

County of Monterey

State of California



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012

Prepared and Submitted by the Office of the Auditor-Controller
Michael J. Miller, CPA, CISA

Salinas Valley

In addition to serving as the backdrop for two of America's great literary works by John Steinbeck, the Salinas Valley is an 80-mile long produce region, where rows of vegetable crops stretch to the horizon. Nicknamed the "Salad Bowl of the World," the main exports are head lettuce, broccoli and celery. The valley retains its agricultural roots and annually hosts the highly ranked California Rodeo. Ranches and farm houses are abundant. It is a combination of rural landscapes, small towns and bustling commercial activity.

Two of California's most historic establishments, the San Antonio de Padua Mission and the Soledad Mission, are located in the Salinas Valley. It's also the location of the Agricultural and Rural Life Museum, where kids and adults can learn how Salinas Valley farming families lived over a century ago.

Salinas Valley is also an ideal spot for growing wine and hosts notable vineyards and wine tasting rooms, many of which offer sweeping views of both the valley and the hills beyond. Twelve wineries are located in the valley ranging from large to small family-owned operations with unique wine selections.

Cover photograph courtesy of Ma Mon

COUNTY of MONTEREY

STATE of CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012

Prepared and Submitted by the Office of the Auditor-Controller
Michael J. Miller, CPA, CISA



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**COUNTY OF MONTEREY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Year Ended June 30, 2012**

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INTRODUCTORY SECTION



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MONTEREY COUNTY

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MICHAEL J. MILLER, CPA, CISA
AUDITOR-CONTROLLER

ALFRED R. FRIEDRICH, CGFM
ASSISTANT AUDITOR-CONTROLLER



December 20, 2012

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

I am pleased to present this Fiscal Year 2011-12 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 residents of Monterey County, the Board of Supervisors, 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 government auditing standards (GAGAS). The financial statements contained in this CAFR meet these requirements.

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 Notes to the financial statements (Notes) contained in this CAFR have been audited by GALLINA LLP, a Limited Liability Partnership of Certified Public Accountants (GALLINA). Their audit was performed in accordance with GAGAS. The auditors have concluded, based on their audit that the financial statements combined with the accompanying Notes present fairly, in all material respects, the financial condition of Monterey County as of June 30, 2012. 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, GALLINA considered the internal control structure of the County in order to determine appropriate audit procedures. During this review, no significant deficiencies or material weaknesses were noted. This information was presented in a letter to the Board of Supervisors and management.

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

PROFILE OF THE COUNTY OF MONTEREY

Overview of the County

History and Geography: 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.

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.

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

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

Structure: The County is a general law county. The County government is comprised of ten elected officials including a five-member Board of Supervisors, the Assessor-Clerk-Recorder, the Auditor-Controller, the District Attorney, the Sheriff and the Treasurer-Tax Collector; all elected to four-year terms. A County Administrative Officer (CAO) is appointed by the Board of Supervisors and functions as the Chief Executive Officer.

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.

Services: 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, report to the CAO.

Population: The County maintains a steady population base in excess of 400,000 people. 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 serves as the County seat, and is the County’s largest city with a population of over 150,000. 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.

Component Units

This report includes all of the funds of the County of Monterey and the entities described in Note 1 of the Notes. Although all these entities 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 some of the above component units and can be obtained by contacting the Office of the Auditor-Controller of the County of Monterey.

Budgetary Process

The County is required by State law to adopt a balanced budget by July 1 of each fiscal year. Budgets are adopted for the general fund, special revenue funds, debt service funds and capital project funds. The legal level of budgetary control is at the Department level. Budget data is prepared on the modified accrual basis consistent with comparable actual amounts. A budget is also adopted for the enterprise funds and the internal service funds.

Encumbrance accounting is utilized during the year for budget control purposes. Unencumbered budget appropriations lapse at the end of the fiscal year. Board of Supervisors policy requires re-appropriation of carryover capital improvement projects on an annual basis after review of each project status.

The Board approves supplemental appropriations, which are normally financed by unanticipated revenues during the year.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The local economy has traditionally centered on agribusiness, tourism, and government, but the trade, transportation and utilities group continues to become a larger part of the Monterey County economy.

Agribusiness: Agribusiness continues to be the County's No. 1 industry with a gross production value of \$3.85 billion, down slightly by 3.8% compared to 2011. The majority of the local crops, 67%, are exported to Canada. In terms of land allocation, of the 2 million acres within the County, over 500,000 acres are prime farmland. Ranking fourth in production among agricultural counties within California, the industry contributes 73,000 jobs to the local economy.

Tourism: Among the top three industries in the County, hospitality generated approximately \$2 billion in 2011, attracting over 8 million visitors. Despite the economic downturn, domestic tourism continues to rise. Statistics show an increase in room rates, occupancy, and revenue per available room. Employment in the industry, now at 22,000 is also increasing; a trend which is expected to continue.

Employment: The County normally experiences periods of relatively high unemployment as the agribusiness moves from one season to the next. However, the employment number has improved compared to the last fiscal year. According to State Economic Development Department reports, the unemployment rate in Monterey County was at 8.8% as of June 2012, a decrease over the June 2011 year-ago estimate of 10.0% and lower than the State average of 9.8%.

Real Estate / Housing: During the housing boom, the County experienced an unprecedented growth in the value of homes, with homes in some areas seeing an appreciation in excess of 150%. At the collapse of the market, prices and sales plummeted. The market seems to have stabilized with a slight improvement in median prices. According to the California Association of Realtors, a median home price comparison from 2011 to 2012 shows a 1.7% increase from 254,500 to 259,000. However, the number of homes sold is down 4.7% when comparing year to year.

Long-Term Financial Planning

Three-Year Financial Forecast: In order to provide County policy-makers and the public an updated assessment of the County's financial conditions, the County Office of Administration develops an annual Three-Year Financial Forecast. This report takes into account the latest economic developments, and

includes historical perspective on General Fund revenues and expenditures, an updated current year estimate, and three-year financial outlook.

Debt Administration: The County uses the Sympro Debt Management System to monitor and manage the debt for the County, schools, and special districts. This tool assists management to develop scenarios, monitor market activities, and also capitalize on financial opportunities.

County Debt Obligations: The County issued only one debt instrument in fiscal year 2011-12.

- Tax and Revenue Anticipation Notes (TRANs) were issued through the California Statewide Communities Development Authority (CSCDA) on September 8, 2011 totaling \$43.855 million. The TRAN was issued in two series: Series A-5a in the amount of \$22 million maturing on January 31, 2012 bearing a coupon rate of 2.00% with a reoffering yield of 0.20%; and Series A-5b in the amount of \$21.855 million maturing on May 15, 2012 bearing a coupon rate of 2.00% with a reoffering yield of 0.24%. Funds were pledged in December 2011 for Series A-5a and in April for Series A-5b. Both Series of the TRAN were promptly paid with principal and interest on the maturity date.

Credit Ratings: The County utilizes all three ratings agencies to provide credit ratings, as needed, for both long and short term issuances. The County's long term bond issuances were subjected to a follow-up review by both Fitch and Moody's Investor Services at the end of FY 2010-11. Based on strong management, increased reserves, and implementation of a plan to reduce OPEB unfunded liabilities, Moody's removed the negative outlook. Currently, the County's Credit rating is:

	Fitch Rating/Outlook	Moody's Rating/Outlook	S&P Rating/Outlook
General Obligation Bonds		Aa2	
Judgment Obligation Bonds		Aa3	
Lease Obligation Bonds (COPs)	AA-/Stable	A1	AA/Stable
Short Term		Mig-1	SP1+

The County continues developing strategies to aggressively improve the efficiencies and effectiveness of operations, and capitalize on these re-engineering efforts to improve its finances.

Proposed and Subsequent Financings: The County has closed its FY 2012-13 TRAN issuance since year end. The TRAN was issued on August 23, 2012 in the amount of \$35 million as two series of a stand-alone tranche of the CSCDA. Series A in the amount of \$17.5 million matures January 31, 2013 and bears a coupon rate of 1.00% and a yield of 0.16666%. Series B matures May 31, 2013 in the amount of \$17.5 million bearing a coupon rate of 2.50% and a yield of 0.17758%. No other issuances are proposed during FY2012-13.

Relevant Financial Policies

Reserve Policy: The Monterey County Board of Supervisors unanimously adopted in ordinance form a formal reserve policy for strategic reserves. Beginning in fiscal year 2005-06, General Fund reserves were to be funded over eight years to equal ten percent of General Fund budgeted revenues. The reserve was established for use in legal judgment settlements against the County, economic downturns, natural disasters and for one-time State budget reductions that could not be addressed through the annual appropriations for contingencies. After suspending contributions to the strategic reserve for fiscal years 2008-09 and 2009-10 due to budgetary constraints, the Board resumed the contribution in fiscal year 2010-11. The County's strategic reserve policy ordinance was amended to allow establishing a sub-

commitment within the General Fund strategic reserve commitment for Natividad Medical Center (NMC), an Enterprise Fund of the County. A transfer of \$14.2 million was made from NMC's unrestricted Net Assets to the NMC's sub-commitment under the strategic reserve commitment. The use of this sub-commitment is limited only for the purposes of NMC as determined by the County Board of Supervisors. With an accumulated total of \$52.3 million, the reserve commitment was fully funded per the reserve policy requiring no additional contributions in fiscal year 2011-12.

Public Financing Policy: On April 29, 2008, the Board rescinded the previously adopted Public Financing Policies and the Mello Roos Financing Policy and adopted a revised formal written Monterey County Public Financing Policy dated April 21, 2008. The revised policy established a Debt Advisory Committee comprised of the County Administrative Officer (or his designee), the County Auditor, and the County Treasurer-Tax Collector to provide additional oversight of debt related matters. In addition, the policy provides general guidelines for the decision making process with regard to the issuance of debt instruments. The use of debt must provide general or specific benefits to its citizens in relation to the cost of repayment levied upon those citizens.

Dissolution of Redevelopment Agency

On December 29, 2011, the California Supreme Court issued a decision that upheld ABx1 26, the Dissolution Act, which dissolved redevelopment agencies effective February 1, 2012. The Dissolution Act suspended redevelopment activities and dissolved redevelopment agencies. On January 10, 2012 the County agreed to serve as the Successor Agency for the Monterey County Redevelopment Agency, tasked with paying off former debts, disposing of Agency assets, and winding down the affairs of the former Agency in the fiduciary capacity.

ADDITIONAL AVAILABLE INFORMATION

Copies of this CAFR, the Single Audit Report, the County Proposed and Final Budgets, the Tax Rate Books, and other documents are available on the internet, www.co.monterey.ca.us/auditor.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Monterey for its comprehensive annual financial report for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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.

Acknowledgments

I extend my thanks to my staff in 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. 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 GALLINA, LLP for their dedication and hard work. 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 cursive script that reads "Michael J. Miller". The signature is written in black ink and is positioned above the printed name.

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, 2011

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.



Linda C. Danison

President

Jeffrey R. Emer

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.....	Simón Salinas
District #4.....	Jane Parker
District #5.....	Dave Potter

Executive Branch:

Assessor – County Clerk-Recorder.....	Stephen L. Vagnini
Auditor-Controller.....	Michael J. Miller, CPA, CISA
District Attorney.....	Dean D. Flippo
Sheriff-Coroner.....	Scott Miller
Treasurer-Tax Collector.....	Mary A. Zeeb

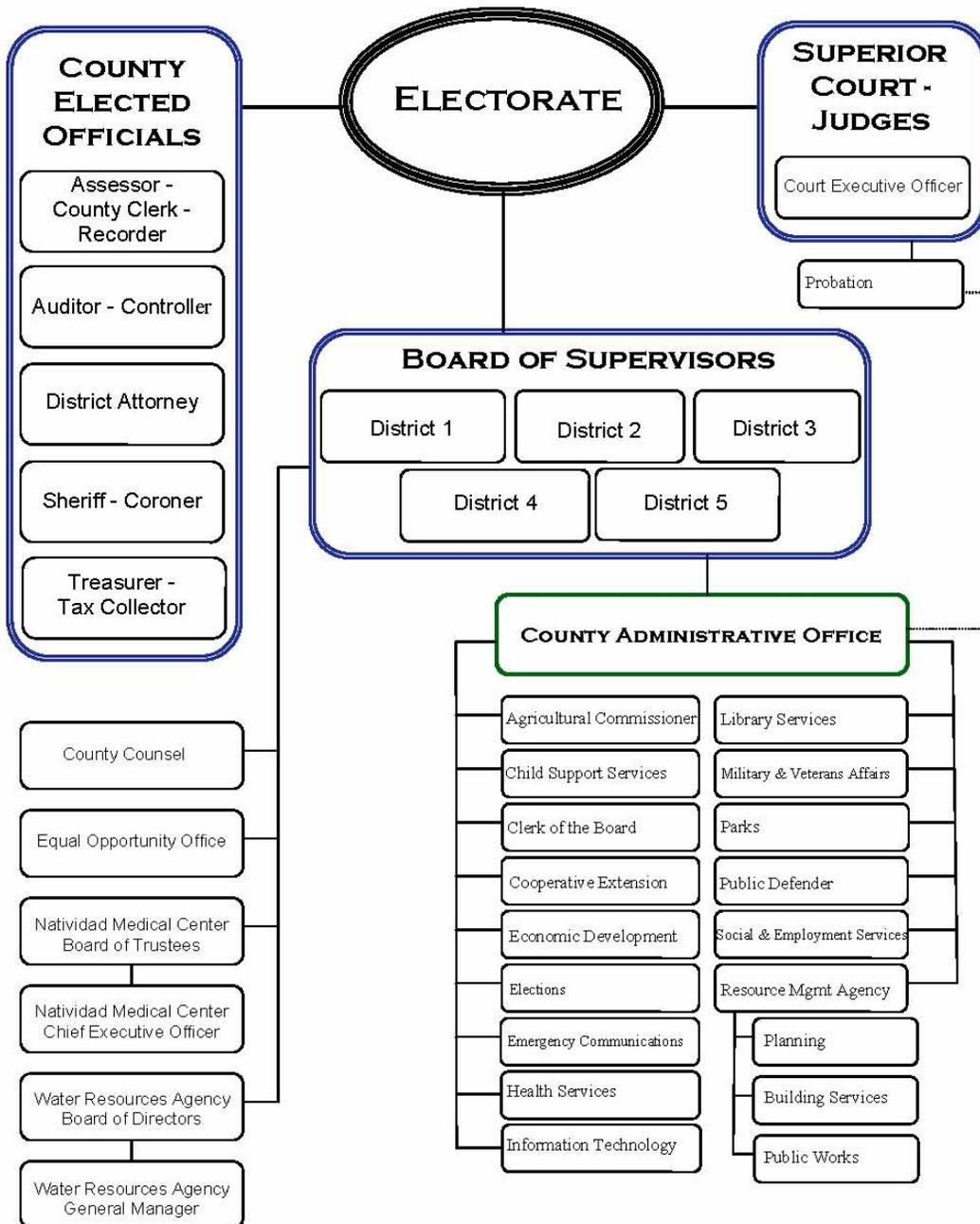
Appointed Department Heads:

County Administrative Officer.....	Lew Bauman
Agricultural Commissioner.....	Eric Lauritzen
Chief Building Official.....	Michael Rodriguez
Child Support Services Director	Stephen H. Kennedy
Clerk of the Board.....	Gail Borkowski
Cooperative Extension Director	Maria de la Fuente
County Counsel.....	Charles J. McKee
County Librarian.....	Jayanti Addleman
Economic Development Director.....	Linda Guillis (Interim)
Emergency Communications Director.....	Lynn Diebold
Equal Opportunity Officer	Irma Ramirez-Bough
Health Services Director	Raymond Bullick
Information Technology Director.	Dianah Neff
Military and Veterans’ Affairs Officer.....	Thomas Griffin
Natividad Medical Center Chief Executive Officer.....	Harry Weis
Parks Director	John Pinio
Planning Director	Mike Novo
Public Defender.....	James Egar
Public Works Director.....	Robert Murdoch
Registrar of Voters.....	Linda Tulett
Resource Management Agency Director.....	Benny Young
Social & Employment Services Director	Elliott Robinson
Water Resources Agency General Manager.....	David Chardavoyne (Interim)

Appointed by Superior Court:

Chief Probation Officer	Manuel Real
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COUNTY OF MONTEREY ORGANIZATIONAL STRUCTURE





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FINANCIAL SECTION



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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, the discretely presented component unit, 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, 2012, 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 opinions on these financial statements based on our audit. We did not audit the Natividad Medical Center, an enterprise fund, which represents 97 percent and 99 percent, respectively, of the assets and revenues of the business-type funds. We also did not audit the financial statements of the Monterey County Children and Families Commission, which represent 100 percent of the assets, liabilities, and revenues of the discretely presented component unit. These financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions insofar as they related to the amounts included for Natividad Medical Center and the discretely presented component unit, is based solely on the report of the other auditors.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. 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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Monterey, California, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated December 20, 2012, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress for the County of Monterey Employees' Retirement Plan and the County of Monterey Retiree Healthcare Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and detailed budget schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 or provide any assurance on it.

Gallina LLP

Roseville, California
December 20, 2012

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

This section of the County of Monterey's (County) annual report presents the discussion and analysis of the County's financial performance during the fiscal year that ended on June 30, 2012. 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 fiscal year by \$756.7 (*net assets*). Of this amount, \$186.9 represents *unrestricted net assets*, which will be available to meet the County's ongoing obligations to citizens and creditors. *Restricted net assets* of \$28.4 may be used for the County's ongoing obligations related to programs with external restrictions. The remaining \$541.4 represents the County's investment in capital assets, less any related outstanding debt used to acquire those assets (*invested in capital assets, net of related debt*). (See Table 1 – Net Assets.)
- The County's total net assets increased by \$6.8 during the current fiscal year. The increase in net assets represents the degree to which revenues exceeded expenses. (See Table 1 – Net Assets and Table 2 – Change in Net Assets).
- As of June 30, 2012, the County's governmental funds reported total ending fund balances of \$192.6. Ending fund balance decreased by \$13.5 due to the loss of \$13.6 realized when the Redevelopment Agencies were dissolved. Of the fund balance amount, \$0.3 or 0.1% is nonspendable due to the requirement that it be maintained intact. \$28.4 or 14.7% is restricted by legislative code, grants or debt instruments. \$54.2 or 28.2% is committed by the Board of Supervisors for future plans, projects, and purposes identified in the strategic reserve policy such as economic uncertainties, natural disasters, or legal settlements need. \$107.4 or 55.8% is assigned for the spending purposes for which the funds included have been created or for specific purposes such as annual contingencies relating to the General Fund. The remaining \$2.4, or 1.2%, is unassigned as it is comprised of excess funding not categorized to the other fund balance components and is available for future spending. Please refer to Note 10 for more specific details. (See further discussion in Financial Analysis of the County's Funds beginning on page 10.)
- At the end of the fiscal year 2011-12, the General Fund showed \$0.2 in nonspendable fund balance, which is a decrease of \$0.02 or a negative 8.3% from the prior year nonspendable fund balance. The committed fund balance showed \$52.3, which remained unchanged from prior year. The assigned fund balance showed \$37.1, which is an increase of \$9.1 or a positive 32.6% from the prior year assigned fund balance. The unassigned fund balance showed \$2.4, which is a decrease of \$2.5 or a negative 51.1% from the prior year unassigned fund balance. (See further discussion in Financial Analysis of the County's Funds beginning on page 10.)
- The total long-term debt for the current fiscal year decreased by \$13.1 or 4.4% due to annual debt service payments made without new debt being incurred. (See Table 4 – Long-Term Debt).

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the County's financial statements. The County's financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to 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 cultural services. The County has two business-type activities: Natividad Medical Center and the Parks and Lake Resort.

Component units consist of legally separate entities for which the County is financially accountable. Those entities that have substantially the same governing board as the County or provide services entirely to the County are blended as if they were a part of the County. The County has seven blended component units (See Note 1 in the Notes to Financial Statements for more details). Financial information on discretely presented component units is reported separately from the financial information presented for the County. The County has one discretely presented component unit, the Monterey County Children and Families Commission.

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, proprietary, and fiduciary.

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.

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' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

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

The County maintains over 130 individual governmental funds. For financial reporting purposes, these funds have been combined into five groupings. The County segregates within the governmental funds the major funds: General Fund, Road Fund, Community Development Fund, and a grouping for all nonmajor 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 three funds, which are considered to be major funds according to the rules stated in Government Accounting Standards Board Statement No. 34 (GASB 34).

Data for the remaining governmental funds are combined into the presentation of Other Governmental Funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements located in the Supplementary Information section of this report.

The County adopts an annual appropriated budget for all of its operating funds. A budgetary comparison schedule has been provided for the General Fund, on page 29 to demonstrate performance against this budget. For individual fund budget comparisons for the Nonmajor Special Revenue, Capital Project and Debt Service funds please see the supplementary information schedules.

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

Proprietary funds Proprietary Funds include both Internal Service and Enterprise Funds and are presented on a full accrual basis similar to Government-wide financial statements.

The County has three Internal Service Funds. These *Internal Service Funds* are used to account for the general liability and workers' compensation insurance activities and other benefit programs.

The County maintains two Enterprise Fund to account for the County hospital (Natividad Medical Center) and Parks and Lake Resort activities.

The proprietary fund's financial statements can be found on pages 32 – 35 of this report.

Fiduciary funds Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The external portion of the Treasurer's Investment Pool, Private Purpose Trust, and agency funds are reported as fiduciary funds.

The fiduciary funds' financial statements can be found on pages 36 and 37 of this report.

Notes to financial statements The notes to the 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 financial statements can be found on pages 39 – 84 of this report.

Other Information In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligations to provide pension and retiree health care benefits to its employees. Required supplementary information can be found on pages 87 and 88 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 93 – 150 of this report.

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

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 \$756.7 at the close of the current fiscal year (Table 1 – Net Assets).

The largest portion of the County's net assets, \$541.4 or 71.5% reflects its investment in capital assets, (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.

Another portion of the County's net assets, \$28.4, represents resources that are subject to constraints by either external creditors or government entities or by law through constitutional provisions or enabling legislation. The major restrictions on the County's net assets are imposed by state and federal restrictions for allocations to areas such as: flood control, sanitation, debt service, roads, low income housing, emergency medical services, and capital projects. Restricted net assets increased by \$4, or 16.4%.

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

	Governmental Activities		Business-Type Activities		Total		Total	
	2012	2011	2012	2011	2012	2011	Dollar Charge	Percent Charge
Current and other assets	\$ 381.7	\$ 383.7	\$ 97.5	\$ 96.7	\$ 479.2	\$ 480.4	\$ (1.2)	-0.2%
Capital assets	665.7	669.7	122.3	122.3	788.0	792.0	(4.0)	-0.5%
Total Assets	1,047.4	1,053.4	219.8	219.0	1,267.2	1,272.4	(5.2)	-0.4%
Current and other liabilities	133.2	136.7	35.5	34.7	168.7	171.4	(2.7)	-1.6%
Long term liabilities	274.3	278.0	67.6	73.1	341.9	351.1	(9.2)	-2.6%
Total Liabilities	407.5	414.7	103.1	107.8	510.6	522.5	(11.9)	-2.3%
Invested in capital assets, net of related debt	488.8	483.2	52.6	56.0	541.4	539.2	2.2	0.4%
Restricted	28.4	24.4	-	-	28.4	24.4	4.0	16.4%
Unrestricted	122.8	131.1	64.1	55.2	186.9	186.3	0.6	0.3%
Total Net Assets	\$ 640.0	\$ 638.7	\$ 116.7	\$ 111.2	\$ 756.7	\$ 749.9	\$ 6.8	0.9%

The County's unrestricted net assets balance of \$186.9 represents resources that are available to meet the County's ongoing obligations to citizens and creditors. Net assets increased by \$6.8, which represents \$1.3 gain from governmental activities and \$5.5 from NMC operations as the Medical Center continues to aggressively pursue their collection plan with focus on their claiming process.

**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	
	2012	2011	2012	2011	2012	2011	Dollar Charge	Percent Charge
Revenues								
Program Revenues:								
Charges for services	\$ 108.4	\$ 115.4	\$ 181.0	\$ 196.1	\$ 289.4	\$ 311.5	\$ (22.1)	-7.1%
Operating grants and contributions	323.7	324.4	0.2	5.5	323.9	329.9	(6.0)	-1.8%
Capital grants and contributions	11.2	10.8	-	-	11.2	10.8	0.4	3.7%
General revenues:							-	
Property taxes	126.3	128.3	-	-	126.3	128.3	(2.0)	-1.6%
Sales tax & sales tax in lieu	8.9	7.1	-	-	8.9	7.1	1.8	25.4%
Transient occupancy oand other taxes	16.6	13.8	-	-	16.6	13.8	2.8	20.3%
Other taxes	3.4	3.3	-	-	3.4	3.3	0.1	3.0%
Unrestricted investment earnings	7.7	3.1	0.4	0.2	8.1	3.3	4.8	145.5%
Tobacco settlement revenues	3.5	3.6	-	-	3.5	3.6	(0.1)	-2.8%
Other	0.7	0.3	10.0	1.3	10.7	1.6	9.1	568.8%
Total revenues	610.4	610.1	191.6	203.1	802.0	813.2	(11.2)	-1.4%
Expenses								
General government	65.3	63.1	-	-	65.3	63.1	2.2	3.5%
Public safety and protection	195.5	188.1	-	-	195.5	188.1	7.4	3.9%
Public ways and facilities	28.4	46.7	-	-	28.4	46.7	(18.3)	-39.2%
Health and sanitation	125.3	126.1	-	-	125.3	126.1	(0.8)	-0.6%
Public assistance	157.9	171.3	-	-	157.9	171.3	(13.4)	-7.8%
Education	7.7	8.2	-	-	7.7	8.2	(0.5)	-6.1%
Recreation and culture services	4.9	8.9	-	-	4.9	8.9	(4.0)	-44.9%
Interest on long-term debt	10.2	9.5	-	-	10.2	9.5	0.7	7.4%
Natividad Medical Center	-	-	176.3	169.3	176.3	169.3	7.0	4.1%
Parks and Lake Resort	-	-	10.1	3.4	10.1	3.4	6.7	197.1%
Total expenses	595.2	621.9	186.4	172.7	781.6	794.6	(13.0)	-1.6%
Change in net assets before transfers and special and extraordinary items	15.2	(11.8)	5.2	30.4	20.4	18.6	1.8	9.7%
Transfers	(0.3)	12.9	0.3	(12.9)	-	-	-	0.0%
Special and extraordinary items	(13.6)	(0.4)	-	-	(13.6)	(0.4)	(13.2)	3300.0%
Increase (decrease) in net assets	1.3	0.7	5.5	17.5	6.8	18.2	(11.4)	-62.6%
Net assets, beginning	638.7	633.6	111.2	93.7	749.9	727.3	22.6	3.1%
Prior Period Adjustment	-	4.4	-	-	-	4.4	(4.4)	-100.0%
Net assets, ending	\$ 640.0	\$ 638.7	\$ 116.7	\$ 111.2	\$ 756.7	\$ 749.9	\$ 6.8	0.9%

Governmental Activities Governmental activities increased the County's net assets by \$1.3. The increase would have been \$15.2 but was reduced as a result of the Dissolution of the Redevelopment Agency creating a \$13.6 reduction in net assets. Without the extraordinary item, the increase in net assets was mainly due to an increase in General revenues and a decrease in spending for social programs.

Revenues Revenue for Governmental activities (not including transfers, special and extraordinary items) remained about the same, increasing slightly from \$610.1 to \$610.4. The decreases in Charges for Services and in Property Taxes were offset by the reclassification of revenues and by increases in Transient Occupancy Tax and in Unrestricted investment earnings.

- Charges for Services decreased by \$7.0, from \$115.4 to \$108.4. Approximately \$4.0 was attributable to the reclassification to Operating grants and contributions by new realignment legislation. The remaining \$3.0 was associated with a general decline in charges for services.

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

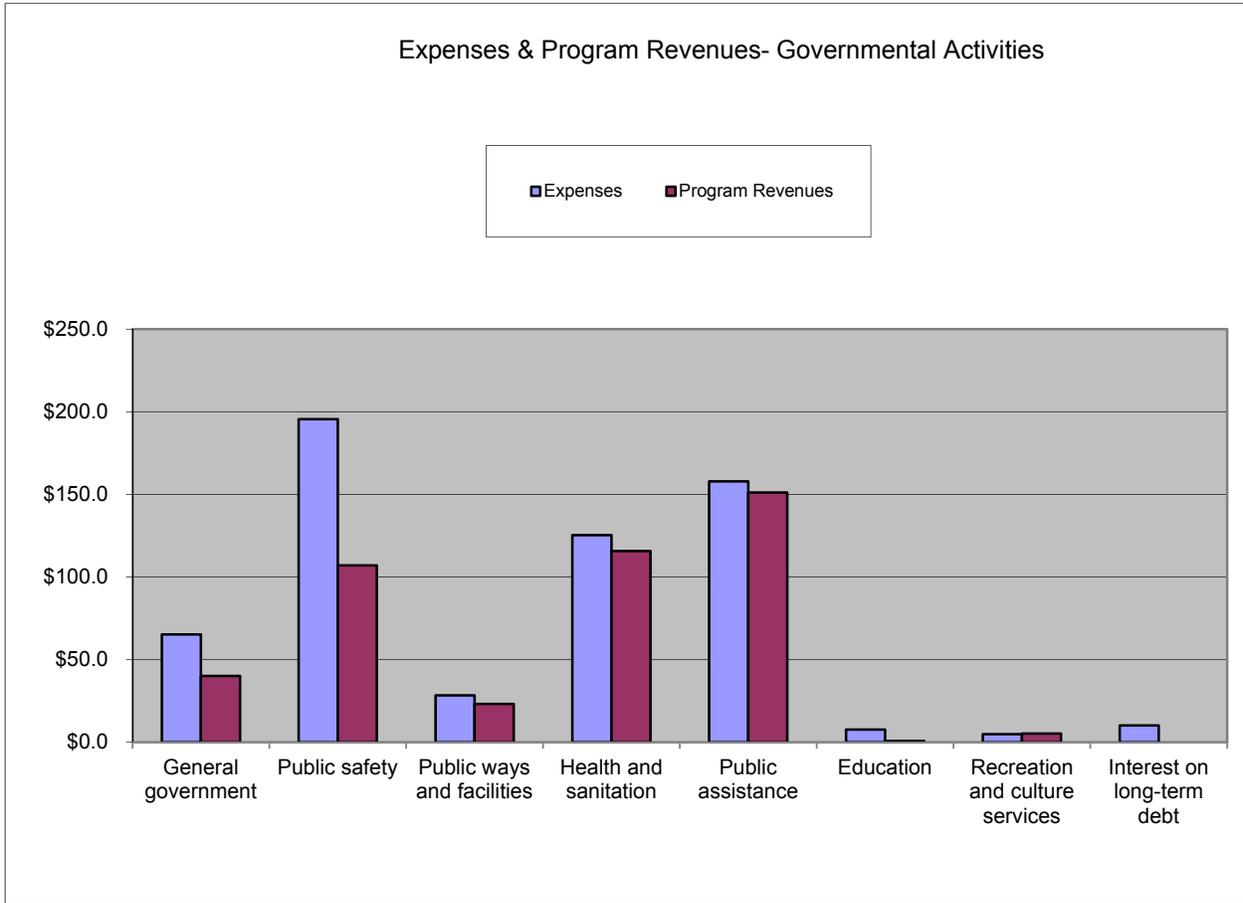
- Operating grants and contributions decreased by \$0.7. The increase as a result of the reclassification of Charges for services discussed above was offset by a decline in revenue for Public Assistance due to legislative changes.
- Property taxes decreased by \$2.0, or 1.6%. This is due mainly to the dissolution of the Redevelopment Agency. As the economy continues its recovery, the tax revenues from tourism continue to improve with an increase of \$2.8, or 20.3%. The increase in Sales tax of \$1.8 was associated with Property Taxes in Lieu of Sales Tax revenue.
- Investment earnings increased mainly as a result of an additional recovery of the FY2009 Washington Mutual investment loss.

Expenses Total governmental expenses decreased by \$26.7 or 4.3% to \$595.2. The largest contributors to the decrease were public assistance, public ways and facilities and public protection as explained below:

- Public ways and facilities expenses show a decrease of \$18.3 or 39.2%. The decrease is largely the result of a reporting change for the Water Resource Agency funds (WRA). The WRA funds were previously categorized as Public Ways and Facilities and were appropriately reclassified to Public Safety and Protection in the current year.
- Public safety and protection expenses show a net increase of \$7.4 or 3.9%. As discussed in the previous bullet point, WRA funds were moved to the public safety function as of FY 2011-12. This resulted in an increase of approximately \$18.4. Although expenditures at the fund level remained fairly consistent from last year, the nature of the expenditures changed, resulting in an \$11 decrease in expenditures at the Government-wide level. This is largely due to capital asset expenditures, which are not reported as expenditures in the year purchased at the Government-wide level, rather the cost are allocated over their estimated useful lives.
- General government expenses show a decrease of \$2.2 or 3.5%. Reduction in workforce and elimination of vacant positions resulted in savings in payroll and benefits costs. Reduction in professional services and contribution to other agencies also contributed in savings.
- Public assistance expenses show a decrease of \$13.4 or 7.5%. The decrease was mostly due to legislative changes resulting in lower program revenue for aid recipients. With anticipated revenue reduction, the department implemented costs saving measures to control costs.
- Recreation and cultural services show a decrease of \$4.0 mainly due to transfer of some activities being accounted for in the General Fund to the Parks enterprise fund.

As shown in the following chart, program revenues are less than the expenses in all functional areas. The difference of program expenses over program revenue is \$152.

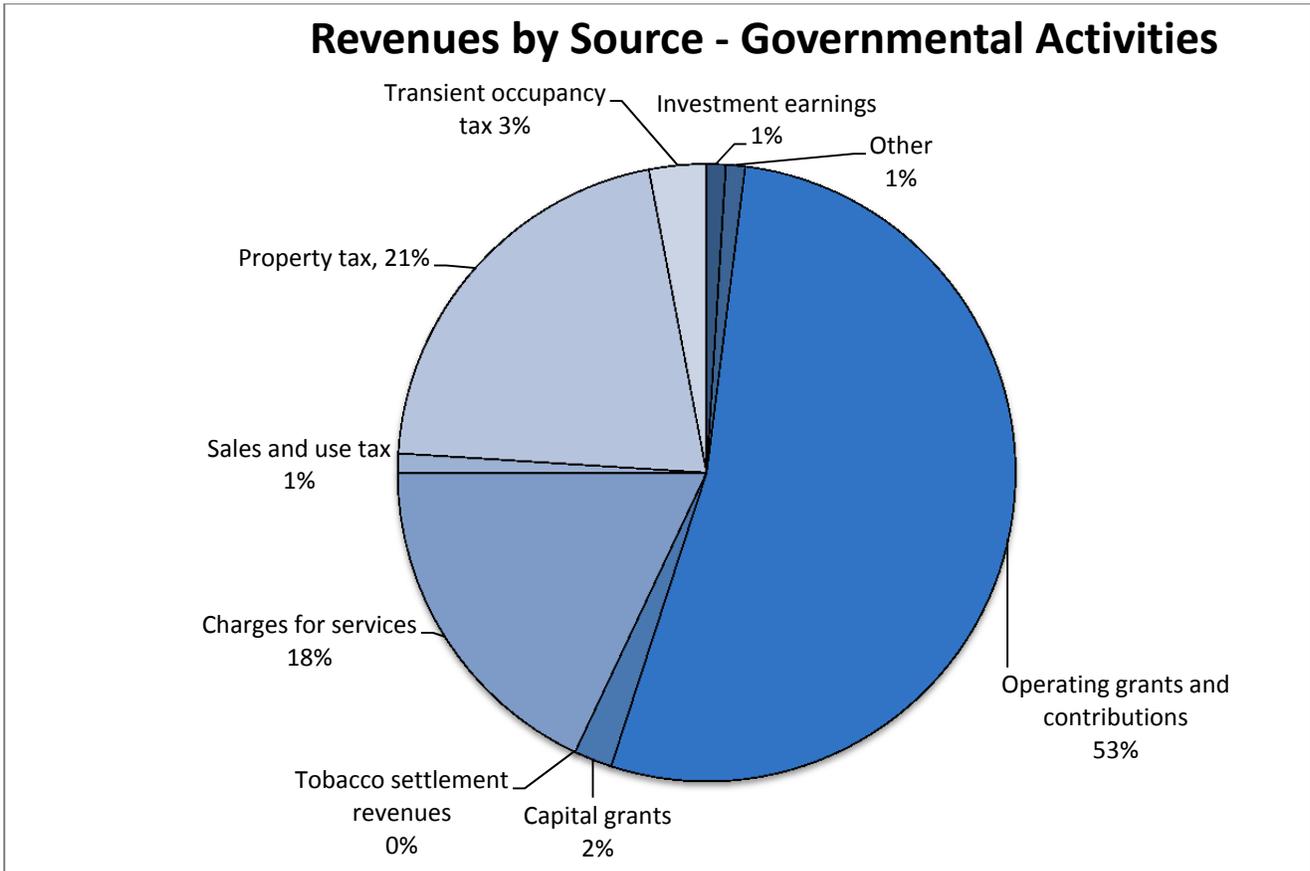
**COUNTY OF MONTEREY
MANAGEMENT'S DISCUSSION AND ANALYSIS**



Program revenues are not intended to fully support governmental programs. This presentation is meant to show the net cost of each program prior to allocation of general revenues. The net cost of \$152 of these programs is funded by general revenues of \$166.8

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

Total revenue by sources for governmental activities is shown on the following chart.



Business-type Activities Natividad Medical Center (NMC) is the major Enterprise Fund reported in this section. NMC is owned and operated by the County and governed by the County Board of Supervisors with the assistance of a separate Board of Trustees. As a County entity, NMC is mandated to treat patients, regardless of ability to pay. The other Enterprise Fund is the Parks and Lake Resort (Parks) fund which provides an assortment of outdoor and recreational activities associated with, and on the lands surrounding, Lake San Antonio and Lake Nacimiento.

NMC experienced a net operating gain of \$5.9 and a net non-operating loss of \$0.9 in FY 2011-12. The total positive increase in net assets for the fiscal year was \$5.0. A strengthened collection and claiming process implemented by the NMC management team in FY 2009-10 continues to produce a healthy increase in net assets. The non-operating loss consisted of \$1.7 net rental income; \$0.3 from interest earnings and \$0.7 in other non-operating revenues and \$3.6 interest expense,

Parks experienced a net operating loss of \$1.3 and a net non-operating loss of \$0.2, offset with transfer in. The total decrease in net assets was \$1.1. This was caused by expenses exceeding the revenue for the fund.

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.

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

s of the end of the fiscal year, the County's governmental funds reported total fund balances of \$192.6, a decrease of \$13.5 from the prior year total fund balances. The major component of the decrease was attributed to the loss realized upon the dissolution of the Redevelopment Agencies.

The GASB 54 components of fund balance and FY 2011-12 balances are:

- Nonspendable, approximately \$0.3 or 0.1% of total fund balance is made up of inventories and prepaid expenditures which cannot be spent because of their form.
- Restricted balances of \$28.4 or 14.7%, which can only be used as stipulated by legislative code, grants or debt instruments.
- Committed funds of \$54.2 or 28.2%, delegated by the Board of Supervisors as set aside for specific purposes. The main component is \$52.3 of strategic reserve commitments set aside in the General Fund.
- Assigned funds of \$107.4 or 55.8% are earmarked to meet the County's current and future needs. The majority of these funds are held in special revenue funds to be used for the purpose of those funds while the remaining is set-aside for specific purposes in the General Fund (see Fund Balance section of Note 10 of this report for additional information).
- Unassigned funds of \$2.4 or 1.2% represents the General Fund's resources that are not classified in the four previous categories and are considered excess funding available for future needs.

General Fund The General Fund is the main operating fund of the County. All County activities not included in a separate fund are included in the General Fund. The unassigned fund balance at June 30, 2012 totaled \$2.4 while the total fund balance increased to \$91.9 from 85.3 due to revenue and transfer-in exceeding the expenditure and transfer-out for this fund. Overall, revenue decreased by \$30.6 mainly due to realignment revenue reclassification. Under AB118, a new special revenue fund was created to account for the funding received from the State while the General Fund recorded a transfer-in equating to the expenditure incurred related to the program. The decrease in revenue due to this reclassification was partially offset by an increase in tax revenue due to a slight uptick in economic factors. Expenditures decreased by \$16.6 mainly due to the reductions of \$2.6 in General government as a result of departmental cost reduction efforts to stretch resources in response to diminishing revenues. \$11.2 reduction in Public assistance was mainly due to legislative changes that reduced the program funding. The reduction of \$5.6 in Recreation and cultural services was mostly due to the transfers of lakes operations from General Fund to Enterprise Fund.

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 \$4.0, of which \$0.1 is non-spendable and \$3.9 is assigned. An increase in aid from other governmental agencies of \$3.5 was offset by an increase of \$4.9 in expenditures. Overall expenditures exceeded revenues resulting in a loss of \$2.9 mitigated by \$2.5 of transfers in from the General Fund for specific projects. The total fund balance decreased by \$0.4, or 8.5%, from the prior fiscal year.

Community Development Community Development is used for a variety of economic development activities including loans made to businesses and individuals. Increased loan payments of \$1.4 offset by a decrease in intergovernmental revenue of \$0.7, and a \$0.3 decrease in expenditures resulted in a net increase of \$1.0 to the fund balance.

Other Governmental Funds The sum of the fund balances of the remaining non major governmental funds decreased \$20.7 to a balance of \$94.7. The decrease was due mainly to the dissolution of the Redevelopment Agency, \$13.6, and the purchase of a new office building for Probation, \$5.2 with overall expenditures plus transfer out exceeding the revenue plus transfer in.

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

Proprietary Funds Natividad Medical Center increased its net assets by \$5.0, to a balance of \$117.0 at year end. NMC has improved operations due to an aggressive receivable collection program implemented by management in FY 2009-10. NMC achieved a positive net operating income of \$5.9.

The net assets of the Parks and Lake Resort fund has decreased by \$1.1 due to expenses exceeding the revenue for the fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget to Final Budget

	Original	Final	Increase (Decrease)
Estimated revenues	\$ 522.2	\$ 530.8	\$ 8.6
Appropriations	\$ 516.3	\$ 532.0	\$ 15.7

Estimated revenues increase of \$8.6:

The final estimated revenue budget increased compared to the original budget by 1.6% due to mid-year anticipated realignment funding to provide for social and employment programs and public safety programs. Anticipated funding for emergency communication project also contributed to the increase.

Appropriations increase of \$15.7:

Appropriation budgets were increased to reflect the anticipated receipt of the above funding sources. Public safety anticipated \$11.3 increase in additional expenditures due to the realignment of certain responsibilities from state to local jurisdiction; Public assistance anticipated \$2.1; while General government anticipated \$2.2. The net result was an increase from the original budget of 2.9%.

Final Budget to Actual

	Final	Actual	Variance Positive (Negative)
Revenues	\$ 530.8	\$ 502.9	\$ (27.9)
Expenditures	\$ 532.0	\$ 507.1	\$ (24.9)

Revenues actual was lower than final budget by \$27.9:

The revenue actual was 5.6% lower than final budget. Property, Sales, and transient occupancy taxes exceeded the budget by \$8.2. Licenses and permits were \$2.6 lower than budget. Aid from other governmental agencies were significantly lower than the budget largely due to realignment funding budgeted in this category but the actual was recorded as Transfers in for a total of \$22.3. A reduction of entitlements due to legislative changes further reduced the Aid from other governmental agencies revenue by \$2.2. Charges for services were lower than budget by \$6.5.

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

Expenditures actual was less than final budget by \$24.9:

The budgetary expenditure actual was 4.9% lower than final budget. Expenditure reduction was required to balance with reduction in revenues and low anticipated fund balance at the year end. Roughly half of the unobligated budget of \$13.8 was in salary savings as departments managed vacancies by filling only the most critical positions in their effort to contain costs. Another \$7.2 in savings was due to lower aid payments to Cal-WORKS and other aid recipients due to a reduction in caseloads and program and policy changes.

CAPITAL ASSETS

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amount to \$665.7 and \$122.3, respectively (net of accumulated depreciation). This investment is in a broad range of capital assets including land, structures and improvements, equipment, intangible assets, infrastructure, and construction in progress.

TABLE 3 - County of Monterey's Capital Assets

	Governmental Activities		Business-Type Activities		Total		Total	
	2012	2011	2012	2011	2012	2011	Dollar Charge	Percent Change
Land	\$ 180.7	\$ 179.4	\$ -	\$ -	\$ 180.7	\$ 179.4	\$ 1.3	0.7%
Structures and improvements	238.8	233.4	160.8	160.3	399.6	393.7	5.9	1.5%
Equipment	98.6	99.2	66.0	58.4	164.6	157.6	7.0	4.4%
Intangible assets	3.0	0.2	-	-	3.0	0.2	2.8	1400.0%
Infrastructure	568.9	544.5	-	-	568.9	544.5	24.4	4.5%
Construction in Progress (CIP)	39.3	45.9	6.4	4.4	45.7	50.3	(4.6)	-9.1%
Total Capital Assets	<u>1,129.3</u>	<u>1,102.6</u>	<u>233.2</u>	<u>223.1</u>	<u>1,362.5</u>	<u>1,325.7</u>	<u>36.8</u>	<u>2.8%</u>
Accumulated Depreciation	<u>(463.6)</u>	<u>(432.9)</u>	<u>(110.9)</u>	<u>(100.8)</u>	<u>(574.5)</u>	<u>(533.7)</u>	<u>(40.8)</u>	<u>7.6%</u>
Total	<u>\$ 665.7</u>	<u>\$ 669.7</u>	<u>\$ 122.3</u>	<u>\$ 122.3</u>	<u>\$ 788.0</u>	<u>\$ 792.0</u>	<u>\$ (4.0)</u>	<u>-0.5%</u>

The County both purchases and constructs/develops capital assets throughout the year. Capital projects are generally completed over multiple fiscal years. Costs accumulate within the construction in progress (CIP) account until the completion of projects. At completion, all costs of a project are totaled then transferred to the appropriate capital asset classification. In the current year, CIP had a net decrease of \$6.6 for governmental activities. This was the result of completing 5 projects costing \$26.9 and on-going/new construction and adjustment costs of \$20.3.

Major construction in progress events during the current fiscal year included the following:

- Water Resources completed the Salinas River Diversion Facility at a cost of \$24.4.
- Public Protection completed several renovations at the Detention Center at a cost of \$1.7.
- Various on-going road projects related to bridges, streets, and bikeways at a cost of \$10.
- Public Protection purchased the 20 East Alisal Probation building and began renovations at a cost of \$5.4.

The accompanying government-wide financial statements include the costs of those assets that were either completed during the fiscal year or considered CIP at year-end. Additional information on the County's capital assets can be found in Note 5 of this report.

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

DEBT ADMINISTRATION

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 legal debt limitation of the County is \$615.3. The County's long-term issues payable is \$282.4, but none is applicable to the debt limit. The following schedule does not include the liabilities for self-insurance, compensated absences, and estimated landfill closure, which are components of the long-term liabilities balance of \$376.3. (See Note 8 – Long-Term Liabilities).

At June 30, 2012, the County had total long-term debt outstanding of \$282.4. This was a decrease of \$13.1 or 4.4% from the prior year balance of \$295.5. The decrease is due to annual debt service payments made without new debt being incurred.

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

	Governmental		Business-Type		Total		Total	
	Activities		Activities		Total		Dollar	Percent
	2012	2011	2012	2011	2012	2011	Charge	Charge
Certificates of participation	\$ 133.4	\$ 137.7	\$ 63.9	\$ 66.6	\$ 197.3	\$ 204.3	\$ (7.0)	-3.4%
Revenue bonds	32.6	33.2	-	-	32.6	33.2	(0.6)	-1.8%
Loans payable	27.7	28.7	-	-	27.7	28.7	(1.0)	-3.5%
Judgment obligation bonds	1.7	2.5	-	-	1.7	2.5	(0.8)	-32.0%
Notes payable	11.8	12.7	-	-	11.8	12.7	(0.9)	-7.1%
Capital leases	0.5	0.2	-	-	0.5	0.2	0.3	150.0%
Other bonds and notes	0.1	0.3	10.7	13.6	10.8	13.9	(3.1)	-22.3%
Total	\$ 207.8	\$ 215.3	\$ 74.6	\$ 80.2	\$ 282.4	\$ 295.5	\$ (13.1)	-4.4%

Additional information on the County's long-term debt can be found in Note 7 of this report.

ECONOMIC ANALYSIS AND NEXT YEAR'S BUDGET AND RATES

The following are economic factors for fiscal year 2012-13:

- As the economy continues to recover from the 2007-2009 recession, Monterey County's economic indicators point toward gradual growth. Unemployment is down from its recession peak of 13.9% to 8.8% as of June 2012. Retail and tourism are on the rise, with taxable sales increasing by more than 16% since hitting bottom during the recession. These indicators point to an economy that is in recovery mode.
- Revenue from taxes, including property tax, transient occupancy tax, and sales and use tax, are trending upward, but growth is conservative and is unlikely to return to pre-recession levels in the near future. The recommended budget estimates tax revenue of \$142.8, an increase of \$2.4 or 1.7% over the year-end estimate for 2011-12.
- On December 29, 2011, the California Supreme Court issued a decision that upheld ABx1 26, the Dissolution Act, which dissolved redevelopment agencies effective February 1, 2012. The Dissolution Act suspended redevelopment activities and dissolved redevelopment agencies. On January 10, 2012 the County agreed to serve as the Successor Agency for the Monterey County Redevelopment Agency, tasked with paying off former debts, disposing of Agency assets, and winding down the affairs of the former Agency in the fiduciary capacity.

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

- For the first time in years, the Board adopted a fiscal year 2012-13 budget that was structurally balanced, with no reliance on one-time infusions from fund balance. The General Fund financing sources total an estimated \$560.5 with expenditures budgeted at \$559.5. The total estimated budget for 2012-13 continues to highlight ongoing efforts to hold off on all but essential expenditures.

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, Salinas, CA 93901.



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



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COUNTY OF MONTEREY

Statement of Net Assets
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Children and Families Commission
ASSETS				
Cash and investments:				
Held in County treasury	\$ 263,535,062	\$ 70,607,321	\$ 334,142,383	\$ 18,492,243
Held with trustee	18,396,712	--	18,396,712	1,428,348
Other bank accounts	815,937	64,508	880,445	--
Imprest	23,550	2,128	25,678	150
Restricted	2,075,883	1,756,004	3,831,887	--
Receivables	65,913,840	23,579,236	89,493,076	915,376
Inventories	288,770	2,481,840	2,770,610	--
Property held for resale	759,803	--	759,803	--
Prepaid items	575,245	2,205,749	2,780,994	5,670
Internal balances	4,814,132	(4,814,132)	--	--
Notes receivable	21,739,696	--	21,739,696	--
Deferred charges, net of amortization	2,735,881	1,574,826	4,310,707	--
Capital assets:				
Nondepreciable	220,034,104	6,439,979	226,474,083	--
Depreciable, net	445,709,591	115,887,583	561,597,174	14,992
Total assets	<u>\$ 1,047,418,206</u>	<u>\$ 219,785,042</u>	<u>\$ 1,267,203,248</u>	<u>\$ 20,856,779</u>
LIABILITIES				
Vouchers and accounts payable	\$ 16,130,142	\$ 5,576,653	\$ 21,706,795	\$ 2,021,788
Accrued salaries and benefits	13,133,749	116,256	13,250,005	27,737
Accrued interest payable	3,328,448	--	3,328,448	--
Accrued liabilities	302,837	17,183,627	17,486,464	--
Deposits from others	9,888,616	--	9,888,616	--
Unearned revenues	61,655,210	--	61,655,210	--
Long-term liabilities:				
Due within one year	28,787,182	12,615,042	41,402,224	29,967
Due beyond one year	268,273,488	66,626,690	334,900,178	67,971
Liability for post-employment benefits	5,970,486	960,007	6,930,493	--
Total liabilities	<u>407,470,158</u>	<u>103,078,275</u>	<u>510,548,433</u>	<u>2,147,463</u>
NET ASSETS				
Invested in capital assets, net of related debt	488,760,490	52,590,418	541,350,908	6,767
Restricted for:				
Health and public assistance	5,502,316	--	5,502,316	18,702,549
Capital projects	5,651,229	--	5,651,229	--
Debt service	12,778,009	--	12,778,009	--
Housing	4,433,968	--	4,433,968	--
Unrestricted	122,822,036	64,116,349	186,938,385	--
Total net assets	<u>639,948,048</u>	<u>116,706,767</u>	<u>756,654,815</u>	<u>18,709,316</u>
Total liabilities and net assets	<u>\$ 1,047,418,206</u>	<u>\$ 219,785,042</u>	<u>\$ 1,267,203,248</u>	<u>\$ 20,856,779</u>

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

COUNTY OF MONTEREY

Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 65,282,913	\$ 22,950,428	\$ 16,021,475	\$ 1,267,704
Public safety and protection	195,538,644	37,751,588	69,229,119	--
Public ways and facilities	28,340,058	3,391,420	10,884,586	8,923,152
Health and sanitation	125,339,086	35,547,531	79,184,252	977,076
Public assistance	157,884,288	3,122,509	147,960,268	--
Education	7,731,007	411,121	369,982	--
Recreation and cultural services	4,933,645	5,275,629	25,000	--
Interest on long-term debt	10,202,387	--	--	--
Total governmental activities	<u>595,252,028</u>	<u>108,450,226</u>	<u>323,674,682</u>	<u>11,167,932</u>
Business-type activities:				
Natividad Medical Center	176,268,733	172,535,948	--	--
Parks and Lake Resort	10,128,982	8,475,578	159,805	--
Total business-type activities	<u>186,397,715</u>	<u>181,011,526</u>	<u>159,805</u>	<u>--</u>
Total primary government	<u>\$ 781,649,743</u>	<u>\$ 289,461,752</u>	<u>\$323,834,487</u>	<u>\$ 11,167,932</u>
Component unit				
Children and Families Commission	<u>\$ 6,494,875</u>	<u>\$ --</u>	<u>\$ 15,296,758</u>	<u>\$ --</u>

General revenues:
Taxes:
Property taxes
Sales and use taxes
Transient occupancy taxes
Other taxes
Unrestricted interest and investment earnings
Tobacco settlement revenues
Other revenues
Transfers
Extraordinary item: RDA dissolution
Total general revenues, extraordinary items and transfers

Change in net assets
Net assets - July 1, 2011

Net assets - June 30, 2012

Net (Expenses) Revenues and
Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business- Type Activities	Total	Children and Families Commission
\$ (25,043,306)	\$ --	\$ (25,043,306)	\$ --
(88,557,937)	--	(88,557,937)	--
(5,140,900)	--	(5,140,900)	--
(9,630,227)	--	(9,630,227)	--
(6,801,511)	--	(6,801,511)	--
(6,949,904)	--	(6,949,904)	--
366,984	--	366,984	--
(10,202,387)	--	(10,202,387)	--
<u>(151,959,188)</u>	<u>--</u>	<u>(151,959,188)</u>	<u>--</u>
--	(3,732,785)	(3,732,785)	--
--	(1,493,599)	(1,493,599)	--
<u>--</u>	<u>(5,226,384)</u>	<u>(5,226,384)</u>	<u>--</u>
<u>(151,959,188)</u>	<u>(5,226,384)</u>	<u>(157,185,572)</u>	<u>--</u>
			<u>8,801,883</u>
126,298,156	--	126,298,156	--
8,856,162	--	8,856,162	--
16,645,465	--	16,645,465	--
3,403,587	--	3,403,587	--
7,661,047	369,133	8,030,180	193,026
3,549,183	--	3,549,183	--
694,873	10,067,686	10,762,559	--
(334,978)	334,978	--	--
<u>(13,556,693)</u>	<u>--</u>	<u>(13,556,693)</u>	<u>--</u>
<u>153,216,802</u>	<u>10,771,797</u>	<u>163,988,599</u>	<u>193,026</u>
1,257,614	5,545,413	6,803,027	8,994,909
<u>638,690,434</u>	<u>111,161,354</u>	<u>749,851,788</u>	<u>9,714,407</u>
<u>\$ 639,948,048</u>	<u>\$ 116,706,767</u>	<u>\$ 756,654,815</u>	<u>\$ 18,709,316</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, 2012

	<u>General Fund</u>	<u>Road Fund</u>	<u>Community Development</u>	<u>Other Governmental</u>	<u>Total</u>
ASSETS					
Cash and investments:					
Held in County Treasury	\$113,788,837	\$14,147,914	\$ 1,294,816	\$ 71,497,640	\$200,729,207
Held with Trustee	--	--	411,391	17,985,313	18,396,704
Imprest	23,550	--	--	--	23,550
Restricted	2,075,883	--	--	--	2,075,883
Receivables	50,376,383	2,190,713	2,621,418	10,213,145	65,401,659
Due from other funds	580,000	--	--	--	580,000
Inventories	195,828	92,942	--	--	288,770
Property held for resale	--	--	--	759,803	759,803
Prepaid items and other assets	--	--	446,072	--	446,072
Notes receivable	--	--	11,975,414	9,764,282	21,739,696
Total Assets	<u>\$167,040,481</u>	<u>\$16,431,569</u>	<u>\$16,749,111</u>	<u>\$110,220,183</u>	<u>\$310,441,344</u>
LIABILITIES					
Vouchers and accounts payable	\$ 10,778,036	\$ 1,838,995	\$ 10,716	\$ 3,041,519	\$ 15,669,266
Accrued salaries and benefits	12,120,597	355,308	--	657,844	13,133,749
Deposits from others	5,990,332	3,040,903	22,632	834,749	9,888,616
Deferred revenues	46,211,445	7,184,474	14,706,906	11,035,144	79,137,969
Total Liabilities	<u>75,100,410</u>	<u>12,419,680</u>	<u>14,740,254</u>	<u>15,569,256</u>	<u>117,829,600</u>
FUND BALANCES					
Nonspendable	195,828	92,942	--	--	288,770
Restricted	--	--	--	28,365,522	28,365,522
Committed	52,292,695	--	--	1,932,781	54,225,476
Assigned	37,065,415	3,918,947	2,008,857	64,387,295	107,380,514
Unassigned	2,386,133	--	--	(34,671)	2,351,462
Total Fund Balances	<u>91,940,071</u>	<u>4,011,889</u>	<u>2,008,857</u>	<u>94,650,927</u>	<u>192,611,744</u>
Total Liabilities and Fund Balances	<u>\$167,040,481</u>	<u>\$16,431,569</u>	<u>\$16,749,111</u>	<u>\$110,220,183</u>	<u>\$310,441,344</u>

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

COUNTY OF MONTEREY

Reconciliation of the Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Assets - Governmental Activities
June 30, 2012

Fund balance - Total governmental funds		\$ 192,611,744
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.		665,743,695
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the governmental funds.		17,482,759
Internal service funds are used by the County to charge the cost of general liability and workers' compensation insurance and other employee benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		(546,470)
Issuance costs on certificates of participation and revenue bonds are capitalized and amortized over the life of the related debt issue.		2,735,881
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, 2012 are:		
Bonds and notes payable	\$ (61,156,750)	
Certificates of participation	(133,384,741)	
Unamortized premium on certificates of participation	(1,998,622)	
Unamortized gain on refunding of certificates of participation	2,398,241	
Capital lease obligations	(458,732)	
Accrued interest on long-term debt	(3,305,715)	
Compensated absences	(29,819,227)	
Estimated landfill closure and postclosure costs	(2,290,562)	
OPEB liability	<u>(5,970,486)</u>	
		(235,986,594)
Adjustment necessary to close Internal Service Funds activities. This is the cumulative excess of revenues over expenses allocable to business-type activities		<u>(2,092,967)</u>
Net assets of governmental activities		<u><u>\$ 639,948,048</u></u>

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, 2012

	General Fund	Road Fund	Community Development	Other Governmental Funds	Total
Revenues:					
Taxes	\$ 143,370,485	\$ --	\$ --	\$ 12,880,832	\$ 156,251,317
Licenses and permits	13,585,887	231,281	--	46,797	13,863,965
Fines, forfeitures and penalties	8,873,773	--	--	895,116	9,768,889
Revenue from use of money and property	2,678,849	79,458	91,289	4,071,194	6,920,790
Aid from other governmental agencies	269,422,428	20,637,191	335,446	39,814,884	330,209,949
Charges for services	59,275,567	2,770,858	237	17,003,290	79,049,952
Tobacco settlement and other revenue	5,685,539	15,695	2,327,564	921,517	8,950,315
Total Revenues	502,892,528	23,734,483	2,754,536	75,633,630	605,015,177
Expenditures:					
Current:					
General government	43,282,818	--	--	6,533,828	49,816,646
Public safety and protection	187,022,440	--	--	16,327,069	203,349,509
Public ways and facilities	--	26,586,819	--	503,130	27,089,949
Health and sanitation	121,835,061	--	--	3,728,662	125,563,723
Public assistance	148,674,747	--	1,809,868	8,300,921	158,785,536
Education	529,549	--	--	7,215,801	7,745,350
Recreation and cultural services	4,783,388	--	--	--	4,783,388
Debt service:					
Principal	--	--	--	5,987,517	5,987,517
Interest and debt service costs	603,685	--	--	8,706,925	9,310,610
Capital outlay	--	--	--	12,867,603	12,867,603
Total Expenditures	506,731,688	26,586,819	1,809,868	70,171,456	605,299,831
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,839,160)</u>	<u>(2,852,336)</u>	<u>944,668</u>	<u>5,462,174</u>	<u>(284,654)</u>
Other Financing Sources (Uses):					
Transfers in	23,386,903	2,477,398	20,000	15,577,556	41,461,857
Transfers out	(13,158,425)	--	--	(28,638,410)	(41,796,835)
Sale of capital assets	211,930	2,527	--	510,441	724,898
Total Other Financing Sources (Uses)	10,440,408	2,479,925	20,000	(12,550,413)	389,920
Extraordinary Item:					
RDA Dissolution	--	--	--	(13,593,048)	(13,593,048)
Net Changes in Fund Balances	6,601,248	(372,411)	964,668	(20,681,287)	(13,487,782)
Fund Balances, Beginning of Year	85,338,823	4,384,300	1,044,189	115,332,214	206,099,526
Fund Balances, End of Year	<u>\$ 91,940,071</u>	<u>\$ 4,011,889</u>	<u>\$ 2,008,857</u>	<u>\$ 94,650,927</u>	<u>\$ 192,611,744</u>

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
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2012

Net change in fund balance - Total governmental funds		\$ (13,487,782)
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 additions	\$ 29,735,326	
Less current year depreciation	<u>(33,170,018)</u>	(3,434,692)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets		(1,094,576)
Some revenues will not be collected within the accrual period established for governmental funds. As a result, they are not considered as available revenues in the governmental funds. This change reflects the decrease in deferred revenue that occurred during the year.		3,950,581
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	(102,492)	
Change in compensated absences	(1,094,126)	
Change in estimated landfill closure and postclosure	208,227	
Change in OPEB liability	234,963	
Amortization of issuance costs	(104,149)	
Amortization of refunding loss	--	
Amortization of premiums and discounts	<u>5,277</u>	(852,300)
Long-term debt proceeds provide current financial resources for governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Costs associated with the issuance of debt are reported as expenditures in the governmental funds, but deferred and amortized through out the period during which the associated debt is outstanding. Prepayment 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:		
Certificates of participation	4,303,887	
Bonds, notes and loans	1,718,985	
Capital leases	<u>284,572</u>	6,307,444
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.		11,542,950
Adjustment necessary to close internal service funds activities. This is the current year excess of revenues over expenses allocable to business-type activities		<u>(1,674,011)</u>
Change in net assets of governmental activities		<u>\$ 1,257,614</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
Revenues:				
Taxes	\$ 133,567,618	\$ 135,193,270	\$ 143,370,485	\$ 8,177,215
Licenses and permits	16,085,533	16,234,949	13,585,887	(2,649,062)
Fines, forfeitures and penalties	9,046,150	9,254,510	8,873,773	(380,737)
Revenue from use of money and property	2,045,870	2,045,870	2,678,849	632,979
Aid from other governmental agencies	291,382,670	296,530,630	269,422,428	(27,108,202)
Charges for services	64,490,351	65,752,166	59,275,567	(6,476,599)
Tobacco settlement and miscellaneous	5,629,685	5,813,526	5,685,539	(127,987)
Total revenues	522,247,877	530,824,921	502,892,528	(27,932,393)
Expenditures:				
Current:				
General government	57,611,878	59,813,135	44,581,877	15,231,258
Public safety and protection	181,626,432	192,938,166	186,094,005	6,844,161
Health and sanitation	119,864,917	119,889,917	121,840,170	(1,950,253)
Public assistance	151,685,669	153,832,820	148,674,746	5,158,074
Education	589,770	589,770	530,450	59,320
Recreation and cultural services	4,806,930	4,806,930	4,809,749	(2,819)
Debt service	135,000	135,000	603,685	(468,685)
Total expenditures	516,320,596	532,005,738	507,134,682	24,871,056
Excess (deficiency) of revenues over (under) expenditures	5,927,281	(1,180,817)	(4,242,154)	(3,061,337)
Other financing sources (uses):				
Transfers in	279,081	7,575,145	23,386,903	15,811,758
Transfers out	(16,973,372)	(17,084,800)	(13,158,425)	3,926,375
Sale of capital assets	211,930	211,930	211,930	--
Total other financing sources (uses)	(16,482,361)	(9,297,725)	10,440,408	19,738,133
Net change in budgetary fund balances	(10,555,080)	(10,478,542)	6,198,254	16,676,796
Budgetary fund balances, beginning	85,338,823	85,338,823	85,338,823	--
Budgetary fund balances, ending	\$ 74,783,743	\$ 74,860,281	\$ 91,537,077	\$ 16,676,796

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

Uses/outflows of resources

Actual amounts (budgetary basis) of expenditures from the budgetary comparison statement	\$ 507,134,682
Differences - budget to GAAP:	
Encumbrances for supplies and services ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	(402,994)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 506,731,688

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, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Licenses, permits and franchises	\$ 1,074,519	\$ 1,074,519	\$ 231,281	\$ (843,238)
Revenue from use of money and property	104,054	104,054	79,458	(24,596)
Aid from other governmental agencies	32,873,021	32,873,021	20,637,191	(12,235,830)
Charges for services	2,717,167	2,717,167	2,770,858	53,691
Other revenue	23,625	23,625	15,695	(7,930)
Total revenues	<u>36,792,386</u>	<u>36,792,386</u>	<u>23,734,483</u>	<u>(13,057,903)</u>
Expenditures:				
Current:				
Public ways and facilities	<u>38,942,386</u>	<u>38,942,386</u>	<u>26,586,819</u>	<u>12,355,567</u>
Total expenditures	<u>38,942,386</u>	<u>38,942,386</u>	<u>26,586,819</u>	<u>12,355,567</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,150,000)</u>	<u>(2,150,000)</u>	<u>(2,852,336)</u>	<u>(702,336)</u>
Other financing sources (uses):				
Transfers in	2,150,000	2,150,000	2,477,398	327,398
Sale of capital assets	--	--	2,527	2,527
Total other financing sources (uses)	<u>2,150,000</u>	<u>2,150,000</u>	<u>2,479,925</u>	<u>329,925</u>
Net change in budgetary fund balances	--	--	(372,411)	(372,411)
Budgetary fund balances, beginning	<u>4,384,300</u>	<u>4,384,300</u>	<u>4,384,300</u>	--
Budgetary fund balances, ending	<u>\$ 4,384,300</u>	<u>\$ 4,384,300</u>	<u>\$ 4,011,889</u>	<u>\$ (372,411)</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
Community Development
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Revenue from use of money and property	\$ 106,500	\$ 106,500	\$ 91,289	\$ (15,211)
Aid from other governmental agencies	2,134,156	2,134,156	335,446	(1,798,710)
Charges for services	9,000	9,000	237	(8,763)
Other revenue	2,122,701	2,122,701	2,327,564	204,863
Total revenues	<u>4,372,357</u>	<u>4,372,357</u>	<u>2,754,536</u>	<u>(1,617,821)</u>
Expenditures:				
Current:				
Public assistance	4,833,014	4,833,014	1,809,868	3,023,146
Total expenditures	<u>4,833,014</u>	<u>4,833,014</u>	<u>1,809,868</u>	<u>3,023,146</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(460,657)</u>	<u>(460,657)</u>	<u>944,668</u>	<u>1,405,325</u>
Other financing sources (uses):				
Transfers in	317,318	317,318	20,000	(297,318)
Transfers out	(317,318)	(317,318)	--	317,318
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>20,000</u>	<u>20,000</u>
Net change in budgetary fund balances	(460,657)	(460,657)	964,668	1,425,325
Budgetary fund balances, beginning	<u>1,044,189</u>	<u>1,044,189</u>	<u>1,044,189</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 583,532</u>	<u>\$ 583,532</u>	<u>\$ 2,008,857</u>	<u>\$ 1,425,325</u>

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

COUNTY OF MONTEREY

Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-Type Activities -Enterprise Funds			Governmental
	Nonmajor			Internal
	Navidad Medical Center	Enterprise Fund - Parks and Lake Resort	Total Enterprise Funds	Service Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 70,606,309	\$ 1,012	\$ 70,607,321	\$ 63,345,234
Imprest cash	2,128	--	2,128	--
Other bank accounts	64,508	--	64,508	276,558
Receivables	23,063,237	515,999	23,579,236	512,181
Due from other funds	--	--	--	394,837
Inventories and prepaid expenses	4,687,589	--	4,687,589	129,173
Total Current Assets	<u>98,423,771</u>	<u>517,011</u>	<u>98,940,782</u>	<u>64,657,983</u>
Noncurrent Assets:				
Advances to other funds	--	--	--	5,932,262
Restricted assets: Held by trustee	1,756,004	--	1,756,004	8
Capital assets:				
Non-depreciable	6,439,979	--	6,439,979	--
Depreciable, net	111,385,244	4,502,339	115,887,583	--
Deferred charges, net of amortization	1,574,826	--	1,574,826	--
Total Noncurrent Assets	<u>121,156,053</u>	<u>4,502,339</u>	<u>125,658,392</u>	<u>5,932,270</u>
Total Assets	<u>\$ 219,579,824</u>	<u>\$ 5,019,350</u>	<u>\$ 224,599,174</u>	<u>\$ 70,590,253</u>
LIABILITIES				
Current Liabilities:				
Accounts payable, deposits and accrued liabilities	\$ 22,677,926	\$ 82,354	\$ 22,760,280	\$ 460,876
Accrued salaries and benefits	--	116,256	116,256	--
Accrued interest payable	--	--	--	22,733
Other liabilities	--	--	--	302,837
Due to other funds	--	974,837	974,837	--
Current portion of long-term debt and other liabilities	12,535,498	79,544	12,615,042	14,472,322
Total Current Liabilities	<u>35,213,424</u>	<u>1,252,991</u>	<u>36,466,415</u>	<u>15,258,768</u>
Long-term liabilities				
Advances from other funds	--	5,932,262	5,932,262	--
Claims liability	--	--	--	44,033,984
Long-term debt and other liabilities	65,706,173	--	65,706,173	11,843,971
Liability for post-employment benefits	939,215	20,792	960,007	--
Compensated absences	749,836	170,681	920,517	--
Total long-term liabilities	<u>67,395,224</u>	<u>6,123,735</u>	<u>73,518,959</u>	<u>55,877,955</u>
Total Liabilities	<u>102,608,648</u>	<u>7,376,726</u>	<u>109,985,374</u>	<u>71,136,723</u>
NET ASSETS				
Invested in capital assets, net of related debt	48,088,079	4,502,339	52,590,418	--
Unrestricted (deficit)	68,883,097	(6,859,715)	62,023,382	(546,470)
Total Net Assets	<u>116,971,176</u>	<u>(2,357,376)</u>	<u>114,613,800</u>	<u>\$ (546,470)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>1,403,768</u>	<u>689,199</u>	<u>2,092,967</u>	
Net assets of business-type activities	<u>\$ 118,374,944</u>	<u>\$ (1,668,177)</u>	<u>\$ 116,706,767</u>	

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, 2012

	Business-Type Activities - Enterprise Funds			Governmental
	Natividad Medical Center	Nonmajor	Total Enterprise Funds	Internal Service Funds
		Enterprise Fund- Parks and Lake Resort		
Operating Revenues:				
Net patient services revenues	\$ 170,884,122	\$ --	\$ 170,884,122	\$ --
Other charges for services	--	3,631,950	3,631,950	36,667,607
Other operating revenues	9,364,883	4,850,080	14,214,963	--
Total Operating Revenues	<u>180,249,005</u>	<u>8,482,030</u>	<u>188,731,035</u>	<u>36,667,607</u>
Operating Expenses:				
Salaries and wages	76,121,697	3,471,128	79,592,825	--
Employee benefits	28,523,095	--	28,523,095	--
Services and supplies	20,344,391	5,551,651	25,896,042	10,775,296
Claims expense	--	--	--	13,997,267
Purchased services	35,746,711	--	35,746,711	402,938
Depreciation	9,305,892	778,039	10,083,931	--
Other	4,335,101	--	4,335,101	--
Total Operating Expenses	<u>174,376,887</u>	<u>9,800,818</u>	<u>184,177,705</u>	<u>25,175,501</u>
Net Operating Income (Loss)	<u>5,872,118</u>	<u>(1,318,788)</u>	<u>4,553,330</u>	<u>11,492,106</u>
Non-Operating Revenues (Expenses):				
Intergovernmental revenue	--	159,805	159,805	--
Interest income	367,363	1,770	369,133	740,257
Interest expense	(3,565,857)	(328,164)	(3,894,021)	(689,413)
Rental income	1,651,826	--	1,651,826	--
Other non-operating revenues	681,454	14,897	696,351	--
Total Non-Operating Revenue (Expenses)	<u>(865,214)</u>	<u>(151,692)</u>	<u>(1,016,906)</u>	<u>50,844</u>
Net income (Loss) Before Transfers	5,006,904	(1,470,480)	3,536,424	11,542,950
Transfers in	--	771,240	771,240	--
Transfers out	--	(436,262)	(436,262)	--
Change in Net Assets	5,006,904	(1,135,502)	3,871,402	11,542,950
Net Assets - Beginning of Year	<u>111,964,272</u>	<u>(1,221,874)</u>	<u>110,742,398</u>	<u>(12,089,420)</u>
Net Assets - End of Year	<u>\$ 116,971,176</u>	<u>\$ (2,357,376)</u>	<u>\$ 114,613,800</u>	<u>\$ (546,470)</u>
Change in net assets, from above	\$ 5,006,904	\$ (1,135,502)	\$ 3,871,402	
Adjustment to reflect the consolidation of internal service funds activities related to enterprise fund	<u>1,453,500</u>	<u>220,511</u>	<u>1,674,011</u>	
Change in net assets of business-type activities	<u>\$ 6,460,404</u>	<u>\$ (914,991)</u>	<u>\$ 5,545,413</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, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Natividad Medical Center	Nonmajor Enterprise Fund -		Internal Service Funds
		Parks and Lake Resort	Total Enterprise Funds	
Cash flows from operating activities:				
Cash received from patients and third party payors	\$ 169,618,607	\$ --	\$ 169,618,607	\$ --
Cash receipts from customers and users	--	7,999,017	7,999,017	36,255,152
Cash received from other sources	10,870,392	--	10,870,392	--
Cash paid to employees for services	(104,399,888)	(3,152,353)	(107,552,241)	--
Cash paid to suppliers for goods and services	(61,056,252)	(5,595,910)	(66,652,162)	(26,178,156)
Net cash provided (used) by operating activities	<u>15,032,859</u>	<u>(749,246)</u>	<u>14,283,613</u>	<u>10,076,996</u>
Cash flows from noncapital financing activities:				
Grants revenues received	--	174,702	174,702	--
Transfers from other funds	--	771,240	771,240	--
Transfers to other funds	--	(436,262)	(436,262)	--
Due from other funds	--	--	--	(19,218)
Due to other funds	--	439,077	439,077	--
Cash received from Natividad Medical Foundation	681,454	--	681,454	--
Net cash provided (used) by noncapital financing activities	<u>681,454</u>	<u>948,757</u>	<u>1,630,211</u>	<u>(19,218)</u>
Cash flows from capital and related financing activities:				
Collection (repayment) of advances	--	(394,836)	(394,836)	394,836
Principal paid on capital related debt	(5,629,631)	--	(5,629,631)	(1,665,881)
Interest paid on capital related debt	(3,206,192)	(328,164)	(3,534,356)	(700,080)
Payments related to the acquisition of capital assets	(9,511,792)	(636,828)	(10,148,620)	--
Net cash provided (used) by capital and related financing activities	<u>(18,347,615)</u>	<u>(1,359,828)</u>	<u>(19,707,443)</u>	<u>(1,971,125)</u>
Cash flows from investing activities:				
Cash received from rental income	2,170,192	--	2,170,192	--
Cash paid on rental property operations	(518,366)	--	(518,366)	--
Interest payments received (made)	355,494	1,770	357,264	740,257
Net cash provided (used) by investing activities	<u>2,007,320</u>	<u>1,770</u>	<u>2,009,090</u>	<u>740,257</u>
Net increase (decrease) in cash and cash equivalents	(625,982)	(1,158,547)	(1,784,529)	8,826,910
Cash and cash equivalents, July 1	73,054,931	1,159,559	74,214,490	54,794,890
Cash and cash equivalents, June 30	<u>\$ 72,428,949</u>	<u>\$ 1,012</u>	<u>\$ 72,429,961</u>	<u>\$ 63,621,800</u>
<u>Reconciliation of cash and cash equivalents to statement of net assets</u>				
Cash and cash equivalents	\$ 70,606,309	\$ 1,012	\$ 70,607,321	\$ 63,345,234
Imprest cash	2,128	--	2,128	--
Other bank accounts	64,508	--	64,508	276,558
Restricted cash	1,756,004	--	1,756,004	8
Total cash and cash equivalents	<u>\$ 72,428,949</u>	<u>\$ 1,012</u>	<u>\$ 72,429,961</u>	<u>\$ 63,621,800</u>

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, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Natividad Medical Center	Nonmajor		Internal Service Funds
		Enterprise Fund - Parks and Lake Resort	Total Enterprise Funds	
Reconciliation of operating income to net cash				
Provided by operating activities:				
Operating income (loss)	\$ 5,872,118	\$ (1,318,788)	\$ 4,553,330	\$ 11,492,106
Adjustments to reconcile operating income to net				
Cash provided (used) by operating activities:				
Depreciation and amortization	9,305,892	778,039	10,083,931	--
Provision for doubtful accounts	45,834,302	--	45,834,302	--
(Increase) decrease in receivables	(46,051,516)	(483,013)	(46,534,529)	(412,455)
(Increase) decrease in inventories	(88,014)	--	(88,014)	--
(Increase) decrease in prepaid items	(204,317)	--	(204,317)	(6,600)
Increase (decrease) in accounts payable	(2,021,953)	(44,259)	(2,066,212)	312,970
Increase (decrease) in other accrued liabilities	2,616,572	297,983	2,914,555	212,094
Increase (decrease) in compensated absences	270,060	--	270,060	--
Increase (decrease) in post-employment liability	(957,493)	20,792	(936,701)	--
Increase (decrease) in estimated third-party payor settlements	457,208	--	457,208	--
Increase (decrease) in claims liability	--	--	--	(1,521,119)
Total adjustments	9,160,741	569,542	9,730,283	(1,415,110)
Net cash provided (used) by operating activities	<u>\$ 15,032,859</u>	<u>\$ (749,246)</u>	<u>\$ 14,283,613</u>	<u>\$ 10,076,996</u>

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

COUNTY OF MONTEREY

Statement of Fiduciary Net Assets
June 30, 2012

	Investment Trust	Private Purpose Trust	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments held in County treasury	\$ 562,245,050	\$ 14,342,643	\$ 8,917,114
Taxes receivable	--	--	26,677,115
Long-term receivables	--	316,376	30,000
Land held for resale	--	856,017	--
Capital assets, depreciable	--	859,414	--
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>562,245,050</u>	<u>16,374,450</u>	<u>35,624,229</u>
Liabilities			
Accounts payable	--	8,154	7,721
Deposits from others	--	112,284	--
Unearned revenue	--	353,568	--
Notes payable	--	36,355	--
Agency funds held for others	--	--	35,616,508
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u>510,361</u>	<u>35,624,229</u>
Net assets			
Net assets held in trust	<u>562,245,050</u>	<u>15,864,089</u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>
Total net assets	<u>\$ 562,245,050</u>	<u>\$ 15,864,089</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, 2012

	Investment Trust	Private Purpose Trust
	<u> </u>	<u> </u>
Additions		
Property taxes	\$ --	\$ 1,341,160
Intergovernmental revenue	--	95,773
Charges for services		87,429
Contributions to investment pool	1,139,727,308	--
Interest and investment income	4,892,503	45,959
Other revenue	<u> </u>	<u> </u>
	--	13,020
Total additions	<u>1,144,619,811</u>	<u>1,583,341</u>
Deductions		
Distributions from investment pool	1,174,585,103	--
Administrative expenses	<u> </u>	<u> </u>
	--	135,358
Total deductions	<u>1,174,585,103</u>	<u>135,358</u>
Change in net assets before extraordinary items	(29,965,292)	1,447,983
Extraordinary item:		
Dissolution of Monterey County RDA	<u> </u>	<u> </u>
	--	14,416,106
Change in net assets	(29,965,292)	15,864,089
Net assets, beginning of year	<u>592,210,342</u>	<u> </u>
	--	
Net assets, end of year	<u><u>\$ 562,245,050</u></u>	<u><u>\$ 15,864,089</u></u>

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



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NOTES TO FINANCIAL STATEMENTS

The notes provided in the financial section 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 the Financial Statements
For the Year Ended June 30, 2012

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **The Financial Reporting Entity**

The County of Monterey (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
- Nacimiento Hydroelectric Operations
- Monterey County Financing Authority
- Monterey County Public Improvements Corporation

Complete financial statements of the Monterey County Financing Authority and Monterey County Public Improvements Corporation can be obtained by contacting the County of Monterey, Auditor-Controller P.O. Box 390, Salinas, CA 93902.

Monterey County Children and Families Commission (Commission) was established under the provisions of the California Children and Families Act. The Commission is a legally separate entity governed by a board of seven members. Three members are representatives of the County's health care departments, County's social services departments and the Board of Supervisors. The County Board of Supervisors may remove any Commission member at any time. Since the County Board of Supervisors can impose their will on the Commission, the Commission is considered a discretely presented component unit of the County. Separately issued statements may be obtained by contacting the Commission at 1125 Baldwin Street, Salinas, CA 93906.

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 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 the Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. All internal balances in the statement of net assets have been eliminated with the exception of those representing balances between governmental activities and the business-type activities, which are presented as internal balances. 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for services where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the County's funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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 funds 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.

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 general government, public safety and protection, public ways and facilities, health and sanitation, public assistance, education and recreation and cultural services.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

- The *Road Fund* carries out basic governmental activities of the County that relate to public ways not accounted for through other funds.
- The *Community Development Fund* is used for a variety of economic development activities and for planning and technical assistance studies. This fund is also used to account for monies received from the State and Federal Governments and loaned by the County to individuals and businesses to encourage economic growth.

The County reports the following major enterprise fund:

- The *Natividad Medical Center (NMC)* 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 Center, 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, general liability insurance, and other employee benefit plans that include vision, dental, long term disability, and other miscellaneous employee benefits.
- The *Investment Trust Fund* accounts for the assets of legally separate entities that deposit cash with the County Treasurer. These entities include school and community college districts and other special districts governed by local boards, regional boards and authorities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.
- The *Agency Funds* account for assets held by the County as an agent for various local governments.

C. **Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds have no measurement focus and report only assets and liabilities. However, agency funds use the accrual basis of accounting when recognizing receivables and payables.

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 taxes 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.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

D. **Cash and Investments**

The County follows the practice of pooling cash and investments of all funds with the County Treasurer, except for certain restricted funds which are generally held by outside custodians and classified as "Cash and investments with fiscal agents" on the accompanying financial statements. Interest earned on pooled investments is allocated to the funds entitled to receive interest based on the average daily cash balance of each fund for the quarter in which the interest was earned.

For purposes of the Statement of Cash Flows, the proprietary fund types consider all highly liquid investments with a maturity date of three months or less at the time of purchase to be cash equivalents. Proprietary fund types deposits with the County Treasurer are demand-type deposits and are therefore considered to be cash equivalents.

Investment in the Treasurer's Pool

Statutes authorize the County to invest its surplus cash 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 and investments in external pools 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.

The fair value of participants' position in the County's investment pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage at the date of such withdrawal.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Inventories and Prepaid Items

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, fleet vehicles and parts and supplies for roads. Governmental fund inventories are recorded as expenditures at the time the inventory is consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Reported inventories and prepaid items of governmental funds are equally offset by a corresponding nonspendable portion of fund balance to indicate that they are not expendable available financial resources.

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

F. 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.

G. 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 \$5,000 or more and an estimated useful life in excess of one year. For infrastructure and buildings, the capitalization threshold is \$100,000. 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	40 to 50 years
Equipment	3 to 25 years

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

H. 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.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

Vacation and Paid-Time-Off (continued)

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.

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.

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.

I. **Bond Issuance Costs and Premium Discounts**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using a method that approximates the effective interest method. Bond issuance costs are amortized using the straight line method over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Unamortized bond issuance costs are reported on the statement of net assets as assets. Gains or losses from advance refundings are deferred and amortized as interest expense over the life of the new refunding debt.

In the fund financial statements, governmental fund types recognize bond premiums and discount, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. **Interfund Transactions**

Interfund transactions are reflected as either loans, services provided/(received), 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

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

J. **Interfund Transactions** (continued)

as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a corresponding nonspendable portion of fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

Services provided/(received), 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.

K. **Estimates**

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

L. **Budgetary Basis of Accounting**

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

An operating budget is adopted each fiscal year for the majority of the Governmental Funds. Expenditures are controlled at the appropriation unit level for the County. Appropriation unit 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. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and as amended during the fiscal year by resolutions approved by the Board of Supervisors.

The amounts reported in the budgetary basis differ from the basis used to present the basic financial statements in accordance with generally accepted accounting principles (GAAP). The County uses an encumbrances system as an extension of normal budgetary accounting for the general, special revenue, and 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.

Since they do not constitute expenditures or liabilities, encumbrances outstanding at year-end are recorded as assignments of fund balance unless funded by committed or restricted resources. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward in the ensuing year’s budget.

An annual budget was not adopted for the Natural Disaster Assistance special revenue fund.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

M. Net Assets

The government-wide and business-type activities financial statements utilize a net assets presentation. Net assets represent the difference between assets and liabilities and are displayed in three components:

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.

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

When both restricted and unrestricted net assets are available, restricted resources are used first, then unrestricted resources as they are needed.

N. Fund Balance

Beginning with the fiscal year 2011, the County implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – This category represents amounts that cannot be spent because they are either not spendable in form or legally or contractually required to remain intact.

Restricted fund balance – This category represents amounts with constraints placed on their use by those external to the County, including creditors, grantors, contributors or laws and regulations of other governments. It also includes constraints imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This category represents amounts that can only be used for specific purposes determined by formal action (ordinance) of the County's highest level of decision-making authority (the Board of Supervisors) and that remain binding unless removed in the same manner. The underlying action (ordinance) that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance – This category represents amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision making or by a body or an official designated for that purpose.

Unassigned fund balance – This category represents the residual classification that includes amounts not contained in the other classifications.

The County's board establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. When restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, followed by the unrestricted resources that are committed, assigned and unassigned, in this order as they are needed.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

N. **Fund Balance** (continued)

Fund Balance Policy

The County's goal is to use unrestricted fund balance as a source to finance one-time investments, reserves and/or commitments. Committed, assigned and unassigned fund balances are considered unrestricted. The County's general financial guidelines permit the County's Board of Supervisors to use unbudgeted unassigned fund balance in the following manner as recommended by the County Administrative Officer:

1. A capital project fund
2. Productivity investment assignment
3. Strategic reserve equal to 10 percent of current general fund revenues
4. One-time investments or assignments

Strategic Reserve Policy

The County has established a strategic reserve reported as a separate committed fund balance constraint. The target funding level is equal to ten percent of the total general fund final budgeted estimated revenues. Funding for the strategic reserve is appropriated annually by the Board of Supervisors as part of the budget approval process.

The purpose of the County's general fund strategic reserve is to:

1. Fund settlement of legal judgments against the County in excess of reserves normally designated for litigation.
2. Cover short-term revenue reductions due to economic downturns, for natural disasters as determined by the County Administrative Officer or the Board of Supervisors, and for one-term only State budget reductions that could not be addressed through the annual appropriations for contingencies in the general fund.

The County has also established a strategic reserve reported as a separate committed fund balance constraint as the Natividad Medical Center Strategic Reserve. The Natividad Medical Center Strategic Reserve is funded with unrestricted NMC net assets and can be used only for Natividad Medical Center purposes, as determined by the County's Board of Supervisors based on recommendations of the NMC Board of Trustees.

NOTE 2: **CASH AND INVESTMENTS**

Cash and investments for most County activities are included in an 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.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 2: **CASH AND INVESTMENTS** (continued)

As of June 30, 2012, the County's cash, deposits and investments were as follows:

	<u>Pooled</u>	<u>With Fiscal Agents</u>	<u>Other</u>	<u>Total</u>
Imprest cash and cash on hand	\$ 87,061	\$ --	\$ 25,828	\$ 112,889
Deposits with financial institutions	7,712,484	1,227,276	3,568,740	12,508,500
Outstanding warrants and wires	(22,139,601)	--	--	(22,139,601)
Investments	<u>952,479,525</u>	<u>19,741,340</u>	<u>--</u>	<u>972,220,865</u>
Totals	<u>\$ 938,139,469</u>	<u>\$ 20,968,616</u>	<u>\$ 3,594,568</u>	<u>\$ 962,702,653</u>

Total cash and investments at June 30, 2012 were presented on the County's financial statements as follows:

Primary government	\$ 357,277,105
Investment trust fund	562,245,050
Agency funds	8,917,114
Private purpose trust fund	14,342,643
Discretely presented component unit	<u>19,920,741</u>
Total cash and investments	<u>\$ 962,702,653</u>

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 2: **CASH AND INVESTMENTS** (continued)

Investments

The following table identifies the investment types that are authorized for the County by the California Government Code or the County’s investment policy, wherever is 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 Maximum Percentage of Portfolio	Maximum Maximum Investment in One Issuer
Local agency bonds	5 years	None	5%
U.S. treasury obligations	5 years	None	None
State of California obligations	5 years	None	5%
U.S. agency securities	5 years	None	None
Banker's acceptances	180 days	40%	5%
Commercial paper	270 days	40%	5%
Negotiable CDs/CD placement service	5 years	30%	5%
Repurchase agreements	1 year	20%	None
Reverse repurchase agreements	92 days	20%	None
Medium term notes	5 years	30%	5%
Mutual/money market funds	N/A	20%	5%
Collateralized bank deposits	5 years	None	5%
Mortgage pass-through securities	5 years	20%	5%
Time deposits	2 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None*	None

* The investment policy limits the pool's investments in LAIF to \$50,000,000 per account, regardless of the percentage this represents.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 2: CASH AND INVESTMENTS (continued)

Investments (continued)

At June 30, 2012, the County had the following investments:

	Interest Rates	Maturities	Par	Carrying Value	Fair Value	WAM (Years)
Investments in investment pool						
Federal agency obligations	0.125% - 3.625%	7/16/2012 - 6/13/2017	\$570,000,000	\$571,644,417	\$571,241,400	1.45
U.S. treasury obligations	0.375% - 1.00%	9/30/2012 - 7/15/2013	20,000,000	20,104,687	20,082,100	0.51
Medium term notes	1.00% - 2.80%	1/8/2013 - 4/27/2017	45,000,000	45,287,300	45,325,600	2.95
Negotiable CDs	0.330% - 2.25%	3/15/2013 - 6/25/2015	20,000,000	20,251,700	20,120,300	1.84
Money market mutual funds	Variable	On Demand	110,258,076	110,258,076	110,258,076	-
California asset management program	Variable	On Demand	105,121,345	105,121,345	105,121,345	-
California Local Agency Investment Fund	Variable	On Demand	79,812,000	79,812,000	79,812,000	-
Total investment pool excluding defaulted securities			<u>\$950,191,421</u>	<u>\$952,479,525</u>	<u>\$951,960,821</u>	
Weighted average maturity for pool						1.06
Default securities						
Lehman Brothers medium-term notes	N/A	In Default	\$ 10,000,000	\$ --	\$ --	N/A
Total investment pool			<u>\$960,191,421</u>	<u>\$952,479,525</u>	<u>\$951,960,821</u>	
Investments outside investment pool						
<i>Cash held with fiscal agent</i>						
Money market mutual funds	Variable	On Demand	\$ 50,027	\$ 50,027	\$ 50,027	
Investment contract	4.851% - 5.171%	7/29/2037 - 9/1/2038	19,691,313	19,691,313	19,691,313	
Total outside investment pool			<u>\$ 19,741,340</u>	<u>\$ 19,741,340</u>	<u>\$ 19,741,340</u>	

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the County manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The County limits its exposure to interest rate risk inherent in its portfolio by managing the investment maturities, the weighted average maturity of its portfolio, as well as limiting the weighted average maturity to two years or less.

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.

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.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 2: CASH AND INVESTMENTS (continued)

Credit Risk and Concentration of Credit Risk (continued)

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, 2012.

	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>% of Portfolio</u>
U.S. treasury obligations	Not rated	Not rated	2.11%
Federal agency obligations	AAA	AAA	60.02%
Commercial paper	P-1	A-1+	0.00%
Negotiable CDs	Aa	AA	2.13%
Medium-term notes	Aa	AA	1.06%
Medium-term notes	A	AA	3.69%
Money market mutual funds	Not rated	Not rated	11.58%
California asset management fund	AAA	Not rated	11.04%
California local agency investment fund	Not rated	Not rated	8.37%
Total			<u><u>100.00%</u></u>

As of the year ended June 30, 2012, the following Federal Agency Obligations, individually, were more than 5% of the County's pooled investments.

<u>Issuer</u>	<u>Fair Market Value</u>
Federal Home Loan Bank	\$ 311,070,032
Federal Home Loan Mortgage Corporation	80,365,489
Federal National Mortgage Association	110,202,215

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. The County's investment policy requires the use of a safekeeping agent to mitigate custodial risk. Securities are invested on a "Delivery vs. Payment" basis using the custodian agent. In no case does the County engage in securities purchases that are held in broker or dealer accounts. At June 30, 2011, the County's investment pool had no securities exposed to custodial risk.

Local Agency Investment Fund

The County Treasurer's Pool maintains an investment in the State of California Local Agency Investment Fund (LAIF). LAIF is part of the Pooled Money Investment Account (PMIA), an investment pool consisting of funds held by the state in addition to those deposited in LAIF. All PMIA funds are managed by the Investment Division of the State Treasurer's Office. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California Government 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 Government Code. Participants in the pool

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 2: **CASH AND INVESTMENTS** (continued)

Local Agency Investment Fund (continued)

include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

At June 30, 2012, the County's investment position in LAIF was \$79.8 million, which approximates fair value and is the same as the value of the pool shares which is determined on an amortized cost basis. The total amount invested by all public agencies in PMIA on that day was \$60.6 billion. Of that amount, 3.47% was invested in structured notes and asset-backed securities with the remaining 96.53% invested in other non-derivative financial products.

Investment Trust of California Joint Powers Authority Pool

The County Treasurer's Pool maintains an investment in the Investment Trust of California Joint Powers Authority Pool (CalTRUST). CalTRUST is not registered with the Securities and Exchange Commission as an investment company, but is overseen by a Board of Trustees composed of officials of the public agencies that participate in CalTRUST. The fair value of the County's position in the pool is approximately the same as the value of the pool shares.

California Asset Management Program Joint Powers Authority Pool

The County Treasurer's Pool maintains an investment in the California Asset Management Program Joint Powers Authority Pool (CAMP). CAMP is not registered with the Securities and Exchange Commission as an investment company, but is overseen by a Board of Trustees composed of officials of the public agencies that participate in CAMP. CAMP's investments are limited to those permitted by Government Code Section 53601. The fair value of the County's position in the pool is approximately the same as the value of the pool shares.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 2: **CASH AND INVESTMENTS** (continued)

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, 2012:

Statement of net assets

Net assets held for pool participants	\$ 938,139,472
Equity of internal pool participants	\$ 357,402,176
Equity of external pool participants	580,737,293
Total net assets	<u>\$ 938,139,469</u>

Statement of changes in net assets

Net investment earnings	\$ 7,770,179
Investment expenses	(684,297)
Net withdrawal by pool participants	<u>(33,683,455)</u>
Change in net assets	(26,597,573)
Net assets at July 1, 2011	<u>964,737,042</u>
Net assets at June 30, 2012	<u>\$ 938,139,469</u>

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2012 to support the value of shares in the pool.

NOTE 3: **INTERFUND TRANSACTIONS**

The composition of interfund balances as of June 30, 2012, is as follows:

Due to/from other Funds

Amounts due to and from other funds are to assist the Parks Lake & Resort Operations with cash flow lags and to repay the General Liability fund for capital assets obtained as part of the Lakes Settlement in fiscal year 2008.

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Other enterprise fund	\$ 580,000
Internal service funds	Other enterprise fund	394,837
		<u>\$ 974,837</u>

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 3: **INTERFUND TRANSACTIONS** (continued)

Advances to/from other Funds

The interfund advances represent the long term portion of the Parks & Lake Resort Enterprise fund's repayment agreement to the General Liability fund for the assets obtained in the Lakes Settlement in fiscal year 2007-08.

Receivable fund	Payable fund	Amount
Internal service funds	Other enterprise fund	\$ 5,932,262
		\$ 5,932,262

Transfers

Transfers are indicative of funding for capital projects, debt service, subsidies of various County operations, and re-allocations of special revenues. Transfers between funds for the year ended June 30, 2012, were as follows:

Transfer from	Transfer to	Amount
General fund	Road fund	\$ 2,477,398
	Other governmental funds	9,909,787
	Other enterprise fund	771,240
	Totals	13,158,425
Other governmental funds	General fund	22,950,641
	Community development	20,000
	Other governmental funds	5,667,769
		28,638,410
Other enterprise fund	General fund	436,262
		436,262
		\$ 42,233,097

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 4: RECEIVABLES

Receivables as of June 30, 2012, for the County's individual major, nonmajor, internal service, and enterprise funds are as follows:

Governmental funds:

	<u>General Fund</u>	<u>Road Fund</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental funds</u>
Receivables:					
Accounts - net	\$15,225,916	\$ 2,982	\$ 96,070	\$ 1,779,778	\$ 17,104,746
Taxes receivable	4,466,967	--	--	765,048	5,232,015
Due from other agencies	30,683,500	2,187,731	1,611,056	7,092,652	41,574,939
Interest	--	--	914,292	575,667	1,489,959
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$50,376,383</u>	<u>\$2,190,713</u>	<u>\$ 2,621,418</u>	<u>\$ 10,213,145</u>	<u>\$ 65,401,659</u>

Proprietary funds:

	<u>Natividad Medical Center</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
Receivables:				
Accounts - net	\$ 18,154,478	\$ 506,625	\$ 18,661,103	\$ 512,181
Due from other agencies	4,908,759	9,374	4,918,133	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 23,063,237</u>	<u>\$ 515,999</u>	<u>\$ 23,579,236</u>	<u>\$ 512,181</u>

At June 30, 2012, accounts receivable reported by Natividad Medical Center were reduced by allowances for doubtful accounts and contractual adjustments as follows:

Allowance for doubtful accounts	\$ 23,240,992
Allowance for contractual adjustments	<u>73,744,084</u>
	<u>\$ 96,985,076</u>

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 4: **RECEIVABLES** (continued)

Governmental funds report deferred revenue in connection with receivables for revenues considered unavailable to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2012, the various components of deferred revenue and unearned revenue in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Notes receivable issued from grants on a revolving basis	\$ --	\$ 21,626,670	\$ 21,626,670
Grant advances prior to meeting all eligibility requirements	--	40,028,540	40,028,540
Receivables collected after the period of availability	17,482,759	--	17,482,759
Totals	<u>\$ 17,482,759</u>	<u>\$ 61,655,210</u>	<u>\$ 79,137,969</u>

Notes receivable balances of \$21,408,724 are not expected to be collected within the next fiscal year.

NOTE 5: **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 179,425,226	\$ 1,349,103	\$ (77,000)	\$ 180,697,329
Construction in progress	45,939,512	21,024,641	(27,627,378)	39,336,775
Total capital assets, not being depreciated	<u>225,364,738</u>	<u>22,373,744</u>	<u>(27,704,378)</u>	<u>220,034,104</u>
Capital assets, being depreciated:				
Infrastructure	544,499,402	24,402,371	--	568,901,773
Structures and improvements	233,404,800	5,561,868	(144,053)	238,822,615
Equipment	99,158,275	3,157,150	(3,687,632)	98,627,793
Intangible assets	211,593	2,782,736	--	2,994,329
Total capital assets, being depreciated	<u>877,274,070</u>	<u>35,904,125</u>	<u>(3,831,685)</u>	<u>909,346,510</u>
Less accumulated depreciation for:				
Infrastructure	(305,875,931)	(13,682,115)	--	(319,558,046)
Structures and improvements	(55,527,132)	(11,228,692)	118,086	(66,637,738)
Equipment	(71,504,562)	(7,861,826)	3,447,401	(75,918,987)
Intangible assets	(50,602)	(1,471,546)	--	(1,522,148)
Total accumulated depreciation	<u>(432,958,227)</u>	<u>(34,244,179)</u>	<u>3,565,487</u>	<u>(463,636,919)</u>
Total capital assets, being depreciated, net	<u>444,315,843</u>	<u>1,659,946</u>	<u>(266,198)</u>	<u>445,709,591</u>
Governmental activities capital assets, net	<u>\$ 669,680,581</u>	<u>\$ 24,033,690</u>	<u>\$ (27,970,576)</u>	<u>\$ 665,743,695</u>

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 5: **CAPITAL ASSETS** (continued)

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Business-type activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 4,435,925	\$ 5,593,035	\$ (3,588,981)	\$ 6,439,979
Total capital assets, not being depreciated	<u>4,435,925</u>	<u>5,593,035</u>	<u>(3,588,981)</u>	<u>6,439,979</u>
Capital assets, being depreciated:				
Structures and improvements	160,270,088	506,911	--	160,776,999
Equipment	58,431,527	7,640,108	(24,800)	66,046,835
Total capital assets, being depreciated	<u>218,701,615</u>	<u>8,147,019</u>	<u>(24,800)</u>	<u>226,823,834</u>
Less accumulated depreciation for:				
Structures and improvements	(61,352,604)	(4,477,937)	--	(65,830,541)
Equipment	(39,522,063)	(5,605,994)	22,347	(45,105,710)
Total accumulated depreciation	<u>(100,874,667)</u>	<u>(10,083,931)</u>	<u>22,347</u>	<u>(110,936,251)</u>
Total capital assets, being depreciated, net	<u>117,826,948</u>	<u>(1,936,912)</u>	<u>(2,453)</u>	<u>115,887,583</u>
Business-type activities capital assets, net	<u>\$ 122,262,873</u>	<u>\$ 3,656,123</u>	<u>\$ (3,591,434)</u>	<u>\$ 122,327,562</u>

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 15,071,704
Public safety and protection	5,626,659
Public ways and facilities	11,843,769
Health and sanitation	837,317
Public assistance	111,795
Education	68,041
Recreation and cultural services	684,894
	<u>684,894</u>
Total depreciation expense - Governmental functions	<u>\$ 34,244,179</u>

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

Natividad Medical Center	\$ 9,305,892
Parks Resorts	778,039
	<u>\$ 10,083,931</u>

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 6: LEASES

Operating Leases

The County has commitments under long-term and personal property operating lease agreements. During the fiscal year ended June 30, 2012, the County paid rents on these leases of \$6,828,511. Future minimum lease payments are as follows:

	Governmental Activities	Business-Type Activities
Year Ended June 30:		
2013	\$ 6,425,971	\$ 275,428
2014	5,686,557	168,439
2015	5,279,071	99,122
2016	4,545,432	3,552
2017	4,316,274	296
2018-2022	15,229,900	--
2023-2027	11,203,901	--
Total minimum lease payments	\$ 52,687,106	\$ 546,837

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.

Operating Leases – Natividad Medical Center

As June 30, 2012, the Center does not expect to receive a minimum rental income from operating leases for vacant office spaces located on its campus as these are cancelable at any time. Total rental income under operating lease agreements during the year ended June 30, 2012 was \$2,170,192.

Capital Leases

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

	Governmental Activities
Equipment	\$ 395,550
Intangible assets	1,636,943
Less: accumulated depreciation	(1,549,640)
Totals	\$ 482,853

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 6: LEASES

Capital Leases (continued)

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, 2012:

	<u>Governmental Activities</u>
Year Ended June 30:	
2013	\$ 405,388
2014	47,591
2015	18,539
2016	6,888
2017	<u>5,166</u>
Totals	483,572
Less: Amount representing interest	<u>(24,840)</u>
Present value of future minimum lease payments	<u><u>\$ 458,732</u></u>

NOTE 7: LONG-TERM LIABILITIES

Legal Debt Limit

The County's legal debt limit for the year ended June 30, 2012 was \$615.3 million. 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 approximately \$282.4 million, but none is applicable to the debt limit. The County has complied with all significant debt covenants.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 7: LONG-TERM LIABILITIES (continued)

Summary of Long-Term Liabilities

<u>Governmental activities</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Principal Installments</u>	<u>Date of Issue</u>	<u>Amount Authorized</u>	<u>Outstanding June 30, 2012</u>
Certificates of participation						
2007 issue <i>(defeased the 1993 sheriff facility and the 2001 issue master plan financing issue plus new monies for completion of public health and court related facilities)</i>	2038	4.0% - 5.0%	\$2,785,000 - \$6,845,000	2007	\$ 144,400,000	\$ 125,375,000
NGEN Issue <i>(finance acquisition, construction and installation of communications system)</i>	2023	3.95%	\$508,887 - \$818,645	2010	8,518,628	8,009,741
Judgment obligation bonds <i>(liquidate litigation liabilities)</i>	2014	3.0% - 4.0%	\$695,000 - \$870,000	2004	7,470,000	1,705,000
Revenue bonds Agencies under Board of Supervisors	2036	5.0%	\$16,000 - \$37,000	1980-95	56,859,700	878,000
Revenue bonds Agencies under Board of Supervisors <i>(finance Salinas Valley water project)</i>	2038	4.0% - 5.0%	\$550,000 - \$ 2,085,000	2008	32,855,000	31,735,000
Notes payable – Parks and Recreation <i>(acquire recreational properties)</i>						
San Antonio Lakes Resort	2023	5.0%	\$33,095	2007	4,185,000	3,199,747
Lake Nacimiento Resort	2023	5.0%	\$89,478	2007	11,315,000	8,651,201
Loans payable – Bureau of Reclamation Agencies under Board of Supervisors <i>(infrastructure and facility improvements)</i>	2037	1.65% - 7.63%	\$16,847 - \$1,207,699	1995	35,035,790	27,691,912
Special assessment bonds with governmental commitment: General County Chualar Water District <i>(infrastructure and facility improvements)</i>	2025	4.25% - 7.2%	\$4,000 - \$26,000	1984-93	257,000	136,000
					<u>\$ 300,896,118</u>	<u>\$ 207,381,601</u>
<u>Business-type activities</u>						
Loan payable	2015	2.13% (average)	\$237,000 - \$263,000	2010	\$ 15,000,000	\$ 10,666,021
Certificates of Participation <i>(NMC Improvements)</i>						
2007 COP Refunding	2029	4% - 5%	\$250,000 - \$565,000	2007	8,280,000	6,985,000
2009 Refunding	2024	2% - 5.25%	\$2,715,000 - \$4,935,000	2009	43,700,000	39,125,000
2010 Refunding	2027	2% - 4%	\$65,000 - \$4,920,000	2010	17,845,000	17,780,000
					<u>\$ 84,825,000</u>	<u>\$ 74,556,021</u>

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 7: LONG-TERM LIABILITIES (continued)

Summary of Long-Term Liabilities (continued)

The following is a summary of long-term liabilities transactions for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
Governmental activities:					
Certificates of participation 2007 issue	\$ 129,170,000	\$ --	\$ 3,795,000	\$ 125,375,000	\$ 3,980,000
Unamortized premium	2,043,409	--	44,788	1,998,621	--
Unamortized refunding loss	(2,450,519)	--	(52,278)	(2,398,241)	--
Certificates of participation NGEN program	8,518,628	--	508,887	8,009,741	534,596
Judgment obligation bonds	2,505,000	--	800,000	1,705,000	835,000
Unamortized premium	32,648	--	10,884	21,764	--
Revenue bonds	33,241,000	--	628,000	32,613,000	656,000
Unamortized premium	728,606	--	12,768	715,838	--
Loans payable	41,445,488	--	1,902,628	39,542,860	1,948,685
Special assessment bonds	143,000	--	7,000	136,000	7,000
Capital leases	150,922	706,612	398,802	458,732	385,570
Compensated absences	28,725,101	8,804,335	7,710,207	29,819,229	7,493,524
Estimated self-insurance liabilities	58,293,683	13,944,648	15,465,767	56,772,564	12,738,580
Estimated landfill postclosure costs	2,498,789	--	208,227	2,290,562	208,227
	<u>\$ 305,045,755</u>	<u>\$ 23,455,595</u>	<u>\$ 31,440,680</u>	<u>\$ 297,060,670</u>	<u>\$ 28,787,182</u>
Business-type activities					
Certificates of participation	\$ 66,615,000	\$ --	\$ 2,725,000	63,890,000	\$ 2,820,000
Unamortized premium (discount)	1,797,911	--	148,825	1,649,086	--
Unamortized refunding loss	(5,139,787)	--	(427,828)	(4,711,959)	--
Net certificates of participation	63,273,124	--	2,445,997	60,827,127	2,820,000
Loan payable	13,570,652	--	2,904,631	10,666,021	2,966,975
Compensated absences	7,260,995	3,243,932	2,756,343	7,748,584	6,828,067
	<u>\$ 84,104,771</u>	<u>\$ 3,243,932</u>	<u>\$ 8,106,971</u>	<u>\$ 79,241,732</u>	<u>\$ 12,615,042</u>

Estimated self-insurance liabilities are liquidated by the internal service funds. *Compensated absences* are generally liquidated by the General Fund, related special revenue funds and the enterprise funds. *Estimated landfill postclosure costs* are liquidated from the General Fund.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 7: LONG-TERM LIABILITIES (continued)

Payment Requirements for Debt Service

As of June 30, 2012, annual debt service requirements of governmental activities to maturity are as follows:

Year Ending June 30:	Bonds Payable & Special Assessments		Certificates of Participation		Loans and Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,498,000	\$ 1,647,559	\$ 4,514,596	\$ 5,961,580	\$ 1,948,685	\$ 1,318,043
2014	1,558,000	1,588,681	4,735,713	5,736,463	1,997,155	1,246,627
2015	716,000	1,542,396	4,952,664	5,522,513	2,048,167	1,172,670
2016	751,000	1,508,879	5,155,481	5,309,707	2,101,856	1,096,035
2017	785,000	1,470,399	5,404,200	5,064,001	2,158,365	1,016,581
2018-2022	4,466,000	6,750,369	26,680,905	21,501,501	11,749,072	3,781,479
2023-2027	5,395,000	5,514,971	27,251,182	15,335,840	5,967,980	2,124,786
2028-2032	6,660,000	4,022,250	31,460,000	8,890,426	5,658,754	1,370,140
2033-2037	8,555,000	2,129,375	19,565,000	2,638,464	5,912,826	542,436
2038-2039	4,070,000	206,000	3,665,000	82,463	--	--
	<u>\$ 34,454,000</u>	<u>\$ 26,380,879</u>	<u>\$ 133,384,741</u>	<u>\$ 76,042,958</u>	<u>\$ 39,542,860</u>	<u>\$ 13,668,797</u>

As of June 30, 2012, annual debt service requirements of business-type activities to maturity are as follows:

Year Ending June 30:	Certificates of Participation		Loan Payable	
	Principal	Interest	Principal	Interest
2013	\$ 2,820,000	\$ 2,883,374	\$ 2,966,975	\$ 197,917
2014	2,940,000	2,768,749	3,030,658	134,234
2015	3,075,000	2,650,799	3,095,707	69,185
2016	3,220,000	2,501,211	1,572,681	9,764
2017	3,390,000	2,342,724	--	--
2018-2022	19,635,000	9,017,481	--	--
2023-2027	25,015,000	3,823,503	--	--
2028-2029	3,795,000	157,900	--	--
	<u>\$ 63,890,000</u>	<u>\$ 26,145,741</u>	<u>\$ 10,666,021</u>	<u>\$ 411,100</u>

Irrevocable Trust

In fiscal year 2006-07, the County issued 2007 refunding certificates of participation to refund the 1993 and 2001 certificates of participation. The 2001 master plan financing certificates of participation could not be paid off at that time so the proceeds of the refunded bonds were placed in an irrevocable trust for the purpose of generating resources for all future debt payments until the arrival of the payoff date. The refunded bonds were considered defeased and the liability was no longer shown on the governmental and business-type activities' columns of the Statement of Net Assets and Proprietary Fund Statements for Natividad Medical Center. The debt was paid off in August 2011 and the irrevocable trust balance is now zero.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 7: LONG-TERM LIABILITIES (continued)

Pledged Revenues

The Monterey County Financing Authority has pledged certain specified assessments, all Hydroelectric Facility net revenues, all ad valorem taxes and all annexation fees to secure the payment of principal and interest on the bonds in accordance with the terms and the provisions of the Indenture. The Indenture provides that the pledge shall constitute a first lien on all such assets. Proceeds from the bonds provided financing for the Salinas Valley Water Project – an effort to halt further seawater intrusion, provide flood protection, and create new water supplies for the Salinas Valley. Total principal and interest remaining on the bonds is \$57,694,919, payable through June 2038. Principal paid for the current fiscal year was \$570,000 and interest paid was \$1,564,513. Net pledged revenues for the fiscal year ended June 30, 2012 were \$2,189,260.

NOTE 8: SHORT-TERM NOTE PAYABLE

In August 2011, the County issued a \$43.9 million tax and revenue anticipation note to manage the temporary cash flow deficits that occur when the timing of required expenditures does not coincide with the timing of the collection of taxes and other revenues. The note was issued in anticipation of collection of taxes and other revenues to be received during the fiscal year ended June 30, 2012, and was repaid with taxes and other revenues on June 30, 2012. The County incurred and paid interest of \$0.5 million.

Short-term note payable activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
Short-term note payable	\$ --	\$ 43,855,000	\$ 43,855,000	\$ --

NOTE 9: NET ASSETS/FUND BALANCES

Net Assets

Net assets invested in capital assets, net of related debt, was comprised of the following:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Capital assets, net of accumulated depreciation	\$ 665,743,695	\$ 122,327,562
Outstanding principal of capital-related debt	(194,600,604)	(71,493,148)
Unspent debt proceeds	<u>17,617,399</u>	<u>1,756,004</u>
Net assets, invested in capital assets, net of related debt	<u>\$ 488,760,490</u>	<u>\$ 52,590,418</u>

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 9: NET ASSETS/FUND BALANCES (continued)

Fund Balances

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned. A detailed schedule of fund balances at June 30, 2012 is as follows:

	General Fund	Road Fund	Community Development	Other Governmental Funds	Total
Nonspendable:					
Inventory and prepaid items	\$ 195,828	\$ 92,942	\$ --	\$ --	\$ 288,770
Restricted for:					
COP proceeds	--	--	--	5,651,229	5,651,229
Debt service	--	--	--	12,778,009	12,778,009
Health and sanitation	--	--	--	333,142	333,142
Public assistance	--	--	--	5,456,836	5,456,836
Redevelopment activities	--	--	--	4,146,306	4,146,306
Total restricted	<u>--</u>	<u>--</u>	<u>--</u>	<u>28,365,522</u>	<u>28,365,522</u>
Committed for:					
Capital projects	--	--	--	856,743	856,743
Public assistance	--	--	--	369,966	369,966
Service areas	--	--	--	706,072	706,072
Strategic Reserve - General Fund	38,092,695	--	--	--	38,092,695
Strategic Reserve - NMC	14,200,000	--	--	--	14,200,000
Total committed	<u>52,292,695</u>	<u>--</u>	<u>--</u>	<u>1,932,781</u>	<u>54,225,476</u>
Assigned to:					
Contingency	10,649,510	--	--	--	10,649,510
Encumbrance reserve	494,896	--	--	--	494,896
Capital projects	4,462,160	--	--	--	4,462,160
Disaster assistance	1,368,837	--	--	--	1,368,837
Health clinics	1,070,000	--	--	--	1,070,000
Mental health	3,409,690	--	--	--	3,409,690
NGEN radio system	3,155,563	--	--	--	3,155,563
Productivity investment program	882,331	--	--	--	882,331
Purpose of fund	--	3,918,947	2,008,857	64,387,295	70,315,099
Social services	470,081	--	--	--	470,081
Terminations	5,745,020	--	--	--	5,745,020
Vehicle replacement	5,357,327	--	--	--	5,357,327
	<u>37,065,415</u>	<u>3,918,947</u>	<u>2,008,857</u>	<u>64,387,295</u>	<u>107,380,514</u>
Unassigned fund balance	2,386,133	--	--	(34,671)	2,351,462
Total fund balances	<u>\$ 91,940,071</u>	<u>\$ 4,011,889</u>	<u>\$ 2,008,857</u>	<u>\$ 94,650,927</u>	<u>\$ 192,611,744</u>

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 10: EMPLOYEE'S RETIREMENT PLAN AND POST RETIREMENT BENEFITS

Plan Description

The County of Monterey contributes to the California Public Employees Retirement System (PERS), 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. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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 which is available to the public. Copies of the CalPERS' annual financial report may be obtained by contacting the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in PERS are required to contribute a percentage of the annual covered salary of their miscellaneous employees and of their public safety employees. County employees are represented by 18 bargaining units. Of these 18 units, 14 bargaining units represent miscellaneous employees for which the county pays the 3.5% PERS retirement that was effective October 08, 2011. Previously the County was paying 7%. The required contribution rate for fiscal year 2011-12 were 10.856% for miscellaneous employees and 27.854% for public safety employees. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2011-12, the County's required and actual contribution was \$39,241,636. Of this amount the annual pension cost to the county was \$38,594,404 and \$647,232 was paid by public safety employees who pay 4.5% of the required contribution which took effect on January 14, 2012.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
Safety Plan:		
6/30/2012	\$ 13,371,882	100%
6/30/2011	13,017,109	100%
6/30/2010	12,617,389	100%
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
Miscellaneous Plan:		
6/30/2012	\$ 25,869,754	100%
6/30/2011	24,266,382	100%
6/30/2010	23,714,464	100%

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 10: EMPLOYEE'S RETIREMENT PLAN AND POST RETIREMENT BENEFITS (continued)

Annual Pension Cost (continued)

The required contribution for fiscal year 2011-12 was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.55% to 14.45% depending on age, service and type of employment, and (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of plan 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 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, 2009 was twenty four years.

Funded Status and Funding Progress

The following is the funded status information (in thousands) for each plan as of June 30, 2011, the most recent actuarial valuation date:

	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
Miscellaneous	\$ 1,169,818	\$ 1,047,556	\$ 122,262	89.5%	\$ 256,825	47.60%
Safety	444,376	336,316	108,060	75.7%	48,544	222.60%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Monterey County Water Resources Agency (MCWRA) Plan

Plan Description

The MCWRA plan of the County of Monterey contributes to 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. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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 may be obtained by contacting the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 10: EMPLOYEE’S RETIREMENT PLAN AND POST RETIREMENT BENEFITS (continued)

The Monterey County Water Resources Agency (MCWRA) Plan (continued)

Funding Policy

Active plan members in CalPERS are required to contribute 7% of their annual covered salary. Previously the County made the 7% required MCWRA employee contribution but effective October 8, 2011, that rate was changed to 3.5%. The County is required to contribute at an actuarially determined rate of 11.282% of annual covered payroll. The contribution requirements of plan members and the County are established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2011-12, the County’s annual pension cost for the MCWRA plan was \$404,624 and was equal to the County’s required and actual contributions.

Three-Year Trend Information for CalPERS

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
MCWRA:		
6/30/2012	404,624	100%
6/30/2011	361,434	100%
6/30/2010	384,006	100%

NOTE 11: OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The County of Monterey Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the County. The Plan provides healthcare insurance benefits to eligible retirees. Benefit provisions are established and may be amended by the County.

The County provides retiree medical benefits through the California Public Employees’ Retirement System healthcare program. The County contributes the Public Employees’ Medical and Hospital Care Act (PEMHCA) minimum required employer contribution (\$112 per month in 2012) towards the retiree monthly premium for eligible retirees participating in PEMHCA.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the County. The County prefunds all or a portion of the plan through the California Employers’ Retiree Benefit Trust (CERBT) by contributing up to 100% of the annual required contribution.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 11: **OTHER POST EMPLOYMENT BENEFITS (OPEB)** (continued)

Funding Policy (continued)

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension*. The County’s ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 20 years. The fiscal year 2011-12 ARC is \$3,997,000.

For fiscal year 2011-12, the County paid a total of \$4,269,129 to the OPEB trust (CERBT). Of this amount, \$889,129 was paid for healthcare insurance benefits for eligible retirees, and \$3,380,000 was paid to fund future retirees’ healthcare.

CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to pre-fund retiree healthcare benefits. CERBT issues a publicly available financial report including GASB 43 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* disclosure information in aggregate with the other CERBT participating employers. That report may be obtained by contacting CalPERS, Executive Office, 400 P Street, Sacramento, CA 95814.

The following are the components of the County’s annual OPEB cost for the fiscal year ended June 30, 2012:

Annual Required Contribution (ARC)	\$ 3,997,000
Interest on net OPEB obligation - actuarial estimate	538,000
Amortization of net OPEB obligation - actuarial estimate	<u>(755,000)</u>
Annual OPEB cost (expense)	3,780,000
Contributions made	<u>(4,269,129)</u>
Increase (decrease) in net OPEB obligation	(489,129)
Net OPEB obligation, beginning of year	7,419,622
Net OPEB obligation, end of year	<u><u>\$ 6,930,493</u></u>

Annual OPEB Cost and Net OPEB Obligation

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan (as described in the funding policy above), and the net OPEB obligation for fiscal years 2011-12 and the prior two fiscal years:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	\$3,780,000	112.9%	\$6,930,493
6/30/11	3,319,000	124.6%	7,419,622
6/30/10	3,202,000	43.2%	8,236,079

General Fund, Road Fund, Library, In-Home Supportive Services, Office of Employment Training, Community Action Partnership, Parks Lakes, Water Resources, and NMC funds have been used to liquidate the net other postemployment benefit obligation.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 11: **OTHER POST EMPLOYMENT BENEFITS (OPEB)** (continued)

Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of June 30, 2011, the plan’s most recent actuarial valuation date, was as follows (amounts in thousands):

Actuarial accrued liability (AAL)	\$31,719
Actuarial value of plan assets	4,434
Unfunded actuarial accrued liability (UAAL)	\$27,299
Funded ratio (actuarial value of plan assets/AAL)	13.98%
Covered payroll (active Plan members)	\$288,974
UAAL as a percentage of covered payroll	9.45%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), which is the expected long-term investment return on CERBT investments, and an annual healthcare minimum cost trend rate of 4.5%. This rate includes a 3% inflation assumption. The actuarial value of assets is equal to the market value. The UAAL is being amortized as a level percentage of projected payroll over 20 years on a closed basis. The remaining amortization period at June 30, 2012, was 16 years.

NOTE 12: **JOINT POWERS AGREEMENT**

Natividad Medical Center (NMC) is a member of and participates in a professional liability self-insurance program (Program) through BETA Healthcare Group (BETA), joint powers authority formed pursuant to the government code of the State of California. BETA members are city, county, district, and private not-for-profit hospitals and healthcare facilities in California. Amounts paid by each member to BETA represent actuarially determined assessments of claims payable and estimated incurred but not reported claims that are adjusted periodically based on the claims experience for each member at each hospital. Claims in excess of specified amounts are the responsibility of individual program participants.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 12: **JOINT POWERS AGREEMENT** (continued)

After a deductible, BETA provides payment in full for healthcare liability claims subject to limits established at \$20 million in the aggregate for the entity, with professional liability coverage for medical providers subject to \$1 million per claim and \$3 million aggregate limits. Also, after a \$25,000 deductible, BETA provides payment on covered directors, officers and trustee liability claims up to \$10 million per occurrence and in the aggregate. The Center's contribution to the Program was approximately \$507,182 in 2012.

Condensed financial information of the Program for the calendar year ended December 31, 2011, (audited by Larson & Rosenberger LLP) is as follows:

Cash and investments	\$ 419,728,672
Other assets	<u>75,731,167</u>
Total Assets	<u>\$ 495,459,839</u>
Loss reserves	\$ 233,063,280
Other liabilities	59,495,857
Fund balance	<u>202,900,702</u>
Total Liabilities and Fund Balance	<u>\$ 495,459,839</u>
Total revenues	\$ 86,414,932
Total expenses	<u>(53,039,327)</u>
Revenue in excess of expenses before member surplus funds contributed, change in net unrealized gains on investments, and member dividends	<u>\$ 33,375,605</u>

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

In 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 (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, 128 Sun St, Ste. 101, Salinas, CA 93901.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 12: **JOINT POWERS AGREEMENT** (continued)

Condensed financial information of the Authority for the fiscal year ended June 30, 2012 (the most current available) is as follows:

Current assets	\$ 13,021,243
Other assets	6,709,526
Capital assets, net	<u>28,717,303</u>
 Total Assets	 <u>\$ 48,448,072</u>
 Closure liability	 4,836,524
Other liabilities	<u>53,690,934</u>
 Total Liabilities	 <u>\$ 58,527,458</u>
 Net assets (deficit)	 (10,079,386)
 Total operating revenues	 \$ 15,273,792
Total operating expenses	(13,252,416)
Other revenue and expenses	<u>(1,864,171)</u>
 Changes in Net Assets	 <u>\$ 157,205</u>

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 13: LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and federal laws and regulations require the County to place a final cover on all landfill sites when closed and, for thirty years after, perform mandated maintenance and monitoring functions at those sites. All County owned landfills are closed, thus only the liability for future maintenance and monitoring activities is shown on the statement of net assets. The estimated liability and total costs for the landfill sites are shown below:

Landfill Site	Post Closure Activities	Groundwater Monitoring	Post Closure Liability
Bradley	\$ 152,432	\$ 255,414	\$ 407,846
San Ardo II	152,432	255,414	407,846
Lake San Antonio North Shore	152,432	255,414	407,846
Lake San Antonio South Shore	152,432	N/A	152,432
San Ardo I	152,432	N/A	152,432
Parkfield I	152,432	N/A	152,432
Parkfield II	152,432	N/A	152,432
Chualar	152,432	N/A	152,432
Arroyo Seco / Greenfield	152,432	N/A	152,432
Lockwood	152,432	N/A	152,432
	<u>1,524,320</u>	<u>766,242</u>	2,290,562
Totals	<u>\$ 1,524,320</u>	<u>\$ 766,242</u>	2,290,562
Landfill costs as of June 30, 2012			<u>11,563,855</u>
Total estimated costs to June 30, 2023			<u>\$ 13,854,417</u>

Post closure activities are comprised of costs which are estimated equally per site for the eleven remaining years. The liability and total costs are estimated annually based on the premise that all equipment, facilities and services required to monitor and maintain the landfill sites were acquired as of June 30, 2012. Actual total costs may be higher due to future changes in technology or landfill laws and regulations.

The County is required by state and federal laws and regulations to provide annual funding to finance future post closure care costs. The County is in compliance with these regulations, establishing appropriations for these activities, based on the annual estimated liability, in each year's annual budget.

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 financial statements.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 14: **COMMITMENTS AND CONTINGENCIES** (continued)

As of June 30, 2012, the outstanding loan balances of the MCWPCA related to the above project are as follows:

Loan from the Bureau of Reclamation	\$ 15,791,985
Loan from the State Water Resources Control Board	\$ 3,411,945

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, 2012 does not expect to incur a significant liability.

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 the fiscal year ended June 30, 2012 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.

Construction Commitments

At June 30, 2012, the County had ongoing construction commitments that totaled approximately \$21.5 million.

Hospital Regulatory Environment

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. NMC is subject to routine surveys and reviews by federal, state and local regulatory authorities. NMC has also received inquiries from healthcare regulatory authorities regarding its compliance with laws and regulations. Although NMC management is not aware of any violations of laws and regulations, it has received corrective action requests as a result of completed and on-going surveys from applicable regulatory authorities. Management continually works in a timely manner to implement operational changes and procedures to address all corrective action requests from regulatory authorities. Breaches of these laws and regulations and non-compliance with survey correction action requests could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 14: COMMITMENTS AND CONTINGENCIES (continued)

Healthcare Reform

In March 2010, President Obama signed the Health Care Reform Legislation into law. The new law will result in sweeping changes across the health care industry. The primary goal of this comprehensive legislation is to extend health care coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. NMC is unable to predict the full impact of the Health Care Reform Legislation at this time due to the law's complexity and current lack of implementing regulations and/or interpretive guidance. However, NMC expects that several provisions of the Health Care Reform Legislation will have a material effect on its business.

NOTE 15: NATIVIDAD MEDICAL CENTER – NET PATIENT SERVICE REVENUE

Net patient service revenue is comprised of the following for the year ended June 30, 2012:

Revenue at established rates	\$ 773,784,686
Medicare contractual allowance	(109,867,534)
Medi-Cal contractual allowance	(326,313,090)
Allowances for other payors and indigent accounts	(156,759,094)
Provision for bad debts	<u>(45,834,302)</u>
 Net Patient Service Revenue Before Additional Funding	 <u>135,010,666</u>
 California's Medi-Cal hospital waiver	 20,118,526
Managed care supplemental funding	8,533,518
Realignment revenue	4,102,324
Senate Bill ("SB") 1732	<u>3,119,088</u>
 Additional Funding	 <u>35,873,456</u>
 Net Patient Service Revenue	 <u><u>\$ 170,884,122</u></u>

The Natividad Medical Center (Center) has agreements with third-party payors to provide for payments to the Center 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 type of service, which generally entails reimbursement rates at the lower of costs, charges, or a published limit. The Center 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 based on a per diem rate. Outpatient hospital services are reimbursed based on a published fee schedule. The Center is reimbursed at a per diem rate during the year.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 15: NATIVIDAD MEDICAL CENTER – NET PATIENT SERVICE REVENUE (continued)

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 Center and the Monterey County Health Department

Other third-party payors – The Center 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 percentage of charges payment rates.

During the year ended June 30, 2012, patients for which reimbursement was calculated under the third-party payor programs comprised approximately 100% of the Center's gross patient services revenues, as follows:

Table with 2 columns: Category and Percentage. Rows include Other third parties (30.1%), Medi-Cal (51.6%), Medicare (17.3%), Short Doyle (1.0%), and Total (100.0%).

California's Medi-Cal hospital waiver – In 2005, California enacted Senate Bill 1100 ("SB 1100") to implement a federal Medicaid hospital financing waiver ("waiver") that governs fee-for-service inpatient hospital payments for its public hospitals, which include the Center. SB 1100 is designed to protect baseline Medicaid funding for the Center from 2006 through 2010 – at a minimum participants will receive the Medicaid inpatient hospital payments they received in 2005 adjusted for yearly changes in costs. SB 1100 also allows the Center to receive additional waiver growth funding subject to the availability of funds. Payments to the Center under SB 1100 include a combination of Medi-Cal inpatient FFS payments, Medi-Cal Disproportionate Share ("DSH") payments and Safety Net Care Pool ("SNCP") payments. The federal economic stimulus package enacted in 2009, which increases California's federal DSH allotment and the federal matching rate for FFS payments, increases the net payment amounts under the waiver to the Center for the period October 2008 through December 2010. The current waiver expired in August 2010 and a second five-year Section 1115 Medicaid waiver agreement was signed on November 2, 2010, and is effective from November 1, 2010 to October 31, 2015. The new waiver is titled "California Bridge to Reform Demonstration" and will expand coverage and the safety net, promote public hospital delivery system improvements, and improve care coordination. The new waiver model offers federal funds for public hospitals that will require the expansion of coverage to low income people and transform care so that it is more coordinated, efficient, and patient-centered. The federal payments will not be automatic and are tied to core performance measures and targets. Although the federal inpatient hospital financing waiver and the new Section 1115 are designed to ensure a predictable Medicaid funding level and provide growth funding, the full financial impact of these changes in the future cannot be determined.

In total, the Center estimated waiver payments of approximately \$26 million for the year ended June 30, 2012, of which approximately \$4.3 million was still receivable at June 30, 2012, and was recognized as part of due from other agencies in the accompanying balance sheets.

In addition to the waiver, the Center received Delivery System Reform Incentive Payments ("DSRIP") payments. Public hospitals may receive DSRIP funds to improve the quality of care they provide and the health of the population they serve. DSRIP funds can be used for infrastructure development, innovation and redesign, population-focused improvement, and urgent improvement in care. The Center received \$5.9 million for the year ended June 30, 2012, as part of California's Medi-Cal hospital waiver payments. These funds are reported as other operating revenue, as they are considered reimbursement of costs for specific qualifying expenditures that must be approved by Department of Health Care Services ("DHCS"), rather than direct patient care.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 15: NATIVIDAD MEDICAL CENTER – NET PATIENT SERVICE REVENUE (continued)

The Center participates in the Medi-Cal Redesign Waiver Demonstration Program with the California Medical Assistance Commission.

Managed care supplemental and other funding – The Center is a State-Designated Disproportionate Share Hospital and, through its mission and population served, is eligible to participate in state/federal Medicaid revenue enhancement waivers. Pursuant to Section 14164 of the Welfare and Institutions Code, the County may transfer to the DHCS up to a maximum total amount of \$2.1 million to be used as the non-federal share of Medi-Cal managed care capitation rate increases for the Organized Health System ("OHS") administered by Central California Alliance for Health for the period of June 1, 2009, through July 31, 2010. This mechanism, known as IGT, will allow DHCS to use these funds to draw down enhanced federal financial participation in the funding of the Medi-Cal program. The gross payment, less the IGT returned to the County and taxes paid by the OHS to the State, will be available to the Center as a rate supplement

Hospital fee – The Center is also eligible for the California Hospital Fee Program (the "Program"), which, in November 2009, was signed into California state law. The program establishes a series of Medicaid supplemental payments funded through a "Quality Assurance Fee" and a "Hospital Fee Program," which are imposed on certain California hospitals. The effective date of the Hospital Fee Program is April 1, 2009, through December 31, 2010, and is predicated in part on the enhanced Federal Medicaid Assistance Percentage ("FMAP") contained in the American Reinvestment and Recovery Act ("ARRA"). The Hospital Fee Program would make supplemental payments to hospitals for various health care services and support the State's effort to maintain health care coverage for children. The Center, as a designated public hospital, is exempt from paying the "Quality Assurance Fee"; however, the Center is eligible to receive supplemental payments under the Hospital Fee Program. The Hospital Fee Program became effective in fiscal year 2011 after approval from the Centers for Medicare and Medicaid Services ("CMS"). In September 2011, Senate Bill 335 ("Part Three") was signed into law which extends the Program to cover the period beginning July 1, 2011, through December 31, 2013. As of June 30, 2012, and as of the date of this report, management has not recorded any revenues or expenses for the required fee or payments to be received for Part Three of the Program as management determined all required approvals from CMS have not been received.

Assembly Bill 915 – State of California Assembly Bill 915, Public Hospital Outpatient Services Supplemental Reimbursement Program, provides for supplemental reimbursement equal to the federal share of unreimbursed facility costs incurred by public hospital outpatient departments. This supplemental payment covers only Medi-Cal fee-for-service outpatient services. The supplemental payment is based on each eligible hospital's certified public expenditures ("CPE"), which are matched with federal Medicaid funds. For the year ended June 30, 2012, the Center recorded revenue of \$2.1 million, included in managed care supplemental and other funding.

In total, the Center received supplemental Medi-Cal managed care payments, which include IGT, hospital fee program, and other supplemental managed care payments, of \$8.5 million in 2012, which are recorded under net patient service revenue in the statements of revenues, expenses, and changes in net assets.

The Center also received total supplemental payments of \$0 in 2012, from DHCS, that are recorded as a designated public hospital direct grant under non-operating revenue in the statements of revenues, expenses, and changes in net assets.

The legislation states that the direct grants are in support of health care expenditures, which do not constitute Medi-Cal payments. Accordingly, these grants are considered as government-mandated non-exchange transactions according to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Non-exchange transactions for GASB reporters are generally not reported as components of income from operations according to GASB Statement No. 34, *Basic Financial Statements -and Management's Discussion and Analysis – for State and Local Governments*. As such, GASB would require the grants to be recognized as non-operating grant and contribution revenue in the financial statements.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 15: NATIVIDAD MEDICAL CENTER – NET PATIENT SERVICE REVENUE (continued)

The Center concludes that the payments received from Central California Alliance for Health are not contributions and are considered exchange transactions because the revenue is an augmentation of Medi-Cal reimbursement for patient services provided and reduces the contractual adjustment of the specific payor category in the period the supplemental payment is recognized.

Realignment revenue – The State of California provides funding from tobacco taxes and realignment to cover write-offs of accounts receivable pertaining to qualified indigent care under the California Health Care for Indigents program. The Center recognized funding under this program, net of amounts passed through other providers, of approximately \$4.1 for 2012.

Senate Bill ("SB") 1732 – The Center participates in the SB 1732 program, which provides supplemental Medi-Cal reimbursement to qualifying hospitals for a portion of their debt service on revenue bonds that were issued to finance construction or maintenance of a new facility. To qualify for SB 1732, the Center must be a State-Designated Disproportionate Share Hospital facility and be a Medi-Cal contracting hospital. The SB 1732 program reimbursements reflect the Center's annual debt multiplied by a ratio of the Center's paid Medi-Cal patient days to total patient days. Since the funds received are supplemental Medi-Cal payments, the payments are applied against the Medi-Cal contractual allowance, increasing net patient service revenue. The Center recognized funding under this program, of approximately \$3.1 million for 2012.

Charity care and medically indigent adult services (MIA) – Natividad Medical Center provides medical care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Center provides services to medically indigent adults (MIA) patients who do not have insurance coverage under a memorandum of understanding with the County. The costs of the services provided are recorded and written off completely. The total costs incurred and written off by the Center are included in charity care.

The following information measures the level of charity care and medically indigent adult services provided during the year ended June 30, 2012:

Charges forgone, based on established rates	
Charity care	\$ 20,023,607
Medically indigent adult services	<u>40,130,742</u>
	<u>\$ 60,154,349</u>
 Estimated costs and expenses incurred to provide charity care and MIA services based on the Center's cost-to charge ratio	 <u>\$ 13,777,612</u>
 Equivalent percentage of charity care and MIA patients to all patients served	 <u>8%</u>

NOTE 16: RELATED PARTY TRANSACTIONS

Incorporated in 1988, the Natividad Medical Foundation (Foundation) is a non-profit, non-governmental organization separately incorporated from NMC. 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 NMC and developed the Natividad Medical Foundation.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 16: **RELATED PARTY TRANSACTIONS** (continued)

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

As part of providing financial assistance to NMC, the Foundation is the administrator for the following contracts and grants:

Family Residency Training Program (Song-Brown) – NMC has contraction with the Office of Statewide Health Planning and Development for July 1, 2007 to June 30, 2012, to provide training for family practice residents under the direction of the Director of Family Practice Residency Training Program within NMC. The Foundation serves as fiscal administrator of the program and as such is entitled to 8% of awarded funds to cover administrative costs.

Natividad SBIRT Medical Residency Program – NMC has a contract with the Department of Health and Human Services for the period September 30, 2008 to September 29, 2012, to provide substance abuse and mental health services. The Foundation serves as fiscal administrator and is reimbursed directly by NMC to cover administrative costs.

Diabetes Self-Management Program (DMSP/CDC) – NMC has a contract with the Department of Health and Human Services for the period of October 1, 2008 to September 30, 2011, to establish a Diabetes Self-Management program. The Foundation serves as fiscal administrator and is reimbursed directly by NMC to cover administrative costs.

Local Food and Nutrition Education (LFNE) – NMC has a contract with the California Department of Public Health for the period of October 1, 2008 to September 30, 2011, to provide cross-cultural, client-centered nutrition education in conjunction with health screening and access to food stamp program services, primarily to low-income Latinos in Monterey, Santa Cruz and San Benito Counties. The Foundation serves as fiscal administrator and receives reimbursement for actual personnel expenses related to administrative and financial grant management activities.

The Foundation manages the receipts and disbursements for the various programs. As several of the grants are on a cost reimbursement basis, the Foundation has loaned funds to some of the programs to cover cash flows. These loans are included in notes receivable on the Foundation’s Statement of Financial Position. Remaining cash balance on hand or amounts due to the Foundation due to timing of transactions are reflected as due from (to) NMC. As administrator of the contracts and grants, for the calendar year ended December 31, 2011, the Foundation has recorded \$48,093 of contracts and grant administration revenues.

The following is a summary of the program transactions for the year ended December 31, 2011:

Contracts and grant receipts	\$	436,575
Disbursements		535,450

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 16: RELATED PARTY TRANSACTIONS (continued)

Notes receivable outstanding as of December 31, 2011:

Local Food and Nutrition Education	\$	9,000
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Accounts payable includes \$42,894 due to NMC for payment of restricted funds.

The Foundation also has an agreement with NMC for January 1, 2008 through December 31, 2011 to provide philanthropic services defined as “fundraising community outreach in connection with fundraising, preparing and submitting grant applications and administering current and future grants” in support of NMC’s strategic vision.

NOTE 17: INSURANCE AND CONTINGENT LIABILITIES

The County is exposed to various risks of loss, primarily related to: civil tort liability, theft or destruction of assets, errors and omissions, injury to employees, natural disaster; professional liability and property damage.

The County is a certified State of California Self-Insured Public Entity. The County accounts for its risk financing activities using General Liability (GL) and Workers’ Compensation (WC) Internal Service Funds (ISFs). The County accrues liabilities for the ultimate cost of claims and expenses associated with GL-ISF and WC-ISF claims. The liabilities and claims costs charged back to the County departments are based upon results of annual actuarial reports prepared by Bickmore and Associates, the County’s actuary of record. Claim costs are based on but not limited to: claim frequency and severity, claim loss value incurred but not reported, allocated loss adjustment expenses and unallocated loss adjustment expenses.

The County’s Excess GL program is insured by “A Rated” insurance companies, providing coverage in excess of the County’s self-insured retention (SIR). The County paid a total annual premium of \$431,477 for Excess GL premiums. The County’s current GL claims - Third Party Administrator (TPA) is: Carl Warren and Company.

Additionally, Excess WC coverage is provided by the California State Association of Counties - Excess Insurance Authority (CSAC-EIA). CSAC is a joint powers authority, whose purpose is to develop and fund programs of excess insurance for member counties. The CSAC-EIA Board of Directors, consisting of representatives from member counties, provides for CSAC-EIA’s structured governance. The County paid total annual excess WC premiums of \$1,190,484. CSAC-EIA’s financial statements can be obtained at: CSAC-EIA, 3017 Gold Canal Drive, Rancho Cordova, CA 95670.

The County was previously insured via traditional domestic workers’ compensation insurance (e.g., either through AIG or Liberty Mutual) during the period of July 1, 1996, through June 30, 2002. All pending claims, incurred/reported, prior to July 1, 1996 and subsequent to June 30, 2002, and all subsequent open pending claims, remain part of the County’s self-insured workers’ compensation program. Currently, the WC claims are administered by the County’s WC TPA, Intercare Holdings.

The County also participates in the CSAC “All Risk - Property Insurance Program”. The County’s “All Risk” deductible is \$25,000, per occurrence. Primary coverage is provided by private insurance, excess of deductible, with limits of \$25 million per occurrence, and shared limits of \$600 million (e.g., subject to policy coverage terms, applicable limits, sub-limits, endorsements and exclusions). The County currently insures over \$1 billion in structural and contents (real property) values and has paid a total annual premium of \$813,264. The property insurance program premiums are allocated to the County departments, based upon premium rate and square footage occupied.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 17: INSURANCE AND CONTINGENT LIABILITIES (continued)

Changes in the balance of claims liabilities during fiscal years 2011-12 and 2010-11 for all self-insurance risks are approximately as follows:

Table with 3 columns: Description, 2011-12, and 2010-11. Rows include Unpaid claims, beginning of year; Estimated claims, incurred; Claim payments; and Unpaid claims, end of year.

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.

The amount of settlements has not exceeded insurance coverage in each of the past three years.

NOTE 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the County of Monterey that previously had reported a redevelopment agency within the reporting entity of the County as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the County or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. In February 2012, the County Board of Supervisors elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the County resolution.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 18: **SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY**
(continued)

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the County. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the County.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 from governmental funds of the County to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was reported in the private-purpose trust fund as an extraordinary gain.

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resource measurement focus), the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary gain that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds – increase to net assets of the Successor Agency Trust Fund	\$ 13,593,048
Capital assets recorded in the government-wide financial statements – increase to net assets of the Successor Agency Trust Fund	859,414
Long-term debt reported in the government-wide financial Statements – decrease to net assets of the Successor Agency Trust Fund	(36,355)
Net increase to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary loss reported in the government-wide financial statements of the County)	\$ 14,416,106

NOTE 19: **SUBSEQUENT EVENTS**

Debt Issuance

In August 2012, the County entered into a tax and revenue anticipation note payable in two installments, \$17.5 million due January 15, 2013 and \$17.5 million due May 15, 2013. Both portions carry an interest rate yield of 0.17% and 0.18% respectively.

COUNTY OF MONTEREY

Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 20: **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Deficit Fund Balances/Net Assets

The General Liability internal service fund had deficit net assets of \$3,164,607 as of June 30, 2012. The County settled for a \$15,500,000 Notes Payable in fiscal year 2007-08 from its Lakes Resort which caused the deficit in the fund. The Note amount with interest was approved to be paid in full by the County Board over 15 years. This fund experienced deficit seven years ago when the County was on a pay-as-you-go basis. The County approved a 5 year plan to fund the deficit in fiscal year 2004-05. The original 5 year funding plan was successfully completed. The payment of the Lake Resorts' liability is correcting the deficit, which decreased by \$1,355,257 in fiscal year 2012 from the fiscal year 2011 deficit balance.

In addition, the Workers Compensation internal service fund had deficit net assets of \$6,219,976 as of June 30, 2012. The County approved a 10 year plan to fund the deficit in fiscal year 2004-05. Prior to that the County was on a pay-as-you-go basis which caused the deficit in the fund. Due to budget constraints, the County approved a one year postponement of the deficit funding plan for fiscal year 2010-11. The County has now reinstated the funding plan resulting in the deficit reduction in this fund compared to fiscal year 2011-12

The Park and Lake Resort enterprise funds has a deficit net assets of \$2,357,376 as of June 30, 2012. This fund was converted from a special revenue fund to an enterprise fund in fiscal year 2010-11, now showing assets as well as debt. This deficit occurred due to a timing issue where assets included in a fiscal year 2007-08 General Liability Fund claim settlement were received, but the obligation for Parks to repay the General Liability fund was not established until fiscal year 2010. The County management is in the process of re-evaluating the debt obligations and other operations of the fund to address the deficit.

Excess Appropriations

Budgetary expenditures were in excess of budgeted appropriations in the following departments as payouts from prior year encumbrances increased current year expenditures:

General Fund:	
Risk management	\$ 77,796
Agriculture commissioner	24,401
Parks	2,819

NOTE 21: **EXTRAORDINARY ITEM**

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 from governmental funds of the County to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was reported in the private-purpose trust fund as an extraordinary gain.

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resource measurement focus*), the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary gain that was recognized in the fiduciary fund financial statements.

Extraordinary loss in the governmental funds: \$13,593,048
Extraordinary gain in the private-purpose trust fund: \$14,416,106

REQUIRED SUPPLEMENTARY INFORMATION



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COUNTY OF MONTEREY

**Required Supplementary Information
For the Fiscal Year Ended June 30, 2012**

**COUNTY OF MONTEREY EMPLOYEE'S RETIREMENT PLAN
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>
6/30/09	\$ 1,033,505,576	\$ 918,422,057	\$ 115,083,519	88.9%	\$ 255,212,291	45.1%
6/30/10	1,092,490,664	978,402,601	114,088,063	89.6%	257,248,136	44.3%
6/30/11	1,169,818,464	1,047,556,476	122,261,988	89.5%	256,825,026	47.6%

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>
6/30/09	\$ 395,267,914	\$ 293,618,315	\$ 101,649,599	74.3%	\$ 49,244,300	206.4%
6/30/10	414,497,858	313,835,216	100,662,642	75.7%	50,332,428	200.0%
6/30/11	444,376,014	336,315,870	108,060,144	75.7%	48,544,439	222.6%

COUNTY OF MONTEREY

Required Supplementary Information
For the Fiscal Year Ended June 30, 2012

COUNTY OF MONTEREY RETIREE HEALTHCARE PLAN
SCHEDULE OF FUNDING PROGRESS

Funded Status of Miscellaneous Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/07	\$ --	\$ 28,297,000	\$ 28,297,000	0%	\$ 256,156,000	11.0%
6/30/09	150,000	23,292,000	23,142,000	0.6%	293,876,000	7.9%
6/30/11	4,434,000	31,719,000	27,299,000	14.0%	288,974,000	9.4%

SUPPLEMENTARY INFORMATION



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NONMAJOR GOVERNMENTAL FUNDS



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COUNTY OF MONTEREY

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Cash and investments:				
Held in County Treasury	\$ 30,999,842	\$ 2,345,834	\$ 38,151,964	\$ 71,497,640
Held with trustee	51,010	12,025,674	5,908,629	17,985,313
Receivables	9,549,082	814	663,249	10,213,145
Property held for resale	759,803	--	--	759,803
Notes receivable	9,331,118	--	433,164	9,764,282
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 50,690,855</u>	<u>\$ 14,372,322</u>	<u>\$ 45,157,006</u>	<u>\$ 110,220,183</u>
Liabilities				
Vouchers and accounts payable	\$ 1,684,898	\$ --	\$ 1,356,621	\$ 3,041,519
Accrued salaries and benefits	657,844	--	--	657,844
Deposits from others	366	27,495	806,888	834,749
Deferred revenues	10,833,971	814	200,359	11,035,144
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>13,177,079</u>	<u>28,309</u>	<u>2,363,868</u>	<u>15,569,256</u>
Fund balances				
Restricted	9,936,284	12,778,009	5,651,229	28,365,522
Committed	1,076,038	--	856,743	1,932,781
Assigned	26,501,454	1,566,004	36,319,837	64,387,295
Unassigned	--	--	(34,671)	(34,671)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>37,513,776</u>	<u>14,344,013</u>	<u>42,793,138</u>	<u>94,650,927</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 50,690,855</u>	<u>\$ 14,372,322</u>	<u>\$ 45,157,006</u>	<u>\$ 110,220,183</u>

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
Revenues:				
Taxes	\$ 10,796,850	\$ --	\$ 2,083,982	\$ 12,880,832
Licenses, permits and franchises	46,797	--	--	46,797
Fines, forfeitures and penalties	895,116	--	--	895,116
Revenue from use of money and property	622,865	2,985,696	462,633	4,071,194
Aid from other governmental agencies	37,995,185	18,551	1,801,148	39,814,884
Charges for services	14,903,070	1,900,892	199,328	17,003,290
Other revenue	521,808	--	399,709	921,517
Total revenues	65,781,691	4,905,139	4,946,800	75,633,630
Expenditures:				
Current:				
General government	2,888,790	--	3,645,038	6,533,828
Public safety and protection	16,327,069	--	--	16,327,069
Public ways and facilities	468,380	--	34,750	503,130
Health and sanitation	3,728,662	--	--	3,728,662
Public assistance	8,300,921	--	--	8,300,921
Education	7,215,801	--	--	7,215,801
Debt service:				
Principal	--	5,987,517	--	5,987,517
Interest and debt service costs	--	8,706,925	--	8,706,925
Capital outlay	--	--	12,867,603	12,867,603
Total expenditures	38,929,623	14,694,442	16,547,391	70,171,456
Excess (deficiency) of revenues over (under) expenditures	26,852,068	(9,789,303)	(11,600,591)	5,462,174
Other financing sources (uses):				
Transfers in	2,700,918	9,930,072	2,946,566	15,577,556
Transfers out	(25,918,473)	(2,271,436)	(448,501)	(28,638,410)
Sale of capital assets	10,441	--	500,000	510,441
Total other financing sources (uses)	(23,207,114)	7,658,636	2,998,065	(12,550,413)
Extraordinary Item:				
RDA Dissolution	--	--	(13,593,048)	(13,593,048)
Net change in fund balances	3,644,954	(2,130,667)	(22,195,574)	(20,681,287)
Fund balances, beginning of year	33,868,822	16,474,680	64,988,712	115,332,214
Fund balances, end of year	\$ 37,513,776	\$ 14,344,013	\$ 42,793,138	\$ 94,650,927

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 homes 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.

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.

Local Revenue Fund – Pursuant to AB 118, this fund was created to receive sales tax revenue and vehicle license fee realignment funds.

Workforce Investment Fund – Serves as a vehicle to mobilize and integrate private and public partners to educate, train, and place individuals with the necessary resources and skills to fulfill employer needs.

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

Other Water Resources Agencies – 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.

Housing Successor Fund – Includes the set aside fund of the former Redevelopment Agency of the County of Monterey for tax increment revenues set aside for low to moderate income housing projects. Redevelopment Agency was dissolved under AB 1X26 as of February 1, 2012 and the fund is now administered by the County acting as a housing successor.

COUNTY OF MONTEREY

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2012

	<u>County Library</u>	<u>In-Home Support Services</u>	<u>Fish and Game Propagation</u>	<u>Office of Employment Training</u>
Assets				
Cash and investments:				
Held in County Treasury	\$1,456,312	\$ 9	\$ 23,546	\$ 361,729
Held with trustee	--	--	--	--
Receivables	298,986	134,430	--	439,069
Property held for resale	--	--	--	--
Notes receivable	--	--	--	--
Total assets	<u>\$ 1,755,298</u>	<u>\$ 134,439</u>	<u>\$ 23,546</u>	<u>\$ 800,798</u>
Liabilities				
Vouchers and accounts payable	\$ 132,510	\$ 3	\$ --	\$ 295,703
Accrued salaries and benefits	158,782	6,700	--	282,758
Deposits from others	--	398	--	110
Deferred revenues	219,896	90,986	--	--
Total liabilities	<u>511,188</u>	<u>98,087</u>	<u>--</u>	<u>578,571</u>
Fund balances				
Restricted	--	--	--	--
Committed	--	--	--	--
Assigned	1,244,110	36,352	23,546	222,227
Total fund balances	<u>1,244,110</u>	<u>36,352</u>	<u>23,546</u>	<u>222,227</u>
Total liabilities and fund balances	<u>\$ 1,755,298</u>	<u>\$ 134,439</u>	<u>\$ 23,546</u>	<u>\$ 800,798</u>

continued

COUNTY OF MONTEREY

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2012

	<u>Community Services</u>	<u>Inclusionary Housing</u>	<u>Emergency Medical Services</u>	<u>Local Revenue Fund</u>
Assets				
Cash and investments:				
Held in County Treasury	\$ 218,356	\$ 624,207	\$ 337,843	\$ 869,480
Held with trustee	--	--	--	--
Receivables	92,792	15,071	6,761	4,293,341
Property held for resale	--	--	--	--
Notes receivable	--	609,320	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 311,148</u>	<u>\$ 1,248,598</u>	<u>\$ 344,604</u>	<u>\$ 5,162,821</u>
Liabilities				
Vouchers and accounts payable	\$ 18,812	\$ 317	\$ --	\$ --
Accrued salaries and benefits	7,142	--	--	--
Deposits from others	--	--	--	--
Deferred revenues	--	622,221	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>25,954</u>	<u>622,538</u>	<u>--</u>	<u>--</u>
Fund balances				
Restricted	279,529	8,133	333,142	5,162,821
Committed	--	364,538	--	--
Assigned	5,665	253,389	11,462	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>285,194</u>	<u>626,060</u>	<u>344,604</u>	<u>5,162,821</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 311,148</u>	<u>\$ 1,248,598</u>	<u>\$ 344,604</u>	<u>\$ 5,162,821</u>

continued

COUNTY OF MONTEREY

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2012

	Agencies Under Board of Supervisors			
	Workforce Investment Board	Nacimiento Hydroelectric Operations	Other Water Resources Agencies	County Service Areas
Assets				
Cash and investments:				
Held in County Treasury	\$ 12,678	\$ 253,725	\$13,500,122	\$ 9,127,338
Held with trustee	--	--	--	--
Receivables	--	--	2,028,854	71,568
Property held for resale	--	--	--	--
Notes receivable	--	--	1,470,421	--
Total assets	<u>\$ 12,678</u>	<u>\$ 253,725</u>	<u>\$ 16,999,397</u>	<u>\$ 9,198,906</u>
Liabilities				
Vouchers and accounts payable	\$ 897	\$ 15,909	\$ 1,125,098	\$ 25,518
Accrued salaries and benefits	--	--	202,462	--
Deposits from others	--	--	--	(142)
Deferred revenues	--	--	610,755	44,758
Total liabilities	<u>897</u>	<u>15,909</u>	<u>1,938,315</u>	<u>70,134</u>
Fund balances				
Restricted	6,353	--	--	--
Committed	5,428	--	--	706,072
Assigned	--	237,816	15,061,082	8,422,700
Total fund balances	<u>11,781</u>	<u>237,816</u>	<u>15,061,082</u>	<u>9,128,772</u>
Total liabilities and fund balances	<u>\$ 12,678</u>	<u>\$ 253,725</u>	<u>\$ 16,999,397</u>	<u>\$ 9,198,906</u>

continued

COUNTY OF MONTEREY

Combining Balance Sheet (continued)
 Nonmajor Special Revenue Funds
 June 30, 2012

	Agencies Under Board of Supervisors		
	Sanitation Districts	Housing Successor	Total
Assets			
Cash and investments:			
Held in County Treasury	\$ 836,194	\$ 3,378,303	\$30,999,842
Held with trustee	--	51,010	51,010
Receivables	1,605,444	562,766	9,549,082
Property held for resale	--	759,803	759,803
Notes receivable	--	7,251,377	9,331,118
	Total assets	\$ 12,003,259	\$ 50,690,855
Liabilities			
Vouchers and accounts payable	\$ 27,321	\$ 42,810	\$ 1,684,898
Accrued salaries and benefits	--	--	657,844
Deposits from others	--	--	366
Deferred revenues	1,431,212	7,814,143	10,833,971
	Total liabilities	7,856,953	13,177,079
Fund balances			
Restricted	--	4,146,306	9,936,284
Committed	--	--	1,076,038
Assigned	983,105	--	26,501,454
	Total fund balances	4,146,306	37,513,776
	Total liabilities and fund balances	\$ 12,003,259	\$ 50,690,855

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2012

	<u>County Library</u>	<u>In-Home Support Services</u>	<u>Fish and Game Propagation</u>	<u>Office of Employment Training</u>
Revenues:				
Taxes	\$6,051,597	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--
Fines, forfeitures and penalties	--	--	13,990	--
Revenue from use of money and property	12,624	553	140	396
Aid from other governmental agencies	279,550	133,547	--	6,561,632
Charges for services	151,053	--	--	--
Other revenue	328,014	--	--	3,194
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	6,822,838	134,100	14,130	6,565,222
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Current:				
General government	--	--	--	--
Public safety and protection	--	--	19,528	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	--	--
Public assistance	--	300,844	--	6,983,382
Education	7,215,801	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	7,215,801	300,844	19,528	6,983,382
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(392,963)	(166,744)	(5,398)	(418,160)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses):				
Transfers in	179,622	45,659	10,786	416,157
Transfers out	--	--	--	--
Sale of capital assets	--	--	--	--
Total other financing sources (uses)	179,622	45,659	10,786	416,157
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(213,341)	(121,085)	5,388	(2,003)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	1,457,451	157,437	18,158	224,230
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, end of year	\$ 1,244,110	\$ 36,352	\$ 23,546	\$ 222,227
	<hr/>	<hr/>	<hr/>	<hr/>

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, 2012

	Community Services	Inclusionary Housing	Emergency Medical Services	Local Revenue Fund
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, permits and franchises	--	--	--	--
Fines, forfeitures and penalties	--	--	881,126	--
Revenue from use of money and property	1,430	33,500	3,482	--
Aid from other governmental agencies	514,191	33,420	--	27,415,481
Charges for services	--	93,071	--	--
Other revenue	--	151,647	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	515,621	311,638	884,608	27,415,481
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Current:				
General government	--	147,675	--	--
Public safety and protection	--	--	--	--
Public ways and facilities	--	--	--	--
Health and sanitation	--	--	761,769	--
Public assistance	502,798	--	--	--
Education	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	502,798	147,675	761,769	--
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	12,823	163,963	122,839	27,415,481
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses):				
Transfers in	453	--	--	--
Transfers out	--	--	--	(22,252,660)
Sale of capital assets	--	--	--	--
Total other financing sources (uses)	453	--	--	(22,252,660)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	13,276	163,963	122,839	5,162,821
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	271,918	462,097	221,765	--
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, end of year	\$ 285,194	\$ 626,060	\$ 344,604	\$ 5,162,821
	<hr/>	<hr/>	<hr/>	<hr/>

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, 2012

	Agencies Under Board of Supervisors			
	Workforce Investment Board	Nacimiento Hydroelectric Operations	Other Water Resources Agencies	County Service Areas
Revenues:				
Taxes	\$ --	\$ --	\$ 1,847,600	\$1,993,404
Licenses, permits and franchises	--	--	46,797	--
Fines, forfeitures and penalties	--	--	--	--
Revenue from use of money and property	(573)	3,455	371,833	62,329
Aid from other governmental agencies	520,251	--	1,529,013	2,440
Charges for services	6,000	373,526	12,813,467	402,750
Other revenue	--	--	31,752	--
Total revenues	525,678	376,981	16,640,462	2,460,923
Expenditures:				
Current:				
General government	--	--	--	--
Public safety and protection	--	431,495	15,876,046	--
Public ways and facilities	--	--	--	468,380
Health and sanitation	--	--	--	1,224,142
Public assistance	513,897	--	--	--
Education	--	--	--	--
Total expenditures	513,897	431,495	15,876,046	1,692,522
Excess (deficiency) of revenues over (under) expenditures	11,781	(54,514)	764,416	768,401
Other financing sources (uses):				
Transfers in	--	--	1,681,130	183,468
Transfers out	--	--	(2,160,214)	--
Sale of capital assets	--	--	10,441	--
Total other financing sources (uses)	--	--	(468,643)	183,468
Net change in fund balances	11,781	(54,514)	295,773	951,869
Fund balances, beginning of year	--	292,330	14,765,309	8,176,903
Fund balances, end of year	<u>\$ 11,781</u>	<u>\$ 237,816</u>	<u>\$ 15,061,082</u>	<u>\$ 9,128,772</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, 2012

	Agencies Under Board of Supervisors		
	Sanitation Districts	Housing Successor	Total
Revenues:			
Taxes	\$ 242,215	\$ 662,034	\$10,796,850
Licenses, permits and franchises	--	--	46,797
Fines, forfeitures and penalties	--	--	895,116
Revenue from use of money and property	36,738	96,958	622,865
Aid from other governmental agencies	1,005,660	--	37,995,185
Charges for services	1,040,203	23,000	14,903,070
Other revenue	(18)	7,219	521,808
	<u>2,324,798</u>	<u>789,211</u>	<u>65,781,691</u>
Total revenues			
Expenditures:			
Current:			
General government	--	2,741,115	2,888,790
Public safety and protection	--	--	16,327,069
Public ways and facilities	--	--	468,380
Health and sanitation	1,742,751	--	3,728,662
Public assistance	--	--	8,300,921
Education	--	--	7,215,801
	<u>1,742,751</u>	<u>2,741,115</u>	<u>38,929,623</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>582,047</u>	<u>(1,951,904)</u>	<u>26,852,068</u>
Other financing sources (uses):			
Transfers in	181,903	1,740	2,700,918
Transfers out	(1,505,599)	--	(25,918,473)
Sale of capital assets	--	--	10,441
Total other financing sources (uses)	<u>(1,323,696)</u>	<u>1,740</u>	<u>(23,207,114)</u>
Net change in fund balances	(741,649)	(1,950,164)	3,644,954
Fund balances, beginning of year	<u>1,724,754</u>	<u>6,096,470</u>	<u>33,868,822</u>
Fund balances, end of year	<u>\$ 983,105</u>	<u>\$ 4,146,306</u>	<u>\$ 37,513,776</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
County Library Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 6,161,259	\$ 6,161,259	\$ 6,051,597	\$ (109,662)
Revenue from use of money and property	15,000	15,000	12,624	(2,376)
Aid from other governmental agencies	67,043	119,043	279,550	160,507
Charges for services	170,000	170,000	151,053	(18,947)
Other revenue	165,000	165,000	328,014	163,014
Total revenues	<u>6,578,302</u>	<u>6,630,302</u>	<u>6,822,838</u>	<u>192,536</u>
Expenditures:				
Current:				
Education	<u>7,777,118</u>	<u>7,829,118</u>	<u>7,215,801</u>	<u>613,317</u>
Total expenditures	<u>7,777,118</u>	<u>7,829,118</u>	<u>7,215,801</u>	<u>613,317</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,198,816)</u>	<u>(1,198,816)</u>	<u>(392,963)</u>	<u>805,853</u>
Other financing sources (uses):				
Transfers in	<u>162,468</u>	<u>162,468</u>	<u>179,622</u>	<u>17,154</u>
Total other financing sources (uses)	<u>162,468</u>	<u>162,468</u>	<u>179,622</u>	<u>17,154</u>
Net change in budgetary fund balances	<u>(1,036,348)</u>	<u>(1,036,348)</u>	<u>(213,341)</u>	<u>823,007</u>
Budgetary fund balances, beginning	<u>1,457,451</u>	<u>1,457,451</u>	<u>1,457,451</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 421,103</u>	<u>\$ 421,103</u>	<u>\$ 1,244,110</u>	<u>\$ 823,007</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
In-Home Support Services
For the Year Ended June 30, 2012

	<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>
Revenues:				
Revenue from use of money and property	\$ 2,000	\$ 2,000	\$ 553	\$ (1,447)
Aid from other governmental agencies	<u>327,319</u>	<u>327,319</u>	<u>133,547</u>	<u>(193,772)</u>
Total revenues	<u>329,319</u>	<u>329,319</u>	<u>134,100</u>	<u>(195,219)</u>
Expenditures:				
Current:				
Public assistance	<u>416,266</u>	<u>416,266</u>	<u>300,844</u>	<u>115,422</u>
Total expenditures	<u>416,266</u>	<u>416,266</u>	<u>300,844</u>	<u>115,422</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(86,947)</u>	<u>(86,947)</u>	<u>(166,744)</u>	<u>(79,797)</u>
Other financing sources (uses):				
Transfers in	<u>1,449</u>	<u>1,449</u>	<u>45,659</u>	<u>44,210</u>
Total other financing sources (uses)	<u>1,449</u>	<u>1,449</u>	<u>45,659</u>	<u>44,210</u>
Net change in budgetary fund balances	(85,498)	(85,498)	(121,085)	(35,587)
Budgetary fund balances, beginning	<u>157,437</u>	<u>157,437</u>	<u>157,437</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 71,939</u>	<u>\$ 71,939</u>	<u>\$ 36,352</u>	<u>\$ (35,587)</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Fish and Game Propagation
For the Year Ended June 30, 2012

	<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>
Revenues:				
Fines, forfeitures and penalties	\$ 7,500	\$ 7,500	\$ 13,990	\$ 6,490
Revenue from use of money and property	700	700	140	(560)
Total revenues	<u>8,200</u>	<u>8,200</u>	<u>14,130</u>	<u>5,930</u>
Expenditures:				
Current:				
Public safety and protection	<u>19,785</u>	<u>19,785</u>	<u>19,528</u>	<u>257</u>
Total expenditures	<u>19,785</u>	<u>19,785</u>	<u>19,528</u>	<u>257</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,585)</u>	<u>(11,585)</u>	<u>(5,398)</u>	<u>6,187</u>
Other financing sources (uses):				
Transfers in	<u>10,786</u>	<u>10,786</u>	<u>10,786</u>	<u>--</u>
Total other financing sources (uses)	<u>10,786</u>	<u>10,786</u>	<u>10,786</u>	<u>--</u>
Net change in budgetary fund balances	(799)	(799)	5,388	6,187
Budgetary fund balances, beginning	<u>18,158</u>	<u>18,158</u>	<u>18,158</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 17,359</u>	<u>\$ 17,359</u>	<u>\$ 23,546</u>	<u>\$ 6,187</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Office of Employment Training
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Revenues from use of money and property	\$ --	\$ --	\$ 396	\$ 396
Aid from other governmental agencies	6,379,325	7,394,525	6,561,632	(832,893)
Other revenue	--	--	3,194	3,194
Total revenues	<u>6,379,325</u>	<u>7,394,525</u>	<u>6,565,222</u>	<u>(829,303)</u>
Expenditures:				
Current:				
Public assistance	<u>6,379,325</u>	<u>7,629,857</u>	<u>6,983,382</u>	<u>646,475</u>
Total expenditures	<u>6,379,325</u>	<u>7,629,857</u>	<u>6,983,382</u>	<u>646,475</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>(235,332)</u>	<u>(418,160)</u>	<u>(182,828)</u>
Other financing sources (uses):				
Transfers in	<u>--</u>	<u>235,332</u>	<u>416,157</u>	<u>180,825</u>
Total other financing sources (uses)	<u>--</u>	<u>235,332</u>	<u>416,157</u>	<u>180,825</u>
Net change in budgetary fund balances	<u>--</u>	<u>--</u>	<u>(2,003)</u>	<u>(2,003)</u>
Budgetary fund balances, beginning	<u>224,230</u>	<u>224,230</u>	<u>224,230</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 224,230</u>	<u>\$ 224,230</u>	<u>\$ 222,227</u>	<u>\$ (2,003)</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Community Services
For the Year Ended June 30, 2012

	<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>
Revenues:				
Revenue from use of money and property	\$ 500	\$ 500	\$ 1,430	\$ 930
Aid from other governmental agencies	<u>518,246</u>	<u>518,246</u>	<u>514,191</u>	<u>(4,055)</u>
Total revenues	<u>518,746</u>	<u>518,746</u>	<u>515,621</u>	<u>(3,125)</u>
Expenditures:				
Current:				
Public assistance	<u>519,199</u>	<u>519,199</u>	<u>502,798</u>	<u>16,401</u>
Total expenditures	<u>519,199</u>	<u>519,199</u>	<u>502,798</u>	<u>16,401</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(453)</u>	<u>(453)</u>	<u>12,823</u>	<u>13,276</u>
Other financing sources (uses):				
Transfers in	<u>453</u>	<u>453</u>	<u>453</u>	<u>--</u>
Total other financing sources (uses)	<u>453</u>	<u>453</u>	<u>453</u>	<u>--</u>
Net change in budgetary fund balances	<u>--</u>	<u>--</u>	<u>13,276</u>	<u>13,276</u>
Budgetary fund balances, beginning	<u>271,918</u>	<u>271,918</u>	<u>271,918</u>	<u>--</u>
Budgetary fund balances, ending	<u><u>\$271,918</u></u>	<u><u>\$271,918</u></u>	<u><u>\$ 285,194</u></u>	<u><u>\$ 13,276</u></u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Inclusionary Housing
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Revenue from use of money and property	\$ 11,050	\$ 11,050	\$ 33,500	\$ 22,450
Aid from other governmental agencies	--	--	33,420	33,420
Charges for services	--	--	93,071	93,071
Other revenue	26,450	26,450	151,647	125,197
Total revenues	<u>37,500</u>	<u>37,500</u>	<u>311,638</u>	<u>274,138</u>
Expenditures:				
Current:				
General government	163,248	499,595	147,675	351,920
Total expenditures	<u>163,248</u>	<u>499,595</u>	<u>147,675</u>	<u>351,920</u>
Net change in budgetary fund balances	(125,748)	(462,095)	163,963	(626,058)
Budgetary fund balances, beginning	<u>462,097</u>	<u>462,097</u>	<u>462,097</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 336,349</u>	<u>\$ 2</u>	<u>\$ 626,060</u>	<u>\$ 626,058</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Emergency Medical Services
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Fines, forfeitures and penalties	\$ 875,572	\$ 875,572	\$ 881,126	\$ 5,554
Revenue from use of money and property	2,500	2,500	3,482	982
Total revenues	<u>878,072</u>	<u>878,072</u>	<u>884,608</u>	<u>6,536</u>
Expenditures:				
Current:				
Health and sanitation	<u>1,019,263</u>	<u>1,019,263</u>	<u>761,769</u>	<u>257,494</u>
Total expenditures	<u>1,019,263</u>	<u>1,019,263</u>	<u>761,769</u>	<u>257,494</u>
Net change in budgetary fund balances	(141,191)	(141,191)	122,839	264,030
Budgetary fund balances, beginning	<u>221,765</u>	<u>221,765</u>	<u>221,765</u>	--
Budgetary fund balances, ending	<u>\$ 80,574</u>	<u>\$ 80,574</u>	<u>\$ 344,604</u>	<u>\$ 264,030</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Local Revenue
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Aid from other governmental agencies	\$ --	\$ 20,172,843	\$ 27,415,481	\$ 7,242,638
Charges for services	--	3,914,236	--	(3,914,236)
Total revenues	--	24,087,079	27,415,481	3,328,402
Excess (deficiency) of revenues over (under) expenditures	--	24,087,079	27,415,481	3,328,402
Other financing sources (uses):				
Transfers out	--	(24,087,079)	(22,252,660)	1,834,419
Total other financing sources (uses)	--	(24,087,079)	(22,252,660)	1,834,419
Net change in budgetary fund balances	--	--	5,162,821	5,162,821
Budgetary fund balances, beginning	--	--	--	--
Budgetary fund balances, ending	\$ --	\$ --	\$ 5,162,821	\$ 5,162,821

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Workforce Investment
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Revenue from use of money and property	\$ --	\$ --	\$ (573)	\$ (573)
Aid from other governmental agencies	761,852	761,852	520,251	(241,601)
Charges for services	--	--	6,000	6,000
Total revenues	<u>761,852</u>	<u>761,852</u>	<u>525,678</u>	<u>(236,174)</u>
Expenditures:				
Current:				
Public Assistance	<u>761,852</u>	<u>761,852</u>	<u>513,897</u>	<u>247,955</u>
Total expenditures	<u>761,852</u>	<u>761,852</u>	<u>513,897</u>	<u>247,955</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>--</u>	<u>11,781</u>	<u>11,781</u>
Net change in budgetary fund balances	<u>--</u>	<u>--</u>	<u>11,781</u>	<u>11,781</u>
Budgetary fund balances, beginning	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 11,781</u>	<u>\$ 11,781</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Nacimiento Hydroelectric Operations
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Revenue from use of money and property	\$ 5,000	\$ 5,000	\$ 3,455	\$ (1,545)
Charges for services	--	--	373,526	373,526
Other revenues	<u>250,000</u>	<u>250,000</u>	<u>--</u>	<u>(250,000)</u>
Total revenues	<u>255,000</u>	<u>255,000</u>	<u>376,981</u>	<u>121,981</u>
Expenditures:				
Current:				
Public protection	<u>549,901</u>	<u>547,330</u>	<u>431,495</u>	<u>115,835</u>
Total expenditures	<u>549,901</u>	<u>547,330</u>	<u>431,495</u>	<u>115,835</u>
Net change in budgetary fund balances	(294,901)	(292,330)	(54,514)	237,816
Budgetary fund balances, beginning	<u>292,330</u>	<u>292,330</u>	<u>292,330</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ (2,571)</u>	<u>\$ --</u>	<u>\$ 237,816</u>	<u>\$ 237,816</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Water Resources Agency
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 1,858,509	\$ 1,858,509	\$ 1,847,600	\$ (10,909)
Licenses, permits and franchises	29,000	29,000	46,797	17,797
Revenue from use of money and property	395,515	395,515	371,833	(23,682)
Aid from other governmental agencies	916,220	1,463,589	1,529,013	65,424
Charges for services	13,510,758	13,521,458	12,813,467	(707,991)
Other revenue	550,000	550,000	31,752	(518,248)
Total revenues	<u>17,260,002</u>	<u>17,818,071</u>	<u>16,640,462</u>	<u>(1,177,609)</u>
Expenditures:				
Current:				
Public protection	<u>29,818,782</u>	<u>32,558,692</u>	<u>15,876,046</u>	<u>16,682,646</u>
Total expenditures	<u>29,818,782</u>	<u>32,558,692</u>	<u>15,876,046</u>	<u>16,682,646</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,558,780)</u>	<u>(14,740,621)</u>	<u>764,416</u>	<u>15,505,037</u>
Other financing sources (uses):				
Transfers in	1,300,180	2,800,180	1,681,130	(1,119,050)
Transfers out	(385,000)	(385,000)	(2,160,214)	(1,775,214)
Sale of capital assets	--	--	10,441	10,441
Total other financing sources (uses)	<u>915,180</u>	<u>2,415,180</u>	<u>(468,643)</u>	<u>(2,883,823)</u>
Net change in budgetary fund balances	(11,643,600)	(12,325,441)	295,773	12,621,214
Budgetary fund balances, beginning	<u>14,765,309</u>	<u>14,765,309</u>	<u>14,765,309</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 3,121,709</u>	<u>\$ 2,439,868</u>	<u>\$ 15,061,082</u>	<u>\$ 12,621,214</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
County Service Areas
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 1,942,268	\$ 1,942,268	\$ 1,993,404	\$ 51,136
Revenue from use of money and property	89,201	89,201	62,329	(26,872)
Aid from other governmental agencies	2,265	2,265	2,440	175
Charges for services	329,235	329,235	402,750	73,515
Total revenues	<u>2,362,969</u>	<u>2,362,969</u>	<u>2,460,923</u>	<u>97,954</u>
Expenditures:				
Current:				
Public ways and facilities	788,097	1,060,357	468,380	591,977
Health and sanitation	3,324,473	3,456,328	1,224,142	2,232,186
Total expenditures	<u>4,112,570</u>	<u>4,516,685</u>	<u>1,692,522</u>	<u>2,824,163</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,749,601)</u>	<u>(2,153,716)</u>	<u>768,401</u>	<u>2,922,117</u>
Other financing sources (uses):				
Transfers in	--	183,468	183,468	--
Total other financing sources (uses)	<u>--</u>	<u>183,468</u>	<u>183,468</u>	<u>--</u>
Net change in budgetary fund balances	<u>(1,749,601)</u>	<u>(1,970,248)</u>	<u>951,869</u>	<u>2,922,117</u>
Budgetary fund balances, beginning	<u>8,176,903</u>	<u>8,176,903</u>	<u>8,176,903</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 6,427,302</u>	<u>\$ 6,206,655</u>	<u>\$ 9,128,772</u>	<u>\$ 2,922,117</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Sanitation Districts
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 257,870	\$ 257,870	\$ 242,215	\$ (15,655)
Revenue from use of money and property	36,056	36,056	36,738	682
Aid from other governmental agencies	670	4,284,502	1,005,660	(3,278,842)
Charges for services	967,400	967,400	1,040,203	72,803
Other revenues	--	--	(18)	(18)
Total revenues	<u>1,261,996</u>	<u>5,545,828</u>	<u>2,324,798</u>	<u>(3,221,030)</u>
Expenditures:				
Current:				
Health and sanitation	<u>1,384,826</u>	<u>1,897,461</u>	<u>1,742,751</u>	<u>154,710</u>
Total expenditures	<u>1,384,826</u>	<u>1,897,461</u>	<u>1,742,751</u>	<u>154,710</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(122,830)</u>	<u>3,648,367</u>	<u>582,047</u>	<u>(3,066,320)</u>
Other financing sources (uses):				
Transfer in	27,180	209,083	181,903	(27,180)
Transfers out	<u>(104,350)</u>	<u>(4,004,350)</u>	<u>(1,505,599)</u>	<u>2,498,751</u>
Total other financing sources (uses)	<u>(77,170)</u>	<u>(3,795,267)</u>	<u>(1,323,696)</u>	<u>2,471,571</u>
Net change in budgetary fund balances	(200,000)	(146,900)	(741,649)	(594,749)
Budgetary fund balances, beginning	<u>1,724,754</u>	<u>1,724,754</u>	<u>1,724,754</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 1,524,754</u>	<u>\$ 1,577,854</u>	<u>\$ 983,105</u>	<u>\$ (594,749)</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Housing Successor Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ --	\$ --	\$ 662,034	\$ 662,034
Revenue from use of money and property	66,545	66,545	96,958	30,413
Charges for services	--	--	23,000	23,000
Other revenue	25,307	25,307	7,219	(18,088)
Total revenues	<u>91,852</u>	<u>91,852</u>	<u>789,211</u>	<u>697,359</u>
Expenditures:				
Current:				
General government	4,140,010	5,940,040	2,741,115	3,198,925
Total expenditures	<u>4,140,010</u>	<u>5,940,040</u>	<u>2,741,115</u>	<u>3,198,925</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,048,158)</u>	<u>(5,848,188)</u>	<u>(1,951,904)</u>	<u>3,896,284</u>
Other financing sources (uses):				
Transfers in	1,367,200	1,367,200	1,740	(1,365,460)
Total other financing sources (uses)	<u>1,367,200</u>	<u>1,367,200</u>	<u>1,740</u>	<u>(1,365,460)</u>
Net change in budgetary fund balances	(2,680,958)	(4,480,988)	(1,950,164)	2,530,824
Budgetary fund balances, beginning	<u>6,096,470</u>	<u>6,096,470</u>	<u>6,096,470</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 3,415,512</u>	<u>\$ 1,615,482</u>	<u>\$ 4,146,306</u>	<u>\$ 2,530,824</u>

DEBT SERVICE FUNDS

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. The County debt service funds provide for the repayment of debt, other than those financed by proprietary funds, for certificates of participation, revenue bonds and short-term borrowing.

DEBT SERVICE FUNDS

Debt Service General Fund – Created to assure the County meets all the debt service obligations in connection with the County's adopted financing policies and State statutes so that the County's credit ratings continue at the current positive levels. The debt is managed by the Auditor-Controller's Office in coordination with the Chief Administrative Office.

Debt Service Redevelopment Agency (RDA) Fund – Created to account for the debt incurred by the Redevelopment Agency including payments to agencies and the housing set-aside. Upon dissolution of the Redevelopment Agency under AB 1X26 and as of February 1, 2012, assets and activities were appropriately transferred to former redevelopment capital project and former housing set-aside funds.

County Financing Authority – Established to support the debt service activities funding the County's portion of the construction of the Salinas Valley Water Project. The fund is managed by the Auditor-Controller's Office and the Water Resources Agency.

Public Improvement Corporation – The Corporation assists the County in acquiring, purchasing, constructing, improving and financing real property, facilities and equipment needed for County operations. With County assistance, the Corporation acts as a conduit between the County and bond holders. The Auditor-Controller's office is the oversight agency for all funds provided by the Corporation for capital projects.

COUNTY OF MONTEREY

Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2012

	<u>Debt Service General</u>	<u>Debt Service RDA</u>	<u>County Financing Authority</u>	<u>Public Improvement Corporation</u>	<u>Total</u>
Assets					
Cash and investments:					
Held in County Treasury	\$2,339,207	\$ --	\$ --	\$ 6,627	\$ 2,345,834
Held with trustee	--	--	2,239,264	9,786,410	12,025,674
Receivables	<u>814</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>814</u>
Total assets	<u><u>\$ 2,340,021</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 2,239,264</u></u>	<u><u>\$ 9,793,037</u></u>	<u><u>\$ 14,372,322</u></u>
Liabilities					
Deposits from others	27,495	--	--	--	27,495
Deferred revenues	<u>814</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>814</u>
Total liabilities	<u>28,309</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>28,309</u>
Fund balances					
Restricted	745,708	--	2,239,264	9,793,037	12,778,009
Assigned	<u>1,566,004</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,566,004</u>
Total fund balances	<u>2,311,712</u>	<u>--</u>	<u>2,239,264</u>	<u>9,793,037</u>	<u>14,344,013</u>
Total liabilities and fund balances	<u><u>\$ 2,340,021</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 2,239,264</u></u>	<u><u>\$ 9,793,037</u></u>	<u><u>\$ 14,372,322</u></u>

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Debt Service Funds
 For the Year Ended June 30, 2012

	<u>Debt Service General</u>	<u>Debt Service RDA</u>	<u>County Financing Authority</u>	<u>Public Improvement Corporation</u>	<u>Total</u>
Revenues:					
Revenue from use of money and property	\$ 35,486	\$ 4,347	\$ 106,208	\$ 2,839,655	\$ 2,985,696
Aid from other governmental agencies	--	18,551	--	--	18,551
Charges for services	<u>1,900,892</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,900,892</u>
 Total revenues	 <u>1,936,378</u>	 <u>22,898</u>	 <u>106,208</u>	 <u>2,839,655</u>	 <u>4,905,139</u>
Expenditures:					
Debt service:					
Principal	1,113,630	--	570,000	4,303,887	5,987,517
Interest and debt service costs	<u>906,777</u>	<u>--</u>	<u>1,564,513</u>	<u>6,235,635</u>	<u>8,706,925</u>
 Total expenditures	 <u>2,020,407</u>	 <u>--</u>	 <u>2,134,513</u>	 <u>10,539,522</u>	 <u>14,694,442</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(84,029)</u>	 <u>22,898</u>	 <u>(2,028,305)</u>	 <u>(7,699,867)</u>	 <u>(9,789,303)</u>
Other financing sources (uses):					
Transfers in	104,350	--	1,975,214	7,850,508	9,930,072
Transfers out	<u>(2,168,850)</u>	<u>(102,586)</u>	<u>--</u>	<u>--</u>	<u>(2,271,436)</u>
Total other financing sources (uses)	<u>(2,064,500)</u>	<u>(102,586)</u>	<u>1,975,214</u>	<u>7,850,508</u>	<u>7,658,636</u>
 Net change in fund balances	 <u>(2,148,529)</u>	 <u>(79,688)</u>	 <u>(53,091)</u>	 <u>150,641</u>	 <u>(2,130,667)</u>
 Fund balances, beginning of year	 <u>4,460,241</u>	 <u>79,688</u>	 <u>2,292,355</u>	 <u>9,642,396</u>	 <u>16,474,680</u>
 Fund balances, end of year	 <u>\$ 2,311,712</u>	 <u>\$ --</u>	 <u>\$ 2,239,264</u>	 <u>\$ 9,793,037</u>	 <u>\$ 14,344,013</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Debt Service General
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 15,828	\$ 15,828	\$ --	\$ (15,828)
Revenue from use of money and property	17,965	17,965	35,486	17,521
Charges for services	1,900,000	1,900,000	1,900,892	892
Total revenues	<u>1,933,793</u>	<u>1,933,793</u>	<u>1,936,378</u>	<u>2,585</u>
Expenditures:				
Debt service:				
Principal	1,082,304	1,082,304	1,113,630	(31,326)
Interest and debt service costs	995,881	982,936	906,777	76,159
Total expenditures	<u>2,078,185</u>	<u>2,065,240</u>	<u>2,020,407</u>	<u>44,833</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(144,392)</u>	<u>(131,447)</u>	<u>(84,029)</u>	<u>47,418</u>
Other financing sources (uses):				
Transfers in	104,350	104,350	104,350	--
Transfers out	--	(2,168,850)	(2,168,850)	--
Total other financing sources (uses)	<u>104,350</u>	<u>(2,064,500)</u>	<u>(2,064,500)</u>	<u>--</u>
Net change in budgetary fund balances	(40,042)	(2,195,947)	(2,148,529)	47,418
Budgetary fund balances, beginning	<u>4,460,241</u>	<u>4,460,241</u>	<u>4,460,241</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 4,420,199</u>	<u>\$ 2,264,294</u>	<u>\$ 2,311,712</u>	<u>\$ 47,418</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Debt Service - RDA
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 7,711,000	\$ 7,711,000	\$ --	\$ (7,711,000)
Revenue from use of money and property	--	--	4,347	4,347
Aid from other governmental agencies			18,551	18,551
Total revenues	<u>7,711,000</u>	<u>7,711,000</u>	<u>22,898</u>	<u>(7,688,102)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,711,000</u>	<u>7,711,000</u>	<u>22,898</u>	<u>(7,688,102)</u>
Other financing sources (uses):				
Transfers out	<u>(7,842,799)</u>	<u>(7,842,799)</u>	<u>(102,586)</u>	<u>7,740,213</u>
Total other financing sources (uses)	<u>(7,842,799)</u>	<u>(7,842,799)</u>	<u>(102,586)</u>	<u>7,740,213</u>
Net change in budgetary fund balances	(131,799)	(131,799)	(79,688)	52,111
Budgetary fund balances, beginning	<u>79,688</u>	<u>79,688</u>	<u>79,688</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ (52,111)</u>	<u>\$ (52,111)</u>	<u>\$ --</u>	<u>\$ 52,111</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
 County Financing Authority
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
Revenues:				
Revenue from use of money and property	\$ 2,141,515	\$ 2,141,515	\$ 106,208	\$ (2,035,307)
Total revenues	2,141,515	2,141,515	106,208	(2,035,307)
Expenditures:				
Debt service:				
Principal	550,000	550,000	570,000	(20,000)
Interest and debt service costs	1,591,515	1,591,515	1,564,513	27,002
Total expenditures	2,141,515	2,141,515	2,134,513	7,002
Excess (deficiency) of revenues over (under) expenditures	--	--	(2,028,305)	(2,028,305)
Other financing sources (uses):				
Transfers in	--	--	1,975,214	1,975,214
Total other financing sources (uses)	--	--	1,975,214	1,975,214
Net change in budgetary fund balances	--	--	(53,091)	(53,091)
Budgetary fund balances, beginning	2,292,355	2,292,355	2,292,355	--
Budgetary fund balances, ending	\$ 2,292,355	\$ 2,292,355	\$ 2,239,264	\$ (53,091)

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Public Improvement Corporation
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Revenue from use of money and property	\$ 14,667,951	\$ 14,667,951	\$ 2,839,655	\$(11,828,296)
Fines, forfeitures and penalties	1,500,000	1,500,000	--	(1,500,000)
Total revenues	<u>16,167,951</u>	<u>16,167,951</u>	<u>2,839,655</u>	<u>(13,328,296)</u>
Expenditures:				
Debt service:				
Principal	7,028,888	7,028,888	4,303,887	2,725,001
Interest and debt service costs	9,139,063	9,139,063	6,235,635	2,903,428
Total expenditures	<u>16,167,951</u>	<u>16,167,951</u>	<u>10,539,522</u>	<u>5,628,429</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>--</u>	<u>(7,699,867)</u>	<u>(7,699,867)</u>
Other financing sources (uses):				
Transfers in	--	--	7,850,508	7,850,508
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>7,850,508</u>	<u>7,850,508</u>
Net change in budgetary fund balances	<u>--</u>	<u>--</u>	<u>150,641</u>	<u>150,641</u>
Budgetary fund balances, beginning	<u>9,642,396</u>	<u>9,642,396</u>	<u>9,642,396</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 9,642,396</u>	<u>\$ 9,642,396</u>	<u>\$ 9,793,037</u>	<u>\$ 150,641</u>

CAPITAL PROJECT FUNDS

Nonmajor Capital Project Funds

Capital project funds are used to account for financial resources to be used for implementation and construction of specific Board approved capital equipment or facilities in a timely and cost-effective manner. The following are the County's nonmajor capital project funds, other than those financed by proprietary funds.

CAPITAL PROJECT FUNDS

Nonmajor Capital Project Funds

Facilities Master Plan Implementation – Established to account for capital projects undertaken with debt in order to adhere to reporting requirements and assure the County is on schedule with project implementation and completion. Current projects include the Courthouse Complete (north, east and west wings), the Government Center Parking Structure and the New Health Headquarters.

Capital Projects Fund – Created to provide for capital improvements, replacement and construction of new County facilities. The fund is administered by the Architectural Services Division within the Resource Management Agency.

Enterprise Resource Planning Fund – Established to account for the implementation of the County's Enterprise Applications project, including the Financial Accounting, Budget Preparation and the Human Resources/Payroll Systems. The Auditor-Controller's Office acts as the project manager of the fund.

Facilities Maintenance Projects Fund – Provides for major maintenance including remodeling, improving, renovation, and upgrading of existing County facilities. The fund is administered by the Public Works Department within the Resource Management Agency.

Water Resources Funds – Provides for construction of the Salinas River Diversion Facility portion and Nacimiento Spillway Modification portion of the Salinas Valley Water Project.

NGEN Radio Project – Provides for the design/build project to make the radio system compliant with the Federal Communications Commission mandate.

Redevelopment Capital Projects – Provides for the administration and implementation of the Castroville/Pajaro Redevelopment Plan adopted in 1986, Boronda Redevelopment Plan adopted in 1988, and Fort Ord Redevelopment Project Area. The Redevelopment Agency was dissolved under AB 1X26 as of February 1, 2012 and the assets and activities in the fund were transferred to a fiduciary fund.

East Garrison CFD – Provides for the acquisition, construction, and operation of public capital facilities in East Garrison.

COUNTY OF MONTEREY

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2012

	<u>Facility Master Plan Implementation</u>	<u>Capital Projects</u>	<u>Enterprise Resources Planning</u>	<u>Facilities Maintenance Projects</u>
Assets				
Cash and investments:				
Held in County Treasury	\$ 21,603,455	\$10,154,465	\$1,304,463	\$ 3,216,108
Held with trustee	--	--	--	--
Receivables	--	1,351	--	531,898
Notes receivable	--	433,164	--	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 21,603,455</u></u>	<u><u>\$ 10,588,980</u></u>	<u><u>\$ 1,304,463</u></u>	<u><u>\$ 3,748,006</u></u>
Liabilities				
Vouchers and accounts payable	35,215	311,334	133,985	783,885
Deposits from others	--	--	--	--
Deferred revenues	--	200,359	--	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>35,215</u>	<u>511,693</u>	<u>133,985</u>	<u>783,885</u>
Fund balances				
Restricted	--	--	--	--
Committed	--	--	--	--
Assigned	21,568,240	10,077,287	1,170,478	2,964,121
Unassigned	--	--	--	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>21,568,240</u>	<u>10,077,287</u>	<u>1,170,478</u>	<u>2,964,121</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u><u>\$ 21,603,455</u></u>	<u><u>\$ 10,588,980</u></u>	<u><u>\$ 1,304,463</u></u>	<u><u>\$ 3,748,006</u></u>

continued

COUNTY OF MONTEREY

Combining Balance Sheet (continued)
 Nonmajor Capital Projects Funds
 June 30, 2012

	Other Water Resources Agencies	NGEN Radio Project	Redevelopment Capital Projects	East Garrison CFD	Total
Assets					
Cash and investments:					
Held in County Treasury	\$ 647,077	\$1,176,354	\$ --	\$50,042	\$38,151,964
Held with trustee	--	5,908,629	--	--	5,908,629
Receivables	--	130,000	--	--	663,249
Notes receivable	--	--	--	--	433,164
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 647,077</u>	<u>\$ 7,214,983</u>	<u>\$ --</u>	<u>\$ 50,042</u>	<u>\$ 45,157,006</u>
Liabilities					
Vouchers and accounts payable	62	79,242	--	12,898	1,356,621
Deposits from others	644,290	90,783	--	71,815	806,888
Deferred revenues	--	--	--	--	200,359
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>644,352</u>	<u>170,025</u>	<u>--</u>	<u>84,713</u>	<u>2,363,868</u>
Fund balances					
Restricted	--	5,651,229	--	--	5,651,229
Committed	--	856,743	--	--	856,743
Assigned	2,725	536,986	--	--	36,319,837
Unassigned	--	--	--	(34,671)	(34,671)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>2,725</u>	<u>7,044,958</u>	<u>--</u>	<u>(34,671)</u>	<u>42,793,138</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 647,077</u>	<u>\$ 7,214,983</u>	<u>\$ --</u>	<u>\$ 50,042</u>	<u>\$ 45,157,006</u>

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 For the Year Ended June 30, 2012

	Facility Master Plan Implementation	Capital Projects	Enterprise Resources Planning	Facilities Maintenance Projects
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Revenue from use of money and property	214,474	120,404	6,480	23,377
Aid from other governmental agencies	--	--	--	1,267,704
Charges for services	--	--	--	130
Other revenue	859	23	--	14
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	215,333	120,427	6,480	1,291,225
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Current:				
General government	--	--	--	--
Public ways and facilities	--	--	--	--
Capital outlay	7,294,319	577,331	675,853	3,251,152
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	7,294,319	577,331	675,853	3,251,152
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(7,078,986)	(456,904)	(669,373)	(1,959,927)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses):				
Transfers in	--	1,522,007	225,000	1,047,509
Transfers out	--	(365,371)	--	--
Sale of capital assets	500,000	--	--	--
Total other financing sources (uses)	500,000	1,156,636	225,000	1,047,509
	<hr/>	<hr/>	<hr/>	<hr/>
Extraordinary Item:				
RDA Dissolution	--	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(6,578,986)	699,732	(444,373)	(912,418)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	28,147,226	9,377,555	1,614,851	3,876,539
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, end of year	\$ 21,568,240	\$ 10,077,287	\$ 1,170,478	\$ 2,964,121
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

continued

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
 Nonmajor Capital Projects Funds
 For the Year Ended June 30, 2012

	Other Water Resources Agencies	NGEN Radio Project	Redevelopment Capital Projects	East Garrison CFD	Total
Revenues:					
Taxes	\$ --	\$ --	\$ 2,083,982	\$ --	\$ 2,083,982
Revenue from use of money and property	2,683	6,814	88,322	79	462,633
Aid from other governmental agencies	--	(5,784)	539,228	--	1,801,148
Charges for services	--	195,818	3,380	--	199,328
Other revenue	100,000	113,054	185,759	--	399,709
Total revenues	102,683	309,902	2,900,671	79	4,946,800
Expenditures:					
Current:					
General government	--	--	3,645,038	--	3,645,038
Public ways and facilities	--	--	--	34,750	34,750
Capital outlay	45,112	1,023,836	--	--	12,867,603
Total expenditures	45,112	1,023,836	3,645,038	34,750	16,547,391
Excess (deficiency) of revenues over (under) expenditures	57,571	(713,934)	(744,367)	(34,671)	(11,600,591)
Other financing sources (uses):					
Transfers in	--	--	152,050	--	2,946,566
Transfers out	(63,130)	--	(20,000)	--	(448,501)
Sale of capital assets	--	--	--	--	500,000
Total other financing sources (uses)	(63,130)	--	132,050	--	2,998,065
Extraordinary Item:					
RDA Dissolution	--	--	(13,593,048)	--	(13,593,048)
Net change in fund balances	(5,559)	(713,934)	(14,205,365)	(34,671)	(22,195,574)
Fund balances, beginning of year	8,284	7,758,892	14,205,365	--	64,988,712
Fund balances, end of year	\$ 2,725	\$ 7,044,958	\$ --	\$ (34,671)	\$ 42,793,138

COUNTY OF MONTEREY

Budgetary Comparison Schedule
 Facility Master Plan
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues				
Revenue from use of money and property	\$ 92,500	\$ 92,500	\$ 214,474	\$ 121,974
Other revenue	--	--	859	859
Total revenues	<u>92,500</u>	<u>92,500</u>	<u>215,333</u>	<u>122,833</u>
Expenditures				
Capital outlay	<u>4,141,436</u>	<u>9,280,000</u>	<u>7,294,319</u>	<u>1,985,681</u>
Total expenditures	<u>4,141,436</u>	<u>9,280,000</u>	<u>7,294,319</u>	<u>1,985,681</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,048,936)</u>	<u>(9,187,500)</u>	<u>(7,078,986)</u>	<u>2,108,514</u>
Other financing sources (uses):				
Sale of capital assets	<u>--</u>	<u>500,000</u>	<u>500,000</u>	<u>--</u>
Total other financing sources (uses)	<u>--</u>	<u>500,000</u>	<u>500,000</u>	<u>--</u>
Net change in budgetary fund balances	<u>(4,048,936)</u>	<u>(8,687,500)</u>	<u>(6,578,986)</u>	<u>2,108,514</u>
Budgetary fund balances, beginning	<u>28,147,226</u>	<u>28,147,226</u>	<u>28,147,226</u>	<u>--</u>
Budgetary fund balances, ending	<u><u>\$ 24,098,290</u></u>	<u><u>\$ 19,459,726</u></u>	<u><u>\$ 21,568,240</u></u>	<u><u>\$ 2,108,514</u></u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Capital Projects
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Revenue from use of money and property	\$ 57,837	\$ 57,837	\$ 120,404	\$ 62,567
Other revenues	--	--	23	23
Total revenues	<u>57,837</u>	<u>57,837</u>	<u>120,427</u>	<u>62,590</u>
Expenditures:				
Capital outlay	(818,156)	6,241,281	577,331	5,663,950
Total expenditures	<u>(818,156)</u>	<u>6,241,281</u>	<u>577,331</u>	<u>5,663,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>875,993</u>	<u>(6,183,444)</u>	<u>(456,904)</u>	<u>5,726,540</u>
Other financing sources (uses):				
Transfers in	500,000	4,095,900	1,522,007	(2,573,893)
Transfers out	(1,340,000)	(1,340,000)	(365,371)	974,629
Total other financing sources (uses)	<u>(840,000)</u>	<u>2,755,900</u>	<u>1,156,636</u>	<u>(1,599,264)</u>
Net change in budgetary fund balances	35,993	(3,427,544)	699,732	4,127,276
Budgetary fund balances, beginning	<u>9,377,555</u>	<u>9,377,555</u>	<u>9,377,555</u>	<u>--</u>
Budgetary fund balances, ending	<u><u>\$ 9,413,548</u></u>	<u><u>\$ 5,950,011</u></u>	<u><u>\$ 10,077,287</u></u>	<u><u>\$ 4,127,276</u></u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Enterprise Resource Planning
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Revenue from use of money and property	\$ --	\$ --	\$ 6,480	\$ 6,480
Total revenues	<u>--</u>	<u>--</u>	<u>6,480</u>	<u>6,480</u>
Expenditures:				
Capital outlay	465,200	965,200	675,853	289,347
Total expenditures	<u>465,200</u>	<u>965,200</u>	<u>675,853</u>	<u>289,347</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(465,200)</u>	<u>(965,200)</u>	<u>(669,373)</u>	<u>295,827</u>
Other financing sources (uses):				
Transfers in	--	--	225,000	225,000
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>225,000</u>	<u>225,000</u>
Net change in budgetary fund balances	(465,200)	(965,200)	(444,373)	520,827
Budgetary fund balances, beginning	<u>1,614,851</u>	<u>1,614,851</u>	<u>1,614,851</u>	<u>--</u>
Budgetary fund balances, ending	<u><u>\$ 1,149,651</u></u>	<u><u>\$ 649,651</u></u>	<u><u>\$ 1,170,478</u></u>	<u><u>\$ 520,827</u></u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Facilities Maintenance Projects
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Revenue from use of money and property	\$ 15,000	\$ 15,000	\$ 23,377	\$ 8,377
Aid from other governmental agencies	1,787,427	1,787,427	1,267,704	(519,723)
Charges for services	--	--	130	130
Other revenue	--	--	14	14
Total revenues	<u>1,802,427</u>	<u>1,802,427</u>	<u>1,291,225</u>	<u>(511,202)</u>
Expenditures:				
Capital outlay	4,606,899	4,606,899	3,251,152	1,355,747
Total expenditures	<u>4,606,899</u>	<u>4,606,899</u>	<u>3,251,152</u>	<u>1,355,747</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,804,472)</u>	<u>(2,804,472)</u>	<u>(1,959,927)</u>	<u>844,545</u>
Other financing sources (uses):				
Transfers in	450,000	450,000	1,047,509	597,509
Total other financing sources (uses)	<u>450,000</u>	<u>450,000</u>	<u>1,047,509</u>	<u>597,509</u>
Net change in budgetary fund balances	<u>(2,354,472)</u>	<u>(2,354,472)</u>	<u>(912,418)</u>	<u>1,442,054</u>
Budgetary fund balances, beginning	<u>3,876,539</u>	<u>3,876,539</u>	<u>3,876,539</u>	<u>--</u>
Budgetary fund balances, ending	<u><u>\$ 1,522,067</u></u>	<u><u>\$ 1,522,067</u></u>	<u><u>\$ 2,964,121</u></u>	<u><u>\$ 1,442,054</u></u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
Other Water Resources Agencies
For the Year Ended June 30, 2012

	<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>
Revenues:				
Revenue from use of money and property	\$ --	\$ --	\$ 2,683	\$ 2,683
Other revenue	--	--	100,000	100,000
Total revenues	<u>--</u>	<u>--</u>	<u>102,683</u>	<u>102,683</u>
Expenditures:				
Current:				
Capital outlay	40,000	108,242	2,419,794	(2,311,552)
Total expenditures	<u>40,000</u>	<u>108,242</u>	<u>2,419,794</u>	<u>(2,311,552)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,000)</u>	<u>(108,242)</u>	<u>(2,317,111)</u>	<u>(2,208,869)</u>
Other financing sources (uses):				
Transfers out	--	--	(63,130)	(63,130)
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>(63,130)</u>	<u>(63,130)</u>
Net change in budgetary fund balances	<u>(40,000)</u>	<u>(108,242)</u>	<u>(2,380,241)</u>	<u>(2,271,999)</u>
Budgetary fund balances, beginning	<u>8,284</u>	<u>8,284</u>	<u>8,284</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ (31,716)</u>	<u>\$ (99,958)</u>	<u>\$ (2,371,957)</u>	<u>\$ (2,271,999)</u>
Explanation of differences between budgetary inflows and outflows and gaap expenditures:				
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) of expenditures from the budgetary comparison statement				\$ 2,419,794
Differences - budget to gaap:				
Encumbrances for supplies and services ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes				<u>(2,374,682)</u>
Total expenditures as reported on the combining statement of revenues, Expenditures, and changes in fund balances - nonmajor capital projects funds				<u>\$ 45,112</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
 NGEN Radio Project
 For the Year Ended June 30, 2012

	<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>
Revenues:				
Revenue from use of money and property	\$ --	\$ --	\$ 6,814	\$ 6,814
Aid from other governmental agencies	2,872,922	2,872,922	(5,784)	(2,878,706)
Charges for services	--	--	195,818	195,818
Other revenue	--	--	113,054	113,054
Total revenues	<u>2,872,922</u>	<u>2,872,922</u>	<u>309,902</u>	<u>(2,563,020)</u>
Expenditures:				
Capital outlay	<u>7,689,211</u>	<u>12,298,184</u>	<u>4,714,980</u>	<u>7,583,204</u>
Total expenditures	<u>7,689,211</u>	<u>12,298,184</u>	<u>4,714,980</u>	<u>7,583,204</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,816,289)</u>	<u>(9,425,262)</u>	<u>(4,405,078)</u>	<u>5,020,184</u>
Other financing sources (uses):				
Transfers in	<u>4,816,289</u>	<u>9,425,262</u>	<u>--</u>	<u>(9,425,262)</u>
Total other financing sources (uses)	<u>4,816,289</u>	<u>9,425,262</u>	<u>--</u>	<u>(9,425,262)</u>
Net change in budgetary fund balances	--	--	(4,405,078)	(4,405,078)
Budgetary fund balances, beginning	<u>7,758,892</u>	<u>7,758,892</u>	<u>7,758,892</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ 7,758,892</u>	<u>\$ 7,758,892</u>	<u>\$ 3,353,814</u>	<u>\$ (4,405,078)</u>
Explanation of differences between budgetary inflows and outflows and gaap expenditures:				
<u>Uses/outflows of resources</u>				
Actual amounts (budgetary basis) of expenditures from the budgetary comparison statement				\$ 4,714,980
Differences - budget to gaap:				
Encumbrances for supplies and services ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes				<u>(3,691,144)</u>
Total expenditures as reported on the combining statement of revenues, Expenditures, and changes in fund balances - nonmajor capital projects funds				<u>\$ 1,023,836</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
 Redevelopment Capital Projects
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ --	\$ --	\$ 2,083,982	2,083,982
Revenue from use of money and property	134,200	134,200	88,322	(45,878)
Aid from other governmental agencies	1,449,550	1,449,550	539,228	(910,322)
Charges for services	372,014	372,014	3,380	(368,634)
Other revenue	265,833	265,833	185,759	(80,074)
Total revenues	2,221,597	2,221,597	2,900,671	679,074
Expenditures:				
Current:				
General government	10,002,680	10,002,680	3,645,038	6,357,642
Total expenditures	10,002,680	10,002,680	3,645,038	6,357,642
Excess (deficiency) of revenues over (under) expenditures	(7,781,083)	(7,781,083)	(744,367)	7,036,716
Other financing sources (uses):				
Transfers in	4,809,905	4,809,905	152,050	(4,657,855)
Transfers out	(242,760)	(242,760)	(20,000)	222,760
Total other financing sources (uses)	4,567,145	4,567,145	132,050	(4,435,095)
Extraordinary Item:				
RDA Dissolution	--	--	(13,593,048)	(13,593,048)
Net change in budgetary fund balances	(3,213,938)	(3,213,938)	(612,317)	2,601,621
Budgetary fund balances, beginning	14,205,365	14,205,365	14,205,365	--
Budgetary fund balances, ending	<u>\$ 10,991,427</u>	<u>\$ 10,991,427</u>	<u>\$ --</u>	<u>\$ (10,991,427)</u>

COUNTY OF MONTEREY

Budgetary Comparison Schedule
 East Garrison CFD
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Revenues:				
Revenue from use of money and property	\$ --	\$ 5,000	\$ 79	\$ (4,921)
Total revenues	<u>--</u>	<u>5,000</u>	<u>79</u>	<u>(4,921)</u>
Expenditures:				
Current:				
Public ways and facilities	--	47,000	34,750	12,250
Total expenditures	<u>--</u>	<u>47,000</u>	<u>34,750</u>	<u>12,250</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>(42,000)</u>	<u>(34,671)</u>	<u>7,329</u>
Other financing sources (uses):				
Transfers in	--	42,000	--	(42,000)
Total other financing sources (uses)	<u>--</u>	<u>42,000</u>	<u>--</u>	<u>(42,000)</u>
Net change in budgetary fund balances	<u>--</u>	<u>--</u>	<u>(34,671)</u>	<u>(34,671)</u>
Budgetary fund balances, beginning	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Budgetary fund balances, ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (34,671)</u>	<u>\$ (34,671)</u>

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. Financing requirements are based upon actuarial studies that provide several scenarios that estimate ultimate losses. The County has adopted policies to fund each of these funds at the 70% confidence level. Each participant department of the fund's services contributes to the recovery of expenses based on the participant department's loss history and exposure to risk. All funds are managed by the Risk Management Division of the County Administrative Office.

INTERNAL SERVICE FUNDS

General Liability Fund – Created to provide for all liability judgments, settlements, and claims against the County, including claims that are not covered by the County's excess insurance policy.

Workers Compensation Fund – Created to provide for all workers compensation judgments, settlements, and claims against the County, including prevention expenses and the Return-to-Work program.

Benefit Programs Fund – Created to provide for various benefit programs supported by contributions from County departments, employees and retired employees. Programs include Dental and Vision Benefits for employees and dependents, Employee Assistance, Long Term Disability, Retiree Sick Leave Conversion and other miscellaneous programs.

COUNTY OF MONTEREY

Combining Statement of Net Assets
Internal Service Funds
June 30, 2012

	<u>General Liability</u>	<u>Workers Compensation</u>	<u>Benefit Programs</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 7,487,366	\$ 45,796,394	\$ 10,061,474	\$ 63,345,234
Other bank accounts	276,558	--	--	276,558
Receivables	497,578	12,370	2,233	512,181
Prepaid expenses	129,173	--	--	129,173
Due from other funds	394,837	--	--	394,837
Total current assets	<u>8,785,512</u>	<u>45,808,764</u>	<u>10,063,707</u>	<u>64,657,983</u>
Noncurrent assets:				
Restricted assets:				
Held by trustee	8	--	--	8
Advances to other funds	5,932,262	--	--	5,932,262
Total noncurrent assets	<u>5,932,270</u>	<u>--</u>	<u>--</u>	<u>5,932,270</u>
 Total assets	 <u>\$ 14,717,782</u>	 <u>\$ 45,808,764</u>	 <u>\$ 10,063,707</u>	 <u>\$ 70,590,253</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and deposits	66,661	113,480	280,735	460,876
Accrued interest	22,733	--	--	22,733
Other liabilities	--	--	302,837	302,837
Current portion of claims liability	1,646,668	10,449,890	642,022	12,738,580
Current portion of bonds and notes payable	1,733,742	--	--	1,733,742
Total current liabilities	<u>3,469,804</u>	<u>10,563,370</u>	<u>1,225,594</u>	<u>15,258,768</u>
Long-term liabilities:				
Claims liability	2,568,614	41,465,370	--	44,033,984
Bonds and notes payable	11,843,971	--	--	11,843,971
Total long-term liabilities	<u>14,412,585</u>	<u>41,465,370</u>	<u>--</u>	<u>55,877,955</u>
Total liabilities	<u>17,882,389</u>	<u>52,028,740</u>	<u>1,225,594</u>	<u>71,136,723</u>
Net assets:				
Unrestricted (deficit)	<u>(3,164,607)</u>	<u>(6,219,976)</u>	<u>8,838,113</u>	<u>(546,470)</u>
Total net assets	<u>(3,164,607)</u>	<u>(6,219,976)</u>	<u>8,838,113</u>	<u>(546,470)</u>
 Total liabilities and net assets	 <u>\$ 14,717,782</u>	 <u>\$ 45,808,764</u>	 <u>\$ 10,063,707</u>	 <u>\$ 70,590,253</u>

COUNTY OF MONTEREY

Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

	<u>General Liability</u>	<u>Workers Compensation</u>	<u>Benefit Programs</u>	<u>Total</u>
Operating revenues:				
Charges for services	<u>\$ 7,404,485</u>	<u>\$ 18,628,879</u>	<u>\$ 10,634,243</u>	<u>\$ 36,667,607</u>
Total operating revenues	<u>7,404,485</u>	<u>18,628,879</u>	<u>10,634,243</u>	<u>36,667,607</u>
Operating expenses:				
Services and supplies	1,590,231	2,191,384	4,077,997	7,859,612
Claims expense	2,751,723	6,907,746	4,337,798	13,997,267
Purchased services	151,431	232,883	18,624	402,938
Insurance	<u>1,256,669</u>	<u>1,298,027</u>	<u>360,988</u>	<u>2,915,684</u>
Total operating expenses	<u>5,750,054</u>	<u>10,630,040</u>	<u>8,795,407</u>	<u>25,175,501</u>
Net operating income (loss)	<u>1,654,431</u>	<u>7,998,839</u>	<u>1,838,836</u>	<u>11,492,106</u>
Non-operating revenues (expenses):				
Interest income	390,239	292,772	57,246	740,257
Interest expense	<u>(689,413)</u>	<u>--</u>	<u>--</u>	<u>(689,413)</u>
Change in net assets	1,355,257	8,291,611	1,896,082	11,542,950
Net assets - beginning of year	<u>(4,519,864)</u>	<u>(14,511,587)</u>	<u>6,942,031</u>	<u>(12,089,420)</u>
Net assets - end of year	<u><u>\$ (3,164,607)</u></u>	<u><u>\$ (6,219,976)</u></u>	<u><u>\$ 8,838,113</u></u>	<u><u>\$ (546,470)</u></u>

COUNTY OF MONTEREY

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	<u>General Liability</u>	<u>Workers Compensation</u>	<u>Benefit Programs</u>	<u>Total</u>
Cash flows from operating activities:				
Cash receipts from customers and users	\$ 6,906,907	\$ 18,712,145	\$ 10,636,100	\$ 36,255,152
Cash paid to suppliers for goods and services	<u>(6,174,433)</u>	<u>(11,601,609)</u>	<u>(8,402,114)</u>	<u>(26,178,156)</u>
Net cash provided by operating activities	<u>732,474</u>	<u>7,110,536</u>	<u>2,233,986</u>	<u>10,076,996</u>
Cash flows from noncapital financing activities:				
Due from other funds	<u>(19,218)</u>	--	--	<u>(19,218)</u>
Net cash provided (used) by noncapital financing activities	<u>(19,218)</u>	--	--	<u>(19,218)</u>
Cash flows from capital and related financing activities:				
Collection (repayment) of advances	394,836	--	--	394,836
Principal payments on COPS, bonds and loans	(1,665,881)	--	--	(1,665,881)
Interest payments on COPS, bonds and loans	<u>(700,080)</u>	--	--	<u>(700,080)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,971,125)</u>	--	--	<u>(1,971,125)</u>
Cash flow from investing activities:				
Interest payments received	390,239	292,772	57,246	740,257
Net cash provided (used) by investing activities	<u>390,239</u>	<u>292,772</u>	<u>57,246</u>	<u>740,257</u>
Net increase (decrease) in cash and cash equivalents	(867,630)	7,403,308	2,291,232	8,826,910
Cash and cash equivalents, July 1	<u>8,631,562</u>	<u>38,393,086</u>	<u>7,770,242</u>	<u>54,794,890</u>
Cash and cash equivalents, June 30	<u>\$ 7,763,932</u>	<u>\$ 45,796,394</u>	<u>\$ 10,061,474</u>	<u>\$ 63,621,800</u>
<u>Reconciliation of cash and cash equivalents to</u>				
<u>Statement of net assets</u>				
Cash and cash equivalents	\$ 7,487,366	\$ 45,796,394	\$ 10,061,474	\$ 63,345,234
Other bank accounts	276,558	--	--	276,558
Restricted cash	8	--	--	8
Total cash and cash equivalents	<u>\$ 7,763,932</u>	<u>\$ 45,796,394</u>	<u>\$ 10,061,474</u>	<u>\$ 63,621,800</u>
Reconciliation of operating income to net cash				
Provided by operating activities:				
Operating income (loss)	\$ 1,654,431	\$ 7,998,839	\$ 1,838,836	\$ 11,492,106
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
(Increase) decrease in accounts receivable	(497,578)	83,266	1,857	(412,455)
(Increase) decrease in prepaids	(6,600)	--	--	(6,600)
Increase (decrease) in accounts payable	54,901	27,571	230,498	312,970
Increase (decrease) in accrued liabilities	--	--	212,094	212,094
Increase (decrease) in claims liability	<u>(472,680)</u>	<u>(999,140)</u>	<u>(49,299)</u>	<u>(1,521,119)</u>
Total adjustments	<u>(921,957)</u>	<u>(888,303)</u>	<u>395,150</u>	<u>(1,415,110)</u>
Net cash provided (used) by operating activities	<u>\$ 732,474</u>	<u>\$ 7,110,536</u>	<u>\$ 2,233,986</u>	<u>\$ 10,076,996</u>



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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, 2012

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
<u>Clearing and revolving funds</u>				
Assets:				
Cash and cash equivalents	\$ 561,449	\$ --	\$ 31,912	\$ 529,537
Total assets	<u>\$ 561,449</u>	<u>\$ --</u>	<u>\$ 31,912</u>	<u>\$ 529,537</u>
Liabilities:				
Assets held as agency for others	\$ 561,449	\$3,151,295	\$ 3,183,207	\$ 529,537
Total liabilities	<u>\$ 561,449</u>	<u>\$3,151,295</u>	<u>\$ 3,183,207</u>	<u>\$ 529,537</u>
<u>Taxes and interest</u>				
Assets:				
Cash and cash equivalents	\$ 10,490,615	\$ --	\$ 5,863,826	\$ 4,626,789
Receivables - Taxes	26,801,092	--	123,977	26,677,115
Total assets	<u>\$ 37,291,707</u>	<u>\$ --</u>	<u>\$ 5,987,803</u>	<u>\$ 31,303,904</u>
Liabilities:				
Accounts payable	\$ --	\$ 652	\$ --	\$ 652
Assets held as agency for others	37,291,707	--	5,988,455	31,303,252
Total liabilities	<u>\$ 37,291,707</u>	<u>\$ 652</u>	<u>\$ 5,988,455</u>	<u>\$ 31,303,904</u>
<u>Departmental</u>				
Assets:				
Cash and cash equivalents	\$ 9,938,040	\$ --	\$ 8,253,270	\$ 1,684,770
Long term receivables	30,000	--	--	30,000
Total assets	<u>\$ 9,968,040</u>	<u>\$ --</u>	<u>\$ 8,253,270</u>	<u>\$ 1,714,770</u>
Liabilities:				
Accounts payable	\$ --	\$ 7,069	\$ --	\$ 7,069
Assets held as agency for others	9,968,040	--	8,260,339	1,707,701
Total liabilities	<u>\$ 9,968,040</u>	<u>\$ 7,069</u>	<u>\$ 8,260,339</u>	<u>\$ 1,714,770</u>

continued

COUNTY OF MONTEREY

Combining Statement of Changes in Assets and Liabilities (continued)

Agency Funds

For the Year Ended June 30, 2012

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
<u>Transit</u>				
Assets:				
Cash and cash equivalents	\$ 3,873,935	\$ --	\$ 1,797,917	\$ 2,076,018
Total assets	<u>\$ 3,873,935</u>	<u>\$ --</u>	<u>\$ 1,797,917</u>	<u>\$ 2,076,018</u>
Liabilities:				
Assets held as agency for others	\$ 3,873,935	\$ --	\$ 1,797,917	2,076,018
Total liabilities	<u>\$ 3,873,935</u>	<u>\$ --</u>	<u>\$ 1,797,917</u>	<u>\$ 2,076,018</u>
 <u>Total all agency funds</u>				
Assets:				
Cash and cash equivalents	\$ 24,864,039	\$ --	\$ 15,946,925	\$ 8,917,114
Receivables - Taxes	26,801,092	--	123,977	26,677,115
Long term receivables	30,000	--	--	30,000
Total assets	<u>\$ 51,695,131</u>	<u>\$ --</u>	<u>\$ 16,070,902</u>	<u>\$ 35,624,229</u>
Liabilities:				
Accounts payable	\$ --	\$ 7,721	\$ --	\$ 7,721
Assets held as agency for others	51,695,131	3,151,295	19,229,918	35,616,508
Total liabilities	<u>\$ 51,695,131</u>	<u>\$ 3,159,016</u>	<u>\$ 19,229,918</u>	<u>\$ 35,624,229</u>

DETAILED BUDGET SCHEDULES



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COUNTY OF MONTEREY

General Fund
 Schedule of Expenditures-Budget and Actual on Budgetary Basis
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
Annual County Audit	\$ 249,171	\$ 249,171	\$ 229,475	\$ 19,696
Architectural Services	--	--	1,022	(1,022)
Assessor	5,153,796	5,153,796	4,986,960	166,836
Auditor-Controller	4,922,339	5,107,339	4,944,739	162,600
Board of Supervisors	3,021,690	3,021,690	2,932,944	88,746
CAO - Administration / Finance / Budget	2,417,723	2,417,723	2,318,929	98,794
Clerk of the Board	733,708	733,708	599,911	133,797
Cluster Loans	108,962	108,962	--	108,962
Contingencies	5,216,967	4,813,967	--	4,813,967
Contracts & Purchasing	814,928	814,928	789,725	25,203
County Counsel	3,179,960	3,179,960	2,840,715	339,245
County Memberships	50,902	50,902	46,881	4,021
County Overhead Recovered	(7,070,011)	(7,070,011)	(7,070,011)	--
Courier & Mail Services	(5,222)	(5,222)	(16,314)	11,092
Development Set-Aside	1,200,022	1,200,022	1,200,022	--
Economic Opportunity	9,941	9,941	3,223	6,718
Elections	5,130,616	5,130,616	3,995,256	1,135,360
Emergency Communications	9,589,447	10,156,447	9,210,752	945,695
Equal Opportunity Office	544,467	622,580	576,080	46,500
Facilities Services	5,500,777	5,941,125	5,798,672	142,453
Fleet Services	123,879	585,345	495,050	90,295
Human Resources	1,989,724	2,392,724	2,365,170	27,554
Information Technology Systems	86,749	86,749	(443,014)	529,763
Insurance & Other General Expenditures	18,083	18,083	6,000	12,083
Intergovernmental / Legislative Affairs	991,977	1,061,307	997,342	63,965
Other Financing Uses	3,464,525	3,464,525	732,770	2,731,755
Printing & Graphics	10,000	210,000	183,592	26,408
Records Retention	173,970	173,970	6,633	167,337
Risk Management	--	--	77,796	(77,796)
Surveyor	619,374	819,374	667,445	151,929
Telecommunications	1,664,465	1,664,465	1,058,061	606,404
Treasurer - Tax Collector	6,872,310	6,872,310	5,811,270	1,061,040
Vehicle Lease Program	826,639	826,639	(765,219)	1,591,858
Total General Government	57,611,878	59,813,135	44,581,877	15,231,258

continued

COUNTY OF MONTEREY

General Fund
 Schedule of Expenditures-Budget and Actual on Budgetary Basis (continued)
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<u>Public Safety and Protection</u>				
Agriculture Commissioner	\$ 9,269,923	\$ 9,269,923	\$ 9,294,324	\$ (24,401)
Animal Services	1,694,011	1,694,011	1,678,060	15,951
Building Services	5,208,769	5,208,769	4,784,002	424,767
Child Support Services	10,868,440	10,868,440	10,706,668	161,772
Clerk-Recorder	1,900,002	2,527,592	1,212,318	1,315,274
Contributions	2,427,016	2,427,016	2,159,043	267,973
Courts	9,321,931	9,321,931	8,594,981	726,950
District Attorney	17,924,887	18,922,861	18,473,737	449,124
Economic Opportunity Administration	476,700	476,700	268,849	207,851
Litter Control	565,678	565,678	565,677	1
Office of Emergency Services	1,103,949	1,630,693	1,610,061	20,632
Planning Services	5,224,565	5,373,981	5,110,608	263,373
Probation	32,507,968	37,381,826	35,969,978	1,411,848
Public Defender	9,226,259	9,933,981	9,889,697	44,284
Public Guardian / Administrator	1,256,169	1,331,169	1,327,470	3,699
RMA Administration	274,946	279,669	243,739	35,930
Sheriff - Admin & Enforcement Ops	34,722,674	35,560,340	35,028,146	532,194
Sheriff - Coroner Operations	1,857,075	1,857,075	1,762,095	94,980
Sheriff - Custody Operations	30,349,584	32,860,625	31,971,340	889,285
Sheriff - Gang Task Force	383,579	383,579	381,138	2,441
Sheriff - Inmate Medical Costs	5,062,307	5,062,307	5,062,074	233
Total Public Safety and Protection	181,626,432	192,938,166	186,094,005	6,844,161
<u>Health and Sanitation</u>				
Behavioral Health	58,425,024	58,425,024	56,074,942	2,350,082
Children's Medical Services	7,941,128	7,941,128	7,726,865	214,263
Clinic Services	26,558,781	26,558,781	26,526,691	32,090
County Disposal Sites	279,375	279,375	201,357	78,018
Emergency Medical Services	1,129,109	1,129,109	732,949	396,160
Environmental Health	8,350,115	8,350,115	7,589,519	760,596
Medical Care Services	--	--	6,200,000	(6,200,000)
Public Health	17,181,385	17,206,385	16,787,847	418,538
Total Health and Sanitation	119,864,917	119,889,917	121,840,170	(1,950,253)

continued

COUNTY OF MONTEREY

General Fund
 Schedule of Expenditures-Budget and Actual on Budgetary Basis (continued)
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Public Assistance</u>				
Community Programs	\$ 1,028,378	\$ 1,068,378	\$ 839,100	\$ 229,278
Entitlement Programs	70,937,107	70,222,119	68,030,672	2,191,447
Entitlement Programs - Gen. Assistance	1,044,000	1,052,468	1,052,467	1
Military & Veterans' Services	653,223	653,223	608,002	45,221
Senior & Aging Services	2,303,742	2,303,742	2,183,144	120,598
Social Services	75,719,219	78,532,890	75,961,361	2,571,529
Total Public Assistance	151,685,669	153,832,820	148,674,746	5,158,074
<u>Education</u>				
Cooperative Extension Service	589,770	589,770	530,450	59,320
Total Education	589,770	589,770	530,450	59,320
<u>Recreation and Cultural Services</u>				
Parks	4,806,930	4,806,930	4,809,749	(2,819)
Total Recreation and Cultural Services	4,806,930	4,806,930	4,809,749	(2,819)
<u>Non-Appropriations Unit</u>				
Short-Term Borrowing	135,000	135,000	603,685	(468,685)
Total General Fund	\$ 516,320,596	\$ 532,005,738	\$ 507,134,682	\$ 24,871,056



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STATISTICAL SECTION

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)

COUNTY OF MONTEREY
 Net Assets by Component,
 Last Ten Fiscal Years (in thousands)
 (accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	465,234	470,684	459,041	463,900	472,945	488,623	502,815	499,457	483,233	488,760
Restricted	95,272	65,960	75,421	94,186	105,712	103,947	105,250	107,568	101,554	28,366
Unrestricted	(7,278)	532	39,461	42,940	67,582	61,497	47,043	26,595	53,903	122,822
Total governmental activities net assets	553,228	537,176	573,923	601,026	646,239	654,067	655,108	633,620	638,690	639,948
Business-type activities:										
Invested in capital assets, net of related debt	49,678	46,684	55,814	50,634	47,334	46,079	47,265	49,185	49,257	52,590
Unrestricted	(23,307)	(19,159)	(1,831)	734	12,522	26,513	32,795	44,468	61,905	64,116
Total business-type activities net assets	26,371	27,525	53,983	51,368	59,856	72,592	80,060	93,654	111,161	116,706
Total Primary government										
Invested in capital assets, net of related debt	514,912	517,368	514,855	514,534	520,279	534,702	550,080	548,642	532,490	541,351
Restricted	95,272	65,960	75,421	94,186	105,712	103,947	105,250	107,568	101,554	28,366
Unrestricted	(30,585)	(18,627)	37,630	43,674	80,104	88,010	79,838	71,064	115,807	186,938
Total primary government net assets	579,599	564,701	627,906	652,394	706,095	726,659	735,168	727,274	749,852	756,655

Notes:

1 Accounting standards require that net assets be reported in the 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 Ten Fiscal Years (in thousands)
 (accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expense (by function)										
Governmental activities:										
General government	118,440	76,319	46,864	69,797	74,425	78,259	77,858	89,451	63,092	65,283
Public safety and protection	160,948	127,057	150,392	153,047	144,628	187,688	177,793	168,427	188,103	195,539
Public ways and facilities	32,199	50,948	52,600	63,174	44,829	39,158	46,389	47,463	46,695	28,340
Health and sanitation	88,817	100,883	100,380	93,290	115,157	130,618	135,229	123,966	126,050	125,339
Public assistance	124,209	120,371	126,017	129,735	136,395	150,406	158,130	168,968	171,299	157,884
Education	5,722	4,969	5,699	5,958	6,341	7,271	7,562	7,808	8,212	7,731
Recreation and cultural services	6,857	7,208	6,041	7,154	8,316	10,156	1,158	10,963	8,855	4,934
Interest on long-term debt	5,885	4,430	5,987	4,650	3,216	8,780	10,173	9,750	9,545	10,202
Total governmental activities expenses	<u>543,077</u>	<u>492,185</u>	<u>493,980</u>	<u>526,805</u>	<u>533,307</u>	<u>612,336</u>	<u>614,292</u>	<u>626,796</u>	<u>621,851</u>	<u>595,252</u>
Business-type activities:										
Natividad Medical Center	137,192	130,310	166,433	137,698	135,634	186,121	194,876	205,760	169,335	176,269
Parks and Lake Resort	-	-	-	-	-	-	-	-	3,410	10,129
Total business type activities expenses	<u>137,192</u>	<u>130,310</u>	<u>166,433</u>	<u>137,698</u>	<u>135,634</u>	<u>186,121</u>	<u>194,876</u>	<u>205,760</u>	<u>172,745</u>	<u>186,398</u>
Total primary government expenses	<u>680,269</u>	<u>622,495</u>	<u>660,413</u>	<u>664,503</u>	<u>668,941</u>	<u>798,457</u>	<u>809,168</u>	<u>832,555</u>	<u>794,597</u>	<u>781,650</u>

COUNTY OF MONTEREY

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

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues (by function)										
Governmental activities:										
Charges for services:										
General government	37,783	42,360	34,516	24,384	38,268	29,719	36,313	25,187	27,033	22,950
Public safety and protection	40,745	9,743	23,586	26,289	11,786	15,015	16,789	18,753	27,856	37,752
Public ways and facilities	8,288	26,189	25,790	31,184	24,099	27,436	26,336	19,700	18,126	3,391
Health and sanitation	13,283	16,385	19,526	23,342	27,163	31,021	30,835	35,502	34,284	35,548
Public assistance	68	12	9	6	8	2,083	64	1,591	2,102	3,122
Education	159	79	94	110	273	413	493	381	698	411
Recreation and cultural services	4,489	5,545	5,058	7,774	5,994	7,573	6,974	6,353	5,310	5,276
Operating grants and contributions	235,457	227,820	244,208	279,696	294,631	286,808	303,095	318,962	324,371	323,675
Capital grants and contributions	3,174	1,094	427	7,327	718	-	-	-	10,752	11,168
Total governmental activities program revenues	343,446	329,227	353,214	400,112	402,940	400,068	420,899	426,430	450,531	443,293
Business-type activities:										
Charges for services:										
Patient services	128,424	147,993	150,638	107,387	133,071	182,947	185,600	208,170	196,348	172,536
Recreational Services	-	-	-	-	-	-	12,921	-	1,045	8,476
Operating grants and contributions	-	255	-	-	-	10,339	3,158	11,156	5,455	160
Capital grants and contributions	128,424	148,248	150,638	107,387	133,071	193,286	201,679	219,326	202,848	181,172
Total business-type activities revenues	471,870	477,475	503,852	507,499	536,011	593,354	622,578	645,756	653,379	624,465
Total primary government program revenues	(199,631)	(162,958)	(140,766)	(126,693)	(130,367)	(212,268)	(203,393)	(200,366)	(171,321)	(151,959)
Net (expense) revenue	(8,768)	(17,938)	(15,794)	(30,311)	(2,563)	7,165	6,803	13,567	301,103	(5,226)
Governmental activities	(208,399)	(180,896)	(156,560)	(157,004)	(132,930)	(205,103)	(196,590)	(186,799)	129,782	(157,185)
Business-type activities										
Total primary net expense										

COUNTY OF MONTEREY

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

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues & Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes	66,809	74,994	79,088	127,363	137,625	156,088	149,239	130,817	128,310	126,298
Sales tax	7,555	6,503	6,717	6,552	5,767	6,782	6,565	5,379	7,125	8,856
Sales tax in-lieu	-	-	1,497	-	-	-	-	-	-	-
Vehicle license fees and in-lieu	39,726	33,325	28,493	-	-	13,773	-	-	-	-
Transient occupancy & Other	15,064	21,679	39,312	23,814	24,627	24,941	24,846	21,170	17,140	20,049
Unrestricted grants & contributions	2,608	-	-	-	-	-	12,243	11,610	(447)	(13,557)
Investment earnings	10,070	5,641	7,355	12,620	14,366	11,609	2,073	4,091	3,058	7,661
Miscellaneous	6,332	9,934	17,325	10,369	7,213	8,265	5,067	5,860	3,958	4,244
Transfers	7,095	18,931	-	(26,776)	(10,372)	(4,200)	-	(2,050)	12,889	(335)
Special item										
Total governmental activities	155,259	171,007	179,787	153,942	179,226	217,258	200,033	176,876	172,033	153,216
Business-type activities:										
Unrestricted grants & contributions	608	-	42,253	920	679	-	-	-	-	-
Investment earnings									293	369
Miscellaneous	7,997	2,147	-	-	-	1,371	665	-	-	10,068
Transfers	7,095	(18,931)	-	26,776	10,372	4,200	-	-	(12,889)	334
Total business-type activities	15,700	(16,784)	42,253	27,696	11,051	5,571	665	-	(12,595)	10,772
Total primary government	170,959	154,223	222,040	181,638	190,277	222,829	200,698	176,876	159,438	163,988
Changes in Net Assets										
Governmental activities	(44,372)	8,049	39,021	27,249	48,859	4,990	(3,360)	(23,490)	712	1,258
Business type activities	(7,258)	1,154	26,459	(2,615)	8,488	12,736	7,468	13,567	17,508	5,545
Total primary government	(51,630)	9,203	65,480	24,634	57,347	17,726	4,108	(9,923)	18,220	6,803

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

	Fiscal Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	9,959	10,618	8,316	9,756	8,789	8,524	7,600	1,891
Unreserved	21,872	41,737	78,701	77,932	92,334	95,308	80,731	74,612
Total general fund	<u>31,831</u>	<u>52,355</u>	<u>87,017</u>	<u>87,688</u>	<u>101,123</u>	<u>103,832</u>	<u>88,331</u>	<u>76,503</u>
All Other Governmental Funds								
Reserved	26,705	40,071	20,528	5,976	4,581	6,071	20,764	9,819
Debt service	10,135	9,592	9,684	8,088	16,352	15,238	13,240	15,893
Other reserves	-	-	3,816	3,778	-	-	-	-
Unreserved, reported in:								
Special revenue funds	43,409	28,388	29,316	24,860	31,774	34,326	40,372	35,049
Capital project funds	92,491	62,362	67,585	86,317	129,255	117,420	73,033	62,784
Other designations	-	-	250	1,500	750	-	6,986	651
Total all other governmental funds	<u>172,740</u>	<u>140,413</u>	<u>131,179</u>	<u>130,519</u>	<u>182,712</u>	<u>173,055</u>	<u>154,395</u>	<u>124,197</u>
Total governmental fund balances	<u>204,571</u>	<u>192,768</u>	<u>218,196</u>	<u>218,207</u>	<u>283,835</u>	<u>276,887</u>	<u>242,726</u>	<u>200,700</u>
	2010	2011	2012					
General Fund								
Nonspendable	388	214	196					
Committed	37,291	52,293	52,293					
Assigned	24,870	27,955	37,065					
Unassigned	13,954	4,877	2,386					
Total general fund	<u>76,503</u>	<u>85,339</u>	<u>91,940</u>					
All Other Governmental Funds								
Nonspendable	130	106	93					
Restricted	24,654	43,571	28,366					
Committed	1,369	788	1,933					
Assigned	98,044	76,295	70,315					
Unassigned	-	-	(35)					
Total all other governmental funds	<u>124,197</u>	<u>120,760</u>	<u>100,672</u>					
Total governmental fund balances	<u>200,700</u>	<u>206,099</u>	<u>192,612</u>					

Notes:

- (1) In FY 2010-11 the County implemented GASB 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned. FY 2009-10 fund balances have been recharacterized to comply with GASB54 in order to facilitate year-to-year comparisons.

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,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	89910	136,501	155,107	157,728	181,923	187,810	181,287	162,220	153,657	156,251
Licenses and permits	12400	12,097	14,366	13,840	17,545	13,584	12,114	11,144	14,546	13,864
Fines, forfeitures & penalties	16,354	4109	5,244	8,634	4,574	8,079	8,795	10,398	9,735	9,769
Revenues from use of money & property	10030	5,605	7,111	11,653	13,426	10,580	3,872	4,839	5,311	6,921
Aid from other government agencies	278357	228,914	244,635	281,804	281,075	284,063	306,557	320,663	336,495	330,210
Charges for services	76062	84,107	88,971	96,596	81,442	97,944	102,163	92,417	81,543	79,050
Tobacco settlement and miscellaneous	6331	9,934	8,603	10,222	10,576	11,245	9,728	9,055	9,076	8,950
Total revenues	489444	481,267	524,037	580,477	590,561	613,305	624,516	610,737	610,384	605,015
Expenditures:										
Current:										
General government	110,304	73,832	44,532	74,348	74,491	73,785	74,058	82,245	51,599	49,817
Public safety and protection	159,304	125,849	148,873	154,382	149,144	178,397	174,034	166,184	186,448	203,349
Public ways and facilities	29,591	41,140	39,031	65,207	32,993	24,895	65,068	43,937	39,629	27,090
Health and sanitation	87,970	100,711	100,452	95,321	116,715	130,333	133,964	123,491	125,794	125,564
Public assistance	124,588	119,820	125,181	129,802	136,993	147,789	156,667	167,982	171,904	158,786
Education	5,826	4,953	5,548	5,851	6,278	7,023	7,388	7,721	8,415	7,745
Recreation and cultural services	6,972	8,759	5,755	7,001	8,584	8,455	11,097	11,574	10,428	4,783
Debt service:										
Interest	5,929	2,856	5,444	4,432	7,266	6,004	4,559	9,816	8,676	9,311
Principal	3,562	4,643	2,310	3,186	3,633	5,744	9,787	4,920	5,289	5,987
Capital outlay	12,547	16,511	25,120	15,976	36,932	31,090	46,535	34,949	11,206	12,868
Total expenditures	546,593	499,074	502,246	555,506	573,029	613,515	683,157	652,819	619,388	605,300
Excess (deficiency) of revenues over (under) expenditures	(57,149)	(17,807)	21,791	24,971	17,532	(210)	(58,641)	(42,082)	(9,024)	(285)

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,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other financing sources (uses):										
Premium on issuance of debt	-	-	-	-	-	-	-	863	8,519	-
Inception of capital leases	-	-	-	-	71	-	74	85	-	-
Transfers in	44,488	39,179	32,128	32,395	31,736	23,121	55,215	57,030	36,671	41,462
Transfers out	(37,393)	(20,248)	(44,314)	(57,390)	(42,107)	(29,821)	(55,215)	(57,030)	(27,533)	(41,797)
Proceeds from borrowing	-	7,579	853	36	146,598	-	33,618	-	-	-
Sale of receivables	-	-	8,721	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	245	341	725
Payment to refund bond escrow agent	-	-	-	-	(87,895)	-	-	-	-	-
Miscellaneous	24	-	-	-	-	241	187	-	-	-
Total other financing sources (uses)	7,119	26,510	(2,612)	(24,959)	48,403	(6,459)	33,879	1,193	17,997	390
Extraordinary item:										
RDA Dissolution	-	-	-	-	-	-	-	(2,171)	(447)	(13,593)
Net change in fund balances:	(50,030)	8,703	19,179	12	65,935	(6,669)	(24,762)	(43,060)	8,527	(13,488)
Debt Service as a percentage of non-capital expenditures	1.78%	1.55%	1.63%	1.41%	2.03%	2.02%	2.25%	2.39%	2.30%	2.58%

(principal and interest) divided by (Total expenditures less capital outlay)

Notes:

(1) 2010 Interest and Principal re-stated post CAFR.

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

Fiscal Year Ended June 30,	(1) Secured Roll	(2) Unsecured Roll	(3) Exemptions	Net Assessed Valuations	(4) Total Direct Tax Rate
2003	33,363,333	1,633,842	(989,319)	34,007,856	1.00%
2004	35,742,970	1,669,501	(1,157,406)	36,255,065	1.00%
2005	38,434,502	1,713,181	(1,235,833)	38,911,850	1.00%
2006	42,538,965	1,859,928	(1,329,452)	43,069,441	1.00%
2007	47,388,757	1,999,660	(1,471,788)	47,916,629	1.00%
2008	51,334,367	2,035,086	(1,525,258)	51,844,195	1.00%
2009	52,454,129	2,234,086	(1,608,033)	53,080,182	1.00%
2010	50,655,874	2,254,022	(1,679,121)	51,230,775	1.00%
2011	48,774,186	2,116,423	(1,770,929)	49,119,680	1.00%
2012	48,980,011	2,103,408	(1,856,776)	49,226,643	1.00%

Source: Monterey County Property Tax Records

Notes:

- (1) Secured property is generally the real property, which is defined as land, mineral, timber, and improvements such as buildings, structures, crops, trees and vines. Also included in 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.
- (4) Article XIII A, added to the California Constitution by Proposition 13 in 1978, fixed the base for valuation of property subject to taxes at the full cash value. Additionally, Proposition 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

Fiscal Year Ended June 30, 2012 and June 30, 2003

Taxpayer	Type of Business	2012			2003		
		Taxable Assessed Value (\$'000)	Rank	Percentage of Total County Assessed Value	Taxable Assessed Value (\$'000)	Rank	Percentage of Total County Assessed Value
Dynergy Moss Landing LLC	Utility	620,200	1	1.26%			
Pebble Beach Company	Tourism	567,776	2	1.15%	612,931	2	1.78%
Pacific Gas & Electric Company	Utility	428,639	3	0.87%	249,485	3	0.72%
Chevron USA	Utility	304,086	4	0.62%			
Area Energy LLC	Utility	144,786	5	0.29%			
Pacific Bell Company	Utility	114,467	6	0.23%			
Pacific Holdings LP ET AL	Real Estate	94,244	7	0.19%			
California- American Water Company	Utility	91,818	8	0.19%	82,068	6	0.24%
Dole Fresh Vegetables Inc.	Agriculture	66,875	9	0.14%	51,098	10	0.15%
CalPine Kin City Cogen LLC	Utility	66,380	10	0.13%			
Duke Energy Moss Landing LLC	Utility	-		-	981,800	1	2.85%
SBC California	Utility				134,126	4	0.39%
Texaco Inc.	Petroleum				89,766	5	0.26%
Basic American Foods Inc	Agriculture	-		-	65,566	7	0.19%
Del Monte Regional Mall LLC	Retail	-		-	59,869	8	0.17%
Pacific Wine Partners	Agriculture				55,968	9	0.16%
CMP-1 LLC							
Ten Largest Taxpayers' Total		2,499,271		5.08%	2,382,677		6.92%
All Other Taxpayers' Total		46,727,372		94.92%	32,044,856		93.08%
Total		<u>49,226,643</u>		<u>100%</u>	<u>34,427,533</u>		<u>100%</u>

Source : County of Monterey Property Tax Records

Note:

For Total Taxable Assessed Value refer to Schedule 5 "Assessed Value and Actual Value of Taxable Property".

COUNTY OF MONTEREY
Property Tax Levies and Collections
Last Ten Years
(in thousand of dollars)

Fiscal Year Ended June 30	(1) Taxes Levied for the Fiscal Year	(2) Collected within the Fiscal Year of the Levy		(3) Collections in Subsequent Years	(4) Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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	98.52%	8,378	442,437	100.43%
2006	487,644	476,758	97.77%	7,098	483,856	99.22%
2007	541,741	522,686	96.48%	7,930	530,616	97.95%
2008	588,831	556,021	94.43%	15,065	571,086	96.99%
2009	603,438	576,924	95.61%	29,000	605,924	100.41%
2010	585,686	565,453	96.55%	24,288	589,741	100.69%
2011	566,445	552,997	97.62%	22,076	575,073	101.52%
2012	87,114	84,086	96.52%	-	84,086	96.52%

Source: Monterey County Property Tax Records.

- Notes:
- (1) Prior to 2012, includes Secured, Unsecured, and Unitary Taxes and special assessments levied for the County itself, school districts, cities, and special districts under the supervision of their own governing boards. From 2012 forward, reporting only Secured, Unsecured, and Unitary Taxes levied for the County itself.
 - (2) Prior to 2012, includes amounts collected by the County on behalf of itself, school districts, cities, and special districts under the supervision of their own governing boards. From 2012 forward, reporting only amounts collected by the County on behalf of itself.
 - (3) Prior to 2012, the County cannot identify delinquency collections for the year in which tax was collected. From 2012 forward, County is reporting delinquency collections in the year in which tax was levied. Thus in 2012, the first year of converting to a new reporting method, there is \$0 to report for collections in subsequent years.
 - (4) Prior to 2012, includes delinquent taxes by collection year which resulted in percentages of levy exceeding 100%. From 2012 forward, includes collections within the fiscal year of levy and delinquent collections in the year in which the tax was levied.

COUNTY OF MONTEREY
Debt Service Tax Rate For County And Major Overlapping Government
Per \$100 of Assessed Value
Last Ten Fiscal Years

	For Fiscal Year Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
County direct rates										
General	14.784135	14.751079	14.637790	14.452087	14.346461	15.804535	15.235119	15.141367	15.343346	15.355938
Library	1.172425	1.164689	1.160636	1.133234	1.103560	1.209012	1.661350	1.178158	1.175626	1.184004
County Service Areas & Sanitation	0.117764	0.115144	0.039874	0.135940	0.135689	0.219329	0.216132	0.222298	0.141398	0.147165
Water Resources	0.361484	0.362362	0.359210	0.372378	0.383529	0.421046	0.406600	0.407905	0.406269	0.411893
City rates										
Carmel	0.827081	0.822621	0.802125	0.751905	0.717096	0.749296	0.730806	0.720076	0.726286	0.710536
Del Rey Oaks	0.074288	0.077210	0.077751	0.079810	0.079178	0.080482	0.078549	0.080001	0.079022	0.078691
Gonzales	0.078314	0.077412	0.080418	0.082207	0.088013	0.081491	0.091232	0.097036	0.104554	0.110863
Greenfield	0.059535	0.059437	0.059250	0.068568	0.071868	0.049409	0.065685	0.072774	0.074789	0.080400
King City	0.131056	0.135188	0.139766	0.157765	0.154829	0.165488	0.156128	0.156253	0.154517	0.152448
Marina	0.381047	0.387057	0.380330	0.387567	0.384894	0.399152	0.375469	0.344079	0.345810	0.344083
Monterey	1.179693	1.197878	1.170677	1.132741	1.113760	1.097052	1.133047	1.136827	1.149494	1.156883
Pacific Grove	0.807094	0.810753	0.796683	0.769199	0.748815	0.788310	0.772615	0.774360	0.778877	0.778143
Salinas	2.292314	2.306384	2.353403	2.582488	2.793812	2.302551	2.794428	2.694001	2.670026	2.650558
Sand City	0.018024	0.018044	0.017297	0.016687	0.017051	0.015666	0.017377	0.019696	0.021600	0.023540
Seaside	0.279856	0.282226	0.274028	0.284341	0.304753	0.208791	0.206352	0.230110	0.242026	0.300104
Soledad	0.055514	0.055508	0.057976	0.071765	0.059687	0.064554	0.057797	0.058425	0.051526	0.042563
Successor agency rates										
	8.008584	8.082739	8.482595	8.693821	8.696505	6.840411	6.729190	6.607182	6.389682	6.094115
School district rates										
	62.531706	62.474742	62.127529	61.851773	61.960329	61.584579	62.479818	62.630993	62.711073	62.820381
Fire district rates										
	3.840794	3.829219	3.870595	3.793015	3.770415	3.990884	3.922357	3.984466	3.991355	3.996832
Other special district rates										
	4.438881	4.414108	4.387779	4.228169	4.178586	4.335442	4.324334	4.402253	4.414392	4.425560

Source: Monterey County Records

County of Monterey
(Unincorporated)

Taxable Sales by Category
Last Ten Fiscal Years

(amounts expressed in thousands)

Type of Business	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Apparel stores	7,179	7,405	9,495	9,925	11,465	13,000	11,510	9,510	8,865	9,136
General merchandise	2,473	2,572	2,783	2,776	3,007	3,290	3,372	3,591	3,578	1,599
Food stores	40,699	41,811	42,819	42,613	45,968	48,355	49,372	48,232	50,928	50,849
Eating and drinking places	62,847	61,988	65,854	70,276	69,973	73,007	70,039	67,711	72,054	73,180
Building materials	81,548	94,590	104,464	109,928	110,170	103,443	97,273	84,937	102,333	109,815
Auto dealers and suppliers	38,452	34,305	36,113	40,736	42,028	40,176	37,671	25,189	28,009	27,298
Service stations	57,589	65,687	79,455	93,058	104,121	116,676	129,404	102,257	127,507	153,660
Other retail stores	74,353	73,843	79,324	80,454	83,323	84,600	70,959	56,986	37,600	62,940
All other outlets	340,181	283,026	346,743	374,043	392,575	415,640	396,001	320,728	412,485	359,381
Totals	705,321	665,227	767,050	823,809	862,630	898,187	865,601	719,141	843,359	847,858

County direct sales tax rate **0.00%** **0.00%** **0.00%** **0.00%** **0.00%** **0.08%** **0.08%** **0.08%** **0.08%** **0.08%**

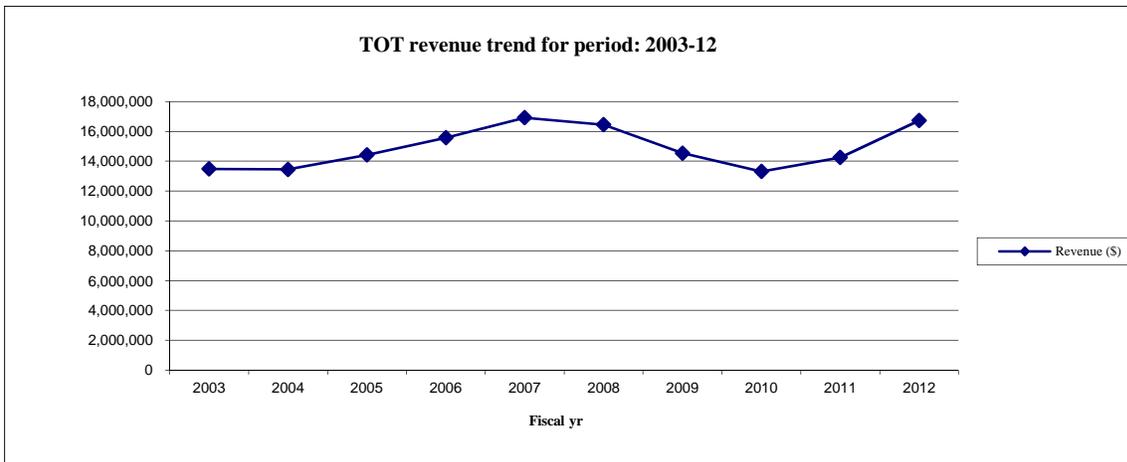
Source: State of California Board of Equalization and The HdL Companies

Notes:

- 1). Due to confidentiality issues, the names of the ten largest revenue payers are not available . The categories presented are intended to provide alternative information regarding the sources of the county's revenues.
- 2). Prior year data has been updated to include adjustments
- 3). Method changed from calendar to Fiscal Year in FY 10-11

COUNTY OF MONTEREY
 Transient Occupancy Tax
 Actual Receipts
 Last Ten Fiscal Years

Fiscal Year	Annual Revenue (\$)	Growth Rate
2003	13,476,749	1.43%
2004	13,452,336	-0.18%
2005	14,420,192	7.19%
2006	15,569,105	7.97%
2007	16,912,274	8.63%
2008	16,441,176	-0.05%
2009	14,533,941	-11.60%
2010	13,312,712	-8.40%
2011	14,249,048	7.03%
2012	16,722,512	17.36%



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

COUNTY OF MONTEREY

Ratios of Outstanding Debt by Type
Last 10 years (in thousands, except per capita)

As of fiscal year 2011 - 12

Fiscal Year	Governmental Activities										Business-Type Activities				Total Primary Gov (1)	Per Capita (2)	Percentage of Personal Income (2)
	Certificates of Participation	Capital Leases	RDA Notes	Revenue Bonds	Long Term Loans	Special Assess. Bonds	General Obligation Bonds	Judgment Obligation Bonds	Participation	Capital Leases	Long Term Loans						
2003	91,600	403	165	4,242	35,020	183	19	-	83,995	-	-	-	215,627	516	1.70%		
2004	91,025	147	140	1,995	35,003	179	15	7,470	82,180	-	-	-	218,154	516	1.62%		
2005	89,285	205	115	1,477	34,986	175	10	6,750	80,260	-	-	-	213,263	503	1.52%		
2006	87,470	252	953	1,177	33,948	171	5	6,095	77,495	-	-	-	207,566	489	1.43%		
2007	144,400	223	621	1,131	32,910	166	-	5,425	75,950	-	-	-	260,826	636	1.66%		
2008	139,570	158	574	1,082	47,939	161	-	4,730	73,610	2,624	-	-	270,448	639	1.67%		
2009	136,260	253	418	33,901	45,122	156	-	4,015	71,265	1,449	-	-	292,839	720	1.71%		
2010	132,800	256	36	33,848	43,365	150	-	3,275	67,995	83	-	-	281,808	687	1.62%		
2011	137,689	151	36	33,241	41,445	143	-	2,505	66,615	-	13,571	-	295,396	712	1.68%		
2012	133,385	459	-	32,613	39,543	136	-	1,705	63,890	-	10,666	-	282,397	669	1.63%		

		Sched 15	
Per Capita	282,397,000	421,898	669
% of Per Inc	282,397	17,355,940	1.63%

COUNTY OF MONTEREY
 Legal Debt Margin Information
 Last Fiscal Years (in thousands)

Legal Debt Margin Calculation for Fiscal Year Ended June 30, 2012

Net assessed value	49,226,643
Debt Limit 1.25% of net assessed value	\$615,333
Debts applicable to limit:	
General Obligation bonds	\$0
Less: Amount set aside for	\$0
repayment of debt	\$0
Net debt applicable to limit	<u>\$0</u>
Legal Debt Margin	<u><u>\$615,333</u></u>

Fiscal Year Ended June30

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt Limit	615,333	613,996	640,385	663,502	648,052	598,958	538,368	486,398	453,188	425,098
Total Net Debt Applicable to limit	0	0	0	0	0	0	5	10	15	19
Legal Debt Margin	<u>615,333</u>	<u>613,996</u>	<u>640,385</u>	<u>663,502</u>	<u>648,052</u>	<u>598,958</u>	<u>538,363</u>	<u>486,388</u>	<u>453,173</u>	<u>425,079</u>

(3)

Total net debt applicable to the limit as a percentage of debt limit

0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.004%
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Notes:

- 1). Article XIII A of the California State Constitution and Senate Bill 1656, Statutes of 1978, provided for changing assessed value from 25% of cash value to full cash value. Hence , the 5% limitation on general obligation bond indebtedness imposed by Section 29909 of the Government Code become 1.25% of assessed value
- 2). For net assessed value refer to Schedule 5" Assessed Value and Actual Value of Taxable Property"
- 3). Re- Stated due to 2010 misstated Assessed Values, corrected post 09/10 CAFR.

COUNTY OF MONTEREY
Pledged Revenue Coverage
Last Ten Fiscal Years
As of Fiscal Year 2011-12

Fiscal Year Ended June 30	Sanitation Revenue Bonds						Water Revenue Bonds						Special Assessment Bonds			
	Sanitation		Less:		Net		Water		Less:		Net		Special Assessment		Special	
	Charges and Other	Operating Expenses	Available Revenue	Principal	Interest	Coverage	Charges and Other	Operating Expenses	Available Revenue	Principal ¹	Interest	Coverage	Collections	Principal	Interest	Coverage
2002	1,498,461	1,013,390	485,071	47,650	58,400	4.57	-	-	-	-	-	-	17,155	4,000	12,049	1.07
2003	1,192,829	1,060,278	132,551	39,000	67,200	1.25	-	-	-	-	-	-	15,280	4,000	11,794	0.97
2004	1,296,375	1,123,348	173,026	40,000	65,250	1.64	-	-	-	-	-	-	13,948	4,000	11,539	0.90
2005	898,415	958,726	(60,311)	43,000	63,250	(0.57)	-	-	-	-	-	-	13,737	4,000	11,284	0.90
2006	1,071,888	1,156,509	(84,621)	45,000	61,100	(0.80)	-	-	-	-	-	-	16,836	4,000	11,029	1.12
2007	1,226,772	1,488,878	(262,106)	46,000	58,850	(2.50)	-	-	-	-	-	-	15,402	5,000	10,742	0.98
2008	1,325,204	1,210,923	114,281	49,000	56,550	1.08	-	-	-	-	-	-	14,211	5,000	10,423	0.92
2009	1,221,319	1,337,849	(116,530)	52,000	54,100	(1.10)	2,120,037	-	2,120,037	-	-	-	14,560	5,000	10,104	0.96
2010	1,312,106	1,115,506	196,600	53,000	51,500	1.88	2,028,699	912,582	1,116,117	-	1,597,913	0.70	14,696	6,000	9,754	0.93
2011	1,204,279	1,321,821	(117,542)	57,000	48,750	(1.11)	2,110,335	4,077	2,106,258	550,000	1,586,913	0.99	14,714	7,000	9,499	0.89
2012	1,257,397	1,320,702	(63,305)	59,000	45,350	(0.61)	2,050,681	4,277	2,046,404	570,000	1,564,513	0.96	14,402	7,000	8,888	0.91

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements. Sanitation, Water, and Other charges include property tax revenues and investment earnings. Where expenses exceed revenues in any one year, excess revenues from prior years (Fund Balance) were used to meet debt requirements.

¹ No principal payments are scheduled until FY2011

Schedule 14

COUNTY OF MONTEREY
 Direct and Overlapping Bonded Debt
 As of June 30, 2012
 (amounts expressed in hundreds)

2011-12 Assessed Valuation (includes unitary utility valuation)	\$ 49,226,642,827
Less: Redevelopment Incremental Valuation:	<u>3,890,253,655</u>
Adjusted Assessed Valuation:	<u>\$ 45,336,389,172</u>

	Percentage (1) <u>Applicable</u>	Debt at <u>June 30, 2011</u>
OVERLAPPING TAX AND ASSESSMENT DEBT:		
Hartnell Community College District	99.793%	\$ 121,210,412
Monterey Peninsula Community College District	100	119,593,685
Carmel Unified School District	100	36,428,445
Monterey Peninsula Unified School District	100	34,999,104
North Monterey County Unified School District	100	16,710,000
Pacific Grove Unified School District	100	51,020,000
Soledad Unified School District	100	3,018,717
King City Joint Union High School District	98.622	11,657,120
Salinas Union High School District and School Facilities Improvement District	100	51,169,010
Alisal Union School District	100	38,597,594
King City Union School District	100	9,269,531
Salinas City School District	100	24,775,000
Santa Rita Union School District	100	23,004,523
Washington Union School District	100	13,055,000
Other School Districts	Various	38,286,944
City of Marina	100	8,380,000
City of Pacific Grove	100	495,000
Soledad Community Hospital District	100	1,390,000
Monterey County Water Resources Agency Benefit Assessment District, Zone 2C	100	31,735,000
Community Facilities Districts	100	4,032,542
City 1915 Act Bonds	100	23,000,000
Special District 1915 Act Bonds	100	4,991,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$ 666,818,627</u>

Ratios to 2010-11 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.35%
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DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Monterey County General Fund Obligations	100%	\$ 189,265,000
Monterey County Judgment Obligations	100	1,705,000
Monterey Peninsula Unified School District Certificates of Participation	100	6,390,000
North Monterey County Unified School District Certificates of Participation	100	13,840,000
King City Joint Union High School District General Fund Obligations	98.622	13,930,358
Other School District General Fund Obligations	Various	22,360,134
City of Carmel General Fund Obligations	100	7,295,000
City of Gonzales General Fund Obligations	100	4,370,000
City of Marina Pension Obligations	100	2,920,000
City of Monterey General Fund Obligations	100	11,005,000
City of Pacific Grove Pension Obligations	100	13,597,550
City of Salinas Certificates of Participation	100	38,290,000
City of Seaside Pension Obligations	100	6,200,000
Carmel Valley Fire Protection District Certificates of Participation	100	1,350,000
Monterey Bay Unified Air Pollution Control Authority	58.459	9,260,000
Pajaro/Sunny Mesa Community Services District General Fund Obligations	100	435,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$ 343,238,997</u>

TOTAL DIRECT DEBT		\$ 190,970,000
TOTAL OVERLAPPING DEBT		\$ 819,087,624

COMBINED TOTAL DEBT	(2)	<u>\$ 1,010,057,624</u>
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Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$190,970,000)	0.42%
Combined Total Debt	2.23%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$0

Notes:

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the county.
- (2) 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 Calendar Years

Calendar Year	(1) Population	(2) Per Capita Income	(3) Total Personal Income	(4) Median Age	(5) School Enrolment	(6) Unemployment Rate
2002	409,210	\$ 30,800	\$ 12,676,027	31.0	73,416	9.0%
2003	410,419	32,469	13,455,580	32.7	73,812	9.0%
2004	408,867	33,952	14,074,798	34.5	73,863	8.3%
2005	405,090	34,172	14,519,770	36.1	71,971	7.4%
2006	401,374	38,193	15,667,000	31.9	69,851	7.0%
2007	402,116	38,373	15,586,498	32.1	69,838	7.1%
2008	405,660	42,144	17,205,000	32.3	69,828	8.4%
2009	410,370	42,356	17,381,644	32.4	70,523	11.8%
2010	415,057	42,176	17,574,000	32.8	70,949	12.8%
2011	421,898	41,138	17,355,940	33.0	72,666	12.4%

Sources:

- (1) U.S. Census Bureau
- (2) U.S. Department of Commerce, Bureau of Economic Analysis
- (3) U.S. Department of Commerce, Bureau of Economic Analysis (in thousands).
- (4) U.S. Census Bureau, American Community Survey
- (5) California Department of Education, Education Demographics Unit
- (6) California Employment Development Department; Labor Market Info Division

Notes:

Population data estimates are as of July 2010

Per capita personal income was computed using preliminary Census Bureau midyear population estimates.

Total personal income is in thousand of dollars

School enrolment data includes Kindergarten through grade 12

Unemployment Rate is based on annual rate

COUNTY OF MONTEREY
Major Industries by Number of Businesses, Employees and Payroll
Last Ten Years

MSA and Industry	2002 Total	2003 Total	2004 Total	2005 Total	2006 Total	2007 Total	2008 Total	2009 Total	2010 Total	2011 Total
SALINAS MSA										
Total										
No. of Businesses	10,898	11,096	11,270	11,167	11,543	11,547	12,249	11,770	10,668	12,022
No. of Employees	146,325	147,057	149,475	150,590	150,949	150,960	152,283	146,140	148,321	150,224
Payroll (in thousands)	\$1,063,998	\$1,105,746	\$1,162,537	\$1,253,718	\$1,275,051	\$1,274,537	\$1,354,222	\$1,283,015	\$1,341,043	1,406,249
Agriculture										
No. of Businesses	631	630	602	584	577	571	564	546	529	529
No. of Employees	43,597	45,581	1,078	51,053	51,097	52,341	52,848	54,635	56,258	58,401
Payroll (in thousands)	\$246,826	\$266,179	\$307,580	\$336,288	\$342,021	\$369,556	\$367,621	\$380,582	\$416,294	448,534
Utilities										
No. of Businesses	23	25	24	25	26	25	23	21	19	20
No. of Employees	592	589	480	528	569	553	498	500	482	557
Payroll (in thousands)	\$9,635	\$10,084	\$9,756	\$9,714	\$8,836	\$9,265	\$10,210	\$11,086	\$10,735	14,754
Construction and Mining										
No. of Businesses	971	977	995	965	1,012	991	972	930	866	824
No. of Employees	6,588	6,516	6,920	6,886	7,367	7,101	6,032	4,578	4,314	3,997
Payroll (in thousands)	\$65,749	\$68,047	\$71,493	\$73,121	\$80,519	\$81,141	\$72,734	\$59,777	\$54,275	51,117
Manufacturing										
No. of Businesses	304	302	293	283	281	267	251	255	256	244
No. of Employees	8,296	7,888	7,043	6,735	6,274	6,163	6,017	5,861	5,457	5,869
Payroll (in thousands)	\$77,342	\$74,410	\$73,187	\$73,030	\$65,346	\$64,045	\$62,193	\$56,038	\$57,445	66,066
Wholesale Trade										
No. of Businesses	388	398	411	408	429	421	404	402	391	377
No. of Employees	5,038	5,207	4,710	5,016	4,938	4,987	5,313	4,940	5,281	5,120
Payroll (in thousands)	\$57,681	\$59,362	\$59,857	\$71,940	\$69,628	\$72,518	\$77,892	\$74,947	\$79,735	83,299
Retail Trade										
No. of Businesses	1,406	1,372	1,358	1,300	1,330	1,290	1,272	1,221	1,227	1,200
No. of Employees	17,058	16,951	16,969	16,828	16,688	17,045	16,661	14,877	15,251	15,530
Payroll (in thousands)	\$108,210	\$109,210	\$114,448	\$120,898	\$120,907	\$123,776	\$123,527	\$107,453	\$111,004	122,602
Transportation and Warehousing										
No. of Businesses	264	264	240	231	248	250	250	241	239	227
No. of Employees	2,860	2,860	2,814	2,955	2,925	3,228	3,152	3,032	2,942	2,715
Payroll (in thousands)	\$23,957	\$23,957	\$26,107	\$28,851	\$28,644	\$34,636	\$36,686	\$34,856	\$36,081	36,164

COUNTY OF MONTEREY
Major Industries by Number of Businesses, Employees and Payroll
Last Ten Years

MSA and Industry	2002 Total	2003 Total	2004 Total	2005 Total	2006 Total	2007 Total	2008 Total	2009 Total	2010 Total	2011 Total
Information										
No. of Businesses	123	123	119	117	116	105	107	98	106	99
No. of Employees	2,440	2,440	2,307	2,310	2,163	2,137	2,052	1,671	1,619	1,532
Payroll (in thousands)	\$28,549	\$28,549	\$31,249	\$33,578	\$33,618	\$35,997	\$31,165	\$24,735	\$23,894	24,061
Finance and Insurance										
No. of Businesses	376	376	375	388	389	398	393	363	367	363
No. of Employees	4,328	4,328	3,711	3,757	3,816	3,819	3,548	2,857	2,630	2,528
Payroll (in thousands)	\$54,759	\$54,759	\$50,791	\$63,242	\$63,144	\$69,518	\$68,173	\$47,648	\$46,824	43,452
Real Estate, Rental and Leasing										
No. of Businesses	399	414	428	432	445	420	407	393	386	360
No. of Employees	2,342	2,405	2,313	2,364	2,497	2,243	1,940	1,730	1,745	1,654
Payroll (in thousands)	\$17,916	\$18,598	\$20,400	\$21,537	\$22,315	\$21,402	\$17,372	\$15,087	\$15,752	17,044
Services										
No. of Businesses	6,004	6,220	6,415	6,425	6,681	7,900	7,233	7,300	7,509	7,779
No. of Employees	52,961	52,539	50,917	51,966	52,414	65,328	53,496	51,459	52,342	52,321
Payroll (in thousands)	\$369,697	\$384,284	\$395,309	\$418,089	\$436,331	\$598,670	\$479,053	\$470,805	\$489,004	499,157

Source: Employment Development Department, Labor Market Information

Notes:

- 1 Data are confidential if there are fewer than 3 businesses in a category or one employer makes up 80 percent or more of the employment in a category
- 2 Data are suppressed because confidential data could be extrapolated if these totals were included
- 3 Figures are as per third quarter of the calendar year.
- 4 Data do not include totals for government employment
- 5 Rules instituted by the Federal Bureau of Labor Statistics after September 11, prohibit state departments of labor or economic security from publicly identifying the names of individual employers. County of Monterey has removed the Major Employers' data from the statistical section. GASB Statement No 44 allows employment by industry data to be published instead of Major Employers' data.
- 6 Mining industry has been combined with the Construction industry starting in 2009

COUNTY OF MONTEREY
 Full-time Equivalent County Government Employees by Function/Program
 Approved Budgeted Positions

Function/Program	Fiscal Year Ended June 30,										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
General government	596.0	510.0	462.0	489.0	492.0	485.0	507.0	472.5	454.5	425.6	
Public protection	1,418.0	1,361.0	1,319.0	1,343.0	1,397.0	1,396.0	1,274.0	1,224.5	1,176.0	1,052.0	
Public ways and facilities	178.0	178.0	150.0	153.0	135.0	135.0	373.0	339.0	298.5	277.5	
Health and sanitation	616.0	614.0	688.0	757.0	820.0	814.0	863.0	809.8	772.9	761.3	
Public assistance	838.0	772.0	759.0	775.0	781.0	781.0	817.0	806.0	842.0	751.2	
Recreation and Education	131.0	130.0	136.0	140.0	145.0	145.0	169.0	153.5	143.0	139.0	
Hospital	956.0	795.0	775.0	799.0	754.0	754.0	785.0	770.9	840.1	839.0	
Total governmental positions	4,733.0	4,360.0	4,289.0	4,456.0	4,524.0	4,510.0	4,788.0	4,576.2	4,527.0	4,245.6	
Special District:											
Water Resource Agency	60.0	60.0	60.0	60.0	60.0	60.0	60.0	63.0	63.0	63.0	
Total Positions:	4,793.0	4,420.0	4,349.0	4,516.0	4,584.0	4,570.0	4,848.0	4,639.2	4,590.0	4,308.6	

Source: Monterey County Adopted Budget Book Position Information

Note: Public ways and facilities includes Resources Management Agency.

County of Monterey
Operating Indicators by Function/ Program
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GENERAL GOVERNMENT										
Assessor	21,712	25,181	26,309	24,903	20,460	16,555	18,331	18,504	16,789	15,991
Deeds processed										
Recorder -County Clerk	127,597	157,438	138,690	137,348	114,673	94,913	88,153	85,686	86,769	85,915
Documents recorded	3,278	3,150	3,123	3,067	2,990	2,913	2,828	2,625	2,889	2,842
Marriage licenses issued	2,561	2,810	2,059	3,040	3,097	2,719	2,625	2,664	2,815	2,486
Fictitious business names filed										
PUBLIC PROTECTION										
Emergency Communications	unavail	600,000	600,000	612,000	650,000	614,295	650,000	650,000	611,666	674,576
911 and non-emergency calls	unavail	556,059	560,422	560,026	560,000	560,000	560,000	597,303	588,077	571,100
CAD incidents	unavail	6,870,241	6,626,719	6,248,264						
CAD comments	17,475	17,612	17,146	18,348	18,250	16,123	16,523	14,139	16,126	14,072
District Attorney's Office										
Felonies and misdemeanors reviewed	22,116	21,280	21,370	20,266	19,860	19,709	19,639	19,366	18,184	18,065
Child Support Services										
Cases	2,928	3,306	3,798	4,592	5,289	5,977	4,756	5,689	5,835	5,706 (1)
Public Defender	6,229	6,535	6,859	8,170	7,322	7,834	7,556	10,545	10,643	10,069 (1)
Felonies closed and pending	1,932	1,864	2,143	1,091	999	929	2,632	2,185	2,384	2,155 (1)
Misdemeanors closed and pending	707	918	952	986	991	996	unavail	824	645	694 (1)
Juveniles closed and pending	646	537	573	609	640	678	unavail	491	428	481 (1)
Court Assigned Counsel	unavail	194	211	190	198	184	unavail	512	548	378 (1)
Felonies reviewed	17,000	13,355	14,538	15,348	15,900	14,890	11,784	11,622	9,629	10,166
Misdemeanors	4,700	4,935	5,181	5,447	5,475	5,818	5,474	5,272	4,120	3,214
Juveniles										
Sheriff -Administration and Enforcement Bureau	n/a	n/a	437	573	653	717	545	625	527	284
Warrants reviewed	n/a	n/a	12	24	55	55	52	29	11	8
Felony and misdemeanor offenses reported	18,397	17,705	17,919	17,144	16,963	17,434	17,252	15,982	15,035	16,000
Sheriff- Joint Gang Task Force	930	1,000	1,100	1,153	1,152	1,085	1,037	1,018	1,051	1,150
Felony and misdemeanor arrests	23,000	23,047	24,848	25,866	25,387	23,770	21,890	22,743	24,239	25,000
Task Force and/or Gang Awareness										
Sheriff- Custody Operations Bureau	unavail	3,113	2,892	3,034	3,034	2,841	2,736	3,102	5,043	2,585
Prisoners booked	unavail	unavail	2,652	3,581	3,637	3,460	3,228	3,246	2,464	2,547
Average daily prisoner population	unavail	unavail	7,089	7,995	8,079	8,485	8,714	9,011	7,319	8,074
Court transportation										
Probation	1,702	1,611	1,635	1,284	1,285	1,323	1,438	1,376	1,406	1,486
Juvenile referrals										
Standard reports	1,185	1,178	1,064	1,064	1,015	1,039	994	994	1,045	1,010
Supervision	345	388	348	287	279	309	320	315	301	295
Juvenile Institutions and Alternative Program										
Admissions										
Sheriff-Coroner										
Total investigations										
Coroner's cases										

County of Monterey
Operating Indicators by Function/ Program
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Planning										
Discretionary permits initiated	635	480	411	748	852	804	691	736	561	558
Building Services										
Building and grading permits	3,471	4,252	3,906	3,681	3,425	2,905	2,614	2,273	2,025	2,144
Plan checks	3,354	2,252	2,388	2,725	2,468	2,097	1,890	1,141	1,267	1,132
Building inspections	23,000	25,154	25,154	26,939	20,901	17,475	15,725	9,685	12,659	15,873
PUBLICWAYS AND FACILITIES:										
Public Works										
Road miles maintained	1,243	1,240	1,240	1,240	1,240	1,240	1,240	1,157	1,157	1,234
Bridges maintained	173	173	173	173	173	173	173	173	173	173
Water Resources										
Total water deliveries- acre- feet	19,628	21,982	17,754	16,663	21,245	23,155	21,598	17,355	19,992	20,446
Nacimientto Hydro Project kilowatt hours	11,569,402	13,027,168	13,118,178	17,427,225	16,928,820	12,138,366	10,150,151	9,905,705	15,613,560	14,326,724
HEALTH AND SANITATION										
Animal Field Services										
Licenses sold / Citations issued	5,991	7,576	7,287	7,724	7,340	7,367	7,400	3,000	7,364	8,065
Service calls	6,400	4,433	3,684	6,050	7,450	7,220	7,500	7,000	6,164	3,281
Animals admitted to shelter	5,452	4,143	4,364	4,083	3,947	3,654	3,750	2,900	4,592	4,124
Health										
Public health nursing home visits	10,233	10,516	8,736	9,110	2,805	6,943	9,918	13,380	15,066	14,908
Laboratory tests	57,500	53,819	59,406	60,553	37,563	37,475	37,489	42,000	42,780	33,226
Clinic Services										
Primary care clinic visits	55,245	60,993	99,971	118,165	150,200	145,705	152,942	163,544	162,969	169,645
Mental Health										
Inpatient services (days)	14,107	11,675	17,572	1,345	1,350	2,663	2,700	1,940	4,566	2,941
Locked facilities (days)	7,524	11,122	8,042	13,888	13,888	12,042	12,100	8,130	2,434	12,237
Public Guardian										
Conservatorship cases	n/a	n/a	n/a	n/a	239	240	240	263	363	325
Representative payee cases	n/a	n/a	n/a	n/a	370	381	381	394	407	421
Alcohol and Drug Programs										
Methadone maintenance dosing	52,742	54,016	54,958	50,509	49,825	52,416	52,077	46,431	46,117	49,355
Narcotic treatment program counseling	19,238	19,086	19,086	23,021	24,338	23,406	22,892	25,292	25,557	26,720
Residential bed days	56,344	55,530	55,530	79,426	54,521	54,885	49,686	39,091	25,842	24,947
Children's Medical Services										
CCS Referrals reviewed for medical eligibility	2,181	1,504	2,013	2,476	4,641	2,894	2,818	3,000	3,195	2,267
CCS Referrals opened for medical services	1,196	1,051	1,006	770	1,296	1,810	1,538	1,820	2,012	1,343
CHDP review preventive health screens	16,135	15,880	15,557	17,527	15,450	11,711	14,143	14,200	11,525	13,675
CHDP patient tracking for follow-up screens	3,390	3,327	2,642	2,718	3,561	2,234	2,174	2,300	1,906	1,798

County of Monterey
Operating Indicators by Function/ Program
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
PUBLIC ASSISTANCE										
Social Services										
Food Stamps and Medi-Cal	25,488	26,071	27,764	29,200	29,913	32,795	36,133	38,335	42,079	44,588
CWS permanent placement	331	215	306	303	328	299	289	264	202	179
Adult Protective Services & In-Home Supportive Services	2,906	2,659	2,694	2,809	3,108	3,361	3,618	3,801	3,885	3,994
CalWORKs/TANF Benefits Caseloads										
Ongoing	4,675	4,811	4,359	4,518	4,389	4,583	5,160	5,737	6,122	6,147
Employment services	1,950	1,633	1,373	1,137	2,436	2,538	2,883	3,244	3,482	3,559
Childcare services	334	286	273	247	334	360	406	419	357	329
Out-of-Home Care, Average Monthly Caseload										
Foster care ongoing	402	492	462	535	504	534	478	387	295	290
Court dependent children	12	5	4	4	4	6	4	3	7	8
Aid to adoptions	495	449	578	609	644	702	731	757	720	708
In-Home Support Services- Client Services paid cases										
Personal care services program	2,296	2,037	2,112	2,418	2,615	2,859	3,129	3,233	3,339	3,450
Residual/ Waiver Plus	610	621	581	391	382	384	399	436	452	455
Aid to Indigents	148	178	148	110	125	151	329	394	484	617 (3)
Regular general assistance										
Military and Veterans Affair caseload items	4,489	2,641	2,191	1,878	1,745	1,793	1,409	1,544	1,546	2,058
Claims filed	1,963	1,545	2,790	884	1,350	1,612	1,095	952	1,007	888
Veterans transported to VA Medical										
EDUCATION										
Library										
Customers visiting library	637,787	688,246	642,226	694,259	826,716	942,871	1,085,041	996,045	950,922	958,852
Customers using library computers	135,458	140,806	162,531	187,651	229,676	245,082	259,731	275,344	223,855	276,000
RECREATION AND CULTURAL SERVICES										
Parks										
Visitors	1,384,571	1,415,262	1,400,000	1,400,000	1,400,000	1,400,000	1,255,235	1,255,235	1,255,235	1,255,235 (2)

Notes:

Data for prior years may change as more updated information becomes available

(1) previous numbers based on charges, effective FY 2011, workload based on cases

(2) data updated when new study is performed every 3-4 years

(3) as of FY2009, reporting both regular and interim caseloads. Prior to 2009, reported only regular caseload.

COUNTY OF MONTEREY
 Capital Asset Statistics
 Last Eight Fiscal Years
 For Fiscal Year Ended June 30,

	2005	2006	2007	2008	2009	2010	2011	2012
General Government								
Buildings	19	21	21	15	11	11	14	14
Vehicles	-	125	134	114	113	112	76	127
Heavy Equipment	-	17	13	2	7	9	3	3
Communication Tower	-	-	-	-	-	6	6	6
Public Protection								
Buildings	20	19	23	27	26	26	24	25
Vehicles	468	493	484	553	411	453	458	473
Boats							2	2 (1)
Heavy Equipment	-	36	58	3	-	24	48	48
Public Ways & Facilities (Road Dept)								
Bridges	123	171	171	173	171	173	173	173
Culverts (ft)	218,749	218,749	218,749	219,943	219,943	218,749	218,749	218,749
Drain System Inlets	226	226	226	977	977	226	230	230
Drain System Pipe (ft)	68,752	68,752	68,752	68,752	68,752	68,752	68,752	68,752
Fuel Stations	3	3	3	3	3	3	3	3
Heavy Road Equipment	44	45	44	46	84	76	60	83
Lift Stations	2	16	21	18	16	21	15	15
Maintained Road Miles (paved)	1,239	1,100	1,099	1,100	1,100	1,157	1,157	1,234
Maintenance District Facility Buildings	5	5	5	5	5	5	5	5
Public Parks & Open Space Acreage	4	4	4	8	8	4	4	4
Road Lane Miles	2,611	2,611	2,611	2,480	2,480	2,611	2,611	2,611
Sanitary Heavy Equipment	2	2	2	1	1	2	1	1
Sanitary Sewer Lines(miles)	54	44	60	45	30	60	60	42
Street Light	106	1,026	-	835	850	113	111	132
Traffic Signals	40	20	20	30	24	39	21	21
Vehicles	-	111	89	125	71	102	133	73
Water Resources								
Dams	2	2	2	2	2	2	2	2
Salinas River Diversion Facility	-	-	-	-	-	1	1	1
Heavy Equipment	6	6	7	7	7	7	7	6
Hydro-Electric Plants	1	1	1	1	1	1	1	1
Levees	1	1	1	1	1	1	1	1
Pump Stations	2	5	5	5	5	5	5	5
Reclamation Ditches	1	1	1	1	1	1	1	1
Vehicles	24	29	29	30	27	29	29	27
Petrero Tide Gate	-	1	1	1	1	1	1	1
Homes	-	2	2	2	2	2	2	2
Pipe Miles	-	50	50	50	50	50	50	50
Wells	-	21	21	21	21	21	21	21
Booster Pumps	-	3	3	3	3	3	3	3
Health								
Buildings	32	7	15	7	8	15	14	14
Vehicles	94	131	171	161	33	148	145	151
Public Assistance								
Buildings	1	1	1	1	1	5	5	2
Vehicles	75	107	114	114	101	118	105	108

COUNTY OF MONTEREY
 Capital Asset Statistics
 Last Eight Fiscal Years
 For Fiscal Year Ended June 30,

	2005	2006	2007	2008	2009	2010	2011	2012
Recreation and Cultural Services								
Basketball courts	1	1	1	1	1	1	1	1
Boats	14	14	14	15	15	15	13	13
Buildings	159	175	175	178	175	176	176	176
Heavy Equipment	34	286	317	27	28	34	34	34
Lakes Acres	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Land Acres	12,155	12,155	12,155	12,750	12,750	12,750	13,566	13,566
Parks	7	7	7	7	9	9	9	9
Tennis Courts	1	1	1	1	1	1	1	1
Vehicles	88	94	85	126	107	130	120	120
Communication Tower					1	1	1	1
Education								
Bookmobiles	3	3	3	3	3	3	4	3
Buildings	5	4	5	4	5	6	6	6
Vehicles	-	15	17	19	17	14	15	15

Source:

Owned buildings and parcels from General Services "Real Property Specialist Reports".
 Vehicles & Heavy Equipment from General Services "FleetFocus Equipment Inventory List".
 Departmental Records

Note:

Reporting differences in assets between fiscal years due to updated information sources.
 GASB 44, implemented in May 2004, requires this schedule to present information for ten years.
 However, until Monterey County is able to compile a full ten year trend, the title will reflect the actual number of years for which data has been accumulated, as allowed by GASB 44.

(1) information not previously reported

COUNTY OF MONTEREY

SINGLE AUDIT REPORT

JUNE 30, 2012

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COUNTY OF MONTEREY

Single Audit Report
For the Year Ended June 30, 2012

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Supervisors
County of Monterey
Salinas, California

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Monterey, as of and for the year ended June 30, 2012, which collectively comprise the County's financial statements and have issued our report thereon dated December 20, 2012. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Natividad Medical Center, an enterprise fund, which represents 97 percent and 99 percent, respectively, of the assets and revenues of the business-type funds. We also did not audit the Monterey County Children and Family Commission, which represents 100 percent of the assets, liabilities and revenues of the discretely presented component unit, as of and for the year ended June 30, 2012. This report does not include the results of the auditors' testing of internal control over financing reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Monterey's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Supervisors
County of Monterey

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County in a separate letter dated December 20, 2012.

This report is intended solely for the information of County management, the Board of Supervisors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Gallina LLP

Roseville, California
December 20, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Supervisors
County of Monterey
Salinas, California

Compliance

We have audited the compliance of the County of Monterey, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2012. The County of Monterey's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Monterey's management. Our responsibility is to express an opinion on the County of Monterey's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Monterey's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Monterey's compliance with those requirements.

In our opinion, the County of Monterey complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Board of Supervisors
County of Monterey

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Monterey as of and for the year ended June 30, 2012, and have issued our report thereon dated December 20, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. We did not audit the financial statements of the Natividad Medical Center, an enterprise fund, which represents 97 percent and 99 percent, respectively, of the assets and revenues of the business-type funds. We also did not audit the financial statements of the Monterey County Children and Family Commission which represents 100 percent of the assets, liabilities and revenues of the discretely presented component unit. Those financial statements were audited by other auditors, whose reports thereon has been furnished to us, and our opinions, insofar as they related to the amounts included for Natividad Medical Center and the discretely presented component unit, is based solely on the reports of the other auditors. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Supplementary Schedules of the California Emergency Management Agency, the Department of Corrections and Rehabilitation, and the Department of Community Services and Development have not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

This report is intended solely for the information of the County management, the Board of Supervisors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Gallina LLP

Roseville, California
December 20, 2012

COUNTY OF MONTEREY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Awards/ Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
Very Low to Moderate Income Housing Loans - Outstanding Loan Balance	10.410	--	\$ 48,405
Subtotal Direct			<u>48,405</u>
Passed through State Department of Food and Agriculture:			
Plant and Animal Disease, Pest Control, and Animal Care			
Glassy Winged Sharpshooter (Pierce's Disease Control Prog)	10.025	11-8500-0484-CA	72,454
Federal Trapping (Pest Detection/Trapping)	10.025	11-8520-0934-GR	158,357
Expanded Pest Detection Co Contract (Pest Detection/Trapping)	10.025	11-8520-1399-CA	10,318
European Grapevine Moth	10.025	12-8506-1317-CA	115,072
Asian Citrus Psyllid	10.025	12-8506-1211-CA	27,419
Sudden Oak Death	10.025	11-8523-0572-CA	20,254
Light Brown Apple Moth - Trapping	10.025	12-8520-1164-CA	49,407
Subtotal CFDA Number 10.025			<u>453,281</u>
Passed through State Department of Public Health:			
Nutrition Network Local Incentive Award	10.561	10-10158	592,413
Regional Nutrition Network	10.561	11-10234	629,936
Special Supplemental Nutrition Program for Women, Infants, and Children - Admin. Costs	10.557	08-85450	4,596,354
ARRA - Special Supplemental Nutrition Program for Women, Infants, and Children - Admin. Costs	10.557	08-85450	200
Subtotal Pass Through			<u>5,818,903</u>
Passed through State Department of Social Services:			
Supplemental Nutrition Assistance Program	10.561	--	8,235,741
Supplemental Nutrition Assistance Program - C-IV Claims	10.561	--	40,915
Subtotal Pass Through			<u>8,276,656</u>
Passed through State Department of Education:			
School Nutrition Program	10.560	--	230,285
Total U.S. Department of Agriculture			<u>\$ 14,827,530</u>
<u>U.S. Department of Commerce</u>			
Direct Programs:			
EDA Rural Revolving Loan Fund	11.307	EDAC	19,113
EDA Countywide Revolving Loan Fund	11.307	EDAR	4,311
EDA Rural Revolving Loan Fund - Outstanding Loan Balance	11.307	--	217,345
EDA Countywide Revolving Loan Fund - Outstanding Loan Balance	11.307	--	1,128,333
Subtotal CFDA Number 11.307			<u>1,369,102</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MONTEREY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Awards/ Expenditures</u>
<u>U.S. Department of Commerce (continued)</u>			
Passed through State Department of Public Health:			
Phase IV	11.206	EPO 07-27	\$ 1,065
Subtotal CFDA Number 11.206			<u>1,065</u>
Total U.S. Department of Commerce			<u>\$ 1,370,167</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the State Department of Housing and Community Development:			
Community Development Block Grant/State's Program	14.228	CDBG PI	69,778
Community Development Block Grant/State's Program	14.228	08-STBG-4835	117,902
Community Development Block Grant/State's Program	14.228	08-PTAG-5362	7,490
Community Development Block Grant/State's Program	14.228	NSP 1 PI	1,247,858
Community Development Block Grant/State's Program	14.228	NSP 3: B-11-UN-06-0010	12,255
Community Development Block Grant/State's Program- Outstanding Loan Balance	14.228	CDBG, NSP	2,743,311
Subtotal CFDA Number 14.228			<u>4,198,594</u>
Homelessness Prevention and Rapid Re-Housing Program (HPRP) (Recovery Act Funded)	14.257	--	<u>530,211</u>
HOME Investment Partnerships Program	14.239	HOME PI	10,160
HOME Investment Partnerships Program - Outstanding Loan Balance	14.239	--	8,979,192
Subtotal CFDA Number 14.239			<u>8,989,352</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 13,718,157</u>
<u>U.S. Department of Interior</u>			
Direct Program:			
Payment in Lieu of Taxes	15.226	--	834,251
Subtotal Direct			<u>834,251</u>
Passed through the State Office of Historic Preservation:			
Historic Preservation Fund Grants-In-Aid	15.904	06-09-21810	25,000
Subtotal Pass-through			<u>25,000</u>
Total U.S. Department of Interior			<u>\$ 859,251</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
Equitable Sharing Agreement - Asset Forfeiture	16.000	--	31,000
Subtotal CFDA Number 16.000			<u>31,000</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MONTEREY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Awards/ Expenditures</u>
<u>U.S. Department of Justice (continued)</u>			
Direct Programs (continued):			
Adult Drug Court Discretionary Grant Program	16.585	2010-DC-BX-0094	\$ 110,955
Adult Drug Court Treatment	16.585	2010-DC-BX-0094	5,019
Subtotal CFDA Number 16.585			<u>115,974</u>
Criminal Alien Assistance Program	16.606	--	847,509
Southwest Border Prosecution Initiative Program	16.755	2010DWX09A04737	11,297
Subtotal			<u>858,806</u>
Subtotal Direct Programs			<u>1,005,780</u>
Passed through California Emergency Management Agency:			
Victim Witness Assistance Program	16.575	VW11 30 0270	148,455
Underserved Victim Advocacy and Outreach Program	16.575	UV11 02 0270	100,000
Subtotal CFDA Number 16.575			<u>248,455</u>
Probation Specialized Supervision Program	16.588	PU10010270/PU11020270	102,724
Subtotal CFDA Number 16.588			<u>102,724</u>
Anti-Drug Enforcement Program	16.738	DC11210270	229,587
Marijuana Suppression Program	16.738	MS10010270	231,114
ARRA - Edward Byrne Memorial Justice Assistance Grant of 2009	16.803	ZA09010270	137,529
ARRA - Edward Byrne Memorial Justice Assistance Grant of 2009	16.803	ZM09010270	13,021
ARRA - Evidence Based Probation Supervision Program	16.804	ZP09010270	146,325
Subtotal JAG Grant Cluster			<u>757,576</u>
Subtotal Pass-through			<u>1,108,755</u>
Passed through State Department of Corrections and Rehabilitation:			
Juvenile Accountability Block Grant	16.523	CSA128-11	42,602
Passed through Office of Justice Programs:			
ARRA - Adult Day Reporting Center Program	16.808	2009-SC-B9-0058	393,126
Total U.S. Department of Justice			<u>\$ 2,550,263</u>
<u>U.S. Department of Labor</u>			
Passed through State Employment Development Department:			
WIA Title I Adult Formula	17.258	--	1,684,911
WIA Title I Youth Formula	17.259	--	1,726,085
WIA Title I Dislocated Worker Formula Grant	17.278	--	3,543,641
Total U.S. Department of Labor			<u>\$ 6,954,637</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MONTEREY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Awards/ Expenditures</u>
<u>U.S. Department of Transportation</u>			
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	HRRRL-5944(092)	\$ 78,713
Highway Planning and Construction	20.205	SRTSLNI-5944(093)	83,911
Highway Planning and Construction	20.205	STPLZ-5944(041)	47,490
Highway Planning and Construction	20.205	STPLZ-5944(040)	132,552
Highway Planning and Construction	20.205	STPLZ-5944(034)	5,123
Highway Planning and Construction	20.205	BRLOZB-5944(035)	2,120,493
Highway Planning and Construction	20.205	BRLS-5944(068)	94,633
Highway Planning and Construction	20.205	HP21L-5944(097)	151,007
Highway Planning and Construction	20.205	RPSTPLE-5944(106)	239,331
Highway Planning and Construction	20.205	BHLO-5944(100)	31,374
Highway Planning and Construction	20.205	RPSTPLE-5944(104)	177,828
Highway Planning and Construction	20.205	BRLS-5944(096)	41,454
Highway Planning and Construction	20.205	DEMOHL 5944 - (089)	60,011
Highway Planning and Construction	20.205	BHLO5944-(099)	27,304
Highway Planning and Construction	20.205	BRLO-5944(010)	362,421
Highway Planning and Construction	20.205	BRLO-5944(102)	13,739
Highway Planning and Construction	20.205	BRLO-5944(103)	<u>19,164</u>
Total U.S. Department of Transportation			<u>\$ 3,686,548</u>
<u>U.S. Environmental Protection Agency</u>			
Direct Programs:			
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468	--	421,933
Surveys, Studies, Investigations and Special Purpose Grants	66.606	XP-96995301-0	<u>18,795</u>
Total U.S. Environmental Protection Agency			<u>\$ 440,728</u>
<u>U.S. Department of Energy</u>			
Direct Program:			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	--	<u>1,293,109</u>
Total U.S. Department of Energy			<u>\$ 1,293,109</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Mental Health:			
Mental Health ERMHS, formerly AB 3632 Services - PCA 14468 - Federal IDEA Funds	84.027	H027A040116	<u>1,364,889</u>
Total U.S. Department of Education			<u>\$ 1,364,889</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MONTEREY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Awards/ Expenditures</u>
U.S. Department of Health and Human Services			
Passed through State Department of Aging:			
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	AP-1112-32	\$ 5,667
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	AP-1112-32	29,523
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	AP-1112-32	24,675
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	AP-1112-32	406,630
Special Programs for the Aging - Title III, Part C-1 - Nutrition Services	93.045	AP-1112-32	289,369
Special Programs for the Aging - Title III, Part C-2 - Nutrition Services	93.045	AP-1112-32	427,832
National Family Caregiver Support	93.052	AP-1112-32	176,559
Nutrition Services Incentive Program	93.053	AP-1112-32	195,637
Medicare Enrollment Assistance Program	93.071	MI-1011-32	6,616
Research, Demonstrations and Evaluations	93.779	HI-1112-32	109,521
Research, Demonstrations and Evaluations	93.779	MI-1011-32	21,302
Subtotal Pass Through			<u>1,693,331</u>
Passed through State Department of Alcohol and Drug Programs:			
Federal Drug Medi-Cal Funds	93.778	--	563,306
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	--	2,371,979
Subtotal Pass Through			<u>2,935,285</u>
Passed through State Department of Child Support Services:			
Child Support Enforcement	93.563	--	7,126,804
Subtotal CFDA Number 93.563			<u>7,126,804</u>
Passed through State Department of Community Services and Development:			
Community Services Block Grant	93.569	10F-4076	36,241
Community Services Block Grant	93.569	11F-4229	294,871
Community Services Block Grant	93.569	12F-4227	171,011
Subtotal CSBG Cluster			<u>502,123</u>
Passed through State Department of Health Care Services:			
Activities	93.778	07-65030 & 27-0712	1,194,387
Medical Assistance Program (Medi-Cal Administration)	93.778	--	8,990,332
Medical Assistance Program - C-IV Claims	93.778	--	48,229
Subtotal Pass Through			<u>10,232,948</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MONTEREY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Awards/ Expenditures</u>
U.S. Department of Health and Human Services (continued)			
Passed through State Department of Public Health:			
AIDS Master Agreement - HIV Care Program	93.917	10-95274	\$ 248,367
HRSA Part B	93.917	10-95274	25,974
Subtotal CFDA Number 93.917			<u>274,341</u>
Maternal Child & Adolescent Health (MCAH)	93.994	201127	168,726
California Children's Service (CCS)	93.994	--	2,377,878
Subtotal CFDA Number 93.994			<u>2,546,604</u>
Public Health Emergency Preparedness	93.069	EPO-11-27	355,323
Striving to Prevent Youth Violence Everywhere	93.136	ICE002072A	163,584
Child Lead Poisoning Prevention Program (CLPPP)	93.197	08-85073	117,177
Immunization Assessment Program	93.268	10-95387	149,282
Silver Star Gang Prevention and Intervention Grant	93.647	90XP0373	717,822
Hospital Preparedness Program (HPP)	93.889	EPO HPP 11-27	77,087
Child Health Disability Prevention (CHDP)	93.991	--	479,611
Subtotal			<u>2,059,886</u>
Subtotal Pass Through			<u>4,880,831</u>
Passed through Secretary of State:			
Help America Vote Act Requirements Payments	90.401	07G30117	35,574
Voting Access for Individuals with Disabilities	93.617	10G26103	62,810
Voting Access for Individuals with Disabilities	93.617	11G26124	388
Subtotal Pass Through			<u>98,772</u>
Passed through the State Department of Mental Health:			
Federal McKinney Projects for Assistance in Transition from Homelessness (PATH)	93.150	2X06SM016005-12	100,016
Substance Abuse & Mental Health Services Administration (SAMHSA) - Juvenile Court	93.243	5H79TI022902-02	257,561
Adult Drug Court Treatment (SAMHSA-CSAT)	93.243	1H79T1023415-01	274,106
Substance Abuse and Mental Health Services Administration (SAMHSA) Block Grant (includes Children's System of Care (CSOC) Grant)	93.958	1U79SM56058	1,231,067
Subtotal Pass Through			<u>1,862,750</u>
Passed through State Department of Social Services:			
Temporary Assistance for Needy Families:			
Temporary Assistance for Needy Families - Social Services - Administration	93.558	--	18,112,312
Temporary Assistance for Needy Families - Social Services - C-IV Claims	93.558	--	30,163
Temporary Assistance for Needy Families - Social Services Assistance	93.558	--	15,553,852
Subtotal TANF Cluster			<u>33,696,327</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MONTEREY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Awards/ Expenditures
<u>U.S. Department of Health and Human Services (continued)</u>			
Passed through State Department of Social Services (continued):			
Foster Care – Title IV-E:			
Title IV-E Placement / Foster Care (Probation)	93.658	--	\$ 3,601,519
Group Home Visits (Probation)	93.658	--	352,664
Child Welfare Services - OIP (Probation)	93.658	--	36,074
Foster Care - Title IV-E (Public Agency)	93.658	--	60,543
Foster Care - Title IV-E (Administration)	93.658	--	3,117,961
Foster Care - Title IV-E (Assistance)	93.658	--	2,856,859
ARRA - Foster Care - Title IV-E (Assistance)	93.658	--	7,853
Subtotal CFDA Number 93.658			<u>10,033,473</u>
Adoption Assistance Program:			
Adoption Assistance Program (Administration)	93.659	--	875,625
Adoption Assistance Program (Assistance)	93.659	--	3,147,676
ARRA - Adoption Assistance Program (Assistance)	93.659	--	(960)
Subtotal CFDA Number 93.659			<u>4,022,341</u>
Medical Assistance Program - Adult Protective			
Services County Services Block Grant	93.778	--	511,474
Medical Assistance Program - Child Welfare Services IV-E	93.778	--	998,962
Medical Assistance Program - In-Home			
Supportive Services Public Authority -			
Administrative Costs	93.778	--	1,096,088
Subtotal			<u>2,606,524</u>
Promoting Safe and Stable Families	93.556	--	378,551
Refugee and Entrant Assistance - State			
Administered Programs	93.566	--	4,921
Refugee and Entrant Assistance - State Administered			
Programs (C-IV)	93.566	--	16
Subtotal CFDA Number 93.566			<u>383,488</u>
Social Services Block Grant	93.667	--	1,351,949
Social Services Block Grant - In-Home			
Supportive Services (Administration)	93.667	--	1,297,428
Subtotal CFDA Number 93.667			<u>2,649,377</u>
Guardianship Assistance	93.090	--	3,391
Community-Based Child Abuse Prevention Grants	93.590	--	26,066
Child Welfare Services – State Grants	93.645	--	226,014
Chafee Foster Care Independence Program	93.674	--	133,832
Subtotal			<u>389,303</u>
Subtotal Pass Through			<u>53,780,833</u>
Total U.S. Department of Health and Human Services			<u>\$ 83,113,677</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MONTEREY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Awards/ Expenditures</u>
<u>U.S. Social Security Administration</u>			
Direct Program:			
Social Security Incentive Program	96.006	--	\$ 7,200
Total U.S. Social Security Administration			<u>\$ 7,200</u>
<u>U.S. Department of Homeland Security</u>			
Passed through California Emergency Management Agency:			
Homeland Security Grant 2011	97.073	--	\$ 630,723
Emergency Management Performance Grant 2011	97.042	--	229,823
Subtotal Pass Through			<u>860,546</u>
Pre-Disaster Mitigation	97.047	--	18,822
Severe Repetitive Loss Program	97.110	--	18,397
Subtotal Pass Through			<u>37,219</u>
Total U.S. Department of Homeland Security			<u>\$ 897,765</u>
Total Expenditures of Federal Awards			<u><u>\$ 131,083,921</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF MONTEREY

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

NOTE 1: REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal awards programs of the County of Monterey (County). The County's reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule. Expenditures of funds received from the American Recovery and Reinvestment Act (ARRA) are separately identified in the SEFA.

NOTE 2: BASIS OF ACCOUNTING

The accompanying SEFA is prepared on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The amounts reported in the accompanying SEFA agree, in all material respects, to amounts reported within the County's basic financial statements. Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue funds.

NOTE 4: SUBRECIPIENTS

Of the federal expenditures presented in the SEFA, the County of Monterey provided federal awards to subrecipients as follows:

Federal CFDA	Program Title	Amount Provided to Subrecipients
11.307	EDA Rural Revolving Loan Fund	\$ 19,113
11.307	EDA Countywide Revolving Loan Fund	4,311
14.228	Community Development Block Grant	106,247
16.803	ARRA-Edward Byrne Memorial Discretionary Grants Program	130,457
17.000	Workforce Investment Act Cluster	1,134,997
93.041	Special Programs for the Aging – Title VII, Chapter 3 – Programs for Prevention of Elder Abuse, Neglect and Exploitation	5,667
93.042	Special Programs for the Aging – Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals	29,523
93.043	Special Programs for the Aging – Title III, Part D – Disease Prevention and Health Promotion Services	6,958
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	258,488
93.045	Special Programs for the Aging – Title III, Part C – 1 Nutrition Services	209,978
93.045	Special Programs for the Aging – Title III, Part C – 2 Nutrition Services	398,053
93.052	National Family Caregiver Support	156,173
93.053	Nutrition Services Incentive Program	195,637
93.071	Medicare Enrollment Assistance Program	6,087
93.647	Silver Star Gang Prevention and Intervention Grant	717,822

COUNTY OF MONTEREY

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

NOTE 4: SUBRECIPIENTS (CONTINUED)

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Amount Provided to Subrecipients</u>
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations (HCFA – SHIP Funds)	\$ 120,811
93.778	Drug Medi-Cal	563,306
93.959	Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	2,371,979
97.042	Emergency Management Performance Grant 2010	229,823
97.073	Homeland Security Grant 2009	<u>630,723</u>
	Total	<u>\$ 7,296,153</u>

NOTE 5: LOANS WITH CONTINUING COMPLIANCE REQUIREMENT

Outstanding federally-funded program loans, with a continuing compliance requirement, carried the following balances as of July 1, 2011 and June 30, 2012:

<u>Federal CFDA#</u>	<u>Program Title</u>	<u>Amount Outstanding</u>	
		<u>July 1, 2011</u>	<u>June 30, 2012</u>
10.410	Very Low to Moderate Income Housing	\$ 48,405	\$ 48,405
11.307	EDA Rural Revolving Loan Fund	217,345	208,561
11.307	EDA Countywide Revolving Loan Fund	1,128,333	954,800
14.228	Community Development Block Grants/States Program	2,743,311	1,536,950
14.239	HOME Investment Partnerships Program	8,979,192	8,913,185

NOTE 6: PROGRAM CLUSTERS

Federal programs, which must be audited together as a program cluster, include the following:

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Federal Expenditures</u>
<u>WIA Cluster</u>		
17.258	WIA Title I Adult Formula	\$ 1,684,911
17.259	WIA Title I Youth Formula	1,726,085
17.278	WIA Title I Dislocated Worker Formula Grant	<u>3,543,641</u>
	Total	<u>\$ 6,954,637</u>

COUNTY OF MONTEREY

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

NOTE 6: PROGRAM CLUSTERS (CONTINUED)

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Federal Expenditures</u>
<u>Aging Cluster</u>		
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	\$ 406,630
93.045	Special Programs for the Aging – Title III, Part C-1 – Nutrition Services	289,369
93.045	Special Programs for the Aging – Title III, Part C-2 – Nutrition Services	427,832
93.053	Nutrition Services Incentive Program	<u>195,637</u>
	Total	<u>\$ 1,319,468</u>
<u>JAG Cluster</u>		
16.738	Anti-Drug Enforcement Program	\$ 229,587
16.738	Marijuana Suppression Program	231,114
16.803	ARRA – Edward Byrne Memorial Justice Assistance Grant of 2009	137,529
16.803	ARRA – Edward Byrne Memorial Justice Assistance Grant of 2009	13,021
16.804	ARRA – Evidence Based Probation Supervision Program	<u>146,325</u>
	Total	<u>\$ 757,576</u>

NOTE 7: PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the SEFA shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

NOTE 8: TOTAL FEDERAL AWARDS EXPENDED BY CFDA NUMBER

When there is more than one program under a single CFDA number, the SEFA presents totals of all programs under the one CFDA number. Occasionally, however, this total could not be conveniently displayed because all programs under one CFDA number were not contiguous. When this occurred, this total is not shown in the Schedule, but instead is provided below:

<u>CFDA No.</u>	<u>Total Federal Expenditures</u>
10.557	\$ 4,596,554
10.561	\$ 9,499,005
93.778	\$ 13,402,778
93.779	\$ 130,823
16.738	\$ 460,701
16.803	\$ 150,550
93.045	\$ 717,201
93.617	\$ 63,198
63.243	\$ 531,667

COUNTY OF MONTEREY

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

NOTE 9: DEPARTMENT OF AGING FEDERAL/STATE SHARE

The California Department of Aging (CDA) requires agencies who receive CDA funding to display state-funded expenditures discretely along with federal expenditures. The County expended the following state and federal amounts under these grants:

<u>CFDA</u>	<u>Grant No.</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
93.041	AP-1112-32	\$ 5,667	\$ --
93.042	AP-1112-32	29,523	--
93.043	AP-1112-32	24,675	--
93.044	AP-1112-32	406,630	--
93.045	AP-1112-32-Title III, C-1	289,369	37,438
93.045	AP-1112-32-Title III, C-2	427,832	36,728
93.052	AP-1112-32	176,559	--
93.053	AP-1112-32	195,637	--
N/A	AP-1112-32	--	29,077
93.779	HI-1112-32	109,521	--
N/A	HI-1112-32	--	113,347
N/A	HI-1112-32	--	56,663
93.071	MI-1011-32	6,616	--
93.779	MI-1011-32	<u>21,302</u>	<u>--</u>
	Total	<u>\$ 1,693,331</u>	<u>\$ 273,253</u>

COUNTY OF MONTEREY

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section 1

Financial Statements

Summary of Auditor's Results

- | | |
|---|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified | No |
| b. Significant deficiencies identified not considered to be material weaknesses | None Reported |
| 3. Noncompliance material to financial statements noted | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified | No |
| b. Significant deficiencies identified not considered to be material weaknesses | None Reported |
| 2. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No |

4. Identification of major programs:

CFDA Number

Name of Federal Program

14.257	Homelessness Prevention and Rapid Re-Housing Program (HPRP) (Recovery Act Funded)
16.738, 16.803, 16.804	JAG Program Cluster
16.808	Recovery Act – Edward Byrne Memorial Competitive Grant Program
93.563	Child Support Enforcement
93.558	Temporary Assistance for Needy Families
93.658	Foster Care – Title IV-E

- | | |
|---|-------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$3,000,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | Yes |

COUNTY OF MONTEREY

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section 2

Financial Statement Findings

None Reported

Section 3

Federal Award Findings and Questioned Costs

None Reported

COUNTY OF MONTEREY

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

None reported

COUNTY OF MONTEREY

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012

Reference Number	11-SA-1
Federal Program Title	Child Support Enforcement ARRA – Child Support Enforcement
CFDA Number	93.563
Federal Agency	U.S. Department of Health and Human Services
Pass Through Entity	State Department of Child Support Services
Compliance Requirement	Special Tests and Provisions

Recommendation

The Child Support Department currently has procedures in effect to ensure that medical support obligations are secured and enforced. We recommend that the Child Support Department review the above exception and determine what went wrong and determine if additional procedures can be implemented to prevent recurrence of events such as occurred here. We also recommend additional training, reminding everyone within the Department the importance of reviewing Inter-Government Transfer cases more closely for required documentation.

Status

Implemented.

**SUPPLEMENTARY SCHEDULES
OF
THE CALIFORNIA EMERGENCY
MANAGEMENT AGENCY
AND
THE DEPARTMENT OF CORRECTIONS
AND REHABILITATION PROGRAMS
GRANT EXPENDITURES**

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COUNTY OF MONTEREY

Schedules of the California Emergency Management Agency
and the Department of Corrections and Rehabilitation Grants Expenditures
For the Year Ended June 30, 2012

California Emergency Management Agency Grants

The following represents expenditures for California Emergency Management Agency (Cal EMA) grants for the year ended June 30, 2012. The amount reported in the Schedule of Expenditures of Federal Awards is determined by calculating the federal portion of the current year expenditures.

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2011	For the Year Ended June 30, 2012	Cumulative As of June 30, 2012	Federal Share	State Share	County Share
Victim Witness Assistance Program - VW11 30 0270						
Personal services	\$ 148,455	\$ 148,455	\$ 296,910	\$ 148,455		\$ --
Totals	<u>\$ 148,455</u>	<u>\$ 148,455</u>	<u>\$ 296,910</u>	<u>\$ 148,455</u>	<u>\$ --</u>	<u>\$ --</u>
Underserved Victim Advocacy & Outreach Program - UV11 02 0270						
Personal services	\$ 100,000	\$ 100,000	\$ 200,000	\$ 100,000	\$ --	
Totals	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 200,000</u>	<u>\$ 100,000</u>	<u>\$ --</u>	<u>\$ --</u>
Evidence Based Probation Supervision Program - ZP-09010270						
Personal services	\$ 290,989	\$ 153,493	\$ 444,482	\$ 141,577	\$ --	\$ 11,916
Operating expenses	81,703	4,748	86,451	4,748	--	--
Totals	<u>\$ 372,692</u>	<u>\$ 158,241</u>	<u>\$ 530,933</u>	<u>\$ 146,325</u>	<u>\$ --</u>	<u>\$ 11,916</u>
Probation Specialized Supervision Program - PU10 01/11 02 0270						
Personal services	\$ 89,849	\$ 129,399	\$ 219,248	\$ 99,409	\$ --	\$ 29,990
Operating expenses	3,848	6,773	10,621	3,315	--	3,458
Totals	<u>\$ 93,697</u>	<u>\$ 136,172</u>	<u>\$ 229,869</u>	<u>\$ 102,724</u>	<u>\$ --</u>	<u>\$ 33,448</u>
Anti-Drug Enforcement Program - DC10210270						
Personal services	\$ 458,570	\$ 211,849	\$ 670,419	\$ 211,849	\$ --	\$ --
Operating expenses	102,161	17,738	119,899	17,738	--	--
Equipment	38,500	--	38,500	--	--	--
Totals	<u>\$ 599,231</u>	<u>\$ 229,587</u>	<u>\$ 828,818</u>	<u>\$ 229,587</u>	<u>\$ --</u>	<u>\$ --</u>
Edward Byrne Memorial Justice Assistance Grant ARRA of 2009 - ZA09010270						
Personal services	\$ --	\$ 20,493	\$ 20,493	\$ 20,493	\$ --	\$ --
Operating expenses	195,167	117,036	312,203	117,036	--	--
Totals	<u>\$ 195,167</u>	<u>\$ 137,529</u>	<u>\$ 332,696</u>	<u>\$ 137,529</u>	<u>\$ --</u>	<u>\$ --</u>
Edward Byrne Memorial Justice Assistance Grant ARRA of 2009-ZM09010270						
Personal services	\$ 11,355	\$ 9,507	\$ 20,862	\$ 9,507	\$ --	\$ --
Operating expenses	1,458	3,514	4,972	3,514	--	--
Totals	<u>\$ 12,813</u>	<u>\$ 13,021</u>	<u>\$ 25,834</u>	<u>\$ 13,021</u>	<u>\$ --</u>	<u>\$ --</u>
Marijuana Suppression Program (MSP) - MS10010270						
Personal services	265,087	\$ 231,114	\$ 496,201	\$ 231,114	\$ --	\$ --
Operating expenses	9,124	--	9,124	--	--	--
Totals	<u>\$ 274,211</u>	<u>\$ 231,114</u>	<u>\$ 505,325</u>	<u>\$ 231,114</u>	<u>\$ --</u>	<u>\$ --</u>

COUNTY OF MONTEREY

Schedules of the California Emergency Management Agency
and the Department of Corrections and Rehabilitation Grants Expenditures
For the Year Ended June 30, 2012

California Department of Corrections and Rehabilitation Grants

The following represents expenditures for California Department of Corrections and Rehabilitation grants for the year ended June 30, 2012. The amount reported in the Schedule of Expenditures of Federal Awards is determined by calculating the federal portion of the current year expenditures.

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2011	For the Year Ended June 30, 2012	Cumulative As of June 30, 2012	Federal Share	State Share	County Share
Juvenile Accountability - CSA128-11						
Personal services	\$ 57,831	\$ 46,862	\$ 104,693	\$ 42,602	\$ --	\$ 4,260
Totals	<u>\$ 57,831</u>	<u>\$ 46,862</u>	<u>\$ 104,693</u>	<u>\$ 42,602</u>	<u>\$ --</u>	<u>\$ 4,260</u>

**SUPPLEMENTARY SCHEDULES
OF THE DEPARTMENT
OF
COMMUNITY SERVICES
AND DEVELOPMENT
GRANT REVENUES AND EXPENDITURES**

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COUNTY OF MONTEREY

Supplemental Statement of Revenue and Expenditures
 CSD Contract No. 10F-4076 (CSBG - \$99,985)
 For The Period January 1, 2010 through October 31, 2011

	January 1, 2010 through <u>June 30, 2011</u>	July 1, 2011 through <u>October 31, 2011</u>	<u>Totals</u>
<u>Revenue</u>			
Grant revenue	\$ 63,744	\$ 36,241	\$ 99,985
Total Revenue	<u>\$ 63,744</u>	<u>\$ 36,241</u>	<u>\$ 99,985</u>
<u>Expenditures</u>			
Administrative Costs:			
Salaries and wages	\$ 6,163	\$ 737	\$ 6,900
Fringe benefits	2,801	269	3,070
Other costs	1,839	201	2,040
Subtotal Administrative Costs	<u>10,803</u>	<u>1,207</u>	<u>12,010</u>
Program Costs:			
Subcontractor Services	<u>52,941</u>	<u>35,034</u>	<u>87,975</u>
Subtotal Program Costs	<u>52,941</u>	<u>35,034</u>	<u>87,975</u>
Total Expenditures	<u>\$ 63,744</u>	<u>\$ 36,241</u>	<u>\$ 99,985</u>

COUNTY OF MONTEREY

Supplemental Statement of Revenue and Expenditures
 CSD Contract No. 11F-4229 (CSBG - \$485,453)
 For The Period January 1, 2011 through December 31, 2011

	January 1, 2011 through June 30, 2011	July 1, 2011 through December 31, 2011	Totals
<u>Revenue</u>			
Grant revenue	\$ 296,303	\$ 189,150	\$ 485,453
Interest income	109	311	420
 Total Revenue	 <u>\$ 296,412</u>	 <u>\$ 189,461</u>	 <u>\$ 485,873</u>
<u>Expenditures</u>			
Administrative Costs:			
Salaries and wages	\$ 48,244	\$ 27,750	\$ 75,994
Fringe benefits	19,256	13,775	33,031
Operating Expenses	1,528	1,857	3,385
Other costs	23,475	26,927	50,402
Subtotal Administrative Costs	<u>92,503</u>	<u>70,309</u>	<u>162,812</u>
Program Costs:			
Subcontractor Services	98,499	224,562	323,061
Subtotal Program Costs	<u>98,499</u>	<u>224,562</u>	<u>323,061</u>
 Total Expenditures	 <u>\$ 191,002</u>	 <u>\$ 294,871</u>	 <u>\$ 485,873</u>

COUNTY OF MONTEREY

Supplemental Statement of Revenue and Expenditures
 CSD Contract No. 12F-4227 (CSBG - \$472,007)
 For The Period January 1, 2012 through December 31, 2012

	January 1, 2012 through June 30, 2012	July 1, 2012 through December 31, 2012	Totals
<u>Revenue</u>			
Grant revenue	\$ 288,800	\$ --	\$ 288,800
Interest income	481	--	481
	<hr/>	<hr/>	<hr/>
Total Revenue	<u>\$ 289,281</u>	<u>\$ --</u>	<u>\$ 289,281</u>
 <u>Expenditures</u>			
Administrative Costs:			
Salaries and wages	\$ 34,230	\$ --	\$ 34,230
Fringe benefits	13,903	--	13,903
Operating Expenses	2,321	--	2,321
Other costs	28,228	--	28,228
	<hr/>	<hr/>	<hr/>
Subtotal Administrative Costs	<u>78,682</u>	<u>--</u>	<u>78,682</u>
 Program Costs:			
Subcontractor Services	92,329	--	92,329
	<hr/>	<hr/>	<hr/>
Subtotal Program Costs	<u>92,329</u>	<u>--</u>	<u>92,329</u>
	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>\$ 171,011</u>	<u>\$ --</u>	<u>\$ 171,011</u>

COUNTY OF MONTEREY

**Management Report
with Required Communication**

For the Year Ended June 30, 2012

COUNTY OF MONTEREY

Management Report
For the Year Ended June 30, 2012

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To the Honorable Members of the
Board of Supervisors
of the County of Monterey
Salinas, California

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Monterey (County) for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 1, 2012. Professional standards also require that we communicate to you the following information related to our audit as discussed in the Required Communications section of this report.

In planning and performing our audit of the basic financial statements of the County for the fiscal year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

We previously reported on the County's internal control in our Single Audit report dated December 20, 2012, which contains our report on significant deficiencies and material weaknesses in the County's internal control. This letter does not affect our report dated December 21, 2012, on the basic financial statements of the County of Monterey.

Honorable Members of the Board of Supervisors
County of Monterey

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding certain recommendations made in the County's prior year audit.

The County's management has provided responses to the comments described in the memorandum that accompanies this letter. We did not audit the County's responses and accordingly, we express no opinion on it.

This report is intended for the use of management, the Board of Supervisors, the Grand Jury and officials of the federal and state grantor agencies.

We thank the County's staff for its cooperation during our audit.

Gallina LLP

Roseville, California
December 20, 2012

COUNTY OF MONTEREY

Management Report
Required Communication
For the Year Ended June 30, 2012

The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated June 1, 2012, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles and to express opinions based on the assurance obtained. Because an audit is designed to provide reasonable, but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

Planned Scope of Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated June 1, 2012.

COUNTY OF MONTEREY

Management Report Required Communication For the Year Ended June 30, 2012

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements are discussed below:

- Allowance for uncollectible accounts: Management's estimate is based on past experience and subsequent collections. We reviewed management's calculation of the allowance.
- Claims liability: Management's estimate is derived from actuarial valuations obtained from experts. We agreed the claims liability reported in the financial statements to those reported in actuarial reports prepared and issued during the year being audited.
- Liability for solid waste landfill closure and postclosure costs: Management's estimate is based on engineering estimates of future costs to be incurred. We reviewed the engineer's estimate.

We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

COUNTY OF MONTEREY

Management Report Required Communication For the Year Ended June 30, 2012

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

The following summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole:

- Decrease pooled cash and investment account in the aggregate for County related funds by \$192,491 to agree balances to fair value as of June 30, 2012. Fair value was 99.95% of carrying value.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 21, 2012.

COUNTY OF MONTEREY

Management Report Required Communication For the Year Ended June 30, 2012

Management Consultations with Other Independent Auditors

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Extraordinary Item – Redevelopment Agency Dissolution

As a result of the California Supreme Court’s December 29, 2011 ruling on Assembly Bill 1X 26, the Redevelopment Agency of the County of Monterey (RDA) was dissolved effective February 1, 2012. The final seven months of the activity of the RDA are reported in the governmental funds of the County. In compliance with the *Accounting and Financial Reporting for Dissolution of California Redevelopment Agencies* White Paper issued by the California Committee on Municipal Accounting, the assets and liabilities of the former RDA were transferred to a private-purpose trust fund as of February 1, 2012. The transfer was reported as an extraordinary gain or loss, as appropriate, in the financial statements.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Supplementary Information Accompanying the Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

COUNTY OF MONTEREY

Management Report Status of Prior Year Comments and Recommendations June 30, 2012

TRANSACTIONS OUTSIDE THE COUNTY'S ACCOUNTING SYSTEM

Recommendation

No accounts, escrow or otherwise, should be established in the name of the County of Monterey without the authorization and control of the Auditor-Controller.

Management Response

We agree with the finding and recommendation. The Auditor-Controller's Office has communicated the finding with the Parks Department. The Parks Department has agreed to coordinate and obtain authorization from the County Auditor-Controller for all future financial dealings and ensure that internal control, accounting, and legal compliance are met.

The Auditor-Controller plans to further communicate with all the departments of the County and local banks that transactions outside of the Auditor-Controller's authorization are inappropriate.

Status

Implemented during fiscal year 2011-2012.

SEGREGATION OF DUTIES – INFORMATION TECHNOLOGY DIVISION

Recommendation

The County's CSPO responsibilities should not include the activities of managing information security. These controls should be assigned to separate individuals in such a way as to establish checks and balances within the system and minimize the opportunity for unauthorized access and fraud. The CSPO should not have supervisory responsibility to individuals responsible for operational security and should not report directly to the Director of the County's Information Technology Department.

Management Response

The County's management team will review the current reporting structure and make appropriate changes to achieve necessary segregation of duties and reporting structure changes for the CSPO position.

Status

In progress.

COUNTY OF MONTEREY

Management Report Status of Prior Year Comments and Recommendations June 30, 2012

MAINTAINING NATIVIDAD GENERAL LEDGER ACCOUNT BALANCES

Recommendation

As Natividad produces a monthly financial report that includes all of its transactions from all sources, we recommend the County reconcile its balances with the external report and update its general ledger balances to accurately reflect all transactions and balances for Natividad.

Management Response

We agree with this finding and recommendation. The ERP team is currently working on a “bridge” system to transfer data from the Natividad Medical Center Meditech general ledger to the County’s Advantage general ledger. After this interface is completed, there will be seamless transfer of monthly financial data to the County’s general ledger, and will be reconciled accordingly.

Status

Not Implemented. Implementation is delayed until completion of the bridge linking Natividad’s Meditech System with the County as described in management’s response. Natividad’s external auditors recently issued its audit report for June 30, 2012 recommending that Natividad’s management ensure proper reconciliation of accounts payable and payroll data with the County’s reports and consider interfacing Meditech and the County Advantage system to avoid duplication of data.