

**PRESIDIO MUNICIPAL SERVICES AGENCY  
BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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# **INDEPENDENT AUDITORS' REPORT**

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PRESIDIO MUNICIPAL SERVICES AGENCY

MANAGEMENT’S DISCUSSION AND ANALYSIS

Please read this overview in conjunction your reading of the accompanying Basic Financial statements.

THE PURPOSE OF THE AGENCY

At the request of the U.S. Army in 1997, the Cities of Monterey and Seaside formed the Presidio Municipal Services Agency (“Agency”) under the Joint Exercise of Powers Act of the State of California. The Agency coordinates the provision of services by each member city in the operation and maintenance of the U.S. Army's Presidio facilities in Monterey. The original contract expired in August 2006 and a new contract was negotiated for services through May 31, 2007 with four option years, ending May 31, 2011. The Army extended the contract for an additional five years, ending April 30, 2016.

The Agency has no employees. The City of Monterey provides approximately 80% of the services required, along with the entire Agency’s administrative and financing requirements. The City of Seaside provides the remainder. The governing body of the Agency consists of two members, one appointed by each member city. As a separate legal entity, the Agency exercises full powers and authorities within the Joint Powers Agreement. Obligations of the Agency are not those of the member cities.

The United States Army contracts with the Agency for municipal services, such as building maintenance, street maintenance, sewer and water line maintenance, storm drain maintenance and other special projects. The Agency purchases the needed services and supplies from the Cities of Monterey and Seaside, and charges the Army at the Agency’s cost. The Agency records a receivable from the Army and a payable to the Cities when services are provided and invoiced to the Army. As cash is collected from the Army, the Agency repays the Cities.

FISCAL YEAR 2014-15 FINANCIAL HIGHLIGHTS

Financial highlights of the year are the following:

	<u>FY2015</u>	<u>FY2014</u>	<u>FY2013</u>	<u>FY2012</u>
• Agency general revenues	\$8,630,801	\$9,120,880	\$11,284,765	\$13,087,837
• Agency general expenses	\$8,630,801	\$9,120,880	\$11,284,765	\$13,087,837

**The Agency-wide Financial Statements**

The Agency-wide Financial Statements provide a long-term view of the Agency’s activities as a whole, and comprise the *Statement of Net Positions* and the *Statement of Activities*. The *Statement of Net Position* provides information about the financial position of the Agency as a whole on the full accrual basis, similar to that used by corporations. The *Statement of Activities* provides information about all the Agency’s revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the Agency’s programs. The *Statement of Activities* explains in detail the change in Net Position for the year.

## **PRESIDIO MUNICIPAL SERVICES AGENCY**

### **Management's Discussion and Analysis**

**June 30, 2015**

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#### **FINANCIAL ACTIVITIES OF THE AGENCY**

This analysis focuses on the net position and changes in net position of the Agency's Governmental Activities in the Agency-wide Statement of Net Position and Statement of Activities that follow.

- The Agency's net position remained at zero, as operating revenues and operating expenses equaled \$8.6 million.

#### **ECONOMIC OUTLOOK AND MAJOR INITIATIVES**

The Agency's sole revenue source is from the U.S. Army's Presidio Facility for base maintenance. Therefore, the life of the Agency is dependent on the continuance of its contract with the U.S. Army, which currently is extended through April 2016. The Agency expects to successfully negotiate a new contract prior to that date.

#### **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

These financial statements are intended to provide citizens, taxpayers, investors and creditors with a general overview of the Agency's financial condition and results of operations. Questions should be directed to the Finance Department 735 Pacific St. Ste. A, Monterey, CA 93940.

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<b>AGENCY-WIDE FINANCIAL STATEMENTS</b>
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The Agency-wide Financial Statements comprise of the Statement of Net Position and the Statement of Activities. Their purpose is to summarize the entire Agency's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Agency's assets and all its liabilities, as well as all its revenues and expenses on a full accrual basis—the effect of all the Agency's transactions is taken into account, regardless of whether or when cash changes hands.

**STATEMENT OF NET POSITION**

The Statement of Net Position reports the difference between the Agency's total assets and the Agency's total liabilities, including all the Agency's capital assets and all its long-term debt. The Statement of Net Position presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the Agency's net position, by subtracting total liabilities from total assets.

**STATEMENT OF ACTIVITIES**

The Statement of Activities reports increases and decreases in the Agency's net position. It is also prepared on the full accrual basis, which means it includes all the Agency's revenues and all its expenses, regardless of when cash changes hands.

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**PRESIDIO MUNICIPAL SERVICES AGENCY**

PRESIDIO MUNICIPAL SERVICES AGENCY  
STATEMENT OF NET POSITION  
JUNE 30, 2015

<b>ASSETS</b>	
Receivable from U.S. Army	<u>\$        981,000</u>
Total Assets	<u><u>\$        981,000</u></u>
<b>LIABILITIES</b>	
Payable to City of Monterey	\$        770,676
Payable to City of Seaside	<u>        210,324</u>
Total Liabilities	<u><u>\$        981,000</u></u>

See accompanying notes to basic financial statements



**PRESIDIO MUNICIPAL SERVICES AGENCY**

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PRESIDIO MUNICIPAL SERVICES AGENCY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES	
Charges for services	<u>\$ 8,630,801</u>
Total operating revenues	<u>\$ 8,630,801</u>
OPERATING EXPENSES	
Services and supplies - City of Monterey	\$ 6,852,200
Services and supplies - City of Seaside	<u>1,778,601</u>
Total operating expenses	<u>\$ 8,630,801</u>

See accompanying notes to basic financial statements

**PRESIDIO MUNICIPAL SERVICES AGENCY**

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PRESIDIO MUNICIPAL SERVICES AGENCY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING  
ACTIVITIES

Cash received from Presidio	\$	<u>10,037,111</u>
Cash paid to:		
City of Monterey	\$	8,468,834
City of Seaside		<u>1,568,277</u>
Total cash paid	\$	<u>10,037,111</u>

See accompanying notes to basic financial  
statements

## PRESIDIO MUNICIPAL SERVICES AGENCY

Notes to Basic financial statements

June 30, 2015

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### A. *Basis of Presentation*

The Agency's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

***Government-wide Statements:*** The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall Agency. These statements contain only *business-type activities* of the Agency. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Agency. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The primary function of the Agency is Public Works programs. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

### B. *Major Funds*

The Agency contains only one fund.

### C. *Basis of Accounting*

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and 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.

### D. *Reporting Entity*

The Agency is an integral part of the City. It provides services to the Army whose Presidio base resides within the City limits. In addition, the Agency's governing body is the City Council. Therefore, the financial data of the Agency has been included as a blended component unit within the City's comprehensive annual financial report for the year ended June 30, 2014.

**PRESIDIO MUNICIPAL SERVICES AGENCY**

**Notes to Basic financial statements**

**June 30, 2015**

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