

**COUNTY OF MONTEREY**  
**STATE OF CALIFORNIA**  
**COMPREHENSIVE ANNUAL**  
**FINANCIAL REPORT**



**FISCAL YEAR**  
**ENDED JUNE 30, 2006**

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**Prepared and Submitted by the Office of the Auditor-Controller**

**Michael J. Miller, CPA, CISA**  
**Auditor-Controller**

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**STATE of CALIFORNIA**

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For the Fiscal Year Ended June 30, 2006

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## **INTRODUCTORY SECTION**

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# MONTEREY COUNTY



## AUDITOR - CONTROLLER

(831) 755-5040 • FAX (831) 755-5098 • P.O. BOX 390 • SALINAS, CALIFORNIA 93902

**MICHAEL J. MILLER**, CPA, CISA  
AUDITOR-CONTROLLER

**ALFRED R. FRIEDRICH**, CGFM  
ASSISTANT AUDITOR-CONTROLLER

November 29, 2006

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

I am pleased to present this Fiscal-Year 2005-2006 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 (CPA) 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; and, includes this transmittal letter, a schedule of the County's principal officials and an organizational chart.
- **The Financial Section:** Presents the unqualified opinion of the County's independent auditors, management's discussion and analysis, government-wide financial statements, fund financial statements, notes to the financial statements and, required supplemental statements and schedules.
- **The Statistical Section:** Contains statistical, demographic and miscellaneous information depicting the County's historical trends that may be useful in assessing the financial condition of the County.

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 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 sufficient to ensure reliable information for the preparation of the County's financial statements in conformity with GAAP.

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, 2006. 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.

This report includes all of the funds of the County of Monterey, the Redevelopment Agency of the County of Monterey, Monterey County Water Resources Agency, all County Service Areas, All County Sanitation Districts except Seaside County Sanitation District, Nacimiento Hydroelectric Operations, Monterey County Financing Authority, and Natividad Medical Center. Although all these entities (except for Natividad Medical Center) are legally separate from the County, the County Board of Supervisors serve as the governing board of each entity and the entities meet the test required by GAAP to be presented as blended component units in the County Financial Statements.

In addition, individual financial statements are available for many of the above component units and can be obtained by contacting the Auditor-Controller's Office of the County of Monterey.

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 begins 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 4,527 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 who 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 January 1, 2006 estimated population of the County is 424,842, up .3% from 2005. About 98% of the 3,300 square miles in the County are outside of a municipality, with about 25% of the residents living in these unincorporated areas. The City of Salinas is the County's largest city with approximately 148,350 residents as of January 1, 2006, down .3% over 2005, 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 most fertile 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:

Monterey County is the third highest agricultural-producing county in the State. According to the Monterey County Agricultural Commissioner, the gross production value of County agribusiness in calendar year 2005 was \$3.27 billion dollars. This is an increase of 11% over 2004 number of \$2.95 billion. 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. According to the California Employment Development Department (EDD) statistics, this was accomplished despite a smaller workforce. From June 2005 to June 2006, a decrease of 1,700 farm related jobs was reported, from 54,300 to 52,600.

Table is in millions per Calendar Year

Year	Vegetables	Fruit Nuts	Nursery	Live stock Dairy	Field Crops	Seed	Apiary	TOTAL
2005	\$2,249.5	\$685.6	\$276.2	\$40.2	\$15.5	\$6.0	\$.03	\$3,273.0
2004	\$2,098.9	\$529.0	\$261.2	\$40.1	\$15.5	\$7.0	\$.05	\$2,951.9

In 2005, total wine grape acreage increased by 60 acres over the previous year. However the total value of the harvest increased by over \$80 million from \$174.4 million to \$254.6 million, or 46.0%! This was primarily due to increased production per acre, from 4.46 tons/acre to 7.03 tons/acre.

Monterey County continues to be a leader in California agricultural with more than 40 crops exceeding \$1 million in production value. In 2005, some 580 million pounds of Monterey County produce were shipped to more than 50 countries.

### Tourism:

Tourism is the second largest industry in the County and generated \$1.98 billion in gross revenue in calendar year 2005 and employs over 24,000 people. The tourism industry gross revenues have increased in 2005 by .18 billion after remaining constant at \$1.8 billion for the three previous years. Monterey County Transient Occupancy Tax (TOT – Hotel Tax) for fiscal year 2005-06 was up \$1.15 million over the previous year, an increase of 7.97%.

**Sales Tax & Use Tax Trends (net collections on a cash basis):**

	FY 2001-2002	FY 2002-2003	FY 2003-2004	FY 2004-2005	FY 2005-2006
Unincorporated Area	\$7,459,273	\$6,840,749	\$6,836,761	\$7,578,948	\$8,469,568
% Increase	N/A	-8.00%	0.00%	11.00%	12.00%
Countywide	\$50,971,044	\$49,251,646	\$48,893,588	\$52,762,320	\$56,306,108
% Increase	1.00%	-3.37%	-0.01%	7.91%	6.72%
Unincorporated as % of Countywide	14.63%	13.89%	13.98%	14.36%	15.04%

Sales tax in Monterey County is 1% of retail sales excluding food and is a good tracking mechanism of the local economy. County receipts of sales tax increased 11% in FY 05 over FY 04 due mainly to increases in equipment sales. The improvements in FY 05 follow 2 years where sales tax was basically flat. The reduction in FY 03 of 8% is primarily due to the 9/11 terrorist attack which brought foreign tourist travel to a stand still resulting in drops in tourism related sales, a major part of the County economy.

Sales Tax in the CAFR does not reflect the actual sales tax. This is due to the State of California taking 25% of all local government sales tax to pay for State Deficit Reduction Revenue Bond Debt Service (\$1,948,559 from Monterey County). The State repayment of the 25% Sales Tax is shown on the Government Wide statements in property tax.

**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 2005-06 unemployment varied from a high of 10.8% in January 2006 to a low of 5.0% in September 2005 compared to a statewide average of 5.3% in January 2006 and 4.9% in September 2005. This is compared to 2004 numbers for the County from a high of 12.0% in January to a low of 5.5% in September.

Overall, the State of California and the County of Monterey both had lower unemployment rates for all periods ranging from unchanged to 1.3% reductions for FY 06 from FY 05.

## **Housing:**

As is the case with most of the country, real estate sales have significantly weakened. The median priced home in Monterey County fell 5.6% in fiscal year 2005-06 to \$659,000. The average home price fell by 1.3% in the same period to \$863,689. Sales slumped by 37.6% for the year. As of July 2006, there were 429 days of inventory, the average house taking 94 days to sell. This compared to 107 days of inventory and 44 days to sell in July 2005.

## **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 2005-06 was \$664.5 million, an increase of \$4.1 million or 0.6% more than fiscal year 2004-05 totals of \$660.4 million, and \$42.0 million or 6.7% more than fiscal year 2003-04 actual expenses of \$622.5 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, net assets, 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.

The legal level of budgetary control is at the Department level.



Budget information is presented for the general fund, special revenue funds, debt service funds and capital project 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 are presented for the original budget and the final budget is the original amounts adjusted by budget transfers and appropriation amendments. Variances on “Budget Comparison Statement” are measured against the final budget.

Encumbrance accounting is utilized during the year for budget control purposes. Encumbrances outstanding at year-end do not constitute expenditures or liabilities, but rather restrictions (reserves) of net assets. 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 County Administrative Officer or his designee approves amendments or transfers of appropriations between major object classes of expenditure within the same department. The Board approves supplemental appropriations, which are normally financed by unanticipated revenues during the year.

#### **Factors Affecting the Fiscal Year 2005-06 Budget:**

Please see Management Discussion and Analysis, page 12 of this report for a complete analysis of the FY 2005-2006 Budget.

#### **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.

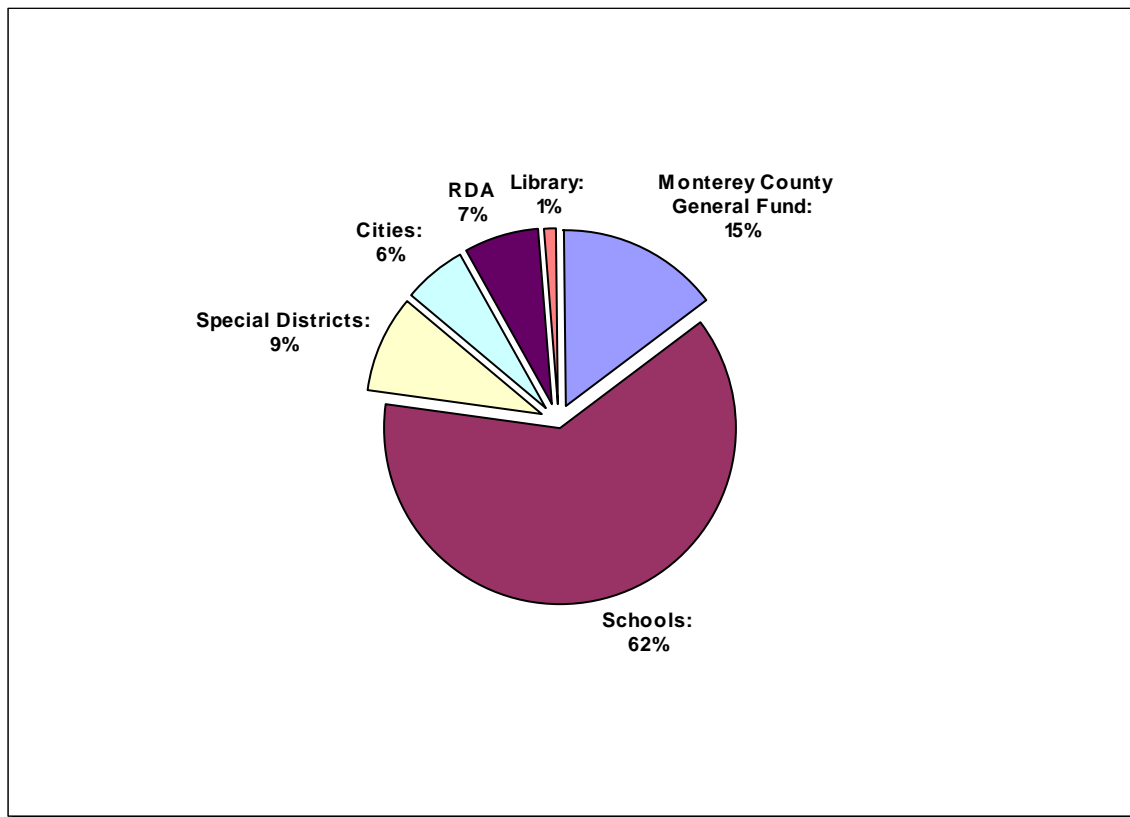
The County issued new debt during fiscal year 2005-06 totaling \$36.146 million Notes Payable to the State of California Housing Finance Agency for Redevelopment Housing Programs.

At fiscal year end, the County’s total outstanding debt including estimated self-insurance liabilities and compensated absences was \$201.1 million for Government Activities and \$78.2 million for Business Type Activities. Prior year debt was \$200.4 million for Governmental Activities and \$80.7 million for Business Type Activities. Change in Governmental Activities is primarily due to increases in self-insurance liabilities. Change in Business Type Activities is primarily due to the re-class of a long-term debt owed to the County from notes payable to Contributed Capital.

## **Property Tax Collection and Apportionment**

Property taxes levied countywide (secured, unsecured and unitary) rose in fiscal year 2005-06 to \$487.6 million, an increase of 10.7% over the previous fiscal year total of \$440.6 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 2005-06 the Auditor-Controller apportioned the revenue as follows:

- Monterey County General Fund: 15%
- Schools: 62%
- Special Districts: 9%
- Cities: 6%
- Redevelopment Agencies: 7%
- Library: 1%



## **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. A condensed statement of net assets and changes in net assets for the County Investment Pool is found on page 54 of the “Notes to Financial Statements.”

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 and yield. Those statutes and policy authorize the County Treasurer-Tax Collector to invest in securities issued by the U.S. Government 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. Individual securities in the investment pool have a statutory maximum maturity limitation of 5 years, and the County’s Investment Policy imposes a maximum weighted average maturity of 2 years on the entire portfolio.

The County pool of investments earned a rate of return for the Fiscal Year ending June 30, 2005 of 2.08%; for FY 05-06 the rate was 3.72%; the expected rate for FY 06-07 is 4.75 – 5.00%. The upward trend is due to the portfolio’s short-term securities reacting to a series of 17 one quarter percent rate increases by the Federal Reserve Bank over the past two years.

### **Risk Management**

Monterey County has a \$1,000,000 (per occurrence) self-insured retention (SIR) for general liability (GL). In fiscal year 2005-06 the County maintained three layers of excess coverage for a total of \$45.0 million excess coverage, excess of the County’s \$1,000,000 SIR.

The County has a \$25,000 deductible for property coverage (per occurrence). Property damage risks are covered on an occurrence basis in a California State Association of Counties’ (CSAC) pool up to \$600 million for the entire pool (subject to applicable sub-limits and annual aggregate).

The County has a \$400,000 (aggregate) self-insured retention (SIR) for Workers’ Compensation (WC). Monterey County purchases excess workers’ compensation coverage through CSAC-EIA Excess Workers’ Compensation (EWC) Program. Coverage in the EWC Program is pooled to \$5,000,000 and excess coverage for the entire pool is purchased to \$145,000,000 above the pooled layer for a total limit of \$150,000,000. Monterey County records expenses and liabilities for insurance funds based on the actuarial 50% confidence level at the discounted expected value in accordance with GASB 10.

Total liability for Workers’ Compensation (WC) and General Liability (GL) self-insurance was approximately \$35,067,000 - WC and \$6,429,000 – GL at the end of fiscal year 2006. This estimate is based on the results of the actuarial valuation and includes amounts for claims incurred but not reported.

Beginning with FY 2004-05, Workers’ Compensation and Self Insurance Liability are being accounted for in Internal Service Funds rather than in the General Fund.

## Reserve Policy

### Strategic Reserves

- The Monterey County Board of Supervisors adopted a formal reserve policy for strategic reserves and contingencies. The policy was unanimously adopted in ordinance form. Beginning in fiscal year 2004-05, 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 and Federal Aid.

### Capital Improvements Plan

- In fiscal year 2005-06 the Monterey County Board of Supervisors adopted a Capital Improvements Program (CIP) covering the five-year period between fiscal years 2006-07 and 2010-11. The policy was unanimously adopted. The plan categorizes current and future capital project needs into three orders of importance: “A” being highest priority, “B” and “C” priorities being of lesser priority. The plan identifies the following “A” level priorities and the associated estimated costs:
  - General Fund Projects – \$215.696 million
  - Parks Fund Projects – \$6.630 million
  - Public Works (Road Fund) Projects - \$106.791 million
  - Redevelopment Agency - \$82.384 million
  - Library Projects - \$40.700 million
  - Water Resources Agency - \$368.150 million
  - Medical Center Projects - \$5.853 million

## 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:

- State mandate payments (SB90) – \$14.2 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.

### **State of California Takeaway – the “Triple Flip”**

In FY 04, the State of California issued State Deficit Reduction bonds under Proposition 57. Wall Street wanted a dedicated revenue stream. The State of California then devised a method to secure this dedicated revenue stream called the “Triple Flip”

1. The State would take 25% of the local government 1% sales tax (Cities & Counties). This is to continue for nine (9) years. Beginning in FY 2004-05.
2. In January (6 months into the year), the State would require that Counties take property tax which was earmarked for schools and pay back the first 6 months of the sales tax takeaway to the local governments, the State will then have the counties pay the estimated next 6 months in May. The difference between the estimated and actual sales tax in one year will be corrected in the next year payments.
3. Then the State, using State General Fund monies, would pay back the schools.

The State repayment of Monterey County Sales Tax in FY 2005-06 was \$1,948,559 and is posted on the Government wide statements in property taxes.

### **Vehicle License Fee Backfill:**

In addition to the Triple Flip, which delayed the receipt of Sales Tax to local jurisdictions, the State of California cut the Motor Vehicle License Fees (VLF) that the Citizens had to pay late in FY 04. The local share was then effectively cut by 67.5%. The State agreed to pay a VLF backfill to the local jurisdictions. This agreement has no defined end date.

Again the State had the Counties take property tax from the schools to pay the local governments the VLF backfill and then the State General Fund would reimburse the schools for their lost property tax. The State payment for VLF backfill to Monterey County for FY 2005-06 was \$36,871,179 and is presented on the Government wide statements in property taxes.

### **Property Tax Increases:**

Property Tax in the statements shows an increase of \$48,273,951, from \$79,088,729 to \$127,362,680. This is mostly due because the “Property Tax in Lieu of Sales Tax”, and the “Property Tax in Lieu of VLF” were combined with “Property Taxes” for reporting purposes. Some \$4,172,370 (10.8% increase from previous fiscal year) of the increase is not related to this change in presentation and is due primarily to increases in assessed value from sale of existing housing and other increases in assessed values (Prop. 13 limits increases in assessed value to no more than 2% per year, but upon sale the full assessed value is assigned).

## **Natividad Medical Center**

Natividad Medical Center (NMC) is the only enterprise fund in Monterey County. The medical center continues to pose financial challenges for Monterey County. For fiscal year end, June 30, 2006, NMC had a decrease in net assets of \$2.6 million on a operating loss of \$24.893 million and net loss before contributions of \$29.391 million, with and a cash reserve of \$239,526. The County General Fund contributed \$26.776 million to the medical center in fiscal year 2005-06.

The County continues to aggressively investigate actions that will increase the efficiency and effectiveness of NMC. To that end, on July 18, 2006, the County entered into an agreement with the Salinas Valley Healthcare System, a California local public health care district (District), and the Community Hospital of the Monterey Peninsula (CHOMP), a duly licensed hospital located in Monterey.

Because the District and CHOMP are committed to maintaining and improving the health of all residents in the County of Monterey, each entity has committed to contributing \$4 million dollars each to NMC, to be used for the sole purpose of creating operational and/or capital improvements at NMC. In addition, a new Board of Trustees has been created including two appointed from the District, two appointed from CHOMP, one appointed by the County, one County of Monterey Board of Supervisors member and the County Chief Administrative Officer (CAO).

### **Previous Fiscal Years:**

For fiscal year end, June 30, 2005, NMC had an increase in net assets of \$26.5 million and a cash reserve of \$1.4 million.

The \$26.5 million increase in net assets was primarily a result of:

1. The reclassification of two internal loans from the County totaling \$42.3 million. Due to the hospital's current and projected operating losses and the resulting poor cash flow, the County determined the loans to be uncollectible and the loans were reclassified as contributed capital to more appropriately reflect the current status of the transactions. This reclassification does not impair the Board of Supervisors from recovering part or all of the paid in capital should operations at the hospital eventually turn profitable (See note below on Impaired Assets).
2. A net loss of \$15.8 million due primarily to:
  - o Billing difficulties
  - o Rapidly increasing cost of business

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:

- The outdated financial/billing system has been replaced with the new Meditech system, which went live on July 1, 2005.
- A consultant has been hired to continue to implement “best business practices” at the hospital and to assist the staff to maximize revenues and minimize costs.
- Competition for skilled medical help, especially nurses, continues to escalate costs.
- Uncertainty in Federal and State funding makes budgeting and other planning processes more difficult than usual. NMC is dependent on this revenue stream.
- Delays in certain payments of State and federal aid until June negatively impact cash-flow for eleven months of the fiscal year.

### **Impaired Asset Write-off and Reclassification of “Note Payable to County” to “Contributed Capital”:**

Due to operational losses, poor cash flow and delays in certain State and federal subsidies at NMC, it has been necessary to provide working capital to the hospital from the County general fund. Beginning with FY 1997-98, by fiscal year end, the hospital was unable to repay these short-term outstanding cash balances. Therefore, for financial reporting purposes, these transfers were presented as loans to the hospital from the general fund in the General Purpose Financial Statements.

Although these are not loans in the legal sense of the term (NMC and the County are the same entity), this reporting treatment reflects both the operational difficulties at the hospital and the adopted policy of the Board of Supervisors.

By fiscal year end 2002-03 the Auditor-Controller of the County together with the County Administrator’s Office determined that NMC would not be able to repay previous loans, even as the need for additional working capital cash and operating losses increased. By this time, the outstanding balance had reached \$30,035,609. In addition, a construction loan from the Capital Improvement fund could no longer be serviced either. The balance of that loan was \$11,005,252. Total internal loans to the hospital at June 30, 2003 were \$41,040,861.

As a result, for the year ended 6-30-2003, the Auditor Controller recorded a contra-asset, “allowance for impaired assets” for the amount of the two loans, reflecting the fact that the general fund was providing cash to NMC and in effect, removing the assets. It was hoped that a solution to the systemic operational issues at the hospital could be resolved shortly and that NMC would be able to continue to services these loans in the medium term. Therefore, the note payable to the County general fund and Capital Improvement fund continued to be presented in the hospital’s financial statements.

By FY 2004-05, it was apparent that a solution for the systemic problems at the hospital would take significant time and effort and that the hoped-for medium term solution was not possible.

Therefore, the hospital could not begin to repay the loans in the foreseeable future. Give this additional information, we then determined that a more appropriate presentation would be to reclassify the note payable as contributed capital. The amount of the note payable/contributed capital recorded in FY 2004-05 is \$42,253,003. The reclassification of the note payable is the major reason the hospital shows an increase in net assets of \$26.5 million as discussed above. The assets and corresponding contra-assets were removed from the General Purpose Financial Statements.

Future year-end outstanding cash balances will be recorded as “Contributed Capital” until such time that NMC can demonstrate an ability to service short-term loans.

Additionally, we have changed the accounting for certain subsidies at NMC that we believe provide better reporting around the operations and cash flow.

Depending on the extent of the impact that 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 costs in recent years.

The 2005-06 CalPERS rate (Employer and Employee combined) of a 41.8% cost of payroll for Safety Members, down .2% from 2004-2005 and 17.7% cost of payroll for General (Miscellaneous) Members in 2005-2006 up from 14.0% in 2004-2005 has increased payments to CalPERS:

- \$39.1 million in FY 2004-05
- \$47.9 million in FY 2005-06

Net Assets of Pension Plans as of June 30, 2003 (used to develop 2005-06 rated):

- Miscellaneous Plan (\$33,626,139) Unfunded Accrued Liability
- Safety Plan (\$51,772,478) Unfunded Accrued Liability
- Water Resources Agency (\$ 190,302) Unfunded Accrued Liability

Net Assets for all County plans is (\$85,588,919) Unfunded Accrued Liabilities as of June 30, 2003.

Net Assets of Pension Plans as of June 30, 2005 (used to develop 2007-08 rates):

- Miscellaneous Plan (\$53,499,422) Unfunded Accrued Liability
- Safety Plan (\$63,175,334) Unfunded Accrued Liability
- Water Resources Agency (\$ 584,998) Unfunded Accrued Liability



Net Assets for all County plans is (\$117,223,754) Unfunded Accrued Liabilities as of June 30, 2005.

### Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded the Certificate of Achievement for Excellence in Financial Reporting to County of Monterey for its 2004-05 Comprehensive Annual financial Report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The CAFR has been judged by an impartial panel to meet the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR. This is the first time the County has received the GFOA award.

The GFOA is a nonprofit professional association serving approximately 16,000 government finance professionals with offices in Chicago, IL and Washington, DC.

### Acknowledgments

I extend my thanks to my staff in the office of the Auditor-Controller's Office who have performed above and beyond the call of duty, making many significant improvements to this CAFR and the reporting function in general, even though there was significant turnover in the General Accounting Division. I also wish to thank the staff in the Budget Office, and all the departments and agencies that 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 in a responsible and progressive manner.

Respectfully Submitted:

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

Michael J. Miller, CPA, CISA  
Auditor-Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## County of Monterey California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**COUNTY OF MONTEREY**  
**DIRECTORY OF COUNTY OFFICIALS**

Elected Officials:

Legislative Branch:

Board of Supervisors

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

Executive Branch:

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

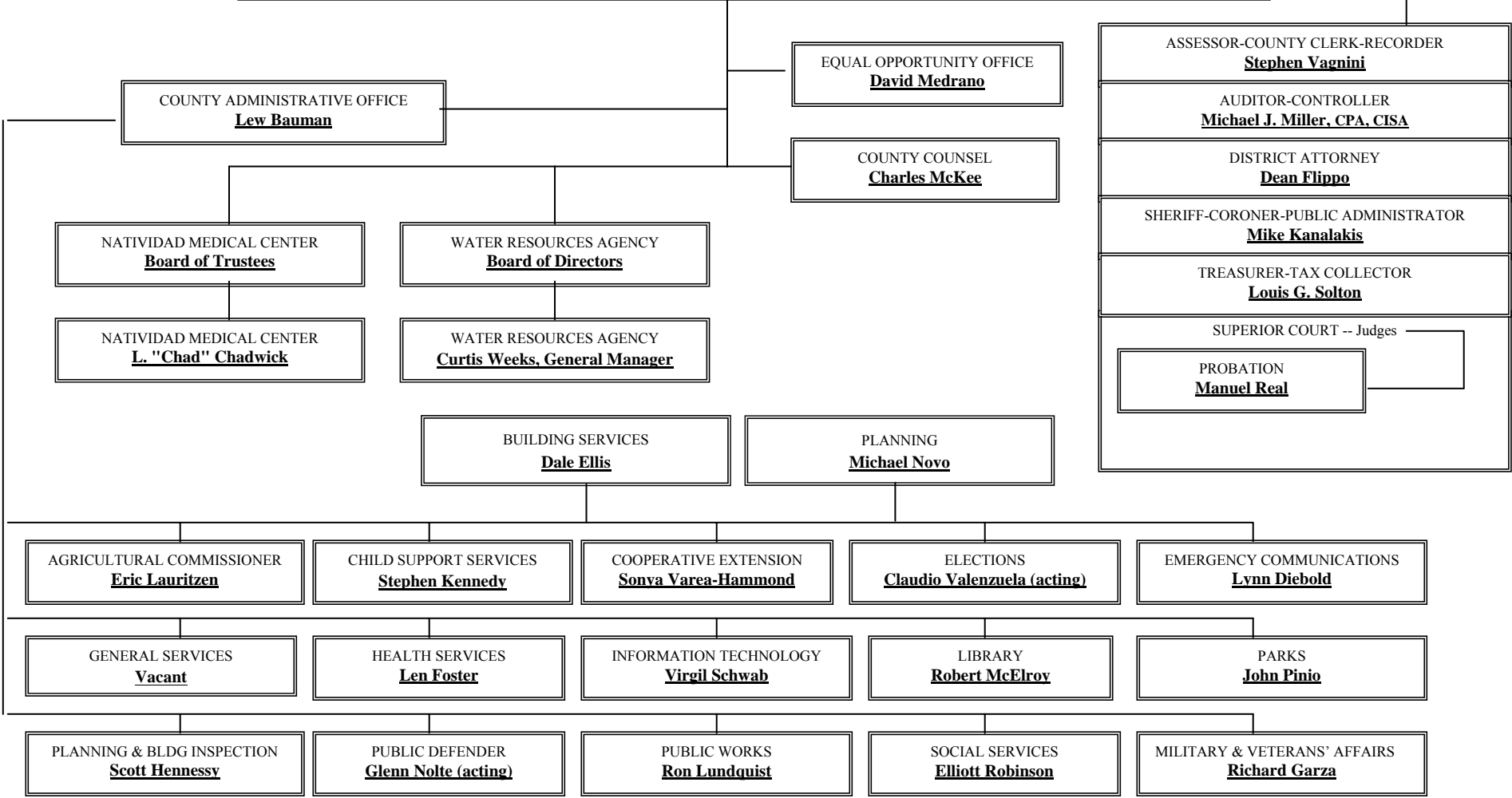
Appointed Department Heads:

County Administrative Officer .....	Lew Bauman
Agricultural Commissioner .....	Eric Lauritzen
Building Services Director .....	Dale Ellis
Child Support Services Director .....	Stephen Kennedy
Cooperative Extension Director .....	Sonya Varea-Hammond
County Counsel .....	Charles McKee
County Librarian .....	Robert McElroy
Emergency Communications Director .....	Lynn Diebold
Equal Opportunity Officer .....	David Medrano
General Services Director .....	Vacant
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
Resource Management Agency Director .....	Wayne Tanda
Planning Director .....	Michael Novo
Public Defender (acting) .....	Glenn Nolte
Public Works Director .....	Ron Lundquist
Registrar of Voters (acting) .....	Claudio E. Valenzuela
Social Services Director .....	Elliott Robinson
Water Resources Agency General Manager .....	Curtis Weeks

# COUNTY OF MONTEREY

**ELECTORATE**

<b>BOARD OF SUPERVISORS</b>				
DISTRICT 1 <b><u>Fernando Armenta</u></b>	DISTRICT 2 <b><u>Louis R. Calcagno</u></b>	DISTRICT 3 <b><u>W. B. "Butch" Lindley</u></b>	DISTRICT 4 <b><u>Jerry Smith</u></b>	DISTRICT 5 <b><u>Dave Potter</u></b>



## **FINANCIAL SECTION**

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BARTIG, BASLER & RAY, LLP

A GALLINA LLP COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## 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, 2006, 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, 2006, 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 Road Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the Notes to the Financial Statements, the County adopted Governmental Accounting Standards Board Statement No. 46, *Net Assets Restricted by Enabling Legislation – an Amendment of GASB Statement No. 34* on July 1, 2005.

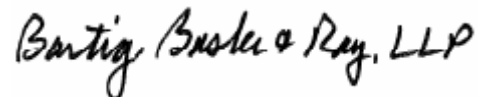
In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated November 3, 2006, on our consideration of the County of Monterey's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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, LLP  
A Gallina LLP Company



November 3, 2006  
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, 2006. 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 \$652.3 (*net assets*). Of this amount, \$43.6 represents *unrestricted net assets*, which will be available to meet the County's ongoing obligations to citizens and creditors. *Restricted net assets* of \$94.2 may be used for the County's ongoing obligations related to programs with external restrictions. The remaining \$514.5 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 increased by \$24.4 during the current fiscal year. The increase in net assets represents the degree to which revenues exceed expenses. (See further detail at Table 1 on page 7 and Table 2 on page 10.)

As of June 30, 2006, the County's governmental funds reported total ending fund balances of \$218.2, essentially unchanged from the prior year. Approximately 87.4%, or \$190.6, of this total amount, is available for spending (*unreserved fund balance*). \$86.3 of the unreserved balance is for Capital Projects and \$24.9 is for Special Revenue fund purposes such as Water Resources and the Road fund. Of the remaining \$79.4 unreserved fund balance, \$2.1 is earmarked by management for self insurance purposes, and \$51.0 is designated by the Board of Supervisors for special purposes, please refer to Note 11 for more specific details. (See further discussion in Financial Analysis of the County's Funds beginning on page 11.)

- At the end of the current fiscal year, the General Fund shows \$77.9 in unreserved fund balance, which is a slight decrease of \$0.8 or 1% from the prior year. (See further discussion in Financial Analysis of the County's Funds beginning on page 11.)
- The County's total long-term debt decreased by \$6.3 or 3.1%. (See further detail at Table 4 on page 16.) The decrease is due to the principal payments of Revenue bonds, Certificates of Participation and Judgment Obligation Bonds.

### **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.

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

**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 and are presented on a full accrual basis.

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 are administration and support, public safety and protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and culture. The County has one business-type activity: 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 has six blended component units. See Note 1 for more details.

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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

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

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 reconciliation to the government-wide financial statement in order to facilitate this comparison between governmental funds and governmental activities.

The County maintains 132 individual governmental funds; for financial reporting purposes, these funds have been combined into 4 groupings. The County segregates within the governmental funds the General Fund, the Road Fund, the 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, the Road Fund and the Facility Master Plan Implementation Fund, which are considered to be major funds according to the rules stated in GASB 34. Data for the other 129 governmental funds are combined into the presentation of Other Governmental Funds. 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, Special Revenue Funds, Capital Project Funds and Debt Service Funds to demonstrate performance against this budget. For individual fund budget comparison, please see the required Supplementary Information schedules.

The governmental funds financial statements can be found on pages 25 – 30 of this report.

***Proprietary funds*** include both Internal Service Funds and Enterprise Funds within the County's Comprehensive Annual Financial Report.

The County has two Internal Service Funds. These *Internal Service Funds* are used to account for the General Liability and Workers' Compensation Insurance costs.

The County maintains one Enterprise Fund. *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, and are presented on a full accrual basis.

The proprietary funds financial statements can be found on pages 31 – 34 of this report.

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

***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 35 – 36 of this report.

**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 – 78 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 81 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 89 – 162 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 \$652.3 at the close of the current fiscal year (Table 1 – Net Assets).

The largest portion of the County's net assets, \$514.5 (78.9%), 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.

A portion of the County's net assets, \$94.2 represents resources that are subject to external restrictions for use of the monies. 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.

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

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

	Governmental Activities		Business-type Activites		Total		Total	
	2006	2005	2006	2005	2006	2005	Dollar Change	Percent Change
	Current and other assets	\$320.5	\$311.1	\$16.5	\$18.7	\$337.0	\$329.8	\$7.2
Capital assets	553.5	539.3	124.2	130.6	677.7	669.9	7.8	1.2%
<b>Total assets</b>	<b>874.0</b>	<b>850.4</b>	<b>140.7</b>	<b>149.3</b>	<b>1,014.7</b>	<b>999.7</b>	<b>15.0</b>	<b>1.5%</b>
Current and other liabilities	71.9	82.1	11.2	14.7	83.1	96.8	(\$13.7)	-14.2%
Long-term liabilities	201.1	194.4	78.2	80.6	279.3	275.0	4.3	1.6%
<b>Total liabilities</b>	<b>273.0</b>	<b>276.5</b>	<b>89.4</b>	<b>95.3</b>	<b>362.4</b>	<b>371.8</b>	<b>(9.4)</b>	<b>-2.5%</b>
<b>Net assets:</b>								
Invested in capital assets, net of related debt	463.9	459.0	50.6	55.8	514.5	514.9	(0.4)	-0.1%
Restricted	94.2	76.3	-	-	94.2	76.3	17.9	23.5%
Unrestricted	42.9	38.6	0.7	(1.8)	43.6	36.7	6.9	18.9%
<b>Total net assets</b>	<b>\$601.0</b>	<b>\$573.9</b>	<b>\$51.3</b>	<b>\$54.0</b>	<b>\$652.3</b>	<b>\$627.9</b>	<b>24.4</b>	<b>3.9%</b>

The unrestricted net assets balance represents resources that are available to meet the County's ongoing obligations to citizens and creditors. Unrestricted net assets increased by \$6.9 to a balance of \$43.6. The improvement is primarily due to an increase in operating grants and contributions and charges for services for governmental activities and a decrease in expenses for business-type activities.

Restricted net assets increased by \$17.9 or 23.5%. This increase was primarily attributable to a decrease of \$12.4 in Cash with Fiscal Agent due to payments of bonds and debt.

**Governmental Activities.** Governmental activities increased the County's net assets by \$27.1 for the year ended June 30, 2006, accounting for 111.1% of the total increase in net assets. The increase is due to operating revenues exceeding operating expenses. See Table 2 on page 10.

**Revenues.** Governmental activities revenue (not including transfers) increased \$47.8 from \$533.0 to \$580.8 or 9%.

Charges for Services increased by \$4.5. Public safety, Public ways and facilities, and Health and sanitation revenues increased offset by a decrease in General government revenues.

Operating grants and contributions increased by \$35.5. An increase of \$13.5 was caused by reclassification of State's realignment revenue for Vehicle License Fees (VLF) from General Revenues to Program Revenues under Operating Grants and Contributions. State's mandated cost reimbursement contributed an additional \$3. Community development rehabilitation loan increased \$2.6. Community development program administration grant increased \$2.2. Other state aid for construction increased \$4. Federal and state assistance for Health and Sanitation programs increased \$7.9. Another \$1.8 became available for Public Ways and Facilities programs under AB2928 Transportation Omnibus.

Capital grants increased by \$6.9 due primarily to federal aid of \$5.9 for road and bridge construction and maintenance.

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

Property tax revenues increased by \$48.2 for fiscal year ended June 30, 2006. Out of the \$48.2, \$38.9 pertains to Property tax in-lieu of VLF, and \$1.9 pertains to Property tax in lieu of sales tax. These two categories were separately reported on the Statement of Activities in fiscal year ended June 30, 2005. They are now included in the Property taxes on the Statement of Activities. Secured property taxes increased \$5.6 and supplemental property taxes increased \$2.2 as housing prices continued to stay at a high level. Some minor reductions occurred in other taxes – Miscellaneous, Transient Occupancy, etc.

Investment earnings increased \$5.2 due primarily to a rise in interest rates. Investment rate earned increased to 3.72% in current fiscal year from 2.08% in the prior fiscal year with average total cash pool balance of \$818.5.

Other revenues decreased by \$6.9. The County reported a one-time event of sale of receivables in the amount of \$8.7 in this category in fiscal year 2005, which did not occur in fiscal year 2006. The reduction was offset by an increase of \$0.8 each of miscellaneous revenue in general fund and other governmental funds.

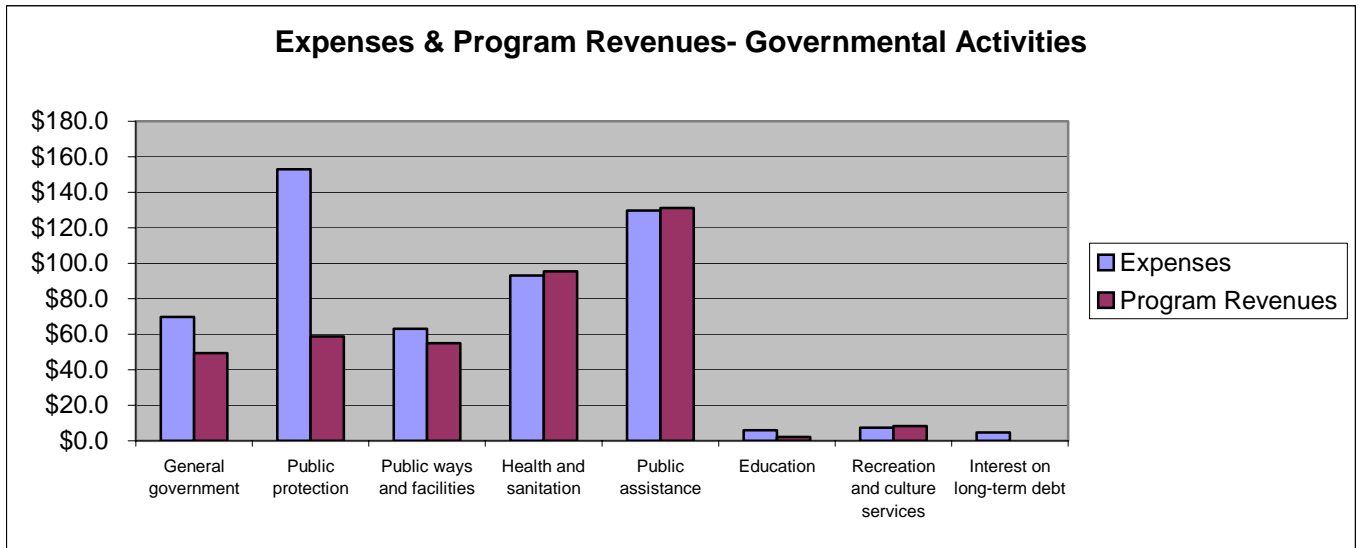
**Expenses.** Governmental activities expenses increased by \$32.8 or 6.6% to \$526.8. After two years of significant reductions in expenses, General government expenses increased by \$22.9 or 48.8%. This increase represents a leveling out after two prior years of cutbacks and brings expenditure levels in line with increased revenues. Negotiated salaries and costs for benefits increased \$3.8, new State mandated voting services increased costs by \$2.4, and Community Development loans increased \$4.1 due to an increase in grants. The remaining \$12.6 represents an increase in Services and Supplies and Capital outlay across all General Governmental funds and departments without a material increase in any specific area.

Public Safety expenses were similar to last year increasing \$2.6 or 1.7%. Education expenses increased \$0.3 or 5.3% representing an increase in salaries and benefits of \$0.2 and an increase in computer equipment and software of \$0.1. Public ways and facilities expenses increased by \$10.5 or 20.0% for road and bridge projects and maintaining and continuing improvements in the County's infrastructure. Health and sanitation expenses decreased \$7.3 or 7.3% from last year primarily due to a \$6.1 reduction in the intergovernmental contribution to the State of California. Public Assistance increased \$3.7 or 2.9%. \$3.0 is due to adjustments to State and Federal programs and \$0.7 for increased benefit for In-Home Supportive Services.

The full time equivalent (FTE) employee count for governmental activities as of June 30 increased from 3,580 in 2004-05 to 3,716.

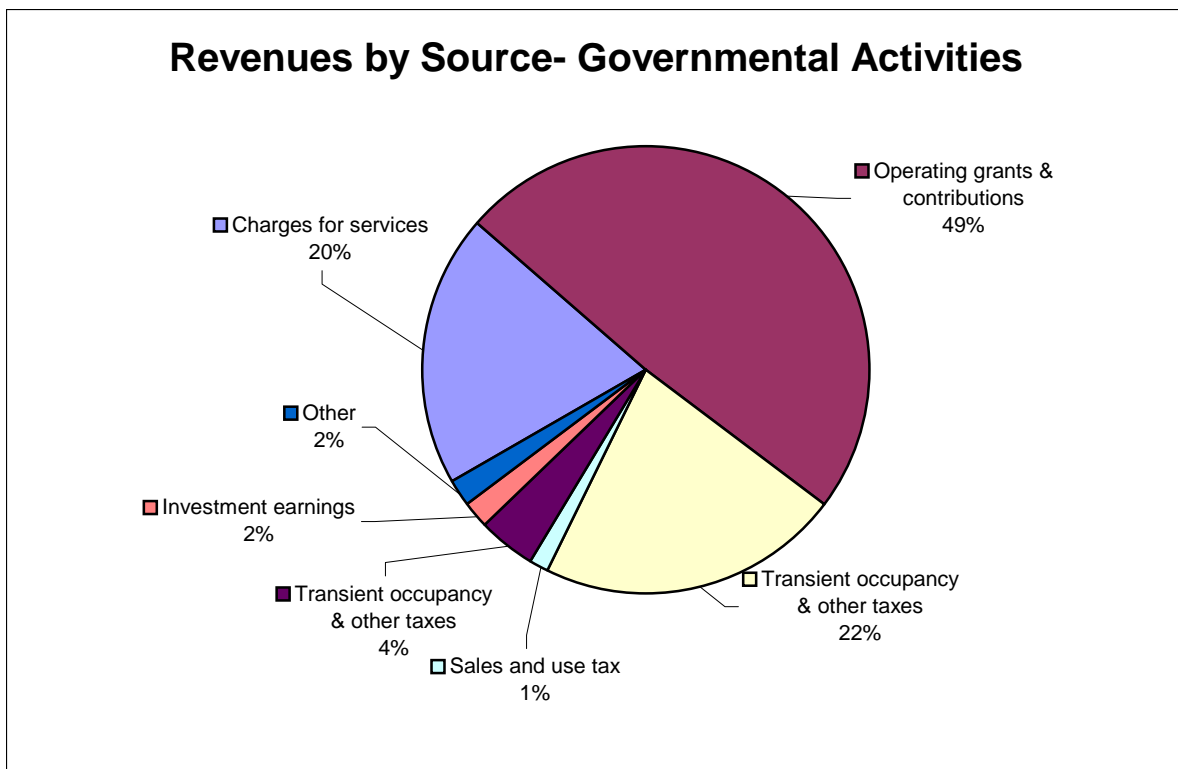
As shown in the following chart, program revenues are less than the expenses in all functional areas except for Health and Sanitation, and Public Assistance. The difference between expenses and program revenues totals \$126.7.

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



The short fall of \$126.7 of program revenues to cover associated expenses is offset by general revenues of \$180.7 that were intended to fund governmental functions.

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



## COUNTY OF MONTEREY MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Governmental Activities		Business-type Activities		Total		Total	
	2006	2005	2006	2005	2006	2005	Dollar Change	Percent Change
<b>Revenues</b>								
Program Revenues:								
Charges for services	\$113.1	\$108.6	\$107.4	\$150.6	\$220.5	\$259.2	(\$38.7)	-14.9%
Operating grants and contributions	279.7	244.2			279.7	244.2	35.5	14.5%
Capital grants and contributions	7.3	0.4		-	7.3	0.4	6.9	1725.0%
General revenues:							0.0	
Property taxes	127.3	79.1		-	127.3	79.1	48.2	60.9%
Sales & Use Tax	6.6	8.2		-	6.6	8.2	(1.6)	-19.5%
Transient occupancy and other taxes	23.8	39.3		-	23.8	39.3	(15.5)	-39.4%
VLF in lieu	-	28.5		-	0.0	28.5	(28.5)	-100.0%
Grants and contributions	-	-	0.9	-	0.9	0.0	0.9	N/A
Unrestricted investment earnings	12.6	7.4		-	12.6	7.4	5.2	70.3%
Other	10.4	17.3		-	10.4	17.3	(6.9)	-39.9%
<b>Total revenues</b>	<b>580.8</b>	<b>533.0</b>	<b>108.3</b>	<b>150.6</b>	<b>689.1</b>	<b>683.6</b>	<b>5.5</b>	<b>0.8%</b>
<b>Expenses</b>								
General government	69.8	46.9		-	69.8	46.9	22.9	48.8%
Public safety	153.0	150.4		-	153.0	150.4	2.6	1.7%
Public ways and facilities	63.1	52.6		-	63.1	52.6	10.5	20.0%
Health and sanitation	93.1	100.4		-	93.1	100.4	(7.3)	-7.3%
Public assistance	129.7	126.0		-	129.7	126.0	3.7	2.9%
Education	6.0	5.7		-	6.0	5.7	0.3	5.3%
Recreation and culture services	7.4	6.0		-	7.4	6.0	1.4	23.3%
Interest on long-term debt	4.7	6.0		-	4.7	6.0	(1.3)	-21.7%
Natividad Medical Center		-	137.7	166.4	137.7	166.4	(28.7)	-17.2%
<b>Total expenses</b>	<b>526.8</b>	<b>494.0</b>	<b>137.7</b>	<b>166.4</b>	<b>664.5</b>	<b>660.4</b>	<b>4.1</b>	<b>0.6%</b>
Change in net assets before transfers	54.0	39.0	(29.4)	(15.8)	24.6	65.5	(40.9)	-62.4%
Transfers	(26.7)	-	26.7	42.3	-	-	-	
Increase (decrease) in net assets	<b>27.3</b>	<b>39.0</b>	<b>(2.7)</b>	<b>26.5</b>	<b>24.6</b>	<b>65.5</b>	<b>(40.9)</b>	<b>-62.4%</b>
Net assets, beginning	573.9	537.2	54.0	27.5	627.9	564.7	63.2	11.2%
Prior Period Adjustment	(0.2)	(2.3)	-	-	(0.2)	(2.3)	2.1	-91.3%
<b>Net assets, ending</b>	<b>\$601.0</b>	<b>\$573.9</b>	<b>\$51.3</b>	<b>\$54.0</b>	<b>\$652.3</b>	<b>\$627.9</b>	<b>\$24.4</b>	<b>3.9%</b>

**Business-type Activities.** Business-type activities net assets decreased \$2.7 or 5% to a net ending balance of \$51.3. Revenues decreased by \$42.3 or 28.1% from the prior year. Operating expenses decreased by \$28.7, or 17.2%. The change in revenues and expenses was primarily caused by reporting net amount (\$28.2) of governmental funding for Disproportionate Share Hospital (DSH) as charges for services this year. In the prior year, the gross amount of \$64.1 was reported in charges for services, while \$34.8 sent to the State was reported as other expenses. Natividad Medical Center's major revenue source (excluding transfers from general fund) is charges for services, which accounts for 99.1% of total revenue sources. Charges for services include Medicare, Medi-Cal, other State subsidies, and other third party payments.

### 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.



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

As of the end of the current fiscal year, the County's governmental funds reported total fund balances of \$218.2, unchanged from prior year. Approximately 87.4% or \$190.6 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 restricted for use by the County's capital project and special revenue funds to be spent on such items as buildings, roads, bridges, waterways and other programs based on the restrictions dictated by the funding sources. Designations by management of unreserved fund balance represent funds earmarked for self-insurance, vehicle replacement, and other 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) \$15.5 to liquidate contracts and purchase orders of the prior period (Encumbrances)
- 2) \$8.1 to pay debt service
- 3) \$4.0 for unavailable assets and other reserves

**General Fund.** The General Fund is the main operating fund of the County. At June 30, 2006, unreserved fund balance had a balance of \$77.9, a decrease of \$0.8 from \$78.7 reported in the prior fiscal year. The General Fund's total fund balance was \$87.7 as of June 30, 2006, an increase of \$0.7, or 0.8%, over the prior year.

**Road Fund.** The Road Fund is used to segregate the revenues and expenditures associated with streets and roads within the County. The Road Fund has a total fund balance of \$3.1, of which \$0.6 is reserved to liquidate contracts and purchase orders, \$0.1 is unavailable assets, and \$2.3 is *unreserved*. The total fund balance increase of 17.9% over the prior fiscal year is due to a combination of factors, which include increased road and bridge construction projects and pavement management.

**Facility Master Plan Implementation.** The Facility Master Plan Implementation Fund has a total fund balance of \$53.4, of which \$0.1 is reserved to liquidate contracts and purchase orders. This is a \$10.7, or 16.7% decrease from the prior fiscal year, due to the completion of the New Administration Building and remodeling of the North, East, and West Wings of the Salinas Courthouse.

**Other Governmental Funds.** The remaining governmental funds' fund balances increased 14.8% or \$9.5 to a balance of \$74.0 million.

**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 Notes 2, 7, 8, 12, 14, 15, & 18 of the financial statements.

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

**Original Budget to Final Budget (In Millions)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Increase (Decrease)</b>
Revenues	459.9	486.4	26.5
Expenditures	466.9	476.3	9.4
Other Financing Uses	21.5	40.7	19.2

**Revenues increase of \$26.5 million:**

- Taxes, VLF and Franchises increased original budget by \$6.4 million due to an expected increase in Property Taxes.
- Aid from other governmental agencies increased the original budget by \$11.9 million due to revenues for the following functions:
  1. General government increases due to State and Federal aid of \$5.4 million.
  2. Public safety increases due to State aid of \$0.7 million.
  3. Health and sanitation increases of \$4.0 million from State and Federal subsidies.
  4. Public assistance increases of \$1.8 million from State and Federal subsidies
- Charges for Services increased the original budget by \$6.4 million due to revenue from the following functional areas:
  1. General government \$4.2 million
  2. Public safety \$1.4 million
  3. Health and sanitation \$0.7 million
  4. Public assistance \$0.1 million
- Fines, forfeitures and penalties increased the original budget by \$1.0 million. The Tobacco settlement and miscellaneous category had an increase of \$0.8 million from the original budget.

**Expenditures increase of \$9.4 million:**

County’s final budget appropriations differ from the original budget by 2%. The Public Protection function, which encompasses Sheriff, Probation, Emergency Communications, and Child Support Services, had approximately 90% of additional appropriations related to cost increases in salaries and benefits and services and supplies areas. Most other functions had minor increases in appropriations except for General Government function, which accounted for a 0.6% decrease compared to original appropriations due to salary savings spread among departments as a result of vacant positions.

**Final Budget to Actual Variances (In millions)**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
Revenues	486.4	487.6	1.2
Expenditures	476.3	441.9	34.4
Other Financing Uses	40.7	48.5	(7.8)

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

**Revenues actual is higher than final budget by \$1.2 million:**

Licenses and permits; fines, forfeitures and penalties; revenue from use of money and property; and tobacco settlement and miscellaneous exceeded the budget while charges for services were lower than the budget. These changes contributed to a total net change in actual revenues from final budget.

**Expenditures actual is less than final budget by \$34.4 million:**

Salary and benefit cost savings of approximately \$12.8 resulted from unfilled positions across all functions and \$10.1 resulted from unspent appropriations of program services in general government, public safety, public ways and facilities, health and sanitation, and public assistance programs. \$1.3 remained unspent in capital outlay accounts mainly under culture and recreation program. Approximately \$10.2 was saved due to increased expense transfer reimbursements between interfund activities.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

TABLE 3- County of Monterey's Capital Assets

	Governmental		Business-type		Total		Total	
	Activities		Activites				Dollar	Percent
	2006	2005	2006	2005	2006	2005	Change	Change
Land	\$ 174.5	\$ 174.5		\$ -	\$ 174.5	\$ 174.5	\$ -	0.0%
Structures and improvements	83.8	83.4	151.4	151.7	235.2	235.1	0.1	0.0%
Equipment	76.1	71.3	33.6	33.7	109.7	105.0	4.7	4.5%
Infrastructure	456.9	456.8		-	456.9	456.8	0.1	0.0%
Construction in Progress (CIP)	86.3	57.3		-	86.3	57.3	29.0	50.6%
<b>Total Capital Assets</b>	<b>877.6</b>	<b>843.3</b>	<b>185.0</b>	<b>185.4</b>	<b>1,062.6</b>	<b>1,028.7</b>	<b>33.9</b>	<b>3.3%</b>
Accumulated Depreciation	(324.0)	(304.0)	(60.7)	(54.8)	(384.7)	(358.8)	(25.9)	7.2%
<b>Total</b>	<b>\$ 553.6</b>	<b>\$ 539.3</b>	<b>\$ 124.3</b>	<b>\$ 130.6</b>	<b>\$ 677.9</b>	<b>\$ 669.9</b>	<b>\$ 8.0</b>	<b>1.2%</b>

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 \$29.0 for the completion and relocation of employees into the new Administration Building. The Facilities Master Plan Implementation Fund also provided for relocation of vacated temporary office buildings to other locations within the County, completion of project design and opening of the bid process for the east and west wing Project, and relocation of portions of the Public Works Department to the Laurel Yard in Salinas.

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.

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

Additional information on the County's capital assets can be found in Note 6 on page 57 of this report.

**Long-term debt.** At June 30, 2006, the County had total long-term debt outstanding of \$199.0 million. This was a decrease of \$6.3 or 3.1% from prior year of \$205.3 million.

The County's Moody's rating of "A1" was unchanged.

**Table 4: Long Term Debt Outstanding**

TABLE 4 - County of Monterey's Long Term Debt (in millions)

	Governmental		Business-type		Total		Total	
	Activities		Activites				Dollar	Percent
	2006	2005	2006	2005	2006	2005	Change	Change
Certificates of participation	\$ 87.5	\$ 89.3	\$ 69.2	\$ 71.6	\$ 156.7	\$ 160.9	\$ (4.2)	-2.6%
Revenue bonds	1.2	1.5	-	-	1.2	1.5	(0.3)	-20.0%
Loans payable-Bureau of Reclamation	33.9	35.0	-	-	33.9	35.0	(1.1)	-3.1%
Judgment Obligation Bonds	6.1	6.8	-	-	6.1	6.8	(0.7)	-10.3%
Other bonds and notes	1.1	1.1	-	-	1.1	1.1	-	0.0%
<b>Total</b>	<u>\$ 129.8</u>	<u>\$ 133.7</u>	<u>\$ 69.2</u>	<u>\$ 71.6</u>	<u>\$ 199.0</u>	<u>\$ 205.3</u>	<u>\$ (6.3)</u>	<u>-3.1%</u>

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 \$538.4, which is significantly in excess of the County's outstanding total debt of \$199.0. The above schedule does not include some other liabilities such as estimated self-insurance liabilities and compensated absences.

Additional information on the County's long-term debt can be found in Note 10 on page 61 of this report.

**ECONOMIC ANALYSIS AND NEXT YEAR'S BUDGET AND RATES**

The following are economic factors for 2006-07:

- Property Tax Values are estimated to increase 11% above 2005-06 levels.
- The calendar year 2005 unemployment rate decreased from 8.4% on December 31, 2004 to 7.3% on December 31, 2005.
- In accordance with previously negotiated contracts, Units A, B, C, D, E, F, H, J, K, L, M, N, P, R, X, Y, and Z received a 2.2% increase in July 2006.
- 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.
- The County of Monterey adopted an ordinance for reserve policies. General Fund reserves will be accumulated over the next seven 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. Fiscal year 2005-06 strategic reserve balance was \$30.3.

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

- The 2006-07 final budget for the General Fund totals \$524.9, an increase of \$30.7 over 2005-06 primarily due to an anticipated increase in expenditures across all activities as a result of revenue increases in aid from other governmental agencies, taxes, and most other areas. Increases in salary and benefit costs associated with higher retirement costs, health care costs, and Workers' Compensation costs also contribute to the difference.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT FOR REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, 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, Office of Auditor-Controller, 168 West Alisal Street, P.O. Box 390, Salinas, CA 93902.

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

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**COUNTY OF MONTEREY**

Statement of Net Assets  
June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments:			
Held in County treasury	\$ 222,371,220	\$ 239,526	\$ 222,610,746
Held with trustee	36,381,221	637,065	37,018,286
Imprest cash	16,000	2,108	18,108
Restricted cash	8,753	--	8,753
Receivables	45,942,683	12,750,853	58,693,536
Inventories	227,766	1,160,693	1,388,459
Land held for resale and development	915,680	--	915,680
Prepaid items	42,169	721,747	763,916
Internal balances	(941,059)	941,059	--
Long-term receivables	15,576,787	--	15,576,787
Capital assets:			
Nondepreciable	260,770,669	--	260,770,669
Depreciable, net	292,764,997	124,217,790	416,982,787
<b>Total Assets</b>	<u>\$ 874,076,886</u>	<u>\$ 140,670,841</u>	<u>\$ 1,014,747,727</u>
<b>LIABILITIES</b>			
Vouchers and accounts payable	\$ 11,566,936	\$ 5,739,488	\$ 17,306,424
Accrued salaries and benefits	4,734,738	1,108,689	5,843,427
Accrued interest payable	2,039,631	1,545,125	3,584,756
Accrued liabilities	1,217,433	2,399,473	3,616,906
Deposits from others	5,912,861	--	5,912,861
Deferred revenues	46,514,510	296,360	46,810,870
Long-term liabilities:			
Due within one year	19,850,969	5,520,717	25,371,686
Due beyond one year	181,213,650	72,692,838	253,906,488
<b>Total Liabilities</b>	<u>273,050,728</u>	<u>89,302,690</u>	<u>362,353,418</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	463,899,938	50,633,737	514,533,675
Restricted for:			
Debt Service	6,865,080	--	6,865,080
Capital projects	54,999,723	--	54,999,723
Other purposes	32,321,244	--	32,321,244
Unrestricted	42,940,173	734,414	43,674,587
<b>Total Net Assets</b>	<u>601,026,158</u>	<u>51,368,151</u>	<u>652,394,309</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 874,076,886</u>	<u>\$ 140,670,841</u>	<u>\$ 1,014,747,727</u>

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

**COUNTY OF MONTEREY**

Statement of Activities  
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<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>
<b>Primary Government</b>				
Governmental Activities:				
General government	\$ 69,796,474	\$ 24,383,763	\$ 23,539,023	1,391,135
Public safety	153,046,987	26,289,549	32,510,920	--
Public ways and facilities	63,174,218	31,183,722	17,899,971	5,935,884
Health and sanitation	93,290,194	23,341,957	72,193,995	--
Public assistance	129,735,435	5,800	131,170,297	--
Education	5,958,461	110,134	1,965,061	--
Recreation and culture services	7,153,492	7,774,366	416,958	--
Interest on long-term debt	4,650,218	--	--	--
Total Governmental Activities	<u>526,805,479</u>	<u>113,089,291</u>	<u>279,696,225</u>	<u>7,327,019</u>
Business-Type Activities:				
Natividad Medical Center	<u>137,697,999</u>	<u>107,387,481</u>	--	--
Total Business-Type Activities	<u>137,697,999</u>	<u>107,387,481</u>	--	--
 Total Primary Government	<u>\$ 664,503,478</u>	<u>\$ 220,476,772</u>	<u>\$ 279,696,225</u>	<u>\$ 7,327,019</u>

General Revenues:

Taxes:

  Property taxes

  Sales and use taxes

  Transient occupancy and other taxes

  Unrestricted interest and investment earnings

  Tobacco settlement and miscellaneous

  Donations

Transfers

  Total General Revenues and Transfers

  Change in Net Assets

Net Assets - July 1, 2005

Prior period adjustments

Net Assets - June 30, 2006

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
\$ (20,482,553)	\$ --	\$ (20,482,553)
(94,246,518)	--	(94,246,518)
(8,154,641)	--	(8,154,641)
2,245,758	--	2,245,758
1,440,662	--	1,440,662
(3,883,266)	--	(3,883,266)
1,037,832	--	1,037,832
(4,650,218)	--	(4,650,218)
<u>(126,692,944)</u>	<u>--</u>	<u>(126,692,944)</u>
--	<u>(30,310,518)</u>	<u>(30,310,518)</u>
--	<u>(30,310,518)</u>	<u>(30,310,518)</u>
<u>(126,692,944)</u>	<u>(30,310,518)</u>	<u>(157,003,462)</u>
127,362,680	--	127,362,680
6,551,357	--	6,551,357
23,814,148	--	23,814,148
12,620,386	--	12,620,386
10,369,340	--	10,369,340
--	919,701	919,701
<u>(26,775,734)</u>	<u>26,775,734</u>	<u>--</u>
<u>153,942,177</u>	<u>27,695,435</u>	<u>181,637,612</u>
27,249,233	(2,615,083)	24,634,150
573,929,071	53,983,234	627,912,305
(152,146)	--	(152,146)
<u>\$ 601,026,158</u>	<u>\$ 51,368,151</u>	<u>\$ 652,394,309</u>

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

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**BASIC FINANCIAL STATEMENTS –  
FUND FINANCIAL STATEMENTS**

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**COUNTY OF MONTEREY**

Balance Sheet  
Governmental Funds  
June 30, 2006

	General Fund	Road Fund	Facility Master Plan Implementation	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and Investments:					
Held in County treasury	\$ 96,925,678	\$ 8,925,354	\$ 19,986,600	\$ 69,838,809	\$ 195,676,441
Held with trustee	8,616	--	34,509,121	1,863,484	36,381,221
Imprest cash	16,000	--	--	--	16,000
Restricted cash	8,753	--	--	--	8,753
Receivables	36,570,303	2,643,945	5,895	6,706,145	45,926,288
Due from other funds	--	--	--	--	--
Advances to other funds	176,300	--	--	--	176,300
Inventories of materials and supplies at cost	91,723	136,043	--	--	227,766
Land held for resale and development	--	--	--	915,680	915,680
Prepaid items and other assets	34,327	--	--	7,842	42,169
Long-term receivables	487,850	--	--	14,588,416	15,076,266
<b>Total Assets</b>	<b>\$ 134,319,550</b>	<b>\$ 11,705,342</b>	<b>\$ 54,501,616</b>	<b>\$ 93,920,376</b>	<b>\$ 294,446,884</b>
<b>LIABILITIES</b>					
Vouchers and accounts payable	\$ 7,258,403	\$ 1,229,547	\$ 1,014,903	\$ 2,006,238	\$ 11,509,091
Accrued salaries and benefits	4,348,197	165,618	--	220,923	4,734,738
Accrued liabilities	1,087,502	8,032	109,774	11,925	1,217,233
Estimated self-insurance liabilities	798,000	--	--	--	798,000
Due to other funds	--	--	--	--	--
Deposits from others	3,249,457	2,711,713	--	399	5,961,569
Deferred revenues	29,889,673	4,492,187	--	17,460,527	51,842,387
Advances from other funds	--	--	--	176,300	176,300
<b>Total Liabilities</b>	<b>\$ 46,631,232</b>	<b>\$ 8,607,097</b>	<b>\$ 1,124,677</b>	<b>\$ 19,876,312</b>	<b>\$ 76,239,318</b>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	9,648,853	649,900	70,910	5,118,015	15,487,678
Unavailable assets	107,723	136,043	--	--	243,766
Debt service	--	--	--	8,088,490	8,088,490
Other reserves	--	--	--	3,778,129	3,778,129
Unreserved:					
General					
Designated:					
Self insurance	2,091,240	--	--	--	2,091,240
Other designations	49,476,794	1,500,000	--	--	50,976,794
Undesignated	26,363,708	--	--	--	26,363,708
Special revenue funds:					
Undesignated	--	812,302	--	24,048,067	24,860,369
Capital projects funds:					
Undesignated	--	--	53,306,029	33,011,363	86,317,392
<b>Total Fund Balances</b>	<b>\$ 87,688,318</b>	<b>\$ 3,098,245</b>	<b>\$ 53,376,939</b>	<b>\$ 74,044,064</b>	<b>\$ 218,207,566</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 134,319,550</b>	<b>\$ 11,705,342</b>	<b>\$ 54,501,616</b>	<b>\$ 93,920,376</b>	<b>\$ 294,446,884</b>

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, 2006

<b>Fund Balance - total governmental funds (page 25)</b>	<b>\$ 218,207,566</b>
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.	553,535,666
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the governmental funds.	5,877,106
Internal service funds are used by the County to charge the cost of general liability and workers' compensation insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are:	(23,044,511)
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	\$ 36,255,427
Certificates of participation	87,470,000
Capital lease obligations	251,891
Accrued interest on long-term debt	2,039,631
Compensated absences	22,850,764
Estimated landfill closure and postclosure costs	4,681,956
	<u>(153,549,669)</u>
<b>Net assets of governmental activities (page 19)</b>	<b><u>\$ 601,026,158</u></b>

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, 2006

	General Fund	Road Fund	Facility Master Plan Implementation	Other Governmental Funds	Total
<b>Revenues:</b>					
Taxes, VLF and franchises	\$ 146,442,992	\$ --	\$ --	\$ 11,285,192	\$ 157,728,184
Licenses and permits	12,295,498	1,515,984	--	28,805	13,840,287
Fines, forfeitures and penalties	8,625,821	--	--	8,379	8,634,200
Revenue from use of money and property	5,314,261	334,653	2,710,031	3,293,778	11,652,723
Aid from other governmental agencies	242,632,902	21,395,459	--	17,775,519	281,803,880
Charges for services	64,840,325	5,649,120	474	26,105,874	96,595,793
Tobacco settlement and miscellaneous	7,428,576	18,570	--	2,774,582	10,221,728
<b>Total Revenues</b>	<b>487,580,375</b>	<b>28,913,786</b>	<b>2,710,505</b>	<b>61,272,129</b>	<b>580,476,795</b>
<b>Expenditures:</b>					
Current:					
General government	61,021,472	--	379,011	12,947,760	74,348,243
Public safety	154,305,168	76,283	--	--	154,381,451
Public ways and facilities	1,531,160	29,944,288	--	33,730,858	65,206,306
Health and sanitation	92,098,744	10,214	--	3,212,338	95,321,296
Public assistance	120,475,442	--	--	9,326,815	129,802,257
Education	--	--	--	5,851,017	5,851,017
Recreation and culture services	6,931,914	--	--	69,233	7,001,147
Debt service - principal	255,000	--	--	2,930,757	3,185,757
Debt service - interest	7,809	--	--	4,424,415	4,432,224
Capital outlay	1,740,491	149,403	13,987,166	99,192	15,976,252
<b>Total Expenditures</b>	<b>438,367,200</b>	<b>30,180,188</b>	<b>14,366,177</b>	<b>72,592,385</b>	<b>555,505,950</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	49,213,175	(1,266,402)	(11,655,672)	(11,320,256)	24,970,845
<b>Other Financing Sources (Uses):</b>					
Transfers in	2,325,675	1,736,394	1,000,000	27,332,645	32,394,714
Transfers out	(50,867,363)	--	(22,551)	(6,500,117)	(57,390,031)
Issuance of debt	--	--	--	36,146	36,146
Total Other Financing Sources (Uses)	(48,541,688)	1,736,394	977,449	20,868,674	(24,959,171)
<b>Net Change in Fund Balance</b>	<b>671,487</b>	<b>469,992</b>	<b>(10,678,223)</b>	<b>9,548,418</b>	<b>11,674</b>
Fund Balances, Beginning of Year	87,016,831	2,628,253	64,055,162	64,495,646	218,195,892
Fund Balances, End of Year	\$ 87,688,318	\$ 3,098,245	\$ 53,376,939	\$ 74,044,064	\$ 218,207,566

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, 2006

<b>Net Change in fund balance - total governmental funds (page 27)</b>		\$ 11,674
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	\$ 34,142,763	
Less current year depreciation	<u>(19,945,534)</u>	14,197,229
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		5,877,106
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		(36,146)
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	17,106	
Change in compensated absences	(1,935,158)	
Change in estimated landfill closure and postclosure	<u>1,326,130</u>	(591,922)
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	4,939	
Certificates of Participation	1,815,000	
Revenue bonds	300,000	
Special assessment bonds	4,000	
Notes and loans	1,061,618	
Capital leases	<u>104,842</u>	3,290,399
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities.		
		<u>4,500,893</u>
<b>Change in net assets of governmental activities (page 21)</b>		<u>\$ 27,249,233</u>

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

**COUNTY OF MONTEREY**

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes, VLF and franchises	\$ 140,364,405	\$ 146,744,405	\$ 146,442,992	\$ (301,413)
Licenses and permits	11,579,051	11,579,051	12,295,498	716,447
Fines, forfeitures and penalties	6,839,234	6,892,703	8,625,821	1,733,118
Revenue from use of money and property	2,256,931	3,229,814	5,314,261	2,084,447
Aid from other governmental agencies	231,298,003	243,219,394	242,632,902	(586,492)
Charges for services	61,123,189	67,521,020	64,840,325	(2,680,695)
Tobacco settlement and miscellaneous	6,397,541	7,232,544	7,428,576	196,032
Total revenues	<u>459,858,354</u>	<u>486,418,931</u>	<u>487,580,375</u>	<u>1,161,444</u>
<b>Expenditures</b>				
Current:				
General government	77,886,034	74,891,365	61,583,093	13,308,272
Public safety	151,583,402	159,867,318	154,609,302	5,258,016
Public ways and facilities	610,000	1,547,759	1,531,160	16,599
Health and sanitation	98,665,210	99,104,246	93,354,487	5,749,759
Public assistance	126,618,499	128,391,691	120,386,166	8,005,525
Culture and recreation	8,571,766	8,831,262	8,136,163	695,099
Debt service - principal	255,000	255,000	255,000	--
Debt service - interest	7,809	7,809	7,809	--
Capital outlay	2,698,000	3,392,531	2,008,331	1,384,200
Total expenditures	<u>466,895,720</u>	<u>476,288,981</u>	<u>441,871,511</u>	<u>34,417,470</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,037,366)</u>	<u>10,129,950</u>	<u>45,708,864</u>	<u>35,578,914</u>
<b>Other financing sources (uses)</b>				
Transfers in	2,279,780	3,120,212	2,325,675	(794,537)
Transfers out	<u>(23,808,026)</u>	<u>(43,788,079)</u>	<u>(50,867,363)</u>	<u>(7,079,284)</u>
Total Other Financing Sources (Uses)	<u>(21,528,246)</u>	<u>(40,667,867)</u>	<u>(48,541,688)</u>	<u>(7,873,821)</u>
<b>Net change in budgetary fund balances</b>	<u>(28,565,612)</u>	<u>(30,537,917)</u>	<u>(2,832,824)</u>	<u>27,705,093</u>
Budgetary fund balances, July 1	<u>87,016,831</u>	<u>87,016,831</u>	<u>87,016,831</u>	<u>--</u>
Budgetary fund balances, June 30	<u>\$ 58,451,219</u>	<u>\$ 56,478,914</u>	<u>\$ 84,184,007</u>	<u>\$ 27,705,093</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				\$ 441,871,511
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>(3,504,311)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 438,367,200</u>

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

**COUNTY OF MONTEREY**

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Road Fund  
For the Year Ended June 30, 2006

	<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>
<b>Revenues:</b>				
Licenses, permits and franchises	\$ 2,235,752	\$ 2,329,787	\$ 1,515,984	\$ (813,803)
Revenue from use of money and property	86,000	136,000	334,653	198,653
Aid from other governmental agencies	20,986,018	27,856,571	21,395,459	(6,461,112)
Charges for services	6,122,407	6,873,428	5,649,120	(1,224,308)
Other revenue	28,000	28,000	18,570	(9,430)
Total Revenues	<u>29,458,177</u>	<u>37,223,786</u>	<u>28,913,786</u>	<u>(8,310,000)</u>
<b>Expenditures:</b>				
Current:				
Public protection	20,000	20,000	58,767	(38,767)
Public ways and facilities	30,587,110	38,337,435	30,233,807	8,103,628
Health and sanitation	10,422	10,422	10,214	208
Capital outlay	500,000	500,000	328,073	171,927
Total Expenditures	<u>31,117,532</u>	<u>38,867,857</u>	<u>30,630,861</u>	<u>8,236,996</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,659,355)</u>	<u>(1,644,071)</u>	<u>(1,717,075)</u>	<u>(73,004)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,000,000	1,000,000	1,736,394	736,394
Total Other Financing Sources (Uses)	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,736,394</u>	<u>736,394</u>
<b>Net change in budgetary fund balances</b>	(659,355)	(644,071)	19,319	663,390
Budgetary fund balances, beginning	<u>2,628,253</u>	<u>2,628,253</u>	<u>2,628,253</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 1,968,898</u>	<u>\$ 1,984,182</u>	<u>\$ 2,647,572</u>	<u>\$ 663,390</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				30,630,861
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>(450,673)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 30,180,188</u>

**COUNTY OF MONTEREY**

Statement of Fund Net Assets  
Proprietary Funds  
June 30, 2006

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Natividad Hospital	Internal Service Funds
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 239,526	\$ 26,694,779
Imprest cash	2,108	--
Patient's accounts receivable, net of estimated uncollectable of \$(48,452,132)	9,716,558	--
Accounts receivable	--	16,395
Due from other funds	941,059	--
Due from other agencies	3,034,295	--
Inventories	1,160,693	--
Prepaid expenses	721,747	--
Total Current Assets	15,815,986	26,711,174
Noncurrent Assets:		
Restricted Assets:		
Held by trustee	637,065	--
Capital assets:		
Depreciable, net	124,217,790	--
Total Assets	\$ 140,670,841	\$ 26,711,174
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 5,739,488	\$ 57,845
Accrued salaries and benefits	1,108,689	--
Accrued interest payable	1,545,125	--
Accrued liabilities	2,399,473	200
Deferred revenue	296,360	--
Current portion of claims liability	--	10,763,120
Current portion of bonds payable	--	680,883
Current portion of the certificates of participation	2,130,000	--
Current portion of the capital leases	1,394,499	--
Current portion of compensated absences	1,996,218	--
Total Current Liabilities	16,609,852	11,502,048
Long-Term Liabilities:		
Claims liability	--	31,811,398
Notes payable	--	5,501,180
Certificates of participation	67,137,054	--
Capital leases	3,559,565	--
Compensated absences	1,996,219	--
Total Long-Term Liabilities	72,692,838	37,312,578
Total Liabilities	89,302,690	48,814,626
Net Assets:		
Invested in capital assets, net of related debt	50,633,737	--
Unrestricted (deficit)	734,414	(22,103,452)
Total Net Assets	51,368,151	(22,103,452)
Total Liabilities and Net Assets	\$ 140,670,841	\$ 26,711,174

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, 2006

	Business-Type Activities - <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Funds</u>
	Natividad Hospital	
Operating Revenues:		
Net patient services revenues	\$ 101,947,022	\$ --
Other charges for services	--	20,944,265
Other operating revenues	<u>5,440,459</u>	<u>45,400</u>
Total Operating Revenues	<u>107,387,481</u>	<u>20,989,665</u>
Operating Expenses:		
Salaries and wages	46,778,317	--
Employee benefits	18,837,597	--
Supplies	8,953,278	12,389
Provisions for doubtful accounts receivable	14,480,000	--
Claims expense	--	9,028,957
Utilities	2,768,703	--
Purchased services	29,008,211	1,298,861
Insurance	1,039,330	4,076,111
Depreciation and amortization	6,983,074	--
Other	<u>3,431,529</u>	<u>83,540</u>
Total Operating Expenses	<u>132,280,039</u>	<u>14,499,858</u>
Net Operating Income (Loss)	<u>(24,892,558)</u>	<u>6,489,807</u>
Non-Operating Revenues (Expenses):		
Interest income (expense) – net	(5,179,184)	721,680
Amortization of bond premium	--	10,883
Loss on sale of assets	(238,776)	--
Donations	<u>919,701</u>	<u>--</u>
Total Non-Operating Revenues (Expenses)	<u>(4,498,259)</u>	<u>732,563</u>
Income (Loss) Before Transfers	(29,390,817)	7,222,370
Transfers in	26,775,734	--
Transfers out	<u>--</u>	<u>(1,780,417)</u>
Change in Net Assets	<u>(2,615,083)</u>	<u>5,441,953</u>
Net Assets - Beginning of Year	<u>53,983,234</u>	<u>(27,545,405)</u>
Net Assets - End of Year	<u><u>\$ 51,368,151</u></u>	<u><u>\$ (22,103,452)</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, 2006

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Natividad Hospital	Internal Service Funds
Cash Flows from Operating Activities:		
Cash received from patients and third party payors	\$ 88,817,884	\$ --
Cash receipts from customers	--	20,973,270
Cash received from other sources	5,440,459	--
Cash paid to employees for services	(65,497,865)	--
Cash paid to suppliers for goods and services	(50,390,514)	(10,638,127)
	(21,630,036)	10,335,143
Net cash provided (used) by operating activities		
Cash flows from noncapital financing activities:		
Transfers received for other than capital purposes	26,775,734	--
Transfers to other funds	--	(1,780,417)
Donations	919,701	--
	27,695,435	(1,780,417)
Net cash provided (used) by noncapital financing activities		
Cash flows from capital and related financing activities:		
Principal payments on COPs, capital leases, loans	(3,677,659)	(655,000)
Interest payments on COPs, capital leases, loans	(4,828,096)	(149,438)
Payments related to the acquisition of capital assets	(852,089)	--
Proceeds from capital lease obligations	650,000	--
	(8,707,844)	(804,438)
Net cash provided (used) by capital and related financing activities		
Cash flow from investing activities:		
Interest payments received	107,556	871,118
	107,556	871,118
Net cash provided (used) by investing activities		
Net increase (decrease) in cash and cash equivalents	(2,534,889)	8,621,406
Cash and equivalents, July 1	3,413,588	18,073,373
Cash and equivalents, June 30	\$ 878,699	\$ 26,694,779
<u>Reconciliation of cash and cash equivalents to Statement of Net Assets</u>		
Cash and cash equivalents	\$ 239,526	\$ 26,694,779
Imprest cash	2,108	--
Restricted cash	637,065	--
Total cash and cash equivalents	\$ 878,699	\$ 26,694,779

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, 2006

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Natividad Hospital	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (24,892,558)	\$ 6,489,807
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	6,983,074	--
Increase (decrease) in provision for doubtful accounts	14,480,000	--
(Increase) decrease in accounts receivable	(13,639,138)	(16,395)
(Increase) decrease in due from other funds	(941,059)	--
(Increase) decrease in inventories	(143,170)	--
(Increase) decrease in prepaid items	(12,498)	--
Increase (decrease) in accounts payable	(1,222,683)	(230,775)
Increase (decrease) in other accrued liabilities	(2,784,721)	--
Increase (decrease) in deferred liabilities	(85,332)	--
Increase (decrease) in compensated absences	118,049	--
Increase (decrease) in claims liability	--	4,092,506
Increase (decrease) in estimated third-party payor settlements	510,000	--
Total Adjustments	3,262,522	3,845,336
Net cash provided (used) by operating activities	\$ (21,630,036)	\$ 10,335,143

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



**COUNTY OF MONTEREY**

Statement of Fiduciary Net Assets  
June 30, 2006

	<u>Investment Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and Investments:		
Held in County treasury	\$ 554,777,533	\$ 25,352,366
Receivables:		
Taxes	--	28,283,197
Other	--	93,769
Long-term receivables	--	30,000
<b>Total Assets</b>	<u>554,777,533</u>	<u>53,759,332</u>
<b>LIABILITIES</b>		
Accounts payable	--	1,728,643
Agency funds held for others	--	52,030,689
<b>Total Liabilities</b>	<u>--</u>	<u>53,759,332</u>
<b>NET ASSETS</b>		
Net assets held in trust for investment pool participants	<u>554,777,533</u>	--
<b>Total Net Assets</b>	<u><u>\$ 554,777,533</u></u>	<u><u>\$ --</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, 2006

	<u>Investment Trust</u>
<b>ADDITIONS</b>	
Contributions to investment pool	\$ 165,797,027
Interest and investment income	<u>21,160,543</u>
<b>Total Additions</b>	<u>186,957,570</u>
<b>DEDUCTIONS</b>	
Distributions from investment pool	<u>76,795,578</u>
<b>Total Deductions</b>	<u>76,795,578</u>
Change in net assets	110,161,992
Net assets, beginning of year	<u>444,615,541</u>
Net assets, end of year	<u><u>\$ 554,777,533</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.

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## COUNTY OF MONTEREY

Notes to Financial Statements  
For the Year Ended June 30, 2006

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

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, 2006

### 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 funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the County's enterprise fund and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## COUNTY OF MONTEREY

Notes to Financial Statements  
For the Year Ended June 30, 2006

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 *Road Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that relate to public ways not accounted for through other funds
- 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 additional fund types:

- *Internal Service Funds* account for the County's self-insurance programs including workers' compensation and general liability insurance.
- 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.

## COUNTY OF MONTEREY

Notes to Financial Statements  
For the Year Ended June 30, 2006

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

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

*Fund Financial Statements* (continued)

- The *Agency Funds* account for assets held by the County as an agent for various local governments.

B. **Basis of Accounting**

The government-wide, proprietary and agency fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Investment trust funds have no measurement focus.

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”). The County considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are collected within 90 days of the end of the current fiscal period. 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



## COUNTY OF MONTEREY

Notes to Financial Statements  
For the Year Ended June 30, 2006

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

**B. Basis of Accounting** (continued)

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.

**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.

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

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

F. **Inventories** (continued)

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.

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 capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general capital 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  
For the Year Ended June 30, 2006

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.

*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  
For the Year Ended June 30, 2006

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.

*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  
For the Year Ended June 30, 2006

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. New Accounting Pronouncement

For fiscal year ended June 30, 2006, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 46, *Net Assets Restricted by Enabling Legislation – an Amendment of GASB Statement No. 34*. This Statement is effective for fiscal periods beginning after June 15, 2005. This Statement requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. A legally enforceable enabling legislation restriction is one that a party external to the County – such as citizens, public interest groups, or the judiciary – can compel a government to honor. Implementation of GASB Statement No. 46 did not have an impact on the County's financial statements for the year ended June 30, 2006, but required additional disclosure related to restricted net assets.

### M. 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. Expenditures are controlled at the department level for the County. At department level expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations 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 capital asset object. Transfers to capital 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.

# COUNTY OF MONTEREY

## Notes to Financial Statements For the Year Ended June 30, 2006

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

#### M. **Budgetary Basis of Accounting** (continued)

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 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.

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.

### Note 3: Cash and Investments

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. The investment pool includes both voluntary and involuntary participation from external entities. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer.

The County investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust.

At June 30, 2006, total County cash and investments were as follows:

Cash and deposits in bank per Treasury	\$ 38,420,294
Less warrants paid and other adjustments cleared by bank at June 30, 2006 but not recorded in general ledger	<u>(32,196,387)</u>
Adjusted cash and deposits	6,223,907
Investments	<u>806,522,763</u>
Adjusted cash and investments in Treasury	812,746,670
Less outstanding warrants	<u>(10,006,025)</u>
Total adjusted cash and investments	<u>\$ 802,740,645</u>

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

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

Total cash and investments at June 30, 2006 were presented on the County's financial statements as follows:

Primary government	\$ 222,610,746
Investment trust fund	554,777,533
Agency fund	25,352,366
Total cash and investments	\$ 802,740,645

**Investments**

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, where more restrictive. The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Obligations	5 Years	None	None
State of California Obligations	5 Years	None	None
Banker's Acceptances	180	40%	30%
Commerical Paper - Select Agencies	270	25%	10%
Commercial Paper - Other Agencies	270	40%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium Term Notes	5 years	30%	None
Mutual Funds/Money Market Mutual Funds	N/A	20%	10%
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

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

Investments (continued)

At June 30, 2006, the County had the following investments:

	Interest Rates	Maturities	Par	Cost	Fair Value	WAM (Years)
<b>Investments in Investment Pool</b>						
U.S. Treasury Bills	4.49% - 5.27%	8/3/06 - 12/21/06	\$ 267,000,000	\$261,982,997	\$ 263,449,930	0.28
U.S. Treasury Notes	3.52%	11/15/2006	50,000	48,125	49,682	0.38
U.S. Agencies	1.58% - 4.37%	7/11/06 - 1/23/09	129,850,000	129,384,542	128,844,169	1.04
Corporate Bonds	3.66% - 4.94%	2/16/07 - 3/10/08	80,000,000	79,984,800	79,742,700	1.17
Certificates of Deposit	3.99% - 4.82%	9/21/07 - 2/8/08	20,000,000	19,998,000	19,998,000	1.42
Repurchase Agreements	5.22% - 5.30%	On Demand	285,282,847	285,282,847	285,282,847	--
Money Market Mutual Funds	4.748% - 4.798%	On Demand	19,841,452	19,841,452	19,841,452	--
Local Agency Investment Fund (LAIF)	2.85% - 4.310%	On Demand	10,000,000	10,000,000	10,000,000	--
<b>Total investments in investment pool</b>			<u>\$ 812,024,299</u>	<u>\$806,522,763</u>	<u>\$ 807,208,780</u>	
<b>Weighted average maturity for pool</b>						<u>0.94</u>
<b>Investments Outside Investment Pool</b>						
Investment Agreements	Variable	On Demand	\$ 47,691,390	\$ 47,691,390	\$ 47,691,390	--
Money Market Mutual Funds	Variable	On Demand	3,162,612	3,162,612	3,162,612	--
			<u>\$ 50,854,002</u>	<u>\$ 50,854,002</u>	<u>\$ 50,854,002</u>	

At June 30, 2006 the difference between the cost and fair value of cash and investments was not material (fair value was 99.9% of carrying value). Therefore, an adjustment to fair value was not required.

Interest Rate Risk

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County Treasurer mitigates these risks by holding a diversified portfolio of high quality investments. The adopted Investment Policy contains specific limitations on investments by credit quality, maturity length and the maximum allocation by asset class. In all instances, the adopted Investment Policy is equal to or more restrictive than applicable codified statutes.



**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

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

Credit Risk and Concentration of Credit Risk (continued)

For securities issued and fully guaranteed as to payment by an agency or government sponsored enterprise of the U.S. Government, the issuer must be rated AAA by at least one of the three major rating services of Fitch, Moody's Investor's Service and Standard & Poor's. Commercial Paper obligations must be rated a minimum of F1 by Fitch, P1 by Moody's or A1 by Standard & Poor's. Corporate Bonds must be rated A or better by one of these three rating agencies. In addition, total exposure of all asset classes to any single issuer shall not exceed 5% of the 12-month projected minimum size of the portfolio, other than securities issued by the U.S. Government, its agencies and sponsored enterprises.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2006.

	S&P	Moody's	% of Portfolio
U.S. Treasury Bills	AAA	Aaa	32.48%
U.S. Treasury Notes	AAA	Aaa	0.01%
U.S. Agencies	AA-	Aa-	16.04%
Medium Term Notes	AAA	Aaa	9.92%
Certificates of Deposit	Unrated	Unrated	2.48%
Repurchase Agreements	Unrated	Unrated	35.37%
Money Market Mutual Funds	Unrated	Unrated	2.46%
Local Agency Investment Fund (LAIF)	Unrated	Unrated	1.24%
Total			100.00%

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the invested securities that are in the possession of an outside party. All securities owned by the County are delivered to the County's custody agent – Union Bank of California. Those securities are invested on a "Delivery vs. Payment" basis using the custodian bank. The County's custodial bank contract is separate from and not related to its contract for operational banking services with Bank of America. To mitigate custodial risk for all County Repurchase Agreements, the County has entered into "Tri-Party Agreements" which ensure the investments are protected from a failure to deliver the securities supporting a Repurchase Agreement transaction on the purchase date, and that principal and interest is paid and collateral is returned at maturity. In no case does the County engage in securities purchases that are held in broker or dealer accounts.

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

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

**Local Agency Investment Fund**

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisor Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

At June 30, 2006, the County's investment position in the State of California Local Agency Investment Fund (LAIF) was \$10,000,000, which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in LAIF on that day was \$63,337,959,989. Of that amount, 97.4% was invested in non-derivative financial products and 2.6% in structured notes and asset-backed securities. Fair value is based on information provided by the State for the Local Agency Investment Fund.

**County Investment pool Condensed Financial Statements**

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2006:

**Statement of Net Assets**

Net assets held for pool participants	<u>\$ 802,740,645</u>
Equity of internal pool participants	\$ 247,963,112
Equity of external pool participants	554,777,533
Total net assets	<u>\$ 802,740,645</u>

**Statement of Changes in Net Assets**

Investment earnings	27,536,730
Investment expenses	(785,267)
Net contribution from pool participants	<u>62,143,729</u>
Increase in net assets	88,895,192
Net assets at July 1, 2005	<u>713,845,453</u>
Net assets at June 30, 2006	<u>\$ 802,740,645</u>

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 4: **Interfund Transactions**

**Interfund Receivables/Payables**

The composition of interfund balances as of June 30, 2006 are as follows:

***Advances to/from other funds:***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 176,300</u>

The above interfund advances are long-term loans that are not expected to be repaid 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>
General Fund	Natividad Hospital	\$ 26,775,734

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

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

**Transfers** (continued)

*Between Funds Within the Governmental Activities:*

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Facility Master Plan Implementation	\$ 1,000,000
	Road Fund	1,736,394
	Nonmajor Governmental Funds	<u>21,355,235</u>
		<u>24,091,629</u>
Facility Master Plan Implementation	General Fund	22,551
Nonmajor Governmental Funds	General Fund	522,707
	Nonmajor Governmental Funds	<u>5,977,410</u>
		<u>6,500,117</u>
Internal Service Funds	General Fund	<u>1,780,417</u>
	Totals	<u>\$ 32,394,714</u>

Note 5: **Receivables**

Receivables as of June 30, 2006, for the County's individual major, nonmajor, internal service, and proprietary funds are as follows:

	<u>General Fund</u>	<u>Road Fund</u>	<u>Facility Master Plan Implementation</u>	<u>Other Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Natividad Hospital</u>
Receivables:						
Accounts and other - net	\$ 14,085,505	\$ 1,370,843	\$ --	\$ 1,515,717	\$ 16,395	\$ 9,716,558
Grants	22,484,798	1,273,102	--	3,855,754		3,034,295
Interest	--	--	5,895	--		
Due from other agencies	--	--	--	1,334,674		
Total	<u>\$ 36,570,303</u>	<u>\$ 2,643,945</u>	<u>\$ 5,895</u>	<u>\$ 6,706,145</u>	<u>\$ 16,395</u>	<u>\$ 12,750,853</u>

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 5: **Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Audited Balance July 1, 2005	Additions	Deletions	Transfers & Adjustments	Audited Balance June 30, 2006
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 174,505,696	\$ --	\$ --	\$ --	\$ 174,505,696
Construction in progress	57,298,342	28,966,631	--	--	86,264,973
Total capital assets, not being depreciated	<u>231,804,038</u>	<u>28,966,631</u>	<u>--</u>	<u>--</u>	<u>260,770,669</u>
Capital assets, being depreciated:					
Infrastructure	456,821,189	40,119	--	--	456,861,308
Structures and improvements	83,413,868	392,924	--	--	83,806,792
Equipment	71,346,652	4,743,089	--	--	76,089,741
Total capital assets, being depreciated	<u>611,581,709</u>	<u>5,176,132</u>	<u>--</u>	<u>--</u>	<u>616,757,841</u>
Less accumulated depreciation for:					
Infrastructure	(230,537,998)	(11,448,432)	--	--	(241,986,430)
Structures and improvements	(29,963,920)	(2,397,996)	--	--	(32,361,916)
Equipment	(43,545,392)	(6,099,106)	--	--	(49,644,498)
Total accumulated depreciation	<u>(304,047,310)</u>	<u>(19,945,534)</u>	<u>--</u>	<u>--</u>	<u>(323,992,844)</u>
Total capital assets, being depreciated, net	<u>307,534,399</u>	<u>(14,769,402)</u>	<u>--</u>	<u>--</u>	<u>292,764,997</u>
Government activities capital assets, net	<u>\$ 539,338,437</u>	<u>\$ 14,197,229</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 553,535,666</u>
<b>Business-Type Activities</b>					
Capital assets, not being depreciated:					
Construction in progress	\$ --	\$ 362,233	\$ --	\$ (362,233)	\$ --
Total capital assets, not being depreciated	<u>--</u>	<u>362,233</u>	<u>--</u>	<u>(362,233)</u>	<u>--</u>
Capital assets, being depreciated:					
Structures and improvements	151,689,825	9,999	(413,641)	101,983	151,388,166
Equipment	33,695,578	479,857	(876,951)	260,250	33,558,734
Total capital assets, being depreciated	<u>185,385,403</u>	<u>489,856</u>	<u>(1,290,592)</u>	<u>362,233</u>	<u>184,946,900</u>
Less accumulated depreciation for:					
Structures and improvements	(31,814,939)	(3,977,423)	413,641	--	(35,378,721)
Equipment	(22,982,913)	(3,005,651)	638,175	--	(25,350,389)
Total accumulated depreciation	<u>(54,797,852)</u>	<u>(6,983,074)</u>	<u>1,051,816</u>	<u>--</u>	<u>(60,729,110)</u>
Total capital assets, being depreciated, net	<u>130,587,551</u>	<u>(6,493,218)</u>	<u>(238,776)</u>	<u>362,233</u>	<u>124,217,790</u>
Business-type activities capital assets, net	<u>\$ 130,587,551</u>	<u>\$ (6,130,985)</u>	<u>\$ (238,776)</u>	<u>\$ --</u>	<u>\$ 124,217,790</u>

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 5: **Capital Assets** (continued)

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 3,734,809
Public protection	1,664,539
Public ways and facilities	13,598,455
Health and sanitation	240,939
Public assistance	305,937
Education	125,571
Recreation and cultural services	<u>275,284</u>
 Total Depreciation Expense - Governmental Functions	 <u><u>\$ 19,945,534</u></u>

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

Natividad Medical Center	<u><u>\$ 6,983,074</u></u>
--------------------------	----------------------------

Note 6: **Short-Term Debt**

**Tax and Revenue Anticipation Note**

On July 1, 2005, the County issued two Tax and Revenue Anticipation Notes (TRANS) in the amount of \$30,000,000 (nontaxable) and \$30,850,000 (taxable), with an interest rate of 4% and 3.93%, respectively. Both notes had a maturity date of June 30, 2006. Proceeds of the funds were used for cash flow purposes as needed by the County. The balance of the note at June 30, 2006 was zero.

Note 7: **Leases**

**Operating Leases**

The County has commitments under long-term and personal property operating lease agreements. During the fiscal year ended June 30, 2006, the County paid operating rents of \$7,714,182. Future minimum lease payments are approximately as follows:

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 7: **Leases** (continued)

Operating Leases (continued)

	Governmental Activities	Business-Type Activities
Year Ending June 30:		
2007	\$ 1,248,942	\$ 363,323
2008	1,248,942	175,428
2009	262,541	175,428
2010	4,806	175,428
2011	--	175,428
2012	--	175,428
Total Minimum Lease Payments	\$ 2,765,231	\$ 1,240,463

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.

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	\$ 647,129	\$ 5,240,340
Less: accumulated depreciation	(289,619)	(3,764,960)
	\$ 357,510	\$ 1,475,380

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, 2006:

	Governmental Activities	Business-Type Activities
Year Ending June 30		
2007	\$ 105,096	\$ 1,394,499
2008	70,635	1,294,977
2009	82,940	1,262,444
2010	9,880	1,262,444
2011	1,444	229,495
Total	269,995	5,443,859
Less: Amount representing interest	(18,104)	(489,795)
Present value of future minimum lease payments	\$ 251,891	\$ 4,954,064

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 7: **Leases** (continued)

Capital Leases (continued)

During the fiscal year ended June 30, 2005, Natividad Medical Center entered into a capital lease agreement with GE Finance Corp for \$3,786,368. The proceeds are restricted to finance the purchase and installation of the Meditech Healthcare Information System and are shown as an addition to capital leases. The proceeds from the agreement were transferred from GE Finance Corp to Marshall & Isley Trust Company. During the fiscal year ended June 30, 2006, GE Finance Corp transferred an additional \$650,000 to Marshall and Isley Trust Company. The funds are also restricted to use on the Meditech Healthcare Information System.

Note 8: **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, 2006. 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.

<u>Year Ended June 30,</u>	<u>Amount</u>
2007	\$ 690,297
2008	583,829
2009	379,564
2010	310,040
2011	<u>140,301</u>
	<u>\$ 2,104,031</u>

Total rental income under operating lease agreements during the year ended June 30, 2006 was approximately \$1,685,970.

Note 9: **Long-Term Liabilities**

Legal Debt Limit

The County's legal debt limit for the year ended June 30, 2006 was \$538,363,000. 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 \$207,315,427, but only \$5,108 is applicable to the debt limit. The County has complied with all significant debt covenants.



# COUNTY OF MONTEREY

## Notes to Financial Statements For the Year Ended June 30, 2006

Note 9: **Long-Term Liabilities** (continued)

**Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the County performed calculations of excess investment earnings on various bonds and financings and at June 30, 2006 does not expect to incur a liability.

**Summary of Long-Term Liabilities**

<b><u>Governmental Activities</u></b>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Principal Installments</u>	<u>Date of Issue</u>	<u>Amount Authorized</u>	<u>Outstanding June 30, 2006</u>
General obligation bonds Agencies under the Board of Supervisors (financed projects for Boronda Water District)	2004-2007	4.50%	\$4,523-\$5,108	1/1/1964	\$ 13,196,000	\$ 5,108
Certificates of Participation 1993 issue – defeased the 1985 Sheriff Facility (financed the Sheriff facility)	2004-2017	2.5%-5.25%	\$575,000-\$1,130,000	9/1/1993	16,975,000	10,470,000
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	77,000,000
Judgment Obligation Bonds (financed the payment of a judgement against the County)	2004-2014	3.0%-4.0%	\$655,000-\$870,000	6/29/2004	7,470,000	6,095,000
Revenue Bonds Agencies under Board of Supervisors (financed projects for sanitation districts)	2004-2036	5.0%	\$15,000-\$37,000	1980-95	\$ 53,059,700	\$ 1,177,000
Notes payable – Redevelopment Agency	2004-2010	5.73%-6.49%	\$25,000	2001	250,000	89,583
Notes payable – RDA – CA Housing Finance Authority (financed RDA projects)	2013	3.00%	Principal and 2013	2004	900,000	864,394
Loans payable – Bureau of Reclamation Agencies under Board of Supervisors (financed the construction of a water resources project)	2004-2037	1.65%-7.63%	\$16,847-\$1,207,699	1995	35,035,790	33,948,342
Special assessment bonds with governmental commitment: Agencies under Board of Supervisors (financed projects for Chular Water District)	2025	6.375%	\$3,000-\$15,000	1986	257,000	171,000
<b><u>Business-Type Activities</u></b>						
Certificate of Participation 1996 Series D Outstanding	2004-2029	4.6%-5.75%	\$150,000-\$595,000	2/2/1998	9,000,000	7,870,000
1998 Series E Refunding (financed projects for Natividad Medical Center)	2004-2028	4.1%-4.7%	\$1,095,000-\$4,935,000	2/3/1998	77,375,000	69,625,000

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 9: **Long-Term Liabilities** (continued)

The following is a summary of long-term liabilities transactions for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Adjustments	Balance June 30, 2006	Amounts Due Within One Year
<b>Governmental Activities:</b>						
General obligation bonds	\$ 10,047	\$ --	\$ 4,939	\$ --	\$ 5,108	\$ 5,108
Judgment obligation bonds	6,750,000	--	655,000	--	6,095,000	670,000
Unamortized premium	97,946	--	10,883	--	87,063	10,883
Revenue bonds	1,477,000	--	300,000	--	1,177,000	46,000
Special assessment bonds	175,000	--	4,000	--	171,000	5,000
Notes payable - RDA	114,583	--	25,000	--	89,583	25,000
Notes payable - RDA CA Housing Fin Agy	828,248	36,146	--	--	864,394	--
Certificates of Participation	89,285,000	--	1,815,000	--	87,470,000	2,205,000
Loans payable	34,985,159	--	1,036,817	--	33,948,342	1,038,305
Capital leases	204,587	--	104,842	152,146	251,891	95,481
Compensated absences	20,915,606	20,096,805	18,161,647	--	22,850,764	4,189,072
Estimated self-insurance liabilities	39,572,012	10,461,506	6,661,000	--	43,372,518	11,561,120
Estimated landfill closure and postclosure liability	6,008,086	--	1,326,130	--	4,681,956	--
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$ 200,423,274</b>	<b>\$ 30,594,457</b>	<b>\$ 30,105,258</b>	<b>\$ 152,146</b>	<b>\$ 201,064,619</b>	<b>\$ 19,850,969</b>
<b>Business-type Activities</b>						
Certificates of Participation	\$ 80,260,000	\$ --	\$ 2,765,000	\$ --	77,495,000	\$ 2,130,000
Less: Bond discount and issuance cost	2,994,464	--	191,235	--	2,803,229	--
Less: Loss on refinancing	5,692,125	--	267,408	--	5,424,717	--
Net Certificates of Participation	71,573,411	--	2,306,357	--	69,267,054	2,130,000
Capital leases	5,216,723	650,000	912,659	--	4,954,064	1,394,499
Compensated absences	3,874,388	118,049	--	--	3,992,437	1,996,218
<b>Total Business-type Activities Long-Term Liabilities</b>	<b>\$ 80,664,522</b>	<b>\$ 768,049</b>	<b>\$ 3,219,016</b>	<b>\$ --</b>	<b>\$ 78,213,555</b>	<b>\$ 5,520,717</b>

*Estimated claims* are liquidated by the General Fund and the internal service funds.  
*Compensated absences* are generally liquidated by the General Fund and related special revenue funds.

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 9: **Long-Term Liabilities** (continued)

As of June 30, 2006, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30:	Governmental Activities					
	Bonds and Notes Payable		Certificates of Participation		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
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	815,583	208,204	2,505,000	3,971,300	1,043,485	701,518
2011	834,000	173,689	2,620,000	3,860,975	1,045,481	680,851
2012-2016	3,737,394	610,202	15,110,000	17,241,894	5,263,106	3,088,490
2017-2021	445,000	131,389	15,795,000	13,051,131	5,341,510	2,543,311
2022-2026	248,000	27,956	15,870,000	9,155,250	5,454,726	1,963,321
2027-2031	--	--	19,160,000	4,868,250	5,618,211	1,333,063
2032-2036	--	--	9,510,000	492,750	5,854,282	630,218
2037-2041	--	--	--	--	1,207,698	33,189
	<u>\$ 8,402,085</u>	<u>\$ 1,940,100</u>	<u>\$ 87,470,000</u>	<u>\$ 65,171,788</u>	<u>\$ 33,948,342</u>	<u>\$ 13,201,154</u>

As of June 30, 2006, annual debt service requirements of business-type activities to maturity are as follows:

Year Ending June 30:	Business-type Activities	
	Certificates of Participation	
	Principal	Interest
2007	\$ 2,130,000	\$ 3,661,891
2008	2,210,000	3,566,469
2009	2,310,000	3,466,120
2010	2,415,000	3,360,730
2011-2015	13,880,000	14,967,202
2016-2020	17,595,000	11,198,673
2021-2025	22,425,000	6,382,942
2026-2030	14,530,000	1,046,459
	<u>\$ 77,495,000</u>	<u>\$ 47,650,486</u>

Note 10: **Net Assets/Fund Balances**

**Net Assets**

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. These categories are described below:

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 10: **Net Assets/Fund Balances** (continued)

**Net Assets** (continued)

- *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 represents net assets that are subject to constraints either (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.

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 10: **Net Assets/Fund Balances** (continued)

**Net Assets** (continued)

Restricted net assets at June 30, 2006 for governmental activities are as follows:

Restricted for debt service	<u>\$ 6,865,080</u>	6,865,080
Restricted for capital projects:		
Facilities Project Fund	2,499,853	
Capital Projects Management	18,645,563	
Capital Projects Automation	8,597,117	
Facility Master Plan Implementation	18,867,818	
Projects for Redevelopment Agencies	<u>6,389,372</u>	54,999,723
Restricted for other:		
Restricted for General Government & Support Services:		
Inclusionary Housing	1,608,528	
Productivity Investment	971,254	
Community Development	519,780	
Fort Ord Reuse	506,741	
Redevelopment Agencies	<u>2,823,738</u>	6,430,041
Restricted for Disaster Assistance	<u>258,355</u>	258,355
Restricted for Community Resources & Facilities:		
Roads	3,098,245	
Fish and Game Propagation	9,239	
County Library	1,587,543	
Nacimiento Hydroelectric Operations	108,170	
Water Resources Agency	11,182,686	
County Service Areas	<u>6,149,147</u>	22,135,030
Restricted for Health & Public Assistance:		
Office of Employment Training	82,303	
Community Services	211,318	
Emergency Medical Services	1,162,915	
In-Home Support Services	114,724	
Sanitation Districts	<u>1,926,558</u>	3,497,818
Total Restricted Net Assets - Governmental Activities		<u>\$ 94,186,047</u>

As of June 30, 2006, the County did not have any net assets that were restricted by enabling legislation.

## COUNTY OF MONTEREY

### Notes to Financial Statements For the Year Ended June 30, 2006

#### Note 10: Net Assets/Fund Balances (continued)

##### Net Assets (continued)

- *Unrestricted Net Assets* – This category represents net assets of the County, not restricted for any project or other purpose.

##### Fund Balances

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, 2006, 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.
- *Other reserves* – This includes primarily reserves for low and moderate income housing (\$2.8 million) and land held for resale and development (\$0.9 million).

The County has designated fund balance as follows:

- *Designated for self-insurance* – to indicate that a portion of the general fund balance is designated for payment of long-term self-insurance liabilities.

# COUNTY OF MONTEREY

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 10: **Net Assets/Fund Balances** (continued)

## **Fund Balances** (continued)

- *Designated for other designations* – to indicate that a portion of the governmental fund balance is designated for the following projects:

Strategic	\$ 33,191,395
Automation System	8,900,000
Health Clinic	1,100,000
Social Services	1,500,000
Vehicle Replacement	3,001,978
Facility Master Plan	733,707
Nacimiento Hydroelectric	317,742
Road Fund Projects	1,500,000
Miscellaneous Designation	<u>731,972</u>
Total Other Designations	<u>\$ 50,976,794</u>

Note 11: **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

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 11: **Employee's Retirement Plan and Post Retirement Benefits** (continued)

The Miscellaneous Plan (continued)

Funding Policy (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 2005-2006 was 10.523%. 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 2005-06, the County's annual pension cost for the Miscellaneous Plan was \$18,884,299, and the County actually contributed \$18,884,299. The required contribution for fiscal year 2005-06 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) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members, and (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0%. 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 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, 2004 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>
06/30/04	\$           --	--
06/30/05	11,560,048	100%
06/30/06	18,884,299	100%



## COUNTY OF MONTEREY

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 11: **Employee's Retirement Plan and Post Retirement Benefits** (continued)

### 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 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 2005-2006 was 31.763%. 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 2005-2006, the County's annual pension cost was \$10,790,033 and the County actually contributed \$10,790,033. The required contribution for fiscal year 2005-06 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) 7.75% investment rate of return (net of administrative expense); (b) projected salary increases that vary by duration of service ranging from 3.25% to 13.15% for safety members, and (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0%. 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

COUNTY OF MONTEREY

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 11: **Employee’s Retirement Plan and Post Retirement Benefits** (continued)

The Safety Plan (continued)

Annual Pension Cost (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, 2004 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>
06/30/04	\$ 10,767,860	100%
06/30/05	10,749,173	100%
06/30/06	10,790,033	100%

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), a cost-sharing 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. Information on this plan is available on a pooled-basis only and may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Post Retirement Benefits

The County provides health coverage for retired employees. During the year, the County provided benefits for an average of 448 retirees per month at a cost of \$311,513.

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 12: **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.

Condensed financial information of Program Beta for the calendar year ended December 31, 2005 is as follows:

Cash and investments	\$ 250,180,205
Other assets	<u>82,675,154</u>
Total Assets	<u>\$ 332,855,359</u>
Loss reserves	216,817,723
Other liabilities	47,446,670
Fund equity	<u>68,590,966</u>
Total Liabilities and Fund Balance	<u>\$ 332,855,359</u>
Total Revenues	\$ 66,380,809
Total Expenses	<u>(58,222,322)</u>
Revenue in excess of expenses before minority interest, refunds to Participants, and change in unrealized gains on investments	<u>\$ 8,158,487</u>

Financial statements for the Program, audited by Ernst & Young, 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  
For the Year Ended June 30, 2006

Note 12: **Joint Powers Agreement** (continued)

Condensed financial information of the Authority for the fiscal year ended June 30, 2004 (the most current available) is as follows:

Cash and investments	\$ 10,002,052
Other assets	23,747,498
Capital assets	<u>28,184,787</u>
 Total Assets	 <u>61,934,337</u>
 Closure liability	 8,790,738
Other liability	<u>54,715,792</u>
 Total Liabilities	 <u>63,506,530</u>
 Net Assets	 <u>\$ (1,572,193)</u>
 Total Revenues	 \$ 14,845,972
Total Expenses	<u>13,744,987</u>
 Expenses in excess of revenue	 <u>\$ (1,100,985)</u>

Note 13: **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, 2006 for the County's landfill sites is summarized as follows:

LANDFILL SITE	POST CLOSURE PERMITTING	POST CLOSURE INSPECTIONS	POST CLOSURE MAINTENANCE	POST CLOSURE REPAIR	POST CLOSURE GROUNDWATER MONITORING	POSTCLOSURE ADMIN & MISC	POSTCLOSURE TOTAL COSTS	POSTCLOSURE TOTAL COST
BRADLEY	\$245,670	\$28,800	\$180,000	\$150,000	\$518,619	\$51,948	\$1,175,037	\$929,367
SAN ARDO II	\$245,670	\$28,800	\$180,000	\$150,000	\$518,619	\$51,948	\$1,175,037	\$929,367
LAKE SAN ANTONIO N. SHORE	\$245,670	\$28,800	\$180,000	\$150,000	\$518,619	\$51,948	\$1,175,037	\$929,367
LAKE SAN ANTONIO S. SHORE	\$69,120	\$28,800	\$180,000	\$150,000	\$518,619	\$51,948	\$998,487	\$929,367
SAN ARDO I	\$69,120	\$28,800	\$180,000	\$150,000	N/A	\$51,948	\$479,868	\$410,748
PARKFIELD I	\$69,120	\$28,800	\$180,000	\$150,000	N/A	\$51,948	\$479,868	\$410,748
PARKFIELD II	\$69,120	\$28,800	\$180,000	\$150,000	N/A	\$51,948	\$479,868	\$410,748
CHUALAR	\$69,120	\$28,800	\$180,000	\$150,000	N/A	\$51,948	\$479,868	\$410,748
ARROYO SECO / GREENFIELD	\$69,120	\$28,800	\$180,000	\$150,000	N/A	\$51,948	\$479,868	\$410,748
LOCKWOOD	\$69,120	\$28,800	\$180,000	\$150,000	N/A	\$51,948	\$479,868	\$410,748
<b>TOTAL</b>	<u>\$1,220,850</u>	<u>\$288,000</u>	<u>\$1,800,000</u>	<u>\$1,500,000</u>	<u>\$2,074,476</u>	<u>\$519,480</u>	<u>\$7,402,806</u>	<u>\$6,181,956</u>
							Less non-budgeted closure repair	(\$1,500,000)
							Total liability at June 30, 2006	\$4,681,956
							Total liability at June 30, 2005	\$6,008,086
							Decrease in liability	<u>(\$1,326,130)</u>

## COUNTY OF MONTEREY

### Notes to Financial Statements For the Year Ended June 30, 2006

Note 13: **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, 2006. 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, 2006, cash and investments, totaling \$33,430 are held in an agency fund for that purpose.

Note 14: **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, 2006, the outstanding loan balances of the MCWPCA related to the above project are as follows:

Loan from the Bureau of Reclamation:	\$ 19,805,262
Loan from the State Water Resources Control Board:	\$ 6,254,435

**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  
For the Year Ended June 30, 2006

Note 14: **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 2004-05, and, 3) Current liabilities exceed current assets for the fiscal year ending June 30, 2006.

Construction Commitments – At June 30, 2006, the County had ongoing construction commitments that totaled approximately \$2.1 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 15: **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  
For the Year Ended June 30, 2006

Note 15: **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, 2006, 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>2006</u>
Medi-Cal	17%
Medicare	50%
Short Doyle	3%
Other Third Parties	<u>18%</u>
Total	<u><u>88%</u></u>

COUNTY OF MONTEREY

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 15: **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 \$887,696 in fiscal year 2006, 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 16: **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, 2006.

	<u>2006</u>
Charges foregone, based on established rates	<u>\$ 16,756,035</u>
Estimated costs and expenses incurred to provided charity care	<u>\$ 7,241,929</u>
Equivalent percentage of charity care patients to all patients served	<u>5.7%</u>

Note 17: **Related Party Transactions**

Incorporated in 1988, the Natividad Medical Foundation (the Foundation) is a non-profit, non-governmental organization separately incorporated from the Center. Recognizing the need for quality health care and decreased funding from the Federal, State, and local levels, community leaders accepted the responsibility of providing financial assistance to and developed the Natividad Medical Foundation. The amount of donations that the Center received from the Foundation during the fiscal year ended June 30, 2006 was \$919,701. The Center used the donations to purchase medical supplies and minor equipment and to pay for sponsor care bills such as the Breast Cancer Early Detection Program.



## COUNTY OF MONTEREY

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 17: **Related Party Transactions** (continued)

The criteria established in GASB 39, *Determining Whether Certain Organizations are Component Units*, determines whether the Natividad Medical Foundation (Foundation) is reported as a component unit of the Center. Since the revenues reported by the Foundation are not significant to the Center, the Foundation is not a component unit of the Center, but is a related party.

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 \$400,000 per incident, over which coverage is provided to \$5,000,000 per accident and \$5,000,000 per illness by a private insurance carrier with effective dates of July 1, 2005 – July 1, 2006, with \$150,000,000 pooled excess.
- General liability is self-insured primary layer of \$1,000,000 (S.I.R.), over which coverage is provided to \$45,000,000 aggregate limits 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, 2005 and 2006. 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.

**COUNTY OF MONTEREY**

Notes to Financial Statements  
For the Year Ended June 30, 2006

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

At June 30, 2006, the County's estimate of unpaid claims liabilities for all self-insurance risks is \$43,372,518. 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 internal service funds for General Liability and Workers' Compensation. All other risk financing activities are accounted for in the General Fund. As such, \$798,000 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.

Changes in the balance of claims liabilities during fiscal 2006 and 2005 for all self-insurance risks are approximately as follows:

	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of year	\$ 39,572,012	\$ 35,067,000
Estimated claims, incurred	10,461,506	6,547,012
Claim payments	<u>(6,661,000)</u>	<u>(2,042,000)</u>
Unpaid claims, end of year	<u>\$ 43,372,518</u>	<u>\$ 39,572,012</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 several lawsuits 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**

Tax and Revenue Anticipation Note

On July 1, 2006, the County issued Tax and Revenue Anticipation Notes (TRANs) in the amount of \$35,000,000, with an interest rate of 4.5%. The notes have a maturity date of June 29, 2007. Proceeds of the funds were used for cash flow purposes as needed by the County.

COUNTY OF MONTEREY

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 19: **Subsequent Events** (continued)

Natividad Medical Center

The County of Monterey entered into an Intergovernmental Transfer & Grant Agreement (“Agreement”) effective in July 2006 with Salinas Valley Memorial Healthcare System (“District”) and Community Hospital of the Monterey Peninsula (“CHOMP”). As part of the agreement, the District would make an intergovernmental transfer of funds in the amount of \$4,000,000 and CHOMP would grant funds in the amount of \$4,000,000 to the County. The funds are restricted and are to be used solely to assist the County in funding the operations and/or capital improvements at Natividad Medical Center. The schedule for the receipt of the funds is outlined in the Agreement.

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

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

	<u>Government-Wide Statement of Activities</u>
	<u>Governmental Activities</u>
Fund balances/net assets, June 30, 2005, as previously reported	\$ 573,929,071
Prior period adjustments:	
Adjustment to beginning balance of capital leases	(152,146)
Total prior period adjustments	(152,146)
July 1, 2005 as restated	<u>\$ 573,776,925</u>

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

**Deficit Fund Balances/Net Assets**

The Redevelopment Agency Fort Ord capital project fund had a deficit fund balance of \$39,404 as of June 30, 2006. 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 funds anticipate a recovery of deficit balances through future tax increments and grants.

COUNTY OF MONTEREY

Notes to Financial Statements  
For the Year Ended June 30, 2006

Note 21: **Stewardship, Compliance and Accountability** (continued)

**Deficit Fund Balances/Net Assets** (continued)

The General Liability internal service fund had deficit net assets of \$9,951,543 as of June 30, 2006. The County approved a 5 year plan to fund the deficit in fiscal year 04-05. Prior to that the County had been on a pay-as-you-go basis which caused the deficit in the fund.

In addition, the Workers' Compensation internal service fund had deficit net assets of \$12,151,959 as of June 30, 2006. The County approved a 10 year plan to fund the deficit in fiscal year 04-05. Prior to that the County was on a pay-as-you-go basis which caused the deficit in the fund.

Note 22: **Excess Expenditures Over Budget**

The following fund had excess expenditures over budget:

	<u>Final Budget</u>	<u>Expenditures</u>	<u>Negative Variance</u>
Fort Ord Project	\$ 15,919	\$ 23,420	\$ 7,501

Note 23: **New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) recently released several new accounting and financial reporting standards. Two of the new standards, GASB Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other than Pensions (OPEB)*, and GASB Statement No. 47, *Accounting for Termination Benefits*, may have a significant impact on the County's financial reporting process.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other than Pensions (OPEB)*, provides guidance on all aspects of OPEB reporting by employers. The requirements of GASB Statement No. 45 are effective for the fiscal year ending June 30, 2008.

GASB Statement No. 47, *Accounting for Termination Benefits*, provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations. The requirements of GASB Statement No. 47 are effective for the fiscal year ending June 30, 2008.

**REQUIRED SUPPLEMENTARY INFORMATION:**

**SCHEDULE OF FUNDING PROGRESS**

**JUNE 30, 2006**

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**COUNTY OF MONTEREY**

**Required Supplementary Information  
For the Fiscal Year Ended June 30, 2006**

**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>
6/30/02	\$ 528,673,469	\$ 568,087,048	\$ (39,413,579)	107.5%	\$ 169,829,251	(23.2)%
6/30/03	614,500,088	580,873,949	33,626,139	94.5%	178,339,399	18.9%
6/30/04	657,478,941	617,886,968	39,591,973	94.0%	171,145,971	23.1%

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>
6/30/02	\$ 203,132,408	\$ 162,999,861	\$ 40,132,547	80.2%	\$ 30,231,421	132.8%
6/30/03	224,413,747	172,641,269	51,772,478	76.9%	31,570,524	164.0%
6/30/04	245,303,902	186,806,569	58,497,333	76.2%	31,479,552	185.8%

Funded Status of MCWRA Plan

Information is available on a pooled-basis only and may be obtained from CalPERS, P.O. Box 942709, Sacramento, CA 94229-2709.

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## **SUPPLEMENTARY INFORMATION**

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**NONMAJOR GOVERNMENTAL FUNDS**

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**COUNTY OF MONTEREY**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and Investments:				
Held in County treasury	\$ 29,085,794	\$ 6,870,975	\$ 33,882,040	\$ 69,838,809
Held with trustee	640,074	1,223,410	--	1,863,484
Receivables	4,142,070	--	2,564,075	6,706,145
Land held for resale and development	--	--	915,680	915,680
Prepaid items and other assets	--	--	7,842	7,842
Long-term receivables	14,531,213	--	57,203	14,588,416
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<b><u>\$ 48,399,151</u></b>	<b><u>\$ 8,094,385</u></b>	<b><u>\$ 37,426,840</u></b>	<b><u>\$ 93,920,376</u></b>
<b>LIABILITIES</b>				
Vouchers and accounts payable	\$ 1,809,052	\$ 5,895	\$ 191,291	\$ 2,006,238
Accrued salaries and benefits	217,231	--	3,692	220,923
Accrued liabilities	11,752	--	173	11,925
Deposits from others	399	--	--	399
Deferred revenues	16,497,644	--	962,883	17,460,527
Advances from other funds	--	--	176,300	176,300
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities</b>	<b><u>18,536,078</u></b>	<b><u>5,895</u></b>	<b><u>1,334,339</u></b>	<b><u>19,876,312</u></b>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	2,952,557	--	2,165,458	5,118,015
Debt service	--	8,088,490	--	8,088,490
Other reserves	2,862,449	--	915,680	3,778,129
Unreserved:				
Undesignated reported in:				
Special revenue funds	24,048,067	--	--	24,048,067
Capital projects funds	--	--	33,011,363	33,011,363
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Fund Balances</b>	<b><u>29,863,073</u></b>	<b><u>8,088,490</u></b>	<b><u>36,092,501</u></b>	<b><u>74,044,064</u></b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 48,399,151</u></b>	<b><u>\$ 8,094,385</u></b>	<b><u>\$ 37,426,840</u></b>	<b><u>\$ 93,920,376</u></b>

**COUNTY OF MONTEREY**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
<b>Revenues:</b>				
Taxes	\$ 7,848,608	\$ 3,504,094	\$ (67,510)	\$ 11,285,192
Licenses, permits and franchises	28,805	--	--	28,805
Fines, forfeitures and penalties	8,379	--	--	8,379
Revenue from use of money and property	1,699,274	451,574	1,142,930	3,293,778
Aid from other governmental agencies	14,686,260	24,766	3,064,493	17,775,519
Charges for services	26,105,795	79	--	26,105,874
Other revenue	2,773,234	--	1,348	2,774,582
<b>Total Revenues</b>	<u>\$ 53,150,355</u>	<u>\$ 3,980,513</u>	<u>\$ 4,141,261</u>	<u>\$ 61,272,129</u>
<b>Expenditures:</b>				
Current:				
General government	\$ 8,888,808	\$ 1,225,475	\$ 2,833,477	\$ 12,947,760
Public ways and facilities	28,522,783	--	5,208,075	33,730,858
Health and sanitation	3,212,038	--	300	3,212,338
Public assistance	9,326,815	--	--	9,326,815
Education	5,851,017	--	--	5,851,017
Recreation and culture services	69,233	--	--	69,233
Debt service - principal	--	2,905,757	25,000	2,930,757
Debt service - interest	--	4,413,682	10,733	4,424,415
Capital outlay	26,862	--	72,330	99,192
<b>Total Expenditures</b>	<u>55,897,556</u>	<u>8,544,914</u>	<u>8,149,915</u>	<u>72,592,385</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,747,201)</u>	<u>(4,564,401)</u>	<u>(4,008,654)</u>	<u>(11,320,256)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,373,986	6,668,746	19,289,913	27,332,645
Transfers out	(1,463,451)	(3,699,415)	(1,337,251)	(6,500,117)
Issuance of debt	--	--	36,146	36,146
Total Other Financing Sources (Uses)	<u>(89,465)</u>	<u>2,969,331</u>	<u>17,988,808</u>	<u>20,868,674</u>
<b>Net Change in Fund Balance</b>	<u>(2,836,666)</u>	<u>(1,595,070)</u>	<u>13,980,154</u>	<u>9,548,418</u>
Fund Balances, Beginning of Year	<u>32,699,739</u>	<u>9,683,560</u>	<u>22,112,347</u>	<u>64,495,646</u>
Fund Balances, End of Year	<u>\$ 29,863,073</u>	<u>\$ 8,088,490</u>	<u>\$ 36,092,501</u>	<u>\$ 74,044,064</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

*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.

*Nacimiento Hydroelectric Operations* – Responsible for the management of Nacimiento hydroelectric operations in Monterey County.

*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, 2006

Assets	County Library	In-Home Support Service	Fish and Game Propagation	Office of Employment Training
<hr/>				
Cash and investments:				
Held in County treasury	\$ 1,707,587	\$ 134,907	\$ 10,239	\$ 108,202
Cash advanced to paying agent	--	--	--	--
Receivables	59,112	120,845	--	49,362
Long-term receivables	--	--	--	--
Total Assets	<u>\$ 1,766,699</u>	<u>\$ 255,752</u>	<u>\$ 10,239</u>	<u>\$ 157,564</u>
<hr/>				
Liabilities and Fund Balances				
<hr/>				
Liabilities:				
Vouchers and accounts payable	\$ 107,131	\$ 12,758	\$ 1,000	\$ 1,664
Accrued salaries and benefits	66,834	7,026	--	70,079
Accrued liabilities	5,191	--	--	3,518
Deposits from others	--	399	--	--
Deferred revenue	--	120,845	--	--
Total Liabilities	<u>179,156</u>	<u>141,028</u>	<u>1,000</u>	<u>75,261</u>
Fund Balances:				
Reserved for:				
Encumbrances	121,856	--	--	--
Other reserves	--	--	--	--
Unreserved:				
Undesignated	1,465,687	114,724	9,239	82,303
Total Fund Balances	<u>1,587,543</u>	<u>114,724</u>	<u>9,239</u>	<u>82,303</u>
Total Liabilities and Fund Balances	<u>\$ 1,766,699</u>	<u>\$ 255,752</u>	<u>\$ 10,239</u>	<u>\$ 157,564</u>

continued

**COUNTY OF MONTEREY**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2006

Assets	Community Services	Inclusionary Housing	Disaster Assistance	Productivity Investment
Cash and investments:				
Held in County treasury	\$ 127,676	\$ 1,370,003	\$ 258,355	\$ 971,254
Cash advanced to paying agent	--	1,630	--	--
Receivables	97,228	323,288	--	--
Long-term receivables	--	--	--	--
Total Assets	<u>\$ 224,904</u>	<u>\$ 1,694,921</u>	<u>\$ 258,355</u>	<u>\$ 971,254</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Vouchers and accounts payable	\$ 9,775	\$ 84,763	\$ --	\$ --
Accrued salaries and benefits	3,652	--	--	--
Accrued liabilities	159	--	--	--
Deposits from others	--	--	--	--
Deferred revenue	--	--	--	--
Total Liabilities	<u>13,586</u>	<u>84,763</u>	<u>--</u>	<u>--</u>
Fund Balances:				
Reserved for:				
Encumbrances	--	161,651	--	--
Other reserves	--	323,288	--	--
Unreserved:				
Undesignated	211,318	1,125,219	258,355	971,254
Total Fund Balances	<u>211,318</u>	<u>1,610,158</u>	<u>258,355</u>	<u>971,254</u>
Total Liabilities and Fund Balances	<u>\$ 224,904</u>	<u>\$ 1,694,921</u>	<u>\$ 258,355</u>	<u>\$ 971,254</u>

continued

**COUNTY OF MONTEREY**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2006

Assets	Community Development	Natural Disaster Assistance	Emergency Medical Services	Fort Ord Reuse
Cash and investments:				
Held in County treasury	\$ 271,579	\$ 1,014,835	\$ 1,332,492	\$ 130,055
Cash advanced to paying agent	638,444	--	--	--
Receivables	986,006	--	--	670,064
Long-term receivables	11,144,991	--	--	--
Total Assets	<u>\$ 13,041,020</u>	<u>\$ 1,014,835</u>	<u>\$ 1,332,492</u>	<u>\$ 800,119</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Vouchers and accounts payable	\$ 9,463	\$ --	\$ 169,577	\$ 190,969
Accrued salaries and benefits	--	--	--	--
Accrued liabilities	--	--	--	--
Deposits from others	--	--	--	--
Deferred revenue	11,873,333	1,014,835	--	102,409
Total Liabilities	<u>11,882,796</u>	<u>1,014,835</u>	<u>169,577</u>	<u>293,378</u>
Fund Balances:				
Reserved for:				
Encumbrances	232,898	--	--	401,365
Other reserves	--	--	--	--
Unreserved:				
Undesignated	925,326	--	1,162,915	105,376
Total Fund Balances	<u>1,158,224</u>	<u>--</u>	<u>1,162,915</u>	<u>506,741</u>
Total Liabilities and Fund Balances	<u>\$ 13,041,020</u>	<u>\$ 1,014,835</u>	<u>\$ 1,332,492</u>	<u>\$ 800,119</u>

continued

**COUNTY OF MONTEREY**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2006

Assets	Agencies Under Board of Supervisors				
	Nacimiento Hydroelectric Operations	Other Water Resources Agencies	County Service Areas	Sanitation Districts	Other Districts
Cash and investments:					
Held in County treasury	\$ 160,496	\$ 9,811,638	\$ 6,968,509	\$ 1,870,730	\$ 2,837,237
Cash advanced to paying agent	--	--	--	--	--
Receivables	--	1,776,404	3,703	56,058	--
Long-term receivables	--	--	--	--	3,386,222
Total Assets	<u>\$ 160,496</u>	<u>\$ 11,588,042</u>	<u>\$ 6,972,212</u>	<u>\$ 1,926,788</u>	<u>\$ 6,223,459</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Vouchers and accounts payable	\$ 52,326	\$ 332,832	\$ 823,065	\$ 230	\$ 13,499
Accrued salaries and benefits	--	69,640	--	--	--
Accrued liabilities	--	2,884	--	--	--
Deposits from others	--	--	--	--	--
Deferred revenue	--	--	--	--	3,386,222
Total Liabilities	<u>52,326</u>	<u>405,356</u>	<u>823,065</u>	<u>230</u>	<u>3,399,721</u>
Fund Balances:					
Reserved for:					
Encumbrances	108,170	1,846,484	31,181	1,692	47,260
Other reserves	--	--	--	--	2,539,161
Unreserved:					
Undesignated	--	9,336,202	6,117,966	1,924,866	237,317
Total Fund Balances	<u>108,170</u>	<u>11,182,686</u>	<u>6,149,147</u>	<u>1,926,558</u>	<u>2,823,738</u>
Total Liabilities and Fund Balances	<u>\$ 160,496</u>	<u>\$ 11,588,042</u>	<u>\$ 6,972,212</u>	<u>\$ 1,926,788</u>	<u>\$ 6,223,459</u>

continued

**COUNTY OF MONTEREY**

Combining Balance Sheet (continued)  
 Nonmajor Special Revenue Funds  
 June 30, 2006

<u>Assets</u>	<u>Totals</u>
Cash and investments:	
Held in County treasury	\$ 29,085,794
Cash advanced to paying agent	640,074
Receivables	4,142,070
Long-term receivables	14,531,213
Total Assets	<u>\$ 48,399,151</u>
<u>Liabilities and Fund Balances</u>	
Liabilities:	
Vouchers and accounts payable	\$ 1,809,052
Accrued salaries and benefits	217,231
Accrued liabilities	11,752
Deposits from others	399
Deferred revenue	16,497,644
Total Liabilities	<u>18,536,078</u>
Fund Balances:	
Reserved for:	
Encumbrances	2,952,557
Other reserves	2,862,449
Unreserved:	
Undesignated	24,048,067
Total Fund Balances	<u>29,863,073</u>
Total Liabilities and Fund Balances	<u>\$ 48,399,151</u>

**COUNTY OF MONTEREY**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2006

	<u>County Library</u>	<u>In-Home Support Service</u>	<u>Fish and Game Propagation</u>	<u>Office of Employment Training</u>
<b>Revenues:</b>				
Taxes	\$ 5,424,267	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--
Fines, forfeitures and penalties	--	--	8,379	--
Revenue from use of money and property	61,765	814	692	--
Aid from other governmental agencies	184,048	272,111	--	7,697,402
Charges for services	110,134	--	--	--
Other revenue	78,869	866	--	195
<b>Total Revenues</b>	<u>5,859,083</u>	<u>273,791</u>	<u>9,071</u>	<u>7,697,597</u>
<b>Expenditures:</b>				
Current:				
General government	--	--	--	--
Public ways and facilities	--	--	--	--
Health and sanitation	4,206	601	--	5,107
Public assistance	--	473,697	--	8,499,146
Education	5,851,017	--	--	--
Culture and recreation	--	--	21,342	--
Capital outlay	--	--	--	--
<b>Total Expenditures</b>	<u>5,855,223</u>	<u>474,298</u>	<u>21,342</u>	<u>8,504,253</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,860</u>	<u>(200,507)</u>	<u>(12,271)</u>	<u>(806,656)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	239,497	80,476	15,000	--
Transfers out	--	--	--	--
<b>Total Other Financing Sources (Uses)</b>	<u>239,497</u>	<u>80,476</u>	<u>15,000</u>	<u>--</u>
<b>Net change in fund balances</b>	243,357	(120,031)	2,729	(806,656)
Fund balances, beginning	<u>1,344,186</u>	<u>234,755</u>	<u>6,510</u>	<u>888,959</u>
Fund balances, ending	<u>\$ 1,587,543</u>	<u>\$ 114,724</u>	<u>\$ 9,239</u>	<u>\$ 82,303</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, 2006

	<u>Community Services</u>	<u>Inclusionary Housing</u>	<u>Disaster Assistance</u>	<u>Productivity Investment</u>
<b>Revenues:</b>				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--
Fines, forfeitures and penalties	--	--	--	--
Revenue from use of money and property	4,561	125,365	--	42,622
Aid from other governmental agencies	589,693	--	(76,872)	--
Charges for services	--	425,797	--	--
Other revenue	2,059	43,059	--	--
<b>Total Revenues</b>	<u>596,313</u>	<u>594,221</u>	<u>(76,872)</u>	<u>42,622</u>
<b>Expenditures:</b>				
Current:				
General government	201,069	314,132	--	--
Public ways and facilities	--	--	--	--
Health and sanitation	301	--	--	--
Public assistance	353,972	--	--	--
Education	--	--	--	--
Culture and recreation	--	--	--	--
Capital outlay	--	--	--	--
<b>Total Expenditures</b>	<u>555,342</u>	<u>314,132</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>40,971</u>	<u>280,089</u>	<u>(76,872)</u>	<u>42,622</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	--	--	--	13,727
Transfers out	--	--	--	(300,000)
<b>Total Other Financing Sources (Uses)</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(286,273)</u>
<b>Net change in fund balances</b>	40,971	280,089	(76,872)	(243,651)
Fund balances, beginning	<u>170,347</u>	<u>1,330,069</u>	<u>335,227</u>	<u>1,214,905</u>
Fund balances, ending	<u>\$ 211,318</u>	<u>\$ 1,610,158</u>	<u>\$ 258,355</u>	<u>\$ 971,254</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, 2006

	<u>Community Development</u>	<u>Natural Disaster Assistance</u>	<u>Emergency Medical Services</u>	<u>Fort Ord Reuse</u>
<b>Revenues:</b>				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--
Fines, forfeitures and penalties	--	--	--	--
Revenue from use of money and property	126,352	--	36,569	23,133
Aid from other governmental agencies	5,452,413	--	288,806	--
Charges for services	--	--	708,126	--
Other revenue	450,272	--	374	2,191,076
<b>Total Revenues</b>	<u>6,029,037</u>	<u>--</u>	<u>1,033,875</u>	<u>2,214,209</u>
<b>Expenditures:</b>				
Current:				
General government	6,143,190	--	--	1,408,225
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	581,038	--
Public assistance	--	--	--	--
Education	--	--	--	--
Culture and recreation	--	--	--	--
Capital outlay	--	--	--	--
<b>Total Expenditures</b>	<u>6,143,190</u>	<u>--</u>	<u>581,038</u>	<u>1,408,225</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(114,153)</u>	<u>--</u>	<u>452,837</u>	<u>805,984</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	100,000	--	--	42,000
Transfers out	--	--	--	--
<b>Total Other Financing Sources (Uses)</b>	<u>100,000</u>	<u>--</u>	<u>--</u>	<u>42,000</u>
<b>Net change in fund balances</b>	(14,153)	--	452,837	847,984
Fund balances, beginning	<u>1,172,377</u>	<u>--</u>	<u>710,078</u>	<u>(341,243)</u>
Fund balances, ending	<u>\$ 1,158,224</u>	<u>\$ --</u>	<u>\$ 1,162,915</u>	<u>\$ 506,741</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, 2006

	Agencies Under Board of Supervisors				
	Nacimiento Hydroelectric Operations	Other Water Resources Agencies	County Service Areas	Sanitation Districts	Other Districts
<b>Revenues:</b>					
Taxes	\$ --	\$ --	\$ 1,521,667	\$ --	\$ 902,674
Licenses, permits and franchises	--	28,805	--	--	--
Fines, forfeitures and penalties	--	--	--	--	--
Revenue from use of money and property	--	440,542	462,587	122,328	251,944
Aid from other governmental agencies	--	278,659	--	--	--
Charges for services	1,531,160	21,101,376	1,278,221	950,981	--
Other revenue	--	4,938	1,285	241	--
<b>Total Revenues</b>	<u>1,531,160</u>	<u>21,854,320</u>	<u>3,263,760</u>	<u>1,073,550</u>	<u>1,154,618</u>
<b>Expenditures:</b>					
Current:					
General government	--	--	--	--	822,192
Public ways and facilities	1,525,130	20,564,375	6,430,549	2,729	--
Health and sanitation	--	3,906	1,460,416	1,156,463	--
Public assistance	--	--	--	--	--
Education	--	--	--	--	--
Culture and recreation	--	--	47,891	--	--
Capital outlay	--	26,862	--	--	--
<b>Total Expenditures</b>	<u>1,525,130</u>	<u>20,595,143</u>	<u>7,938,856</u>	<u>1,159,192</u>	<u>822,192</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,030</u>	<u>1,259,177</u>	<u>(4,675,096)</u>	<u>(85,642)</u>	<u>332,426</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	282,258	564,059	--	32,078	4,891
Transfers out	(390,000)	(567,001)	--	(106,450)	(100,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(107,742)</u>	<u>(2,942)</u>	<u>--</u>	<u>(74,372)</u>	<u>(95,109)</u>
<b>Net change in fund balances</b>	<u>(101,712)</u>	<u>1,256,235</u>	<u>(4,675,096)</u>	<u>(160,014)</u>	<u>237,317</u>
Fund balances, beginning	<u>209,882</u>	<u>9,926,451</u>	<u>10,824,243</u>	<u>2,086,572</u>	<u>2,586,421</u>
Fund balances, ending	<u>\$ 108,170</u>	<u>\$ 11,182,686</u>	<u>\$ 6,149,147</u>	<u>\$ 1,926,558</u>	<u>\$ 2,823,738</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, 2006

	Totals
<b>Revenues:</b>	
Taxes	\$ 7,848,608
Licenses, permits and franchises	28,805
Fines, forfeitures and penalties	8,379
Revenue from use of money and property	1,699,274
Aid from other governmental agencies	14,686,260
Charges for services	26,105,795
Other revenue	2,773,234
Total Revenues	53,150,355
<b>Expenditures:</b>	
Current:	
General government	8,888,808
Public ways and facilities	28,522,783
Health and sanitation	3,212,038
Public assistance	9,326,815
Education	5,851,017
Culture and recreation	69,233
Capital outlay	26,862
Total Expenditures	55,897,556
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,747,201)
<b>Other Financing Sources (Uses):</b>	
Transfers in	1,373,986
Transfers out	(1,463,451)
Total Other Financing Sources (Uses)	(89,465)
<b>Net change in fund balances</b>	(2,836,666)
Fund balances, beginning	32,699,739
Fund balances, ending	\$ 29,863,073

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
County Library Fund  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 4,924,289	\$ 4,924,289	\$ 5,424,267	\$ 499,978
Revenue from use of money and property	5,000	5,000	61,765	56,765
Aid from other governmental agencies	154,300	160,300	184,048	23,748
Charges for services	108,850	108,850	110,134	1,284
Other revenue	5,050	5,050	78,869	73,819
Total Revenues	<u>5,197,489</u>	<u>5,203,489</u>	<u>5,859,083</u>	<u>655,594</u>
<b>Expenditures:</b>				
Current:				
Health and sanitation	4,410	4,410	4,206	204
Education	6,534,972	6,535,841	5,951,351	584,490
Total Expenditures	<u>6,539,382</u>	<u>6,540,251</u>	<u>5,955,557</u>	<u>584,694</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,341,893)</u>	<u>(1,336,762)</u>	<u>(96,474)</u>	<u>1,240,288</u>
		--		
<b>Other Financing Sources (Uses):</b>				
Transfers in	239,497	239,497	239,497	--
Total Other Financing Sources (Uses)	<u>239,497</u>	<u>239,497</u>	<u>239,497</u>	<u>--</u>
<b>Net change in budgetary fund balances</b>	(1,102,396)	(1,097,265)	143,023	1,240,288
Budgetary fund balances, beginning	<u>1,344,186</u>	<u>1,344,186</u>	<u>1,344,186</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 241,790</u>	<u>\$ 246,921</u>	<u>\$ 1,487,209</u>	<u>\$ 1,240,288</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				\$ 5,955,557
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>(100,334)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 5,855,223</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
In-Home Support Services  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Revenue from use of money and property	\$ --	\$ --	\$ 814	\$ 814
Aid from other governmental agencies	542,672	542,672	272,111	(270,561)
Other revenue	--	--	866	866
Total Revenues	<u>542,672</u>	<u>542,672</u>	<u>273,791</u>	<u>(268,881)</u>
<b>Expenditures:</b>				
Current:				
Health and sanitation	232	232	601	(369)
Public assistance	875,209	874,516	473,697	400,819
Education	911	911	--	911
Total Expenditures	<u>876,352</u>	<u>875,659</u>	<u>474,298</u>	<u>401,361</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(333,680)</u>	<u>(332,987)</u>	<u>(200,507)</u>	<u>132,480</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>98,925</u>	<u>98,925</u>	<u>80,476</u>	<u>(18,449)</u>
Total Other Financing Sources (Uses)	<u>98,925</u>	<u>98,925</u>	<u>80,476</u>	<u>(18,449)</u>
<b>Net change in budgetary fund balances</b>	<u>(234,755)</u>	<u>(234,062)</u>	<u>(120,031)</u>	<u>114,031</u>
Budgetary fund balances, beginning	<u>234,755</u>	<u>234,755</u>	<u>234,755</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ --</u>	<u>\$ 693</u>	<u>\$ 114,724</u>	<u>\$ 114,031</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Fish and Game Propagation  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Fines, forfeitures and penalties	\$ 14,000	\$ 14,000	\$ 8,379	\$ (5,621)
Revenue from use of money and property	200	200	692	492
Total Revenues	<u>14,200</u>	<u>14,200</u>	<u>9,071</u>	<u>(5,129)</u>
<b>Expenditures:</b>				
Current:				
Culture and recreation	20,710	35,710	21,342	14,368
Total Expenditures	<u>20,710</u>	<u>35,710</u>	<u>21,342</u>	<u>14,368</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,510)</u>	<u>(21,510)</u>	<u>(12,271)</u>	<u>9,239</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	--	15,000	15,000	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>15,000</u>	<u>15,000</u>	<u>--</u>
<b>Net change in budgetary fund balances</b>	(6,510)	(6,510)	2,729	9,239
Budgetary fund balances, beginning	<u>6,510</u>	<u>6,510</u>	<u>6,510</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 9,239</u>	<u>\$ 9,239</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Office of Employment Training  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Aid from other governmental agencies	\$ 10,000,000	\$ 10,000,000	\$ 7,697,402	\$ (2,302,598)
Other revenue	--	--	195	195
Total Revenues	<u>10,000,000</u>	<u>10,000,000</u>	<u>7,697,597</u>	<u>(2,302,403)</u>
<b>Expenditures:</b>				
Current:				
Health and sanitation	5,310	5,310	5,107	203
Public assistance	10,883,649	10,876,625	8,499,146	2,377,479
Total Expenditures	<u>10,888,959</u>	<u>10,881,935</u>	<u>8,504,253</u>	<u>2,377,682</u>
<b>Net change in budgetary fund balances</b>	<u>(888,959)</u>	<u>(881,935)</u>	<u>(806,656)</u>	<u>75,279</u>
Budgetary fund balances, beginning	<u>888,959</u>	<u>888,959</u>	<u>888,959</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ --</u>	<u>\$ 7,024</u>	<u>\$ 82,303</u>	<u>\$ 75,279</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Community Services  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Revenue from use of money and property	\$ --	\$ --	\$ 4,561	\$ 4,561
Aid from other governmental agencies	459,871	459,871	589,693	129,822
Other revenue	--	2,009	2,059	50
Total Revenues	<u>459,871</u>	<u>461,880</u>	<u>596,313</u>	<u>134,433</u>
<b>Expenditures:</b>				
Current:				
General government	211,249	210,992	201,069	9,923
Health and sanitation	232	232	301	(69)
Public assistance	347,665	349,674	292,997	56,677
Total Expenditures	<u>559,146</u>	<u>560,898</u>	<u>494,367</u>	<u>66,531</u>
<b>Net change in budgetary fund balances</b>	<u>(99,275)</u>	<u>(99,018)</u>	<u>101,946</u>	<u>200,964</u>
Budgetary fund balances, beginning	--	--	--	--
Budgetary fund balances, ending	<u>\$ 71,072</u>	<u>\$ 71,329</u>	<u>\$ 272,293</u>	<u>\$ 200,964</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 \$ 494,367

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 60,975

Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 555,342

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Inclusionary Housing  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Revenue from use of money and property	\$ 21,000	\$ 21,000	\$ 125,365	\$ 104,365
Charges for services	50,000	50,000	425,797	375,797
Other revenue	75,000	75,000	43,059	(31,941)
Total Revenues	<u>146,000</u>	<u>146,000</u>	<u>594,221</u>	<u>448,221</u>
<b>Expenditures:</b>				
Current:				
General government	<u>1,028,483</u>	<u>1,028,483</u>	<u>368,115</u>	<u>660,368</u>
Total Expenditures	<u>1,028,483</u>	<u>1,028,483</u>	<u>368,115</u>	<u>660,368</u>
<b>Net change in budgetary fund balances</b>	<u>(882,483)</u>	<u>(882,483)</u>	<u>226,106</u>	<u>1,108,589</u>
Budgetary fund balances, beginning	<u>1,330,069</u>	<u>1,330,069</u>	<u>1,330,069</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 447,586</u>	<u>\$ 447,586</u>	<u>\$ 1,556,175</u>	<u>\$ 1,108,589</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 \$ 368,115

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 (53,983)

Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 314,132



**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Disaster Assistance  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Aid from other governmental agencies	\$ --	\$ --	\$ (76,872)	\$ (76,872)
Total Revenues	<u>--</u>	<u>--</u>	<u>(76,872)</u>	<u>(76,872)</u>
Charges for current services				
<b>Expenditures:</b>				
Current:				
General government	335,227	335,227	--	335,227
Total Expenditures	<u>335,227</u>	<u>335,227</u>	<u>--</u>	<u>335,227</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(335,227)</u>	<u>(335,227)</u>	<u>(76,872)</u>	<u>258,355</u>
<b>Net change in budgetary fund balances</b>	<u>(335,227)</u>	<u>(335,227)</u>	<u>(76,872)</u>	<u>258,355</u>
Budgetary fund balances, beginning	<u>335,227</u>	<u>335,227</u>	<u>335,227</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 258,355</u>	<u>\$ 258,355</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Productivity Investment  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Revenue from use of money and property	\$ 30,000	\$ 30,000	\$ 42,622	\$ 12,622
Total Revenues	<u>30,000</u>	<u>30,000</u>	<u>42,622</u>	<u>12,622</u>
Charges for current services				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>30,000</u>	<u>30,000</u>	<u>42,622</u>	<u>12,622</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	13,727	13,727	13,727	--
Transfers out	<u>(1,258,632)</u>	<u>(1,258,632)</u>	<u>(300,000)</u>	<u>958,632</u>
Total Other Financing Sources (Uses)	<u>(1,244,905)</u>	<u>(1,244,905)</u>	<u>(286,273)</u>	<u>958,632</u>
<b>Net change in budgetary fund balances</b>	(1,214,905)	(1,214,905)	(243,651)	971,254
Budgetary fund balances, beginning	<u>1,214,905</u>	<u>1,214,905</u>	<u>1,214,905</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 971,254</u>	<u>\$ 971,254</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Community Development  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
<b>Revenues:</b>				
Revenue from use of money and property	\$ 129,500	\$ 129,500	\$ 126,352	\$ (3,148)
Aid from other governmental agencies	8,082,879	8,082,879	5,452,413	(2,630,466)
Charges for services	10,500	10,500	--	(10,500)
Other revenue	967,100	967,100	450,272	(516,828)
Total Revenues	<u>9,189,979</u>	<u>9,189,979</u>	<u>6,029,037</u>	<u>(3,160,942)</u>
<b>Expenditures:</b>				
Current:				
General government	9,665,150	9,665,150	6,221,586	3,443,564
Total Expenditures	<u>9,665,150</u>	<u>9,665,150</u>	<u>6,221,586</u>	<u>3,443,564</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(475,171)</u>	<u>(475,171)</u>	<u>(192,549)</u>	<u>282,622</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	--	--	100,000	100,000
Transfers out	(9,500)	(9,500)	--	9,500
Total Other Financing Sources (Uses)	<u>(9,500)</u>	<u>(9,500)</u>	<u>100,000</u>	<u>109,500</u>
<b>Net change in budgetary fund balances</b>	<u>(484,671)</u>	<u>(484,671)</u>	<u>(92,549)</u>	<u>392,122</u>
Fund balances, beginning, restated	<u>1,172,377</u>	<u>1,172,377</u>	<u>1,172,377</u>	<u>--</u>
Fund balances, ending	<u>\$ 687,706</u>	<u>\$ 687,706</u>	<u>\$ 1,079,828</u>	<u>\$ 392,122</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				\$ 6,221,586
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>(78,396)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 6,143,190</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Fort Ord Reuse  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
<b>Revenues:</b>				
Revenue from use of money and property	\$ 31,888	\$ 31,888	\$ 23,133	\$ (8,755)
Other revenue	820,312	2,268,106	2,191,076	(77,030)
Total Revenues	<u>852,200</u>	<u>2,299,994</u>	<u>2,214,209</u>	<u>(85,785)</u>
<b>Expenditures:</b>				
Current:				
General government	525,345	1,913,139	1,809,590	103,549
Total Expenditures	<u>525,345</u>	<u>1,913,139</u>	<u>1,809,590</u>	<u>103,549</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>326,855</u>	<u>386,855</u>	<u>404,619</u>	<u>17,764</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	42,000	42,000	42,000	--
Transfers out	--	(60,000)	--	60,000
Total Other Financing Sources (Uses)	<u>42,000</u>	<u>(18,000)</u>	<u>42,000</u>	<u>60,000</u>
<b>Net change in budgetary fund balances</b>	368,855	368,855	446,619	77,764
Budgetary fund balances, beginning	<u>(341,243)</u>	<u>(341,243)</u>	<u>(341,243)</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 27,612</u>	<u>\$ 27,612</u>	<u>\$ 105,376</u>	<u>\$ 77,764</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 \$ 1,809,590

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 (401,365)

Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 1,408,225

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Emergency Medical Services  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Revenue from use of money and property	\$ 15,000	\$ 15,000	\$ 36,569	\$ 21,569
Aid from other governmental agencies	--	288,806	288,806	--
Charges for services	600,000	600,000	708,126	108,126
Other revenue	--	--	374	374
Total Revenues	<u>615,000</u>	<u>903,806</u>	<u>1,033,875</u>	<u>130,069</u>
<b>Expenditures:</b>				
Current:				
Health and sanitation	<u>1,026,078</u>	<u>1,314,884</u>	<u>581,038</u>	<u>733,846</u>
Total Expenditures	<u>1,026,078</u>	<u>1,314,884</u>	<u>581,038</u>	<u>733,846</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(411,078)</u>	<u>(411,078)</u>	<u>452,837</u>	<u>863,915</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(299,000)</u>	<u>(299,000)</u>	<u>--</u>	<u>299,000</u>
Total Other Financing Sources (Uses)	<u>(299,000)</u>	<u>(299,000)</u>	<u>--</u>	<u>299,000</u>
<b>Net change in budgetary fund balances</b>	<u>(710,078)</u>	<u>(710,078)</u>	<u>452,837</u>	<u>1,162,915</u>
Budgetary fund balances, beginning	<u>710,078</u>	<u>710,078</u>	<u>710,078</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,162,915</u>	<u>\$ 1,162,915</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Nacimiento Hydroelectric Operations  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
<b>Revenues:</b>				
Charges for current services	--			
Charges for services	\$ 610,000	\$ 1,560,000	\$ 1,531,160	\$ (28,840)
Total Revenues	<u>610,000</u>	<u>1,560,000</u>	<u>1,531,160</u>	<u>(28,840)</u>
<b>Expenditures:</b>				
Current:				
Public ways and facilities	606,500	1,448,758	1,428,929	19,829
Total Expenditures	<u>606,500</u>	<u>1,448,758</u>	<u>1,428,929</u>	<u>19,829</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,500</u>	<u>111,242</u>	<u>102,231</u>	<u>(9,011)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	--	282,258	282,258	--
Transfers out	--	(390,000)	(390,000)	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>(107,742)</u>	<u>(107,742)</u>	<u>--</u>
<b>Net change in budgetary fund balances</b>	3,500	3,500	(5,511)	(9,011)
Budgetary fund balances, beginning	<u>209,882</u>	<u>209,882</u>	<u>209,882</u>	<u>--</u>
Budgetary fund balances, ending	<u><u>\$ 213,382</u></u>	<u><u>\$ 213,382</u></u>	<u><u>\$ 204,371</u></u>	<u><u>\$ (9,011)</u></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				\$ 1,428,929
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>96,201</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u><u>\$ 1,525,130</u></u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Water Resources Agency  
For the Year Ended June 30, 2006

	<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>
<b>Revenues:</b>				
Licenses, permits and franchises	\$ 25,142	\$ 25,142	\$ 28,805	\$ 3,663
Revenue from use of money and property	197,174	197,174	440,542	243,368
Aid from other governmental agencies	890,152	890,152	278,659	(611,493)
Charges for services	20,985,398	20,985,398	21,101,376	115,978
Other revenue	19,680,000	19,680,000	4,938	(19,675,062)
Total Revenues	<u>41,777,866</u>	<u>41,777,866</u>	<u>21,854,320</u>	<u>(19,923,546)</u>
<b>Expenditures:</b>				
Current:				
Public ways and facilities	47,145,754	47,560,781	21,200,708	26,360,073
Health and sanitation	3,855	3,855	3,906	(51)
Capital outlay	234,000	322,000	--	322,000
Debt service - interest	426,667	426,667	--	426,667
Total Expenditures	<u>47,810,276</u>	<u>48,313,303</u>	<u>21,204,614</u>	<u>27,108,689</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,032,410)</u>	<u>(6,535,437)</u>	<u>649,706</u>	<u>7,185,143</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	3,706,535	4,236,733	564,059	(3,672,674)
Transfers out	<u>(3,713,535)</u>	<u>(3,733,535)</u>	<u>(567,001)</u>	<u>3,166,534</u>
Total Other Financing Sources (Uses)	<u>(7,000)</u>	<u>503,198</u>	<u>(2,942)</u>	<u>(506,140)</u>
<b>Net change in budgetary fund balances</b>	<u>(6,039,410)</u>	<u>(6,032,239)</u>	<u>646,764</u>	<u>6,679,003</u>
Budgetary fund balances, beginning	<u>9,926,451</u>	<u>9,926,451</u>	<u>9,926,451</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 3,887,041</u>	<u>\$ 3,894,212</u>	<u>\$ 10,573,215</u>	<u>\$ 6,679,003</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				\$ 21,204,614
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>(609,471)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 20,595,143</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
County Service Areas  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
<b>Revenues:</b>				
Taxes	\$ 1,599,696	\$ 1,599,696	\$ 1,521,667	\$ (78,029)
Revenue from use of money and property	184,611	187,461	462,587	275,126
Charges for services	1,097,876	1,103,928	1,278,221	174,293
Other revenue	--	--	1,285	1,285
Total Revenues	<u>2,882,183</u>	<u>2,891,085</u>	<u>3,263,760</u>	<u>372,675</u>
<b>Expenditures:</b>				
Current:				
Public ways and facilities	3,859,437	8,387,654	6,395,199	1,992,455
Health and sanitation	2,798,982	2,798,982	1,460,416	1,338,566
Recreation and culture services	--	--	47,891	(47,891)
Total Expenditures	<u>6,658,419</u>	<u>11,186,636</u>	<u>7,903,506</u>	<u>3,283,130</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,776,236)</u>	<u>(8,295,551)</u>	<u>(4,639,746)</u>	<u>3,655,805</u>
Other Financing Sources (Uses):				
Transfers out	(20,000)	--	--	--
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Net change in budgetary fund balances</b>	<b>(3,796,236)</b>	<b>(8,295,551)</b>	<b>(4,639,746)</b>	<b>3,655,805</b>
Budgetary fund balances, beginning	<u>10,824,243</u>	<u>10,824,243</u>	<u>10,824,243</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 7,028,007</u>	<u>\$ 2,528,692</u>	<u>\$ 6,184,497</u>	<u>\$ 3,655,805</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				\$ 7,903,506
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>35,350</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 7,938,856</u>



**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Sanitation Districts  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
<b>Revenues:</b>				
Revenue from use of money and property	\$ 70,725	\$ 70,725	\$ 122,328	\$ 51,603
Charges for services	907,354	907,354	950,981	43,627
Other revenue	--	--	241	241
Total Revenues	<u>978,079</u>	<u>978,079</u>	<u>1,073,550</u>	<u>95,471</u>
<b>Expenditures:</b>				
Current:				
Public ways and facilities	38,490	38,990	2,729	36,261
Health and sanitation	1,325,431	1,324,931	1,109,000	215,931
Total Expenditures	<u>1,363,921</u>	<u>1,363,921</u>	<u>1,111,729</u>	<u>252,192</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(385,842)</u>	<u>(385,842)</u>	<u>(38,179)</u>	<u>347,663</u>
	--	--		
<b>Other Financing Sources (Uses):</b>				
Transfer in	32,000	32,000	32,078	78
Transfers out	<u>(106,450)</u>	<u>(106,450)</u>	<u>(106,450)</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>(74,450)</u>	<u>(74,450)</u>	<u>(74,372)</u>	<u>78</u>
<b>Net change in budgetary fund balances</b>	<u>(460,292)</u>	<u>(460,292)</u>	<u>(112,551)</u>	<u>347,741</u>
Budgetary fund balances, beginning	<u>2,086,572</u>	<u>2,086,572</u>	<u>2,086,572</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 1,626,280</u>	<u>\$ 1,626,280</u>	<u>\$ 1,974,021</u>	<u>\$ 347,741</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				\$ 1,111,729
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>47,463</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 1,159,192</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Other Districts  
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget
				Positive
				(Negative)
<b>Revenues:</b>				
Taxes	\$ 771,058	\$ 771,058	\$ 902,674	\$ 131,616
Revenue from use of money and property	12,900	12,900	251,944	239,044
Aid from other governmental agencies	275,000	275,000	--	(275,000)
Charges for current services	1,085	1,085	--	(1,085)
Total Revenues	<u>1,060,043</u>	<u>1,060,043</u>	<u>1,154,618</u>	<u>94,575</u>
<b>Expenditures:</b>				
Current:				
General government	<u>6,246,280</u>	<u>6,146,280</u>	<u>816,185</u>	<u>5,330,095</u>
Total Expenditures	<u>6,246,280</u>	<u>6,146,280</u>	<u>816,185</u>	<u>5,330,095</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,186,237)</u>	<u>(5,086,237)</u>	<u>338,433</u>	<u>5,424,670</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	141	141	4,891	4,750
Transfers out	--	(100,000)	(100,000)	--
Total Other Financing Sources (Uses)	<u>141</u>	<u>(99,859)</u>	<u>(95,109)</u>	<u>4,750</u>
<b>Net change in budgetary fund balances</b>	<u>(5,186,096)</u>	<u>(5,186,096)</u>	<u>243,324</u>	<u>5,424,670</u>
Budgetary fund balances, beginning, restated	<u>2,586,421</u>	<u>2,586,421</u>	<u>2,586,421</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ (2,599,675)</u>	<u>\$ (2,599,675)</u>	<u>\$ 2,829,745</u>	<u>\$ 5,424,670</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				\$ 816,185
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>6,007</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 822,192</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.

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**COUNTY OF MONTEREY**

Combining Balance Sheet  
 Nonmajor Debt Service Funds  
 June 30, 2006

<u>Assets</u>	<u>Debt Service County</u>	<u>Debt Service RDA</u>	<u>Total</u>
Cash and investments in County Treasury	\$ 6,557,445	\$ 313,530	\$ 6,870,975
Cash with fiscal agent	1,223,410	--	1,223,410
Total Assets	<u>\$ 7,780,855</u>	<u>\$ 313,530</u>	<u>\$ 8,094,385</u>
 <u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 5,895	\$ --	\$ 5,895
Total Liabilities	<u>5,895</u>	<u>--</u>	<u>5,895</u>
Fund Balance:			
Reserved for:			
Debt service	<u>7,774,960</u>	<u>313,530</u>	<u>8,088,490</u>
Total Fund Balances	<u>7,774,960</u>	<u>313,530</u>	<u>8,088,490</u>
 Total Liabilities and Fund Balance	 <u>\$ 7,780,855</u>	 <u>\$ 313,530</u>	 <u>\$ 8,094,385</u>

**COUNTY OF MONTEREY**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Debt Service Funds  
 For the Year Ended June 30, 2006

	Debt Service General	Debt Service RDA	Totals
<b>Revenues:</b>			
Taxes	\$ 49,114	\$ 3,454,980	\$ 3,504,094
Revenue from use of money and property	383,887	67,687	451,574
Aid from other governmental agencies	--	24,766	24,766
Charges for services	79	--	79
Total Revenues	433,080	3,547,433	3,980,513
<b>Expenditures:</b>			
Current:			
Debt service - principal	2,905,757	--	2,905,757
Debt service - interest and debt service costs	5,284,254	354,903	5,639,157
Total Expenditures	8,190,011	354,903	8,544,914
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,756,931)	3,192,530	(4,564,401)
<b>Other Financing Sources (Uses):</b>			
Transfers in	6,668,746	--	6,668,746
Transfers out	--	(3,699,415)	(3,699,415)
Total Other Financing Sources (Uses)	6,668,746	(3,699,415)	2,969,331
<b>Net change in fund balances</b>	(1,088,185)	(506,885)	(1,595,070)
Fund balances, beginning	8,863,145	820,415	9,683,560
Fund balances, ending	\$ 7,774,960	\$ 313,530	\$ 8,088,490

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Debt Service - County  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ --	\$ --	\$ 49,114	\$ 49,114
Revenue from use of money and property	100,000	100,000	383,887	283,887
Charges for services	--	--	79	79
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>433,080</u>	<u>333,080</u>
<b>Expenditures:</b>				
Current:				
General government	1,468,314	1,407,310	--	1,407,310
Debt service - principal	2,832,304	2,832,304	2,905,757	(73,453)
Debt service - interest and other	5,255,441	5,316,445	5,284,254	32,191
Total Expenditures	<u>9,556,059</u>	<u>9,556,059</u>	<u>8,190,011</u>	<u>1,366,048</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,456,059)</u>	<u>(9,456,059)</u>	<u>(7,756,931)</u>	<u>1,699,128</u>
<b>Other Financing Sources (Uses):</b>				
	--			
Transfers in	6,685,198	6,685,198	6,668,746	(16,452)
Transfers out	(528,205)	(528,205)	--	528,205
Total Other Financing Sources (Uses)	<u>6,156,993</u>	<u>6,156,993</u>	<u>6,668,746</u>	<u>511,753</u>
<b>Net change in budgetary fund balances</b>	<u>(3,299,066)</u>	<u>(3,299,066)</u>	<u>(1,088,185)</u>	<u>2,210,881</u>
Budgetary fund balances, beginning	<u>8,863,145</u>	<u>--</u>	<u>8,863,145</u>	<u>8,863,145</u>
Budgetary fund balances, ending	<u>\$ 5,564,079</u>	<u>\$ (3,299,066)</u>	<u>\$ 7,774,960</u>	<u>\$ 11,074,026</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Debt Service - RDA  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 453,695	\$ 453,695	\$ 3,454,980	\$ 3,001,285
Revenue from use of money and property	11,000	11,000	67,687	56,687
Aid from other governmental agencies	721,775	721,775	24,766	(697,009)
Charges for current services	1,965,209	2,880,546	--	(2,880,546)
Other revenue	22,000	22,000	--	(22,000)
Total Revenues	<u>3,173,679</u>	<u>4,089,016</u>	<u>3,547,433</u>	<u>(541,583)</u>
<b>Expenditures:</b>				
General government	483,644	193,644	--	193,644
Debt service - interest and other	471,776	471,776	354,903	116,873
Total Expenditures	<u>955,420</u>	<u>665,420</u>	<u>354,903</u>	<u>310,517</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,218,259</u>	<u>3,423,596</u>	<u>3,192,530</u>	<u>(231,066)</u>
	--	--	--	--
<b>Other Financing Sources (Uses):</b>				
Transfers in	5,000	5,000	--	(5,000)
Transfers out	(3,043,675)	(4,249,012)	(3,699,415)	549,597
Total Other Financing Sources (Uses)	<u>(3,038,675)</u>	<u>(4,244,012)</u>	<u>(3,699,415)</u>	<u>544,597</u>
<b>Net change in budgetary fund balances</b>	(820,416)	(820,416)	(506,885)	313,531
Budgetary fund balances, beginning	<u>820,415</u>	<u>820,415</u>	<u>820,415</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ 313,530</u>	<u>\$ 313,531</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.

*Capital Projects Automation* – Provides for the implementation project to replace the County's core financial accounting system, budget preparation system, and human resources system.

*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 Schedule  
 Facility Master Plan  
 For the Year Ended June 30, 2006

	<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>
<b>Revenues</b>				
Revenue from use of money and property	\$ 1,575,000	\$ 1,575,000	\$ 2,710,031	\$ 1,135,031
Charges for services	2,000	2,000	474	(1,526)
Total revenues	<u>1,577,000</u>	<u>1,577,000</u>	<u>2,710,505</u>	<u>1,133,505</u>
<b>Expenditures</b>				
Current:				
General government	9,977,478	5,047,478	(1,148,650)	6,196,128
Capital outlay	40,381,764	45,281,764	7,849,385	37,432,379
Total expenditures	<u>50,359,242</u>	<u>50,329,242</u>	<u>6,700,735</u>	<u>43,628,507</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(50,359,242)</u>	<u>(50,329,242)</u>	<u>(6,700,735)</u>	<u>43,628,507</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(48,782,242)</u>	<u>(48,752,242)</u>	<u>(3,990,230)</u>	<u>44,762,012</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,000,000	1,000,000	1,000,000	--
Transfers out	--	(30,000)	(22,551)	7,449
Total Other Financing Sources (Uses)	<u>1,000,000</u>	<u>970,000</u>	<u>977,449</u>	<u>7,449</u>
<b>Net change in budgetary fund balances</b>	<u>(47,782,242)</u>	<u>(47,782,242)</u>	<u>(3,012,781)</u>	<u>44,769,461</u>
Budgetary fund balances, July 1	<u>64,055,162</u>	<u>64,055,162</u>	<u>64,055,162</u>	<u>--</u>
Budgetary fund balances, June 30	<u>\$ 16,272,920</u>	<u>\$ 16,272,920</u>	<u>\$ 61,042,381</u>	<u>\$ 44,769,461</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 \$ 6,700,735

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 7,665,442

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 14,366,177

**COUNTY OF MONTEREY**

Combining Balance Sheet  
Nonmajor Capital Projects Funds  
June 30, 2006

Assets	Capital Projects Management	Capital Projects Automation	Facilities Project	Castroville Pajaro Project
Cash and investments in County Treasury	\$ 18,176,842	\$ 8,597,117	\$ 2,540,456	\$ 2,261,222
Accounts receivable	774,597	--	--	1,789,478
Land held for resale and development	--	--	--	915,680
Prepaid items and other assets	--	--	--	--
Long term receivable	--	--	--	57,203
Total Assets	<u>\$ 18,951,439</u>	<u>\$ 8,597,117</u>	<u>\$ 2,540,456</u>	<u>\$ 5,023,583</u>
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Vouchers and accounts payable	\$ 101,652	\$ --	\$ 40,603	\$ 47,823
Accrued salaries and benefits	3,692	--	--	--
Deferred revenues	200,359	--	--	762,524
Advances payable	--	--	--	--
Total Liabilities	<u>305,876</u>	<u>--</u>	<u>40,603</u>	<u>810,347</u>
Fund Balances:				
Reserved for:				
Encumbrances	13,758	--	231,969	1,902,706
Land held for resale and development	--	--	--	915,680
Unreserved				
Undesignated	18,631,805	8,597,117	2,267,884	1,394,850
Total Fund Balances	<u>18,645,563</u>	<u>8,597,117</u>	<u>2,499,853</u>	<u>4,213,236</u>
Total Liabilities and Fund Balances	<u>\$ 18,951,439</u>	<u>\$ 8,597,117</u>	<u>\$ 2,540,456</u>	<u>\$ 5,023,583</u>

**COUNTY OF MONTEREY**

Combining Balance Sheet (continued)  
 Nonmajor Capital Projects Funds  
 June 30, 2006

Assets	Boronda Project	Fort Ord Project	Total
Cash and investments in County Treasury	\$ 2,176,852	\$ 129,551	\$ 33,882,040
Accounts receivable	--	--	2,564,075
Land held for resale and development	--	--	915,680
Prepaid items and other assets	--	7,842	7,842
Long term reH,H-9eivable	--	--	57,203
Total Assets	<u>\$ 2,176,852</u>	<u>\$ 137,393</u>	<u>\$ 37,426,840</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Vouchers and accounts payable	\$ 716	\$ 497	\$ 191,291
Accrued salaries and benefits	--	--	3,692
Deferred revenues	--	--	962,883
Advances payable	--	176,300	176,300
Total Liabilities	<u>716</u>	<u>176,797</u>	<u>1,334,339</u>
Fund Balances:			
Reserved for:			
Encumbrances	16,622	403	2,165,458
Land held for resale and development	--	--	915,680
Unreserved			
Undesignated	<u>2,159,514</u>	<u>(39,807)</u>	<u>33,011,363</u>
Total Fund Balances	<u>2,176,136</u>	<u>(39,404)</u>	<u>36,092,501</u>
Total Liabilities and Fund Balance	<u>\$ 2,176,852</u>	<u>\$ 137,393</u>	<u>\$ 37,426,840</u>

**COUNTY OF MONTEREY**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Capital Projects Funds  
 For the Year Ended June 30, 2006

	Capital Projects Management	Capital Projects Automation	Facilities Project	Castroville Pajaro Project
<b>Revenues:</b>				
Taxes	\$ --	\$ --	\$ --	\$ --
Revenue from use of money and property	243,775	650,114	59,198	123,820
Aid from other governmental agencies	--	--	--	3,043,441
Other revenue	--	--	--	1,328
Total Revenues	243,775	650,114	59,198	3,168,589
<b>Expenditures:</b>				
Current:				
General government	407,880	--	1,474,982	--
Public ways and facilities	--	--	--	5,208,075
Health and sanitation	300	--	--	--
Capital outlay	72,330	--	--	--
Debt service - principal	--	--	--	25,000
Debt service - interest	--	--	--	3,233
Total Expenditures	480,510	--	1,474,982	5,236,308
Excess (Deficiency) of Revenues Over (Under) Expenditures	(236,735)	650,114	(1,415,784)	(2,067,719)
<b>Other Financing Sources (Uses):</b>				
Transfers in	13,444,899	--	2,146,279	2,099,524
Transfers out	(1,145,256)	(155,707)	--	(32,078)
Issuance of debt	--	--	--	36,146
Total Other Financing Sources (Uses)	12,299,643	(155,707)	2,146,279	2,103,592
<b>Net change in fund balances</b>	12,062,908	494,407	730,495	35,873
Fund balances, beginning	6,582,655	8,102,710	1,769,358	4,177,363
Fund balances, ending	\$ 18,645,563	\$ 8,597,117	\$ 2,499,853	\$ 4,213,236

**COUNTY OF MONTEREY**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)  
 Nonmajor Capital Projects Funds  
 For the Year Ended June 30, 2006

	<u>Boronda Project</u>	<u>Fort Ord Project</u>	<u>Totals</u>
<b>Revenues:</b>			
Taxes	\$ --	\$ (67,510)	\$ (67,510)
Revenue from use of money and property	61,293	4,730	1,142,930
Aid from other governmental agencies	21,052	--	3,064,493
Other revenue	<u>20</u>	<u>--</u>	<u>1,348</u>
Total Revenues	<u>82,365</u>	<u>(62,780)</u>	<u>4,141,261</u>
<b>Expenditures:</b>			
Current:			
General government	935,098	15,517	2,833,477
Public ways and facilities	--	--	5,208,075
Health and sanitation	--	--	300
Capital outlay	--	--	72,330
Debt service - principal	--	--	25,000
Debt service - interest	--	7,500	10,733
Total Expenditures	<u>935,098</u>	<u>23,017</u>	<u>8,149,915</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(852,733)</u>	<u>(85,797)</u>	<u>(4,008,654)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	1,516,018	83,193	19,289,913
Transfers out	(4,210)	--	(1,337,251)
Issuance of debt	--	--	36,146
Total Other Financing Sources (Uses)	<u>1,511,808</u>	<u>83,193</u>	<u>17,988,808</u>
<b>Net change in fund balances</b>	659,075	(2,604)	13,980,154
Fund balances, beginning	<u>1,517,061</u>	<u>(36,800)</u>	<u>22,112,347</u>
Fund balances, ending	<u>\$ 2,176,136</u>	<u>\$ (39,404)</u>	<u>\$ 36,092,501</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Capital Projects Management  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
<b>Revenues:</b>				
Revenue from use of money and property	\$ 80,000	\$ 80,000	\$ 243,775	\$ 163,775
Charges for services	100	100	--	(100)
<b>Total Revenues</b>	<b>80,100</b>	<b>80,100</b>	<b>243,775</b>	<b>163,675</b>
<b>Expenditures:</b>				
Current:				
General government	15,094,299	15,093,709	193,600	14,900,109
Health and sanitation	232	232	300	(68)
Capital outlay	2,429,502	4,167,402	70,821	4,096,581
<b>Total Expenditures</b>	<b>17,524,033</b>	<b>19,261,343</b>	<b>264,721</b>	<b>18,996,622</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(17,443,933)</b>	<b>(19,181,243)</b>	<b>(20,946)</b>	<b>19,160,297</b>
<b>Other Financing Sources (Uses):</b>	--			
Transfers in	12,406,999	14,144,899	13,444,899	(700,000)
Transfers out	(1,145,256)	(1,145,256)	(1,145,256)	--
<b>Total Other Financing Sources (Uses)</b>	<b>11,261,743</b>	<b>12,999,643</b>	<b>12,299,643</b>	<b>(700,000)</b>
<b>Net change in budgetary fund balances</b>	<b>(6,182,190)</b>	<b>(6,181,600)</b>	<b>12,278,697</b>	<b>18,460,297</b>
Budgetary fund balances, beginning	6,582,655	6,582,655	6,582,655	--
Budgetary fund balances, ending	<b>\$ 400,465</b>	<b>\$ 401,055</b>	<b>\$ 18,861,352</b>	<b>\$ 18,460,297</b>
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				\$ 264,721
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				215,789
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<b>\$ 480,510</b>



**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
 Capital Projects Automation  
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue from use of money and property	\$ --	\$ --	\$ 650,114	\$ 650,114
Total Revenues	<u>    --</u>	<u>    --</u>	<u>650,114</u>	<u>650,114</u>
<b>Expenditures:</b>				
Capital outlay		--	--	--
Total Expenditures	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>    --</u>	<u>    --</u>	<u>650,114</u>	<u>650,114</u>
<b>Other Financing Sources (Uses):</b>	--			
Transfers out	(501,506)	(501,506)	(155,707)	345,799
Total Other Financing Sources (Uses)	<u>(501,506)</u>	<u>(501,506)</u>	<u>(155,707)</u>	<u>345,799</u>
<b>Net change in budgetary fund balances</b>	(501,506)	(501,506)	494,407	995,913
Budgetary fund balances, beginning	<u>8,102,710</u>	<u>8,102,710</u>	<u>8,102,710</u>	<u>    --</u>
Budgetary fund balances, ending	<u>\$ 7,601,204</u>	<u>\$ 7,601,204</u>	<u>\$ 8,597,117</u>	<u>\$ 995,913</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Facilities Project  
For the Year Ended June 30, 2006

	<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>
<b>Revenues:</b>				
Revenue from use of money and property	\$ 15,000	\$ 15,000	\$ 59,198	\$ 44,198
Total Revenues	<u>15,000</u>	<u>15,000</u>	<u>59,198</u>	<u>44,198</u>
<b>Expenditures:</b>				
Current:				
General government	3,232,609	3,617,609	1,183,122	2,434,487
Total Expenditures	<u>3,232,609</u>	<u>3,617,609</u>	<u>1,183,122</u>	<u>2,434,487</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,217,609)</u>	<u>(3,602,609)</u>	<u>(1,123,924)</u>	<u>2,478,685</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,045,256	2,430,256	2,146,279	(283,977)
Total Other Financing Sources (Uses)	<u>2,045,256</u>	<u>2,430,256</u>	<u>2,146,279</u>	<u>(283,977)</u>
<b>Net change in budgetary fund balances</b>	(1,172,353)	(1,172,353)	1,022,355	2,194,708
Budgetary fund balances, beginning	<u>1,769,358</u>	<u>1,769,358</u>	<u>1,769,358</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 597,005</u>	<u>\$ 597,005</u>	<u>\$ 2,791,713</u>	<u>\$ 2,194,708</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	\$ 1,183,122
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>291,860</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,474,982</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Castroville Pajaro Project  
For the Year Ended June 30, 2006

	<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>
<b>Revenues:</b>				
Revenue from use of money and property	\$ 8,000	\$ 8,000	\$ 123,820	\$ 115,820
Aid from other governmental agencies	2,623,848	2,623,848	3,043,441	419,593
Other revenue	1,298,452	1,298,452	1,328	(1,297,124)
Total Revenues	<u>3,930,300</u>	<u>3,930,300</u>	<u>3,168,589</u>	<u>(761,711)</u>
<b>Expenditures:</b>				
Current:				
General government	8,914,927	9,830,264	1,443,004	8,387,260
Public ways and facilities	--	--	5,208,075	(5,208,075)
Debt service - principal	25,001	25,001	25,000	1
Debt service - interest	--	--	3,233	(3,233)
Total Expenditures	<u>8,939,928</u>	<u>9,855,265</u>	<u>6,679,312</u>	<u>3,175,953</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,009,628)</u>	<u>(5,924,965)</u>	<u>(3,510,723)</u>	<u>2,414,242</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,313,311	3,228,648	2,099,524	(1,129,124)
Transfers out	(33,000)	(33,000)	(32,078)	922
Issuance of debt	--	--	36,146	36,146
Total Other Financing Sources (Uses)	<u>2,280,311</u>	<u>3,195,648</u>	<u>2,103,592</u>	<u>(1,092,056)</u>
<b>Net change in budgetary fund balances</b>	<u>(2,729,317)</u>	<u>(2,729,317)</u>	<u>(1,407,131)</u>	<u>1,322,186</u>
Budgetary fund balances, beginning, restated	<u>4,177,363</u>	<u>4,177,363</u>	<u>4,177,363</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 1,448,046</u>	<u>\$ 1,448,046</u>	<u>\$ 2,770,232</u>	<u>\$ 1,322,186</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				\$ 6,679,312
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>(1,443,004)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 5,236,308</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
 Boronda Project  
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
<b>Revenues:</b>				
Revenue from use of money and property	\$ 6,000	\$ 6,000	\$ 61,293	\$ 55,293
Other revenue	--	--	20	20
Total Revenues	<u>6,000</u>	<u>6,000</u>	<u>61,313</u>	<u>55,313</u>
<b>Expenditures:</b>				
Current:				
General government	3,040,765	3,034,765	931,824	2,102,941
Total Expenditures	<u>3,040,765</u>	<u>3,034,765</u>	<u>931,824</u>	<u>2,102,941</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,034,765)</u>	<u>(3,028,765)</u>	<u>(870,511)</u>	<u>2,158,254</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,552,980	1,552,980	1,516,018	(36,962)
Transfers out	--	(6,000)	(4,210)	1,790
Total Other Financing Sources (Uses)	<u>1,552,980</u>	<u>1,546,980</u>	<u>1,511,808</u>	<u>(35,172)</u>
<b>Net change in budgetary fund balances</b>	<u>(1,481,785)</u>	<u>(1,481,785)</u>	<u>641,297</u>	<u>2,123,082</u>
Budgetary fund balances, beginning	<u>1,517,061</u>	<u>1,517,061</u>	<u>1,517,061</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 35,276</u>	<u>\$ 35,276</u>	<u>\$ 2,158,358</u>	<u>\$ 2,123,082</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		\$ 931,824
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>3,274</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds		<u>\$ 935,098</u>

**COUNTY OF MONTEREY**

Budgetary Comparison Schedule  
Fort Ord Project  
For the Year Ended June 30, 2006

	<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>
<b>Revenues:</b>				
Taxes	\$ --	\$ --	\$ (67,510)	\$ (67,510)
Revenue from use of money and property	50	50	4,730	4,680
Total Revenues	<u>50</u>	<u>50</u>	<u>(62,780)</u>	<u>(62,830)</u>
<b>Expenditures:</b>				
Current:				
General government	15,919	15,919	15,920	(1)
Debt service - interest		--	7,500	(7,500)
Total Expenditures	<u>15,919</u>	<u>15,919</u>	<u>23,420</u>	<u>(7,501)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(15,869)</u>	<u>(15,869)</u>	<u>(86,200)</u>	<u>(70,331)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>52,669</u>	<u>52,669</u>	<u>83,193</u>	<u>30,524</u>
Total Other Financing Sources (Uses)	<u>52,669</u>	<u>52,669</u>	<u>83,193</u>	<u>30,524</u>
<b>Net change in budgetary fund balances</b>	36,800	36,800	(3,007)	(39,807)
Fund balances, beginning	<u>(36,800)</u>	<u>(36,800)</u>	<u>(36,800)</u>	<u>--</u>
Fund balances, ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (39,807)</u>	<u>\$ (39,807)</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				\$ 23,420
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>(403)</u>
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 23,017</u>

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### **INTERNAL SERVICE FUNDS**

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governments on a cost-reimbursement basis.

## **INTERNAL SERVICE FUNDS**

### **General Liability**

This fund accounts for the financing of the County's general liability insurance.

### **Workers' Compensation**

This fund accounts for the financing of the County's workers' compensation insurance.



**COUNTY OF MONTEREY**

Combining Statement of Fund Net Assets  
Internal Service Funds  
June 30, 2006

<u>Assets</u>	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 2,265,042	\$ 24,429,737	\$ 26,694,779
Accounts receivable	16,395	--	16,395
<b>Total Assets</b>	<u>2,281,437</u>	<u>24,429,737</u>	<u>26,711,174</u>
 <u>Liabilities and Net Assets</u>			
<b>Current Liabilities:</b>			
Accounts payable	\$ (11,948)	\$ 69,793	\$ 57,845
Accrued liabilities	200	--	200
Current portion of claims liability	2,106,734	8,656,386	10,763,120
Current portion of bonds payable	680,883	--	680,883
<b>Total Current Liabilities</b>	<u>2,775,869</u>	<u>8,726,179</u>	<u>11,502,048</u>
 <b>Long-Term Liabilities:</b>			
Claims liability	3,955,881	27,855,517	31,811,398
Bonds payable	5,501,180	--	5,501,180
<b>Total Long-Term Liabilities</b>	<u>9,457,061</u>	<u>27,855,517</u>	<u>37,312,578</u>
 <b>Total Liabilities</b>	<u>12,232,930</u>	<u>36,581,696</u>	<u>48,814,626</u>
 <b>Net Assets:</b>			
Unrestricted (deficit)	<u>(9,951,493)</u>	<u>(12,151,959)</u>	<u>(22,103,452)</u>
<b>Total Net Assets</b>	<u>(9,951,493)</u>	<u>(12,151,959)</u>	<u>(22,103,452)</u>
 <b>Total Liabilities and Net Assets</b>	<u>\$ 2,281,437</u>	<u>\$ 24,429,737</u>	<u>\$ 26,711,174</u>

**COUNTY OF MONTEREY**

Combining Statement of Revenues, Expenses and Changes in Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2006

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 5,209,316	\$ 15,734,949	\$ 20,944,265
Other operating revenues	45,400	--	45,400
	<u>5,254,716</u>	<u>15,734,949</u>	<u>20,989,665</u>
Total Operating Revenues			
Operating Expenses:			
Services and supplies	12,389	--	12,389
Claims expense	2,016,880	7,012,077	9,028,957
Purchased services	100,172	1,198,689	1,298,861
Insurance	455,937	3,620,174	4,076,111
Other	165	83,375	83,540
	<u>2,585,543</u>	<u>11,914,315</u>	<u>14,499,858</u>
Total Operating Expenses			
Net Operating Income	<u>2,669,173</u>	<u>3,820,634</u>	<u>6,489,807</u>
Non-Operating Revenues (Expenses):			
Interest income (expense) – net	(149,438)	871,118	721,680
Amortization of bond premium	10,883	--	10,883
	<u>(138,555)</u>	<u>871,118</u>	<u>732,563</u>
Total Non-Operating Revenues (Expenses)			
Income (Loss) Before Transfers and Contributions	2,530,618	4,691,752	7,222,370
Transfers out	<u>(1,552,268)</u>	<u>(228,149)</u>	<u>(1,780,417)</u>
Change in Net Assets	978,350	4,463,603	5,441,953
Net Assets - Beginning of Year	<u>(10,929,843)</u>	<u>(16,615,562)</u>	<u>(27,545,405)</u>
Net Assets - End of Year	<u><u>\$ (9,951,493)</u></u>	<u><u>\$ (12,151,959)</u></u>	<u><u>\$ (22,103,452)</u></u>

**COUNTY OF MONTEREY**

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2006

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 5,238,321	\$ 15,734,949	\$ 20,973,270
Cash paid to suppliers for goods and services	<u>(2,125,159)</u>	<u>(8,512,968)</u>	<u>(10,638,127)</u>
Net cash provided by operating activities	<u>3,113,162</u>	<u>7,221,981</u>	<u>10,335,143</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>(1,552,268)</u>	<u>(228,149)</u>	<u>(1,780,417)</u>
Net cash provided (used) by noncapital financing activities	<u>(1,552,268)</u>	<u>(228,149)</u>	<u>(1,780,417)</u>
Cash flows from capital and related financing activities:			
Principal payments on COPs, capital leases, loans	(655,000)	--	(655,000)
Interest payments on COPs, capital leases, loans	<u>(149,438)</u>	<u>--</u>	<u>(149,438)</u>
Net cash provided (used) by capital and related financing activities	<u>(804,438)</u>	<u>--</u>	<u>(804,438)</u>
Cash flow from investing activities:			
Interest payments received	<u>--</u>	<u>871,118</u>	<u>871,118</u>
Net cash provided (used) by investing activities	<u>--</u>	<u>871,118</u>	<u>871,118</u>
Net increase (decrease) in cash and cash equivalents	756,456	7,864,950	8,621,406
Cash and equivalents, July 1	<u>1,508,586</u>	<u>16,564,787</u>	<u>18,073,373</u>
Cash and equivalents, June 30	<u>\$ 2,265,042</u>	<u>\$ 24,429,737</u>	<u>\$ 26,694,779</u>
 <u>Reconciliation of cash and cash equivalents to Statement of Net Assets</u>			
Cash and cash equivalents	<u>\$ 2,265,042</u>	<u>\$ 24,429,737</u>	<u>\$ 26,694,779</u>
Total cash and cash equivalents	<u>\$ 2,265,042</u>	<u>\$ 24,429,737</u>	<u>\$ 26,694,779</u>

continued

**COUNTY OF MONTEREY**

Statements of Cash Flows (continued)  
Internal Service Funds  
For the Year Ended June 30, 2006

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 2,669,173	\$ 3,820,634	\$ 6,489,807
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
(Increase) decrease in accounts receivable	(16,395)	--	(16,395)
Increase (decrease) in accounts payable	(11,948)	(218,827)	(230,775)
Increase (decrease) in claims liability	<u>472,332</u>	<u>3,620,174</u>	<u>4,092,506</u>
 Total Adjustments	 <u>443,989</u>	 <u>3,401,347</u>	 <u>3,845,336</u>
 Net cash provided (used) by operating activities	 <u>\$ 3,113,162</u>	 <u>\$ 7,221,981</u>	 <u>\$ 10,335,143</u>

## **AGENCY FUNDS**

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**COUNTY OF MONTEREY**

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2006

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2006</u>
<u>Clearing and Revolving Funds</u>				
Assets:				
Cash and cash equivalents	\$ (3,461,088)	\$ 470,740,586	\$ 466,464,912	\$ 814,586
Receivables - other	108,630	--	108,630	--
Total Assets	<u>(3,352,458)</u>	<u>470,740,586</u>	<u>466,573,542</u>	<u>814,586</u>
Liabilities:				
Accounts payable	97,724	33,104,323	32,479,087	722,960
Assets held as agency for others	(3,450,182)	572,094,562	568,552,754	91,626
Total Liabilities	<u>\$ (3,352,458)</u>	<u>\$ 605,198,885</u>	<u>\$ 601,031,841</u>	<u>\$ 814,586</u>
<u>Taxes and Interest</u>				
Assets:				
Cash and cash equivalents	10,144,503	661,786,682	664,942,977	6,988,208
Receivables - taxes	22,249,479	546,830,188	540,796,471	28,283,197
Receivables - interest	2,410,140	--	2,410,140	--
Total Assets	<u>34,804,123</u>	<u>1,208,616,870</u>	<u>1,208,149,588</u>	<u>35,271,405</u>
Liabilities:				
Accounts payable	256,456	26,887,429	26,408,644	735,241
Assets held as agency for others	34,547,667	709,317,452	709,328,955	34,536,163
Total Liabilities	<u>\$ 34,804,123</u>	<u>\$ 736,204,881</u>	<u>\$ 735,737,599</u>	<u>\$ 35,271,405</u>
<u>Departmental</u>				
Assets:				
Cash and cash equivalents	\$ 5,572,019	\$ 62,534,302	\$ 58,636,661	\$ 9,469,660
Receivables - other	49,451	45,625	1,307	93,769
Long term receivables	30,000	--	--	30,000
Total Assets	<u>5,651,470</u>	<u>62,579,927</u>	<u>58,637,968</u>	<u>9,593,430</u>
Liabilities:				
Accounts payable	174	8,470,350	8,200,082	270,442
Assets held as agency for others	5,651,296	32,520,490	28,848,798	9,322,988
Total Liabilities	<u>\$ 5,651,470</u>	<u>\$ 40,990,840</u>	<u>\$ 37,048,880</u>	<u>\$ 9,593,430</u>

**COUNTY OF MONTEREY**

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2006

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2006</u>
<u>Transit</u>				
Assets:				
Cash and cash equivalents	\$ 6,477,290	\$ 15,851,458	\$ 14,248,837	\$ 8,079,911
Total Assets	<u>6,477,290</u>	<u>15,851,458</u>	<u>14,248,837</u>	<u>8,079,911</u>
Liabilities:				
Assets held as agency for others	6,477,290	15,938,395	14,335,774	8,079,911
Total Liabilities	<u>\$ 6,477,290</u>	<u>\$ 15,938,395</u>	<u>\$ 14,335,774</u>	<u>\$ 8,079,911</u>
 <u>Total All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 18,732,724	\$ 1,210,913,028	\$ 1,204,293,387	\$ 25,352,366
Receivables - taxes	22,249,479	546,830,188	540,796,471	28,283,197
Receivables - interest	2,410,140	--	2,410,140	--
Receivables - other	158,081	45,625	109,937	93,769
Long term receivables	30,000	--	--	30,000
Total Assets	<u>43,580,425</u>	<u>1,757,788,841</u>	<u>1,747,609,935</u>	<u>53,759,332</u>
Liabilities:				
Accounts payable	354,354	68,462,102	67,087,813	1,728,643
Assets held as agency for others	43,226,071	1,329,870,899	1,321,066,281	52,030,689
Total Liabilities	<u>\$ 43,580,425</u>	<u>\$ 1,398,333,001</u>	<u>\$ 1,388,154,094</u>	<u>\$ 53,759,332</u>



**DETAILED BUDGET SCHEDULES (UNAUDITED)**

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# COUNTY OF MONTEREY

## General Fund Schedule of Expenditures-Budget and Actual on Budgetary Basis For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>General Government</b>				
Legislative and Administrative:				
Board of Supervisors				
Salaries and benefits	\$ 1,524,101	\$ 1,530,166	\$ 1,474,833	\$ 55,333
Services and supplies	551,285	551,285	539,528	11,757
Expense transfer reimbursement	(32,165)	(32,165)	(31,887)	(278)
Subtotal	<u>2,043,221</u>	<u>2,049,286</u>	<u>1,982,474</u>	<u>66,812</u>
Assessment Appeals Board				
Services and supplies	50,000	50,000	5,536	44,464
Subtotal	<u>50,000</u>	<u>50,000</u>	<u>5,536</u>	<u>44,464</u>
County Memberships				
Services and supplies	51,328	51,328	49,336	1,992
Subtotal	<u>51,328</u>	<u>51,328</u>	<u>49,336</u>	<u>1,992</u>
County Administrative Office				
Salaries and benefits	2,856,266	2,861,028	2,483,898	377,130
Services and supplies	931,476	929,756	780,005	149,751
Other charges	--	15,000	15,000	--
Expense transfer reimbursement	(86,482)	(86,482)	(50,505)	(35,977)
Subtotal	<u>3,701,260</u>	<u>3,719,302</u>	<u>3,228,399</u>	<u>490,903</u>
Total Legislative and administrative	<u>5,845,809</u>	<u>5,869,916</u>	<u>5,265,744</u>	<u>604,172</u>
Personnel:				
Human Resources Division				
Salaries and benefits	1,359,308	1,738,750	1,574,843	163,907
Services and supplies	1,093,815	1,327,556	1,042,802	284,754
Expense transfer reimbursement	--	(20,000)	(19,503)	(497)
Subtotal	<u>2,453,123</u>	<u>3,046,306</u>	<u>2,598,142</u>	<u>448,164</u>
Total Personnel	<u>2,453,123</u>	<u>3,046,306</u>	<u>2,598,142</u>	<u>448,164</u>
Finance:				
Auditor-Controller				
Salaries and benefits	3,292,083	3,343,624	3,052,035	291,589
Services and supplies	524,322	989,322	1,011,002	(21,680)
Expense transfer reimbursement	(10,000)	(10,000)	(10,000)	--
Subtotal	<u>3,806,405</u>	<u>4,322,946</u>	<u>4,053,037</u>	<u>269,909</u>
Annual County Audit				
Services and supplies	143,750	143,750	106,883	36,868
Subtotal	<u>143,750</u>	<u>143,750</u>	<u>106,883</u>	<u>36,868</u>

## COUNTY OF MONTEREY

### General Fund (continued) Schedule of Expenditures-Budget and Actual on Budgetary Basis For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Treasurer-Tax Collector				
Salaries and benefits	\$ 1,862,918	\$ 1,890,417	\$ 1,705,557	\$ 184,860
Services and supplies	622,996	621,747	536,649	85,098
Fixed assets	15,000	15,000	11,627	3,373
Expense transfer reimbursement	(91,508)	(91,508)	(86,118)	(5,390)
Subtotal	<u>2,409,406</u>	<u>2,435,656</u>	<u>2,167,715</u>	<u>267,941</u>
Assessor				
Salaries and benefits	4,108,928	4,036,973	3,762,916	274,057
Services and supplies	490,530	611,817	520,353	91,464
Fixed assets	25,000	--	--	--
Expense transfer reimbursement	(60,603)	(60,603)	(56,503)	(4,100)
Subtotal	<u>4,563,855</u>	<u>4,588,187</u>	<u>4,226,766</u>	<u>361,421</u>
Revenue Division				
Salaries and benefits	1,533,453	1,613,799	1,430,020	183,779
Services and supplies	402,733	402,733	399,551	3,182
Subtotal	<u>1,936,186</u>	<u>2,016,532</u>	<u>1,829,571</u>	<u>186,961</u>
Total Finance	<u>12,859,602</u>	<u>13,507,071</u>	<u>12,383,972</u>	<u>1,123,099</u>
Counsel:				
County Counsel				
Salaries and benefits	3,737,196	3,871,956	3,734,728	137,228
Services and supplies	532,178	530,474	326,872	203,602
Expense transfer reimbursement	(467,500)	(467,500)	(500,305)	32,805
Subtotal	<u>3,801,874</u>	<u>3,934,930</u>	<u>3,561,295</u>	<u>373,635</u>
Total Counsel	<u>3,801,874</u>	<u>3,934,930</u>	<u>3,561,295</u>	<u>373,635</u>
Elections:				
Elections				
Salaries and benefits	674,324	616,078	584,047	32,031
Services and supplies	1,293,422	5,519,669	5,089,647	430,022
Fixed assets	--	193,341	192,635	706
Subtotal	<u>1,967,746</u>	<u>6,329,088</u>	<u>5,866,328</u>	<u>462,760</u>
Total Elections	<u>1,967,746</u>	<u>6,329,088</u>	<u>5,866,328</u>	<u>462,760</u>
Promotion:				
Cluster Loan Fund				
Other financing uses	115,000	115,000	--	115,000
Subtotal	<u>115,000</u>	<u>115,000</u>	<u>--</u>	<u>115,000</u>

## COUNTY OF MONTEREY

### General Fund (continued) Schedule of Expenditures-Budget and Actual on Budgetary Basis For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Development Set-Aside				
Services and supplies	\$ 1,425,000	\$ 1,524,797	\$ 1,311,485	\$ 213,312
Subtotal	<u>1,425,000</u>	<u>1,524,797</u>	<u>1,311,485</u>	<u>213,312</u>
Total Promotion	<u>1,540,000</u>	<u>1,639,797</u>	<u>1,311,485</u>	<u>328,312</u>
Other General Government:				
Risk Management				
Salaries and benefits	914,909	933,887	542,151	391,736
Services and supplies	165,759	141,336	(206,963)	348,299
Fixed assets	--	24,102	24,102	--
Subtotal	<u>1,080,668</u>	<u>1,099,325</u>	<u>359,290</u>	<u>740,035</u>
Leadership Institute				
Salaries and benefits	--	--	(95)	95
Subtotal	<u>--</u>	<u>--</u>	<u>(95)</u>	<u>95</u>
Resource Management Agency				
Salaries and benefits	--	196,501	196,893	(392)
Services and supplies	--	198,367	174,743	23,624
Subtotal	<u>--</u>	<u>394,868</u>	<u>371,636</u>	<u>23,232</u>
Employee & Community Relation				
Salaries and benefits	--	--	(194)	194
Subtotal	<u>--</u>	<u>--</u>	<u>(194)</u>	<u>194</u>
Information Technology				
Salaries and benefits	9,085,823	9,050,009	8,442,639	607,371
Services and supplies	3,720,627	3,934,224	3,788,016	146,208
Fixed assets	225,000	225,000	221,707	3,293
Expense transfer reimbursement	(8,323,603)	(8,323,603)	(7,728,261)	(595,342)
Subtotal	<u>4,707,847</u>	<u>4,885,630</u>	<u>4,724,101</u>	<u>161,529</u>
Telecommunications				
Salaries and benefits	2,527,483	2,463,001	2,205,350	257,651
Services and supplies	2,499,599	2,891,020	2,758,198	132,822
Fixed assets	500,000	250,000	224,095	25,905
Expense transfer reimbursement	(3,169,748)	(3,169,748)	(3,100,438)	(69,310)
Other financing uses	70,500	70,500	--	70,500
Subtotal	<u>2,427,834</u>	<u>2,504,773</u>	<u>2,087,205</u>	<u>417,568</u>

COUNTY OF MONTEREY

General Fund (continued)  
 Schedule of Expenditures-Budget and Actual on Budgetary Basis  
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Services				
Salaries and benefits	\$ 6,220,530	\$ 5,558,557	\$ 5,268,509	\$ 290,048
Services and supplies	6,366,638	7,584,638	6,951,487	633,151
Other charges	76,000	76,000	40,951	35,049
Fixed assets	50,000	110,000	74,372	35,628
Expense transfer reimbursement	(3,537,319)	(3,924,819)	(3,488,102)	(436,717)
Subtotal	9,175,849	9,404,376	8,847,217	557,159
Vehicle Replacement				
Fixed assets	2,500,000	2,500,000	1,258,254	1,241,746
Expense transfer reimbursement	(923,987)	(923,987)	(1,090,232)	166,245
Subtotal	1,576,013	1,576,013	168,022	1,407,991
Recorder-County Clerk				
Salaries and benefits	973,301	953,599	822,148	131,451
Services and supplies	581,537	641,508	449,945	191,563
Fixed assets	350,000	320,000	199,906	120,094
Subtotal	1,904,838	1,915,107	1,472,000	443,107
LAFCO				
Salaries and benefits	--	--	(1,538)	1,538
Subtotal	--	--	(1,538)	1,538
Equal Opportunity Office				
Salaries and benefits	250,952	244,038	237,739	6,299
Services and supplies	80,668	90,499	60,422	30,077
Subtotal	331,620	334,537	298,161	36,376
Insurance				
Services and supplies	1,665,374	1,665,374	1,628,348	37,026
Expense transfer reimbursement	(220,085)	(220,085)	(222,915)	2,830
Subtotal	1,445,289	1,445,289	1,405,434	39,855
Contributions - Other Agencies				
Other charges	257,000	257,000	211,769	45,231
Subtotal	257,000	257,000	211,769	45,231
Short-Term Borrowing				
Services and supplies	204,000	96,697	47,229	49,468
Other charges	800,000	1,196,666	1,196,666	--
Subtotal	1,004,000	1,293,363	1,243,895	49,468

## COUNTY OF MONTEREY

### General Fund (continued) Schedule of Expenditures-Budget and Actual on Budgetary Basis For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Uses				
Salaries and benefits	\$ --	\$ --	\$ (707,786)	\$ 707,786
Services and supplies	11,604,925	6,579,564	1,181,510	5,398,054
Other charges	5,000	5,000	1,230,876	(1,225,876)
Expense transfer reimbursement	987,696	13,587,291	22,444,891	(8,857,600)
Other financing uses	23,308,324	24,440,540	21,175,446	3,265,094
Subtotal	<u>35,905,945</u>	<u>44,612,395</u>	<u>45,324,937</u>	<u>(712,542)</u>
Contingencies				
Contingencies	4,612,000	--	--	--
Subtotal	<u>4,612,000</u>	<u>--</u>	<u>--</u>	<u>--</u>
 Total Other General Government	 <u>64,428,903</u>	 <u>69,722,676</u>	 <u>66,511,840</u>	 <u>3,210,836</u>
 <b>Total General Government</b>	 <u>92,897,057</u>	 <u>104,049,784</u>	 <u>97,498,807</u>	 <u>6,550,977</u>
 <b>Public Safety</b>				
Judicial:				
Public Defender				
Salaries and benefits	4,814,957	4,773,804	4,713,444	60,360
Services and supplies	587,913	710,044	733,602	(23,558)
Subtotal	<u>5,402,870</u>	<u>5,483,848</u>	<u>5,447,046</u>	<u>36,802</u>
Trial Courts				
Services and supplies	991,258	991,258	263,920	727,338
Other charges	8,306,538	8,306,538	8,439,347	(132,809)
Subtotal	<u>9,297,796</u>	<u>9,297,796</u>	<u>8,703,267</u>	<u>594,529</u>
Grand Jury				
Services and supplies	116,394	116,394	90,161	26,233
Subtotal	<u>116,394</u>	<u>116,394</u>	<u>90,161</u>	<u>26,233</u>
District Attorney				
Salaries and benefits	13,343,686	13,863,577	13,180,154	683,423
Services and supplies	1,796,059	1,809,333	1,690,136	119,197
Fixed assets	--	51,673	51,566	107
Expense transfer reimbursement	(1,007,235)	(1,180,539)	(1,552,799)	372,260
Subtotal	<u>14,132,510</u>	<u>14,544,044</u>	<u>13,369,056</u>	<u>1,174,988</u>
Court Assigned Counsel				
Services and supplies	1,428,500	1,428,500	1,429,873	(1,373)
Subtotal	<u>1,428,500</u>	<u>1,428,500</u>	<u>1,429,873</u>	<u>(1,373)</u>
 Total Judicial	 <u>30,378,070</u>	 <u>30,870,582</u>	 <u>29,039,403</u>	 <u>1,831,179</u>

## COUNTY OF MONTEREY

### General Fund (continued) Schedule of Expenditures-Budget and Actual on Budgetary Basis For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Other Protection:</b>				
<b>Sheriff</b>				
Salaries and benefits	\$ 25,782,470	\$ 26,294,526	\$ 26,256,499	\$ 38,027
Services and supplies	4,851,669	5,260,068	5,181,924	78,144
Fixed assets	419,659	877,457	845,848	31,609
Expense transfer reimbursement	(65,000)	(65,000)	(93,386)	28,386
<b>Subtotal</b>	<b>30,988,798</b>	<b>32,367,051</b>	<b>32,190,885</b>	<b>176,166</b>
<b>Joint Gang Task Force</b>				
Salaries and benefits	--	768,458	649,425	119,033
Services and supplies	--	1,938,985	1,575,814	363,171
Fixed assets	--	204,974	92,953	112,021
<b>Subtotal</b>	<b>--</b>	<b>2,912,417</b>	<b>2,318,192</b>	<b>594,225</b>
<b>Sheriff's Correctional Division</b>				
Salaries and benefits	22,652,596	23,736,729	23,789,402	(52,673)
Services and supplies	7,434,581	7,418,520	7,290,954	127,566
Fixed assets	--	68,577	68,576	1
Expense transfer reimbursement	(12,000)	(12,000)	(12,360)	360
<b>Subtotal</b>	<b>30,075,177</b>	<b>31,211,826</b>	<b>31,136,572</b>	<b>75,254</b>
<b>Juvenile Hall</b>				
Salaries and benefits	9,373,006	10,140,625	10,073,926	66,699
Services and supplies	2,826,452	2,908,319	2,829,633	78,686
Fixed assets	--	65,622	65,612	10
Expense transfer reimbursement	--	(240,176)	(172,931)	(67,245)
Other financing uses	--	--	--	--
<b>Subtotal</b>	<b>12,199,458</b>	<b>12,874,390</b>	<b>12,796,240</b>	<b>78,150</b>
<b>Coroner-Public Administrator</b>				
Salaries and benefits	1,007,200	937,458	896,752	40,706
Services and supplies	514,405	514,405	482,566	31,839
<b>Subtotal</b>	<b>1,521,605</b>	<b>1,451,863</b>	<b>1,379,318</b>	<b>72,545</b>
<b>Probation</b>				
Salaries and benefits	10,484,470	10,965,520	10,282,818	682,702
Services and supplies	1,891,873	2,084,282	2,074,396	9,886
Other charges	1,000,000	826,620	777,271	49,349
Fixed assets	--	39,300	39,300	--
Expense transfer reimbursement	(186,782)	(425,932)	(380,837)	(45,095)
Other financing uses	--	566,000	566,000	--
<b>Subtotal</b>	<b>13,189,561</b>	<b>14,055,790</b>	<b>13,358,948</b>	<b>696,842</b>
<b>Emergency Communications</b>				
Salaries and benefits	6,359,804	6,708,715	6,711,109	(2,394)
Services and supplies	1,188,465	869,965	775,885	94,080
Expense transfer reimbursement	(105,708)	(105,708)	(105,708)	--
<b>Subtotal</b>	<b>7,442,561</b>	<b>7,472,972</b>	<b>7,381,286</b>	<b>91,686</b>



## COUNTY OF MONTEREY

### General Fund (continued) Schedule of Expenditures-Budget and Actual on Budgetary Basis For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Office of Emergency Services				
Salaries and benefits	\$ 553,268	\$ 565,578	\$ 459,123	\$ 106,455
Services and supplies	1,569,642	2,469,683	1,477,742	991,941
Subtotal	<u>2,122,910</u>	<u>3,035,261</u>	<u>1,936,865</u>	<u>1,098,396</u>
Child Support Services				
Salaries and benefits	8,529,970	8,600,901	8,518,478	82,423
Services and supplies	1,757,102	2,461,749	2,120,375	341,374
Fixed assets	--	105,000	104,394	606
Subtotal	<u>10,287,072</u>	<u>11,167,650</u>	<u>10,743,248</u>	<u>424,402</u>
Housing and Redevelopment				
Salaries and benefits	1,364,797	1,413,532	957,740	455,792
Services and supplies	10,821	10,821	4,579	6,242
Expense transfer reimbursement	(204,727)	(204,727)	(32,871)	(171,856)
Subtotal	<u>1,170,891</u>	<u>1,219,626</u>	<u>929,448</u>	<u>290,178</u>
Contributions - Prop 172				
Other charges	1,966,920	1,966,920	1,943,975	22,945
Subtotal	<u>1,966,920</u>	<u>1,966,920</u>	<u>1,943,975</u>	<u>22,945</u>
Total Other Protection	<u>110,964,953</u>	<u>119,735,766</u>	<u>116,114,976</u>	<u>3,620,790</u>
Property Management:				
Planning & Building Inspection				
Salaries and benefits	8,837,453	7,567,559	7,450,320	117,239
Services and supplies	2,653,385	3,911,264	3,839,928	71,336
Fixed assets	128,000	128,000	107,431	20,569
Subtotal	<u>11,618,838</u>	<u>11,606,823</u>	<u>11,397,679</u>	<u>209,144</u>
Surveyor				
Salaries and benefits	--	24,357	--	24,357
Services and supplies	745,914	781,774	701,759	80,015
Subtotal	<u>745,914</u>	<u>806,131</u>	<u>701,759</u>	<u>104,372</u>
Nacimiento Hydroelectric Project				
Services and supplies	610,000	1,547,759	1,531,160	16,599
Other charges	262,809	262,809	262,809	(0)
Other financing uses	4,582	299,081	299,080	1
Subtotal	<u>877,391</u>	<u>2,109,649</u>	<u>2,093,049</u>	<u>16,600</u>
Total Property Management	<u>13,242,143</u>	<u>14,522,603</u>	<u>14,192,487</u>	<u>330,116</u>
Protective Inspection:				
Produce Inspection				
Salaries and benefits	1,368,811	1,367,541	1,055,973	311,568
Services and supplies	130,592	130,592	112,115	18,477
Subtotal	<u>1,499,403</u>	<u>1,498,133</u>	<u>1,168,088</u>	<u>330,045</u>
Total Protective Inspection	<u>1,499,403</u>	<u>1,498,133</u>	<u>1,168,088</u>	<u>330,045</u>

## COUNTY OF MONTEREY

### General Fund (continued) Schedule of Expenditures-Budget and Actual on Budgetary Basis For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Agriculture:</b>				
Agricultural Commissioner				
Salaries and benefits	\$ 4,602,491	\$ 3,777,561	\$ 3,840,575	\$ (63,014)
Services and supplies	1,436,987	1,811,256	1,687,209	124,047
Fixed assets	--	143,100	136,910	6,190
Expense transfer reimbursement	(185,490)	(185,490)	(112,735)	(72,755)
Other financing uses	--	956,900	956,900	--
Subtotal	<u>5,853,988</u>	<u>6,503,327</u>	<u>6,508,860</u>	<u>(5,533)</u>
Cooperative Extension Service				
Salaries and benefits	250,909	255,761	262,845	(7,084)
Services and supplies	80,747	77,998	69,550	8,448
Subtotal	<u>331,656</u>	<u>333,759</u>	<u>332,395</u>	<u>1,364</u>
CoOp Ext - Reimbursed Projects				
Salaries and benefits	350,736	345,870	235,915	109,955
Services and supplies	9,403	13,903	13,587	316
Subtotal	<u>360,139</u>	<u>359,773</u>	<u>249,502</u>	<u>110,271</u>
<b>Total Agriculture</b>	<u>6,545,783</u>	<u>7,196,859</u>	<u>7,090,757</u>	<u>106,102</u>
<b>Total Public Safety</b>	<u>162,630,352</u>	<u>173,823,943</u>	<u>167,605,711</u>	<u>6,218,232</u>
<b><u>Health and Sanitation</u></b>				
<b>Health:</b>				
Health				
Salaries and benefits	14,142,903	13,441,883	11,879,138	1,562,745
Services and supplies	5,557,236	6,391,632	5,728,624	663,008
Fixed assets	62,400	218,900	217,240	1,660
Expense transfer reimbursement	(3,558,951)	(3,558,951)	(3,220,055)	(338,896)
Other financing uses	475,000	475,000	475,000	--
Subtotal	<u>16,678,588</u>	<u>16,968,464</u>	<u>15,079,948</u>	<u>1,888,516</u>
Environmental Health				
Salaries and benefits	5,173,959	5,234,814	4,934,413	300,401
Services and supplies	1,975,863	1,971,729	1,613,593	358,136
Fixed assets	50,000	50,000	45,378	4,622
Expense transfer reimbursement	(52,600)	(52,600)	(40,585)	(12,015)
Other financing uses	250,000	250,000	250,000	--
Subtotal	<u>7,397,222</u>	<u>7,453,943</u>	<u>6,802,800</u>	<u>651,143</u>
Primary Health Care				
Salaries and benefits	10,780,418	10,477,536	9,998,864	478,672
Services and supplies	6,137,892	7,075,446	7,036,018	39,428
Fixed assets	--	230,640	229,952	688
Expense transfer reimbursement	(3,946,000)	(3,946,000)	(3,997,400)	51,400
Subtotal	<u>12,972,310</u>	<u>13,837,622</u>	<u>13,267,434</u>	<u>570,188</u>

## COUNTY OF MONTEREY

### General Fund (continued) Schedule of Expenditures-Budget and Actual on Budgetary Basis For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Children's Medical Services				
Salaries and benefits	\$ 4,563,666	\$ 4,582,916	\$ 4,270,880	\$ 312,036
Services and supplies	1,372,066	1,264,640	956,733	307,907
Other charges	900,000	1,004,000	1,004,000	--
Expense transfer reimbursement	(52,357)	(52,357)	(50,168)	(2,189)
Other financing uses	275,000	275,000	275,000	--
Subtotal	<u>7,058,375</u>	<u>7,074,199</u>	<u>6,456,445</u>	<u>617,754</u>
Alcohol and Drug Programs				
Salaries and benefits	1,797,549	1,697,410	1,558,947	138,463
Services and supplies	4,778,188	4,908,188	4,855,719	52,469
Other charges	23,778	23,778	23,778	--
Expense transfer reimbursement	(775,945)	(775,945)	(799,415)	23,470
Subtotal	<u>5,823,570</u>	<u>5,853,431</u>	<u>5,639,029</u>	<u>214,402</u>
Emergency Medical Services System				
Salaries and benefits	848,615	593,025	441,621	151,405
Services and supplies	826,840	1,080,861	1,000,731	80,130
Other charges	80,000	80,000	98,000	(18,000)
Subtotal	<u>1,755,455</u>	<u>1,753,886</u>	<u>1,540,352</u>	<u>213,535</u>
Behavioral Health				
Salaries and benefits	18,799,685	20,803,424	19,365,022	1,438,402
Services and supplies	17,835,145	19,649,997	19,640,772	9,225
Other charges	784,589	879,716	920,875	(41,159)
Fixed assets	80,000	118,768	110,315	8,453
Expense transfer reimbursement	(512,301)	(512,301)	(651,036)	138,735
Subtotal	<u>36,987,118</u>	<u>40,939,604</u>	<u>39,385,949</u>	<u>1,553,655</u>
Medical Care Services				
Services and supplies	3,938,000	3,938,000	3,938,000	--
Other charges	4,430,843	--	--	--
Other financing uses	--	4,430,843	4,430,843	--
Subtotal	<u>8,368,843</u>	<u>8,368,843</u>	<u>8,368,843</u>	<u>--</u>
County Disposal Sites				
Salaries and benefits	--	172	--	172
Services and supplies	234,640	234,240	124,175	110,065
Other charges	50	450	145	305
Subtotal	<u>234,690</u>	<u>234,862</u>	<u>124,320</u>	<u>110,542</u>
Animal Services				
Salaries and benefits	1,313,781	1,325,593	1,231,023	94,570
Services and supplies	658,507	656,954	591,168	65,786
Fixed assets	--	--	(586)	586
Subtotal	<u>1,972,288</u>	<u>1,982,547</u>	<u>1,821,605</u>	<u>160,942</u>

COUNTY OF MONTEREY

General Fund (continued)  
 Schedule of Expenditures-Budget and Actual on Budgetary Basis  
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Litter Control				
Salaries and benefits	\$ --	\$ 9,255	\$ --	\$ 9,255
Services and supplies	465,106	465,106	450,376	14,730
Subtotal	465,106	474,361	450,376	23,985
Total Health	99,713,565	104,941,762	98,937,100	6,004,662
<b>Total Health and Sanitation</b>	99,713,565	104,941,762	98,937,100	6,004,662
<b>Public Assistance</b>				
Social Services:				
Social Services				
Salaries and benefits	44,325,086	44,489,453	43,673,783	815,670
Services and supplies	15,627,532	16,472,846	14,796,405	1,676,441
Other charges	192,683	283,183	196,702	86,481
Fixed assets	70,000	66,751	66,751	--
Expense transfer reimbursement	(75,000)	(129,645)	(117,694)	(11,951)
Subtotal	60,140,301	61,182,588	58,615,947	2,566,641
Social Services - Other Assist				
Services and supplies	489,641	489,641	416,438	73,203
Subtotal	489,641	489,641	416,438	73,203
Multipurpose Senior Svcs Prog				
Salaries and benefits	607,971	616,926	598,723	18,203
Services and supplies	11,637	11,637	11,636	1
Other charges	118,800	108,800	81,127	27,673
Subtotal	738,408	737,363	691,486	45,877
Area Agency on Aging				
Salaries and benefits	213,499	216,512	210,672	5,840
Services and supplies	1,934,223	1,998,730	1,877,921	120,809
Subtotal	2,147,722	2,215,242	2,088,593	126,649
Linkages				
Salaries and benefits	186,498	186,274	186,498	(224)
Services and supplies	69,825	70,389	70,390	(1)
Other charges	34,802	34,238	34,237	1
Expense transfer reimbursement	(26,414)	(26,414)	(26,414)	--
Subtotal	264,711	264,487	264,711	(224)
Total Social Services	63,780,783	64,889,321	62,077,175	2,812,146
Other Public Assistance:				
Military & Veterans Affairs				
Salaries and benefits	462,312	470,996	418,647	52,349
Services and supplies	85,838	85,838	75,050	10,788
Subtotal	548,150	556,834	493,696	63,138

## COUNTY OF MONTEREY

### General Fund (continued) Schedule of Expenditures-Budget and Actual on Budgetary Basis For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Child Care Planning Council				
Salaries and benefits	\$ 170,748	\$ 261,346	\$ 216,142	\$ 45,204
Services and supplies	583,213	1,145,336	881,829	263,507
Subtotal	<u>753,961</u>	<u>1,406,682</u>	<u>1,097,971</u>	<u>308,711</u>
Out-of-Home Care				
Services and supplies	2,056,812	2,056,812	1,289,962	766,850
Other charges	17,570,905	17,570,905	15,460,085	2,110,820
Subtotal	<u>19,627,717</u>	<u>19,627,717</u>	<u>16,750,047</u>	<u>2,877,670</u>
IHSS Wages & Benefits				
Other financing uses	98,924	98,924	80,476	18,448
Other charges	7,549,306	7,549,306	6,875,131	674,175
Subtotal	<u>7,648,230</u>	<u>7,648,230</u>	<u>6,955,607</u>	<u>692,623</u>
Aid to Indigents				
Other charges	560,222	560,222	422,345	137,877
Subtotal	<u>560,222</u>	<u>560,222</u>	<u>422,345</u>	<u>137,877</u>
Calworks-TANF Benefits				
Other charges	33,918,813	33,918,813	32,736,120	1,182,693
Subtotal	<u>33,918,813</u>	<u>33,918,813</u>	<u>32,736,120</u>	<u>1,182,693</u>
Total Other Public Assistance	<u>63,057,093</u>	<u>63,718,498</u>	<u>58,455,787</u>	<u>5,262,711</u>
<b>Total Public Assistance</b>	<u>126,837,876</u>	<u>128,607,819</u>	<u>120,532,962</u>	<u>8,074,857</u>
<b><u>Culture &amp; Recreation</u></b>				
Recreation Facilities:				
Parks				
Salaries and benefits	4,348,359	4,336,104	4,137,807	198,297
Services and supplies	1,927,667	1,953,392	3,150,653	(1,197,261)
Other charges	19,660	19,745	19,744	1
Fixed assets	771,694	833,849	692,027	141,822
Expense transfer reimbursement	--	(46,854)	(46,855)	1
Subtotal	<u>7,067,380</u>	<u>7,096,236</u>	<u>7,953,377</u>	<u>(857,141)</u>
Parks - Grant Projects				
Fixed assets	1,508,766	1,508,766	200,719	1,308,047
Subtotal	<u>1,508,766</u>	<u>1,508,766</u>	<u>200,719</u>	<u>1,308,047</u>
Total Recreation Facilities	<u>8,576,146</u>	<u>8,605,002</u>	<u>8,154,096</u>	<u>450,906</u>
<b>Total Culture &amp; Recreation</b>	<u>8,576,146</u>	<u>8,605,002</u>	<u>8,154,096</u>	<u>450,906</u>

COUNTY OF MONTEREY

General Fund (continued)  
 Schedule of Expenditures-Budget and Actual on Budgetary Basis  
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Other</b>				
Expenditures:				
Other General Expenditures				
Services and supplies	\$ 48,750	\$ 48,750	\$ 10,198	\$ 38,552
Subtotal	48,750	48,750	10,198	38,552
Total Expenditures	48,750	48,750	10,198	38,552
<b>Total Other</b>	48,750	48,750	10,198	38,552
<b>Total General Fund</b>	\$ 490,703,746	\$ 520,077,060	\$ 492,738,874	\$ 27,338,186

## 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 1-4)

### 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 5-10)

### 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 14-16)

### 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 17-18)

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**COUNTY OF MONTEREY**

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

	Fiscal Year Ended June 30,				
	2006	2005	2004	2003	2002
<u>Governmental activities</u>					
Invested in capital assets, net of related debt	\$ 463,900	\$ 459,041	\$ 470,684	\$ 465,234	\$ 368,529
Restricted	94,186	75,421	65,960	95,272	--
Unrestricted	42,940	39,461	532	(7,278)	156,552
Total governmental activities net assets	<u>601,026</u>	<u>573,923</u>	<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	50,634	55,814	46,684	49,678	62,635
Unrestricted	734	(1,831)	(19,159)	(23,307)	(29,006)
Total business-type activities net assets	<u>51,368</u>	<u>53,983</u>	<u>27,525</u>	<u>26,371</u>	<u>33,629</u>
<u>Primary government</u>					
Invested in capital assets, net of related debt	514,534	514,855	517,368	514,912	431,164
Restricted	94,186	75,421	65,960	95,272	--
Unrestricted	43,674	37,630	(18,627)	(30,585)	127,546
Total primary government net assets	<u>\$ 652,394</u>	<u>\$ 627,906</u>	<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.

## COUNTY OF MONTEREY

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

	Fiscal Year Ended June 30,				
	2006	2005	2004	2003	2002
<b><u>Expenses (by function)</u></b>					
<i>Governmental activities:</i>					
General government	\$ 69,797	\$ 46,864	\$ 76,319	\$ 118,440	\$ 85,809
Public protection	153,047	150,392	127,057	160,948	186,131
Public ways and facilities	63,174	52,600	50,948	32,199	29,686
Health and sanitation	93,290	100,380	100,883	88,817	117,938
Public assistance	129,735	126,017	120,371	124,209	136,114
Education	5,958	5,699	4,969	5,722	6,242
Recreation and culture services	7,154	6,041	7,208	6,857	7,975
Interest on long-term debt	4,650	5,987	4,430	5,885	5,049
<b>Total governmental activities expenses</b>	<b>526,805</b>	<b>493,980</b>	<b>492,185</b>	<b>543,077</b>	<b>574,944</b>
<i>Business-type activities:</i>					
Natividad Medical Center	137,698	166,433	130,310	137,192	130,515
<b>Total business-type activities expenses</b>	<b>137,698</b>	<b>166,433</b>	<b>130,310</b>	<b>137,192</b>	<b>130,515</b>
<b>Total Primary Government Expenses</b>	<b>664,503</b>	<b>660,413</b>	<b>622,495</b>	<b>680,269</b>	<b>705,459</b>
<b><u>Program Revenues (by function)</u></b>					
<i>Governmental activities:</i>					
<i>Charges for services:</i>					
General government	24,384	34,516	42,360	37,783	39,242
Public protection	26,289	23,586	9,743	40,745	41,939
Public ways and facilities	31,184	25,790	26,189	8,288	11,441
Health and sanitation	23,342	19,526	16,385	13,283	11,727
Public assistance	6	9	12	68	23
Education	110	94	79	159	139
Recreation and culture services	7,774	5,058	5,545	4,489	4,367
Operating grants and contributions	279,696	244,208	227,820	235,457	310,594
Capital grants and contributions	7,327	427	1,094	3,174	9,720
<b>Total governmental activities program revenues</b>	<b>400,112</b>	<b>353,214</b>	<b>329,227</b>	<b>343,446</b>	<b>429,192</b>

## COUNTY OF MONTEREY

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

	Fiscal Year Ended June 30,				
	2006	2005	2004	2003	2002
<i>Business-type activities:</i>					
Charges for services:					
Patient services	107,387	150,638	147,993	128,424	142,807
Capital grants and contributions	--	42,253	255	--	
<b>Total business-type activities revenues</b>	<u>107,387</u>	<u>192,891</u>	<u>148,248</u>	<u>128,424</u>	<u>142,807</u>
<b>Total Primary Government Program Revenues</b>	<u>507,499</u>	<u>546,105</u>	<u>477,475</u>	<u>471,870</u>	<u>571,999</u>
<b><u>Net (Expense)/ Revenue</u></b>					
Governmental activities	(126,693)	(140,766)	(162,958)	(199,631)	(145,752)
Business-type activities	(30,311)	(15,794)	17,938	(8,768)	12,292
<b>Total Primary Net (Expense)/Revenue</b>	<u>(157,004)</u>	<u>(156,560)</u>	<u>(145,020)</u>	<u>(208,399)</u>	<u>(133,460)</u>
<b><u>General Revenues and Other Changes in Net Assets</u></b>					
<i>Governmental activities:</i>					
Taxes					
Property taxes	127,363	79,088	74,994	66,809	62,771
Sales tax	6,552	6,717	6,503	7,555	7,437
Sales tax in-lieu		1,497			
Vehicle license fees and in-lieu		28,493	33,325	39,726	37,463
Transient occupancy & other	23,814	39,312	21,679	15,064	15,286
Unrestricted grants and contributions	--	--	--	2,608	--
Investment earnings	12,620	7,355	5,641	10,070	11,415
Miscellaneous	10,369	17,325	9,934	6,332	3,457
Transfers	(26,776)	--	18,931	7,095	14,361
<b>Total governmental activities</b>	<u>153,942</u>	<u>179,787</u>	<u>171,007</u>	<u>155,259</u>	<u>152,190</u>
<i>Business-type activities:</i>					
Unrestricted grants and contributions	920	42,253	--	608	1,180
Miscellaneous	--	--	2,147	7,997	2,211
Transfers	26,776	--	(18,931)	(7,095)	(14,361)
<b>Total business-type activities</b>	<u>27,696</u>	<u>42,253</u>	<u>(16,784)</u>	<u>1,510</u>	<u>(10,970)</u>
<b>Total Primary Government</b>	<u>181,638</u>	<u>222,040</u>	<u>154,223</u>	<u>156,769</u>	<u>141,220</u>
<b><u>Change in Net Assets</u></b>					
Governmental activities	27,249	39,021	8,049	(44,372)	6,438
Business-type activities	(2,615)	26,459	1,154	(7,258)	1,322
<b>Total Primary Government</b>	<u>\$ 24,634</u>	<u>\$ 65,480</u>	<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,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>General Fund</b>										
Reserved	\$ 9,756	\$ 8,316	\$ 10,618	\$ 9,959	\$ 10,639	\$ 10,657	\$ 8,583	\$ 11,064	\$ 6,912	\$ 5,756
Unreserved	77,932	78,701	41,737	21,872	39,886	36,253	35,542	30,859	30,570	28,878
<b>Total General Fund</b>	<b>87,688</b>	<b>87,017</b>	<b>52,355</b>	<b>31,831</b>	<b>50,525</b>	<b>46,910</b>	<b>44,125</b>	<b>41,923</b>	<b>37,482</b>	<b>34,634</b>
<b>All Other Governmental Funds</b>										
Reserved	5,976	20,528	40,071	26,705	33,352	26,797	28,875	26,102	28,656	15,082
Debt service	8,088	9,684	9,592	10,135	12,655	12,536	15,770	14,316	11,880	10,132
Other Reserves	3,778	3,816								
Unreserved, reported in:										
Special revenue funds	24,860	29,316	28,388	43,409	53,403	26,105	20,003	19,991	21,576	19,791
Capital project funds	86,317	67,585	62,362	92,491	105,034	23,962	13,882	7,527	8,513	21,715
Other Designations	1,500	250	--	--	--	--	--	--	--	--
<b>Total All Other Governmental Funds</b>	<b>130,519</b>	<b>131,179</b>	<b>140,413</b>	<b>172,740</b>	<b>204,444</b>	<b>89,400</b>	<b>78,530</b>	<b>67,936</b>	<b>70,625</b>	<b>66,720</b>
<b>Total Governmental Fund Balance</b>	<b>\$ 218,207</b>	<b>\$ 218,196</b>	<b>\$ 192,768</b>	<b>\$ 204,571</b>	<b>\$ 254,969</b>	<b>\$ 136,310</b>	<b>\$ 122,655</b>	<b>\$ 109,859</b>	<b>\$ 108,107</b>	<b>\$ 101,354</b>

## 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,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b><u>Revenues</u></b>										
Taxes	\$ 157,728	\$ 155,107	\$ 136,501	\$ 89,910	\$ 85,013	\$ 82,094	\$ 73,217	\$ 67,207	\$ 64,186	\$ 60,629
Licenses, permits & franchises	13,840	14,366	12,097	12,400	17,766	12,569	9,987	7,565	6,090	5,427
Fines, forfeitures & penalties	8,634	5,244	4,109	16,354	16,021	12,622	6,663	7,426	6,255	3,596
Revenues from use of money & property	11,653	7,111	5,605	10,030	11,415	10,955	12,414	7,886	6,445	10,397
Aid from other governmental agencies	281,804	244,635	228,914	278,357	357,777	236,727	207,275	209,237	202,106	193,765
Charges for current services	96,596	88,971	84,107	76,062	75,089	65,473	64,387	56,579	59,398	56,519
Other revenues	10,222	8,603	9,934	6,331	3,457	4,094	6,835	14,851	6,545	8,443
<b>Total Revenues</b>	<b>580,477</b>	<b>524,037</b>	<b>481,267</b>	<b>489,444</b>	<b>566,538</b>	<b>424,534</b>	<b>380,778</b>	<b>370,751</b>	<b>351,025</b>	<b>338,776</b>
<b><u>Expenditures</u></b>										
General	74,348	44,532	73,832	110,304	69,062	54,997	46,415	40,655	40,299	40,345
Public Protection	154,382	148,873	125,849	159,304	183,795	132,399	124,331	118,596	118,395	120,505
Public Ways & Facilities	65,207	39,031	41,140	29,591	43,260	24,633	17,692	25,829	19,952	17,488
Health & Sanitation	95,321	100,452	100,711	87,970	117,399	77,857	63,009	81,203	56,457	50,597
Public Assistance	129,802	125,181	119,820	124,588	135,566	104,615	96,986	98,757	92,633	87,158
Education	5,851	5,548	4,953	5,826	6,154	5,093	5,314	4,526	4,295	3,808
Recreational & Cultural	7,001	5,755	8,759	6,972	7,737	6,211	5,547	5,128	4,632	5,002
Debt Service										
Interest	4,432	5,444	2,856	5,929	3,112	2,401	4,703	5,027	3,509	3,738
Principal	3,186	2,310	4,643	3,562	7,934	14,041	15,713	11,093	9,489	2,406
Capital Outlay	15,976	25,120	16,511	12,547	11,855	7,262	3,523	3,471	7,982	28,340
<b>Total Expenditures</b>	<b>555,506</b>	<b>502,246</b>	<b>499,074</b>	<b>546,593</b>	<b>585,874</b>	<b>429,509</b>	<b>383,233</b>	<b>394,285</b>	<b>357,643</b>	<b>359,387</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>24,971</b>	<b>21,791</b>	<b>(17,807)</b>	<b>(57,149)</b>	<b>(19,336)</b>	<b>(4,975)</b>	<b>(2,455)</b>	<b>(23,534)</b>	<b>(6,618)</b>	<b>(20,611)</b>

**COUNTY OF MONTEREY**

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

	Fiscal Year Ended June 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Other Financing Sources (Uses)</b>										
Transfers in	32,395	32,128	39,179	44,488	128,124	39,270	32,677	32,764	28,983	17,354
Transfers out	(57,390)	(44,314)	(20,248)	(37,393)	(113,763)	(26,046)	(27,950)	(15,195)	(25,150)	(19,163)
Proceeds from borrowing	36	853	7,579	--	83,658	5,670	12,532	9,124	6,810	4,181
Sale of receivables	-	8,721	--	--	--	--	--	--	--	--
Miscellaneous	-	--	--	24	--	--	21	66	80	167
<b>Total Other Financing Sources (Uses)</b>	<b>(24,959)</b>	<b>(2,612)</b>	<b>26,510</b>	<b>7,119</b>	<b>98,019</b>	<b>18,894</b>	<b>17,280</b>	<b>26,759</b>	<b>10,723</b>	<b>2,539</b>
<b>Net Change in Fund Balances</b>	<b>\$ 12</b>	<b>\$ 19,179</b>	<b>\$ 8,703</b>	<b>\$ (50,030)</b>	<b>\$ 78,683</b>	<b>\$ 13,919</b>	<b>\$ 14,825</b>	<b>\$ 3,225</b>	<b>\$ 4,105</b>	<b>\$ (18,072)</b>
<b>Debt Service as a percentage of noncapital expendi</b>	1.41%	1.63%	1.55%	1.78%	1.92%	3.89%	5.38%	4.12%	3.72%	1.86%

**COUNTY OF MONTEREY**

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

Fiscal Year Ended June 30	1 Secured Roll	2 Unsecured Roll	3 Exemptions	Net Assessed Value	Percentage Change from Previous Year
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%
2005	38,434,501	1,713,181	(1,235,832)	38,911,850	7.3%
2006	42,538,965	1,859,928	(1,329,452)	43,069,441	10.7%

Source: Monterey County Property Tax Records, Report #70-4885-100

Notes:

- 1 Secured property is generally real property, which is defined as land, mines, mineral, timber, and improvements such as buildings, structures, crops, trees, and vines. Also included in the secured roll are unitary properties, including railroads and utilities, which cross the county and are assessed by the State Board of Equalization.
- 2 Unsecured property is generally personal property, including machinery, equipment, office tools, supplies, mobile homes, and aircraft.
- 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, 2006 and June 30th, 1997 (in thousands)

**Fiscal Year Ended June 30, 2006**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>Percentage of Total County assessed Value</u>
Duke Energy Moss Landing	Utility	\$ 728,700	1.69%
Pebble Beach Company	Tourism	640,460	1.49%
Pacific Gas and Electric Company	Utility	286,149	0.66%
Northridge Fashion Center	Retail	131,398	0.31%
Texaco Inc.	Petroleum	106,472	0.25%
Pacific Bell Telephone Company	Utility	103,128	0.24%
Pacific Oceanside Holdings	Development	83,866	0.19%
California American Water Company	Utility	81,668	0.19%
King City LLP	Agriculture	60,175	0.14%
Pacific Wine Partners LLC	Agriculture	57,696	0.13%
Ten Largest Tax Payers Total		2,279,713	5.29%
All Other Tax Payers Total		40,789,728	94.71%
Total		<u>\$ 43,069,441</u>	<u>100.00%</u>

**Fiscal Year Ended June 30, 1997**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>Percentage of Total County Assessed Value</u>
Pacific Gas and Electric	Utility	\$ 645,100	2.97%
Pebble Beach Company	Tourism	454,435	2.09%
Pacific Bell	Utility	174,598	0.80%
West Coast Pipe Lines	Utility	99,895	0.46%
Dole Fresh Vegetables	Agriculture	96,317	0.44%
Basic American Foods Inc.	Food Processing	86,646	0.40%
Texaco Inc.	Oil	81,303	0.37%
Rancho San Carlos Partnership	Development	74,063	0.34%
Basic Vegetable Products LP	Agriculture	60,770	0.28%
Thysen Paul M Tr	Development	56,674	0.26%
Ten Largest Tax Payers Total		1,829,802	8.43%
All Other Tax Payers Total		19,879,316	91.57%
Total		<u>\$ 21,709,118</u>	<u>100.00%</u>

Source: Monterey County Property Tax Records



**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 Amount	(2) Collected within the Fiscal Year Amount	Percentage of Levy	(3) Collected in Subsequent Years Amount	Total Collections To Date Amount	Percentage of Levy
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%	7,266	411,884	100.35%
2005	440,553	434,059	98.53%	8,378	442,437	100.43%
2006	487,644	476,758	97.77%	NA	NA	NA

## Notes:

- (1) Includes Secured, Unsecured, and Unitary taxes levied 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 the levy date to delinquency 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.

Source: Monterey County Property Tax Records.

**COUNTY OF MONTEREY**

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

	For Fiscal Year Ended June 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<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	0.00000	0.00000	0.00409	0.00410	0.00329	0.00354	0.00364	0.00454	0.00466
<u>Cities &amp; Special Districts:</u>										
Carmel	0.00000	0.00000	0.00000	0.00000	0.01000	0.00911	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	0.00000	0.00000	0.00449
Gonzales	0.00000	0.00000	0.00000	0.04495	0.02000	0.00000	0.00000	0.00000	0.00000	0.00034
Greenfield	0.00000	0.00000	0.00000	0.00000	0.11000	0.22089	0.07107	0.07486	0.07536	0.08002
King City	0.00000	0.00000	0.00000	0.00000	0.10000	0.16311	0.11944	0.07486	0.07536	0.08002
Marina	0.02753	0.00638	0.00624	0.00624	0.04000	0.04041	0.04860	0.05327	0.05807	0.06501
Monterey	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00449
Pacific Grove	0.00300	0.00300	0.00700	0.00700	0.03000	0.02317	0.00700	0.01100	0.01500	0.01500
Sand City	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00449
Seaside	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00449
Soledad	0.00000	0.00000	0.00000	0.02320	0.13000	0.12307	0.15802	0.17771	0.20257	0.05517
Boronda County Sanitation Dist.	0.06534	0.00636	0.00800	0.01738	0.01175	0.02612	0.01287	0.02651	0.02812	0.01247
San Lucas County Water Dist.	0.03780	0.04472	0.04904	0.05000	0.05099	0.05379	0.05353	0.05654	0.06355	0.07085
Soledad Community Health Care	0.01561	0.01776	0.02120	0.02320	0.02554	0.02844	0.03138	0.03526	0.05302	0.05483
Aromas County Water Dist.	0.00100	0.00700	0.00140	0.00140	0.00170	0.00200	0.00250	0.00370	0.00350	0.00360

**COUNTY OF MONTEREY**

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

	For Fiscal Year Ended June 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>School Districts:</b>										
Alisal Union	0.10008	0.05898	0.06457	0.10415	0.07000	0.08070	0.09759	0.04855	0.05559	0.05675
Aromas/San Juan JT Unif Sch Dist	0.02390	0.04750	0.06870	0.00750	0.02000	0.01200	0.00700	0.01400	0.00000	0.00000
Bradley Union	0.00000	0.00000	0.00000	0.05559	0.07000	0.14146	0.07107	0.07486	0.07536	0.08002
Cabrillo College	0.03700	0.03800	0.01900	0.01900	0.02100	0.01200	0.00700	0.01400	0.00000	0.00000
Carmel Unified	0.01180	0.01263	0.01324	0.01562	0.01000	0.00911	0.00000	0.00000	0.00765	0.00871
Chualar Unified School District	0.04597	0.04915	0.01547	0.03040	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Coalinga Joint Unified	0.03374	0.03281	0.07979	0.11064	0.10000	0.13141	0.04499	0.02130	0.03871	0.00000
Gonzales Union	0.01934	0.03623	0.02986	0.00000	0.02000	0.00000	0.00000	0.00000	0.00000	0.00000
Graves Elementary School Dist.	0.02615	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Greenfield Union	0.06604	0.03787	0.03853	0.07590	0.11000	0.07943	0.07107	0.07486	0.07536	0.08002
Hartnell Community College Dist.	0.01714	0.01862	0.01737	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
King City Union	0.08885	0.09977	0.10291	0.08527	0.10000	0.16311	0.11944	0.07486	0.75360	0.08002
Mission Union Elementary School Dist.	0.02767	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.03532	0.03910
Monterey Peninsula Community College	0.01800	0.02062	0.01232	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
North Monterey County Unified	0.04899	0.01340	0.05051	0.00000	0.00000	0.01587	0.01436	0.01980	0.02267	0.02488
Pacific Grove Unified	0.02278	0.02550	0.03086	0.01912	0.02000	0.01617	0.00000	0.00000	0.00765	0.00871
Pajaro JT Unified	0.02900	0.03000	0.01900	0.01900	0.02000	0.01200	0.00700	0.01400	0.00002	0.00100
Pleasant Valley Joint Union	0.00000	0.00000	0.00000	0.05700	0.18000	0.18000	0.18000	0.18000	0.18000	0.18000
Salinas Union High School District	0.03549	0.04312	0.05877	0.03842	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
San Antonio Union	0.00000	0.00000	0.00000	0.05559	0.07000	0.14146	0.07107	0.07486	0.07536	0.08002
San Ardo Union	0.00000	0.00000	0.00000	0.05559	0.07000	0.14146	0.07107	0.74860	0.07536	0.08002
San Lucas Union	0.00000	0.00000	0.00000	0.05590	0.07000	0.14146	7.10700	0.07486	0.07536	8.00200
San Miguel Elementary School	0.03624	0.05009	0.05122	0.05700	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Santa Rita Union	0.03255	0.03774	0.04563	0.07921	0.01000	0.04441	0.08131	0.13602	0.02970	0.05328
Shandon Joint Unified	0.00645	0.00646	0.00860	0.00860	0.01000	0.00970	0.01040	0.03210	0.03510	0.06200
Soledad Unified School District	0.06373	0.07575	0.08631	0.09952	0.13000	0.12307	0.15802	0.17771	0.05302	0.05517
Spreckels Union	0.03075	0.04955	0.05455	0.06730	0.04000	0.03223	0.03958	0.04378	0.04755	0.05377
Washington Union	0.05301	0.06992	0.04240	0.09879	0.03000	0.01815	0.02137	0.01898	0.02629	0.02968
West Hills College	0.00057	0.02086	0.02202	0.02715	0.02087	0.06110	0.01388	0.00000	0.00000	0.00000

Source: Monterey County Records

**COUNTY OF MONTEREY**Taxable Sales by Category  
Last Ten Calendar Years

(in thousands)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006*
Apparel Stores	5,761	6,597	7,445	7,831	7,052	7,152	7,386	9,486	9,831	3,686
General Merchandise	2,792	2,764	3,312	3,175	2,869	2,473	2,572	2,783	2,776	1,191
Food Stores	38,765	40,010	42,299	44,686	46,905	45,534	47,010	48,508	48,117	21,811
Eating and Drinking Places	55,305	52,160	57,643	60,390	62,115	63,444	62,563	66,337	70,230	30,862
Building Materials	74,775	67,002	70,994	74,233	78,657	79,603	91,436	100,291	106,632	49,037
Auto Dealers and Supplies	23,111	25,239	29,949	36,902	36,686	37,380	33,579	35,051	39,829	17,844
Service Stations	47,964	45,229	49,855	58,659	55,480	50,822	56,281	67,195	78,720	40,691
Other Retail Stores	58,193	57,977	64,312	78,817	75,752	73,869	73,964	78,755	80,806	37,963
All Other Outlets	291,086	299,741	319,368	386,227	382,965	344,980	288,724	355,011	383,249	181,694
<b>Total</b>	<b>597,752</b>	<b>596,719</b>	<b>645,177</b>	<b>750,920</b>	<b>748,481</b>	<b>705,257</b>	<b>663,515</b>	<b>763,417</b>	<b>820,190</b>	<b>384,779</b>

\* Through the first and second calendar quarters of 2006

Source: State of California Board of Equalization and The HdL Companies

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available.

**COUNTY OF MONTEREY**

Transient Occupancy Tax  
 Actual Receipts

Calendar Year	Taxable Sales	Growth Rate
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%
2005	14,420,192	7.19%
2006	15,569,105	7.97%

Source: Monterey County Treasurer-Tax Collector Transient Occupancy Tax Statements

**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)	Percentage of Personal Income
	Certificates of Participation	Capital Leases	Redevelopment Notes	Revenue Bonds	Long Term Loans	Special Assessment Bonds	General Obligation Bonds	Judgment Obligation Bonds	Certificates of Participation					
1997	15,260	1,545	-	55,111	-	6,712	1,372	-	84,322	164,322	0.76%	444	1.82%	
1998	14,810	1,180	-	47,909	-	5,187	1,035	-	94,188	164,309	0.72%	429	1.70%	
1999	14,345	1,437	-	38,335	31,177	4,127	699	-	90,119	180,239	0.75%	462	1.72%	
2000	13,860	159	-	26,140	42,967	1,554	362	-	85,042	170,084	0.66%	426	1.52%	
2001	13,360	246	-	13,691	48,637	834	28	-	76,796	153,592	0.55%	382	1.27%	
2002	92,155	645	205	6,725	51,952	420	24	-	85,710	237,836	0.77%	576	1.90%	
2003	91,600	403	165	4,242	35,020	183	19	-	83,995	215,627	0.63%	516	1.70%	
2004	91,025	147	140	1,995	35,003	179	15	7,470	82,180	218,154	0.60%	516	1.62%	
2005	89,285	205	115	1,477	34,986	175	10	6,750	80,260	213,263	0.55%	503	1.52%	
2006	87,470	252	953	1,177	33,948	171	5	6,095	77,495	207,566	0.48%	489	1.43%	

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, 2006

Net assessed value	\$ 43,069,441
Debt Limit 1.25% of net assessed value	538,368
Debt applicable to limit:	
General obligation bonds	5
Less: Amount set aside for repayment of debt	--
Net debt applicable to limit	<u>5</u>
Legal Debt Margin	<u><u>\$ 538,363</u></u>

	Fiscal Year Ended June 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Debt limit	\$ 538,368	\$ 486,398	\$ 453,188	\$ 425,098	\$ 387,838	\$ 349,706	\$ 321,312	\$ 299,331	\$ 284,192	\$ 271,364
Total net debt applicable to limit	5	10	15	19	24	28	362	699	1,035	1,372
Legal debt margin	<u><u>\$ 538,363</u></u>	<u><u>\$ 486,388</u></u>	<u><u>\$ 453,173</u></u>	<u><u>\$ 425,079</u></u>	<u><u>\$ 387,814</u></u>	<u><u>\$ 349,678</u></u>	<u><u>\$ 320,950</u></u>	<u><u>\$ 298,632</u></u>	<u><u>\$ 283,157</u></u>	<u><u>\$ 269,992</u></u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.01%	0.01%	0.11%	0.23%	0.36%	0.51%

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, 2006 (in thousands)

2005-2006 Assessed Valuation:	\$ 43,069,441
Redevelopment Incremental Valuation:	3,306,392
Adjusted Assessed Valuation:	<u>39,763,049</u>

<u>Overlapping Tax and Assessment Debt:</u>	<u>Percentage Applicable</u>	<u>Debt June 30, 2006</u>
Hartnell Community College District	99.803%	\$ 67,395
Monterey Peninsula Community College District	100.000%	36,094
Carmel Unified School District	100.000%	29,979
North Monterey County Unified School District	100.000%	19,410
Pacific Grove Unified School District	100.000%	11,480
Soledad Unified School District	100.000%	5,659
King City Joint Union High School District	98.286%	15,873
Salinas Union High School District & School Facilities Improvement District	100.000%	58,359
Alisal Union School District	100.000%	30,175
Santa Rita Union School District	100.000%	9,790
Washington Union School District	100.000%	14,295
Other School Districts	Various	42,358
City of Pacific Grove	100.000%	840
City of Marina	100.000%	8,620
Water Districts	100.000%	25
Soledad Community Hospital District	100.000%	2,085
Community Facilities Districts	100.000%	5,273
City 1915 Act Bonds	100.000%	38,323
County and Special District 1915 Act Bonds	100.000%	291
<b>Total Overlapping Tax and Assessment Debt</b>		<u>396,324</u>



**COUNTY OF MONTEREY**Direct and Overlapping Bonded Debt (continued)  
June 30, 2006 (in thousands)

<u>Direct and Overlapping General Fund Obligation Debt:</u>	<u>Percentage Applicable</u>	<u>Debt June 30, 2006</u>
Monterey County General Fund Obligations	100.000%	\$ 164,930
Monterey County Judgment Obligations	100.000%	6,095
Monterey Peninsula Unified School District Certificates of Participation	100.000%	8,490
Salinas Union High School District Certificates of Participation	100.000%	6,260
Salinas City School District Certificates of Participation	100.000%	10,780
Other School District General Fund Obligations	Various	19,472
City of Monterey General Fund Obligations	100.000%	21,010
City of Pacific Grove Pension Obligations	100.000%	19,365
City of Salinas Certificates of Participation	100.000%	44,305
Other City General Fund Obligations	100.000%	9,549
Carmel Valley Fire Protection District Certificates of Participation	100.000%	1,575
Monterey Bay Unified Air Pollution Control Authority	58.207%	2,034
<b>Total Direct and Overlapping General Fund Obligation Debt</b>		<u>313,865</u>
<b>Combined Total Debt</b>		<u>\$ 710,189 (1)</u>
 <u>Ratios to 2005-06 Assessed Valuation:</u>		
Total Overlapping Tax and Assessment Debt	0.92%	
 <u>Ratios to Adjusted Assessed Valuation:</u>		
Combined Direct Debt (\$171,025)	0.43%	
Combined Total Debt	1.79%	

## 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>Calendar Year Ended December 31</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Total Personal Income (3)</u>	<u>Median Age (4)</u>	<u>School Enrollment (5)</u>	<u>Unemployment Rate (6)</u>
1996	370,000	24,946	9,048,675	30.3	63,752	11.3%
1997	382,900	25,602	9,646,718	30.7	66,385	11.0%
1998	390,500	26,987	10,468,091	31.0	68,265	10.8%
1999	398,900	28,186	11,169,200	31.3	69,534	9.7%
2000	401,762	30,005	12,097,144	31.7	71,186	7.4%
2001	412,922	30,723	12,540,815	32.0	72,529	7.8%
2002	418,237	30,800	12,676,027	31.0	73,416	9.0%
2003	422,389	32,469	13,455,580	32.7	73,812	9.0%
2004	423,754	33,952	14,074,798	34.5	73,863	8.4%
2005	424,842	34,177	14,519,770	36.1	71,971	7.3%

## Sources:

1. State Department of Finance, Demographic Research Unit Reports and Research
2. State Department of Finance, Economic Research Unit
3. US Department of Commerce, Bureau of Economic Analysis, in Thousands
4. US Census Bureau
5. California Department of Education, Educational Demographics Unit
6. Employment Development Department, LaborMarket Info

## Notes:

Population Data is as of January 1 of the following year

Total Personal Income dollars in thousands

School Enrollment Data includes Kindergarden through grade 12

**COUNTY OF MONTEREY**

Major Employers<sup>(1)</sup>  
For the Fiscal Year Ended June 30, 2006

<u>Employer</u>	<u>Type of Entity</u>	<u>Number of Employees</u>	<u>Percentage of Labor Force</u>
Dole Fresh Vegetables	Agriculture	4,619	2.5%
County of Monterey	Government	4,112	2.2%
Department of Defense, Language Institute	Government	3,716	2.0%
Tanimura and Antle	Agriculture	2,500	1.4%
Community Hospital of Monterey Peninsula	Hospital	2,134	1.2%
Salinas Valley Memorial Health Care System	Hospital	2,112	1.2%
Pebble Beach Company	Service	1,839	1.0%
D'Arrigo Brothers	Agriculture	1,700	0.9%
HSBC Card Services	Service	1,592	0.9%
Soledad State Prison	Government	1,488	0.8%
	Total County Labor Force	183,200	

Sources: State of California EDD, Labor Market Info  
Association of Monterey Bay Area Governments  
Individual Employers / Agencies

(1) Information was not available for the fiscal year ended June 30, 1997.

**COUNTY OF MONTEREY**

Full-time Equivalent County Government Employees by Function/Program<sup>(1)</sup>  
Fiscal Year 2005 / 06 Approved Budgeted Positions

Function/Program	Fiscal Year Ended June 30,		
	2006	2005	2004
General government	488.8	468.0	746.5
Public protection	1,342.5	1,319.0	1,129.0
Public ways and facilities	153.0	150.0	238.0
Health and sanitation	756.6	688.3	614.4
Public assistance	775.0	759.0	772.0
Education	70.0	66.0	62.3
Recreation and culture services	69.6	69.6	59.6
Hospital	798.7	775.1	794.5
Water Resource Agency	60.0	60.0	-
	<u>4,514.2</u>	<u>4,355.0</u>	<u>4,416.3</u>

Source: Monterey County Human Resources Records.

(1) Information was not available for ten years' reporting, but will be accumulated over time as it becomes available.

**COUNTY OF MONTEREY**

Operating Indicators by Function/Program  
For the Last Ten Fiscal Years

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>GENERAL GOVERNMENT</b>										
101 Assessment Appeals Board										
Applications Reviewed	560	520	262	262	234	132	265	331	524	198
115 Revenue										
Accounts	20,000	25,000	92,000	92,000	92,000	90,000	125,000	125,000	125,000	125,000
117 Treasurer-Tax Collector										
Number of payment transactions	280,800	285,352	257,700	242,300	218,500	285,000	304,000	329,000	350,000	362,000
Treasury deposits processed	6,910	7,597	7,941	8,290	9,303	9,529	8,500	9,000	8,500	9,100
Electronic payment transactions processed				710	870	945	1,260	1,100	4,500	40,000
118 Assessor										
Deeds processed	unavail	unavail	18,341	19,018	18,561	19,722	21,712	25,181	26,309	24,903
Transfers	unavail	unavail	11,681	12,505	12,005	10,527	10,596	12,338	12,891	13,188
Assessable building permits	unavail	unavail	1,827	1,944	1,685	2,723	1,998	2,319	2,243	1,841
151 Telecommunications										
Telephone instruments supported	unavail	unavail	unavail	unavail	unavail	4,200	4,500	4,500	4,200	4,650
Telephone calls completed	unavail	unavail	unavail	unavail	unavail	7,300,000	10,000,000	14,000,000	18,000,000	16,300,000
Voicemail messages	unavail	unavail	unavail	unavail	unavail	2,900,000	3,500,000	3,000,000	2,800,000	2,100,000
193 Information Technology										
PCs and Laptops supported	unavail	unavail	unavail	unavail	unavail	2,938	3,954	4,149	4,159	4,485
Servers in the Data Center	unavail	unavail	unavail	unavail	unavail	38	58	110	155	232
Training classes	unavail	unavail	unavail	unavail	unavail	1,200	1,350	1,400	1,400	1,650
291 Recorder-County Clerk (figures are Calendar Year)										
Documents recorded	unavail	77,442	92,283	95,929	86,638	110,804	127,597	157,438	138,690	137,348
Marriage licenses issued	unavail	3,921	3,408	3,381	3,471	3,776	3,278	3,150	3,123	3,067
fictitious business names filed	unavail	2,452	2,456	2,515	2,580	2,428	2,561	2,810	2,059	3,040
<b>PUBLIC PROTECTION</b>										
152 Emergency Communications										
911 and non-emergency calls	unavail	unavail	unavail	unavail	unavail	unavail	unavail	600,000	600,000	612,000
CAD incidents	unavail	unavail	unavail	unavail	unavail	unavail	unavail	556,059	560,422	560,026
224 District Attorney's Office										
Felonies reviewed	2,705	3,023	3,236	2,746	3,226	3,524	3,361	3,876	3,852	4,512
Misdemeanors reviewed	17,896	17,253	16,299	19,194	15,174	14,444	14,114	13,736	13,294	13,836
Civil cases opened	unavail	unavail	unavail	unavail	unavail	197	199	191	231	228
Cases	25,692	25,138	28,581	22,226	23,728	22,752	22,116	21,280	21,370	21,400

## COUNTY OF MONTEREY

Operating Indicators by Function/Program  
For the Last Ten Fiscal Years (continued)

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
227 Public Defender										
Felonies	2,087	2,218	2,009	2,146	2,255	2,688	2,928	3,306	3,798	4,700
Misdemeanors	6,060	5,293	4,749	4,820	4,607	6,192	6,229	6,535	6,859	7,066
Juveniles	2,182	2,088	1,855	1,991	2,013	3,612	1,932	1,864	2,143	1,992
228 Court Assigned Counsel										
Felonies	unavail	unavail	unavail	unavail	unavail	618	707	918	952	972
Misdemeanors	unavail	unavail	unavail	unavail	unavail	673	646	537	573	565
Juveniles	unavail	unavail	unavail	unavail	unavail	unavail	unavail	194	211	190
230 Sheriff-Administration and Enforcement Bureau										
Warrants received	16,354	15,279	12,984	14,730	12,136	12,500	17,000	13,355	14,538	15,890
Felony offenses reported	2,312	2,572	1,056	1,471	1,998	2,100	2,500	2,625	2,756	2,893
Misdemeanor offenses reported	1,836	2,312	1,440	1,580	1,502	1,600	2,200	2,310	2,425	2,546
235 Sheriff-Joint Gang Task Force										
Felony arrests	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	176	245
Misdemeanor arrests	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	261	311
Community assessment surveys	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	128	192
251 Sheriff-Custody Operations Bureau										
Prisoners booked	19,958	18,335	20,859	18,337	18,927	18,022	18,397	17,705	17,919	17,950
Court transportation	28,358	24,818	18,388	27,068	19,473	21,000	23,000	23,047	24,848	27,771
255 Probation										
Standard reports	unavail	unavail	unavail	unavail	unavail	unavail	unavail	unavail	2,652	3,584
Supervision	unavail	unavail	unavail	unavail	unavail	unavail	unavail	unavail	7,089	7,995
281 Agricultural Commissioner										
Phytosanitary Certificates	unavail	unavail	unavail	unavail	unavail	unavail	unavail	unavail	16,019	16,733
256 Juvenile Institutions and Alternative Programs										
Juvenile Hall and Youth Center admissions	1,890	1,785	1,493	1,724	1,680	1,800	1,702	1,611	1,635	1,284
292 Sheriff-Coroner										
Total investigations	1,088	992	1,091	1,129	1,082	1,155	1,185	1,178	1,064	1,034
Coroner's cases	343	312	303	309	284	328	345	388	348	304
Nacimiento Hydroelectric Project										
kilowatt hours generated	unavail	10,503,921	15,649,069	15,423,775	15,307,481	16,550,656	11,569,402	13,027,168	13,118,178	17,427,225
293 Planning and Building Inspection										
Building permits	2,220	2,399	3,735	3,175	2,449	2,982	3,289	3,816	3,428	2,857
Plan checks	3,010	3,097	3,105	3,509	3,278	3,404	3,354	2,252	2,388	2,815
Building inspections	27,321	26,316	27,662	21,295	28,615	22,000	23,000	25,154	25,154	26,539

## COUNTY OF MONTEREY

Operating Indicators by Function/Program  
For the Last Ten Fiscal Years (continued)

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Water Resources										
Supplemental well production - acre feet	unavail	unavail	4,220	6,316	6,925	6,249	6,789	8,109	6,817	5,798
Recycled water production - acre feet	unavail	unavail	7,562	10,433	11,100	13,237	12,839	13,873	10,937	10,865
Total water deliveries - acre feet	unavail	unavail	11,782	16,749	18,025	19,486	19,628	21,982	17,754	16,663
PUBLIC WAYS AND FACILITIES										
300 Public Works										
Road miles maintained	unavail	unavail	unavail	1,258	1,254	1,243	1,243	1,240	1,240	1,240
Bridges maintained	unavail	unavail	unavail	173	173	173	173	173	173	173
HEALTH AND SANITATION										
296 Animal Services										
Licenses sold	unavail	5,841	5,901	5,301	4,174	3,809	5,991	7,576	7,287	4,827
Animals admitted to shelter	unavail	unavail	unavail	6,391	6,521	5,702	5,452	4,143	4,364	4,235
Animals returned to owners	unavail	unavail	unavail	526	563	461	427	410	441	450
411 Health										
Public health nursing home visits	unavail	unavail	6,754	9,540	6,828	9,402	10,233	10,516	8,738	9,200
Births registered	unavail	6,295	6,293	6,445	6,644	6,644	6,609	6,866	6,998	7,100
deaths registered	unavail	2,101	2,309	2,273	2,392	2,392	2,294	2,311	2,262	2,300
413 Clinic Services										
Primary care clinic visits	unavail	41,223	39,150	39,921	40,180	47,439	55,245	60,993	98,902	130,261
415 Mental Health										
Inpatient services (days)	1,980	2,370	2,560	2,026	3,070	3,731	2,268	2,258	2,318	2,533
Adult locked facilities (days)	5,308	6,403	5,828	6,088	7,425	7,592	7,198	11,001	8,030	10,760
Child day treatment (days)	5,294	6,401	11,303	12,494	15,735	20,035	11,865	9,538	15,272	10,579
417 Alcohol and Drug Programs										
Methadone maintenance dosing	49,705	41,128	33,443	32,977	36,840	43,302	52,742	54,016	54,958	53,178
Narcotic treatment program counseling	0	18,201	1,245	11,832	14,280	14,765	19,238	19,086	19,086	25,476
Outpatient drug free	7,506	955	8,326	8,576	7,140	13,679	9,587	11,272	17,695	10,658
440 Children's Medical Services										
CCS Referrals reviewed for medical eligibility	unavail	unavail	479	2,150	1,750	1,761	2,181	1,504	2,013	2,300
CCS referrals opened for medical services	unavail	unavail	238	495	550	970	1,196	1,051	1,006	2,012
CCS annual eligibility reviews	unavail	unavail	unavail	unavail	unavail	unavail	unavail	2,130	2,210	2,180
PUBLIC ASSISTANCE										
501 Social Services										
Food Stamps	3,557	3,267	3,985	4,766	4,233	4,485	4,660	4,841	5,687	6,174
Medi-CAL	15,563	15,693	17,472	18,698	19,321	21,775	21,028	21,230	22,077	23,499
CWS emergency response assessment	424	344	271	242	216	1,935	303	285	309	266

## COUNTY OF MONTEREY

### Operating Indicators by Function/Program For the Last Ten Fiscal Years (continued)

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
531 CalWORKs/TANF Benefits										
Ongoing caseload	8,076	6,968	6,137	5,357	4,832	4,543	4,675	4,811	4,359	4,558
Employment services	unavail	1,284	1,875	1,414	1,589	1,935	1,950	1,633	1,373	1,130
Childcare services	unavail	271	408	529	445	352	334	286	273	261
535 Out-Of-Home-Care, Average Monthly										
Foster care caseload	499	527	562	485	422	371	402	492	462	527
Court dependent children	12	15	24	22	19	15	12	5	4	4
Aid to adoptions	185	202	249	297	364	437	495	449	578	650
548 In-Home Support Services - Client Services paid cases										
Personal care services program	unavail	1,193	1,293	1,584	1,930	2,105	2,296	2,037	2,112	2,374
Residual/Waiver Plus	unavail	616	609	450	564	596	610	621	581	400
551 Aid to Indigents										
Regular general assistance	382	341	287	289	221	266	148	178	148	140
Interim general assistance	61	66	73	62	57	63	185	152	185	165
559 Military and Veterans Affairs caseload items										
Claims filed	5,894	5,866	5,790	5,755	5,757	4,489	2,641	2,191	1,878	1,821
Veterans transported to VA Medical	5,894	5,866	2,792	2,653	2,134	1,963	1,545	2,790	884	1,278
Claims for VA Health Care	1,278	1,084	1,179	1,471	1,489	397	516	722	460	458
<b>EDUCATION</b>										
611 Library										
Customers visiting library	630,000	625,000	620,984	640,393	668,324	665,620	637,787	688,246	642,226	700,126
Items borrowed by library customers	789,852	821,183	734,078	702,940	727,227	726,934	690,226	621,720	653,536	722,157
Customers using library computers			38,574	50,172	113,765	124,657	135,458	140,806	162,531	177,159
621 Cooperative Extension										
Seminars and Presentations organized	unavail	unavail	unavail	unavail	unavail	unavail	174	192	161	200
Newsletters/publications	unavail	unavail	unavail	unavail	unavail	unavail	88,542	88,424	83,334	86,599
Consultations	unavail	unavail	unavail	unavail	unavail	unavail	7,624	8,018	7,963	6,131
<b>RECREATION AND CULTURAL SERVICES</b>										
750 Parks										
Visitors	1,452,300	1,514,227	1,586,855	1,360,537	1,392,823	1,419,565	1,384,571	1,415,262	1,400,000	1,400,000

Sources: Actuals and Estimates taken from  
Departmental Workload Information published in the County of Monterey Recommended Budget Books, and  
Departmental Records

Note: Sheriff Joint Gang Task Force started in 2004-05

Differences between indicators from prior year's CAFR to current due to estimates to actuals.



**COUNTY OF MONTEREY**

Capital Asset Statistics<sup>(1)</sup>  
Last Two Fiscal Years

	<u>2004-05</u>	<u>2005-06</u>
General Government		
Buildings	19	21
Vehicles	--	125
Heavy Equipment	--	17
Public Protection		
Buildings	20	19
Vehicles	468	493
Heavy Equipment	--	36
Public Ways & Facilities		
Road Department		
Bridges	123	171
Culverts (ft)	218,749	218,749
Drain System Inlets	226	226
Drain System Pipe (ft)	68,752	68,752
Fuel Stations	3	3
Heavy Road Equipment	44	45
Lift Stations	2	16
Maintained Road Miles (paved)	1,239	1,100
Maintenance District Facility Buildings	5	5
Public Parks & Open Space Acreage	4	4
Road Lane Miles	2,611	2,611
Sanitary Heavy Equipment	2	2
Sanitary Sewer Lines (miles)	54	44
Street Lights	106	1,026
Traffic Signals	40	20
Vehicles	--	111
Water Resources		
Dams	2	2
Heavy Equipment	6	6
Hydro-electric plants	1	1
Levees	1	1
Pump Stations	2	5
Reclamation Ditches	1	1
Vehicles	24	29
Potrero Tide Gate	--	1
Homes	--	2
Pipe miles	--	50
Wells	--	21
Booster Pumps	--	3

**COUNTY OF MONTEREY**

Capital Asset Statistics  
Last Two Fiscal Years (Continued)

	<u>2004-05</u>	<u>2005-06</u>
Health		
Buildings	32	7
Vehicles	94	131
Heavy Equipment	18	1
Public Assistance		
Buildings	2	2
Vehicles	75	107
Recreation and Cultural Services		
Basketball Courts	1	1
Boats	14	14
Buildings	159	175
Heavy Equipment	34	286
Lake Acres	10,000	10,000
Land Acres	12,155	7,025
Parks	7	7
Tennis Courts	1	1
Vehicles	88	94
Education		
Bookmobiles	3	3
Buildings	5	4
Vehicles	--	15
Heavy Equipment	--	6

## Source:

04/05 CAFR

Owned Buildings and Parcels from General Services' Real Property Specialist reports

Vehicles &amp; Heavy Equipment from General Services' FleetFocus FA Equipment Inventory List

Departmental Records

## Note:

Differences in assets between fiscal years due to updated information sources.

- (1) Information was not available for ten years' reporting, but will be accumulated over time as it becomes available.