

COUNTY OF MONTEREY
STATE OF CALIFORNIA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT



FISCAL YEAR
ENDED JUNE 30, 2004

Prepared and Submitted by the Office of the Auditor-Controller

Michael J. Miller, CPA, CISA
Auditor-Controller



COUNTY OF MONTEREY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2004

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INTRODUCTORY SECTION



MONTEREY COUNTY

AUDITOR - CONTROLLER

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MICHAEL J. MILLER, CPA, CISA
AUDITOR-CONTROLLER

ALFRED R. FRIEDRICH, CGFM
ASSISTANT AUDITOR-CONTROLLER



January 31, 2005

To the Board of Supervisors and the Citizens of The County of Monterey:

I am pleased to present this Fiscal-Year 2003-2004 Comprehensive Annual Financial Report (CAFR) for the County of Monterey. This CAFR is intended to present information above and beyond what is required by generally accepted accounting principles or State Law.

It is my hope that this report will give the Board of Supervisors, the residents of Monterey County and other users a broader view and understanding of County financial operations and to further assist the users of our financial statements in assessing the financial condition of the County.

This CAFR is in compliance with Sections 25250 & 25253 of the Government Code of the State of California. These statutes require all general-purpose local governments to issue an annual report on the financial position and activities of that government. The report must be presented in conformance with generally accepted accounting principles (GAAP) and must be audited by an independent firm of certified public accountants in conformance with generally accepted auditing standards (GAAS). The financial statements contained in this CAFR meet these requirements.

A CAFR contains the following three sections:

- **The Introductory Section:** Intended to familiarize the reader with the organizational structure and key personnel of the County and to describe the nature and extent of the services it provides.
- **The Financial Section:** Presents the independent auditor's report, the audited basic financial statements and accompanying footnotes, required supplementary information, combining statements, individual fund statements and supplementary information.
- **The Statistical Section:** Contains statistical, demographic and miscellaneous information that may be useful in assessing the financial condition of the reporting entity.

This report contains management representations and is prepared by the Office of the Auditor-Controller. Monterey County management (management) is responsible for the accuracy of the presented data, and the completeness and fairness of the presentation. To provide reasonable assurance of the accuracy of the information presented in these financial statements and to protect County assets, management has instituted an internal control framework. This framework consists of policies, procedures and computer-based accounting and management information systems.

The financial statements and accompanying footnotes contained in this CAFR have been audited by Bartig, Basler & Ray, a Professional Corporation of Certified Public Accountants (BB&R). Their audit was performed in accordance with GAAS. The auditors have concluded, based on their audit, that the financial statements combined with the accompanying footnotes present fairly, in all material respects, the financial condition of Monterey County as of June 30, 2004. A copy of their report is included on page 1 in the “Financial Section” of this CAFR.

In planning and performing the audit of the financial statements, BB&R considered the internal control structure of the County in order to determine appropriate audit procedures. During this review, no required reportable conditions were noted, however several opportunities to strengthen internal control and operating efficiency were recommended. This information was presented in a letter to the Board of Supervisors and management.

Management is required by GAAP (GASB 34) to provide a management discussion and analysis (MD&A) in conjunction with financial statement reporting. The purpose of the MD&A is to introduce the basic financial statements and to provide an analytical overview of the financial activities of the County. The MD&A is provided on page 3 in the “Financial Section” of this CAFR.

PROFILE OF THE COUNTY OF MONTEREY

Overview of the County

Monterey, described as the “Greatest meeting of land and sea” celebrated its quadricentennial in 2002. In 1602, Spanish merchant Sebastian Vizcaino became the first European on the Monterey Peninsula. He christened Monterey after the viceroy of New Spain, Count de Monte Rey. Eventually, the City of Monterey served as California’s first capital, where the State constitution was signed in 1849. Monterey County is one of the 27 original California counties, incorporating in 1850.

The County is a general law county and is governed by a five-member Board of Supervisors, elected to serve four-year terms. The remaining elected officials are the Assessor-Clerk-Recorder, the Auditor-Controller, the District Attorney, the Sheriff and the Treasurer-Tax Collector. The County Administrative Officer (CAO) is appointed by the Board to run the day-to-day operations of the County. Averaging 3,994 full-time equivalent employees, the County government provides a full range of public services including public safety, roads and facilities, social services, administrative services, health services, sanitation services and leisure services.

Typically, the department heads that run these operations, other than the elected department heads, are appointed by the CAO.

With an area of about 3,300 square miles, the County of Monterey borders the Pacific Ocean almost at the midpoint of California with 99 miles of coastline. The County is located about 100 miles south of San Francisco and 240 miles north of Los Angeles. It is bordered by Santa Cruz County to the north, San Benito (originally part of Monterey County), Fresno and Kings Counties to the east and San Luis Obispo County to the south. The 2003 estimated population of the County is 418,800, up 1.2% from 2002, with about 25% of the residents living in the unincorporated areas. The City of Salinas is the County's largest city with approximately 150,300 residents in 2003, up 1.3% over 2002, and serves as the County seat. The eleven other incorporated cities are Carmel-by-the-Sea, Del Rey Oaks, Gonzales, Greenfield, King City, Marina, Monterey, Sand City, Seaside, Soledad and Pacific Grove.

There are two distinct sub-regions in the County. One is the Monterey Peninsula, world famous for beautiful ocean views, opulent homes, 17-mile drive, delicious seafood and world-class golf courses. The other, the Salinas Valley, is equally renowned as an area full of fertile farmland, running almost the entire length of the County and is one of the world's major vegetable producing areas.

The County also benefits from two wilderness areas set aside for recreational enjoyment, consisting of 468,538 total acres. The Los Padres National Forest has 304,035 acres and the Ventana Wilderness totals 164,503 acres.

LOCAL ECONOMY

The local economy centers on Agribusiness, Tourism and Government. Service occupations, agriculture and government combined provided 63% of the County's employment base.

Agribusiness:

According to the Monterey County Agricultural Commissioner, the gross production value of County agribusiness in 2003 was \$3.29 billion dollars. This is an increase of a full 16% over 2002 numbers. Out of 2,127,359 total acres in the County, approximately 240,000 acres are prime or important farmland, over one million acres are grazing land and 759,432 acres are in Williamson Act Agricultural Preserves and Farmland Security Zones.

Table is in \$millions

Year	Vegi- tables	Fruit Nuts	Nursery	Live stock Dairy	Field Crops	Seed	Apiary	TOTAL
2003	\$2,544.9	\$446.4	\$241.9	\$34.9	\$13.1	\$6.9	\$.06	\$3,288.16
2002	\$2,141.2	\$409.1	\$217.5	\$31.8	\$12.9	\$6.0	\$.04	\$2,818.54

Total wine grape acreage decreased by nearly 5,900 acres in response to market conditions, with fewer vineyards being planted or replanted. However the total harvest increased due to good production and the average price for premium varieties increased slightly, resulting in an increase in value of 9%.

Monterey County continues to be a leader in California agricultural exports; however the amount of product shipped to other countries declined by nearly one third. The dynamics of the world market, foreign competition and plant pest quarantine issues contributed to the decline.

Organic acreage continues to increase, growing from 12,150 acres in 2002 to 13,461 acres in 2003, representing about 5% of irrigated acres.

Tourism:

Tourism is the second largest industry in the County and generated \$1.8 billion in gross revenue in 2003. Due to the economic downturn and uncertainty of world events, the tourism industry gross revenues have remained constant at \$1.8 billion since 2001.

Employment:

The substantial seasonal employment involved in the tourism and agriculture industries generally results in higher average and large fluctuations in the unemployment rates for the County. Consequently, according to the State Economic Development Department, in 2003 unemployment varied from a high of 17.3% in January to a low of 6.5% in September compared to a statewide average of 5.8%. This is compared to 2002 numbers for the County from a high of 16.4% in January to a low of 6.5% in September.

Housing:

Real estate values of local properties continued to increase in calendar year 2003 and the first 6 months of 2004. According to the California Association of Realtors, the number of homes sold increased from 2,940 in 2002 to 3,196 in 2003. The median home price rose in 2003 to \$439,000 up from \$375,000 in 2002, the average price increasing from \$549,074 to \$585,889. The median price of the 1,680 homes sold in the County in the first 6 months of 2004 was \$532,000, the average price being \$725,262.

Government:

Various government agencies provide work for almost 19% of the County's employed workers, with almost 70% of that number working for local governments.

Total expenses (accrual basis) of all County Funds for fiscal year 2003-04 was \$622.5 million, a decrease of \$57.8 million or 8.5% below fiscal year 2002-03 totals of \$680.3 million, and \$83.0 million or 11.8% below fiscal year 2001-02 actual expenses of \$705.5 million.

FACTORS AFFECTING FINANCIAL CONDITION

Accounting Information

The accounts of the County are organized on the basis of funds, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled.

Budgetary Process

The County is required by State law to adopt a balanced budget by July 1 of each fiscal year. The process begins in December with budget instructions issued to departments by the County Administrative Officer (CAO). The various departments develop departmental budget requests by April. After the CAO reviews the various departmental requests, the CAO prepares the County recommended budget, which is summarized by program cost centers, and submits it to the Board of Supervisors prior to budget hearings in June. July 1 is the start of the fiscal year. The County Auditor-Controller is responsible for monitoring and reporting expenditures within budgeted appropriations. The Board of Supervisors has established a Budget Committee with two members of the Board of Supervisors. This committee meets monthly to review financial and program issues of the County. Each quarter the Board of Supervisors receives a summary review of the County's operating results as compared to the budget, with an analysis by the CAO.

Budget information is presented for the general and special revenue funds. This budget data is prepared on the modified accrual basis consistent with comparable actual amounts. Budgets are also adopted for the enterprise fund (Natividad Medical Center). Budget appropriations represent original amounts adjusted by budget transfers and appropriation amendments.

Encumbrance accounting is utilized during the year for budget control purposes. However, encumbrances outstanding at year-end do not constitute expenditures or liabilities, but rather reserves of fund balances. The County does, however, honor the contracts represented by year-end encumbrances. Unencumbered budget appropriations lapse at the end of the fiscal year. Board of Supervisors policy requires re-appropriation of carryover capital improvement projects on an annual basis after review of each project status.

The Board must approve amendments or transfers of appropriations between major objects of expenditure within the same department or between departments within any fund. The Board must also approve supplemental appropriations necessary and normally financed by unanticipated revenues during the year. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act.

Factors Affecting the Fiscal Year 2003-04 Budget:

- Decreased costs due to departmental reduction plans of \$24.1 million
- Increased revenues mostly from property taxes and intergovernmental sources of \$5.0 million
- Decrease contribution of \$4.3 million primarily to Capital Projects fund
- Decreased fixed asset expenditures of \$2.7 million
- Decreased available undesignated/unreserved fund balance of \$20.4 million due in part to less budget savings in fiscal year 2002-03 than anticipated and a \$30.0 million asset reclassification/impairment from previous fiscal year
- Increased salary and benefits costs for the Public Employee Retirement System (PERS) cost of \$4.5 million and Workman's Compensation of \$3.4 million
- Increased cost of foster care placement, Juvenile Hall out of county placement, and In-home Supportive Services of \$3.4 million
- Funding to interface the Counties Criminal Justice Information System with the new Superior Court Automated System of \$1.2 million

Property Tax Collection and Apportionment

Property taxes levied countywide (secured, unsecured and unitary) rose in fiscal year 2003-04 to \$410.5 million, an increase of 13.9% over the previous fiscal year total of \$360.3 million. The Auditor-Controller calculates the local property tax bills based on assessed values as provided by the Assessor. The Treasurer-Tax Collector then distributes the tax bills and is charged with collection. In fiscal year 2003-04 the Auditor-Controller apportioned the revenue as follows:

▪ Monterey County General Fund:	15%
▪ Schools:	62%
▪ Special Districts:	10%
▪ Cities:	6%
▪ Redevelopment Agencies:	6%
▪ Library:	1%

Sales/Use Tax and Transient Occupancy Tax (TOT):

Local tourism has remained constant at about \$1.8 billion per year in gross receipts. Consequently, locally generated revenue connected to the tourist industry, namely Sales/Use Tax and Transient Occupancy Tax (TOT) have deteriorated or remained flat. Sales/Use tax fell \$1.0 at \$6.5 million from the previous fiscal year and TOT has remained stable at \$13.5 million over the last three fiscal years.

Debt Administration

The Board adopted a formal written Public Financing Policy for the management of the County's debt on May 19, 1998, as well as a Mello-Roos financing policy on October 8, 2002. The policy provides general guidelines for the decision making process with regard to the issuance of debt instruments, with the goal of utilizing debt as a major financing tool for the County. The use of

debt must provide general or specific benefits to its citizens in relation to the cost of repayment levied upon those citizens.

The County issued new debt during fiscal year 2003-2004 totaling \$7.5 million in Judgment Obligation Bonds to finance a negotiated settlement around an adverse judgment for flood damage.

At fiscal year end, the County's total outstanding debt was \$218.2 million including capital leases.

Cash Management

The County sponsors an investment pool that is managed by the County Treasurer-Tax Collector for the purpose of earning interest through investments. The State of California statutes require certain government entities and special districts to maintain their surplus cash with the County Treasurer-Tax Collector. Cash and investments for most County activities are included in the investment pool.

The California Government Code statutes and the County's investment policy govern the County's investment pool activity. The County's investment policy has the following objectives: safety, liquidity, yield and public trust. Those statutes and policy authorize the County Treasurer-Tax Collector to invest in securities issued by the U.S. Government Treasury and its Agencies, certain corporate bonds and notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund. The investment pool's maximum maturity limitation is 5 years, and the County's Investment Policy imposes a maximum weighted average maturity of 2 years. A Treasury Oversight Committee monitors and reviews the management of the County's investment pool.

The County pool of investments earned a rate of return for the Fiscal Year ending June 30, 2004 of 1.61%.

Risk Management

Monterey County is self-insured for general liability for up to \$1.0 million per occurrence. In fiscal year 2004-05 the County maintained three layers of excess coverage for a total of \$45.0 million of excess coverage. Property damage risks are covered on an occurrence basis up to \$600 million, with a \$25,000 deductible, by commercial insurance purchased from independent third parties.

Effective July 1, 2002, the County converted to a self-insured workers' compensation program with a \$400,000 SIR. Monterey County purchases excess workers' compensation coverage through CSAC-EIA. Monterey County records expenses and liabilities at expected values (50% confidence level), as required for all self-insurance by GASB 10. The Board of Supervisors is committed to funding workers' compensation at a 70% confidence level, for budget purposes, over a ten-year period.

Total liability for Workman's Compensation and General Liability self-insurance was approximately \$35.1 million at the end of fiscal 2004. Of that total, \$9.5 million has been funded with an additional \$6.2 million being set aside as a designation, leaving an unfunded/undesignated liability of \$19.4 million. Details on the Risk Management program are contained in the footnotes to the financial statements.

Beginning on July 1, 2004, Workman's Compensation and Self Insurance Liability are being accounted for in Internal Service Funds.

Reserve Policy

Strategic Reserves

- The Monterey County Board of Supervisors adopted a formal reserve policy for strategic reserves and contingencies. This policy was unanimously adopted in ordinance form. Beginning in fiscal year 2005-06, General Fund reserves will be funded over eight years to equal ten percent of General Fund budgeted revenues. The reserve is established for use in legal judgment settlements against the County, economic downturns, natural disasters and reductions in State Aid.

Capital Improvements Plan

- In addition to adopting a Reserve Policy, the Board is considering a formal Capital Improvements Plan. This plan is aimed at planning for capital funding needs for, among other projects, the replacement of the Core Financial/Budget and Human Resources/Payroll computer applications systems, Juvenile Hall renovation, Jail renovation/improvement, the Public Safety and Local Government Radio System replacement and the Criminal Justice Information System replacement.

California State Budgetary Difficulties

California local governments are particularly vulnerable to State budgetary difficulties. Because the State of California acts as a pass-through entity for most County revenue, delays in payment of revenues to the County may, depending on the extent, result in significant financial consequences. These impacts will negatively affect the County budget and therefore decrease the ability to provide services. Additionally, unforeseen delays may affect the County's ability to cover short and medium-term cash needs.

Delayed payments of Monterey County revenue by the State of California result in the postponement of the following revenue:

- Vehicle License Fees (VLF) - \$8.5 million
- State mandate payments (SB90) - \$17.4 million

The State of California has indicated that payment of these revenues will be forthcoming in fiscal year 2006-07. Timely repayment is, of course, subject to the State's ability to repay.

In addition, due to the State implementation of the Educational Revenue Augmentation Fund III (ERAF III) program, Monterey County will forfeit an additional \$3.8 million in property tax revenue in each of fiscal years 2004-05 and 2005-06 to the State of California to cover State shortfalls in schools funding. ERAF III is due to expire in fiscal year 2006-07.

Natividad Medical Center

Natividad Medical Center (NMC) is the only enterprise fund in Monterey County. As was disclosed in the fiscal year 2002-03 Monterey County CAFR, NMC experienced significant cash and operational shortfalls in fiscal year 2002-03. In addition, in fiscal year 2002-03, NMC received a “going concern” opinion as disclosed in Note 18 of that CAFR.

For fiscal year end, June 30, 2004, NMC had an increase in net assets of \$1.2 million and a cash reserve of \$6.2 million. Although this is more than a significant improvement over the previous fiscal year, it appears doubtful that continuing such gains will be possible over the next several fiscal years.

The medical center remains negatively impacted by chronic factors common to all California County operated hospitals. These include rapidly escalating medical costs, marketplace competition for skilled personnel, decreases in federal and state assistance to public hospitals and a continued deterioration in patient ability to pay for services. Lingering operational issues also present challenges, including an outdated financial infrastructure and inefficient billing practices.

County management continues to vigorously strive to mitigate these issues. Some key factors include:

- Successful recruitments of top management positions including Chief Executive Officer and Chief Financial Officer have occurred
- Replacement of the outdated financial/billing system is underway
- Through the systems implementation process, an examination of “best business practices” for hospitals is being conducted to implement efficient/effective process changes
- Competition for skilled medical help, especially Nurses, continue to escalate costs
- Uncertainty in Federal and State funding make budgeting and other planning processes more difficult than usual. NMC is dependent on this revenue stream.

As a result, our independent auditors have deemed it appropriate to remove the “going concern” opinion for NMC from the previous fiscal year. However, it is apparent that the impaired assets relating to NMC as reported in the General fund (\$30.0 million), the Facility Master Plan Implementation fund (\$11.0 million) and Other Governmental funds (\$.1 million) remain uncollectable. Additionally, depending on the extent of the impact future Federal and State budgetary shortfalls have on the County; the ability of the General fund to subsidize NMC operations may be in doubt.

Pension Benefits

The County of Monterey is a member of the California Public Employee's Retirement System (CalPERS). Recent changes in actuarial assumptions and benefit levels have significantly increased pension cost estimates in coming years. Estimate of 40.029% cost of payroll for Safety Members and 14.004% cost of payroll for General Members in 2004-2005 up from 29.520% and 9.219% respectively in 2003-2004 has increased estimated payments to CalPERS from \$20.6 million in fiscal year 2003-04 to \$31.3 million in 2004-05.

Acknowledgments

I extend my thanks to my staff in the Auditor-Controller's Office, to the staff in the Budget Office, to all the departments and agencies who contributed financial information to this report and to Bartig, Basler & Ray, LLP for their dedication and hard work in producing this CAFR. I also thank the Board of Supervisors for their support in planning and conducting the financial operations of the County of Monterey.

Respectfully Submitted:

A handwritten signature in blue ink that reads "Michael J. Miller". The signature is written in a cursive style with a large, looped initial "M".

Michael J. Miller, CPA, CISA
Auditor-Controller

COUNTY OF MONTEREY
DIRECTORY OF COUNTY OFFICIALS

Board of Supervisors

District #1	Fernando Armenta
District #2	Louis R. Calcagno
District #3	W. B. “Butch” Lindley
District #4	Edith Johnsen
District #5	Dave Potter

Agricultural Commissioner.....	Eric Lauritzen
Assessor-County Clerk-Recorder	Stephen Vagnini
Auditor-Controller	Michael J. Miller, CPA, CISA
Child Support Services Director	Stephen Kennedy
Cooperative Extension Director.....	Sonya Varea-Hammond
County Administrative Officer	Sally R. Reed
County Counsel.....	Charles McKee
County Librarian.....	Robert McElroy
District Attorney	Dean Flippo
Emergency Communications Director.....	Lynn Diebold
Equal Opportunity Officer	Rudy Asunsolo
General Services Director	Charlene Wiseman
Health Services Director	Len Foster
Information Technology Director	Virgil Schwab
Military and Veterans’ Affairs Officer	Richard Garza
Natividad Medical Center Chief Executive Officer.....	L. “Chad” Chadwick
Parks Director	John Pinio
Planning and Building Inspection Director.....	Scott Hennessy
Probation Officer	Manuel Real
Public Defender	Michael Lawrence
Public Works Director	Lew Bauman
Registrar of Voters.....	Anthony Anchundo
Sheriff-Coroner-Public Administrator	Mike Kanalakis
Social Services Director.....	Elliott Robinson
Treasurer-Tax Collector.....	Louis G. Solton
Water Resources Agency General Manager	Curtis Weeks

COUNTY OF MONTEREY

ELECTORATE

BOARD OF SUPERVISORS

DISTRICT 1 Fernando Armenta	DISTRICT 2 Louis R. Calcagno	DISTRICT 3 W. B. "Butch" Lindley	DISTRICT 4 Edith Johnsen	DISTRICT 5 Dave Potter
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COUNTY ADMINISTRATIVE OFFICE
Sally R. Reed

EQUAL OPPORTUNITY OFFICE
Rudy Asunsolo

COUNTY COUNSEL
Charles McKee

ASSESSOR-COUNTY CLERK-RECORDER Stephen Vagnini
AUDITOR-CONTROLLER Michael J. Miller, CPA, CISA
DISTRICT ATTORNEY Dean Flippo
SHERIFF-CORONER-PUBLIC ADMINISTRATOR Mike Kanalakis
TREASURER-TAX COLLECTOR Louis G. Solton
SUPERIOR COURT -- Judges
PROBATION Manuel Real

NATIVIDAD MEDICAL CENTER
Board of Trustees

NATIVIDAD MEDICAL CENTER
L. "Chad" Chadwick

WATER RESOURCES AGENCY
Board of Directors

WATER RESOURCES AGENCY
Curtis Weeks, General Manager

AGRICULTURAL COMMISSIONER
Eric Lauritzen

CHILD SUPPORT SERVICES
Stephen Kennedy

COOPERATIVE EXTENSION
Sonya Varea-Hammond

ELECTIONS
Anthony Anchundo

EMERGENCY COMMUNICATIONS
Lynn Diebold

GENERAL SERVICES
Charlene Wiseman

HEALTH SERVICES
Len Foster

INFORMATION TECHNOLOGY
Virgil Schwab

LIBRARY
Robert McElroy

PARKS
John Pinio

PLANNING & BLDG INSPECTION
Scott Hennessy

PUBLIC DEFENDER
Michael Lawrence

PUBLIC WORKS
Lew Bauman

SOCIAL SERVICES
Elliott Robinson

MILITARY & VETERANS' AFFAIRS
Richard Garza

Office of the Controller
State of California

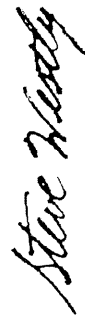
**AWARD FOR ACHIEVING EXCELLENCE
IN FINANCIAL REPORTING**

Presented to

COUNTY OF MONTEREY

*For its Year-End Financial Reports
For the Fiscal Year Ended June 30, 2003*

This Award for Achieving Excellence in Financial Reporting is presented by the California State Controller to your County for achieving the highest quality in California government accounting and financial reporting.



STEVE WESTLY, California State Controller
Dated at Sacramento, California, this 26th day of October 2004



FINANCIAL SECTION



Bartig, Basler & Ray

A Professional Corporation

Certified Public Accountants and Management Consultants

Frank V. Trythall
Kenneth E. Pope
Brad W. Constantine
Bruce W. Stephenson
Roseanne M. Lopez
Jason J. Cardinet
Tyler K. Hunt

Curtis A. Orgill
M. Elba Zúñiga

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
County of Monterey, California

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 the County of Monterey, California (County), as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the County of Monterey, California. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 County of Monterey, California, as of June 30, 2004, and the respective changes in financial position and cash flows of its hospital enterprise fund and the respective budgetary comparison for the General Fund and the Facility Master Plan Implementation for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated September 30, 2004, on our consideration of the County of Monterey's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Supervisors
County of Monterey, California

The Management's Discussion and Analysis (MD & A) and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BARTIG, BASLER & RAY, CPAs, INC.

Bartig, Basler & Ray, CPAs, Inc.

September 30, 2004
Roseville, CA

**COUNTY OF MONTEREY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the County of Monterey's (the County) annual report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the transmittal letter at the front of this report and the County's financial statements, which follow this section. All amounts, unless otherwise indicated, are expressed in millions of dollars.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$564.7 (*net assets*). Of this amount, a negative \$18.7 represents *unrestricted net assets*, which will require additional funding to meet the County's ongoing obligations to citizens and creditors. The negative unrestricted asset balance is primarily due to last fiscal year's losses. *Restricted net assets* of \$66.0 may be used for the County's ongoing obligations related to programs with external restrictions. The remaining \$517.4 represents the County's investment in capital assets, less any related outstanding debt used to acquire those assets (*invested in capital assets, net of related debt*). (See further detail at Table 1 on page 7.)
- The County's total net assets decreased by \$14.9 during the current fiscal year. Net Assets decreased by \$14.9 primarily due to a prior period adjustment of \$24.1 (see Note 20 on page 73) offset by cost cutting initiatives and fee schedule increases. The \$1.6 increase in net assets invested in capital assets, net of related debt, represents capital purchases less depreciation plus the retirement of related long-term debt. The \$29.3 decrease in restricted plus \$12.8 increase in unrestricted net assets represents the degree to which expenses exceed revenues. (See further detail at Table 1 on page 7 and Table 2 on page 9).
- As of June 30, 2004, the County's governmental funds reported total ending fund balances of \$192.8, a decrease of 5.8% in comparison with the prior year. Approximately 68.7%, or \$132.5, of this total amount, is available for spending (*unreserved fund balance*), but \$62.4 of the spending is restricted to Capital Project in progress and \$28.4 is restricted for Special Revenue fund purposes such as Water Resources and the Road fund. The remaining unreserved fund balance was appropriated in the 2004-05 budget or is earmarked by management for particular purposes (See further discussion in Financial Analysis of the County's Funds on page 11.)
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$41.7. This was an improvement over prior year's unreserved fund balance of \$21.9. (See further discussion in Financial Analysis of the County's Funds on page 11.)
- The County's total long-term debt increased by \$3.3 or 1.6%. (See further detail at Table 4 on page 15.) The increase is due to the issuance of Judgment Obligation Bonds of \$7.5 offset by principal payments of Revenue bonds and Certificates of Participation.

**COUNTY OF MONTEREY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets 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 result in cash flows in future fiscal periods. (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the County 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 County include administration and support, public safety and protection, public works, health and sanitation, public assistance, education, recreation and culture. The business-type activities of the County include Natividad Medical Center.

Component units consist of legally separate entities for which the County is financially accountable and that have substantially the same governing board as the County or provide services entirely to the County. The County does not have reportable component units.

The government-wide financial statements can be found on pages 19 – 21 of this report.

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 County, 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 County 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

**COUNTY OF MONTEREY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation a government’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 County’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide financial statement in order to facilitate this comparison between governmental funds and governmental activities.

The County maintains 26 individual governmental funds and for financial reporting purposes, these funds have been combined into 3 groupings. The County segregates from the General Fund a Facility Master Plan Implementation Fund and a grouping for all non-major funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Facility Master Plan Implementation which are considered to be major funds. Data for the other 24 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 located in the Combining and Individual Fund Statements and Schedules section of this report.

The County adopts an annual appropriated budget for all of its operating funds. A budgetary comparison statement has been provided for the General Fund and special revenue funds to demonstrate performance against this budget.

The governmental funds financial statements can be found on pages 25 – 28 of this report.

Proprietary funds. The County maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses an enterprise fund to account for its County Hospital, Natividad Medical Center. Proprietary funds provide the same type of information as the government-wide statements, but in more detail.

The proprietary funds financial statements can be found on pages 30 – 33 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The external portion of the Treasurer’s Investment Pool and agency funds are reported as fiduciary funds.

The fiduciary funds financial statements can be found on pages 34 – 35 of this report.

COUNTY OF MONTEREY MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 37 – 74 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 77 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 83 – 132 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$564.7 at the close of the current fiscal year (Table 1 – Net Assets).

The largest portion of the County's net assets, \$517.4 (91.6%), reflects its investment in capital assets (e.g. land, buildings, roads, bridges, machinery and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County'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 portion of the County's net assets, \$66.0 represents resources that are subject to external restrictions on how they may be used. The major restrictions on net assets are for those monies dedicated to specific services such as flood control, sanitation, state and federal restrictions, debt service, federal and state allocations for roads, low income housing funds, emergency medical services, capital projects and developments of unincorporated areas.

The *deficit* balance of unrestricted net assets of \$18.7 represents expenses that must be funded to meet the County's ongoing obligations to citizens and creditors.

Restricted net assets decreased by \$29.3 or 30.7%. This decrease was primarily attributable to the following:

- \$20.5 restatement of Special Revenue funds as deferred revenue in the General Fund.
- \$3.6 prior period adjustment for revalued capital assets.

**COUNTY OF MONTEREY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- \$6.7 restricted capital asset funds were spent on capital asset purchases including the new emergency services facility and renovation of juvenile detention facilities.
- \$0.9 reduction in restricted debt service funds.
- \$0.5 reduction in special revenue funds set aside for low-income housing and community development.
- \$0.9 increase in restricted funds available for the Office of Employment and Training.
- \$0.9 increase in restricted funds available for Water Resource services.

The unrestricted net asset deficit from last year of \$31.5 improved by \$12.8 to a deficit balance of \$18.7. The improvement is primarily due to mid-year cost cutting activities, increases in fee schedules, and improvement in collection of receivable accounts at Natividad Medical Center that allowed the hospital to transfer \$18.9 to governmental activities.

At the end of the current fiscal year, the County reported a \$46.7 positive balance for business-like activities in the net asset, invested in capital assets. Unrestricted net assets for business-type activities, however, were a negative \$19.2 due to prior period operating losses at Natividad Medical Center.

TABLE 1 - County of Monterey's Net Assets (in millions)

	Governmental Activities		Business-type Activities		Total		Total	
	2004	2003	2004	2003	2004	2003	Dollar Change	Percent Change
Current and other assets	\$256.0	\$257.2	\$29.3	\$29.7	\$285.3	\$286.9	(\$1.6)	-0.6%
Capital assets	532.9	533.1	131.7	135.3	664.6	668.4	(3.8)	-0.6%
Total assets	788.9	790.3	161.0	165.0	949.9	955.3	(5.4)	-0.6%
Current and other liabilities	62.0	50.3	13.2	15.9	75.2	66.2	9.0	13.6%
Long-term liabilities	189.7	186.8	120.3	119.7	310.0	306.5	3.5	1.1%
Total liabilities	251.7	237.1	133.5	135.6	385.2	372.7	12.5	3.4%
Net assets:								
Invested in capital assets, net of related debt	470.7	465.2	46.7	50.6	517.4	515.8	1.6	0.0%
Restricted	66.0	95.3	-	-	66.0	95.3	(29.3)	-30.7%
Unrestricted	0.5	(7.3)	(19.2)	(24.2)	(18.7)	(31.5)	12.8	-40.6%
Total net assets	\$537.2	\$553.2	\$27.5	\$26.4	\$564.7	\$579.6	(\$14.9)	-2.6%

Governmental Activities. Governmental activities increased the County's net assets by \$8.1 for the year ended June 30, 2004, accounting for 88.0% of the total increase in net assets. Operating expenses exceeded operating revenues by \$10.8, which is offset by a transfer in of \$18.9. See Table 2 on page 9.

Revenues. Governmental activities revenue decreased from \$491.6 to \$481.3 or 2.1%.

**COUNTY OF MONTEREY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Charges for services decreased by \$4.5 due to a change in presentation of utility franchise collections. These collections were included in the 2002-2003 fiscal year in the amount of \$4.2, but are shown as general revenue in the current year. Zoning permit revenue increased by \$1.0 due to an increase in fees and overhead costs recovered decreased by \$1.6.

Operating grants and contributions decreased by \$7.7 or 3.3%. Tobacco Settlement revenue in the amount of \$4.5 was presented as operating grants and contributions last fiscal year, but is shown as general revenue in the current year. Federal Aid for construction decreased by \$2.5 due to postponement of projects and by \$1.7 for employment and training aid.

Program capital grants decreased by \$2.1 due to the reduction in aid related to the reduction in construction projects. Non-program capital grants decreased by \$2.6.

Tax revenues increased by \$7.4 for fiscal year ending June 30, 2004. Property tax revenues continued to increase as housing prices continue to rise. Property tax revenue increased by \$8.2 or 12.3%. This revenue represents 15.8% of total governmental activity revenue. Sales tax decreased by \$1.0 due to a one-time increase last fiscal year caused by a change in accounting from a cash basis to an accrual basis. Other taxes increased by \$6.6 primarily due to a change in presentation that included \$6.5 in utility franchise revenues this fiscal year, but as discussed above were included as operating grants and contributions last fiscal year. Utility franchise revenue increased by \$2.3 due to the addition of a garbage franchise agreement and an increase in gas surcharges. Vehicle License Fees and Motor Vehicle In-lieu fees decreased by \$6.4 or 16.1% due to the loss of backfill revenue from the State of California.

Investment earnings decreased by \$4.4 or 43.6% due to a drop in interest rates coupled with a decrease in cash balances. The average investment rate earned last fiscal year was 1.77% and was 1.61% in the reported fiscal year with corresponding average total cash pool balances of \$738.5 and \$689.1.

Other revenues decreased by \$3.6 primarily due to a change in presentation of tobacco settlement money which was reported as operating grants and contributions of the general government activities last fiscal year.

Expenses. Governmental activities expenses decreased by \$51.0 or 9.4% to \$492.1.

General government expenses decreased by \$59.5 due to last fiscal year's one-time expenses for the impairment of Natividad Medical Center advances (\$41.2) and the recording of an judgment against the County (\$7.0). The additional decrease of \$11.4 was primarily due to mid year hiring freezes and budget reductions in response to unexpected revenue deductions in State Aid and lower than expected fund balances.

Public safety expenses increased by \$3.9 due to an increase of \$1.8 in salary and benefit costs and \$1.4 increase in relocation placement contracts for juveniles.

Health and sanitation expenses increased by \$10.4 or 11.5%, primarily due to a \$10.9 increase to the intergovernmental contribution to State of California.

**COUNTY OF MONTEREY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Public Assistance expenses were similar to last year expenses decreasing by 1.5% while education expenses decreased by 14.0% from \$5.7 last fiscal year to \$4.9 this fiscal year due to the Libraries cost cutting initiatives.

The full time equivalent (FTE) employee count for governmental activities as of June 30 decreased from 3,767 in 2002-03 to 3,291. However, total salaries and benefit expenses increased by \$5.0 or 2.2% from the prior year due to negotiated wage increases and significant increases in Cal-PERS retirement rates.

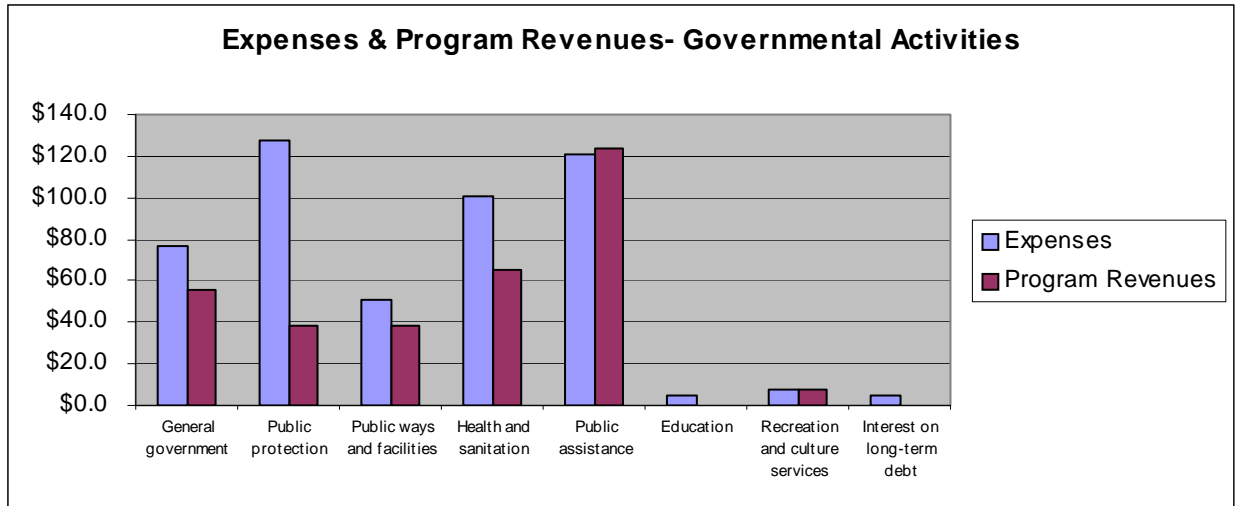
TABLE 2- County of Monterey's Changes in Net Assets (in millions)

	Governmental Activities		Business-type Activites		Total		Total	
	2004	2003	2004	2003	2004	2003	Dollar Change	Percent Change
Revenues								
Program Revenues:								
Charges for services	\$100.3	\$104.8	\$150.1	\$128.5	\$250.4	\$233.3	\$17.1	7.3%
Operating grants and contributions	227.8	235.5	-	-	227.8	235.5	(7.7)	-3.3%
Capital grants and contributions	1.1	3.2	-	-	1.1	3.2	(2.1)	-65.6%
General revenues:								
Property taxes	75.0	66.8	-	-	75.0	66.8	8.2	12.3%
Sales tax	6.5	7.5	-	-	6.5	7.5	(1.0)	-13.3%
Transient occupancy and other taxes	21.7	15.1	-	-	21.7	15.1	6.6	43.7%
VLF & Motor Vehicle In-Lieu	33.3	39.7	-	-	33.3	39.7	(6.4)	-16.1%
Grants and contributions	-	2.6	0.2	0.6	0.2	3.2	(3.0)	-93.8%
Unrestricted investment earnings	5.7	10.1	-	-	5.7	10.1	(4.4)	-43.6%
Other	9.9	6.3	-	8.0	9.9	14.3	(4.4)	-30.8%
Total revenues	<u>481.3</u>	<u>491.6</u>	<u>150.3</u>	<u>137.1</u>	<u>631.6</u>	<u>628.7</u>	<u>2.9</u>	<u>0.5%</u>
Expenses*								
General government	76.3	135.8	-	-	76.3	135.8	(59.5)	-43.8%
Public protection	127.1	123.2	-	-	127.1	123.2	3.9	3.2%
Public ways and facilities	50.9	52.9	-	-	50.9	52.9	(2.0)	-3.8%
Health and sanitation	100.9	90.5	-	-	100.9	90.5	10.4	11.5%
Public assistance	120.4	122.2	-	-	120.4	122.2	(1.8)	-1.5%
Education	4.9	5.7	-	-	4.9	5.7	(0.8)	-14.0%
Recreation and culture services	7.2	6.9	-	-	7.2	6.9	0.3	4.3%
Interest on long-term debt	4.4	5.9	-	-	4.4	5.9	(1.5)	-25.4%
Natividad Medical Center	-	-	130.3	137.2	130.3	137.2	(6.9)	-5.0%
Total expenses	<u>492.1</u>	<u>543.1</u>	<u>130.3</u>	<u>137.2</u>	<u>622.4</u>	<u>680.3</u>	<u>(57.9)</u>	<u>-8.5%</u>
Increase (decrease) in net assets before transfers	(10.8)	(51.5)	20.0	(0.1)	9.2	(51.6)	60.8	-117.8%
Transfers	18.9	7.1	(18.9)	(7.1)	-	-	-	na
Increase (decrease) in net assets	<u>8.1</u>	<u>(44.4)</u>	<u>1.1</u>	<u>(7.2)</u>	<u>9.2</u>	<u>(51.6)</u>	<u>60.8</u>	<u>-117.8%</u>
Net assets, beginning	553.2	525.1	26.4	33.6	579.6	558.7	20.9	3.7%
Prior Period Adjustment	(24.1)	72.5	-	-	(24.1)	72.5	(96.6)	-133.2%
Net assets, ending	<u>\$537.2</u>	<u>\$553.2</u>	<u>\$27.5</u>	<u>\$26.4</u>	<u>\$564.7</u>	<u>\$579.6</u>	<u>(\$14.9)</u>	<u>-2.6%</u>

*Fiscal year end 2003 governmental activity expenses have been adjusted to conform to 2004 expense categories.

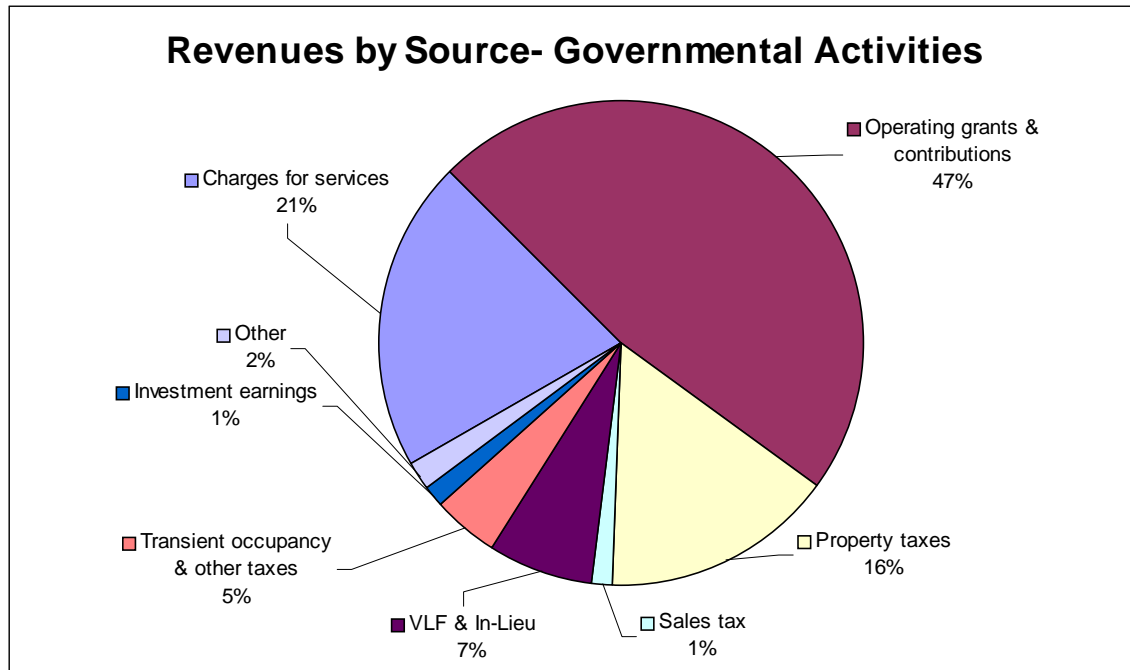
**COUNTY OF MONTEREY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As shown in the following chart, program revenues are less than the expenses in all functional areas, except for public assistance. The difference between expenses and program revenues totals \$162.9.



The short fall of \$162.9 of program revenues to cover associated expenses is offset by general revenues of \$152.1 and transfers of \$18.9.

Total revenues by sources for governmental activities are shown in the chart below.



**COUNTY OF MONTEREY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Business-type Activities. Business-type activities net assets increased by 4.2%, or \$1.1, indicating that this fund (NMC) generates revenues sufficient to cover the costs of operations. Revenues increased by 9.6%, or \$13.2 from the prior year due to increases in government funding and a \$1.8 Medi-Cal settlement. Operating expenses decreased by 5.0%, or \$6.9. The decrease was due to a decrease in salary and benefit costs of \$1.5, decrease in supply purchases of \$1.7 and a decrease of \$3.7 as a result of absorbing outsourced services in-house. NMC transferred \$18.9 to Governmental Activities due to intergovernmental transfers. This transfer increased by 166.2%, or \$11.8 from the prior fiscal year's transfer. Natividad Medical Center's major revenue source is charges for services, which accounts for 98.5% of total revenue sources.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County'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.

As of the end of the current fiscal year, the County's governmental funds reported total fund balances of \$192.8, a 5.8% decrease, or \$11.8 in comparison with the prior year. Approximately 68.7%, \$132.5, of the total fund balance constitutes *unreserved fund balance*, which is available to meet the County's current and future needs. A portion of this amount is reported in the County's capital project and special revenue funds to be spent on such items as buildings, roads, bridges, and waterways. Designations by management of unreserved fund balance represent the remaining portion of the unreserved fund balance. Designations are earmarked for self-insurance, vehicle replacement and capital projects. The remainder of fund balance is *reserved* to indicate that the funds are not available for new spending because it has been reserved for the following purposes: 1) to liquidate contracts and purchase orders of the prior period, \$44.5; 2) to pay debt service, \$9.6; 3) unavailable assets, \$6.2.

General Fund. The General Fund is the main operating fund of the County. At June 30, 2004, *unreserved fund balance*, had a balance of \$41.7, an increase of \$19.8 from \$21.9 reported in the prior fiscal year. The General Fund's total fund balance was \$52.4 as of June 30, 2004, an increase of 64.8%, or \$20.6, over the prior year. The increase is due to proceeds from the sale of long term debt of \$7.6 in Judgment Obligation Bonds, continued growth of property tax and transient occupancy tax revenues, deferral of vehicle and fixed asset purchases, and increases in fee schedules.

**COUNTY OF MONTEREY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Facility Master Plan Implementation. The Facility Master Plan Implementation fund has a total fund balance of \$83.1, \$28.4 of which is reserved to liquidate contracts and purchase orders. This is a \$7.5, or 8.3% decrease from the prior fiscal year, due to spending to build a new administration building. This action is required due to the mandate by the State of California to supply the Courts with adequate facilities. The Court House and County Administration has historically shared facilities.

Other Governmental Funds. The remaining governmental funds' fund balances decreased 30.3%, or \$24.9, to \$57.3. This change is primarily due to a prior year reclassification of special revenue fund balance to general fund deferred revenue in the amount of \$20.5 (see note 20 on page 74) and spending of capital project funds for a new emergency communications center and the rehabilitation of the juvenile hall.

Proprietary funds. The County's proprietary fund (Natividad Medical Center) provides the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning finances of this fund are addressed in Note 16 and 17 of the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year 2003-04 year end General Fund budget appropriation was \$446.2 or \$31.8 greater than the original budget. Increases in appropriations were made incrementally during the year and were made possible by carryover fund balance and higher than projected revenues. The 7.7% increase between the original budget and the final amended budget are summarized by functional area below:

- \$4.6 in Public Protection, which includes increases of \$3.1 for salaries & benefits, \$0.4 for the payment of Trial Courts undesignated fees costs, \$0.7 for Child Support Services share of the federal support automation penalty, and \$0.3 for the funding of the Probation Department's First 5 Monterey County, the Child Advocate Program and Group Home Visits.
- \$21.5 in Health and Sanitation Services, which includes increases to appropriations for \$20.3 for the contribution to the State for hospital health care costs and \$0.8 for the transfer of outpatient clinics from the County Hospital to the General Fund Health Department.
- \$5.3 in Public Assistance, which includes \$4.5 of increased spending for CalWorks and a \$0.9 increase for the Foster Care program.
- \$2.0 increase in Culture and Recreation for the rollover of unspent parks department grant funds associated with a boat launching ramp.

**COUNTY OF MONTEREY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- \$3.2 increase in Capital outlay which includes \$1.5 for Monterey County I-Net backbone, \$0.4 for software applications related to the Health Departments bio-terrorism preparedness and the outpatient clinic services, and \$1.4 for the purchase of 911 (Emergency Communications) telephone and radio equipment.
- \$2.3 increase in Contingencies which includes a \$3.3 increase to comply with Article XIII B of the California Constitution that requires the appropriation of all proceeds of taxes received in excess of original estimates. The Article XIII B increase is offset by \$1.0 which includes a transfer to the elections department for the Governor' Recall election, to departments for additional salary costs associated with the proclaimed holiday in memory of former president Ronald Reagan, and to balance the County budget due to the decrease in Motor Vehicle In-Lieu payments from the State.
- \$7.5 decrease in General Government appropriations which includes a \$2.3 transfer to the Workers' Compensation Fund to decrease the unfunded liability, a \$1.2 transfer to the debt service fund, and appropriation adjustments based on decreases in state revenues.

Actual expenditures for the General Fund were \$28.3 lower than amended final budget appropriations for fiscal year 2003-04. Budgetary savings were realized as follows:

- \$6.3 in General government due to significant salary and benefit savings and a decrease in proposed expenditures for contribution to other agencies.
- \$3.2 in Health and Sanitation due to salary and benefit savings and a decrease in proposed expenditures for professional services.
- \$6.5 in Public assistance due to salary and benefit savings and a decrease in proposed expenditures for aid in kind grants.
- \$6.7 in Capital Outlay due to a decrease in proposed expenditures for equipment and furnishings.
- \$5.3 in Contingencies of which \$2.0 was set-aside for unforeseen expenses, but not needed and \$2.3 was an Article XIII B adjustment after the close of the fiscal year.

During the year, General Fund revenues were under final budget estimates by \$14.1. Tax revenues were \$4.3 over the budget estimates due to increased property taxes, transient occupancy tax, and utility franchise tax. Revenue from use of money and property was overestimated by \$1.6 and charges for services was overestimated by \$3.0. Aid from other governments was short of the final budget estimates by \$14.4 due to an overestimate of Social Services aid, Mental Health aid, Emergency Services aid and the Parks department grant revenues.

**COUNTY OF MONTEREY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSET AND DEBT ADMINISTRATION

TABLE 3 - County of Monterey's Capital Assets (net of depreciation in millions)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activites</u>				<u>Dollar</u>	<u>Percent</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>Change</u>
Land	\$ 174.5	\$ 174.5	\$ -	\$ -	\$ 174.5	\$ 174.5	\$ -	0.0%
Structures and improvements	55.5	55.4	123.4	126.8	178.9	182.2	(3.3)	-1.8%
Equipment	31.7	24.0	7.7	5.9	39.4	29.9	9.5	31.8%
Infrastructure	231.5	253.2	-	-	231.5	253.2	(21.7)	-8.6%
Construction in Progress (CIP)	39.7	26.0	0.6	2.6	40.3	28.6	11.7	40.9%
Total	<u>\$ 532.9</u>	<u>\$ 533.1</u>	<u>\$ 131.7</u>	<u>\$ 135.3</u>	<u>\$ 664.6</u>	<u>\$ 668.4</u>	<u>\$ (3.8)</u>	<u>-0.6%</u>

Capital projects are generally completed over multiple fiscal years and flow through the Construction in Progress (CIP) to completion and are then transferred to Structures and improvements, Equipment or Infrastructure. The County's major capital asset events in the current fiscal year include the Construction in Progress additions of \$2.5 for storm drains, development improvements to infrastructure of \$3.2, and the completion of an emergency services facility.

As a result of the implementation of Government Accounting Standards Board Statement No. 34 (GASB 34), the accompanying government-wide financial statements include those infrastructure assets that were either completed during the fiscal year or considered construction in progress at year-end. From this point forward, new infrastructure will be added to the records while the retroactive historical value of the County's infrastructure assets will be added prior to June 30, 2006 in accordance with GASB 34.

Additional information on the County's capital assets can be found in Note 6 on pages 54 – 55 of this report.

Long-term debt. At June 30, 2004, the County had total long-term debt outstanding of \$208.9, net of related Natividad Medical Center discounts and losses on refinancing. This was an increase of \$3.3, or 1.6% from prior year of \$205.6. Increases were due to the issuance of a Judgment Obligation Bond for \$7.5 which is partially offset by the repayment of Revenue Bonds and Certificates of Participation.

**COUNTY OF MONTEREY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Table 4 – County of Monterey’s Long-Term Debt (in Millions)

	Governmental Activities		Business-type Activites		Total		Total	
	2004	2003	2004	2003	2004	2003	Dollar Change	Percent Change
Certificates of participation	\$ 91.0	\$ 91.6	\$ 73.1	\$ 74.4	\$ 164.1	\$ 166.0	\$ (1.9)	-1.1%
Revenue bonds	2.0	4.3	-	-	2.0	4.3	(2.3)	-53.5%
Loans payable-Bureau of Reclamation	35.0	35.0	-	-	35.0	35.0	-	0.0%
Judgment Obligation Bonds	7.5	-	-	-	7.5	-	7.5	na
Other bonds and notes	0.3	0.3	-	-	0.3	0.3	-	0.0%
Total	\$ 135.8	\$ 131.2	\$ 73.1	\$ 74.4	\$ 208.9	\$ 205.6	\$ 3.3	1.6%

The County’s Moody’s rating of “Aa3” was downgraded to “A1” due to significantly reduced financial flexibility stemming in large part from ongoing financial challenges at the County’s hospital coupled with continued fiscal pressures common to most California counties.

State statutes limit the amount of general obligation debt a government entity may issue to 1.25% of the total assessed valuation of property within the County. The current debt limitation of the County is \$453.2, which is significantly in excess of the County’s outstanding general obligation debt.

Additional information on the County’s long-term debt can be found in Note 10 on pages 56 – 59 of this report.

ECONOMIC ANALYSIS AND NEXT YEAR’S BUDGET AND RATES

The following are economic factors for 2004-05:

- Property Tax Values are estimated to increase 7.3% above 2003-04 levels.
- The 2004 unemployment rate decreased from 9.7% on June 30, 2003 to 7.4% on June 30, 2004.
- In accordance with previously negotiated contracts, Units F, H & J received a 3% increase in October 2004 and Units A,B,C, M, & N received a 4.16% increase in August 2004. Unit K received a 5% step increase if they were on the highest step the previous year.
- The State of California approved Measure 1A which is intended to protect local government revenues, and guarantees State funding for mandated programs, allowing local government to discontinue unfunded programs.

**COUNTY OF MONTEREY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- The County of Monterey adopted an ordinance for reserve policies. General Fund reserves will be accumulated over the next eight years to equal ten percent of the General Fund budgeted revenues. The reserve is established for use in legal judgment settlements against the County, economic downturns, natural disasters and reductions in State Aid.
- The 2004-05 final budget for the General Fund totals \$450.7, an increase of \$31.5 over 2003-04 primarily due to additional costs related to the transfer of Clinics to the Health Department from Natividad Medical Center and increases in salary and benefit costs associated with higher retirement costs, health care costs and workers compensation costs.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT/REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional information, contact the County of Monterey, Auditor-Controller, 105 West Alisal Street, P.O. Box 390, Salinas, CA 93902.

**BASIC FINANCIAL STATEMENTS –
GOVERNMENT-WIDE FINANCIAL STATEMENTS**



COUNTY OF MONTEREY

Statement of Net Assets
June 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments:			
Held in County treasury	\$ 147,289,821	\$ 6,059,439	\$ 153,349,260
Held with trustee	67,952,086	810,312	68,762,398
Imprest cash	16,200	2,422	18,622
Other cash	--	103,916	103,916
Receivables:			
Accounts - net	8,137,451	19,620,196	27,757,647
Grants	17,700,768	351,518	18,052,286
Interest	578,497	--	578,497
Due from other agencies	8,394,879	--	8,394,879
Internal balances	(525,073)	525,073	--
Inventories	318,180	1,279,590	1,597,770
Prepaid items	193,157	597,904	791,061
Long-term receivables:			
Notes and loans	41,702,739	--	41,702,739
Other	5,929,759	--	5,929,759
Less: allowance for impaired assets	(41,702,739)	--	(41,702,739)
Capital assets:			
Nondepreciable	214,159,672	567,381	214,727,053
Depreciable, net	318,756,856	131,122,472	449,879,328
Total Assets	\$ 788,902,253	\$ 161,040,223	\$ 949,942,476
LIABILITIES			
Vouchers and accounts payable	\$ 7,214,255	\$ 3,988,977	\$ 11,203,232
Accrued salaries and benefits	10,252,853	2,324,492	12,577,345
Accrued interest payable	1,685,355	1,654,262	3,339,617
Accrued liabilities	1,564,232	4,733,582	6,297,814
Deposits from others	2,429,474	--	2,429,474
Deferred revenues	32,109,004	467,021	32,576,025
Estimated landfill closure and postclosure liability	6,753,000	--	6,753,000
Long-term liabilities:			
Due within one year	15,917,132	4,162,898	20,080,030
Due beyond one year	173,801,232	116,184,270	289,985,502
Total Liabilities	251,726,537	133,515,502	385,242,039
NET ASSETS			
Invested in capital assets, net of related debt	470,684,303	46,684,090	517,368,393
Restricted	65,959,786	--	65,959,786
Unrestricted	531,627	(19,159,369)	(18,627,742)
Total Net Assets	537,175,716	27,524,721	564,700,437
Total Liabilities and Net Assets	\$ 788,902,253	\$ 161,040,223	\$ 949,942,476

The accompanying notes are an integral part of these financial statements.

COUNTY OF MONTEREY

Statement of Activities
For the Year Ended June 30, 2004

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>Functions/Programs</u>				
Primary Government				
Governmental Activities:				
General government	\$ 76,318,439	\$ 42,359,809	\$ 11,986,675	1,093,510
Public protection	127,057,410	9,743,156	28,340,981	--
Public ways and facilities	50,948,355	26,188,871	12,353,154	--
Health and sanitation	100,882,918	16,384,943	48,643,448	--
Public assistance	120,371,289	12,125	124,148,716	--
Education	4,968,782	79,438	203,610	--
Recreation and culture services	7,208,089	5,545,282	2,143,624	--
Interest on long-term debt	4,430,291	--	--	--
Total Governmental Activities	<u>492,185,573</u>	<u>100,313,624</u>	<u>227,820,208</u>	<u>1,093,510</u>
Business-Type Activities:				
Natividad Medical Center	<u>130,309,673</u>	<u>150,139,898</u>	--	<u>254,865</u>
Total Business-Type Activities	<u>130,309,673</u>	<u>150,139,898</u>	--	<u>254,865</u>
Total Primary Government	<u>\$ 622,495,246</u>	<u>\$ 250,453,522</u>	<u>\$ 227,820,208</u>	<u>\$ 1,348,375</u>
General Revenues:				
Taxes:				
Property taxes				
Sales and use taxes				
Transient occupancy, vehicle license fees (VLF) and other taxes				
Unrestricted interest and investment earnings				
Tobacco settlement and miscellaneous				
Transfers				
Total General Revenues, Capital Contributions and Transfers				
Change in Net Assets				
Net Assets - July 1, 2003				
Prior period adjustments				
Net Assets - June 30, 2004				

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and
Changes in Net Assets

Primary Government		
Governmental Activities	Business- Type Activities	Total
\$ (20,878,445)	\$ --	\$ (20,878,445)
(88,973,273)	--	(88,973,273)
(12,406,330)	--	(12,406,330)
(35,854,527)	--	(35,854,527)
3,789,552	--	3,789,552
(4,685,734)	--	(4,685,734)
480,817	--	480,817
(4,430,291)	--	(4,430,291)
<u>(162,958,231)</u>	<u>--</u>	<u>(162,958,231)</u>
--	20,085,090	20,085,090
<u>--</u>	<u>20,085,090</u>	<u>20,085,090</u>
<u>(162,958,231)</u>	<u>20,085,090</u>	<u>(142,873,141)</u>
74,993,683	--	74,993,683
6,503,035	--	6,503,035
55,004,158	--	55,004,158
5,641,407	--	5,641,407
9,934,138	--	9,934,138
18,930,952	(18,930,952)	--
<u>171,007,373</u>	<u>(18,930,952)</u>	<u>152,076,421</u>
8,049,142	1,154,138	9,203,280
553,228,560	26,370,583	579,599,143
(24,101,986)	--	(24,101,986)
<u>\$ 537,175,716</u>	<u>\$ 27,524,721</u>	<u>\$ 564,700,437</u>

The accompanying notes are an integral part of these financial statements.



**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**



COUNTY OF MONTEREY

Balance Sheet
Governmental Funds
June 30, 2004

	General Fund	Facility Master Plan Implementation	Other Governmental Funds	Total
ASSETS				
Cash and Investments:				
Held in County treasury	\$ 75,394,787	\$ 17,717,265	\$ 54,177,769	\$ 147,289,821
Held with trustee	145,426	65,707,688	2,098,972	67,952,086
Imprest cash	16,200	--	--	16,200
Receivables:				
Accounts and other - net	7,378,443	474,014	284,994	8,137,451
Grants	15,577,627	--	2,123,141	17,700,768
Interest	484,726	23,222	70,549	578,497
Due from other agencies	6,919,733	--	1,475,146	8,394,879
Due from other funds	--	--	100,651	100,651
Advances to other funds	161,300	--	--	161,300
Inventories of materials and supplies at cost	155,808	--	162,372	318,180
Prepaid items and other assets	193,157	--	--	193,157
Long-term receivables:				
Notes and loans	30,617,487	11,005,252	80,000	41,702,739
Other	--	--	5,823,294	5,823,294
Less: allowance for impaired assets	(30,617,487)	(11,005,252)	(80,000)	(41,702,739)
Total Assets	<u>\$ 106,427,207</u>	<u>\$ 83,922,189</u>	<u>\$ 66,316,888</u>	<u>\$ 256,666,284</u>
LIABILITIES				
Vouchers and accounts payable	\$ 5,622,231	\$ 720,082	\$ 871,942	\$ 7,214,255
Accrued salaries and benefits	9,400,882	--	851,971	10,252,853
Interest payable	5,151	--	--	5,151
Accrued liabilities	1,422,747	109,774	31,711	1,564,232
Estimated self-insurance liabilities	9,536,000	--	--	9,536,000
Due to other funds	525,073	--	100,651	625,724
Deposits from others	1,468,300	--	961,174	2,429,474
Deferred revenues	26,091,513	--	6,017,491	32,109,004
Advances from other funds	--	--	161,300	161,300
Total Liabilities	<u>54,071,897</u>	<u>829,856</u>	<u>8,996,240</u>	<u>63,897,993</u>
FUND BALANCES				
Reserved for:				
Encumbrances	10,446,221	28,442,420	5,642,680	44,531,321
Unavailable assets	172,008	--	5,985,666	6,157,674
Debt service	--	--	9,591,742	9,591,742
Unreserved:				
Designated				
Subsequent year expenditures	15,357,630	--	--	15,357,630
Self insurance	6,149,430	--	--	6,149,430
Other designations	20,230,021	--	--	20,230,021
Undesignated, reported in:				
Special revenue funds	--	--	28,387,969	28,387,969
Capital projects funds	--	54,649,913	7,712,591	62,362,504
Total Fund Balances	<u>52,355,310</u>	<u>83,092,333</u>	<u>57,320,648</u>	<u>192,768,291</u>
Total Liabilities and Fund Balances	<u>\$ 106,427,207</u>	<u>\$ 83,922,189</u>	<u>\$ 66,316,888</u>	<u>\$ 256,666,284</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF MONTEREY

Reconciliation of the Governmental Funds Balance Sheet to
the Governmental-Wide Statement of Net Assets - Governmental Activities
June 30, 2004

Fund Balance - total governmental funds \$ 192,768,291

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the governmental funds. 532,916,528

Accrued interest on long-term advances receivable are not available to
pay for current period expenditures and, therefore, are not reported in
the governmental funds. 106,465

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the governmental
funds. Interest on long-term debt is not accrued in governmental funds,
but rather is recognized as an expenditure when due. All liabilities are
reported in the statement of net assets. Balances as of June 30, 2004 are:

Bonds and notes payable	\$ 44,910,275	
Certificates of participation	91,025,000	
Capital lease obligations	147,461	
Accrued interest on long-term debt	1,680,204	
Compensated absences	18,568,628	
Estimated self-insurance liabilities	25,531,000	
Estimated landfill closure and postclosure costs	6,753,000	<u>(188,615,568)</u>

Net assets of governmental activities \$ 537,175,716

The accompanying notes are an integral part of these financial statements.

COUNTY OF MONTEREY

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	General Fund	Facility Master Plan Implementation	Other Governmental Funds	Total
Revenues:				
Taxes, VLF and franchises	\$ 126,604,679	\$ --	\$ 9,896,197	\$ 136,500,876
Licenses and permits	11,514,264	--	582,564	12,096,828
Fines, forfeitures and penalties	3,542,011	556,089	11,224	4,109,324
Revenue from use of money and property	424,805	3,898,261	1,281,457	5,604,523
Aid from other governmental agencies	203,706,331	--	25,207,387	228,913,718
Charges for services	56,691,151	7,850	27,408,471	84,107,472
Tobacco settlement and miscellaneous	8,161,968	159	1,772,011	9,934,138
Total Revenues	410,645,209	4,462,359	66,159,311	481,266,879
Expenditures:				
Current:				
General government	65,757,409	1,852,233	6,222,254	73,831,896
Public protection	125,848,802	--	--	125,848,802
Public ways and facilities	490,553	--	40,649,931	41,140,484
Health and sanitation	97,080,860	--	3,630,228	100,711,088
Public assistance	110,110,603	--	9,709,952	119,820,555
Education	--	--	4,952,787	4,952,787
Recreation and culture services	8,737,267	--	21,349	8,758,616
Debt service - principal	455,000	--	2,400,523	2,855,523
Debt service - interest	58,647	--	4,584,552	4,643,199
Capital outlay	395,389	10,079,340	6,035,955	16,510,684
Total Expenditures	408,934,530	11,931,573	78,207,531	499,073,634
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,710,679	(7,469,214)	(12,048,220)	(17,806,755)
Other Financing Sources (Uses):				
Transfers in	24,550,610	--	14,628,283	39,178,893
Transfers out	(13,315,114)	--	(6,932,827)	(20,247,941)
Proceeds from long term debt	7,578,629	--	--	7,578,629
Total Other Financing Sources (Uses)	18,814,125	--	7,695,456	26,509,581
Net Change in Fund Balance	20,524,804	(7,469,214)	(4,352,764)	8,702,826
Fund Balances, Beginning of Year	31,830,506	90,561,547	82,178,639	204,570,692
Prior Period Adjustments	--	--	(20,505,227)	(20,505,227)
Fund Balances, End of Year	\$ 52,355,310	\$ 83,092,333	\$ 57,320,648	\$ 192,768,291

The accompanying notes are an integral part of these financial statements.

COUNTY OF MONTEREY

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Governmental-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2004

Net Change in fund balance - total governmental funds \$ 8,702,826

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets, infrastructure, and other related capital asset adjustment	\$ 23,620,403	
Less current year depreciation	<u>(20,227,893)</u>	3,392,510

The issuance of long-term debt provides current financial resources to Governmental Funds, and thus contributes to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities.

Issuance of judgment obligation bonds		(7,578,629)
---------------------------------------	--	-------------

Accrued interest on long-term advances receivable do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.		36,884
--	--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

Change in accrued interest on long-term debt	212,908	
Change in estimated long-term self-insurance liability	819,138	
Change in compensated absences	(810,240)	
Change in estimated landfill closure and postclosure	<u>145,964</u>	367,770

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

Principal repayments:

General obligation bonds	4,523	
Certificates of Participation	575,000	
Revenue bonds	2,247,000	
Special assessment bonds	4,000	
Notes and loans	41,847	
Capital leases	<u>255,411</u>	<u>3,127,781</u>

Change in net assets of governmental activities \$ 8,049,142

The accompanying notes are an integral part of these financial statements.

COUNTY OF MONTEREY

Budgetary Comparison Statement
General Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes, VLF and franchises	\$ 125,365,436	\$ 122,331,738	\$ 126,604,679	\$ 4,272,941
Licenses and permits	11,680,241	11,753,097	11,514,264	(238,833)
Fines, forfeitures and penalties	3,310,640	3,442,591	3,542,011	99,420
Revenue from use of money and property	2,028,609	2,037,305	424,805	(1,612,500)
Aid from other governmental agencies	205,288,689	218,081,121	203,706,331	(14,374,790)
Charges for services	56,374,684	59,722,991	56,691,151	(3,031,840)
Tobacco settlement and miscellaneous	6,583,552	7,420,305	8,161,968	741,663
Total revenues	<u>410,631,851</u>	<u>424,789,148</u>	<u>410,645,209</u>	<u>(14,143,939)</u>
Expenditures				
Current:				
General government	81,827,282	74,322,265	67,991,111	6,331,154
Public protection	121,913,400	126,549,211	126,838,271	(289,060)
Public ways and facilities	185,955	542,227	490,553	51,674
Health and sanitation	81,723,518	103,234,005	100,062,925	3,171,080
Public assistance	111,456,979	116,777,362	110,240,805	6,536,557
Culture and recreation	8,201,063	10,210,269	9,692,635	517,634
Debt service - principal	455,000	455,000	455,000	--
Debt service - interest	58,647	58,647	58,647	--
Capital outlay	5,569,713	8,795,345	2,101,083	6,694,262
Contingencies	3,000,000	5,271,484	--	5,271,484
Total expenditures	<u>414,391,557</u>	<u>446,215,815</u>	<u>417,931,030</u>	<u>28,284,785</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,759,706)</u>	<u>(21,426,667)</u>	<u>(7,285,821)</u>	<u>14,140,846</u>
Other financing sources (uses)				
Transfers in	1,156,053	25,469,323	24,550,610	(918,713)
Transfers out	4,778,881	(13,386,693)	(13,315,114)	71,579
Proceeds from long term debt	--	--	7,578,629	7,578,629
Total Other Financing Sources (Uses)	<u>5,934,934</u>	<u>12,082,630</u>	<u>18,814,125</u>	<u>6,731,495</u>
Net change in budgetary fund balances	2,175,228	(9,344,037)	11,528,304	20,872,341
Budgetary fund balances, July 1	<u>31,830,506</u>	<u>31,830,506</u>	<u>31,830,506</u>	<u>--</u>
Budgetary fund balances, June 30	<u>\$ 34,005,734</u>	<u>\$ 22,486,469</u>	<u>\$ 43,358,810</u>	<u>\$ 20,872,341</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement \$ 417,931,030

Differences - budget to GAAP:

Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes (8,996,500)

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 408,934,530

The accompanying notes are an integral part of these financial statements.

COUNTY OF MONTEREY

Statement of Fund Net Assets
Proprietary Funds
June 30, 2004

	<u>Enterprise Funds</u>
<u>Assets</u>	<u>Hospital</u>
Current Assets:	
Cash and cash equivalents	\$ 6,163,355
Imprest cash	2,422
Patient's accounts receivable, net of estimated uncollectable of \$(21,212,120)	19,620,196
Due from other funds	525,073
Due from other agencies	351,518
Inventories	1,279,590
Prepaid expenses	597,904
Total Current Assets	28,540,058
Restricted Assets:	
Held by trustee	810,312
Capital assets:	
Nondepreciable	567,381
Depreciable, net	131,122,472
Total Assets	\$ 161,040,223
<u>Liabilities and Net Assets</u>	
Current Liabilities:	
Accounts payable	\$ 3,988,977
Accrued salaries and benefits	2,324,492
Accrued interest payable	1,654,262
Accrued liabilities	4,733,582
Deferred revenue	467,021
Current portion of the certificates of participation	1,920,000
Current portion of the capital leases	326,095
Current portion of compensated absences	1,916,803
Total Current Liabilities	17,331,232
Long-Term Liabilities:	
Notes payable	30,697,487
Certificates of participation	71,136,734
Capital leases	1,427,994
Construction loan	11,005,252
Compensated absences	1,916,803
Total Long-Term Liabilities	116,184,270
Total Liabilities	133,515,502
Net Assets:	
Invested in capital assets, net of related debt	46,684,090
Unrestricted (deficit)	(19,159,369)
Total Net Assets	27,524,721
Total Liabilities and Net Assets	\$ 161,040,223

The accompanying notes are an integral part of these financial statements.

COUNTY OF MONTEREY

Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2004

	Enterprise Funds <hr/> Hospital
Operating Revenues:	
Net patient services revenues	\$ 147,992,884
Other operating revenues	<u>2,147,014</u>
Total Operating Revenues	<u>150,139,898</u>
Operating Expenses:	
Salaries and wages	41,114,683
Employee benefits	12,069,238
Supplies	9,422,807
Provisions for doubtful accounts receivable	13,468,308
Utilities	2,402,778
Purchased services	36,078,748
Insurance	2,209,522
Depreciation and amortization	5,896,998
Other	<u>2,430,667</u>
Total Operating Expenses	<u>125,093,749</u>
Net Operating Income	<u>25,046,149</u>
Non-Operating Revenues (Expenses):	
Interest income (expense) – net	(5,043,229)
Loss on sale of assets	<u>(172,695)</u>
Total Non-Operating Revenues (Expenses)	<u>(5,215,924)</u>
Income (Loss) Before Transfers and Contributions	19,830,225
Transfers in	4,915,709
Transfers out	(23,846,661)
Capital Contributions	<u>254,865</u>
Change in Net Assets	1,154,138
Net Assets - Beginning of Year	<u>26,370,583</u>
Net Assets - End of Year	<u><u>\$ 27,524,721</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF MONTEREY

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	Enterprise Funds
	Hospital
Cash Flows from Operating Activities:	
Cash received from patients and third party payors	\$ 138,162,919
Cash received from other sources	2,147,014
Cash paid to employees for services	(55,012,915)
Cash paid to suppliers for goods and services	(53,443,915)
Net cash provided by operating activities	31,853,103
Cash flows from noncapital financing activities:	
Due from Monterey County	(525,073)
Transfers received for other than capital purposes	4,915,709
Transfers to other funds	(23,846,661)
Net cash provided (used) by noncapital financing activities	(19,456,025)
Cash flows from capital and related financing activities:	
Principal payments on COPs, capital leases, loans	(1,964,072)
Interest payments on COPs, capital leases, loans	(4,653,754)
Capital contributions	254,865
Payments related to the acquisition of capital assets	(802,512)
Proceeds from note payable	661,878
Proceeds from sale of capital assets	50,000
Net cash provided (used) by capital and related financing activities	(6,453,595)
Cash flow from investing activities:	
Interest payments received	61,467
Net cash provided (used) by investing activities	61,467
Net increase (decrease) in cash and cash equivalents	6,004,950
Cash and equivalents, July 1	971,139
Cash and equivalents, June 30	\$ 6,976,089
 <u>Reconciliation of cash and cash equivalents to Statement of Net Assets</u>	
Cash and cash equivalents	\$ 6,163,355
Imprest cash	2,422
Restricted cash	810,312
Total cash and cash equivalents	\$ 6,976,089

continued

The accompanying notes are an integral part of these financial statements.

COUNTY OF MONTEREY

Statements of Cash Flows (continued)
 Proprietary Funds
 For the Year Ended June 30, 2004

	<u>Enterprise Funds</u> <u>Hospital</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 25,046,149
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	5,896,998
Increase (decrease) in provision for doubtful accounts	13,468,308
(Increase) decrease in accounts receivable	(10,323,722)
(Increase) decrease in inventories	433,014
(Increase) decrease in prepaid items	347,940
Increase (decrease) in accounts payable	(1,595,015)
Increase (decrease) in other accrued liabilities	(1,538,714)
Increase (decrease) in deferred liabilities	(85,332)
Increase (decrease) in compensated absences	(290,280)
Increase (decrease) in estimated third-party payor settlements	493,757
	<hr/>
Total Adjustments	6,806,954
	<hr/>
Net cash provided (used) by operating activities	\$ 31,853,103
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

COUNTY OF MONTEREY

Statement of Fiduciary Net Assets
June 30, 2004

	<u>Investment Trust</u>	<u>Agency Funds</u>	<u>Total</u>
ASSETS			
Cash and Investments:			
Held in County treasury	\$ 468,845,451	\$ 21,613,765	\$ 490,459,216
Receivables:			
Taxes	--	17,479,329	17,479,329
Interest	--	2,246,961	2,246,961
Long-term receivables	--	30,000	30,000
Total Assets	<u>468,845,451</u>	<u>41,370,055</u>	<u>510,215,506</u>
LIABILITIES			
Accounts payable	20,729,910	2,550,651	23,280,561
Accrued liabilities	3,500,000	--	3,500,000
Agency funds held for others	--	38,819,404	38,819,404
Total Liabilities	<u>24,229,910</u>	<u>41,370,055</u>	<u>65,599,965</u>
NET ASSETS			
Net assets held in trust for investment pool participants	<u>444,615,541</u>	<u>--</u>	<u>444,615,541</u>
Total Net Assets	<u><u>\$ 444,615,541</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 444,615,541</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF MONTEREY

Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2004

	<u>Investment Trust</u>
ADDITIONS	
Contributions to investment pool	\$ 138,320,230
Interest and investment income	<u>7,240,211</u>
Total Additions	<u>145,560,441</u>
DEDUCTIONS	
Distributions from investment pool	<u>71,315,175</u>
Total Deductions	<u>71,315,175</u>
Change in net assets	74,245,266
Net assets, beginning of year	<u>370,370,275</u>
Net assets, end of year	<u><u>\$ 444,615,541</u></u>

The accompanying notes are an integral part of these financial statements.



NOTES TO FINANCIAL STATEMENTS

The notes provided in the financial section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a summary of significant accounting policies for the County, and other necessary disclosure of pertinent matters relating to the financial position of the County. The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this document.



COUNTY OF MONTEREY

Notes to Financial Statements
For the Year Ended June 30, 2004

Note 1: **The Financial Reporting Entity**

The County of Monterey (the County) was created pursuant to general law as a subdivision of the State of California. It is governed by a five-member elected Board of Supervisors. As required by generally accepted accounting principles, the accompanying financial statements present the County (the primary government) and its component units, entities for which the government is considered to be financially accountable under the criteria set by Government Auditing Standards Board (GASB) Statement No. 14.

Although they are legally separate from the County, the following blended component units are reported as if they were a part of the County because the Monterey County Board of Supervisors also serves as the governing board of each component unit:

- Monterey County Water Resources Agency, including Storm Drain Maintenance District No. 2 and Gonzales Slough Maintenance District
- All County Service Areas
- All County Sanitation Districts except Seaside County Sanitation District
- Monterey County Redevelopment Agency
- Nacimiento Hydroelectric Operations
- Monterey County Financing Authority
- Natividad Medical Center

The County does not report any discretely presented component units.

Complete financial statements of the Monterey County Redevelopment Agency can be obtained from County of Monterey, Intergovernmental Affairs, P.O. Box 180, Salinas, CA 93902 and complete financial statements of Natividad Medical Center can be obtained from Natividad Medical Center, P.O. Box 81611, Salinas, CA 93912-1611.

The Monterey County Board of Supervisors appoints a voting majority of the governing boards of the following entities; however, such entities are excluded from the accompanying basic financial statements due to the fact that (1) the County is not able to impose its will on the entity and (2) there is not a financial benefit/burden relationship between the County and the entity:

- Monterey County Housing Authority
- Monterey Bay Unified Air Pollution Control District
- All Cemetery Districts
- Carmel Highlands Fire Protection District
- Mid-Carmel Valley Fire Protection District
- Mission Soledad Rural Fire Protection District
- Salinas Rural Fire Protection District
- North County Public Recreation District

COUNTY OF MONTEREY

Notes to Financial Statements
For the Year Ended June 30, 2004

Note 2: **Summary of Significant Accounting Policies**

A. **Basis of Presentation**

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between program expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the County'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 governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, 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. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

COUNTY OF MONTEREY

Notes to Financial Statements
For the Year Ended June 30, 2004

Note 2: **Summary of Significant Accounting Policies** (continued)

A. **Basis of Presentation** (continued)

Fund Financial Statements (continued)

The County reports the following major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as public protection, public ways and facilities, health and sanitation, public assistance, education and recreation services.
- The *Facility Master Plan Implementation Fund* is designated for the renovation of the North, East & West Wings of the Courthouse, the renovation of the Old Natividad Medical Center and the construction of a new County Administrative Building. Additionally, funds will be used to address space needs for various other County departments.

The County reports the following major enterprise fund:

- The *Natividad Medical Center (the Hospital)* accounts for hospital operations involved in providing health services to County residents. Revenues are principally fees for patient services, payments from Federal and State programs such as Medicare, Medi-Cal and Short-Doyle, realignment revenues and subsidies from the general fund. For more detailed information on the hospital, refer to the Natividad Medical Center audit report.

The County reports the following fiduciary fund types:

- The *Investment Trust Fund* accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts and other special districts governed by local boards, regional boards and authorities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.
- The *Agency Funds* account for assets held by the County as an agent for various local governments.

COUNTY OF MONTEREY

Notes to Financial Statements For the Year Ended June 30, 2004

Note 2: **Summary of Significant Accounting Policies** (continued)

B. Basis of Accounting

The government-wide, proprietary and investment trust fund financial statements are reported using the economic resources measurement focus and the 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. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

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 ("susceptible to accrual"). Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within ninety days after the end of the accounting period so as to be measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

For its business-type activities and enterprise funds, the County has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 2: **Summary of Significant Accounting Policies** (continued)

C. **Non-Current Governmental Assets/Liabilities**

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide statement of net assets.

D. **Cash and Cash Equivalents**

For purposes of the accompanying statement of cash flows, the enterprise funds consider all highly liquid investments with a maturity of three months or less when purchased, and their equity in the County Treasurer's investment pool, to be cash equivalents.

E. **Investments**

Statutes authorize the County to invest its surplus cash (excluding CalPERS) in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds rated P-1 by Standard & Poor's Corporation or A-1 by Moody's Investor Service, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund. Gains and losses are recognized upon sale based upon the specific identification method. Investments in nonparticipating interest-earning investment contracts (guaranteed investment contracts) are reported at cost, commercial paper which have maturities of less than 90 days are reported at amortized cost and all other investments are reported at fair value. The fair values of investments are obtained by using quotations obtained from independent published sources.

F. **Inventories**

Inventories are stated at cost (first-in, first-out basis) for governmental funds and lower of average cost or market for proprietary funds. Inventory recorded by governmental funds includes postage and materials and supplies for roads. Governmental fund inventories are recorded as expenditures at the time the inventory is consumed. Reported inventories of governmental funds are equally offset by a fund balance reservation to indicate that portion of fund balance not available for future appropriation.

Inventory recorded in the proprietary funds mainly consists of maintenance supplies as well as pharmaceutical supplies maintained by the Hospital. Inventory is expensed as the supplies are consumed.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 2: **Summary of Significant Accounting Policies** (continued)

G. Property Taxes

Property taxes attach as an enforceable lien on secured and unsecured property as of January 1, and are levied as of July 1. Secured property taxes are due in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1 and become delinquent, if unpaid, on August 31. The County bills and collects its own property taxes and also collects such taxes for cities, schools, and special districts.

H. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, bridges, lighting system, drainage system, dams and water systems. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. For buildings, the capitalization threshold is \$125,000. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

The estimated useful lives are as follows:

Infrastructure (except for the maintained pavement subsystem)	15 to 50 years
Structures and improvements	50 years
Equipment	3 to 20 years

The County has four networks of infrastructure assets – roads, lighting, drainage system, dams and water system.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 2: **Summary of Significant Accounting Policies** (continued)

I. **Compensated Absences (Accrued Vacation, Paid-Time-Off, Sick Leave, and Compensatory Time)**

Vacation and Paid-Time-Off

Unused vacation and paid-time-off (PTO) leaves may be accumulated up to a specified maximum cap based on an employee's bargaining unit or management group. The maximum that can be accumulated is as follows:

Management Employees (X, Y, D, E)	850 Hours
Supervisory Employees (F)	300 Hours
General Employees (J, P)	260 Hours
General & Supervisory Sheriffs (A, B)	400 Hours
Management Sheriffs (C)	675 Hours
Health Care (HN)	400 Hours
Health Care (HH)	260 Hours
Social Workers (K)	260 Hours
General Probation (M)	260 Hours
Supervisory Probation (N)	300 Hours
Resident Physicians (R)	500 Hours

Vacation and PTO leaves are paid to the employee at the time of separation from County employment. Some County employees have an option to buy back up to 80 hours of vacation or PTO leave.

Vacation and PTO liabilities are calculated using employee's fiscal year end vacation and PTO leave balances multiplied by the employee's fiscal year end rate of pay. The current portion of the liability for vacation and PTO leaves is based on an estimated percentage of employees that will separate from County employment in the next fiscal year (turnover rate), applied to the total liability for vacation and PTO leaves. For the fiscal year ended June 30, 2004, the turnover rate was 25.3% for governmental activities and 33.3% for business-type activities.

Sick Leave

Sick Leave can be accumulated indefinitely. Upon retirement or death, unused sick leave is paid up to 500 hours or 750 hours if an employee opts to exchange time to pay for health benefits. All unused sick leave above the 500-750 hours or any unused sick leave for employees separated from the County for other reasons is forfeited.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 2: **Summary of Significant Accounting Policies** (continued)

I. **Compensated Absences (Accrued Vacation, Paid-Time-Off, Sick Leave, and Compensatory Time)** (continued)

Sick Leave (continued)

The sick leave liability is calculated using the employee's fiscal year end sick leave balance multiplied by the employee's fiscal year end rate of pay multiplied by the ratio of separated versus retired employees. The ratio of separated versus retired employees for fiscal year ended June 30, 2004 is 22.2%. The current portion of the liabilities is calculated using the County's prior year retirement rate. For fiscal year ended June 30, 2004, the retirement rate was 5.6%.

Compensatory Time

Compensatory time-off can be accrued in lieu of overtime payments. An employee can accumulate compensatory time-off up to 240 hours or 480 hours for public safety and seasonal workers. The compensatory time-off balances are expected to be used within the next fiscal year. All compensatory time-off balances are considered current year liabilities.

The County includes its share of Social Security and Medicare taxes payable on behalf of the employees in the accrual for compensated absences.

J. **Interfund Transactions**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 2: **Summary of Significant Accounting Policies** (continued)

K. Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Budgetary Basis of Accounting

In accordance with the provisions of Sections 29000 and 29143, inclusive, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares a budget for each fiscal year on or before August 30. Budgeted expenditures are enacted into law through the passage of an Appropriation Ordinance. This ordinance mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the County's Board of Supervisors.

An operating budget is adopted each fiscal year for all Governmental Funds except for the Monterey County Financing Authority. Expenditures are controlled at the object level within budget units for the County. The object level within a budget unit is the level at which expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations between object levels between departments or funds are authorized by the County Administrator's office and must be approved by the Board of Supervisors. Supplementary appropriations normally financed by unanticipated revenues during the year must be approved by the Board of Supervisors. Pursuant to Board Resolution, the County Administrative Officer and/or appointed department heads are authorized to approve transfers and revision of appropriations under \$50,000 within a single budget unit as deemed necessary and appropriate unless it is to a fixed asset object. Transfers to fixed asset objects must be approved by the Board of Supervisors. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and is amended during the fiscal year by resolutions approved by the Board of Supervisors.

The amounts reported in the budgetary basis differ from the basis used to present the basic financial statements in accordance with generally accepted accounting principles (GAAP). The County uses an encumbrances system as an extension of normal budgetary accounting for the general, special revenue, and other debt service funds and to assist in controlling expenditures of the capital projects funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 2: **Summary of Significant Accounting Policies** (continued)

L. **Budgetary Basis of Accounting** (continued)

Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

The budgets for the governmental funds may include an object level known as "intrafund transfers" in the charges for appropriations. This object level is an accounting mechanism used by the County to show reimbursements between operations within the same fund (an example would be the General Fund).

Note 3: **Cash and Investments**

At June 30, 2004, the total cash and investments pooled in the County Treasury may be summarized as follows:

Cash and Deposits in Bank per Treasury	\$ 29,234,621
Less: Warrants Paid and Other Adjustments Cleared by Bank at June 30, 2004	<u>(21,587,845)</u>
Adjusted Cash and Deposits	7,646,776
Investments	<u>646,519,490</u>
Adjusted Cash and Investments in Treasury	654,166,266
Less: Outstanding Warrants and other items	<u>(10,357,790)</u>
Total	<u>\$ 643,808,476</u>

Total County cash and investments pooled in the County Treasury are reported as follows:

Primary government	\$ 153,349,260
Investment trust fund	468,845,451
Agency funds	<u>21,613,765</u>
Total Cash and Investments	<u>\$ 643,808,476</u>

State statutes prescribe the kinds of investments that may be entered into by local agencies. The County's investments consist of the following kinds of authorized investments:

- Obligations of the United States government and its agencies and instrumentalities
- Commercial paper of the highest ranking, as provided by Moody's Investors Service, Inc. or Standard and Poor's Corporation
- Banker's Acceptances
- Negotiable certificates of deposit

COUNTY OF MONTEREY

Notes to Financial Statements June 30, 2004

Note 3: **Cash and Investments** (continued)

- Repurchase agreements
- State Treasurer's Local Agency Investment Fund
- Corporate notes
- Money market mutual funds
- Guaranteed investment contracts

Fair market value were obtained from custodial statements for all investments. Amortized cost was used for all investments having 90 days or less to maturity. Book cost was used for collateralized Certificates of Deposit purchased from state and nationally chartered banks.

The Monterey County Treasurer's Pool is not SEC-registered, but is invested in accordance with California State Government Code, and the Monterey County Treasurer's Investment Policy. California State Government Code requires the formation of an Investment Oversight Committee, which is charged with overseeing activity in the pool for compliance to policy and code requirements. To this end, the Oversight Committee reviews the monthly investment report prior to presentation to the Board of Supervisors and causes an audit of investments to occur annually.

The Monterey County Treasurer's Pool maintains some investment in the State of California Local Agency Investment Fund (L.A.I.F.). This fund is not SEC-registered, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for L.A.I.F. The Board consists of five members as designated by state statute. Withdrawals from LA.I.F. are done on a dollar to dollar basis.

At June 30, 2004, investments in the County Treasury include instruments with a variety of interest rate terms. Approximately 36% of the portfolio is invested in immediately available liquid assets and/or funds. As of June 30, 2004, there were no instruments in the portfolio defined as "inverse floaters", which bear interest at floating rates structured to fluctuate inversely to market interest rate changes.

In addition to cash and investments in the County Treasury, the County has cash and investments which are separately held by fiscal agents for certain debt service funds and the capital improvement projects for the Natividad Medical Center.

Deposits

At June 30, 2004, the carrying amount of the County's time and demand deposits (checking account) was \$5,097,193 and the balance per the bank was \$3,313,276. The difference between the carrying amount and the bank balance is due to deposits in transit, cleared warrants, and other reconciling items.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 3: **Cash and Investments** (continued)

Deposits (continued)

The California Government Code requires California banks and savings and loan associations to secure local governmental agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110 percent of an agency's deposits. California's law also allows financial institutions to secure an agency's deposit by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits. The agency may waive collateral requirements for deposits which are fully insured up to \$100,000 by federal deposit insurance. Of the bank balance at June 30, 2004, \$100,000 was covered by federal deposit insurance and the remainder was collateralized.

Investments

Investments in state and local agencies generally are classified into three categories of credit risks. Category 1 includes investments that are insured or registered, or for which the securities are held by the County or by the County's agent in the County's name. Category 2 consists of uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the County's name. The County's investments at June 30, 2004, are shown by these categories in the following table. The County held no Category 2 or Category 3 investments at that date.

The County's investment custodian provides market values on each investment instrument on a monthly basis. The investments held by the County are widely traded in the financial markets and trading values are readily available from numerous published sources. The County has determined that cost to fair values are not materially different (fair value is 99.4% of cost) so that no adjustments have been reported on the financial statements.

	<u>Maturity Dates</u>	<u>Stated Interest Rates</u>	<u>Category 1</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Par Value</u>
In County Treasury:						
U.S. Agency Securities	10/19/05 – 1/23/09	1.50% – 5.5%	\$ 276,507,075	\$ 276,507,075	\$ 273,627,062	\$ 274,850,000
U.S. Treasury Notes	6/30/05 – 2/15/07	1.125% – 3.5%	128,664,465	128,664,465	127,715,941	130,050,000
Repurchase Agreements	7/1/04	1.45% – 1.50%	180,537,950	180,537,950	180,537,950	180,537,950
Medium-Term Notes	8/16/05	7.625%	10,810,000	10,810,000	10,540,900	10,000,000
			<u>\$ 596,519,490</u>	596,519,490	592,421,853	595,437,950
Investments Not Subject to Categorization:						
Money Market Mutual Fund				5,000,000	5,000,000	5,000,000
Local Agency Investment Fund				40,000,000	40,000,000	40,000,000
California Asset Management Program				<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Total Investments				<u>\$ 646,519,490</u>	<u>\$ 642,421,853</u>	<u>\$ 645,437,950</u>

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 3: **Cash and Investments** (continued)

Investments (continued)

In accordance with Government Code Section 53647, interest on all money deposited in the County Treasury belongs to the County unless otherwise directed by law or the County Board of Supervisors. To comply with this code section, interest earned from pooled treasury investments was apportioned to participating funds quarterly through March 31, 2004; interest earned from April 1 to June 30, 2004, was calculated but not distributed as of June 30, 2004 and is shown as interest receivable on the financial statements.

Cash in Treasury

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2004:

COUNTY OF MONTEREY

Pooled Treasury

Statement of Net Assets

June 30, 2004

Assets:

Pooled cash and investments \$ 643,808,476

Net Assets:

Equity of Internal Pool participants \$ 153,349,260

Equity of External Pool participants (voluntary and involuntary) 490,459,216

Total Net Assets \$ 643,808,476

Statement of Changes in Net Assets

For the Year Ended June 30, 2004

Investment income for the year \$ 10,589,929

Investment costs (577,539)

Net additional contributions (withdrawals) by pool participants (20,924,182)

Net increase (decrease) for the year (10,911,792)

Net assets, July 1, 2003 654,720,268

Net assets, June 30, 2004 \$ 643,808,476

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 4: **Interfund Transactions**

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2004 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Hospital	General Fund	\$ 525,073
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>100,651</u>
Total		<u>\$ 625,724</u>

Interfund transfers were for goods and services provided.

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>\$ 161,300</u>

The above interfund advances are long-term loans that are not expected to be reported in the short-term.

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and re-allocations of special revenues. The following schedule briefly summarizes the County's transfer activity:

Between Governmental and Business-Type Activities:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
Hospital	General Fund	\$ 23,846,661	Funding per SB 855/SB 1256
Nonmajor Governmental Funds	Hospital	162,523	Emergency Medical Services revenue
General Fund	Hospital	<u>4,753,186</u>	Funding for operations
Totals		<u>\$ 28,762,370</u>	

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 4: **Interfund Transactions** (continued)

Transfers (continued)

Between Funds Within the Governmental or Business-Type Activities:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	\$ 4,678,707 3,883,221	Funding for Debt Service Funding for operations of Library, Water Resources, Capital Projects & Road Fund
Nonmajor Governmental Funds	General Fund	703,949	Equipment for Capital Projects, Emergency Medical Services and Water Resources Loan repayment
	Nonmajor Governmental Funds	6,066,355	Funding for operations of Water Resources, Redevelop- ment and revenue bonds
Totals		<u>\$ 15,332,232</u>	

Note 5: **Notes and Loans Receivable, Net**

	<u>June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2004</u>
Construction loan	\$ 11,005,252	\$ --	\$ --	\$ 11,005,252
Productivity loan	120,000	--	120,000	--
Notes	29,364,228	395,650	--	29,759,878
Accrued interest on outstanding debt	<u>671,381</u>	<u>266,228</u>	<u>--</u>	<u>937,609</u>
Total notes and loans receivable	41,160,861	661,878	120,000	41,702,739
Less: allowance for impaired assets	<u>(41,160,861)</u>	<u>(661,878)</u>	<u>(120,000)</u>	<u>(41,702,739)</u>
Total notes and loans receivable, net	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

During the year ended June 30, 2004, the hospital incurred additional debt to the County bringing the total due to \$41,702,739. These amounts have been adjusted to reflect an allowance for doubtful accounts of \$41,702,739 on the County's books. This amount still shows as part of long-term debt on the Natividad Medical Center's accounts. The Natividad Medical Center will keep the liability on its books so that when funds are available, they can be paid back to the County. It is the intent of the County to collect these funds.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 6: **Capital Assets**

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2004</u>
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 174,468,196	\$ 25,000	\$ --	\$ --	\$ 174,493,196
Construction in progress	<u>26,036,008</u>	<u>17,914,049</u>	<u>--</u>	<u>(4,283,581)</u>	<u>39,666,476</u>
Total capital assets, not being depreciated	<u>200,504,204</u>	<u>17,939,049</u>	<u>--</u>	<u>(4,283,581)</u>	<u>214,159,672</u>
Capital assets, being depreciated:					
Infrastructure	460,600,657	140,591	--	(10,013,419)	450,727,829
Structures and improvements	80,608,916	2,474,785	--	--	83,083,701
Equipment	<u>56,256,103</u>	<u>4,648,208</u>	<u>(2,344,848)</u>	<u>10,700,241</u>	<u>69,259,704</u>
Total capital assets, being depreciated	<u>597,465,676</u>	<u>7,263,584</u>	<u>(2,344,848)</u>	<u>686,822</u>	<u>603,071,234</u>
Less accumulated depreciation for:					
Infrastructure	(207,439,983)	(11,775,429)	--	--	(219,215,412)
Structures and improvements	(25,226,015)	(2,355,399)	--	--	(27,581,414)
Equipment	<u>(32,183,105)</u>	<u>(6,097,065)</u>	<u>762,618</u>	<u>--</u>	<u>(37,517,552)</u>
Total accumulated depreciation	<u>(264,849,103)</u>	<u>(20,227,893)</u>	<u>762,618</u>	<u>--</u>	<u>(284,314,378)</u>
Total capital assets, being depreciated, net	<u>332,616,573</u>	<u>(12,964,309)</u>	<u>(1,582,230)</u>	<u>686,822</u>	<u>318,756,856</u>
Government activities capital assets, net	<u>\$ 533,120,777</u>	<u>\$ 4,974,740</u>	<u>\$ (1,582,230)</u>	<u>\$ (3,596,759)</u>	<u>\$ 532,916,528z</u>
Business-Type Activities					
Capital assets, not being depreciated:					
Construction in progress	\$ 2,581,058	\$ 246,416	\$ --	\$ (2,260,093)	\$ 567,381
Total capital assets, not being depreciated	<u>2,581,058</u>	<u>246,416</u>	<u>--</u>	<u>(2,260,093)</u>	<u>567,381</u>
Capital assets, being depreciated:					
Structures and improvements	151,413,570	27,781	--	225,804	151,667,155
Equipment	<u>24,223,085</u>	<u>2,266,708</u>	<u>(241,113)</u>	<u>2,031,400</u>	<u>28,280,080</u>
Total capital assets, being depreciated	<u>175,636,655</u>	<u>2,294,489</u>	<u>(241,113)</u>	<u>2,257,204</u>	<u>179,947,235</u>
Less accumulated depreciation for:					
Structures and improvements	(24,624,836)	(3,605,258)	--	--	(28,230,094)
Equipment	<u>(18,321,354)</u>	<u>(2,291,733)</u>	<u>18,418</u>	<u>--</u>	<u>(20,594,669)</u>
Total accumulated depreciation	<u>(42,946,190)</u>	<u>(5,896,991)</u>	<u>18,418</u>	<u>--</u>	<u>(48,824,763)</u>
Total capital assets, being depreciated, net	<u>132,690,465</u>	<u>(3,602,502)</u>	<u>(222,695)</u>	<u>2,257,204</u>	<u>131,122,472</u>
Business-type activities capital assets, net	<u>\$ 135,271,523</u>	<u>\$ (3,356,086)</u>	<u>\$ (222,695)</u>	<u>\$ (2,889)</u>	<u>\$ 131,689,853</u>

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 6: **Capital Assets** (continued)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 3,385,700
Public protection	1,836,459
Public works	13,973,932
Health and sanitation	258,931
Public assistance	375,176
Education	124,446
Recreation	<u>273,249</u>
Total Depreciation Expense – Governmental Functions	<u>\$ 20,227,893</u>

Depreciation expense was charged to the business-type functions as follows:

Natividad Medical Center	<u>\$ 5,896,991</u>
--------------------------	---------------------

Note 7: **Short-Term Debt**

On July 1, 2003, the County issued a Tax and Revenue Anticipation Note (TRAN) in the amount of \$29,345,000, with an interest rate of 2% and a maturity date of June 30, 2004. Proceeds of the funds were used for cash flow purposes as needed by the County. The balance of this note at June 30, 2004 was zero.

Note 8: **Leases**

Operating Leases

The County has commitments under long-term and personal property operating lease agreements. During the fiscal year ended June 30, 2004, the County paid operating rents of \$6,920,862. Future minimum lease payments are approximately as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Year Ending June 30:		
2005	\$ 1,200,309	\$ 873,678
2006	1,200,309	613,358
2007	1,200,309	371,436
2008	1,179,683	175,428
2009	225,619	175,428
Thereafter	--	526,284
Total Minimum Lease Payments	<u>\$ 5,006,229</u>	<u>\$ 2,735,612</u>

However, the County believes that it would be able to terminate the leases early, should the need arise, based on California case City of Los Angeles v. Offner, 19 Cal.2d 483 dated February 13, 1942.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 8: **Leases** (continued)

Capital Leases

The County leases equipment under certain lease obligations accounted for as capital leases. Included in the governmental and business-type funds are the following capital asset amounts under capital leases:

	Governmental Activities	Business-Type Activities
Equipment	\$ 598,841	\$ 3,535,126
Less: accumulated depreciation	(277,101)	(1,440,361)
	\$ 321,740	\$ 2,094,765

The following is a schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 2004:

	Governmental Activities	Business-Type Activities
Year Ending June 30		
2005	\$ 36,900	\$ 402,275
2006	33,516	382,988
2007	26,728	362,061
2008	18,968	262,539
2009	52,107	230,006
2010-2011	--	364,176
Total	168,219	2,004,045
Less: Amount representing interest	20,758	249,956
Present value of future minimum lease payments	\$ 147,461	\$ 1,754,089

Note 9: **Rental Income Under Operating Leases**

The following is a schedule by years of minimum future rental income on noncancellable operating leases as of June 30, 2004. These operating leases, for vacant office spaces located on the campus of Natividad Medical Center, contain no material restrictions. All are to be paid to Natividad Medical Center.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 9: **Rental Income Under Operating Leases** (continued)

Year Ended <u>June 30,</u>	<u>Amount</u>
2005	\$ 835,590
2006	623,619
2007	601,016
2008	343,876
2009	<u>208,287</u>
	<u>\$ 2,612,388</u>

Total rental income under operating lease agreements during the year ended June 30, 2004 was approximately \$825,124.

Note 10: **Long-Term Liabilities**

Legal Debt Limit

The County's legal debt limit for the year ended June 30, 2004 was \$453,188,000. This limit is based on 1.25% of the net assessed valuation of property within the County. The County's outstanding long-term issues payable is \$135,935,275, but only \$14,773 is applicable to the debt limit. The County has complied with all significant debt covenants.

The following is a summary of long-term liabilities transactions for the year ended June 30, 2004:

<u>Governmental Activities</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Principal Installments</u>	<u>Date of Issue</u>	<u>Amount Authorized</u>	<u>Outstanding June 30, 2004</u>
General obligation bonds						
Agencies under the Board of Supervisors	2004-2007	4.50%	\$4,523-\$5,108	1/1/1964	\$ 13,196,000	\$ 14,773
Certificates of Participation:						
1993 issue – defeased the 1985 Sheriff Facility	2004-2017	2.5%-5.25%	\$575,000-\$1,030,000	9/1/1993	16,975,000	11,705,000
2001 Issue (financed the acquisition, construction of certain administration, public health and court related facilities)	2004-2032	4.0%-5.25%	\$1,135,000-\$5,100,000	8/1/2001	79,320,000	79,320,000
Judgment Obligation Bonds	2004-2014	3.0%-4.0%	\$655,000-\$870,000	6/29/2004	7,470,000	7,470,000
Revenue Bonds:						
Agencies under Board of Supervisors	2004-2036	5.0%	\$12,000-\$255,000	1980-95	56,859,700	1,995,000
Notes payable – Redevelopment Agency	2004-2010	5.73%-6.49%	\$25,000	2001	250,000	139,583
Loans payable – Bureau of Reclamation						
Agencies under Board of Supervisors	2004-2037	1.65%-7.63%	\$16,847-\$1,207,699	1995	35,035,790	35,003,290
Special assessment bonds with governmental commitment:						
General County	2004-2025	4.25%-7.2%	\$4,000-\$26,000	1984-93	13,296,365	179,000
<u>Business-Type Activities</u>						
Certificate of Participation						
1994 Series C Noncancellable Outstanding	2004-2006	9%	\$570,000-\$675,000	2/1/1998	4,080,000	1,295,000
1996 Series D Outstanding	2004-2029	4.6%-5.75%	\$150,000-\$595,000	2/1/1998	9,000,000	8,195,000
1998 Series E Refunding	2004-2028	4.1%-4.7%	\$1,095,000-\$4,935,000	2/1/1998	77,375,000	72,690,000

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 10: **Long-Term Liabilities** (continued)

	Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
General obligation bonds	\$ 19,296	\$ --	\$ 4,523	\$ 14,773	\$ 4,726
Judgment obligation bonds	--	7,470,000	--	7,470,000	720,000
Unamortized premium	--	108,629	--	108,629	--
Revenue bonds	4,242,000	--	2,247,000	1,995,000	518,000
Special assessment bonds	183,000	--	4,000	179,000	4,000
Notes payable – RDA	164,583	--	25,000	139,583	25,000
Certificates of Participation	91,600,000	--	575,000	91,025,000	1,740,000
Loans payable	35,020,137	--	16,847	35,003,290	18,131
Capital leases	402,872	--	255,411	147,461	29,822
Compensated absences	17,758,388	810,240	--	18,568,628	3,321,453
Estimated self-insurance liabilities	<u>30,633,000</u>	<u>16,076,000</u>	<u>11,642,000</u>	<u>35,067,000</u>	<u>9,536,000</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 180,023,276</u>	<u>\$ 24,464,869</u>	<u>\$ 14,769,781</u>	<u>\$ 189,718,364</u>	<u>\$ 15,917,132</u>
Business-Type Activities:					
Certificates of Participation	\$ 83,995,000	\$ --	\$ 1,815,000	\$ 82,180,000	\$ 1,920,000
Less: Bond discount and issuance cost	3,347,267	--	183,534	3,163,733	--
Less: Loss on refinancing	<u>6,226,941</u>	<u>--</u>	<u>267,408</u>	<u>5,959,533</u>	<u>--</u>
Net Certificates of Participation	74,420,792	--	1,364,058	73,056,734	1,920,000
Construction loan	11,005,252	--	--	11,005,252	--
Productivity loan	120,000	--	120,000	--	--
Advances from Monterey County	30,035,609	661,878	--	30,697,487	--
Capital leases	47,649	1,735,512	29,072	1,754,089	326,095
Compensated absences	<u>4,123,886</u>	<u>--</u>	<u>290,280</u>	<u>3,833,606</u>	<u>1,916,803</u>
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 119,753,188</u>	<u>\$ 2,397,390</u>	<u>\$ 1,803,410</u>	<u>\$ 120,347,168</u>	<u>\$ 4,162,898</u>

As of June 30, 2004, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending <u>June 30:</u>	Governmental Activities					
	<u>Bonds and Notes Payable</u>		<u>Certificates of Participation</u>		<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,271,726	\$ 278,604	\$ 1,740,000	\$ 4,436,504	\$ 18,131	\$ 784,252
2006	988,939	318,622	1,815,000	4,360,615	1,036,817	782,869
2007	751,108	287,234	2,205,000	4,274,808	1,038,305	762,711
2008	774,000	263,109	2,300,000	4,178,370	1,039,907	742,438
2009	797,000	238,316	2,395,000	4,077,060	1,041,630	722,044
2010-2014	4,363,583	689,002	13,725,000	18,646,238	5,238,970	3,299,335
2015-2019	434,000	177,519	16,445,000	14,728,313	5,306,659	2,764,873
2020-2024	374,000	63,778	15,310,000	10,714,000	5,404,401	2,200,357
2025-2029	44,000	2,073	17,335,000	6,691,875	5,545,540	1,592,443
2030-2034	--	--	17,755,000	1,861,125	5,749,346	921,864
2035-2039	--	--	--	--	3,583,584	195,091
	<u>\$ 9,798,356</u>	<u>\$ 2,318,257</u>	<u>\$ 91,025,000</u>	<u>\$ 73,968,906</u>	<u>\$ 35,003,290</u>	<u>\$ 14,768,275</u>

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 10: **Long-Term Liabilities** (continued)

As of June 30, 2004, annual debt service requirements of business-type activities to maturity are as follows:

<u>Year Ending June 30:</u>	<u>Business-Type Activities</u>	
	<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,920,000	\$ 3,914,588
2006	2,765,000	3,783,624
2007	2,130,000	3,661,891
2008	2,210,000	3,566,469
2009	2,310,000	3,466,120
2010-2014	13,250,000	15,605,763
2015-2019	16,775,000	12,029,289
2020-2024	21,355,000	7,442,840
2025-2029	<u>19,465,000</u>	<u>1,878,114</u>
	<u>\$ 82,180,000</u>	<u>\$ 55,348,698</u>

Note 11: **Net Assets/Fund Balances**

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the County, not restricted for any project or other purpose.

COUNTY OF MONTEREY

Notes to Financial Statements June 30, 2004

Note 11: **Net Assets/Fund Balances** (continued)

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

As of June 30, 2004, reservations of fund balance are described below:

The term “reserved” is used to indicate that a portion of reported fund balance is (1) legally restricted to a specific use or (2) not available for appropriation or expenditure. The County’s management will sometimes designate portions of unreserved (available) fund balance based on tentative future spending plans. Designated portions of fund balance represent financial resources legally available for uses other than those tentatively planned.

The County has “reserved” fund balances as follows:

- *Reserved for encumbrances* – to reflect outstanding contractual obligations for which goods and services have not been received.
- *Reserved for unavailable assets* – to indicate that certain assets such as inventories, advances, and long-term receivables do not represent available spendable resources.
- *Reserved for debt service* – to indicate that the fund balance is restricted for the retirement of debt.

The County has designated fund balance as follows:

- *Designated for subsequent year expenditures* – to indicate that a portion of the general fund balance is designated for next year’s approved budget.
- *Designated for self-insurance* – to indicate that a portion of the general fund balance is designated for payment of long-term self-insurance liabilities.
- *Designated for other designations* – to indicate that a portion of the general fund balance is designated for other projects including the Health Clinic, Vehicle Replacement, Facility Master Plan, Nacimiento Hydroelectric and other designations.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 12: **Employee's Retirement Plan and Post Retirement Benefits**

The Miscellaneous Plan

Plan Description

The County of Monterey (the County) defined benefit pension plan, the Miscellaneous Plan, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan of the County of Monterey is part of the Public Agencies portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The County selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local County ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in the Miscellaneous Plan are required to contribute 7% of their annual covered salary. Due to a collective bargaining agreement, the County has a legal obligation to contribute 2% – 7% of the active members contribution. The County is required to contribute the actuarially determined, remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2003-2004 was 0.00%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2003-04, the County's annual pension cost for the Miscellaneous Plan was \$0, and the County actually contributed \$0. The required contribution for fiscal year 2003-04 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumption included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members, and (c) 3.75% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the Miscellaneous Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 12: **Employee's Retirement Plan and Post Retirement Benefits** (continued)

The Miscellaneous Plan (continued)

Annual Pension Cost (continued)

period depending on the size of investment gains and/or losses. The Miscellaneous Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2003 was twenty years.

Three-Year Trend Information for the Miscellaneous Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
06/30/02	\$ --	--%
06/30/03	--	--
06/30/04	--	--

The Safety Plan

Plan Description

The County of Monterey (the County) defined benefit pension plan, the Public Safety Plan, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Public Safety Plan of the County of Monterey is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees Retirement Law. The County selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local County ordinance.

CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Active plan members in the Public Safety Plan are required to contribute 9% of their annual covered salary. Due to a collective bargaining agreement, the County has a legal obligation to contribute 7% – 9% of the active members contribution. The County is required to contribute the actuarially determined remaining amounts necessary to fund the

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 12: **Employee's Retirement Plan and Post Retirement Benefits** (continued)

The Safety Plan (continued)

Plan Description (continued)

benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2003-2004 were 18.511% and 19.283%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2003-2004, the County's annual pension cost was \$10,767,860 and the County actually contributed \$10,767,860. The required contribution for fiscal year 2003-04 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumption included (a) 8.25% investment rate of return (net of administrative expense); (b) projected salary increases that vary by duration of service ranging from 4.27% to 11.59% for safety members, and (c) 3.75% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the Public Safety Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The Public Safety Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2003 was twenty years.

Three-Year Trend Information for the Safety Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
06/30/02	\$ 1,574,859	100%
06/30/03	5,901,441	100%
06/30/04	10,767,860	100%

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 12: **Employee's Retirement Plan and Post Retirement Benefits** (continued)

The MCWRA Plan

Plan Description

The County of Monterey (the County) defined benefit pension plan, the Monterey County Water Resources Agency Plan (MCWRA Plan), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The MCWRA Plan of the County of Monterey is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The County selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local County ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Active plan members in the MCWRA Plan are required to contribute 7% of their annual covered salary. Due to a collective bargaining agreement, the County has a legal obligation to contribute 2% – 7% of the active members contribution. The County is required to contribute actuarially determine, remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2003-2004 was 0.00%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Funding Policy

For fiscal year 2003-2004, the County's annual pension cost for the MCWRA Plan was \$0 and the County actually contributed \$0. The required contribution for fiscal year 2003-04 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumption included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members, and (c) 3.75% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the Miscellaneous Plan's assets was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The Miscellaneous Plan's

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 12: **Employee's Retirement Plan and Post Retirement Benefits** (continued)

The MCWRA Plan (continued)

Plan Description (continued)

unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2003 was thirty years.

Three-Year Trend Information for the MCWRA Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
06/30/02	\$ --	--%
06/30/03	--	--
06/30/04	--	--

Post Retirement Benefits

The County provides health coverage for retired employees. During the year, the County provided benefits for 304 retirees at a cost of \$125,740.

Note 13: **Joint Powers Agreement**

The Natividad Medical Center participates in the Association of California Hospital Districts, Inc. Program Beta (the Program). The purpose of the Program, established by a Joint Powers Agreement, is to self-insure member hospital districts for professional liability. The Association of California Hospital Districts, Inc. administers the Program pursuant to the joint powers provision of the Government Code of the State of California. After a \$5,000 deductible, the Program provides payment in full on covered individual malpractice claims up to \$5,000,000. Claims in excess of \$5,000,000 are the responsibility of individual program participants. Also, after a \$25,000 deductible, the Program provides payment on covered directors, officers, and trustee liability claims up to an annual maximum of \$500,000.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 13: **Joint Powers Agreement** (continued)

Condensed financial information of Program Beta for the calendar year ended December 31, 2004 is as follows:

Cash and investments	\$ 229,380,208
Other assets	<u>44,479,857</u>
Total Assets	<u>\$ 273,860,065</u>
Loss reserves	195,510,230
Other liabilities	23,455,418
Fund equity	<u>54,894,417</u>
Total Liabilities and Fund Balance	<u>\$ 273,860,065</u>
Total Revenues	\$ 58,801,847
Total Expenses	<u>(52,979,929)</u>
Revenue in excess of expenses before minority interest, refunds to Participants, and change in unrealized gains on investments	<u>\$ 5,821,918</u>

Financial statements for the Program can be obtained from Program Beta, 1443 Danville Blvd., Suite 200, Alamo, CA 94507-1973.

On January, 1997 the County entered into a Joint Powers Agreement with the City of Salinas, the City of Gonzales, the City of Greenfield, the City of King, and the City of Soledad creating the Salinas Valley Waste Authority. The purpose of the Authority, established by the Joint Powers Agreement, is to undertake and perform: solid waste planning and program management, including collection services and siting; and the transfer and disposal of solid waste generated within each of the Parties' jurisdictional boundaries. The Authority administers the Agreement pursuant to the joint powers provision of the Government Code of the State of California.

Financial statements for the Authority can be obtained from Salinas Valley Solid Waste Authority, 337 Melody Lane, Salinas, CA 93901.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 13: **Joint Powers Agreement** (continued)

Condensed financial information of the Authority for the fiscal year ended June 30, 2003 (the most current available) is as follows:

Cash and investments	\$ 8,294,013
Other assets	34,132,123
Fixed assets	<u>28,199,792</u>
 Total Assets	 <u>70,625,928</u>
 Closure liability	 8,483,506
Other liability	<u>54,646,757</u>
 Total Liabilities	 <u>63,130,263</u>
 Net Assets	 <u>\$ 7,495,665</u>
 Total Revenues	 \$ 10,436,023
Total Expenses	<u>14,542,585</u>
 Revenue in excess of expenses	 <u>\$ (4,106,562)</u>

Note 14: **Landfill Closure and Postclosure Costs**

State and federal laws and regulations require the County to place a final cover on its landfill site when closed and perform certain maintenance and monitoring functions at the landfill sites for thirty years after closure. A liability has been recorded in the statement of net assets for estimated future postclosure care costs only because all landfills have been closed. The liability is based on estimated current costs for landfill postclosure care multiplied by thirty years. The estimated current costs and liability recorded as of June 30, 2004 for the County's landfill sites is summarized as follows:

<u>Landfill Site</u>	<u>Postclosure Permitting</u>	<u>Postclosure Inspections</u>	<u>Postclosure Maintenance</u>	<u>Postclosure Monitoring</u>	<u>Postclosure Admin. & Misc.</u>	<u>Postclosure Total Cost</u>
Bradley	\$ 258,300	\$ 28,800	\$ 180,000	\$ 412,500	\$ 150,000	\$ 1,029,600
San Ardo II	258,300	28,800	180,000	412,500	150,000	1,029,600
Lake San Antonio N. Shore	183,300	28,800	180,000	412,500	150,000	954,600
Lake San Antonio S. Shore	183,300	28,800	180,000	412,500	150,000	954,600
San Ardo I	183,300	28,800	180,000	N/A	72,000	464,100
Parkfield I	183,300	28,800	180,000	N/A	72,000	464,100
Parkfield II	183,300	28,800	180,000	N/A	72,000	464,100
Chualar	183,300	28,800	180,000	N/A	72,000	464,100
Arroyo Seco/Greenfield	183,300	28,800	180,000	N/A	72,000	464,100
Lockwood	183,300	28,800	180,000	N/A	72,000	464,100
Total	<u>\$ 1,983,000</u>	<u>\$ 288,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,650,000</u>	<u>\$ 1,032,000</u>	<u>\$ 6,753,000</u>

COUNTY OF MONTEREY

Notes to Financial Statements June 30, 2004

Note 14: **Landfill Closure and Postclosure Costs** (continued)

The estimated total current cost of landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities and services required to monitor and maintain the landfill were acquired as of June 30, 2004. However, all landfills have been closed so costs include only post-closure care. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The County is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care. The County is in compliance with these regulations, and at June 30, 2004, cash and investments, totaling \$31,496 are held in an agency fund for that purpose.

Note 15: **Commitments and Contingencies**

In prior years, the Monterey County Water Resources Agency (MCWRA), a blended component unit of Monterey County, entered into an agreement with the Monterey County Water Pollution Control Agency (MCWPCA) to provide tertiary treated water. The MCWPCA built the tertiary water treatment plant and the MCWRA built the distribution pipelines from the plant to the users. Both projects were financed by loans between each Agency and the Bureau of Reclamation and/or State Water Resources Control Board. A special assessment was established and is collected by the MCWRA. Based on the agreement between the MCWRA and the MCWPCA, the financing and operating expenses incurred by the MCWPCA on this project are paid by this special assessment on an advance basis from the MCWRA. The loans entered into directly between the MCWPCA and the lenders are not included in the County's beginning net assets, as restated.

As of June 30, 2004, the outstanding loan balances of the MCWPCA related to the above project are as follows:

Loan from the Bureau of Reclamation:	\$ 20,444,141
Loan from the State Water Resources Control Board:	\$ 7,491,560

Grant Entitlement – The County is a participant in a number of federal and state assisted programs. These programs are subject to compliance audits by the grantors. The audits of these programs for fiscal year 2004 and certain earlier years have not been completed. Accordingly, the County's compliance with applicable program requirements is not completely established. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time. Management believes it has adequately provided for potential liabilities, if any, which may arise from the grantor's audits.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 15: **Commitments and Contingencies** (continued)

Medi-Cal and Medicare Reimbursements – Natividad Medical Center’s Medi-Cal and Medicare cost reports for certain prior years are in various stages of review by the third-party intermediaries and, as such, have not been settled. Management believes it has adequately provided for any potential liabilities which may arise from the intermediaries’ audit.

Improvement Project, Series E Certificate of Participation – Pursuant to Securities and Exchange Commission (SEC) rule 15 c 2-12 and in connection with the Continuing Disclosure Certificate dated January 27, 1998 for the 1998 County of Monterey – Natividad Medical Center (Center) Improvement Project, Series E Certificates of Participation (COP), in March 2003, the County of Monterey issued a “Continuing Disclosure under Securities and Exchange Commission Rule 15 c 2-12”. The purpose of this disclosure is to provide information pertinent to the weakening financial condition of the Center. This continuing disclosure is required if at least one of eleven listed financial events occur or any other non-listed financial event that is deemed to have a material negative impact on the financial condition of the reporting entity. Monterey County bond counsel, Quint & Thimming, LLP have expressed a written opinion dated February 5, 2003 that three material financial events have occurred that are the basis of this disclosure. These events are: 1) Increasing cash flow deficits, 2) An announced projected operating loss for fiscal year 2003-04, and, 3) Current liabilities exceed current assets for the fiscal year ending June 30, 2004.

Construction Commitments – At June 30, 2004, the County had ongoing construction commitments that totaled approximately \$22.6 million.

Other

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Counsel the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Note 16: **Hospital Enterprise Fund – Net Patient Service Revenue and Government Programs**

Natividad Medical Center (the Hospital) has agreements with third party payors to provide for payments to the Hospital at amounts different from its established rates. A summary of the basis of the payment arrangements with major third-party payors follows:

Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at predetermined prospective rates per discharge. These rates vary according to the diagnostic related group that the patient’s condition is classified under. Services other than inpatient acute care are paid based on a reimbursement methodology specific to the

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 16: **Hospital Enterprise Fund – Net Patient Service Revenue and Government Programs**
(continued)

Medicare (continued)

type of service which generally entails reimbursement rates at the lower of costs, charges, or a published limit. The Hospital is reimbursed at a tentative rate during the year that is later subject to final settlement after submission and audit of an annual cost report.

Medi-Cal

Inpatient acute care services rendered to Medi-Cal program beneficiaries are reimbursed under a cost reimbursement methodology that is limited to a maximum allowable rate per discharge. Outpatient hospital services are reimbursed based on a published fee schedule. Skilled nursing services are reimbursed at a published per diem rate. The Hospital is reimbursed at a tentative rate during the year that is later subject to final settlement after submission and audit of an annual cost report.

Short Doyle

Inpatient acute care services rendered to County mental health patients under the Short Doyle program are reimbursed based on a per diem rate specified in an agreement between the hospital and the Monterey County Health Department.

Other Third Party Payors

The Hospital contracts with numerous employers, other county departments, and health plans to provide health care services to their beneficiaries. Reimbursement varies by contract and can be based on a combination of per diem, fee schedule, or percent of charges payment rates.

During the year ended June 30, 2004, patients for which reimbursement was calculated under the third party payor programs comprised approximately 88% of the Hospital's gross patient service revenues, as follows:

	<u>2004</u>
Medi-Cal	51%
Medicare	16%
Short Doyle	3%
Other Third Parties	<u>18%</u>
Total	<u><u>88%</u></u>

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 16: **Hospital Enterprise Fund – Net Patient Service Revenue and Government Programs**
(continued)

Other Third Party Payors (continued)

The State of California provides funding from tobacco taxes to cover write-offs of accounts receivable pertaining to qualified indigent care under the California Health Care for Indigents program. The Hospital recognized funding under this program, net of amounts passed through other providers, of approximately \$888,911 in fiscal year 2004, as net patient service revenue.

The Hospital received revenues under the State of California's Medi-Cal disproportionate share program. The program required the County to provide matching funds which were recorded as expenditures in the general fund. The amount received by the Hospital through this program is dependent upon the number of Medi-Cal inpatient days provided by the Hospital and has been reported as part of the net patient revenue.

Note 17: **Hospital Enterprise Fund – Charity Care**

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The following information measures the level of charity care provided during the year ended June 30, 2004.

	<u>2004</u>
Charges foregone, based on established rates	<u>\$ 1,112,218</u>
Estimated costs and expenses incurred to provided charity care	<u>\$ 420,722</u>
Equivalent percentage of charity care patients to all patients served	<u>.40%</u>

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 18: **Insurance and Contingent Liabilities**

The County is exposed to various risk of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters.

The County carries some of its insurance, such as workers compensation, fire, burglary, malpractice, and public official bonds, with conventional insurance carriers but it has chosen to establish “self-insurance” programs (absorb losses itself) for the following risks:

- Workers compensation to a maximum of \$300,000 per incident, over which coverage is provided to \$2,000,000 per accident and \$2,000,000 per illness by a private insurance carrier for those incidents reported prior to July 1, 1996.
- General liability to a maximum of \$500,000 per incident, over which coverage is provided to \$45,000,000 by a private insurance carrier.
- Employee health insurance to a maximum of \$125,000 per incident, over which losses are absorbed by a private insurance carrier up to \$2,000,000 per person per annum and \$1,000,000 per year in the aggregate.

Amounts in excess of these limits are self-insured.

There have been no reductions in any of the County’s insurance coverage from the prior year. Settlement amounts did not exceed commercial insurance coverage for fiscal years ended June 30, 2002 and 2004. However, for fiscal year ended June 30, 2003, settlement amounts exceeded commercial insurance coverage.

On July 1, 1998, the County contracted with Liberty Mutual to provide workers compensation insurance coverage. Claims incurred/reported prior to July 1, 1996, remain a part of the County’s self-insurance program for workers compensation and are administered by Helmsman, a wholly owned subsidiary of Liberty Mutual.

At June 30, 2004, the County’s estimate of unpaid claims liabilities for all self-insurance risks is \$35,067,000. This estimate is based on the results of an actuarial valuation and includes amounts for claims incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of pay-outs, and other economic and social factors.

The County accounts for its risk financing activities in the general fund. As such, \$9,536,000 of the County’s total estimated unpaid claims liabilities has been recorded as a current liability of the general fund since that amount is expected to be paid within the succeeding year from expendable, available financial resources. The total liability of \$35,067,000 is reflected in the Statement of Net Assets.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 18: **Insurance and Contingent Liabilities** (continued)

Changes in the balance of claims liabilities during fiscal 2004 and 2003 for all self-insurance risks are approximately as follows:

	<u>2004</u>	<u>2003</u>
Unpaid claims, beginning of year	\$ 30,633,000	\$ 27,716,000
Estimated claims, incurred	16,076,000	13,225,000
Claim payments	<u>(11,642,000)</u>	<u>(10,308,000)</u>
Unpaid claims, end of year	<u>\$ 35,067,000</u>	<u>\$ 30,633,000</u>

The County is a defendant in several lawsuits arising in the normal course of business. In the aggregate these claims seek monetary damages in significant amounts. Litigation where loss to the County is reasonably possible has not been accrued in the accompanying financial statements; however, County Counsel estimates that one particular lawsuit could result in a significant loss. The County exposure in this case is estimated to be in the multi-million dollar range.

Note 19: **Subsequent Events**

On July 1, 2004, the County issued a Tax and Revenue Anticipation Note (TRAN) in the amount of \$30,000,000, with an interest rate of 3% and a maturity date of June 30, 2005. Proceeds of the funds were used for cash flow purposes as needed by the County.

Note 20: **Restatement of Net Assets and Fund Balances**

Restatements

During the year, the County combined their Realignment Funds (the Health and Revenue Trust, the Departmental Trust, and the Restricted Revenue Trust) with the General Fund. In addition, amounts which were reported as revenue in a prior year should have been reported as deferred revenue thus creating a prior period adjustment.

COUNTY OF MONTEREY

Notes to Financial Statements
June 30, 2004

Note 20: **Restatement of Net Assets and Fund Balances** (continued)

Restatements (continued)

The impact of the restatements on the fund balances/net assets as previously reported is presented below:

Restatement of Equity

	<u>Health & Revenue Trust</u>	<u>Departmental Trust</u>	<u>Restricted Revenue Trust</u>	<u>Total Nonmajor Funds</u>
Fund balance/net assets, June 30, 2003, as previously reported	\$ 4,219,785	\$ 2,246,422	\$ 14,039,020	\$ 20,505,227
Fund Reclassification: Restatements	<u>(4,219,785)</u>	<u>(2,246,422)</u>	<u>(14,039,020)</u>	<u>(20,505,227)</u>
Fund balance/net assets, July 1, 2003, as restated	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Other Prior Period Adjustment

Governmental capital assets were revalued down by \$3,596,759 and the offset was recorded as a prior period adjustment.

Note 21: **Stewardship, Compliance and Accountability**

Deficit Fund Balances

The Redevelopment Agency Fort Ord capital project fund had a deficit fund balance of \$160,525 as of June 30, 2004. The deficit was created due to expenditures incurred from prior years to determine the feasibility of authorizing a new redevelopment plan in the Fort Ord area. The fund would anticipate a recovery of deficit balances through future tax assessments and grants.

Note 22: **Excess Expenditures Over Budget**

The following funds had excess expenditures over budget:

	<u>Final Budget</u>	<u>Expenditures</u>	<u>Negative Variance</u>
Community Services	\$ 605,922	\$ 673,319	\$ (67,397)
Fort Ord Reuse	1,057,146	1,101,064	(43,918)
Ford Ord Project	4,071	9,953	(5,882)

REQUIRED SUPPLEMENTARY INFORMATION:

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2004



COUNTY OF MONTEREY

**Required Supplementary Information
For the Fiscal Year Ended June 30, 2004**

SCHEDULE OF FUNDING PROGRESS

The tables below show a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30:

Funded Status of Miscellaneous Plan

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/01	\$ 477,226,937	\$ 599,768,549	\$ (122,541,612)	125.7%	\$ 152,610,205	(80.297)%
6/30/02	528,718,275	568,877,416	(40,159,141)	107.6%	169,829,251	(23.647)%
6/30/03	614,546,692	581,688,906	32,857,786	94.7%	178,339,399	18.42%

Funded Status of Safety Plan

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/01	\$ 180,868,737	\$ 175,973,744	\$ 4,894,993	97.3%	\$ 27,372,975	17.883%
6/30/02	203,229,160	162,999,861	40,229,299	80.2%	30,231,421	133.071%
6/30/03	224,413,747	172,641,269	51,772,478	76.9%	31,570,524	164.000%

Funded Status of MCWRA Plan

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/01	\$ 8,276,956	\$ 11,073,521	\$ (2,796,565)	133.8%	\$ 2,091,999	(133.679)%
6/30/02	9,310,752	10,411,725	(1,100,973)	111.8%	2,358,073	(46.690)%
6/30/03	10,636,110	10,538,285	97,825	99.1%	2,693,067	3.630%



SUPPLEMENTARY INFORMATION



NONMAJOR GOVERNMENTAL FUNDS



COUNTY OF MONTEREY

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and Investments:				
Held in County treasury	\$ 35,504,845	\$ 8,445,355	\$ 10,227,569	\$ 54,177,769
Held with trustee	874,934	1,224,038	--	2,098,972
Receivables:				
Accounts and other - net	284,994	--	--	284,994
Grants	1,698,572	--	424,569	2,123,141
Interest	33,101	--	37,448	70,549
Due from other agencies	1,475,146	--	--	1,475,146
Due from other funds	23,000	--	77,651	100,651
Inventories of materials and supplies at cost	162,372	--	--	162,372
Long-term receivables:				
Notes and loans	80,000	--	--	80,000
Other	4,950,097	--	873,197	5,823,294
Less: allowance for impaired assets	<u>(80,000)</u>	<u> </u>	<u> </u>	<u>(80,000)</u>
Total Assets	<u><u>\$ 45,007,061</u></u>	<u><u>\$ 9,669,393</u></u>	<u><u>\$ 11,640,434</u></u>	<u><u>\$ 66,316,888</u></u>
LIABILITIES				
Vouchers and accounts payable	\$ 643,521	\$ --	\$ 228,421	\$ 871,942
Accrued salaries and benefits	840,571	--	11,400	851,971
Accrued liabilities	31,376	--	335	31,711
Due to other funds	23,000	77,651	--	100,651
Deposits from others	961,174	--	--	961,174
Deferred revenues	5,817,132	--	200,359	6,017,491
Advances from other funds	<u> </u>	<u> </u>	<u>161,300</u>	<u>161,300</u>
Total Liabilities	<u>8,316,774</u>	<u>77,651</u>	<u>601,815</u>	<u>8,996,240</u>
FUND BALANCES				
Reserved for:				
Encumbrances	3,189,849	--	2,452,831	5,642,680
Unavailable assets	5,112,469	--	873,197	5,985,666
Debt service	--	9,591,742	--	9,591,742
Unreserved:				
Undesignated reported in:				
Special revenue funds	28,387,969	--	--	28,387,969
Capital projects funds	<u> </u>	<u> </u>	<u>7,712,591</u>	<u>7,712,591</u>
Total Fund Balances	<u>36,690,287</u>	<u>9,591,742</u>	<u>11,038,619</u>	<u>57,320,648</u>
Total Liabilities and Fund Balances	<u><u>\$ 45,007,061</u></u>	<u><u>\$ 9,669,393</u></u>	<u><u>\$ 11,640,434</u></u>	<u><u>\$ 66,316,888</u></u>

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
Revenues:				
Taxes	\$ 7,025,668	\$ 2,870,529	\$ --	\$ 9,896,197
Licenses, permits and franchises	582,564	--	--	582,564
Fines, forfeitures and penalties	11,224	--	--	11,224
Revenue from use of money and property	835,497	190,523	255,437	1,281,457
Aid from other governmental agencies	23,800,411	44,554	1,362,422	25,207,387
Charges for services	27,406,001	--	2,470	27,408,471
Other revenue	1,770,520	1,216	275	1,772,011
Total Revenues	<u>\$ 61,431,885</u>	<u>\$ 3,106,822</u>	<u>\$ 1,620,604</u>	<u>\$ 66,159,311</u>
Expenditures:				
Current:				
General government	\$ 2,719,056	\$ 1,073,383	\$ 2,429,815	\$ 6,222,254
Public ways and facilities	38,770,952	--	1,878,979	40,649,931
Health and sanitation	3,630,228	--	--	3,630,228
Public assistance	9,709,952	--	--	9,709,952
Education	4,952,787	--	--	4,952,787
Recreation and culture services	21,349	--	--	21,349
Debt service - principal	--	2,375,523	25,000	2,400,523
Debt service - interest	--	4,570,504	14,048	4,584,552
Capital outlay	--	--	6,035,955	6,035,955
Total Expenditures	<u>59,804,324</u>	<u>8,019,410</u>	<u>10,383,797</u>	<u>78,207,531</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,627,561</u>	<u>(4,912,588)</u>	<u>(8,763,193)</u>	<u>(12,048,220)</u>
Other Financing Sources (Uses):				
Transfers in	4,436,914	6,690,959	3,500,410	14,628,283
Transfers out	(4,159,854)	(2,321,364)	(451,609)	(6,932,827)
Total Other Financing Sources (Uses)	<u>277,060</u>	<u>4,369,595</u>	<u>3,048,801</u>	<u>7,695,456</u>
Net Change in Fund Balance	1,904,621	(542,993)	(5,714,392)	(4,352,764)
Fund Balances, Beginning of Year	55,290,893	10,134,735	16,753,011	82,178,639
Prior Period Adjustments	(20,505,227)	--	--	(20,505,227)
Fund Balances, End of Year	<u>\$ 36,690,287</u>	<u>\$ 9,591,742</u>	<u>\$ 11,038,619</u>	<u>\$ 57,320,648</u>

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

SPECIAL REVENUE FUNDS

Road – Provides for traffic planning, engineering and operations, road and bridge engineering, construction and maintenance of County roads and bridges, and other related activities such as issuance of encroachment permits.

County Library – Established as a special taxing authority under the County Library Law of 1911 and, as such, is funded primarily through its own share of property tax to provide library services to residents of Monterey County.

In-Home Support Services – Program to provide services to aged, blind and disabled persons who are unable to remain in their home without assistance.

Fish and Game Propagation – Administration of the County's Fish and Game Commission, which consists of fifteen members, three from each supervisorial district to oversee allocation of fish and game fine monies.

Office of Employment Training – Receives federal funds for the design, implementation and oversight of youth and adult employment training services.

Community Services – Administration of the Community Services Block Grant for provision of specified programs to advance and advocate for the low-income population.

Inclusionary Housing – To facilitate the development of lower income housing throughout Monterey County through either direct grants or low interest rate loans.

Disaster Assistance – To help minimize the loss of life and property damage throughout the County resulting from the potential impact of any natural, technological or human-conflict related disasters.

Productivity Investment – Established by the Board of Supervisors in February 1996 with \$1.1 million allocated from Public Employee Retirement surplus funds to foster innovation and to provide a source of funding for implementation of cost-effective departmental and formal employee organization projects.

Community Development – Use for a variety of economic development activities and for planning and technical assistance studies. Includes infrastructure construction and to capitalize revolving loan funds.

Natural Disaster Assistance – Finances the County General Fund expenditures for March 1995 and Winter Storm of 1997 and reflects the anticipated federal and State reimbursements for nonpersonnel related emergency services.

Emergency Medical Services – Established at the beginning of 1989 to provide for the collection and distribution of fine proceeds authorized by the California State Legislature's adoption of Senate Bill 612.

Fort Ord Reuse – Implementation of the Fort Ord Redevelopment Project Area A28.

Water Resources Agency – Responsible for the management of groundwater resources and flood control protection in Monterey County.

County Service Areas – Provide a variety of services to the unincorporated developments within the County including storm drain and surface water disposal, street and sidewalk maintenance, street lighting, wastewater reclamation and open space maintenance.

Sanitation Districts – Administers and maintains four sanitation districts, operating costs are funded with user fees and property taxes.

Other Districts – Include the special districts of the Redevelopment Agency of the County of Monterey.

COUNTY OF MONTEREY

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

Assets	Road	County Library	In-Home Support Service	Fish and Game Propagation
Cash and investments:				
Held in County treasury	\$ 6,843,546	\$ 1,242,848	\$ 3,548	\$ 12,653
Cash advanced to paying agent	--	--	--	--
Receivables:				
Accounts and other - net	20,750	--	--	--
Grants	944,769	--	13,958	--
Interest	17,947	4,494	--	59
Due from other agencies	4,733	--	--	--
Due from other funds	--	--	--	--
Inventory of supplies, at cost	162,372	--	--	--
Long-term receivables:				
Notes and loans	--	--	--	--
Other	--	--	--	--
Less: allowance for impaired assets	--	--	--	--
Total Assets	<u>\$ 7,994,117</u>	<u>\$ 1,247,342</u>	<u>\$ 17,506</u>	<u>\$ 12,712</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Vouchers and accounts payable	\$ 403,869	\$ 27,375	\$ 8,105	\$ --
Accrued salaries and benefits	386,096	115,975	9,401	--
Accrued liabilities	12,240	9,704	--	--
Due to other funds	--	--	--	--
Deposits from others	961,174	--	--	--
Deferred revenue	4,858,055	--	--	--
Total Liabilities	<u>6,621,434</u>	<u>153,054</u>	<u>17,506</u>	<u>--</u>
Fund Balances:				
Reserved for:				
Encumbrances	1,015,986	85,470	--	--
Unavailable assets	162,372	--	--	--
Other reserves	--	--	--	--
Unreserved:				
Undesignated	194,325	1,008,818	--	12,712
Total Fund Balances	<u>1,372,683</u>	<u>1,094,288</u>	<u>--</u>	<u>12,712</u>
Total Liabilities and Fund Balances	<u>\$ 7,994,117</u>	<u>\$ 1,247,342</u>	<u>\$ 17,506</u>	<u>\$ 12,712</u>

continued

COUNTY OF MONTEREY

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2004

<u>Assets</u>	<u>Office of Employment Training</u>	<u>Community Services</u>	<u>Inclusionary Housing</u>	<u>Disaster Assistance</u>
Cash and investments:				
Held in County treasury	\$ 512,219	\$ 136,588	\$ 904,410	\$ 335,227
Cash advanced to paying agent	--	--	4,101	--
Receivables:				
Accounts and other - net	--	--	--	--
Grants	--	41,334	--	--
Interest	--	516	2,914	--
Due from other agencies	--	--	--	--
Due from other funds	--	--	--	--
Inventory of supplies, at cost	--	--	--	--
Long-term receivables:				
Notes and loans	--	--	--	--
Other	--	--	341,946	--
Less: allowance for impaired assets	--	--	--	--
Total Assets	<u>\$ 512,219</u>	<u>\$ 178,438</u>	<u>\$ 1,253,371</u>	<u>\$ 335,227</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Vouchers and accounts payable	\$ 425	\$ 2,905	\$ 5,377	\$ --
Accrued salaries and benefits	172,402	9,463	--	--
Accrued liabilities	5,386	252	--	--
Due to other funds	--	--	--	--
Deposits from others	--	--	--	--
Deferred revenue	--	--	--	--
Total Liabilities	<u>178,213</u>	<u>12,620</u>	<u>5,377</u>	<u>--</u>
Fund Balances:				
Reserved for:				
Encumbrances	--	135,150	53,370	2,280
Unavailable assets	--	--	341,946	--
Other reserves	--	9,706	--	--
Unreserved:				
Undesignated	334,006	20,962	852,678	332,947
Total Fund Balances	<u>334,006</u>	<u>165,818</u>	<u>1,247,994</u>	<u>335,227</u>
Total Liabilities and Fund Balances	<u>\$ 512,219</u>	<u>\$ 178,438</u>	<u>\$ 1,253,371</u>	<u>\$ 335,227</u>

continued

COUNTY OF MONTEREY

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2004

Assets	Productivity Investment	Community Development	Natural Disaster Assistance	Emergency Medical Services
<hr/>				
Cash and investments:				
Held in County treasury	\$ 250,765	\$ 642,447	\$ 956,142	\$ 762,226
Cash advanced to paying agent	--	870,833	--	--
Receivables:				
Accounts and other - net	--	6,279	--	--
Grants	--	630,954	--	--
Interest	562	428	2,935	3,404
Due from other agencies	--	--	--	--
Due from other funds	--	--	--	--
Inventory of supplies, at cost	--	--	--	--
Long-term receivables:				
Notes and loans	80,000	--	--	--
Other	--	3,055,451	--	--
Less: allowance for impaired assets	(80,000)	--	--	--
Total Assets	<u>\$ 251,327</u>	<u>\$ 5,206,392</u>	<u>\$ 959,077</u>	<u>\$ 765,630</u>
<hr/>				
Liabilities and Fund Balances				
<hr/>				
Liabilities:				
Vouchers and accounts payable	\$ --	\$ 3,346	\$ --	\$ --
Accrued salaries and benefits	--	--	--	--
Accrued liabilities	--	--	--	--
Due to other funds	--	--	--	--
Deposits from others	--	--	--	--
Deferred revenue	--	--	959,077	--
Total Liabilities	<u>--</u>	<u>3,346</u>	<u>959,077</u>	<u>--</u>
Fund Balances:				
Reserved for:				
Encumbrances	--	267,708	--	--
Unavailable assets	--	3,055,451	--	--
Other reserves	--	--	--	--
Unreserved:				
Undesignated	251,327	1,879,887	--	765,630
Total Fund Balances	<u>251,327</u>	<u>5,203,046</u>	<u>--</u>	<u>765,630</u>
Total Liabilities and Fund Balances	<u>\$ 251,327</u>	<u>\$ 5,206,392</u>	<u>\$ 959,077</u>	<u>\$ 765,630</u>

continued

COUNTY OF MONTEREY

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2004

Assets	Fort Ord Reuse	Health & Welfare	Departmental	Restricted Revenue
Cash and investments:				
Held in County treasury	\$ 50,082	\$ --	\$ --	\$ --
Cash advanced to paying agent	--	--	--	--
Receivables:				
Accounts and other - net	139,713	--	--	--
Grants	--	--	--	--
Interest	(691)	--	--	--
Due from other agencies	--	--	--	--
Due from other funds	--	--	--	--
Inventory of supplies, at cost	--	--	--	--
Long-term receivables:				
Notes and loans	--	--	--	--
Other	--	--	--	--
Less: allowance for impaired assets	--	--	--	--
Total Assets	<u>\$ 189,104</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Vouchers and accounts payable	\$ 63,679	\$ --	\$ --	\$ --
Accrued salaries and benefits	--	--	--	--
Accrued liabilities	--	--	--	--
Due to other funds	--	--	--	--
Deposits from others	--	--	--	--
Deferred revenue	--	--	--	--
Total Liabilities	<u>63,679</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances:				
Reserved for:				
Encumbrances	169,287	--	--	--
Unavailable assets	--	--	--	--
Other reserves	--	--	--	--
Unreserved:				
Undesignated	(43,862)	--	--	--
Total Fund Balances	<u>125,425</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 189,104</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

continued

COUNTY OF MONTEREY

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2004

Assets	Agencies Under Board of Supervisors			
	Water Resources Agency	County Service Areas	Sanitation Districts	Other Districts
Cash and investments:				
Held in County treasury	\$ 7,652,537	\$ 11,044,592	\$ 2,171,008	\$ 1,984,007
Cash advanced to paying agent	--	--	--	--
Receivables:				
Accounts and other - net	--	--	118,252	--
Grants	67,557	--	--	--
Interest	--	--	--	533
Due from other agencies	1,470,413	--	--	--
Due from other funds	23,000	--	--	--
Inventory of supplies, at cost	--	--	--	--
Long-term receivables:				
Notes and loans	--	--	--	--
Other	--	--	--	1,552,700
Less: allowance for impaired assets	--	--	--	--
Total Assets	<u>\$ 9,213,507</u>	<u>\$ 11,044,592</u>	<u>\$ 2,289,260</u>	<u>\$ 3,537,240</u>
 Liabilities and Fund Balances				
Liabilities:				
Vouchers and accounts payable	\$ 75,475	\$ 6,413	\$ 44,278	\$ 2,274
Accrued salaries and benefits	147,234	--	--	--
Accrued liabilities	3,794	--	--	--
Due to other funds	23,000	--	--	--
Deposits from others	--	--	--	--
Deferred revenue	--	--	--	--
Total Liabilities	<u>249,503</u>	<u>6,413</u>	<u>44,278</u>	<u>2,274</u>
Fund Balances:				
Reserved for:				
Encumbrances	1,368,778	37,825	26,442	27,553
Unavailable assets	1,470,421	--	--	1,552,700
Other reserves	746,314	7,061,476	1,872,181	1,920,566
Unreserved:				
Undesignated	5,378,491	3,938,878	346,359	34,147
Total Fund Balances	<u>8,964,004</u>	<u>11,038,179</u>	<u>2,244,982</u>	<u>3,534,966</u>
Total Liabilities and Fund Balances	<u>\$ 9,213,507</u>	<u>\$ 11,044,592</u>	<u>\$ 2,289,260</u>	<u>\$ 3,537,240</u>

continued

COUNTY OF MONTEREY

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2004

<u>Assets</u>	<u>Totals</u>
Cash and investments:	
Held in County treasury	\$ 35,504,845
Cash advanced to paying agent	874,934
Receivables:	
Accounts and other - net	284,994
Grants	1,698,572
Interest	33,101
Due from other agencies	1,475,146
Due from other funds	23,000
Inventory of supplies, at cost	162,372
Long-term receivables:	
Notes and loans	80,000
Other	4,950,097
Less: allowance for impaired assets	(80,000)
Total Assets	<u>\$ 45,007,061</u>
<u>Liabilities and Fund Balances</u>	
Liabilities:	
Vouchers and accounts payable	\$ 643,521
Accrued salaries and benefits	840,571
Accrued liabilities	31,376
Due to other funds	23,000
Deposits from others	961,174
Deferred revenue	5,817,132
Total Liabilities	<u>8,316,774</u>
Fund Balances:	
Reserved for:	
Encumbrances	3,189,849
Unavailable assets	6,582,890
Other reserves	11,610,243
Unreserved:	
Undesignated	15,307,305
Total Fund Balances	<u>36,690,287</u>
Total Liabilities and Fund Balances	<u>\$ 45,007,061</u>

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2004

	Road	County Library	In-Home Support Service	Fish and Game Propagation
Revenues:				
Taxes	\$ --	\$ 4,614,962	\$ --	\$ --
Licenses, permits and franchises	557,304	--	--	--
Fines, forfeitures and penalties	--	--	--	11,224
Revenue from use of money and property	90,357	13,634	--	343
Aid from other governmental agencies	11,786,272	203,610	134,162	--
Charges for services	3,887,278	76,185	--	--
Other revenue	5,012	67,069	234,991	--
Total Revenues	16,326,223	4,975,460	369,153	11,567
Expenditures:				
Current:				
General government	--	--	--	--
Public ways and facilities	18,208,287	--	--	--
Health and sanitation	--	--	--	--
Public assistance	--	--	461,195	--
Education	--	4,952,787	--	--
Culture and recreation	--	--	--	21,349
Total Expenditures	18,208,287	4,952,787	461,195	21,349
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,882,064)	22,673	(92,042)	(9,782)
Other Financing Sources (Uses):				
Transfers in	2,000,000	410,747	92,042	--
Transfers out	--	(80,000)	--	--
Total Other Financing Sources (Uses)	2,000,000	330,747	92,042	--
Net change in fund balances	117,936	353,420	--	(9,782)
Fund balances, beginning	1,254,747	740,868	--	22,494
Prior period adjustment	--	--	--	--
Fund balances, ending	\$ 1,372,683	\$ 1,094,288	\$ --	\$ 12,712

continued

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2004

	Office of Employment Training	Community Services	Inclusionary Housing	Disaster Assistance
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--
Fines, forfeitures and penalties	--	--	--	--
Revenue from use of money and property	--	1,160	33,892	--
Aid from other governmental agencies	9,558,913	584,000	--	--
Charges for services	--	--	--	--
Other revenue	42,369	--	129,149	--
Total Revenues	<u>9,601,282</u>	<u>585,160</u>	<u>163,041</u>	<u>--</u>
Expenditures:				
Current:				
General government	--	--	325,505	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Public assistance	8,710,588	538,169	--	--
Education	--	--	--	--
Culture and recreation	--	--	--	--
Total Expenditures	<u>8,710,588</u>	<u>538,169</u>	<u>325,505</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>890,694</u>	<u>46,991</u>	<u>(162,464)</u>	<u>--</u>
Other Financing Sources (Uses):				
Transfers in	--	--	--	--
Transfers out	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balances	890,694	46,991	(162,464)	--
Fund balances, beginning	(556,688)	118,827	1,410,458	335,227
Prior period adjustment	--	--	--	--
Fund balances, ending	<u>\$ 334,006</u>	<u>\$ 165,818</u>	<u>\$ 1,247,994</u>	<u>\$ 335,227</u>

continued

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2004

	<u>Productivity Investment</u>	<u>Community Development</u>	<u>Natural Disaster Assistance</u>	<u>Emergency Medical Services</u>
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--
Fines, forfeitures and penalties	--	--	--	--
Revenue from use of money and property	1,255	149,149	--	21,173
Aid from other governmental agencies	--	581,227	--	505,416
Charges for services	--	4,879	--	515,031
Other revenue	120,000	430,930	--	--
Total Revenues	<u>121,255</u>	<u>1,166,185</u>	<u>--</u>	<u>1,041,620</u>
Expenditures:				
Current:				
General government	--	1,445,459	--	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	899,822
Public assistance	--	--	--	--
Education	--	--	--	--
Culture and recreation	--	--	--	--
Total Expenditures	<u>--</u>	<u>1,445,459</u>	<u>--</u>	<u>899,822</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>121,255</u>	<u>(279,274)</u>	<u>--</u>	<u>141,798</u>
Other Financing Sources (Uses):				
Transfers in	115,000	--	--	--
Transfers out	--	--	--	(347,863)
Total Other Financing Sources (Uses)	<u>115,000</u>	<u>--</u>	<u>--</u>	<u>(347,863)</u>
Net change in fund balances	236,255	(279,274)	--	(206,065)
Fund balances, beginning	15,072	5,482,320	--	971,695
Prior period adjustment	--	--	--	--
Fund balances, ending	<u>\$ 251,327</u>	<u>\$ 5,203,046</u>	<u>\$ --</u>	<u>\$ 765,630</u>

continued

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2004

	Fort Ord Reuse	Health & Welfare Trust	Departmental Trust	Restricted Revenue Trust
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--
Fines, forfeitures and penalties	--	--	--	--
Revenue from use of money and property	28,956	--	--	--
Aid from other governmental agencies	--	--	--	--
Charges for services	--	--	--	--
Other revenue	747,981	--	--	--
Total Revenues	776,937	--	--	--
Expenditures:				
Current:				
General government	948,092	--	--	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Public assistance	--	--	--	--
Education	--	--	--	--
Culture and recreation	--	--	--	--
Total Expenditures	948,092	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	(171,155)	--	--	--
Other Financing Sources (Uses):				
Transfers in	42,000	--	--	--
Transfers out	--	--	--	--
Total Other Financing Sources (Uses)	42,000	--	--	--
Net change in fund balances	(129,155)	--	--	--
Fund balances, beginning	254,580	4,219,785	2,246,422	14,039,020
Prior period adjustment	--	(4,219,785)	(2,246,422)	(14,039,020)
Fund balances, ending	\$ 125,425	\$ --	\$ --	\$ --

continued

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2004

	Agencies Under Board of Supervisors			
	Water Resources Agency	County Service Areas	Sanitation Districts	Other Districts
Revenues:				
Taxes	\$ --	\$ 1,573,950	\$ --	\$ 836,756
Licenses, permits and franchises	25,260	--	--	--
Fines, forfeitures and penalties	--	--	--	--
Revenue from use of money and property	189,110	163,126	91,219	52,123
Aid from other governmental agencies	440,948	--	--	5,863
Charges for services	20,317,208	1,401,821	1,203,599	--
Other revenue	19,986	2,477	(29,444)	--
Total Revenues	<u>20,992,512</u>	<u>3,141,374</u>	<u>1,265,374</u>	<u>894,742</u>
Expenditures:				
Current:				
General government	--	--	--	--
Public ways and facilities	19,030,061	1,123,528	--	409,076
Health and sanitation	--	1,636,701	1,093,705	--
Public assistance	--	--	--	--
Education	--	--	--	--
Culture and recreation	--	--	--	--
Total Expenditures	<u>19,030,061</u>	<u>2,760,229</u>	<u>1,093,705</u>	<u>409,076</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,962,451</u>	<u>381,145</u>	<u>171,669</u>	<u>485,666</u>
Other Financing Sources (Uses):				
Transfers in	1,721,466	--	--	55,659
Transfers out	(3,628,466)	--	(103,525)	--
Total Other Financing Sources (Uses)	<u>(1,907,000)</u>	<u>--</u>	<u>(103,525)</u>	<u>55,659</u>
Net change in fund balances	55,451	381,145	68,144	541,325
Fund balances, beginning	8,908,553	10,657,034	2,176,838	2,993,641
Prior period adjustment	--	--	--	--
Fund balances, ending	<u>\$ 8,964,004</u>	<u>\$ 11,038,179</u>	<u>\$ 2,244,982</u>	<u>\$ 3,534,966</u>

continued

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2004

	Totals
Revenues:	
Taxes	\$ 7,025,668
Licenses, permits and franchises	582,564
Fines, forfeitures and penalties	11,224
Revenue from use of money and property	835,497
Aid from other governmental agencies	23,800,411
Charges for services	27,406,001
Other revenue	1,770,520
Total Revenues	61,431,885
Expenditures:	
Current:	
General government	2,719,056
Public ways and facilities	38,770,952
Health and sanitation	3,630,228
Public assistance	9,709,952
Education	4,952,787
Culture and recreation	21,349
Total Expenditures	59,804,324
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,627,561
Other Financing Sources (Uses):	
Transfers in	4,436,914
Transfers out	(4,159,854)
Total Other Financing Sources (Uses)	277,060
Net change in fund balances	1,904,621
Fund balances, beginning	55,290,893
Prior period adjustment	(20,505,227)
Fund balances, ending	\$ 36,690,287

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Road Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Licenses, permits and franchises	\$ 933,520	\$ 1,587,341	\$ 557,304	\$ (1,030,037)
Revenue from use of money and property	83,000	83,000	90,357	7,357
Aid from other governmental agencies	13,309,069	14,532,458	11,786,272	(2,746,186)
Charges for services	3,983,230	4,945,191	3,887,278	(1,057,913)
Other revenue	3,600	3,600	5,012	1,412
Total Revenues	18,312,419	21,151,590	16,326,223	(4,825,367)
Expenditures:				
Current:				
Public ways and facilities	20,512,349	23,136,520	19,095,062	4,041,458
Capital outlay	46,000	261,000	2,831	258,169
Total Expenditures	20,558,349	23,397,520	19,097,893	4,299,627
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,245,930)	(2,245,930)	(2,771,670)	(525,740)
Other Financing Sources (Uses):				
Transfers in	2,000,000	2,000,000	2,000,000	--
Total Other Financing Sources (Uses)	2,000,000	2,000,000	2,000,000	--
Net change in budgetary fund balances	(245,930)	(245,930)	(771,670)	(525,740)
Budgetary fund balances, beginning	1,254,747	1,254,747	1,254,747	--
Budgetary fund balances, ending	\$ 1,008,817	\$ 1,008,817	\$ 483,077	\$ (525,740)
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:				
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 19,097,893
Differences - budget to GAAP:				
Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes				(889,606)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				\$ 18,208,287

COUNTY OF MONTEREY

Budgetary Comparison Schedule
County Library Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 4,379,768	\$ 4,652,162	\$ 4,614,962	\$ (37,200)
Revenue from use of money and property	2,000	13,634	13,634	--
Aid from other governmental agencies	131,000	131,000	203,610	72,610
Charges for services	85,100	85,100	76,185	(8,915)
Other revenue	5,050	5,050	67,069	62,019
Total Revenues	<u>4,602,918</u>	<u>4,886,946</u>	<u>4,975,460</u>	<u>88,514</u>
Expenditures:				
Current:				
Education	5,586,459	5,809,089	5,020,465	788,624
Capital outlay	20,000	20,000	5,184	14,816
Total Expenditures	<u>5,606,459</u>	<u>5,829,089</u>	<u>5,025,649</u>	<u>803,440</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,003,541)</u>	<u>(942,143)</u>	<u>(50,189)</u>	<u>891,954</u>
Other Financing Sources (Uses):				
Transfers in	410,747	410,747	410,747	--
Transfers out	(40,000)	(101,398)	(80,000)	21,398
Total Other Financing Sources (Uses)	<u>370,747</u>	<u>309,349</u>	<u>330,747</u>	<u>21,398</u>
Net change in budgetary fund balances	(632,794)	(632,794)	280,558	913,352
Budgetary fund balances, beginning	<u>740,868</u>	<u>740,868</u>	<u>740,868</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 108,074</u>	<u>\$ 108,074</u>	<u>\$ 1,021,426</u>	<u>\$ 913,352</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement \$ 5,025,649

Differences - budget to GAAP:

Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes (72,862)

Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 4,952,787

COUNTY OF MONTEREY

Budgetary Comparison Schedule
In-Home Support Services
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Aid from other governmental agencies	\$ --	\$ 394,567	\$ 134,162	\$ (260,405)
Other revenue	--	--	234,991	234,991
Total Revenues	<u>--</u>	<u>394,567</u>	<u>369,153</u>	<u>(25,414)</u>
Expenditures:				
Current:				
Public assistance	--	493,492	461,195	32,297
Total Expenditures	<u>--</u>	<u>493,492</u>	<u>461,195</u>	<u>32,297</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>(98,925)</u>	<u>(92,042)</u>	<u>6,883</u>
Other Financing Sources (Uses):				
Transfers in	--	--	92,042	92,042
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>92,042</u>	<u>92,042</u>
Net change in budgetary fund balances	<u>--</u>	<u>(98,925)</u>	<u>--</u>	<u>98,925</u>
Budgetary fund balances, beginning	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ --</u>	<u>\$ (98,925)</u>	<u>\$ --</u>	<u>\$ 98,925</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Fish and Game Propagation
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines, forfeitures and penalties	\$ 22,000	\$ 22,000	\$ 11,224	\$ (10,776)
Revenue from use of money and property	600	600	343	(257)
Total Revenues	<u>22,600</u>	<u>22,600</u>	<u>11,567</u>	<u>(11,033)</u>
Expenditures:				
Current:				
Culture and recreation	45,094	45,094	21,349	23,745
Total Expenditures	<u>45,094</u>	<u>45,094</u>	<u>21,349</u>	<u>23,745</u>
Net change in budgetary fund balances	<u>(22,494)</u>	<u>(22,494)</u>	<u>(9,782)</u>	<u>12,712</u>
Budgetary fund balances, beginning	<u>22,494</u>	<u>22,494</u>	<u>22,494</u>	<u>--</u>
Budgetary fund balances, ending	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 12,712</u></u>	<u><u>\$ 12,712</u></u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Office of Employment Training
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Aid from other governmental agencies	\$ 10,087,779	\$ 10,541,789	\$ 9,558,913	\$ (982,876)
Other revenue	--	--	42,369	42,369
Total Revenues	<u>10,087,779</u>	<u>10,541,789</u>	<u>9,601,282</u>	<u>(940,507)</u>
Expenditures:				
Current:				
Public assistance	9,531,091	9,985,101	8,710,588	1,274,513
Total Expenditures	<u>9,531,091</u>	<u>9,985,101</u>	<u>8,710,588</u>	<u>1,274,513</u>
Net change in budgetary fund balances	<u>556,688</u>	<u>556,688</u>	<u>890,694</u>	<u>334,006</u>
Budgetary fund balances, beginning	<u>(556,688)</u>	<u>(556,688)</u>	<u>(556,688)</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 334,006</u>	<u>\$ 334,006</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Community Services
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	\$ --	\$ --	\$ 1,160	\$ 1,160
Aid from other governmental agencies	454,872	585,224	584,000	(1,224)
Total Revenues	454,872	585,224	585,160	(64)
Expenditures:				
Current:				
Public assistance	475,570	605,922	673,319	(67,397)
Total Expenditures	475,570	605,922	673,319	(67,397)
Net change in budgetary fund balances	(20,698)	(20,698)	(88,159)	(67,461)
Budgetary fund balances, beginning	118,827	118,827	118,827	--
Budgetary fund balances, ending	\$ 98,129	\$ 98,129	\$ 30,668	\$ (67,461)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$ 673,319
Differences - budget to GAAP:	
Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	(135,150)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 538,169

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Inclusionary Housing
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues:				
Licenses, permits and franchises	\$ --	\$ --	\$ --	\$ --
Revenue from use of money and property	17,000	17,000	33,892	16,892
Other revenue	87,000	87,000	129,149	42,149
Total Revenues	104,000	104,000	163,041	59,041
Expenditures:				
Current:				
General government	1,111,416	1,111,416	378,834	732,582
Capital outlay	1,000	1,000	--	1,000
Total Expenditures	1,112,416	1,111,416	378,834	732,582
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,008,416)	(1,007,416)	(215,793)	791,623
Other Financing Sources (Uses):				
Transfers out	(31,050)	(31,050)	--	31,050
Total Other Financing Sources (Uses)	(31,050)	(31,050)	--	31,050
Net change in budgetary fund balances	(1,039,466)	(1,038,466)	(215,793)	822,673
Budgetary fund balances, beginning	1,410,458	1,410,458	1,410,458	--
Budgetary fund balances, ending	\$ 370,992	\$ 371,992	\$ 1,194,665	\$ 822,673

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$ 378,834
Differences - budget to GAAP:	
Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	(53,329)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 325,505

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Productivity Investment
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from use of money and property	\$ --	\$ --	\$ 1,255	\$ 1,255
Other revenue	--	--	120,000	120,000
Total Revenues	<u>--</u>	<u>--</u>	<u>121,255</u>	<u>121,255</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>--</u>	<u>121,255</u>	<u>121,255</u>
Other Financing Sources (Uses):				
Transfers in	75,000	75,000	115,000	40,000
Transfers out	(90,072)	--	--	--
Total Other Financing Sources (Uses)	<u>(15,072)</u>	<u>75,000</u>	<u>115,000</u>	<u>40,000</u>
Net change in budgetary fund balances	(15,072)	75,000	236,255	161,255
Budgetary fund balances, beginning	<u>15,072</u>	<u>15,072</u>	<u>15,072</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ --</u>	<u>\$ 90,072</u>	<u>\$ 251,327</u>	<u>\$ 161,255</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Community Development
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Revenue from use of money and property	\$ 159,720	\$ 159,720	\$ 149,149	\$ (10,571)
Aid from other governmental agencies	1,535,679	1,535,679	581,227	(954,452)
Charges for services	18,000	18,000	4,879	(13,121)
Other revenue	554,200	874,200	430,930	(443,270)
Total Revenues	2,267,599	2,587,599	1,166,185	(1,421,414)
Expenditures:				
Current:				
General government	3,906,663	4,226,663	1,690,131	2,536,532
Total Expenditures	3,906,663	4,226,663	1,690,131	2,536,532
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,639,064)	(1,639,064)	(523,946)	1,115,118
Other Financing Sources (Uses):				
Transfers in	71,050	71,050	--	(71,050)
Transfers out	--	--	--	--
Total Other Financing Sources (Uses)	71,050	71,050	--	(71,050)
Net change in budgetary fund balances	(1,568,014)	(1,568,014)	(523,946)	1,044,068
Fund balances, beginning	5,482,320	5,482,320	5,482,320	--
Fund balances, ending	\$ 3,914,306	\$ 3,914,306	\$ 4,958,374	\$ 1,044,068
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:				
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 1,690,131
Differences - budget to GAAP:				
Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes				(244,672)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				\$ 1,445,459

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Emergency Medical Services
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from use of money and property	\$ 40,000	\$ 40,000	\$ 21,173	\$ (18,827)
Aid from other governmental agencies	--	--	505,416	505,416
Charges for services	650,000	650,000	515,031	(134,969)
Total Revenues	<u>690,000</u>	<u>690,000</u>	<u>1,041,620</u>	<u>351,620</u>
Expenditures:				
Current:				
Health and sanitation	<u>1,337,392</u>	<u>1,307,392</u>	<u>899,822</u>	<u>407,570</u>
Total Expenditures	<u>1,337,392</u>	<u>1,307,392</u>	<u>899,822</u>	<u>407,570</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(647,392)</u>	<u>(617,392)</u>	<u>141,798</u>	<u>759,190</u>
Other Financing Sources (Uses):				
Transfers out	<u>(324,303)</u>	<u>(354,303)</u>	<u>(347,863)</u>	<u>6,440</u>
Total Other Financing Sources (Uses)	<u>(324,303)</u>	<u>(354,303)</u>	<u>(347,863)</u>	<u>6,440</u>
Net change in budgetary fund balances	<u>(971,695)</u>	<u>(971,695)</u>	<u>(206,065)</u>	<u>765,630</u>
Budgetary fund balances, beginning	<u>971,695</u>	<u>971,695</u>	<u>971,695</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 765,630</u>	<u>\$ 765,630</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Fort Ord Reuse
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Revenue from use of money and property	\$ 31,460	\$ 31,460	\$ 28,956	\$ (2,504)
Other revenue	482,186	867,398	747,981	(119,417)
Total Revenues	<u>513,646</u>	<u>898,858</u>	<u>776,937</u>	<u>(121,921)</u>
Expenditures:				
Current:				
General government	671,934	1,057,146	1,101,064	(43,918)
Total Expenditures	<u>671,934</u>	<u>1,057,146</u>	<u>1,101,064</u>	<u>(43,918)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(158,288)</u>	<u>(158,288)</u>	<u>(324,127)</u>	<u>(165,839)</u>
Other Financing Sources (Uses):				
Transfers in	42,000	42,000	42,000	--
Total Other Financing Sources (Uses)	<u>42,000</u>	<u>42,000</u>	<u>42,000</u>	<u>--</u>
Net change in budgetary fund balances	(116,288)	(116,288)	(282,127)	(165,839)
Budgetary fund balances, beginning	<u>254,580</u>	<u>254,580</u>	<u>254,580</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 138,292</u>	<u>\$ 138,292</u>	<u>\$ (27,547)</u>	<u>\$ (165,839)</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement \$ 1,101,064

Differences - budget to GAAP:

Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes (152,972)

Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 948,092

COUNTY OF MONTEREY

Budgetary Comparison Schedule
 Departmental Accounts
 For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from use of money and property	\$ --	\$ --	\$ --	\$ --
Aid from other governmental agencies	--	--	--	--
Total Revenues	--	--	--	--
Expenditures:				
Current:				
General government	--	--	--	--
Total Expenditures	--	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	--	--	--
Other Financing Sources (Uses):				
Transfers out	--	(101,398)	--	101,398
Total Other Financing Sources (Uses)	--	309,349	--	(309,349)
Net change in budgetary fund balances	--	309,349	--	(309,349)
Budgetary fund balances, beginning	2,246,422	2,246,422	2,246,422	--
Prior period adjustment	--	--	(2,246,422)	(2,246,422)
Budgetary fund balances, ending	\$ 2,246,422	\$ 2,555,771	\$ --	\$ (2,555,771)

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Water Resources Agency
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Licenses, permits and franchises	\$ 22,100	\$ 22,100	\$ 25,260	\$ 3,160
Revenue from use of money and property	238,040	238,057	189,110	(48,947)
Aid from other governmental agencies	1,172,500	1,172,500	440,948	(731,552)
Charges for services	19,617,216	19,982,686	20,317,208	334,522
Other revenue	--	--	19,986	19,986
Total Revenues	<u>21,049,856</u>	<u>21,415,343</u>	<u>20,992,512</u>	<u>(422,831)</u>
Expenditures:				
Current:				
Public ways and facilities	23,852,266	24,180,807	20,043,492	4,137,315
Capital outlay	54,500	83,688	--	83,688
Total Expenditures	<u>23,906,766</u>	<u>24,264,495</u>	<u>20,043,492</u>	<u>4,221,003</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,856,910)</u>	<u>(2,849,152)</u>	<u>949,020</u>	<u>3,798,172</u>
Other Financing Sources (Uses):				
Transfers in	2,135,348	2,135,348	1,721,466	(413,882)
Transfers out	<u>(3,710,915)</u>	<u>(3,718,674)</u>	<u>(3,628,466)</u>	<u>90,208</u>
Total Other Financing Sources (Uses)	<u>(1,575,567)</u>	<u>(1,583,326)</u>	<u>(1,907,000)</u>	<u>(323,674)</u>
Net change in budgetary fund balances	<u>(4,432,477)</u>	<u>(4,432,478)</u>	<u>(957,980)</u>	<u>3,474,498</u>
Budgetary fund balances, beginning	8,908,553	8,908,553	8,908,553	--
Budgetary fund balances, ending	<u>\$ 4,476,076</u>	<u>\$ 4,476,075</u>	<u>\$ 7,950,573</u>	<u>\$ 3,474,498</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement \$ 20,043,492

Differences - budget to GAAP:

Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes (1,013,431)

Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 19,030,061

COUNTY OF MONTEREY

Budgetary Comparison Schedule
County Service Areas
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget
				Positive
				(Negative)
Revenues:				
Taxes	\$ 1,569,576	\$ 1,569,576	\$ 1,573,950	\$ 4,374
Revenue from use of money and property	279,385	279,453	163,126	(116,327)
Charges for services	1,229,657	1,341,502	1,401,821	60,319
Other revenue	--	--	2,477	2,477
Total Revenues	<u>3,078,618</u>	<u>3,190,531</u>	<u>3,141,374</u>	<u>(49,157)</u>
Expenditures:				
Current:				
Public ways and facilities	3,681,006	3,806,261	1,156,353	2,649,908
Health and sanitation	2,919,418	2,919,418	1,636,701	1,282,717
Total Expenditures	<u>6,600,424</u>	<u>6,725,679</u>	<u>2,793,054</u>	<u>3,932,625</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,521,806)</u>	<u>(3,535,148)</u>	<u>348,320</u>	<u>3,883,468</u>
Other Financing Sources (Uses):				
Transfers out	<u>(400)</u>	<u>(400)</u>	<u>--</u>	<u>400</u>
Total Other Financing Sources (Uses)	<u>(400)</u>	<u>(400)</u>	<u>--</u>	<u>400</u>
Net change in budgetary fund balances	<u>(3,522,206)</u>	<u>(3,535,548)</u>	<u>348,320</u>	<u>3,883,868</u>
Budgetary fund balances, beginning	<u>10,657,034</u>	<u>10,657,034</u>	<u>10,657,034</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 7,134,828</u>	<u>\$ 7,121,486</u>	<u>\$ 11,005,354</u>	<u>\$ 3,883,868</u>
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:				
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 2,793,054
Differences - budget to GAAP:				
Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes				<u>(32,825)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 2,760,229</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Sanitation Districts
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Revenue from use of money and property	\$ 82,138	\$ 82,138	\$ 91,219	\$ 9,081
Charges for services	1,037,770	1,089,623	1,203,599	113,976
Other revenue	--	--	(29,444)	(29,444)
Total Revenues	<u>1,119,908</u>	<u>1,171,761</u>	<u>1,265,374</u>	<u>93,613</u>
Expenditures:				
Current:				
Health and sanitation	<u>1,295,383</u>	<u>1,372,746</u>	<u>1,095,802</u>	<u>276,944</u>
Total Expenditures	<u>1,295,383</u>	<u>1,372,746</u>	<u>1,095,802</u>	<u>276,944</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(175,475)</u>	<u>(200,985)</u>	<u>169,572</u>	<u>370,557</u>
Other Financing Sources (Uses):				
Transfer in	32,000	32,000	--	(32,000)
Transfers out	<u>(103,525)</u>	<u>(103,525)</u>	<u>(103,525)</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>(71,525)</u>	<u>(71,525)</u>	<u>(103,525)</u>	<u>(32,000)</u>
Net change in budgetary fund balances	<u>(247,000)</u>	<u>(272,510)</u>	<u>66,047</u>	<u>338,557</u>
Budgetary fund balances, beginning	<u>2,176,838</u>	<u>2,176,838</u>	<u>2,176,838</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 1,929,838</u>	<u>\$ 1,904,328</u>	<u>\$ 2,242,885</u>	<u>\$ 338,557</u>
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:				
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 1,095,802
Differences - budget to GAAP:				
Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes				<u>(2,097)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 1,093,705</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Other Districts
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues:				
Taxes	\$ 186,362	\$ 186,362	\$ 836,756	\$ 650,394
Revenue from use of money and property	25,014	25,014	52,123	27,109
Aid from other governmental agencies	1,777	--	5,863	5,863
Total Revenues	<u>213,153</u>	<u>611,376</u>	<u>894,742</u>	<u>283,366</u>
Expenditures:				
Current:				
Public ways and facilities	2,093,151	1,833,151	436,629	1,396,522
Capital outlay	1,000	1,000	--	1,000
Total Expenditures	<u>2,094,151</u>	<u>1,834,151</u>	<u>436,629</u>	<u>1,397,522</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,880,998)</u>	<u>(1,222,775)</u>	<u>458,113</u>	<u>1,680,888</u>
Other Financing Sources (Uses):				
Transfers in	446,888	446,888	55,659	(391,229)
Transfers out	(40,000)	(300,000)	--	300,000
Total Other Financing Sources (Uses)	<u>406,888</u>	<u>146,888</u>	<u>55,659</u>	<u>(91,229)</u>
Net change in budgetary fund balances	<u>(1,474,110)</u>	<u>(1,075,887)</u>	<u>513,772</u>	<u>1,680,888</u>
Budgetary fund balances, beginning	<u>2,993,641</u>	<u>2,993,641</u>	<u>2,993,641</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 1,519,531</u>	<u>\$ 1,917,754</u>	<u>\$ 3,507,413</u>	<u>\$ 1,680,888</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 436,629
Differences - budget to GAAP:				
Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes				<u>(27,553)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 409,076</u>

DEBT SERVICE FUNDS

The Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.



COUNTY OF MONTEREY

Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2004

Assets	Debt Service County	Debt Service RDA	Total
Cash and investments in County Treasury	\$ 8,135,864	\$ 309,491	\$ 8,445,355
Cash with fiscal agent	1,224,038	--	1,224,038
Total Assets	\$ 9,359,902	\$ 309,491	\$ 9,669,393
Liabilities and Fund Balance			
Liabilities:			
Due to other funds	\$ --	\$ 77,651	\$ 77,651
Total Liabilities	--	77,651	77,651
Fund Balance:			
Reserved for:			
Debt service	9,359,902	231,840	9,591,742
Total Fund Balances	9,359,902	231,840	9,591,742
Total Liabilities and Fund Balance	\$ 9,359,902	\$ 309,491	\$ 9,669,393

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Debt Service Funds
 For the Year Ended June 30, 2004

	Debt Service General	Debt Service RDA	Totals
Revenues:			
Taxes	\$ 19,442	\$ 2,851,087	\$ 2,870,529
Revenue from use of money and property	177,530	12,993	190,523
Aid from other governmental agencies	--	44,554	44,554
Other revenue	1,216	--	1,216
Total Revenues	<u>198,188</u>	<u>2,908,634</u>	<u>3,106,822</u>
Expenditures:			
Current:			
General government	759	--	759
Debt service - principal	2,375,523	--	2,375,523
Debt service - interest and debt service costs	5,463,609	179,519	5,643,128
Total Expenditures	<u>7,839,891</u>	<u>179,519</u>	<u>8,019,410</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,641,703)</u>	<u>2,729,115</u>	<u>(4,912,588)</u>
Other Financing Sources (Uses):			
Transfers in	6,690,959	--	6,690,959
Transfers out	--	(2,321,364)	(2,321,364)
Total Other Financing Sources (Uses)	<u>6,690,959</u>	<u>(2,321,364)</u>	<u>4,369,595</u>
Net change in fund balances	(950,744)	407,751	(542,993)
Fund balances, beginning	10,310,646	(175,911)	10,134,735
Fund balances, ending	<u>\$ 9,359,902</u>	<u>\$ 231,840</u>	<u>\$ 9,591,742</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Debt Service - County
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ --	\$ --	\$ 19,442	\$ 19,442
Revenue from use of money and property	1,303,707	1,303,707	177,530	(1,126,177)
Other revenue	--	--	1,216	1,216
Total Revenues	<u>1,303,707</u>	<u>1,303,707</u>	<u>198,188</u>	<u>(1,105,519)</u>
Expenditures:				
Current:				
General government	--	--	759	(759)
Debt service - principal	1,575,000	2,225,000	2,375,523	(150,523)
Debt service - interest and other	8,679,917	8,029,917	5,463,609	2,566,308
Total Expenditures	<u>10,254,917</u>	<u>10,254,917</u>	<u>7,839,891</u>	<u>2,415,026</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,951,210)</u>	<u>(8,951,210)</u>	<u>(7,641,703)</u>	<u>1,309,507</u>
Other Financing Sources (Uses):				
Transfers in	6,100,000	6,100,000	6,690,959	590,959
Transfers out	(686,302)	(686,302)	--	686,302
Debt issuance	10,000	10,000	--	(10,000)
Total Other Financing Sources (Uses)	<u>5,423,698</u>	<u>4,737,396</u>	<u>6,690,959</u>	<u>1,953,563</u>
Net change in budgetary fund balances	<u>(3,527,512)</u>	<u>(4,213,814)</u>	<u>(950,744)</u>	<u>3,263,070</u>
Budgetary fund balances, beginning	<u>10,134,735</u>	<u>10,310,646</u>	<u>10,310,646</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 6,607,223</u>	<u>\$ 6,096,832</u>	<u>\$ 9,359,902</u>	<u>\$ 3,263,070</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Debt Service - RDA
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,276,794	\$ 2,276,794	\$ 2,851,087	\$ 574,293
Revenue from use of money and property	--	--	12,993	12,993
Aid from other governmental agencies	--	--	44,554	44,554
Total Revenues	<u>2,276,794</u>	<u>2,276,794</u>	<u>2,908,634</u>	<u>631,840</u>
Expenditures:				
Debt service - interest and other	--	179,519	179,519	--
Total Expenditures	<u>--</u>	<u>179,519</u>	<u>179,519</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,276,794</u>	<u>2,097,275</u>	<u>2,729,115</u>	<u>631,840</u>
Other Financing Sources (Uses):				
Transfers in	400,000	400,000	--	(400,000)
Transfers out	<u>(2,500,883)</u>	<u>(2,321,364)</u>	<u>(2,321,364)</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>(2,100,883)</u>	<u>(1,921,364)</u>	<u>(2,321,364)</u>	<u>(400,000)</u>
Net change in budgetary fund balances	175,911	175,911	407,751	231,840
Budgetary fund balances, beginning	<u>(175,911)</u>	<u>(175,911)</u>	<u>(175,911)</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 231,840</u>	<u>\$ 231,840</u>

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition of major capital facilities (other than those financed by proprietary funds).

CAPITAL PROJECT FUNDS

Major Capital Project Funds

Facilities Master Plan Implementation – Provides for the renovation of the North, East & West Wings of the Courthouse, the renovation of the Old Natividad Medical Center and the construction of a new County Administrative Building. Additionally, funds will be used to address space needs for various other County departments.

Nonmajor Capital Project Funds

Capital Projects Management – A Division of the County Administrative Office and it manages the construction of new facilities.

Facilities Project – Provides for the maintenance of existing facilities.

Castroville Pajaro Project – Provides for the administration and implementation of the Castroville/Pajaro Redevelopment Plan adopted in 1986.

Boronda Project – Provides for the administration and implementation of the Boronda Redevelopment Plan adopted in 1988.

Fort Ord Project – Provides for the implementation of the Fort Ord Redevelopment Project Area.

COUNTY OF MONTEREY

Budgetary Comparison Statement
 Facility Master Plan
 For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Fines, forfeitures and penalties	\$ --	\$ --	\$ 556,089	\$ 556,089
Revenue from use of money and property	3,150,000	3,150,000	3,898,261	748,261
Charges for services	--	--	7,850	7,850
Other revenue	--	--	159	159
Total revenues	<u>3,150,000</u>	<u>3,150,000</u>	<u>4,462,359</u>	<u>1,312,359</u>
Expenditures				
Current:				
General government	690,320	6,531,934	6,818,789	(286,855)
Capital outlay	81,627,680	66,786,066	25,992,604	40,793,462
Total expenditures	<u>82,318,000</u>	<u>73,318,000</u>	<u>32,811,393</u>	<u>40,506,607</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(82,318,000)</u>	<u>(73,318,000)</u>	<u>(32,811,393)</u>	<u>40,506,607</u>
Other financing sources (uses)				
Transfers out	--	(9,000,000)	--	(9,000,000)
Total Other Financing Sources (Uses)	<u>--</u>	<u>(9,000,000)</u>	<u>--</u>	<u>(9,000,000)</u>
Net change in budgetary fund balances	<u>(79,168,000)</u>	<u>(79,168,000)</u>	<u>(28,349,034)</u>	<u>50,818,966</u>
Budgetary fund balances, July 1	<u>90,561,547</u>	<u>90,561,547</u>	<u>90,561,547</u>	<u>--</u>
Budgetary fund balances, June 30	<u>\$ 11,393,547</u>	<u>\$ 11,393,547</u>	<u>\$ 62,212,513</u>	<u>\$ 50,818,966</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement \$ 32,811,393

Differences - budget to GAAP:

Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes (20,879,820)

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 11,931,573

COUNTY OF MONTEREY

Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2004

Assets	Capital Projects Management	Facilities Project	Castroville Pajaro Project
Cash and investments in County Treasury	\$ 4,429,930	\$ 2,826,936	\$ 1,990,110
Interest receivable	15,789	7,785	10,520
Grants receivable			424,569
Due from other funds			
Long term receivable	873,197	--	--
Total Assets	<u>\$ 5,318,916</u>	<u>\$ 2,834,721</u>	<u>\$ 2,425,199</u>
<hr/>			
Liabilities and Fund Balance			
<hr/>			
Liabilities:			
Vouchers and accounts payable	\$ 31,888	\$ 48,723	\$ 141,876
Accrued salaries and benefits	11,400	--	--
Deferred revenues	200,359	--	--
Advances payable	--	--	--
Total Liabilities	<u>243,982</u>	<u>48,723</u>	<u>141,876</u>
Fund Balances:			
Reserved for:			
Encumbrances	881,991	760,585	778,389
Unreserved			
Undesignated	4,192,943	2,025,413	1,504,934
Total Fund Balances	<u>5,074,934</u>	<u>2,785,998</u>	<u>2,283,323</u>
Total Liabilities and Fund Balances	<u>\$ 5,318,916</u>	<u>\$ 2,834,721</u>	<u>\$ 2,425,199</u>

COUNTY OF MONTEREY

Combining Balance Sheet (continued)
 Nonmajor Capital Projects Funds
 June 30, 2004

Assets	Boronda Project	Fort Ord Project	Total
Cash and investments in County Treasury	\$ 979,818	\$ 775	\$ 10,227,569
Interest receivable	3,354	--	37,448
Grants receivable			424,569
Due from other funds	77,651		77,651
Long term receivable	--	--	873,197
Total Assets	\$ 1,060,823	\$ 775	\$ 11,640,434
<hr style="border: 0.5px solid black;"/>			
Liabilities and Fund Balance			
Liabilities:			
Vouchers and accounts payable	\$ 5,934	\$ --	\$ 228,421
Accrued salaries and benefits	--	--	11,400
Deferred revenues	--	--	200,359
Advances payable	--	161,300	161,300
Total Liabilities	5,934	161,300	601,815
Fund Balances:			
Reserved for:			
Encumbrances	31,866	--	2,452,831
Unreserved			
Undesignated	1,023,023	(160,525)	8,585,788
Total Fund Balances	1,054,889	(160,525)	11,038,619
Total Liabilities and Fund Balance	\$ 1,060,823	\$ 775	\$ 11,640,434

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 For the Year Ended June 30, 2004

	Capital Projects Management	Facilities Project	Castroville Pajaro Project
Revenues:			
Revenue from use of money and property	\$ 154,096	\$ 42,927	\$ 42,946
Aid from other governmental agencies	--	638,003	724,419
Charges for services	2,470	--	--
Other revenue	59	--	216
Total Revenues	<u>156,625</u>	<u>680,930</u>	<u>767,581</u>
Expenditures:			
Current:			
General government	866,270	704,473	--
Public ways and facilities	--	--	1,878,979
Capital outlay	5,878,829	157,126	--
Debt service - principal	--	--	25,000
Debt service - interest	--	--	6,548
Total Expenditures	<u>6,745,099</u>	<u>861,599</u>	<u>1,910,527</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,588,474)</u>	<u>(180,669)</u>	<u>(1,142,946)</u>
Other Financing Sources (Uses):			
Transfers in	797,089	437,616	1,125,762
Transfers out	(451,609)	--	--
Total Other Financing Sources (Uses)	<u>345,480</u>	<u>437,616</u>	<u>1,125,762</u>
Net change in fund balances	(6,242,994)	256,947	(17,184)
Fund balances, beginning	11,317,928	2,529,051	2,300,507
Fund balances, ending	<u>\$ 5,074,934</u>	<u>\$ 2,785,998</u>	<u>\$ 2,283,323</u>

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
 Nonmajor Capital Projects Funds
 For the Year Ended June 30, 2004

	<u>Boronda Project</u>	<u>Fort Ord Project</u>	<u>Totals</u>
Revenues:			
Revenue from use of money and property	\$ 15,427	\$ 41	\$ 255,437
Aid from other governmental agencies	--	--	1,362,422
Charges for services	--	--	2,470
Other revenue	--	--	275
Total Revenues	<u>15,427</u>	<u>41</u>	<u>1,620,604</u>
Expenditures:			
Current:			
General government	856,619	2,453	2,429,815
Public ways and facilities	--	--	1,878,979
Capital outlay	--	--	6,035,955
Debt service - principal	--	--	25,000
Debt service - interest	--	7,500	14,048
Total Expenditures	<u>856,619</u>	<u>9,953</u>	<u>10,383,797</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(841,192)</u>	<u>(9,912)</u>	<u>(8,763,193)</u>
Other Financing Sources (Uses):			
Transfers in	1,139,943	--	3,500,410
Transfers out	--	--	(451,609)
Total Other Financing Sources (Uses)	<u>1,139,943</u>	<u>--</u>	<u>3,048,801</u>
Net change in fund balances	298,751	(9,912)	(5,714,392)
Fund balances, beginning	756,138	(150,613)	16,753,011
Fund balances, ending	<u>\$ 1,054,889</u>	<u>\$ (160,525)</u>	<u>\$ 11,038,619</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Capital Projects Management
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Revenue from use of money and property	\$ 239,000	\$ 239,000	\$ 154,096	\$ (84,904)
Charges for services	1,000	1,000	2,470	1,470
Other revenue	--	--	59	59
Total Revenues	<u>240,000</u>	<u>240,000</u>	<u>156,625</u>	<u>(83,375)</u>
Expenditures:				
General government	2,758,497	2,545,420	1,132,158	1,413,262
Capital outlay	6,662,327	6,640,954	6,427,050	213,904
Total Expenditures	<u>9,420,824</u>	<u>9,186,374</u>	<u>7,559,208</u>	<u>1,627,166</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,180,824)</u>	<u>(8,946,374)</u>	<u>(7,402,583)</u>	<u>1,543,791</u>
Other Financing Sources (Uses):				
Transfers in	579,930	797,089	797,089	--
Transfers out	<u>(4,504,302)</u>	<u>(451,609)</u>	<u>(451,609)</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>(3,924,372)</u>	<u>345,480</u>	<u>345,480</u>	<u>--</u>
Net change in budgetary fund balances	(13,105,196)	(8,600,894)	(7,057,103)	1,543,791
Budgetary fund balances, beginning	<u>11,317,928</u>	<u>11,317,928</u>	<u>11,317,928</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ (1,787,268)</u>	<u>\$ 2,717,034</u>	<u>\$ 4,260,825</u>	<u>\$ 1,543,791</u>
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:				
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 7,559,208
Differences - budget to GAAP:				
Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes				<u>(814,109)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 6,745,099</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Facilities Project
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Revenue from use of money and property	\$ 5,000	\$ 5,000	\$ 42,927	\$ 37,927
Aid from other governmental agencies	400,000	400,000	638,003	238,003
Total Revenues	<u>405,000</u>	<u>405,000</u>	<u>680,930</u>	<u>275,930</u>
Expenditures:				
Current:				
General government	2,178,366	2,424,052	1,340,153	1,083,899
Capital outlay	474,070	474,070	164,476	309,594
Total Expenditures	<u>2,652,436</u>	<u>2,898,122</u>	<u>1,504,629</u>	<u>1,393,493</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,247,436)</u>	<u>(2,493,122)</u>	<u>(823,699)</u>	<u>1,669,423</u>
Other Financing Sources (Uses):				
Transfers in	3,993,921	245,686	437,616	191,930
Transfers out	--	--	--	--
Total Other Financing Sources (Uses)	<u>3,993,921</u>	<u>245,686</u>	<u>437,616</u>	<u>191,930</u>
Net change in budgetary fund balances	1,746,485	(2,247,436)	(386,083)	1,861,353
Budgetary fund balances, beginning	<u>2,529,051</u>	<u>2,529,051</u>	<u>2,529,051</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 4,275,536</u>	<u>\$ 281,615</u>	<u>\$ 2,142,968</u>	<u>\$ 1,861,353</u>
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:				
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 1,504,629
Differences - budget to GAAP:				
Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes				<u>(643,030)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 861,599</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Castroville Pajaro Project
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues:				
Revenue from use of money and property	\$ 15,000	\$ 15,000	\$ 42,946	\$ 27,946
Aid from other governmental agencies	209,452	209,452	724,419	514,967
Other revenue	--	--	216	216
Total Revenues	<u>224,452</u>	<u>224,452</u>	<u>767,581</u>	<u>543,129</u>
Expenditures:				
Current:				
General government	3,175,924	3,301,090	2,119,257	1,181,833
Capital outlay	30,101	30,101	--	30,101
Debt service - principal	102,666	--	25,000	(25,000)
Debt service - interest	22,500	--	6,548	(6,548)
Total Expenditures	<u>3,331,191</u>	<u>3,331,191</u>	<u>2,150,805</u>	<u>1,180,386</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,106,739)</u>	<u>(3,106,739)</u>	<u>(1,383,224)</u>	<u>1,723,515</u>
Other Financing Sources (Uses):				
Transfers in	1,372,302	1,372,302	1,125,762	(246,540)
Transfers out	<u>(33,000)</u>	<u>(33,000)</u>	<u>--</u>	<u>33,000</u>
Total Other Financing Sources (Uses)	<u>1,339,302</u>	<u>1,339,302</u>	<u>1,125,762</u>	<u>(213,540)</u>
Net change in budgetary fund balances	<u>(1,767,437)</u>	<u>(1,767,437)</u>	<u>(257,462)</u>	<u>1,509,975</u>
Budgetary fund balances, beginning	<u>2,300,507</u>	<u>2,300,507</u>	<u>2,300,507</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 533,070</u>	<u>\$ 533,070</u>	<u>\$ 2,043,045</u>	<u>\$ 1,509,975</u>
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:				
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement				\$ 2,150,805
Differences - budget to GAAP:				
Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes				<u>(240,278)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 1,910,527</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
 Boronda Project
 For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Revenue from use of money and property	\$ 20,000	\$ 20,000	\$ 15,427	\$ (4,573)
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>15,427</u>	<u>(4,573)</u>
Expenditures:				
Current:				
General government	1,929,363	1,929,363	886,025	1,043,338
Capital outlay	2,000	2,000	--	2,000
Total Expenditures	<u>1,931,363</u>	<u>1,931,363</u>	<u>886,025</u>	<u>1,045,338</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,911,363)</u>	<u>(1,911,363)</u>	<u>(870,598)</u>	<u>1,040,765</u>
Other Financing Sources (Uses):				
Transfers in	709,749	709,749	1,139,943	430,194
Total Other Financing Sources (Uses)	<u>709,749</u>	<u>709,749</u>	<u>1,139,943</u>	<u>430,194</u>
Net change in budgetary fund balances	(1,201,614)	(1,201,614)	269,345	1,470,959
Budgetary fund balances, beginning	<u>756,138</u>	<u>756,138</u>	<u>756,138</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ (445,476)</u>	<u>\$ (445,476)</u>	<u>\$ 1,025,483</u>	<u>\$ 1,470,959</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement	\$ 886,025
Differences - budget to GAAP:	
Encumbrances for supplies and services ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	<u>(29,406)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 856,619</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
 Fort Ord Project
 For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Revenue from use of money and property	\$ 150	\$ 150	\$ 41	\$ (109)
Other revenue	--	2,687	--	(2,687)
Total Revenues	<u>150</u>	<u>2,837</u>	<u>41</u>	<u>(2,796)</u>
Expenditures:				
Current:				
General government	1,384	4,071	2,453	1,618
Debt service - interest	--	--	7,500	(7,500)
Total Expenditures	<u>1,384</u>	<u>4,071</u>	<u>9,953</u>	<u>(5,882)</u>
Net change in budgetary fund balances	(1,234)	(1,234)	(9,912)	(8,678)
Fund balances, beginning	<u>(150,613)</u>	<u>(150,613)</u>	<u>(150,613)</u>	<u>--</u>
Fund balances, ending	<u>\$ (151,847)</u>	<u>\$ (151,847)</u>	<u>\$ (160,525)</u>	<u>\$ (8,678)</u>

STATISTICAL SECTION

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive financial report.

Financial Trends

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time. (Schedule 1-7)

Revenue Capacity

These schedules contain information to help the reader assess the County's most significant local revenue sources, property tax and sales tax. (Schedule 8-10)

Debt Capacity

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future. (Schedule 11-13)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place. (Schedule 14-15)

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs. (Schedule 16)



COUNTY OF MONTEREY

Net Assets by Component,
Last Three Fiscal Years (in thousands)
(accrual basis of accounting)

	Fiscal Year Ended June 30,		
	2004	2003	2002
<u>Governmental activities</u>			
Invested in capital assets, net of related debt	\$ 470,684	\$ 465,234	\$ 368,529
Restricted	65,960	95,272	-
Unrestricted	532	(7,278)	156,552
Total governmental activities net assets	<u>537,176</u>	<u>553,228</u>	<u>525,081</u>
<u>Business-type activities</u>			
Invested in capital assets, net of related debt	46,684	49,678	62,635
Unrestricted	(19,159)	(23,307)	(29,006)
Total business-type activities net assets	<u>27,525</u>	<u>26,371</u>	<u>33,629</u>
<u>Primary government</u>			
Invested in capital assets, net of related debt	517,368	514,912	431,164
Restricted	65,960	95,272	-
Unrestricted	(18,627)	(30,585)	127,546
Total primary government net assets	<u>\$ 564,701</u>	<u>\$ 579,599</u>	<u>\$ 558,710</u>

Notes:

- (1) Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.
- (2) For fiscal year ended June 30, 2002, unrestricted and restricted net assets were reported as unrestricted net assets.

COUNTY OF MONTEREY

Changes in Net Assets
Last Three Fiscal Years (in thousands)
(accrual basis of accounting)

	Fiscal Year Ended June 30,		
	2004	2003	2002
<u>Expenses (by function)</u>			
<i>Governmental activities:</i>			
General government	\$ 76,319	\$ 118,440	\$ 85,809
Public protection	127,057	160,948	186,131
Public ways and facilities	50,948	32,199	29,686
Health and sanitation	100,883	88,817	117,938
Public assistance	120,371	124,209	136,114
Education	4,969	5,722	6,242
Recreation and culture services	7,208	6,857	7,975
Interest on long-term debt	4,430	5,885	5,049
Total governmental activities expenses	492,185	543,077	574,944
<i>Business-type activities:</i>			
Natividad Medical Center	130,310	137,192	130,515
Total business-type activities expenses	130,310	137,192	130,515
Total Primary Government Expenses	622,495	680,269	705,459
 <u>Program Revenues (by function)</u>			
<i>Governmental activities:</i>			
<i>Charges for services:</i>			
General government	42,360	37,783	39,242
Public protection	9,743	40,745	41,939
Public ways and facilities	26,189	8,288	11,441
Health and sanitation	16,385	13,283	11,727
Public assistance	12	68	23
Education	79	159	139
Recreation and culture services	5,545	4,489	4,367
Operating grants and contributions	227,820	235,457	310,594
Capital grants and contributions	1,094	3,174	9,720
Total governmental activities program revenues	329,227	343,446	429,192

COUNTY OF MONTEREY

Changes in Net Assets (continued)
Last Three Fiscal Years (in thousands)
(accrual basis of accounting)

	Fiscal Year Ended June 30,		
	2004	2003	2002
<u>Program Revenues (by function)</u>			
<i>Business-type activities:</i>			
Charges for services:			
Patient services	\$ 147,993	\$ 128,424	\$ 142,807
Capital grants and contributions	255	--	--
Total business-type activities revenues	<u>148,248</u>	<u>128,424</u>	<u>142,807</u>
Total Primary Government Program Revenues	<u>477,475</u>	<u>471,870</u>	<u>571,999</u>
<u>Net (Expense)/ Revenue</u>			
Governmental activities	(162,958)	(199,631)	(145,752)
Business-type activities	17,938	(8,768)	12,292
Total Primary Net (Expense)/Revenue	<u>(145,020)</u>	<u>(208,399)</u>	<u>(133,460)</u>
<u>General Revenues and Other Changes in Net Assets</u>			
<i>Governmental activities:</i>			
Taxes			
Property taxes	74,994	66,809	62,771
Sales tax	6,503	7,555	7,437
Vehicle license fees and in-lieu	33,325	39,726	37,463
Transient occupancy & other	21,679	15,064	15,286
Unrestricted grants and contributions	--	2,608	--
Investment earnings	5,641	10,070	11,415
Miscellaneous	9,934	6,332	3,457
Transfers	18,931	7,095	14,361
Total governmental activities	<u>171,007</u>	<u>155,259</u>	<u>152,190</u>
<i>Business-type activities:</i>			
Unrestricted grants and contributions	--	608	1,180
Miscellaneous	2,147	7,997	2,211
Transfers	(18,931)	(7,095)	(14,361)
Total business-type activities	<u>(16,784)</u>	<u>1,510</u>	<u>(10,970)</u>
Total Primary Government	<u>154,223</u>	<u>156,769</u>	<u>141,220</u>
<u>Change in Net Assets</u>			
Governmental activities	8,049	(44,372)	6,438
Business-type activities	1,154	(7,258)	1,322
Total Primary Government	<u>\$ 9,203</u>	<u>\$ (51,630)</u>	<u>\$ 7,760</u>

COUNTY OF MONTEREY

Fund Balances, Governmental Funds
Last Ten Fiscal Years (in thousands)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
General Fund										
Reserved	\$ 10,618	\$ 9,959	\$ 10,639	\$ 10,657	\$ 8,583	\$ 11,064	\$ 6,912	\$ 5,756	\$ 8,505	\$ 8,241
Unreserved	41,737	21,872	39,886	36,253	35,542	30,859	30,570	28,878	25,897	33,834
Total General Fund	<u>52,355</u>	<u>31,831</u>	<u>50,525</u>	<u>46,910</u>	<u>44,125</u>	<u>41,923</u>	<u>37,482</u>	<u>34,634</u>	<u>34,402</u>	<u>42,075</u>
All Other Governmental Funds										
Reserved	40,071	26,705	33,352	26,797	28,875	26,102	28,656	15,082	39,841	9,735
Unreserved, reported in:										
Special revenue funds	28,388	43,409	53,403	26,105	20,003	19,991	21,576	19,791	18,995	17,635
Capital project funds	62,362	92,491	105,034	23,962	13,882	7,527	8,513	21,715	17,189	2,287
Debt service funds	9,592	10,135	12,655	12,536	15,770	14,316	11,880	10,132	11,765	4,767
Total All Other Governmental Funds	<u>140,413</u>	<u>172,740</u>	<u>204,444</u>	<u>89,400</u>	<u>78,530</u>	<u>67,936</u>	<u>70,625</u>	<u>66,720</u>	<u>87,790</u>	<u>34,424</u>
Total Governmental Fund Balance	<u>\$ 192,768</u>	<u>\$ 204,571</u>	<u>\$ 254,969</u>	<u>\$ 136,310</u>	<u>\$ 122,655</u>	<u>\$ 109,859</u>	<u>\$ 108,107</u>	<u>\$ 101,354</u>	<u>\$ 122,192</u>	<u>\$ 76,499</u>

COUNTY OF MONTEREY

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

	Fiscal Year Ended June 30,									
	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Revenues										
Taxes	\$ 136,501	\$ 89,910	\$ 85,013	\$ 82,094	\$ 73,217	\$ 67,207	\$ 64,186	\$ 60,629	\$ 56,241	\$ 53,454
Licenses, permits & franchises	12,097	12,400	17,766	12,569	9,987	7,565	6,090	5,427	5,152	4,585
Fines, forfeitures & penalties	4,109	16,354	16,021	12,622	6,663	7,426	6,255	3,596	5,473	3,095
Revenues from use of money & property	5,605	10,030	11,415	10,955	12,414	7,886	6,445	10,397	9,701	6,309
Aid from other governmental agencies	228,914	278,357	357,777	236,727	207,275	209,237	202,106	193,765	185,548	181,953
Charges for current services	84,107	76,062	75,089	65,473	64,387	56,579	59,398	56,519	50,195	50,462
Other revenues	9,934	6,331	3,457	4,094	6,835	14,851	6,545	8,443	11,047	3,196
Total Revenues	481,267	489,444	566,538	424,534	380,778	370,751	351,025	338,776	323,357	303,054
Expenditures										
General	73,832	110,304	69,062	54,997	46,415	40,655	40,299	40,345	40,945	33,751
Public Protection	125,849	159,304	183,795	132,399	124,331	118,596	118,395	120,505	101,295	101,538
Public Ways & Facilities	41,140	29,591	43,260	24,633	17,692	25,829	19,952	17,488	17,858	15,112
Health & Sanitation	100,711	87,970	117,399	77,857	63,009	81,203	56,457	50,597	45,332	46,830
Public Assistance	119,820	124,588	135,566	104,615	96,986	98,757	92,633	87,158	90,877	89,684
Education	4,953	5,826	6,154	5,093	5,314	4,526	4,295	3,808	3,841	3,774
Recreational & Cultural	8,759	6,972	7,737	6,211	5,547	5,128	4,632	5,002	4,548	4,463
Debt Service										
Interest	2,856	5,929	3,112	2,401	4,703	5,027	3,509	3,738	3,496	2,783
Principal	4,643	3,562	7,934	14,041	15,713	11,093	9,489	2,406	1,887	3,377
Capital Outlay	16,511	12,547	11,855	7,262	3,523	3,471	7,982	28,340	19,238	5,643
Total Expenditures	499,074	546,593	585,874	429,509	383,233	394,285	357,643	359,387	329,317	306,955
Excess of Revenues Over (Under) Expenditures	(17,807)	(57,149)	(19,336)	(4,975)	(2,455)	(23,534)	(6,618)	(20,611)	(5,960)	(3,901)
Other Financing Sources (Uses)										
Proceeds from borrowing	7,579	-	83,658	5,670	12,532	9,124	6,810	4,181	54,460	-
Miscellaneous	-	24	-	-	21	66	80	167	256	160
Transfers in	39,179	44,488	128,124	39,270	32,677	32,764	28,983	17,354	33,337	12,547
Transfers out	(20,248)	(37,393)	(113,763)	(26,046)	(27,950)	(15,195)	(25,150)	(19,163)	(36,410)	(11,031)
Total Other Financing Sources (Uses)	26,510	7,119	98,019	18,894	17,280	26,759	10,723	2,539	51,643	1,676
Net Change in Fund Balances	\$ 8,703	\$ (50,030)	\$ 78,683	\$ 13,919	\$ 14,825	\$ 3,225	\$ 4,105	\$ (18,072)	\$ 45,683	\$ (2,225)
Debt Service as a percentage of noncapital expenditures	1.55%	1.78%	1.92%	3.89%	5.38%	4.12%	3.72%	1.86%	1.74%	2.04%

COUNTY OF MONTEREY

Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30,	(1) Secured Roll	(2) Unsecured Roll	(3) Exemptions	Net Assessed Valuations	Percentage Change from Previous Year
1995	\$ 19,804,024	\$ 1,013,846	\$ (505,614)	\$ 20,312,256	3.1%
1996	20,504,078	1,107,485	(572,068)	21,039,495	3.6%
1997	21,203,092	1,140,547	(634,521)	21,709,118	3.2%
1998	22,245,335	1,196,749	(706,691)	22,735,393	4.7%
1999	23,458,729	1,271,000	(783,273)	23,946,456	5.3%
2000	25,177,542	1,361,209	(833,776)	25,704,975	7.3%
2001	27,432,425	1,448,301	(904,216)	27,976,510	8.8%
2002	30,481,587	1,550,890	(1,005,420)	31,027,057	10.9%
2003	33,363,333	1,633,842	(989,319)	34,007,856	9.6%
2004	35,742,970	1,669,501	(1,157,406)	36,255,065	6.6%

Source: Report #70-4885-100
Auditor Certified Value Report

Notes:

- (1) Secured property is generally, real property, defined as land, mines, minerals, timber and improvements such as buildings, structures, crop, trees and vines. Also included in the secured roll is unitary properties including railroads and utilities crossing the county and assessed by the State Board of Equalization.
- (2) Unsecured property is generally, personal property including machinery, equipment, office tools, supplies mobile homes and aircrafts.
- (3) Exempt properties include numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.
- (4) Due to the passage of Proposition 13 (Prop 13) property tax initiative in 1978 the County does not track the estimated actual value of all County properties. Under Prop 13 property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date of purchase. Additionally, Prop 13 limits the property tax rate to 1% of assessed value, plus the rate necessary to fund local voter-approved bonds and special assessments.

COUNTY OF MONTEREY

Principal Property Taxpayers
June 30, 2004 and June 30, 1995 (in thousands)

June 30, 2004			
Taxpayer	Type of Business	Assessed Value	Percentage of Total County Assessed Value
Duke Energy Moss Landing LLC	Utility	\$ 981,800	2.71%
Pebble Beach Company	Tourism	612,931	1.69%
Pacific Gas and Electric	Utility	249,485	0.69%
SBC California	Utility	134,126	0.37%
Texaco	Oil	89,766	0.25%
California-American Water	Utility	82,068	0.23%
Basic American Foods Inc	Food Processing	65,566	0.18%
Del Monte Regional Mall	Retail	59,869	0.17%
Pacific Wine Partners	Agriculture	55,968	0.15%
Dole Fresh Vegetables	Agriculture	51,098	0.14%
Ten Largest Tax Payers Total		2,382,677	6.57%
All Other Tax Payers Total		33,872,388	93.43%
Total		\$36,255,065	100.00%

June 30, 1995			
Taxpayer	Type of Business	Assessed Value	Percentage of Total County Assessed Value
Pacific Gas and Electric	Utility	\$ 709,739	3.49%
Pebble Beach Company	Tourism	450,456	2.22%
Pacific Bell	Utility	180,015	0.89%
Bud Antle Incorporated	Agriculture	91,724	0.45%
Basic American Foods Inc	Food Processing	91,348	0.45%
	Property/Land		
Rancho San Carlos Partnership	Development	74,101	0.36%
Paul Thysen Trust	Rental Property	71,737	0.35%
Canandaigua/Vintners Acquisition	Agriculture	66,462	0.33%
Texaco Inc.	Oil	59,728	0.29%
Del Monte Regional Mall	Retail	55,043	0.27%
Ten Largest Tax Payers Total		1,850,353	9.11%
All Other Tax Payers Total		18,461,903	90.89%
Total		\$20,312,256	100.00%

COUNTY OF MONTEREY

Property Tax Levies and Collections
Last Ten Fiscal Years (in thousands)

Fiscal Year Ended June 30,	(1) Taxes Levied for the Fiscal Year	(2) Collected within the Fiscal Year of the Levy		(3) Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1994	\$ 208,524	\$ 201,947	96.85%	\$ 6,419	208,366	99.92%
1995	210,921	205,384	97.37%	5,438	210,822	99.95%
1996	219,916	215,270	97.89%	4,556	219,826	99.96%
1997	230,074	225,866	98.17%	4,098	229,964	99.95%
1998	241,420	237,498	98.38%	3,774	241,272	99.94%
1999	252,646	249,013	98.56%	3,428	252,441	99.92%
2000	270,779	267,351	98.73%	3,103	270,454	99.88%
2001	295,668	292,026	98.77%	3,199	295,225	99.85%
2002	326,633	320,879	98.24%	4,451	325,330	99.60%
2003	360,268	353,783	98.20%	5,127	358,910	99.62%
2004	410,453	404,618	98.58%	-	404,618	98.58%

Notes:

- (1) Secured, Unsecured and Unitary tax levy for the County itself, school districts, cities and special districts under the supervision of their own governing boards. Includes adjustments to the tax rolls from levy date to delinquent date.
- (2) Includes amounts collected by the County on behalf of itself, school districts, cities and special districts under the supervision of their own governing boards.
- (3) Includes adjustments to the levy. Taxes levied less collections to date equal the delinquent taxes receivable.

COUNTY OF MONTEREY

Debt Service Tax Rates For County and Major Overlapping Governments
Per \$100 of Assessed Value
Last Ten Fiscal Years

Draft

	For Fiscal Year Ended June 30,									
	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
<u>County Wide</u>	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
<u>Water Resources</u>	0.00000	0.00409	0.00410	0.00329	0.00354	0.00364	0.00454	0.00466	0.00554	0.00600
<u>Cities, Schools & Special Districts:</u>										
Carmel	0.00000	0.00000	0.01000	0.00911	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Del Rey Oaks	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00449	0.01009	0.01000
Gonzales	0.00000	0.04495	0.02000	0.00000	0.00000	0.00000	0.00000	0.00034	0.00178	0.00400
Greenfield	0.00000	0.00000	0.11000	0.22089	0.07107	0.07486	0.07536	0.08002	0.07970	0.04900
King City	0.00000	0.00000	0.10000	0.16311	0.11944	0.07486	0.07536	0.08002	0.07970	0.04900
Marina	0.00624	0.00624	0.04000	0.04041	0.04860	0.05327	0.05807	0.06501	0.07095	0.05500
Monterey	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00449	0.01009	0.01000
Pacific Grove	0.00700	0.00700	0.03000	0.02317	0.00700	0.01100	0.01500	0.01500	0.01400	0.00500
Salinas	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Sand City	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00449	0.01009	0.01000
Seaside	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00449	0.01009	0.01000
Soledad	0.00000	0.02320	0.13000	0.12307	0.15802	0.17771	0.20257	0.05517	0.07462	0.08100
<u>School Districts:</u>										
Alisal Union	0.06457	0.10415	0.07000	0.08070	0.09759	0.04855	0.05559	0.05675	0.05003	0.06600
Aromas/San Juan JT Unif Sch Dist	0.06870	0.00750	0.02000	0.01200	0.00700	0.01400	0.00000	0.00000	0.00000	0.00000
Pajaro JT Unified	0.01900	0.01900	0.02000	0.01200	0.00700	0.01400	0.00002	0.00100	0.00100	0.00000
Spreckels Union	0.05455	0.06730	0.04000	0.03223	0.03958	0.04378	0.04755	0.05377	0.05858	0.04200
Bradley Union	0.00000	0.05559	0.07000	0.14146	0.07107	0.07486	0.07536	0.08002	0.07970	0.04900
Carmel Unified	0.01324	0.01562	0.01000	0.00911	0.00000	0.00000	0.00765	0.00871	0.00944	0.00000
Gonzales Union	0.02986	0.00000	0.02000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Greenfield Union	0.03853	0.07590	0.11000	0.07943	0.07107	0.07486	0.07536	0.08002	0.07970	0.04900
King City Union	0.10291	0.08527	0.10000	0.16311	0.11944	0.07486	0.75360	0.08002	0.07970	0.04900
North Monterey County Unified	0.05051	0.00000	0.00000	0.01587	0.01436	0.01980	0.02267	0.02488	0.03057	0.03200
Pacific Grove Unified	0.03086	0.01912	0.02000	0.01617	0.00000	0.00000	0.00765	0.00871	0.00944	0.01000
Shandon Joint Unified	0.00860	0.00860	0.01000	0.00970	0.01040	0.03210	0.03510	0.06200	0.06200	0.06200
Pleasant Valley Joint Union	0.00000	0.05700	0.18000	0.18000	0.18000	0.18000	0.18000	0.18000	0.18000	0.18000
Coalinga Joint Unified	0.07979	0.11064	0.10000	0.13141	0.04499	0.02130	0.03871	0.00000	0.00000	0.00000
San Antonio Union	0.00000	0.05559	0.07000	0.14146	0.07107	0.07486	0.07536	0.08002	0.07970	0.04900
San Ardo Union	0.00000	0.05559	0.07000	0.14146	0.07107	0.74860	0.07536	0.08002	0.07970	0.04900
San Lucas Union	0.00000	0.05590	0.07000	0.14146	7.10700	0.07486	0.07536	8.00200	0.07970	0.04900
Santa Rita Union	0.04563	0.07921	0.01000	0.04441	0.08131	0.13602	0.02970	0.05328	0.00000	0.00000
Soledad Union	0.08631	0.09952	0.13000	0.12307	0.15802	0.17771	0.05302	0.05517	0.07462	0.08100
Washington Union	0.04240	0.09879	0.03000	0.01815	0.02137	0.01898	0.02629	0.02968	0.02926	0.02900

COUNTY OF MONTEREY

Taxable Sales by Category
Last Ten Fiscal Years

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Retail Group										
Apparel Stores	\$ 5,755,800	\$ 6,857,900	\$ 6,820,500	\$ 7,449,500	\$ 7,993,000	\$ 6,238,300	\$ 5,840,700	\$ 5,423,900	\$ 5,707,800	\$ 5,784,800
Auto Dealers and Supplies	19,923,500	16,645,100	16,592,900	16,481,800	12,558,900	9,139,900	9,442,300	9,618,700	8,959,800	6,992,500
Building Materials	71,230,400	54,329,100	63,082,900	53,540,200	57,393,700	52,510,600	47,050,100	47,152,300	40,067,700	39,236,000
Drug Stores	12,377,400	12,878,100	13,274,100	14,437,900	12,422,100	11,603,700	13,275,500	14,150,700	13,117,500	12,363,800
Eating and Drinking Places	61,233,200	63,383,100	63,385,700	59,979,400	56,574,800	53,025,500	52,226,400	53,964,400	44,944,900	43,472,700
Food Stores	50,382,700	48,142,300	48,383,600	46,716,100	43,444,900	42,598,800	40,673,200	38,476,200	35,953,800	35,206,900
Furniture and Appliance	14,980,900	14,457,100	14,030,800	16,019,500	13,398,900	8,212,000	6,701,500	5,665,700	5,717,500	5,751,700
General Merchandise	2,579,400	2,554,700	3,045,600	2,779,100	3,345,900	3,034,300	2,695,400	3,045,100	3,191,000	2,822,000
Other Retail Stores	68,570,500	67,292,300	66,815,000	64,328,600	57,989,400	52,620,700	57,973,300	52,603,600	46,479,600	37,978,400
Packaged Liquor	8,180,300	8,379,300	7,462,700	8,684,300	8,177,600	6,991,600	6,403,200	6,755,600	5,371,800	4,990,300
Service Stations	54,710,500	49,510,800	52,507,500	56,767,400	50,956,900	43,459,700	46,391,000	46,299,000	42,361,000	40,405,200
Non-Store and Part Time Retailers	8,786,200	9,346,600	10,706,900	9,380,800	10,257,600	9,467,200	9,542,300	9,613,600	8,318,100	7,444,300
Business, Service and Repair Group	159,071,500	152,501,400	153,676,400	192,097,300	156,302,400	144,343,500	137,056,900	135,638,200	136,492,500	109,801,200
Manufacturers and Wholesalers Group	99,596,300	104,035,100	128,022,400	105,483,700	114,074,600	108,874,800	96,726,100	90,273,800	71,577,200	60,366,600
Total	\$ 637,378,600	\$ 610,312,900	\$ 647,807,000	\$ 654,145,600	\$ 604,890,700	\$ 552,120,600	\$ 531,997,900	\$ 518,680,800	\$ 468,260,200	\$ 412,616,400
County Director Sales										
Tax Rate	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Actual Receipts	6,503,035	7,554,769	7,437,583	7,400,000	7,556,319	6,398,710	6,526,261	7,815,503	5,553,301	4,481,303
Growth	-13.92%	1.58%	0.51%	-2.07%	18.09%	-1.95%	-16.50%	40.74%	23.92%	

Source: Hinderliter deLlamas and Associates

COUNTY OF MONTEREY

Transient Occupancy Tax
Actual Receipts

Calendar Year	Taxable Sales	Growth Rate
1995	8,011,470	
1996	11,200,218	39.80%
1997	10,257,448	-8.42%
1998	10,556,702	2.92%
1999	11,385,000	7.85%
2000	12,680,000	11.37%
2001	14,430,000	13.80%
2002	13,286,548	-7.92%
2003	13,476,749	1.43%
2004	13,452,336	-0.18%

Source: Final Budget, Schedule 5

COUNTY OF MONTEREY

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (in thousands, except per capita)

Fiscal Year Ended June 30,	Governmental Activities								Business-Type Activities	Total Primary Government	Percentage of Assessed Value (1)	Per Capita (2)
	Certificates of Participation	Capital Leases	Redevelopment Notes	Revenue Bonds	Long Term Loans	Special Assessment Bonds	General Obligation Bonds	Judgment Obligation Bonds	Certificates of Participation			
1995	16,115	2,200	-	5,728	-	8,602	2,224	-	76,031	110,900	0.55%	31
1996	15,695	1,880	-	55,473	-	7,906	1,708	-	75,684	158,346	0.75%	439
1997	15,260	1,545	-	55,111	-	6,712	1,372	-	84,322	164,322	0.76%	444
1998	14,810	1,180	-	47,909	-	5,187	1,035	-	94,188	164,309	0.72%	429
1999	14,345	1,437	-	38,335	31,177	4,127	699	-	90,119	180,239	0.75%	462
2000	13,860	159	-	26,140	42,967	1,554	362	-	85,042	170,084	0.66%	423
2001	13,360	246	-	13,691	48,637	834	28	-	76,796	153,592	0.55%	379
2002	92,155	645	205	6,725	51,952	420	24	-	85,710	237,836	0.77%	575
2003	91,600	403	165	4,242	35,020	183	19	-	83,995	215,627	0.63%	515
2004	91,025	147	140	1,995	35,003	179	15	7,470	82,180	218,154	0.60%	n.a.

Notes:

(1) See schedule x "Assessed Value of Taxable Property"

(2) See schedule x "Demographic and Economic Statistics"

COUNTY OF MONTEREY

Legal Debt Margin Information
Last Ten Fiscal Years (in thousands)Legal Debt Margin Calculation for Fiscal Year Ended June 30, 2004

Net assessed value	\$ 36,255,065
Debt Limit 1.25% of net assessed value	453,188
Debt applicable to limit:	
General obligation bonds	15
Less: Amount set aside for repayment of debt	-
Net debt applicable to limit	15
Legal Debt Margin	<u>\$ 453,173</u>

	Fiscal Year Ended June 30,									
	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Debt limit	\$ 453,188	\$ 425,098	\$ 387,838	\$ 349,706	\$ 321,312	\$ 299,331	\$ 284,192	\$ 271,364	\$ 262,994	\$ 253,903
Total net debt applicable to limit	15	19	24	28	362	699	1,035	1,372	1,708	2,224
Legal debt margin	<u>\$ 453,173</u>	<u>\$ 425,079</u>	<u>\$ 387,814</u>	<u>\$ 349,678</u>	<u>\$ 320,950</u>	<u>\$ 298,632</u>	<u>\$ 283,157</u>	<u>\$ 269,992</u>	<u>\$ 261,286</u>	<u>\$ 251,679</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.01%	0.01%	0.11%	0.23%	0.36%	0.51%	0.65%	0.88%

Note: Article XIII A of the California State Constitution and Senate Bill 1656, Statutes of 1978, provided for changing assessed value from 25% of full cash value to full cash value. Hence, the 5% limitation on general obligation bond indebtedness imposed by Section 29909 of the Government Code became 1.25% of assessed value.

COUNTY OF MONTEREY

Direct and Overlapping Bonded Debt
June 30, 2004 (in thousands)

2003-2004 Assessed Valuation:	\$ 36,255,065
Redevelopment Incremental Valuation:	2,494,087
Adjusted Assessed Valuation:	<u>33,760,978</u>

<u>Overlapping Tax and Assessment Debt:</u>	Percentage Applicable	Debt June 30, 2004
Hartnell Community College District	99.783%	\$ 34,924
Monterey Peninsula Community College District	100.000%	40,000
Carmel Unified School District	100.000%	19,823
North Monterey County Unified School District	100.000%	7,000
Pacific Grove Unified School District	100.000%	11,735
Soledad Unified School District	100.000%	6,692
King City Joint Union High School District	98.136%	16,830
Salinas Union High School District & School Facilities Improvement District	100.000%	61,754
Alisal Union School District	100.000%	18,889
Santa Rita Union School District	100.000%	10,080
Washington Union School District	100.000%	14,685
Other School Districts	Various	34,579
City of Pacific Grove	100.000%	675
City of Marina	100.000%	930
Water Districts	100.000%	82
Soledad Community Hospital District	100.000%	2,280
Community Facilities Districts	100.000%	5,488
City 1915 Act Bonds	100.000%	45,146
County and Special District 1915 Act Bonds	100.000%	3,214
Total Overlapping Tax and Assessment Debt		<u>334,806</u>
 <u>Direct and Overlapping General Fund Obligation Debt:</u>		
Monterey County General Fund Obligations	100.000%	\$ 173,905
Salinas Union High School District Certificates of Participation	100.000%	9,370
Alisal Union School District Certificates of Participation	100.000%	17,505
Salinas City School District Certificates of Participation	100.000%	11,610
Other School District General Fund Obligations	Various	17,805
City of Monterey General Fund Obligations	100.000%	27,240
City of Salinas Certificates of Participation	100.000%	43,675
Other City General Fund Obligations	100.000%	10,503
Carmel Valley Fire Protection District Certificates of Participation	100.000%	1,575
Monterey Bay Unified Air Pollution Control Authority	57.800%	2,251
Total Direct and Overlapping General Fund Obligation Debt		<u>315,439</u>
 Combined Total Debt		<u><u>\$ 650,245</u></u> (1)

Ratios to 2003-04 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.92%
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Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$173,905)	0.52%
Combined Total Debt	1.93%

Notes:

- (1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

COUNTY OF MONTEREY

Demographics and Economic Statistics
Last Ten Years

<u>Fiscal Year Ended June 30,</u>	<u>Population (1)</u>	<u>Per Capita Income (2,a)</u>	<u>Median Age (3,a)</u>	<u>School Enrollment (4,b)</u>	<u>Unemployment Rate (5)</u>
1995	360,100	\$ 24,832	30.0	61,844	12.4%
1996	360,600	24,946	30.3	63,752	11.1%
1997	370,000	25,602	30.7	66,385	10.8%
1998	382,900	26,987	31.0	68,265	10.7%
1999	390,500	28,186	31.3	69,534	9.6%
2000	401,762	30,015	31.7	71,186	9.5%
2001	405,120	31,132	32.0	72,259	9.3%
2002	413,700	31,842	31.0	73,416	9.3%
2003	418,800	N/A	32.7	77,028	9.7%
2004	N/A	N/A	N/A	73,858	7.4%

Sources:

1. State Department of Finance, Demographic Research Unit, Reports & Research
2. U.S. Department of Commerce, Bureau of Economic Analysis
3. U.S. Census Bureau
4. California Department of Education, DataQuest
5. Employment Development Department, Research Division, Los Angeles

Notes:

- a. Data is for the calendar year
- b. Data includes kindergarten through grade 12

COUNTY OF MONTEREY

Major Employers
For the Fiscal Year Ended June 30, 2004

<u>Company</u>	<u>Product/Service</u>	<u>Employees</u>
County of Monterey	Government	3,994
Tanimura and Antle	Agriculture	2,542
Department of Defense	Government	2,493
Community Hospital of the Monterey Peninsula	Hospital	2,059
Salinas Valley Memorial Healthcare System	Hospital	1,955
Pebble Beach Corporation	Service	1,900
Household Credit Services	Service	1,600
D'Arrigo Brother	Agriculture	1,450
McGraw-Hill	Education	951
Bud of California	Agriculture	610

Source: Office for Employment and Training

COUNTY OF MONTEREY

Full-time Equivalent County Government Employees by Function/Program
2003-04 Approved Budgeted Positions

Function/Program	Fiscal Year
	Ended
	June 30, 2004
General government	746.50
Public protection	1,129.00
Public ways and facilities	238.00
Health and sanitation	614.35
Public assistance	772.00
Education	62.25
Recreation and culture services	59.60
Hospital	794.53
Total	<u>4,416.23</u>

