



June 21, 2023

To the Board of Directors
Of the Presidio Municipal Services Agency
Monterey, California

We have audited the financial statements of Presidio Municipal Service Agency (the “Agency”) as of and for the year ended June 30, 2022, and have issued our report thereon dated June 21, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated February 1, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Agency solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated June 21, 2023.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

- Management Override of Controls – professional standards require auditors to address the possibility of management overriding controls. Accordingly, as part of our normal audit procedures, we identified as a significant risk that management of the organization may have the ability to override controls that the organization has implemented.
- Improper Revenue Recognition – professional standards require auditors to presume that revenue recognition is a risk.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Agency is included in Note 1 to the financial statements.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. No such significant accounting estimates were identified.

Financial Statement Disclosures

There were no financial statement disclosures that we consider to be particularly sensitive or involve significant judgement.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

Certain revenues reported within the General fund in the amount of \$11,130,750 did not meet the 60 availability criteria and therefore an adjustment was necessary to correct the grant revenues reported in that fund by reducing those revenues and increasing the deferred inflows of resources related to unavailable revenue by \$11,130,750.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit June 21, 2023.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated June 21, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Agency, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Agency's auditors.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the Agency's annual reports, does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the other information such as the introductory section and the statistical section and considered whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Agency council, and management of the Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed name of the firm.

Menlo Park, California



Independent Auditor's Reports and
Annual Financial Report
June 30, 2022

Presidio Municipal Services Agency
Monterey, California

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Independent Auditor's Report

To the Board of Directors
of the Presidio Municipal Services Agency
Monterey, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the general fund of the Presidio Municipal Service Agency (Agency) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Agency, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Management has omitted the general fund budgetary comparison schedule that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2023 on our consideration of the Agency'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 Agency'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 Agency's internal control over financial reporting and compliance

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California
June 21, 2023



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
of Presidio Municipal Services Agency
Monterey, California

We have audited, 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, the financial statements of the governmental activities and the general fund of the Presidio Municipal Service Agency (Agency), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency’s basic financial statements and have issued our report thereon dated June 21, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency’s internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Sully LLP".

Menlo Park, California
June 21, 2023

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.

On October 11, 2016 the Agency signed a new agreement with the United States Army. This agreement, effective January 1, 2017, transitions the contract from one based on the Federal Acquisition Regulation to an arrangement that takes advantage of the authority enacted in the fiscal 2013 defense authorization bill allowing military installations and their host communities to enter into intergovernmental support agreements (IGSAs) for base support services. The new contract is for one federal fiscal year, renewable for successive, one-year option periods for four additional years. 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.

Financial Highlights

The Agency's receivables increased from \$3,479,965 in the prior year to \$11,311,996 due to timing of the billings to the United States Army (U.S. Army).

Simultaneously, the Agency's payables to the City of Monterey and the City of Seaside increased from \$3,479,965 to \$11,311,996.

Overview of the Financial Statements

The Government-Wide Financial Statements

The Government-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.

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 Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 assessing the Agency’s near-term financing 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*.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Analysis of the Governmental Activities and Governmental Funds of the Agency

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

- The increase in program revenue and expense from last year was due to increase in job orders from the Army.
- The Agency’s net position remained at zero, as operating revenues and operating expenses equaled \$18.7 million.
- The Agency’s deferred inflows of resources increased by \$11,130,750 due the timing of the billing to the U.S. Army and therefore, the deficit fund balances are reported at same amount. The deficit fund balance will therefore in the upcoming year increase as the timing of billing to the U.S. Army changes.

Fiscal Year 2021-22 Financial Highlights

Financial highlights of the years are the following:

	FY 2022	FY 2021	Change
Agency program revenue	\$ 18,660,748	\$ 18,492,560	\$ 168,188
Agency program expense	\$ 18,660,748	\$ 18,492,560	\$ 168,188

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.

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, California 93940.

Presidio Municipal Services Agency
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
Assets	
Receivable from U.S. Army	<u>\$ 11,311,996</u>
Total Assets	<u>11,311,996</u>
Liabilities	
Due to City of Monterey	9,049,597
Due to City of Seaside	<u>2,262,399</u>
Total Liabilities	<u>11,311,996</u>
Net Position	<u><u>\$ -</u></u>

Presidio Municipal Services Agency
 Statement of Activities
 Year ended June 30, 2022

	Governmental Activities
Expenses	
Public works	\$ 18,660,748
Total expenses	18,660,748
Program Revenues	
Charges for services	18,660,748
Total program revenues	18,660,748
Change in net position	-
Net Position	
Beginning of year	-
End of year	\$ -

Presidio Municipal Services Agency
 Balance Sheet – Governmental Funds
 June 30, 2022

	General Fund
Assets	
Receivable from U.S. Army	\$ 11,311,996
Total Assets	\$ 11,311,996
Liabilities	
Payable to City of Monterey	\$ 9,049,597
Payable to City of Seaside	2,262,399
Total Liabilities	11,311,996
Deferred Inflows of Resources	
Deferred inflow of resources-unavailable revenues	11,130,750
Fund Balance	
Unassigned (deficit)	(11,130,750)
Total liabilities, deferred inflows of resources and fund balance	\$ 11,311,996
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	
Total fund balances reported on the governmental funds balance sheet	\$ (11,130,750)
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term receivables are not available to pay for current period expenditures and; therefore, are deferred in the governmental fund	11,130,750
Net position of governmental activities	\$ -

Presidio Municipal Services Agency
Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Funds
Year Ended June 30, 2022

	General Fund
Revenues	
Intergovernmental	\$ 7,529,998
Total revenues	7,529,998
Expenditures - current	
Services and supplies - City of Monterey	17,573,171
Services and supplies - City of Seaside	1,087,577
Total expenses	18,660,748
Change in fund balance	(11,130,750)
Fund Balance	
Beginning of year	-
End of year (deficit)	\$ (11,130,750)
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund balance to the Statement of Activities	
Net change in fund balances - total governmental funds:	\$ (11,130,750)
Amounts reported for governmental funds in the the statement of activities are different because of the following:	
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds statements:	
Change in deferred inflows related to unavailable revenues	11,130,750
Change in net position of governmental activities	\$ -

Note 1 - Summary of Significant Accounting Policies**Reporting Entity**

At the request of the U.S. Army in 1997, the City of Monterey and the City of Seaside formed the Presidio Municipal Services Agency (the "Agency") under the Joint Exercise of Powers Act of the State of California. The sole function of the 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 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 20%.

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.

Basis of Accounting, Measurement Focus, and Financial Statements Presentation

The Agency's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U. S. GAAP"). The Governmental Accounting Standards Board ("GASB") 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 government-wide financial statements include a Statement of Net Position and a Statement of Activities. These financial statements present summaries of activities for the Agency.

The government-wide financial statements are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets deferred outflows of resources and liabilities and deferred inflows of resources are included on the Statement of Net Position. The Statement of Activities 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. Receivables have been reported and recognized as revenue.

The Statement of Activities presents information showing how 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 accrues, regardless of the timing of related cash flows.

Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for the governmental fund. The governmental fund is accounted for using the “current financial resources” measurement focus and modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The Agency reports the General Fund as the major governmental fund. The General Fund is the main operating fund for the Agency to account for the activities between the Agency and U.S. Army as well as the Agency and the City of Monterey and City of Seaside.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are reported when received in cash, except that revenues subject to accrual (120 days after year-end) are recognized when due. Expenditures are reported in the accounting period in which the related fund liability is incurred.

Unavailable revenue arises when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenue arises when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unavailable revenue and unearned revenue are removed from the balance sheet and revenue is recognized.

Receivables from the United States Army

For services provided to the United States Army (U.S. Army), the Agency reports a receivable as the services are provided.

Payables to the City of Monterey and Seaside

As services are provided, the Agency receives billing from, both, the City of Monterey and the City of Seaside and those amounts reported as a payable on the financial statements.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has one item that qualifies for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The general fund recognized unavailable revenues beyond the period of availability resulting from services provided to the U.S. Army. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.