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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and Members of the City Council
City of Monterey, California

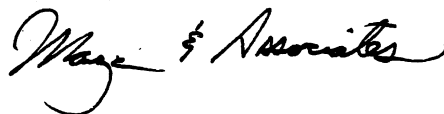
We have audited the general purpose financial statements of the City of Monterey, California as of and for the years ended June 30, 2002 and 2001 as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance as to whether the general purpose financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the general purpose 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 audits provide 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 Monterey, California at June 30, 2002 and 2001 and the results of its operations and cash flows of its proprietary fund types the years then ended, in conformity with generally accepted accounting principles in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and account group 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 Monterey, California. Such information has been subjected to the auditing procedures applied in our audits 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.

The statistical section listed in the table of contents was not audited by us and we do not express an opinion on this information.



November 6, 2002