



CITY OF DEL REY OAKS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2000

AND INDEPENDENT AUDITORS' REPORT

CITY OF DEL REY OAKS

Table of Contents

	Page
Members of the City Council	3
Independent Auditors' Report	4
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Group	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Fund Types	7
Notes to General Purpose Financial Statements	8-17
Combining Statements and Schedules:	
Combining Balance Sheet - Special Revenue Funds	18
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds	19
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Revenue Funds	20
General Fund - Schedule of Revenues - Budget and Actual	21-22

CITY OF DEL REY OAKS

Table of Contents (Continued)

	Page
General Fund - Schedule of Expenditures - Budget and Actual	23
Schedule of Insurance Coverage	24
 Report Required by the Government Auditing Standards -	
Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"	25-26

CITY OF DEL REY OAKS

Members of the City Council

June 30, 2000

Name	Office	Term Expires
Jack D. Barlich	Mayor Police, Health and Safety Committee Chairperson	November, 2002
Joseph P. Russell	Vice Mayor Finance Committee Chairperson	November, 2002
Mike Ventimiglia	Street and Right of Way Committee Chairperson	November, 2004
Jerry Edelen	Government Building and Grounds Committee Chairperson	November, 2004
Kathi Buckley Smith	Parks and Recreation Committee Chairperson	November, 2002

INDEPENDENT AUDITORS' REPORT

**The Honorable Mayor and City Council
City of Del Rey Oaks
Del Rey Oaks, California**

We have audited the accompanying general purpose financial statements of the *City of Del Rey Oaks* as of and for the year ended June 30, 2000 as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the *City of Del Rey Oaks* as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with "Government Auditing Standards" we have also issued our report dated October 6, 2000 on our consideration of the *City of Del Rey Oaks'* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the *City of Del Rey Oaks* taken as a whole. The combining statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the *City of Del Rey Oaks*. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

October 6, 2000

Hayashi & Wayland

CITY OF DEL REY OAKS
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2000

	<u>GOVERNMENTAL FUND TYPES</u>		<u>ACCOUNT GROUP</u>	TOTALS (MEMO- RANDUM ONLY)
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>GENERAL FIXED ASSETS</u>	
<u>ASSETS AND OTHER DEBITS</u>				
Cash and equivalents	\$ 8,207	\$ 67,072	\$ -	\$ 75,279
Investments	279,550	-	-	279,550
Receivables:				
Trade and other accounts	34,644	1,329	-	35,973
Taxes	1,394	-	-	1,394
Accrued interest	7,212	-	-	7,212
Fixed assets	-	-	2,881,552	2,881,552
TOTAL	<u>\$ 331,007</u>	<u>\$ 68,401</u>	<u>\$ 2,881,552</u>	<u>\$ 3,280,960</u>
<u>LIABILITIES, FUND EQUITY AND OTHER CREDITS</u>				
LIABILITIES:				
Accounts payable	\$ 108,578	\$ -	\$ -	\$ 108,578
Accrued compensated absences	11,218	-	-	11,218
Deferred revenue	19,850	-	-	19,850
Total liabilities	<u>139,646</u>	<u>-</u>	<u>-</u>	<u>139,646</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	2,881,552	2,881,552
Fund balances -				
Unreserved, undesignated	191,361	68,401	-	259,762
Total equity	<u>191,361</u>	<u>68,401</u>	<u>2,881,552</u>	<u>3,141,314</u>
TOTAL	<u>\$ 331,007</u>	<u>\$ 68,401</u>	<u>\$ 2,881,552</u>	<u>\$ 3,280,960</u>

See Notes to General Purpose Financial Statements.

CITY OF DEL REY OAKS
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTALS (MEMO- RANDUM ONLY)</u>
REVENUES:			
Taxes	\$ 626,594	\$ -	\$ 626,594
Licenses and permits	239,659	-	239,659
Fines, forfeits and penalties	12,239	17,313	29,552
Revenue from use of money	13,325	8,540	21,865
Revenue from other agencies	98,338	34,635	132,973
Charges for current services	42,338	-	42,338
Program income - C.D.B.G.	-	27,947	27,947
Other revenue	48,336	-	48,336
Total revenues	<u>1,080,829</u>	<u>88,435</u>	<u>1,169,264</u>
EXPENDITURES:			
General government	249,585	-	249,585
Community development	71,380	41,461	112,841
Public safety	565,892	-	565,892
Public works	44,758	-	44,758
Parks and recreation	20,631	-	20,631
Total expenditures	<u>952,246</u>	<u>41,461</u>	<u>993,707</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>128,583</u>	<u>46,974</u>	<u>175,557</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	40,521	-	40,521
Transfers to other funds	-	(40,521)	(40,521)
Total other financing sources (uses)	<u>40,521</u>	<u>(40,521)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	169,104	6,453	175,557
FUND BALANCES, JUNE 30, 1999	<u>22,257</u>	<u>61,948</u>	<u>84,205</u>
FUND BALANCES, JUNE 30, 2000	<u>\$ 191,361</u>	<u>\$ 68,401</u>	<u>\$ 259,762</u>

See Notes to General Purpose Financial Statements.

CITY OF DEL REY OAKS
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	GENERAL FUND		
	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 638,005	\$ 626,594	\$ (11,411)
Licenses and permits	155,415	239,659	84,244
Fines, forfeits and penalties	1,000	12,239	11,239
Revenue from use of money	16,000	13,325	(2,675)
Revenue from other agencies	82,787	98,338	15,551
Charges for current services	27,800	42,338	14,538
Program income - C.D.B.G.	-	-	-
Other revenue	<u>53,742</u>	<u>48,336</u>	<u>(5,406)</u>
Total revenues	<u>974,749</u>	<u>1,080,829</u>	<u>106,080</u>
EXPENDITURES:			
General government	725,281	249,585	475,696
Community development	1,000	71,380	(70,380)
Public safety	562,336	565,892	(3,556)
Public works	58,018	44,758	13,260
Parks and recreation	<u>29,956</u>	<u>20,631</u>	<u>9,325</u>
Total expenditures	<u>1,376,591</u>	<u>952,246</u>	<u>424,345</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(401,842)</u>	<u>128,583</u>	<u>530,425</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	94,973	40,521	(54,452)
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>94,973</u>	<u>40,521</u>	<u>(54,452)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>\$ (306,869)</u>	169,104	<u>\$ 475,973</u>
FUND BALANCES, JUNE 30, 1999		<u>22,257</u>	
FUND BALANCES, JUNE 30, 2000		<u>\$ 191,361</u>	

See Notes to General Purpose Financial Statements.

SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
—	\$ —	\$ —	\$ 638,005	\$ 626,594	\$ (11,411)
—	—	—	155,415	239,659	84,244
16,346	17,313	967	17,346	29,552	12,206
5,000	8,540	3,540	21,000	21,865	865
498,076	34,635	(463,441)	580,863	132,973	(447,890)
—	—	—	27,800	42,338	14,538
18,936	27,947	9,011	18,936	27,947	9,011
342	—	(342)	54,084	48,336	(5,748)
<u>538.700</u>	<u>88.435</u>	<u>(450.265)</u>	<u>1,513.449</u>	<u>1,169.264</u>	<u>(344,185)</u>
—	—	—	725,281	249,585	475,696
104,000	41,461	62,539	105,000	112,841	(7,841)
—	—	—	562,336	565,892	(3,556)
—	—	—	58,018	44,758	13,260
—	—	—	29,956	20,631	9,325
<u>104.000</u>	<u>41.461</u>	<u>62.539</u>	<u>1,480.591</u>	<u>993.707</u>	<u>486.884</u>
<u>434.700</u>	<u>46.974</u>	<u>(387.726)</u>	<u>32.858</u>	<u>175.557</u>	<u>142.699</u>
—	—	—	94,973	40,521	(54,452)
(94,973)	(40,521)	54,452	(94,973)	(40,521)	54,452
(94,973)	(40,521)	54,452	—	—	—
<u>339,727</u>	6,453	\$ (333,274)	\$ <u>32,858</u>	175,557	\$ <u>142,699</u>
	61,948			84,205	
	\$ <u>68,401</u>			\$ <u>259,762</u>	

CITY OF DEL REY OAKS
NOTES TO GENERAL PURPOSE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The City of Del Rey Oaks (the City), California, which is primarily a residential community, was incorporated as a general law city on September 3, 1953. The City operates under a city council form of government and provides the following services: public safety, streets, recreation, public improvements, planning, zoning and general administrative services.

Generally accepted accounting principles require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board (GASB) Statement No. 14 have been considered and there are no agencies or entities which should be presented with the City at this time, see Note 9 regarding the City's Redevelopment Agency. The jointly governed organizations described in Note 7 are not considered part of the reporting entity because the City does not have primary responsibility for their operations.

Basis of Presentation - The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. 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 spending activities are controlled. The following funds and account group are used by the City:

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's Governmental Fund types:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, debt service, expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes. The City has the following Special Revenue Funds:

Traffic Safety Fund - Accounts for revenue received for vehicle code violations to be expended for traffic control devices, maintenance of equipment and supplies for traffic law enforcement and the maintenance, improvement or construction of public streets, bridges or culverts.

Gas Tax Fund - Accounts for revenue received from the State gasoline tax to be expended for street related purposes.

Asset Sharing Fund - Accounts for revenue received from joint law enforcement efforts to be expended for police drug enforcement efforts.

Community Development Block Grant Fund - Accounts for loan repayments from the Community Development Block Grant received for the emergency repairs of older housing located within the City and expenditures made with the funds for community development.

Account Group

Account groups are not “funds,” they are concerned only with the measurement of financial position and are not involved with the measurement of results of operations. The City has only one account group.

General Fixed Assets Account Group - Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in the governmental fund type.

Basis of Accounting and Measurement Focus - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. All governmental fund types are accounted for by using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available (susceptible to accrual). Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are expected to be collected within 60 days of the end of the year. Major revenue sources susceptible to accrual include substantially all property taxes, taxpayer-assessed taxes (such as sales and use, business license and gas tax), interest, special assessments levied, state and federal grants and charges for current services. Revenues that are determined to not be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include licenses, permits, fines and forfeitures. Expenditures are recorded when the liability is incurred, except for sick pay, which is recorded when paid. Vacation pay is recorded as an expenditure in the year it is earned.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Budget - The City Council legally adopts an annual operating budget through passing of an ordinance. All budgets are prepared on a basis consistent with generally accepted accounting principles, which is the same basis of accounting as used to reflect actual revenues and expenditures. Budget amounts are as amended by the City Council. Individual amendments were not material in relation to the original appropriation. All budget appropriations lapse at year-end.

Cash and Investments - The City follows the practice of pooling cash and investments of all funds. Investments of the pooled cash consist of deposits with the Local Agency Investment Fund and are accounted for at cost which approximates market value. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on the average daily balance of cash of each fund. The City considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable - The City utilizes the allowance method with respect to doubtful accounts. The allowance at June 30, 2000 was zero.

General Fixed Assets - Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Governmental fund type fixed assets are recorded as expenditures at the time of acquisition. Such amounts, except for public domain (“infrastructure”) assets (including roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems), are then capitalized in the general fixed assets account group. No depreciation has been provided on general fixed assets.

Compensated Absences - Unused vacation leave may be accumulated up to 160 hours and is paid at the time of termination from City employment. The liability for unpaid vacation is recorded within the general fund, and general long-term obligations account group depending on classification as a current or long-term liability. Accumulated sick, leave is not paid to employees upon termination. Accordingly, no liability for unpaid sick leave is included in the accompanying general purpose financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes - State of California (State) Constitution Article 13 provides for a maximum general property tax rate statewide of \$1 per \$100 of assessed value. Assessed value is calculated at 100% of market value as defined by the above referenced Article 13. The State Legislature has determined the method of distribution of receipts from \$1 tax levy among counties, cities, school and other districts. Counties, cities and school districts may levy such additional tax rate as is necessary to provide for voter approved debt service.

The County of Monterey assesses properties, bills for and collects property taxes, as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	March 1	March 1
Lien/levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

The term "Unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed.

Property tax revenues are recognized in the fiscal year for which the taxes have been levied, provided they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues to be available if they are expected to be collected within 60 days of the end of the year.

Use of Estimates - The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results are not expected to differ from those estimates.

Total Columns on Combined Statements - Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits - At June 30, 2000, the carrying amount of the City's time and demand deposits was \$75,279 and the bank balance was \$106,771. The difference between the carrying amount and the bank balance is due to deposits in transit, outstanding checks and other reconciling items. Of the bank balance, \$100,000 was insured by federal depository insurance and \$6,771 was collateralized 110% as required by Section 53652 of the California Government Code with securities held by the pledging financial institutions in the City's name.

Investments - Statutes authorize the City to invest in obligations of the U.S. Treasury, and other government agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, corporate notes, and the State Treasurer's Local Agency Investment Fund. The City's investments were all held in the State Treasurer's Local Agency Investment Fund. Investments are accounted for at cost which approximates market value.

The City did not enter into any repurchase or revenue repurchase agreements, separately from the common investment pool of the State in fiscal 2000.

In accordance with GASB Statement No. 3, the State Treasurer's Local Agency Investment Fund is not subject to categorization.

NOTE 3. FIXED ASSETS

The following is a summary of the changes in General Fixed Assets:

	<u>Balance June 30, 1999</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>Balance June 30, 2000</u>
Land and buildings	\$ 299,384	\$ 2,300,780	\$ 1,752	\$ 2,598,412
Furniture, equipment and vehicles	<u>361,843</u>	<u>6,598</u>	<u>85,301</u>	<u>283,140</u>
Totals	<u>\$ 661,227</u>	<u>\$ 2,307,378</u>	<u>\$ 87,053</u>	<u>\$ 2,881,552</u>

Of the \$2,300,780 addition to land and building, \$2,294,000 was due to donated land.

NOTE 4. OPERATING LEASES

The City leases property under a noncancelable operating lease which expires November 18, 2023. Future minimum rentals under the lease at June 30, 2000 are as follows:

June 30

2001	\$	9,600
2002		9,600
2003		9,600
2004		9,600
2005		9,600
Thereafter		<u>220,800</u>
Total	\$	<u>268,800</u>

NOTE 5. COMMUNITY DEVELOPMENT BLOCK GRANT

The City has outstanding loan balances from low interest loans for rehabilitation and emergency repairs of older housing located within the City provided by a grant from the State of California, Department of Housing and Community Development. These loans receivable are not reflected as assets on the City's combined balance sheet. Rather, loan payments are recorded as program revenue when received. Revenue collected on the loans may be used for community development projects within the City. At June 30, 2000, outstanding loan balances amounted to \$123,962.

NOTE 6. PENSION PLAN

Plan Description - The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. Copies of CalPERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy - Participants are required to contribute 7% of their annual covered salary, of this 7%, the City has agreed to pay 5%. The City is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS' actuaries and actuarial consultants and adopted by CalPERS' Board of Administration. For the fiscal year ended June 30, 2000 the employer contribution rate was 17.618% for public safety personnel and 1.694% for other covered employees.

NOTE 6. PENSION PLAN (Continued)

Annual Pension Cost - For the year ended June 30, 2000, the City's annual pension cost of \$51,297 for CalPERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 1997 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) expected long term inflation of 3.5%. Inflation is a component of both the expected long-term rate of return and the salary scale, and impacts the level of future cost-of-living increases received by current and future CalPERS retirees and beneficiaries; (b) 8.25% expected long-term rate of return (net of administrative expenses); (c) overall payroll growth of 3.75%. The CalPERS Board has adopted new policies as part of the June 30, 1997 actuarial valuation for valuing actuarial assets and regarding the amortization of the unfunded liability/(excess assets) as follows:

Asset Valuation Method - In order to dampen the effect of short-term market value fluctuations on employee contribution rates, the following asset smoothing technique is used. First an Expected Value of Assets is computed by bringing forward the prior year's Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets is computed as the Expected Value of Assets plus one-third of the difference between the actual Market Value of Assets and the Expected Value of Assets as of the valuation date. For the June 30, 1997 valuation, the starting value for the Actuarial Value of Assets under the new method has been set equal to the Value that would have been produced by the old methodology, i.e. the Actuarial Value of Assets is set equal to 90% of the Market Value of Assets.

Amortization of the Unfunded Liability/(Excess Assets) - Changes in unfunded liability/(excess assets) due to changes in actuarial methods or assumptions or changes in plan benefits are amortized over 20 years from the date the change is recognized. Actuarial gains and losses are first offset against one another and then 10% of the net unamortized gain/loss balance is included in the employer's rate (this is approximately a 13 year amortization period for this component of the unfunded liability/(excess assets). However, when there is a total unfunded liability (as opposed to excess assets), the minimum employer contribution will be normal cost plus 30 year amortization of the total unfunded liability.

Three-Year Trend Information for CalPERS

<u>Fiscal Year</u>	<u>Annual Pension Cost APC</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/98	\$ 68,152	100%	\$ -0-
06/30/99	\$ 71,757	100%	\$ -0-
06/30/00	\$ 51,297	100%	\$ -0-

NOTE 6. PENSION PLAN (Continued)

Required Supplementary Information						
	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Accrued Liability As a % of Payroll
Miscellaneous:						
06/30/97	\$ 353,543	\$ 409,966	\$ (56,423)	116.0%	\$ 133,213	(42.356)%
06/30/98	\$ 404,102	\$ 462,186	\$ (58,084)	114.4%	\$ 130,040	(44.666)%
06/30/99	\$ 429,797	\$ 511,987	\$ (82,190)	119.1%	\$ 73,301	(112.127)%
Safety:						
06/30/97	\$ 1,175,602	\$ 870,656	\$ 304,946	74.1%	\$ 185,299	164.569%
06/30/98	\$ 1,229,018	\$ 1,029,560	\$ 199,458	83.8%	\$ 203,119	98.198%
06/30/99	\$ 1,263,352	\$ 1,161,396	\$ 101,956	91.9%	\$ 166,929	61.077%

NOTE 7. JOINTLY GOVERNED ORGANIZATIONS

The City participates on the Boards of Community Human Services, a joint powers agency, Monterey Regional Waste Management District, the Monterey Peninsula Water Management District, Monterey Regional Water Pollution Control Agency, Association of Monterey Bay Area Governments, Transportation Agency for Monterey County, Fort Ord Reuse Authority, the Northern Salinas Valley Mosquito Abatement District and Seaside County Sanitation District. The Boards of these entities are comprised of representatives from local municipalities, districts, and unincorporated areas. The City made various disbursements to the organizations in the amount of \$16,411 for the fiscal year ended June 30, 2000.

NOTE 8. RISK FINANCING

The City is exposed to a variety of risks that may result in losses, such as acts of God, injury to employees, breach of contract, and employee theft. The City transfers risk related to business personal property, business real property, and employee theft by purchasing insurance from commercial enterprises. The City transfers risk related to general liability, business auto, injury to employees, and public official errors and omissions by participating in the Monterey Bay Area Insurance Fund (MBAIF), which is a public entity risk pool.

NOTE 8. RISK FINANCING (Continued)

MBAIF was formed under a joint powers agreement (JPA) pursuant to California Government Code Section 6500 et seq. effective July 1, 1982 to provide general liability, comprehensive/collision liability and property damage, errors and omissions, and workers' compensation risk financing for the member cities. MBAIF is administered by a Board of Directors consisting of thirteen members appointed by the cities participating. The Board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by member cities beyond their representation on the Board. Each member city pays a premium commensurate with the amount of predicted losses and shares surpluses and deficits proportionate to their participation in the JPA.

Condensed financial information of the MBAIF as of and for the year ended June 30, 1999, which is the most recent data available, is as follows:

Total assets	\$ 7,431,603
Total liabilities	<u>3,086,007</u>
Risk margin (fund balance)	<u>\$ 4,345,596</u>
Total revenues	\$ 3,342,405
Total expenses	<u>2,798,920</u>
Net income	<u>\$ 543,485</u>

The MBAIF did not have long-term debt outstanding at June 30, 2000, other than claims liabilities. The City's share of year-end assets, liabilities and risk margin has not been calculated by the MBAIF.

NOTE 9. REDEVELOPMENT AGENCY

On January 26, 1999 the City council passed and adopted an ordinance creating a redevelopment agency within the City. The agency, which is a component unit of the City, is inactive at this time. Therefore, there is no financial information included in the financial statements at June 30, 2000.

NOTE 10. POLICE AND FIRE PREVENTION SERVICES - SPECIAL PUBLIC SAFETY TAX

In a special election held on March 2, 1999, the voters of Del Rey Oaks approved a Special Public Safety Tax. The tax will be used to fund police and fire protection and prevention services. This tax was approved for a three-year period. For fiscal year ending June 30, 2000, the City received \$210,350 in Special Public Safety Taxes.

NOTE 11. SUBSEQUENT EVENT

Subsequent to fiscal year ending June 30, 2000, the City received a \$200,000 loan from the California Statewide Communities Development Authority. Interest accrues at 5.25% and the loan matures on June 29, 2001.

COMBINING STATEMENTS AND SCHEDULES

**CITY OF DEL REY OAKS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2000**

	TRAFFIC SAFETY	GAS TAX	ASSET SHARING	COMMUNITY DEVELOP- MENT BLOCK GRANT	TOTAL
<u>ASSETS</u>					
Cash and equivalents	\$ 23,322	\$ 9,691	\$ 40	\$ 34,019	\$ 67,072
Receivables - Trade and other accounts	922	407	-	-	1,329
TOTAL	\$ 24,244	\$ 10,098	\$ 40	\$ 34,019	\$ 68,401
 <u>LIABILITIES AND EQUITY</u>					
LIABILITIES -					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
EQUITY -					
Fund balances - Unreserved, undesignated	24,244	10,098	40	34,019	68,401
TOTAL	\$ 24,244	\$ 10,098	\$ 40	\$ 34,019	\$ 68,401

CITY OF DEL REY OAKS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2000

	TRAFFIC SAFETY	GAS TAX	ASSET SHARING	COMMUNITY DEVELOP- MENT BLOCK GRANT	TOTAL
REVENUES:					
Fines, forfeits and penalties	\$ 17,313	\$ -	\$ -	\$ -	\$ 17,313
Revenue from use of money	2,818	2,894	4	2,824	8,540
Revenue from other agencies	-	34,635	-	-	34,635
Program income - C.D.B.G.	-	-	-	27,947	27,947
Total revenues	<u>20,131</u>	<u>37,529</u>	<u>4</u>	<u>30,771</u>	<u>88,435</u>
EXPENDITURES -					
Community development	-	-	-	41,461	41,461
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>20,131</u>	<u>37,529</u>	<u>4</u>	<u>(10,690)</u>	<u>46,974</u>
OTHER FINANCING (USES) -					
Transfers to other funds	(12,931)	(27,590)	-	-	(40,521)
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURE AND OTHER (USES)	7,200	9,939	4	(10,690)	6,453
FUND BALANCES, JUNE 30, 1999	<u>17,044</u>	<u>159</u>	<u>36</u>	<u>44,709</u>	<u>61,948</u>
FUND BALANCES, JUNE 30, 2000	<u>\$ 24,244</u>	<u>\$ 10,098</u>	<u>\$ 40</u>	<u>\$ 34,019</u>	<u>\$ 68,401</u>

CITY OF DEL REY OAKS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2000

	<u>TRAFFIC SAFETY FUND</u>			<u>GAS TAX FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)	<u>BUDGET</u>	<u>ACTUAL</u>	VARIA FAVOR. (UNFAVORABLE)
REVENUES:						
Fines, forfeits and penalties	\$ 16,346	\$ 17,313	\$ 967	\$ -	\$ -	\$ -
Revenue from use of money	-	2,818	2,818	-	2,894	2,894
Revenue from other agencies	-	-	-	33,076	34,635	1,559
Program income - C.D.B.G.	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	<u>16,346</u>	<u>20,131</u>	<u>3,785</u>	<u>33,076</u>	<u>37,529</u>	<u>4,443</u>
EXPENDITURES -						
Community development	-	-	-	-	-	-
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>16,346</u>	<u>20,131</u>	<u>3,785</u>	<u>33,076</u>	<u>37,529</u>	<u>4,443</u>
OTHER FINANCING (USES) -						
Transfers to other funds	<u>(27,000)</u>	<u>(12,931)</u>	<u>14,069</u>	<u>(32,973)</u>	<u>(27,590)</u>	<u>5,383</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>\$ (10,654)</u>	<u>7,200</u>	<u>\$ 17,854</u>	<u>\$ 103</u>	<u>9,939</u>	<u>\$ 9,836</u>
FUND BALANCES, JUNE 30, 1999		<u>17,044</u>			<u>159</u>	
FUND BALANCES, JUNE 30, 2000		<u>\$ 24,244</u>			<u>\$ 10,098</u>	

	POLICE ASSET SHARING FUND			COMMUNITY DEVELOPMENT BLOCK GRANT			TOTALS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 16,346	\$ 17,313	\$ 967
394	—	4	4	5,000	2,824	(2,176)	5,000	8,540	3,540
59	—	—	—	465,000	—	(465,000)	498,076	34,635	(463,441)
	—	—	—	18,936	27,947	9,011	18,936	27,947	9,011
	<u>342</u>	<u>—</u>	<u>(342)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>342</u>	<u>—</u>	<u>(342)</u>
53	<u>342</u>	<u>4</u>	<u>(338)</u>	<u>488,936</u>	<u>30,771</u>	<u>(458,165)</u>	<u>538,700</u>	<u>88,435</u>	<u>(450,265)</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>104,000</u>	<u>41,461</u>	<u>62,539</u>	<u>104,000</u>	<u>41,461</u>	<u>62,539</u>
53	<u>342</u>	<u>4</u>	<u>(338)</u>	<u>384,936</u>	<u>(10,690)</u>	<u>(395,626)</u>	<u>434,700</u>	<u>46,974</u>	<u>(387,726)</u>
83	<u>—</u>	<u>—</u>	<u>—</u>	<u>(35,000)</u>	<u>—</u>	<u>35,000</u>	<u>(94,973)</u>	<u>(40,521)</u>	<u>54,452</u>
36	<u>\$ 342</u>	<u>4</u>	<u>\$ (338)</u>	<u>\$ 349,936</u>	<u>(10,690)</u>	<u>\$ (360,626)</u>	<u>\$ 339,727</u>	<u>6,453</u>	<u>\$ (333,274)</u>
		<u>36</u>			<u>44,709</u>			<u>61,948</u>	
	<u>\$ 40</u>			<u>\$ 34,019</u>			<u>\$ 68,401</u>		

CITY OF DEL REY OAKS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2000

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
TAXES:			
Property tax:			
Current year - secured	\$ 182,000	\$ 187,184	\$ 5,184
Prior year - secured and unsecured	5,400	4,372	(1,028)
Current year - unsecured	9,397	10,160	763
Public safety assessment	216,000	210,350	(5,650)
Sales and use taxes	167,000	151,772	(15,228)
Franchises	45,071	42,817	(2,254)
Homeowners property tax relief	1,878	2,831	953
Special supplemental subvention	2,732	8,648	5,916
Property transfer taxes	3,000	6,280	3,280
Penalties and interest - delinquent taxes	2,000	1,295	(705)
Sewer impact fee	3,500	-	(3,500)
Off highway fee	27	885	858
Total taxes	<u>638,005</u>	<u>626,594</u>	<u>(11,411)</u>
LICENSES AND PERMITS:			
Business licenses	87,000	83,775	(3,225)
Building permits	15,000	27,663	12,663
Plumbing permits	150	413	263
Electrical permits	100	653	553
Use permits	3,000	5,290	2,290
Street opening permits	65	200	135
Developer payment permits	50,000	121,557	71,557
Other licenses and permits	100	108	8
Total licenses and permits	<u>155,415</u>	<u>239,659</u>	<u>84,244</u>
FINES, FORFEITS AND PENALTIES -			
Vehicle code fines	<u>1,000</u>	<u>12,239</u>	<u>11,239</u>
REVENUE FROM USE OF MONEY			
	<u>16,000</u>	<u>13,325</u>	<u>(2,675)</u>
SUBTOTALS CARRIED FORWARD			
	<u>\$ 810,420</u>	<u>\$ 891,817</u>	<u>\$ 81,397</u>

CITY OF DEL REY OAKS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
SUBTOTALS CARRIED FORWARD	\$ 810.420	\$ 891,817	\$ 81,397
OTHER AGENCIES:			
COP Monies	-	3,775	3,775
P.O.S.T. reimbursement	1,101	2,598	1,497
Prop 172 police funds	6,075	9,105	3,030
Motor vehicle in-lieu tax	<u>75,611</u>	<u>82,860</u>	<u>7,249</u>
Total revenue from other agencies	<u>82,787</u>	<u>98,338</u>	<u>15,551</u>
CHARGES FOR CURRENT SERVICES:			
Sales of maps and publications	200	95	(105)
Plan check fees	4,000	14,963	10,963
Park and recreation charges	6,000	3,080	(2,920)
Police reports	1,000	328	(672)
Property inspection fees	800	1,280	480
Special police department services	15,000	22,592	7,592
Animal shelter fees	<u>800</u>	<u>-</u>	<u>(800)</u>
Total charges for current services	<u>27,800</u>	<u>42,338</u>	<u>14,538</u>
OTHER REVENUE:			
Rental income	25,000	22,944	(2,056)
Rental parks	15,638	18,735	3,097
Zoning and subdivision	1,670	345	(1,325)
Public events	1,000	5,741	4,741
Sale - property	434	-	(434)
Miscellaneous revenue	<u>10,000</u>	<u>571</u>	<u>(9,429)</u>
Total other revenue	<u>53,742</u>	<u>48,336</u>	<u>(5,406)</u>
TOTAL REVENUES	<u>\$ 974,749</u>	<u>\$ 1,080,829</u>	<u>\$ 106,080</u>

CITY OF DEL REY OAKS
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2000

	EMPLOYEE SERVICES	SUPPLIES AND OTHER SERVICES	CAPITAL OUTLAY	TOTAL EXPEN- TURES	BUDGET	VARIANCE FAVORABLE (UN- FAVORABLE)
GENERAL GOVERNMENT:						
City council	\$ 8,075	\$ 2,411	\$ -	\$ 10,486	\$ 10,895	\$ 409
City clerk	43,954	26,282	-	70,236	122,259	52,023
City treasurer	7,529	16,897	-	24,426	35,320	10,894
City attorney	909	89,001	-	89,910	53,665	(36,245)
Government buildings and grounds	-	10,799	-	10,799	13,450	2,651
Non-departmental	-	33,982	9,746	43,728	489,692	445,964
Total general government	<u>60,467</u>	<u>179,372</u>	<u>9,746</u>	<u>249,585</u>	<u>725,281</u>	<u>475,696</u>
COMMUNITY DEVELOPMENT	<u>-</u>	<u>71,380</u>	<u>-</u>	<u>71,380</u>	<u>1,000</u>	<u>(70,380)</u>
PUBLIC SAFETY:						
Police department	339,624	55,252	2,598	397,474	385,251	(12,223)
Fire protection	-	145,350	-	145,350	150,000	4,650
Building regulation	-	18,443	-	18,443	25,085	6,642
Animal regulation	-	4,625	-	4,625	2,000	(2,625)
Total public safety	<u>339,624</u>	<u>223,670</u>	<u>2,598</u>	<u>565,892</u>	<u>562,336</u>	<u>(3,556)</u>
PUBLIC WORKS:						
Engineering	-	15,040	-	15,040	16,260	1,220
Streets	21,513	8,205	-	29,718	41,758	12,040
Total public works	<u>21,513</u>	<u>23,245</u>	<u>-</u>	<u>44,758</u>	<u>58,018</u>	<u>13,260</u>
PARKS AND RECREATION	<u>14,096</u>	<u>6,535</u>	<u>-</u>	<u>20,631</u>	<u>29,956</u>	<u>9,325</u>
TOTAL EXPENDITURES	<u>\$ 435,700</u>	<u>\$ 504,202</u>	<u>\$ 12,344</u>	<u>\$ 952,246</u>	<u>\$ 1,376,591</u>	<u>\$ 424,345</u>

CITY OF DEL REY OAKS
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2000

POLICY	COVERAGE	AMOUNT
Fireman's Fund Blanket Policy - All Risks	Business Personal Property:	
	Limit of Liability	\$ 112,200
	Deductible	\$ 1,000
	Business Real Property:	
	Limit of Liability	\$ 626,000
	Deductible	\$ 1,000
	Equipment:	
Limit of Liability	\$ 63,645	
Deductible	\$ 250	
	Business Income -	
	Limit of Liability	\$ 63,000 per location
Monterey Bay Area Insurance Fund (Joint Powers Agreement)	General Liability, Business Autos and Public Officials	
	Liability for Errors and Omissions: Per Occurrence	\$ 10,000,000
	Deductible	\$ 10,000
Levinson Bros.	Public Employee Dishonesty Bond	\$ 2,500
	Public Officials' Bond	\$ 5,000
Monterey Bay Area Workers' Compensation Fund	Workers' Compensation Insurance	Statutory

**REPORT REQUIRED BY THE
GOVERNMENT AUDITING STANDARDS**

**REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
“GOVERNMENT AUDITING STANDARDS”**

**The Honorable Mayor and City Council
City of Del Rey Oaks
Del Rey Oaks, California**

We have audited the financial statements of the *City of Del Rey Oaks* as of and for the year ended June 30, 2000, and have issued our report thereon dated October 6, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in “Government Auditing Standards,” issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the *City of Del Rey Oaks*’ 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 and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under “Government Auditing Standards.”

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *City of Del Rey Oaks*’ internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the *City of Del Rey Oaks* in a separate letter dated October 6, 2000.

This report is intended solely for the information and use of the audit committee, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

October 6, 2000

Hayashi & Wayland