	(2,065,311)	(187,293)	(1,637,189)	(3,393,469)
Business-type activities	451,593	4,653	1,305,872	956,287	1,220,523
Total primary government	\$ 1,181,755	\$ (2,060,658)	\$ 1,118,579	\$ (680,902)	\$ (2,172,946)

* 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)

	2013-14	2014-15	2015-16	2016-17	2017-18
Business-type activities:					
Charges for services:					
Marina	2,948,031	3,054,187	3,107,731	3,052,843	3,171,005
Parking	8,463,429	8,944,423	9,291,528	9,268,334	9,569,804
Sewer	-	-	-	2,561,703	2,595,064
Presidio of Monterey Public Works	9,120,880	8,631,601	-	-	-
Cemetery	365,707	218,289	203,675	229,357	344,534
Material Recovery	385,298	395,435	410,559	417,184	317,250
Navy Services	221,742	317,654	-	-	-
Operating grants and contributions	-	-	-	-	8,982
Total business-type activities			7,944		
program revenues	21,505,087	21,561,589	13,021,437	15,529,421	16,006,639
Total primary government					
program revenues	53,192,073	53,549,665	76,430,062	79,215,421	83,147,269
Net revenues (expenses):					
Governmental activities	(35,283,776)	(21,444,746)	(32,732,157)	(50,859,266)	(55,727,857)
Business-type activities	2,628,530	3,664,593	5,628,098	5,028,012	2,497,960
Total net revenues (expenses)	(32,655,246)	(17,780,153)	(27,104,059)	(45,831,254)	(53,229,897)
General revenues and other changes in net position:					
Governmental activities:					
Taxes:					
Property taxes	7,390,529	7,287,199	7,973,011	8,238,549	8,601,373
Sales tax	8,557,600	9,835,269	9,241,167	8,590,013	8,750,802
Transient occupancy taxes	19,320,052	20,827,778	18,890,094	19,476,470	20,625,414
Other taxes	6,288,542	9,944,547	4,913,625	5,166,317	5,553,617
Motor vehicle in lieu, unrestricted	2,289,995	2,392,180	2,545,491	2,651,567	2,749,263
Investment income	5,066,372	5,177,382	5,583,028	702,388	657,734
Other general revenues	150,849	189,910	348,113	1,591,232	1,939,379
Transfers	373,704	459,090	738,512	(10,499,794)	669,132
Extraordinary Event	(7,423,313)	-	-	-	-
Total governmental activities	42,014,330	56,113,355	50,233,041	35,916,742	49,546,714
Business-type activities:					
Investment income	94,132	397,812	186,467	144,345	164,516
Transfers	(373,704)	(459,090)	(738,512)	10,499,794	(669,132)
Total business-type activities	(279,572)	(61,278)	(552,045)	10,644,139	(504,616)
Total primary government	41,734,758	56,052,077	49,680,996	46,560,881	49,042,098
Changes in net position:					
Governmental activities	6,730,554	34,668,609	17,500,884	(14,942,524)	(6,181,143)
Business-type activities	2,348,958	3,603,315	5,076,053	15,672,151	1,993,344
Total primary government	\$ 9,079,512	\$ 38,271,924	\$ 22,576,937	\$ 729,627	\$ (4,187,799)

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)

	2008-09	2009-10	2010-11	2011-12	2012-13
General Fund:					
Nonspendable fund balance			\$ 22,682,645	\$ 22,816,967	\$ 20,427,925
Restricted fund balance			248,179	-	-
Committed fund balance			9,726,269	10,090,824	9,994,916
Assigned fund balance			551,473	394,310	708,603
Unassigned fund balance			41,108	529,398	77,555
Reserved ⁽¹⁾	\$ 21,273,435	\$ 21,495,370	-	-	-
Unreserved ⁽¹⁾	9,669,156	9,083,381	-	-	-
Total General Fund	\$ 30,942,591	\$ 30,578,751	\$ 33,249,674	\$ 33,831,499	\$ 31,208,999
All other governmental funds:					
Nonspendable fund balance			\$ 19,299,222	\$ 15,713,621	\$ 17,203,665
Restricted fund balance			17,229,293	17,323,244	18,286,708
Committed fund balance			5,770,460	6,870,549	7,792,559
Unassigned fund balance					
Special revenue funds			(92,711)	-	-
Debt Service fund			(32,389,795)	(28,206,724)	-
Unassigned fund balance			-	-	-
Reserved ⁽¹⁾	\$ 22,922,882	\$ 25,482,962	-	-	-
Unreserved, reported in: ⁽¹⁾					
Special revenue funds	11,181,765	12,916,637	-	-	-
Permanent funds - Nonexpendable	2,476,127	2,476,127	-	-	-
Permanent funds - Expendable	565,259	235,188	-	-	-
Low/Mod Income Housing	(421,594)	2,012,992	-	-	-
Debt Service fund	(38,262,965)	(37,070,879)	-	-	-
Capital projects fund	4,460,818	1,009,947	-	-	-
Total all other governmental funds	\$ 2,922,292	\$ 7,062,974	\$ 9,816,469	\$ 11,700,690	\$ 43,282,932

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)

	2013-14	2014-15	2015-16	2016-17	2017-18
General Fund:					
Nonspendable fund balance	\$ 15,868,931	\$ 15,183,203	\$ 14,686,984	\$ 14,168,569	\$ 13,509,762
Restricted fund balance	-	-	1,343,207	-	-
Committed fund balance	13,837,690	14,511,940	14,992,220	13,992,585	13,972,854
Assigned fund balance	786,659	652,705	1,073,523	2,486,736	1,716,517
Unassigned fund balance	2,169,049	5,240,666	-	-	-
Reserved ⁽¹⁾	-	-	-	-	-
Unreserved ⁽¹⁾	-	-	-	-	-
Total General Fund	<u>\$ 32,662,329</u>	<u>\$ 35,588,514</u>	<u>\$ 32,095,934</u>	<u>\$ 30,647,890</u>	<u>\$ 29,199,133</u>
All other governmental funds:					
Nonspendable fund balance	\$ 13,566,341	\$ 13,410,067	\$ 2,726,127	\$ 2,476,127	\$ 2,476,127
Restricted fund balance	21,216,171	77,021,864	90,580,300	51,921,017	41,008,139
Committed fund balance	9,466,130	11,192,933	10,757,117	10,822,149	10,662,622
Unassigned fund balance					
Special revenue funds	-	-	-	-	-
Debt Service fund	-	-	-	-	-
Unassigned fund balance	(1,202,400)	(9,378,178)	(4,670,636)	(3,017,933)	(3,021,691)
Reserved ⁽¹⁾	-	-	-	-	-
Unreserved, reported in: ⁽¹⁾					
Special revenue funds	-	-	-	-	-
Permanent funds - Nonexpendable	-	-	-	-	-
Permanent funds - Expendable	-	-	-	-	-
Low/Mod Income Housing	-	-	-	-	-
Debt Service fund	-	-	-	-	-
Capital projects fund	-	-	-	-	-
Total all other governmental funds	<u>\$ 43,046,242</u>	<u>\$ 92,246,686</u>	<u>\$ 99,392,908</u>	<u>\$ 62,201,360</u>	<u>\$ 51,125,197</u>

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

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

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenues:					
Taxes	\$ 39,370,583	\$ 38,746,690	\$ 39,588,703	\$ 39,948,064	\$ 38,525,786
Licenses and permits	4,209,088	3,705,052	3,654,304	4,047,893	4,061,033
Fines and forfeitures	479,684	444,167	376,857	293,276	286,646
Investment income	2,659,946	2,101,934	1,808,808	1,739,735	1,305,930
Rental income	8,074,287	3,412,445	3,339,846	3,885,566	4,040,251
Intergovernmental	6,254,226	5,834,202	10,166,960	7,477,815	4,124,701
Charge for services	14,164,052	16,191,553	15,302,794	17,075,415	18,655,576
Other	1,343,214	2,237,064	1,000,811	976,999	834,874
Total revenues	76,555,080	72,673,107	75,239,083	75,444,763	71,834,797
Expenditures:					
Current:					
General government	6,596,881	8,328,786	6,850,243	6,498,691	6,680,979
Public safety	23,731,900	24,950,815	24,106,242	24,869,532	27,176,682
Public works	17,060,180	15,629,131	16,016,944	15,934,668	15,341,914
Community development	3,281,264	1,606,658	1,816,472	859,647	1,204,372
Community services	7,701,164	7,562,605	7,620,535	7,545,025	11,346,083
Library	3,630,813	3,425,637	3,162,508	3,213,515	3,182,378
Public facilities	4,104,587	3,933,253	3,928,470	3,638,093	-
Capital outlays	4,731,862	4,301,127	4,183,799	4,865,244	4,759,109
Debt Service					
Principal retirement	961,373	648,728	1,490,511	269,347	401,569
Interest and fiscal charges	515,314	488,699	466,441	396,053	386,418
Total expenditures	72,315,338	70,875,439	69,642,165	68,089,815	70,479,504
Excess (deficiency) of revenues over (under) expenditures	4,239,742	1,797,668	5,596,918	7,354,948	1,355,293
Other financing sources (uses):					
Transfers in	4,976,300	8,429,696	8,633,095	3,563,688	4,225,761
Transfers out	(5,031,194)	(8,161,411)	(8,805,595)	(3,701,014)	(4,333,375)
Debt Issuance	-	-	-	-	-
Extraordinary event	-	-	-	(4,751,575)	28,319,142
Total other financing sources (uses)	(54,894)	268,285	(172,500)	(4,888,901)	28,211,528
Net change in fund balances	\$ 4,184,848	\$ 2,065,953	\$ 5,424,418	\$ 2,466,047	\$ 29,566,821
Debt service as a percentage of noncapital expenditures	2.2%	1.7%	3.0%	1.0%	1.2%

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

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues:					
Taxes	\$ 41,556,723	\$ 47,894,793	\$ 59,277,927	\$ 62,202,426	\$ 65,432,837
Licenses and permits	4,130,607	4,291,703	6,572,787	4,931,773	5,437,404
Fines and forfeitures	265,537	225,164	247,599	230,611	224,007
Investment income	1,317,917	1,322,855	1,840,186	1,361,864	1,263,880
Rental income	4,360,750	4,695,949	2,113,573	3,719,603	4,416,782
Intergovernmental	4,684,315	6,949,729	14,572,648	18,587,770	17,890,156
Charge for services	23,581,715	21,417,792	21,438,207	18,879,964	19,405,607
Other	835,477	45,824,962	4,660,958	2,304,523	2,344,474
Total revenues	80,733,041	132,622,947	110,723,885	112,218,534	116,415,147
Expenditures:					
Current:					
General government	6,571,149	6,153,711	6,049,397	6,390,675	7,251,712
Public safety	29,050,139	30,196,694	31,769,842	33,801,647	37,544,057
Public works	15,190,101	15,793,546	34,199,015	31,293,285	32,513,550
Community development	1,222,203	1,216,059	1,207,709	4,000,100	3,030,649
Community services	11,781,212	12,251,900	13,126,769	13,254,828	14,282,598
Library	3,202,152	2,765,271	2,921,043	3,067,378	3,174,647
Public facilities	-	-	-	-	-
Capital outlays	5,009,599	11,642,924	23,370,162	52,629,953	27,094,396
Debt Service					
Principal retirement	845,648	417,572	441,674	962,637	2,330,314
Interest and fiscal charges	463,574	504,268	2,366,665	2,326,767	2,285,009
Total expenditures	73,335,777	80,941,945	115,452,276	147,727,270	129,506,932
Excess (deficiency) of revenues over (under) expenditures	7,397,264	51,681,002	(4,728,391)	(35,508,736)	(13,091,785)
Other financing sources (uses):					
Transfers in	4,598,998	8,934,600	22,409,229	17,992,342	16,405,425
Transfers out	(3,963,388)	(8,488,973)	(22,314,689)	(25,045,920)	(15,838,560)
Debt Issuance	-	-	8,171,875	3,922,722	-
Extraordinary event	(7,423,313)	-	-	-	-
Total other financing sources (uses)	(6,787,703)	445,627	8,266,415	(3,130,856)	566,865
Net change in fund balances	\$ 609,561	\$ 52,126,629	\$ 3,538,024	\$ (38,639,592)	\$ (12,524,920)
Debt service as a percentage of noncapital expenditures	1.9%	1.3%	3.0%	3.5%	4.5%

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

CATEGORY	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Full Service	\$ 9,415	\$ 9,292	\$ 9,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cannery Row	1,207	1,207	1,249	4,685	5,002	5,430	5,943	6,014	5,941	6,383
Downtown	-	-	-	4,125	4,491	4,820	4,975	5,506	5,704	6,138
Fremont Street	995	965	881	1,057	1,163	1,380	1,592	1,823	1,956	2,013
Munras Avenue/ Abrego Street	1,892	2,010	1,994	2,294	2,384	2,595	2,869	3,185	3,283	3,428
Other	1,247	1,191	1,137	4,374	4,543	5,100	5,449	5,958	6,297	6,592
Totals	<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>	<u>\$ 24,554</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
Current Fiscal Year and Nine Years Ago

Fiscal Year 2018	Fiscal Year 2009
Casa Munras Garden Hotel	Casa Munras Garden Hotel
Hilton Garden Inn	Hilton Inn
Hotel Abrego	Hotel Pacific
Hotel Pacific	Hyatt Regency
Hyatt Regency Monterey	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 Hotel & Spa	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
2017-18	\$ 5,061,957,358	\$ 316,227,135	\$ 5,378,184,493	\$ 5,378,184,493	1.00	\$ 5,378,184,493	100%
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%

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

Source: Monterey County Auditor-Controller

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

<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>
2017-18	1.00	-	1.00	0.021655	0.028902	1.05056
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

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

Source: Monterey County Auditor-Controller.

City of Monterey

Principal Property Taxpayers

Current Fiscal Year and Nine Years Ago

		Fiscal Year 2018		Fiscal Year 2009			
Taxpayer	Type of Business	Taxable	Secured	Taxable	Unsecured	Combined	Pct. Of
		Secured	Taxable	Unsecured	Taxable	Taxable	Total City
Assessments		Value	Assessments	Value	Value	Assessed	
						Value	
AAT DEL MONTE LLC	Commercial Motels & Hotels	2	\$ 115,027,394	0	\$ -	\$ 115,027,394	2.15%
ARC HOSPITALITY	Commercial Motels & Hotels	1	33,530,960	0	-	33,530,960	0.63%
CANNERY ROW COMPANY	Commercial Motels & Hotels	24	122,506,424	2	549,516	123,055,940	2.30%
CUSTOM HOUSE HOTEL CO LTD	Commercial, Shopping Centers	4	34,607,802	0	-	34,607,802	0.65%
HYATT EQUITIES LLC	Commercial, Motels & Hotels	2	23,407,085	0	-	23,407,085	0.44%
INNS OF CANNERY ROW	Commercial, Motels & Hotels	7	44,665,997	2	147,361	44,813,358	0.84%
MULLER RYAN LLC	Residential, Apartments	6	38,447,823	0	-	38,447,823	0.72%
P MONTEREY LP	Commercial Motels & Hotels	1	43,654,281	0	-	43,654,281	0.81%
SAN CARLOS ASSOC LLC	Commercial, Motels & Hotels	1	50,347,775	0	-	50,347,775	0.94%
SWVP MONTEREY LLC	Commercial/Office Property	3	43,926,235	0	-	43,926,235	0.82%
Top 10 Totals		51	\$ 550,121,776	4	\$ 696,877	\$ 550,818,653	10.30%
2017/18 CITY-WIDE TOTALS			4,629,244,447		332,239,358	4,506,233,313	
Fiscal Year 2009							
CANNERY ROW COMPANY	Commercial/Industrial Property	16	47,737,596	0	-	47,737,596	1.06%
CANNERY ROW HOTEL DEV	Commercial Property	6	66,594,580	0	-	66,594,580	1.48%
CTB MACMILLAN/MCGRAW HILL CO	Commercial/Industrial Property	0	-	1	25,097,104	25,097,104	0.56%
CUSTOM HOUSE HOTEL CO LTD	Lodging/Visitor Services	4	30,945,317	0	-	30,945,317	0.69%
MONTEREY KIMBERLY PLACE LLP	Commercial/Office Property	147	37,259,580	0	-	37,259,580	0.83%
MULLER-RYAN LLC	Commercial/Office Property	4	39,540,698	0	-	39,540,698	0.88%
OCEAN PARK HOTELS	Lodging/Visitor Services	1	24,392,685	0	-	24,392,685	0.54%
P MONTEREY LP	Residential, Apartments	1	57,326,463	0	-	57,326,463	1.27%
PACIFIC HOLDINGS LP	Commercial/Industrial Property	1	92,378,225	0	-	92,378,225	2.05%
PEBBLE BEACH CO	Commercial/Industrial Property	1	45,726,385	0	-	45,726,385	1.01%
		181	\$ 441,901,529	1	\$ 25,097,104	\$ 466,998,633	10.37%

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
2017-18	\$ 7,361,871	\$ 7,215,939	98.0	\$ 184,574	\$ 90,103	\$ 7,490,616
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

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, 2018

2017-18 Assessed Valuation: \$4,542,764,767 (after deducting \$835,419,726 redevelopment incremental valuation) (3)

OVERLAPPING TAX AND ASSESSMENT DEBT:	<u>%Applicable</u>	<u>Debt 6/30/18</u>
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DIRECT AND OVERLAPPING BONDED DEBT:

City of Monterey Long Term Debt (1)		\$ 54,302,078
Monterey County General Fund Obligations (2)	8.450% **	8,746,428

TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>63,048,506</u>
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COMBINED TOTAL DEBT		<u><u>\$ 63,048,506</u></u> *
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Ratios to Assessed Valuation:

Total Overlapping Tax and Assessment Debt		1.17%
Combined Total Debt.....		1.17%

* 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, 2018

Total assessed value of all real/personal property	\$ 5,378,184,493
Debt limit percentage (per Government Code)	<u>15%</u>
Total debt limit	806,727,674
Amount of debt applicable to debt limit	<u>-</u>
Legal debt margin	<u><u>\$ 806,727,674</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
2017-18	\$ 53,388,579	\$ 913,499	\$ 54,302,078
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

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	Sewer Loans	Total Business-type Activities	Total Primary Government	Debt Per Capita	Percent of Personal Income	Prop. Value
2017-18	\$ -	\$ 1,917,145	\$ 12,537,574	\$ 14,454,719	\$ 68,756,797	2,401	6.1%	1.3%
2016-17	400,000	2,145,923	\$ 10,945,856	13,491,779	70,152,635	2,465	6.5%	1.4%
2015-16	770,000	2,364,849		3,134,849	60,785,960	2,120	5.8%	1.2%
2014-15	1,110,000	2,574,347		3,684,347	56,801,016	2,017	5.7%	1.2%
2013-14	1,420,000	2,843,717		4,263,717	12,492,798	442	1.2%	0.3%
2012-13	1,705,000	3,101,491		4,806,491	13,881,221	491	1.0%	0.3%
2011-12	1,970,000	3,348,165		5,318,165	14,824,464	521	1.2%	0.3%
2010-11	2,210,000	3,600,547		5,810,547	14,416,121	490	1.5%	0.3%
2009-10	4,952,550	3,842,066		8,794,616	18,649,607	633	2.0%	0.4%
2008-09	5,976,650	4,073,186		10,049,836	20,646,421	706	1.9%	0.5%

*Loans include Private Placement/Lease Revenue Agreements

City of Monterey
Demographic Information
Last Ten Fiscal Years

	Population (1)	Per Capita Income (2)	Total Personal Income (000's) (3)	Estimated Labor Force (4)	Estimated Unemployment Rate (4)
2018	28,639	\$ 39,462	\$ 1,130,152	16,400	3.2%
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
Current Fiscal Year and Nine Years Ago

		FY 2018	FY 2009
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	300
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>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>	<u>2018</u>
Police	72.00	72.00	69.00	68.50	68.50	68.50	68.50	70.00	70.00	65.00
Fire	66.00	66.00	65.00	72.00	72.00	82.00	82.00	80.75	80.75	85.75
Plans & Public Works*,**	162.00	162.75	158.00	144.75	152.50	153.50	154.00	156.00	154.00	155.00
Recreation	55.25	55.25	54.50	51.83	-	-	-	-		
Library and Museum	22.50	23.25	22.75	21.83	21.75	20.25	19.92	19.50	19.25	19.25
Public Facilities	63.00	63.00	60.25	58.34	-	-	-	-		
Community Services***	-	-	-	-	109.17	110.92	110.50	111.25	110.50	110.50
General Government*	46.00	48.75	48.25	46.00	46.50	46.50	47.00	46.25	46.25	46.25
Total	<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>	<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

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police (calendar year)										
Adult Arrests - Felony	343	343	369	340	430	340	368	279	251	305
Adult Arrests - Misdemeanor	1,733	1,733	1,286	1,242	1,359	956	1,741	1,241	1,638	1,164
Juvenile Arrests - Felony	64	61	58	43	54	18	31	16	10	31
Juvenile Arrests - Misdemeanor	121	142	122	161	123	16	101	55	71	74
DUI Arrests	342	305	255	275	202	210	239	221	218	192
Traffic Citations	7,995	8,653	5,635	3,539	2,934	2,836	2,030	1,524	1,658	1,359
Fire (calendar year)***										
Rescue and Emergency Medical Calls	4,241	4,241	4,095	4,057	4,508	4,584	4,888	5,077	5,149	5,174
Fire & Explosion Calls	196	196	129	140	147	185	142	151	177	163
False Alarm Calls	475	475	515	489	586	576	655	683	626	775
Other Calls	1,399	1,399	1,494	1,547	1,650	1,836	2,195	2,253	2,344	2,591
Finance										
Accounts Payable Checks Issued	10,180	7,738	7,862	7,315	7,199	6,990	6,622	6,640	6,641	6,298
Payroll Checks/Direct Deposit Notices Issued	18,998	18,579	17,875	17,319	17,548	17,845	17,960	18,439	18,395	18,996
Purchase Orders Issued	792	563	395	425	400	410	455	500	461	527
Recreation										
Monterey Sports Center:										
Average Daily Attendance*	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Number of programs offered (2)	1,004	925	934	1,152	1,262	1,147	1,145	1,103	1,117	1,208
Number of program participants **	6,231	4,853	5,075	7,427	7,748	7,703	7,202	7,231	7,063	7,032
Community Center, sports & camp Programs:										
Number of programs offered	448	525	545	721	787	819	767	713	729	702
Number of program participants **	3,959	5,057	5,451	8,073	8,939	8,732	8,632	8,225	8,056	7,789
Activity Guide editions published	2	2	2	2	2	2	2	2	2	2
Activity Guide copies distributed	24,550	24,000	15,000	14,000	12,000	12,000	11,000	10,500	10,000	9,000
Library										
Visitors	388,653	355,606	333,274	329,800	335,134	360,794	363,496	305,780	289,618	297,861
Reference questions answered	30,124	42,213	30,903	31,800	31,949	27,016	26,271	24,257	28,765	21,140
Items checked out	556,324	533,661	540,515	549,933	507,346	511,453	495,435	412,131	420,604	417,042
Volunteer hours worked	2,169	1,959	3,368	3,543	3,562	2,920	3,071	3,451	3,105	2,978

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, 2018

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)	50

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)	118,712

Source: City of Monterey