

**CITY OF PACIFIC GROVE
CALIFORNIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2009

CITY OF PACIFIC GROVE, CALIFORNIA

300 Forest Avenue, Pacific Grove, California 93950

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2009

Prepared by the Finance Department

**James L. Becklenberg
Director of Management and Budget**

**Anthony S. McFarlane
Senior Accountant**



CITY OF PACIFIC GROVE, CALIFORNIA
Comprehensive Annual Financial Report
Year Ended June 30, 2009

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INTRODUCTORY SECTION





CITY OF PACIFIC GROVE

300 FOREST AVENUE
PACIFIC GROVE, CALIFORNIA 93950
TELEPHONE (831) 648-3100 • FAX (831) 375-9863

February 17, 2010

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of Pacific Grove, California

The Charter of the City of Pacific Grove requires an annual financial report. Various financing covenants and rules associated with restricted funding sources require the City of Pacific Grove to publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants. Pursuant to these requirements, we hereby issue the Comprehensive Annual Report (CAFR) for the City of Pacific Grove, California for the fiscal year ended June 30, 2009.

The report consists of management's representations concerning the City's financial position as of June 30, 2009. Consequently, management assumes full responsibility for the information presented in the report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City has contracted with Vargas and Company, a firm of licensed certified public accountants, to audit the City of Pacific Grove's financial statements. The goal of the independent audit is to provide reasonable assurance about whether the basic financial statements for the fiscal year ended June 30, 2009 are free from material misstatement. **The enclosed auditors' opinion indicates that the financial statements present fairly, in all material respects, the financial position of the City of Pacific Grove as of June 30, 2009.** This unqualified or "clean" opinion represents the optimal type of report received from any external auditor and marks continued improvement in financial management and reporting since the "adverse" opinion was rendered for the fiscal year ended June 30, 2006.

Profile of the Government

The City of Pacific Grove, California is a primarily residential community located at the tip of the Monterey Peninsula on the Central California coast. The community was founded as a Methodist Church summer retreat, and was incorporated as a city on July 16, 1889. It was granted a charter on April 22, 1927. The city government operates with a Council-Manager form of government. The seven-member City Council appoints a City Manager, who is the administrative head of the municipal government. City amenities include a library, natural history museum, a community

center, a youth center, a senior center, an 18-hole golf course, a cemetery, a butterfly habitat preserve, five miles of shoreline, and numerous parks.

Factors Affecting Financial Condition

We believe the information presented in the financial statements is best understood when it is considered from the broader perspective of the context within which the City of Pacific Grove operates. This section provides a brief overview of the most significant factors affecting the City's financial position.

During FY 2008/09, the City continued to operate within a balanced budget as a result of the cost-cutting measures implemented during FY 2007/08 and the passage of the June 2008 ballot measure that implemented a new local sales tax which generated \$1 million in tax revenue in FY 2008/09. Since the new tax did not go into effect until October 2008, the \$1 million represents only nine months of revenue. The new tax is expected to generate an additional \$1.2 million in revenue per year for general services.

Despite significant improvements in the financial outlook for ongoing services, the City continues to carry a significant unfunded liability for workers' compensation claims that could pose a risk to resources available to fund services in the future. Since the amount of net assets in the fund hit a low point of -\$2.4 million as of June 30, 2004, the City has worked to reduce the liability to -\$1.3 million; which includes a reduction of \$400 thousand during FY 2008/09. Reducing this unfunded liability is a priority for the City, and as resources are available, additional transfers from the General Fund will be made. Staff is also exploring alternative insurance approaches that could reduce these liabilities. Please refer to Management's Discussion and Analysis for further details on the impact of this unfunded liability and the Audit Report.

Another ongoing challenge that threatens the City's long-term financial stability is the California Public Employees Retirement System (CalPERS). CalPERS is a defined-benefit retirement program that relies heavily on investments in financial markets for the assets required to pay benefits to retirees. This reliance on investment returns to meet expectations exposes the City to potentially large rate increases when the CalPERS investment portfolio fails to meet expectations. For FY 2008/09, CalPERS reported a decline of almost 25% in asset value, the largest one year decline in its history. It is anticipated that this significant decline in asset values coupled with no certainty that the CalPERS portfolio will stabilize or rebound in coming years, contribution rates will increase significantly beginning in FY 2011/12.

The City provides limited post-employment medical benefits to retirees who meet plan eligibility requirements. In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45, *Accounting and Financial Reporting by Employers for Other Post Employment Benefits Other Than Pensions*. Statement 45 was required to be fully implemented by FY 2008/09; and the financial statements contained herein comply fully with this requirement.

In December 2008, the City began receiving contract fire services from the City of Monterey. This was the first step towards a regional fire service model that is anticipated to enhance regional fire services while reducing costs for participating agencies. Please refer to Management's Discussion and Analysis for further information on the impact of consolidation of fire services with the City of Monterey.

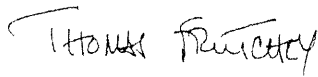
Along with most public agencies, the City's financial position is suffering the effects of the current recession. The most pronounced local effects include decreases in sales tax, transient occupancy tax,

development fees, golf revenues, and projected decreases in property tax revenues. While revenue from the new local sales tax offset a portion of the revenue losses due to the recession, the long-term effects of current year revenue shortfalls may challenge the City's ability to continue current levels of services and staffing in the future.

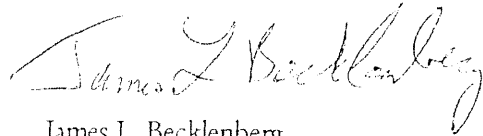
Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department staff and cooperation of all city departments. We would like to express our appreciation to the City Council for its unyielding support and demand for improvements in financial information quality and transparency.

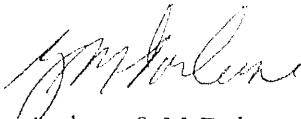
Respectfully submitted,



Thomas Frutchey
City Manager

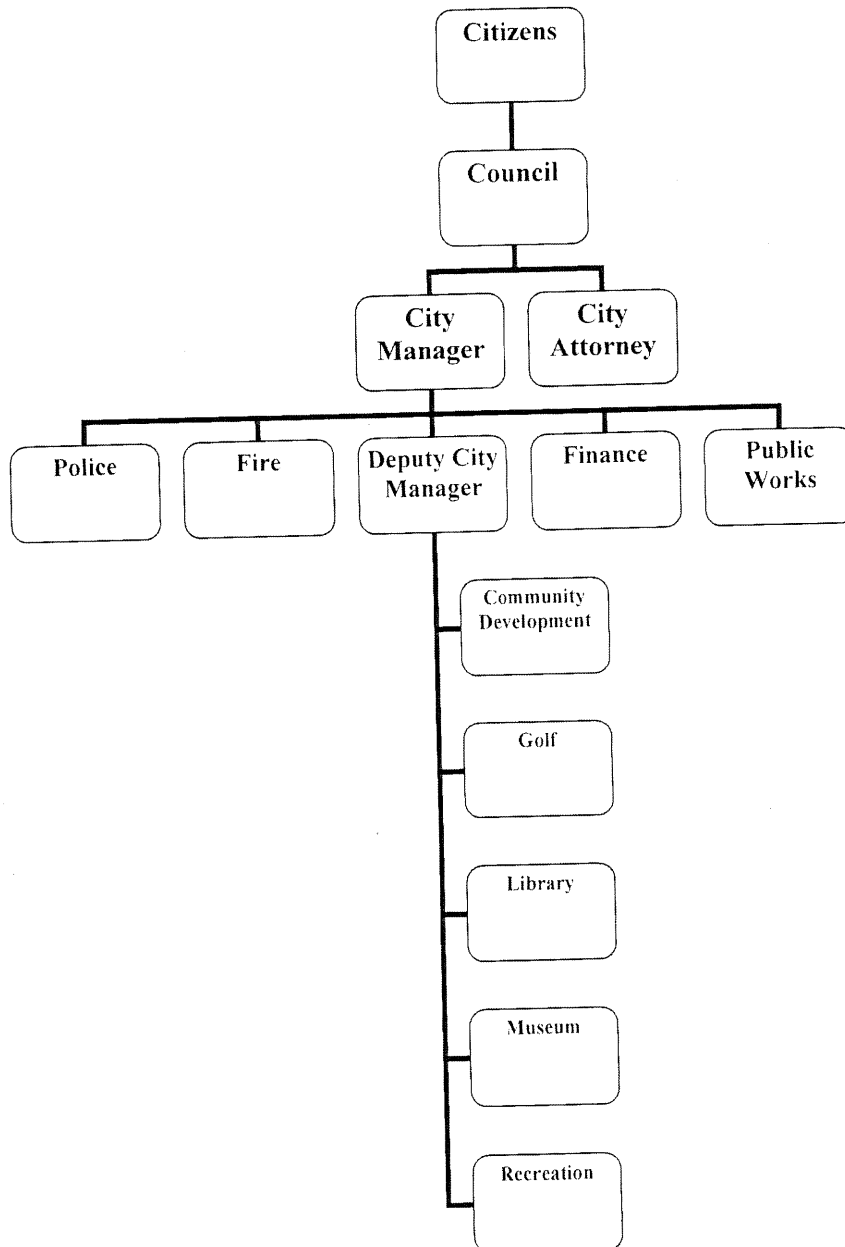


James L. Becklenberg
Acting Deputy City Manager



Anthony S. McFarlane
Senior Accountant

CITY OF PACIFIC GROVE
Organizational Chart
June 30, 2009



CITY OF PACIFIC GROVE
List of Elected and Appointed Officials
June 30, 2009

Elected Officials

Mayor
Mayor Pro-Tempore
Council Member
Council Member
Council Member
Council Member
Council Member

Daniel Cort
Victoria Stillwell
Lisa Bennett
Alan Cohen
William Kampe
Carmelita Garcia
Deborah Lindsay

Appointed Officials

Interim City Manager
City Attorney
Chief – Police
Director – Management & Budget
Director – Community Development
Director – Library
Director – Museum
Head Professional – Golf Course
Coordinator – Recreation
Superintendent – Golf Course
Superintendent – Public Works

Charlene Wiseman
David Laredo
Darius Engles
James Becklenberg
Lynn Burgess
Elisa Maddalena
Lori Mannel
Joe Riekana
Donald Mothershead
Daniel Gho
Celia Martinez



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the City Council
Pacific Grove, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pacific Grove (the "City"), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Pacific Grove's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

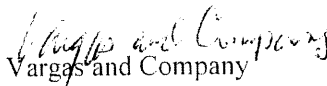
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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, financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pacific Grove, as of June 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof 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 our report dated January 25, 2010 on our consideration of the City of Pacific Grove's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. 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.

The management's discussion and analysis and the budgetary comparison schedule are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Pacific Grove's basic financial statements. The introductory section and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.


Vargas and Company
San Jose, California
January 25, 2010

**Management's Discussion and Analysis (MD&A) -
Required Supplementary Information**



CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2009

Our discussion and analysis of the City of Pacific Grove's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the accompanying notes to the financial statements. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The City's total net assets at June 30, 2009 totaled \$33.5 million, a \$2.6 million increase from the prior year. This increase is primarily attributed to the increase in sales tax revenue as a result of a voter-approved tax measure passed in June 2008, and the sewer surcharge that will fund sewer line improvements in fiscal year 2010 and a decrease in compensated absences as a result of the consolidation of fire services with the City of Monterey.
- Total City revenues, including program and general revenues, were \$22.6 million, a \$.47 million decrease from the prior year.
- Total expenses were \$20.2 million, a \$.64 million decrease from the prior year.
- Net Assets in Governmental activities increased \$1.4 million for a total of \$23 million, while net assets in business activities increased \$1.2 million for a total of \$10.5 million. As noted above, increases are due to sales tax revenue as a result of the passage of Measure U in June 2008 and the sewer surcharge that will be used to fund sewer line improvements in fiscal year 2010.
- Governmental Program Revenues decreased \$1.6 million from last year to \$3.8 million attributable to the decline in contribution revenue as a result of the completion of the Recreation Trail restoration project. Overall, the City spent \$1.9 million on this project.
- Governmental Program Expenses decreased \$.75 million to \$16.2 million attributable to a decrease in compensated absences of \$.7 million for fire personnel brought on by the consolidation of fire services with the City of Monterey.
- Program revenues from Business-type activities decreased \$.23 million to \$5.2 million attributable to a decline in the number of rounds played at the golf course due to the downturn in the economy.
- Expenses of Business-type activities increased \$.11 million to \$4 million. The increase is attributed to an increase in Sewer operating expenses for design and engineering costs related to the sewer line improvements scheduled for Fiscal Year 2010.
- In July 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45. This statement requires governmental entities to begin accounting for other post-employment benefits, such as health care to eligible retirees, on an accrual basis. For fiscal year 2009, the City accrued an OPEB liability of \$130,870.
- The Transactions and Use District Tax adding an additional 1% to the local sales tax rate approved by the citizens of Pacific Grove in June 2008 generated \$1 million in general revenue for the fiscal year.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2009

- The City issued a Tax Revenue Anticipation Note, or TRAN, in the amount of \$3.3 million as a short-term financing vehicle to augment the City's cash flow in the first half of the fiscal year until the City receives the first Property Tax disbursement from the County in December. This is the third TRAN issued in consecutive years and underlies the stated need for building up the City's cash reserves.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report is presented in five parts:

- 1) Introductory Section, which includes the Transmittal Letter,
- 2) Management's Discussion and Analysis (this part),
- 3) The Basic Financial Statements, which include the Government-wide and the Fund Financial Statements, along with the Notes to the Basic Financial Statements,
- 4) Required Supplemental Information
- 5) Combining Statements for Non-major Governmental Funds and Internal Service Funds,

The Basic Financial Statements

The Basic Financial Statements comprise the Government-wide Financial Statements; the Fund Financial Statements, these two sets of financial statements provide two different views of the City's financial activities and financial position; and the Notes to the Financial Statements.

The Government-wide Financial Statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses of each City's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the City's activities are grouped into Government Activities and Business-type activities, as explained below. All the amounts in the Statement of Net Assets and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the city as a whole.

The Fund Financial Statements report the City's operations in more detail than the Government-wide Financial Statements and focus primarily on the short-term activities of the City's General Fund. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2009

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities present information about the following:

- **Governmental Activities** – All of the City's basic services are considered to be governmental activities, including community development, public safety, public works, recreation, and general administration services. These services are supported by general City revenues such as taxes, and by specific program revenues such as developer fees.
- **Business-type activities** – The City's enterprise activities are reported here, including sewer, golf and cemetery. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole. In other words, revenue is recognized when earned and expenses are recognized when incurred unlike cash basis when revenue and expenses are recognized when cash is received or paid.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the criteria for determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in pattern of City's activities. For fiscal year 2009, other than the General fund, no governmental fund met the requirements for major fund classification established by GASB Statement 34.

Fund Financial Statements include governmental, enterprise and internal service funds.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Enterprise and Internal Service Fund Financial Statements are prepared on the full accrual basis and include all of their assets and liabilities, current and long-term.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2009

Since the City's Internal Service Funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the fund level. Internal Service Funds may not be major funds because their revenues are derived from other City funds. These revenues are eliminated in the Government-wide Financial Statements and any related profits or losses are returned to the activities which created them, along with any residual net assets of the Internal Service Funds.

Comparisons of Budget and Actual financial information are presented for the General Fund only.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net assets and changes in net assets of the City's Governmental Activities and Business-type Activities presented in the Government-wide Statement of Net Assets and Statement of Activities that follow.

Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>Variance</u>
Assets:							
Current and other assets	\$27,922,978	\$28,597,436	\$ 4,460,410	\$ 2,989,180	\$32,383,388	\$31,586,616	2.5%
Capital assets	<u>22,853,330</u>	<u>21,469,601</u>	<u>11,815,390</u>	<u>11,888,034</u>	<u>34,668,720</u>	<u>33,357,635</u>	3.9%
Total assets	<u>50,776,308</u>	<u>50,067,037</u>	<u>16,275,800</u>	<u>14,877,214</u>	<u>67,052,108</u>	<u>64,944,251</u>	3.2%
Liabilities:							
Current and other liabilities	1,334,112	1,296,938	409,330	328,568	1,743,442	1,625,506	7.3%
Long-term liabilities	<u>26,391,733</u>	<u>27,153,239</u>	<u>5,356,993</u>	<u>5,271,434</u>	<u>31,748,726</u>	<u>32,424,673</u>	(2.1%)
Total liabilities	<u>27,725,845</u>	<u>28,450,177</u>	<u>5,766,323</u>	<u>5,600,002</u>	<u>33,492,168</u>	<u>34,050,179</u>	(1.6%)
Net assets:							
Invested in capital assets, net of related debt	16,946,262	16,939,051	6,626,372	6,766,042	23,572,634	23,705,093	(0.6%)
Restricted	91,553	79,019	273,840	275,552	365,393	354,571	3.1%
Unrestricted	<u>6,012,648</u>	<u>4,598,790</u>	<u>3,609,265</u>	<u>2,235,618</u>	<u>9,621,913</u>	<u>6,834,408</u>	40.8%
Total net assets	<u>\$23,050,463</u>	<u>\$21,616,860</u>	<u>\$10,509,477</u>	<u>\$ 9,277,212</u>	<u>\$33,559,940</u>	<u>\$30,894,072</u>	8.6%

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2009

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the city, assets exceeded liabilities by \$33,559,940 at the close of the current fiscal year.

The largest portion of the City's net assets \$23,572,634 (70.2%) reflects its investment in capital assets (e.g. land, building and structures, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Invested in Capital Assets net of related debt decreased \$.13 million, or -.6%, from the prior year. This decrease is primarily due to the cost of additions to capital assets and reduction of principal in long-term debt for the fiscal year not exceeding depreciation expense or the addition of new principal in long-term debt in the current year.

An additional portion of the City's net assets of \$365,393 (1.1%) represents resources that are subject to external restrictions on how they may be used. This amount increased \$10,882, or 3.1%, from the prior year. \$91,553 is reserved for the Butterfly Bond debt service and \$273,840 is reserved for the Golf Course Certificates of Participation bond debt service.

The remaining (28.7%) represents the unrestricted net assets of \$9,621,913, which may be used to meet the city's ongoing obligations for services. This amount increased \$2.8 million, or 40.8%, from the prior year. The increase is attributable to a combination of factors, mainly tax revenue increasing \$1 million, net income in the sewer fund of \$1.3 million, a decrease of \$.8 million in compensated absences, budget reductions and an increase in interest on long-term debt as a result of additional lease purchases.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2009

Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Revenues:							
Program revenues							
Charges for services	\$ 2,117,005	\$ 1,934,185	\$ 5,191,552	\$ 5,420,864	\$ 7,308,557	\$ 7,355,049	(0.6%)
Operating grants & contri.	1,715,992	3,560,620	-	-	1,715,992	3,560,620	(51.8%)
General revenues							
Taxes	12,532,659	11,631,771	-	-	12,532,659	11,631,771	7.7%
Interest & invest. income	372,534	314,367	74,884	112,541	447,418	426,908	4.8%
Miscellaneous	519,858	17,843	69,908	67,580	589,766	85,423	590.4%
Transfers	<u>110,318</u>	<u>400,000</u>	<u>(110,318)</u>	<u>(400,000)</u>	<u>-</u>	<u>-</u>	na
Total revenues	<u>17,368,366</u>	<u>17,858,786</u>	<u>5,226,026</u>	<u>5,200,985</u>	<u>22,594,392</u>	<u>23,059,771</u>	(2.0%)
Expenses:							
Public safety							
Police	4,634,522	4,968,663	-	-	4,634,522	4,968,663	(6.7%)
Fire	2,449,038	3,024,090	-	-	2,449,038	3,024,090	(19.0%)
General administration	2,651,095	2,667,817	-	-	2,651,095	2,667,817	(0.6%)
Public works	1,975,888	2,352,891	-	-	1,975,888	2,352,891	(16.0%)
Recreation	359,269	622,419	-	-	359,269	622,419	(42.3%)
Library	653,150	828,222	-	-	653,150	828,222	(21.1%)
Comm. dev't & bldg insp.	1,202,868	1,017,804	-	-	1,202,868	1,017,804	18.2%
Museum	367,303	171,746	-	-	367,303	171,746	113.9%
Interest on long-term debt	1,939,596	1,327,298	-	-	1,939,596	1,327,298	46.1%
Cemetery Operating	-	-	275,559	284,697	275,559	284,697	(3.2%)
Sewer Operating	-	-	1,180,209	1,075,578	1,180,209	1,075,578	9.7%
Golf Course	<u>-</u>	<u>-</u>	<u>2,537,993</u>	<u>2,523,229</u>	<u>2,537,993</u>	<u>2,523,229</u>	0.6%
Total expenses	<u>16,232,729</u>	<u>16,980,950</u>	<u>3,993,761</u>	<u>3,883,504</u>	<u>20,226,490</u>	<u>20,864,454</u>	(3.1%)
Change in net assets	1,135,637	877,836	1,232,265	1,317,481	2,367,902	2,195,317	7.9%
Net assets, beginning	21,616,860	10,039,271	9,277,212	7,995,412	30,894,072	18,034,683	71.3%
Prior period adjustment	<u>297,966</u>	<u>10,699,753</u>	<u>-</u>	<u>(35,681)</u>	<u>297,966</u>	<u>10,664,072</u>	(97.2%)
Net asset, ending	<u>\$23,050,463</u>	<u>\$21,616,860</u>	<u>\$10,509,477</u>	<u>\$9,277,212</u>	<u>\$33,559,940</u>	<u>\$30,894,072</u>	8.6%

At the end of the current fiscal year, the City reported positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2009

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with financial legal requirements.

Governmental Funds

The primary purpose of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Capital Project Fund, Debt Service Fund and Permanent Funds.

The following table summarizes the revenues, expenditures and changes in fund balances for all governmental funds for the current year.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues	\$17,172,503	\$2,851,842	\$20,024,345
Expenditures	(15,910,225)	(4,050,638)	(19,960,863)
Net other financing sources (uses)	(440,867)	582,755	141,888
Net Change in Fund Balances	821,411	(616,041)	205,370
Fund Balances, Beginning	892,705	7,502,268	8,394,973
Prior Period Adjustments	263,976	-	263,976
Restated Fund Balances, Beginning	<u>1,156,681</u>	<u>7,502,268</u>	<u>8,658,949</u>
Fund Balances, Ending	<u>\$ 1,978,092</u>	<u>\$6,886,227</u>	<u>\$ 8,864,319</u>

At June 30, 2009, the City's governmental funds reported combined ending fund balances of \$8,864,319, an increase of \$469,346 (including prior period adjustment) in comparison with the prior year. Approximately 83% or \$7,350,548 of the combined ending fund balances constitutes unreserved fund balance, which is available to meet the City's current and future needs, of which \$1,978,092 is available to the City's General Fund. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed to pay debt service of \$91,553 for the Butterfly Bond and a long-term debt receivable of \$1,422,218 for Housing Rehabilitation loans.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2009

The General Fund is the primary operating fund of the City. At June 30, 2009 the unreserved fund balance of the General Fund was \$1,978,902, an increase of \$1.1 million (including prior period adjustment) from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unreserved and total General Fund Balance represents 12.4% of total general fund expenditures of \$15,910,225. The unreserved portion of the General Fund balance reflects the measure of currently available financial resources and is the cumulative difference between recorded assets and liabilities of the General Fund.

The City Council has established a designated General Fund reserve policy of 10% of revenues, or \$1,717,250, for contingencies as well as a tax interim reserve of \$750,000 totaling \$2.47 million. The current unreserved fund balance for the general fund does not meet the required minimum levels of the General Fund reserve policy. However, it should be noted that with the commitment to rebuild reserves the City is closer to complying with the City Council designated General Fund reserve policy.

The following table illustrates the amount of revenues from various sources as well as increases and decreases from the previous year.

Revenues Classified by Source
Governmental Funds

<u>Revenues by Source</u>	<u>FY 2009</u>		<u>FY 2008</u>		<u>Increase/(Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Change</u>
Taxes	\$12,532,659	62.6%	\$11,631,771	61.5%	\$ 900,888	7.7%
Licenses and permits	364,923	1.8%	455,021	2.4%	(90,098)	(19.8%)
Fines, forfeitures and penalties	35,671	0.2%	52,245	0.3%	(16,574)	(31.7%)
Intergovernmental	2,984,186	14.9%	3,560,620	18.8%	(576,434)	(16.2%)
Charges for current services	1,716,411	8.6%	1,426,919	7.5%	289,492	20.3%
Use of money and property	372,534	1.8%	314,367	1.7%	58,167	18.5%
Interdepartmental charges	1,498,103	7.5%	1,467,487	7.7%	30,616	2.1%
Other	<u>519,858</u>	<u>2.6%</u>	<u>17,843</u>	<u>0.1%</u>	<u>502,015</u>	<u>2813.5%</u>
Totals	<u>\$20,024,345</u>	<u>100.0%</u>	<u>\$18,926,273</u>	<u>100.0%</u>	<u>\$1,098,072</u>	<u>5.8%</u>

Revenues for governmental functions totaled \$20,024,345 in fiscal year 2009, which represents an increase of \$1,098,072 or 5.8% from the prior year. With the passage of Measure U in June 2008, the City received an additional \$1 million in tax revenue which was applied to the General Fund reserve.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2009

The following table illustrates the amount of expenditures by the various functions of the City as well as increases and decreases from the prior year.

Expenditures Classified by Function
Governmental Funds

<u>Expenditures by Function</u>	<u>FY 2009</u>		<u>FY 2007</u>		<u>Increase/(Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Change</u>
Public safety						
Police	\$ 5,215,311	26.1%	\$ 5,009,577	28.3%	\$ 205,734	4.1%
Fire	3,413,500	17.1%	2,933,181	16.6%	480,319	16.4%
General administration	2,563,041	12.9%	2,467,139	13.9%	95,902	3.9%
Public works	2,104,628	10.6%	2,540,545	14.3%	(435,917)	(17.2%)
Recreation	381,719	1.9%	802,661	4.5%	(420,942)	(52.4%)
Library	700,066	3.5%	865,616	4.9%	(165,550)	(19.1%)
Comm. dev't & bldg insp.	1,320,258	6.6%	1,222,336	6.9%	97,922	8.0%
Museum	381,550	1.9%	252,074	1.4%	129,476	51.4%
Capital outlay	2,002,658	10.0%	322,541	1.8%	1,680,117	520.9%
Debt service						
Principal	1,561,384	7.8%	1,111,275	6.3%	450,109	40.5%
Interest and fiscal charges	<u>316,748</u>	<u>1.6%</u>	<u>193,873</u>	<u>1.1%</u>	<u>122,875</u>	<u>63.4%</u>
Totals	<u>\$19,960,863</u>	<u>100.0%</u>	<u>\$17,720,818</u>	<u>100.0%</u>	<u>\$2,240,045</u>	<u>12.6%</u>

Expenditures for governmental functions in fiscal year 2009 totaled \$19,960,863, an increase of \$2,240,045, or 12.6% from the previous fiscal year. Increases in capital outlay were the direct result of the completion of the Recreation Trail restoration project, increase principal and interest payments as the result of already existing debt service schedules and the addition of new debt with the lease purchase of a new Sewer Vactor truck and police vehicle.

In May 2008, the City Council passed a resolution of intent to terminate its contract with the California Public Employee Retirement System, or CalPERS. This action was the first step in exploring other retirement options for its employees and to allow CalPERS senior actuarial staff to begin the process of determining the cost to the City for terminating its contract. The City Council has cited a potential financial risk to the City should it maintain its current defined benefit retirement plan and has directed staff to seek other alternatives including defined contribution plans. Any determination of whether the City will terminate its contract will not be final until at least January 2011.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2009

The following table illustrates the amounts of other financing sources and uses as well as increases and decreases from the previous year.

Other Financing Sources (Uses)
Governmental Funds

	<u>FY 2009</u>		<u>FY 2008</u>		<u>Increase/(Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Change</u>
Proceeds from capital lease	\$ 31,570	22.2%	\$ -	0.0%	\$ 31,570	na
Transfers in	769,026	542.0%	1,106,607	1790.6%	(337,581)	(30.5%)
Transfers out	(658,708)	(464.2%)	(1,044,807)	(1690.6%)	<u>386,099</u>	37.0%
Totals	<u>\$141,888</u>	<u>100.0%</u>	<u>\$ 61,800</u>	<u>100.0%</u>	<u>\$80,088</u>	129.6%

Net Other Financing Sources and Uses for fiscal year 2009 totaled \$141,888 which is an increase of \$80,088, or 129.6%, from the previous fiscal year. The increase is attributable to the General Fund revenue share policy enacted by the City Council for the 2009 Budget. The General Fund revenue share policy is a transfer of 50% of the net income generated from Golf Course operations. For fiscal year 2009, the Golf Fund transferred \$85,000 into the General Fund after all of its obligations had been met.

As a result of governmental fund activities (excluding prior period adjustment), the net change in fund balance totaled \$821,411 in the General fund and decreased \$616,041 in all of the other governmental funds for a net increase of \$205,370.

Proprietary Funds

The City's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2009

The following table summarizes the Proprietary Funds' actual revenues, expenses and change in net assets as a result of operations for the current fiscal year:

	Major Funds			
	Sewer Operating	Golf Course	Cemetery Operating	Total
Operating revenues	\$2,427,274	\$2,687,324	\$146,862	\$ 5,261,460
Operating expenses	(1,110,607)	(2,334,003)	(273,153)	(3,717,763)
Operating income (loss)	1,316,667	353,321	(126,291)	1,543,697
Net non-operating revenues (expenses)	(26,980)	(183,282)	9,148	(201,114)
Net income (loss) before transfers	1,289,687	170,039	(117,143)	1,342,583
Transfers out	(25,519)	(84,799)	-	(110,318)
Change in net assets	1,264,168	85,240	(117,143)	1,232,265
Net Assets, Beginning	<u>5,163,572</u>	<u>3,480,784</u>	<u>632,856</u>	<u>9,277,212</u>
Net Assets, Ending	<u>\$6,427,740</u>	<u>\$3,566,024</u>	<u>\$515,713</u>	<u>\$10,509,477</u>

The City purchased through lease financing a new Sewer Vactor truck. The lease purchase price of this equipment totaled \$165,624. Please refer to Note 5 in the Notes to the Basic Financial Statements for more information regarding the Sewer Lateral Loan program.

The Golf Fund transferred approximately \$85,000 during the current fiscal year into the General Fund. Please refer to Note 5 in the Notes to the Basic Financial Statements for more information regarding the Golf Course Kitchen Equipment Lease.

There were no significant events in the Cemetery Fund during the fiscal year. See Note 7 in the Notes to the Basic Financial Statements for more information regarding the turf mower capital lease.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2009, totaled \$34,668,720 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings, improvements, machinery and equipment, and sewer lines. Significant capital asset acquisitions during the current fiscal year included the following; acquisition of a new turf mower for the Cemetery and improvements to city infrastructure for oceanfront restoration, storm water runoff and street improvements.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital assets as expenditures.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>% of Change</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
Land	\$ 2,338,270	\$ 2,338,290	\$ 362,973	\$ 362,973	\$ 2,701,243	\$ 2,701,243	0.0%
Construction in progress	77,138	237,305	-	-	77,138	237,305	(67.5%)
Infrastructure	21,217,753	19,161,043	-	-	21,217,753	19,161,043	10.7%
Building	11,117,346	11,117,346	6,093,798	6,093,798	17,211,144	17,211,144	0.0%
Improvements	242,192	242,192	3,028,540	2,925,889	3,270,732	3,168,081	3.2%
Machinery & equipment	3,751,705	3,626,579	1,862,066	1,596,432	5,613,771	5,223,011	7.5%
Sewer lines	-	-	5,174,791	5,112,783	5,174,791	5,112,783	1.2%
Total cost	<u>\$38,744,404</u>	<u>\$36,722,735</u>	<u>\$16,522,168</u>	<u>\$16,091,875</u>	<u>\$55,266,572</u>	<u>\$52,814,610</u>	4.6%

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2009

The most significant event during the current year capital asset activity was the completion of the Recreation Trail restoration project. Please refer to Note 6 in the Notes to the Basic Financial Statements for more detailed information regarding Capital Assets.

Long-term Debt

The City's long-term debts for governmental and business-type activities are presented below to illustrate changes from the prior year:

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
<u>Governmental Activities</u>			
General Obligation Refunding Note	\$ 680,294	\$ 739,504	(8.0%)
Bank Loans	75,000	75,000	0.0%
Capital Lease	1,338,833	1,523,616	(12.1%)
Pension Obligation Bond	<u>21,039,359</u>	<u>20,687,042</u>	1.7%
Total Governmental Activities	<u>\$23,133,486</u>	<u>\$23,025,162</u>	0.5%
<u>Business-type Activities</u>			
Sewer Revenue Bonds	\$1,270,719	\$1,299,855	(2.2%)
Capital Lease	223,299	57,137	290.8%
Golf Certificates of Participation	<u>3,695,000</u>	<u>3,765,000</u>	(1.9%)
Total Business-type Activities	<u>\$5,189,018</u>	<u>\$5,121,992</u>	1.3%

The only significant increase in long-term debt was the addition of a capital lease for a new Sewer Vactor truck and the accreted interest on the pension obligation bond. Please refer to Note 7 in the Notes to the Basic Financial Statements for more detailed information regarding long-term debt.

FACTORS AFFECTING ECONOMIC STATUS

In fiscal year 2007, The City took action to restore reserves and correct long-standing budget deficit issues. The steps taken were drastic but necessary to balance the budget for fiscal year 2008. The citizens of Pacific Grove passed a tax measure in June 2008 implementing a new local sales tax. This new tax generated \$1 million of revenue per year for general services during the fiscal year.

Even with the budget reductions taken in 2007, and a balanced budget in place for 2008 and 2009, and additional revenues being generated from the new local sales tax, the City still faces a risk with its sizeable unfunded liability in Worker's Compensation claims. Although the City has been able to reduce this liability by over \$.9 million in the past four fiscal years, the amount of the unfunded liability is still \$1.48 million and poses a risk to current resources available to fund services in the future. Reducing the liability is a priority for the City and as resources become available, additional transfers from the General Fund will be made to further reduce the liability.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2009

Another item that poses a risk to the City's long-term financial stability is the California Public Employees Retirement System, or CalPERS. CalPERS is a defined-benefit retirement program that relies heavily on investment returns to pay benefits to retirees. With significant losses due to the collapse of the Stock Market, CalPERS announced that member agencies should plan for employer contribution rate increases equal to 2 to 5 percent of employee salary costs beginning in fiscal year 2011-2012. The City sees no certainty that the CalPERS portfolio will stabilize or rebound in the coming years and is expecting contribution rates to increase limiting the resources available to fund services in order to pay for increasing employee retirement costs.

In July 2004, the Government Accounting Standards Board, GASB, issued Statement 45. This statement requires the City to begin accounting for other post-employment benefits, OPEB, on an accrual basis. The City provides post-employment medical benefits to eligible retirees and has been operating under a "pay as you go" system. The primary objective of GASB 45 is to require recognition of post-employment healthcare expense systematically over periods approximating employees' years of service. This statement also requires disclosure of information regarding funding, costs and provisions of the post-employment plans in the financial statements. Please refer to Note 12 in the Notes to the Basic Financial Statements for more detailed information regarding other post-employment benefit obligations.

As with most public agencies, including the State of California, the City's financial position is suffering the effects of the current recession. The most pronounced local effects include decreases in sales tax, transient occupancy tax, development fees, and golf revenues. While revenue generated from the new local sales tax mentioned above is expected to offset some of the economic losses, the long-term effects of current-year revenue shortfalls may challenge the City's ability to continue current levels of services and staffing.

REQUESTS FOR INFORMATION

This financial report is intended to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department at 300 Forest Avenue, Pacific Grove, CA 93950.

**Basic Financial Statements -
Government-wide Financial Statements**



CITY OF PACIFIC GROVE, CALIFORNIA
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and investments			
Available for operations	\$ 6,163,992	\$ 3,219,663	\$ 9,383,655
Held in trust	889,001	323,841	1,212,842
Receivables			
Taxes	1,556,879	-	1,556,879
Accounts	657,892	479,258	1,137,150
Interest and other	5,449	12,076	17,525
Loans	1,422,218	269,991	1,692,209
Inventory	-	81,051	81,051
Prepaid expenses	1,129	10,194	11,323
Deferred charges	17,226,418	64,336	17,290,754
Capital assets			
Land	2,338,270	362,973	2,701,243
Infrastructure	21,217,753	-	21,217,753
Building	11,117,346	6,093,798	17,211,144
Improvements	242,192	3,028,540	3,270,732
Machinery and equipment	3,751,705	1,862,066	5,613,771
Sewer lines	-	5,174,791	5,174,791
Construction in progress	77,138	-	77,138
Accumulated depreciation	(15,891,074)	(4,706,778)	(20,597,852)
Total Assets	\$ 50,776,308	\$ 16,275,800	\$ 67,052,108
<u>Liabilities</u>			
Accounts payable	\$ 950,720	\$ 196,396	\$ 1,147,116
Interest payable	64,946	101,461	166,407
Accrued wages and benefits	318,446	53,560	372,006
Deferred revenue	-	57,913	57,913
Due within one year			
Claims payable	324,677	-	324,677
Long-term debt	1,620,609	166,856	1,787,465
Due beyond one year			
Claims payable	1,504,122	-	1,504,122
Compensated absences	1,298,578	167,975	1,466,553
Long-term debt	21,512,877	5,022,162	26,535,039
Net OPEB obligation	130,870	-	130,870
Total Liabilities	27,725,845	5,766,323	33,492,168
<u>Net Assets</u>			
Invested in capital assets, net of related debt	16,946,262	6,626,372	23,572,634
Restricted			
Debt service	91,553	273,840	365,393
Unrestricted	6,012,648	3,609,265	9,621,913
Total Net Assets	23,050,463	10,509,477	33,559,940
Total Liabilities and Net Assets	\$ 50,776,308	\$ 16,275,800	\$ 67,052,108

The notes to the basic financial statements are an integral part of this statement.

CITY OF PACIFIC GROVE, CALIFORNIA
Statement of Activities
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities						
Public safety						
Police	\$ 4,634,522	\$ 686,616	\$ 556,554	\$ (3,391,352)	\$ -	\$ (3,391,352)
Fire	2,449,038	449,400	364,273	(1,635,365)	-	(1,635,365)
General administration	2,651,095	337,435	273,517	(2,040,143)	-	(2,040,143)
Public works	1,975,888	277,083	224,596	(1,474,209)	-	(1,474,209)
Recreation	359,269	50,255	40,735	(268,279)	-	(268,279)
Library	653,150	92,166	74,708	(486,276)	-	(486,276)
Community development & building inspection	1,202,868	173,818	140,892	(888,158)	-	(888,158)
Museum	367,303	50,232	40,717	(276,354)	-	(276,354)
Interest on long-term debt	1,939,596	-	-	(1,939,596)	-	(1,939,596)
Total Governmental Activities	<u>16,232,729</u>	<u>2,117,005</u>	<u>1,715,992</u>	<u>(12,399,732)</u>	<u>-</u>	<u>(12,399,732)</u>
Business-type Activities						
Cemetery Operating	275,559	139,261	-	-	(136,298)	(136,298)
Sewer Operating	1,180,209	2,390,364	-	-	1,210,155	1,210,155
Golf Course	2,537,993	2,661,927	-	-	123,934	123,934
Total Business-type Activities	<u>3,993,761</u>	<u>5,191,552</u>	<u>-</u>	<u>-</u>	<u>1,197,791</u>	<u>1,197,791</u>
Total	<u>\$ 20,226,490</u>	<u>\$ 7,308,557</u>	<u>\$ 1,715,992</u>	<u>(12,399,732)</u>	<u>1,197,791</u>	<u>(11,201,941)</u>
General Revenues						
Taxes				12,532,659	-	12,532,659
Interest and investment income				372,534	74,884	447,418
Miscellaneous				519,858	69,908	589,766
Transfers				110,318	(110,318)	-
Total General Revenues and Transfers				<u>13,535,369</u>	<u>34,474</u>	<u>13,569,843</u>
Change in Net Assets				1,135,637	1,232,265	2,367,902
Net Assets, Beginning				21,616,860	9,277,212	30,894,072
Prior Period Adjustment				297,966	-	297,966
Net Asset, Ending				<u>\$ 23,050,463</u>	<u>\$ 10,509,477</u>	<u>\$ 33,559,940</u>

The notes to the basic financial statements are an integral part of this statement.

**Basic Financial Statements -
Fund Financial Statements**



CITY OF PACIFIC GROVE, CALIFORNIA
Balance Sheet - Governmental Funds
June 30, 2009

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments			
Available for operations	\$ 750,345	\$ 4,995,595	\$ 5,745,940
Held in trust	-	889,001	889,001
Receivables			
Taxes	1,556,879	-	1,556,879
Accounts	216,396	286,539	502,935
Interest and other	5,449	-	5,449
Loans	-	1,422,218	1,422,218
Prepaid expenses	<u>1,129</u>	<u>-</u>	<u>1,129</u>
Total Assets	\$ <u>2,530,198</u>	\$ <u>7,593,353</u>	\$ <u>10,123,551</u>
<u>Liabilities</u>			
Accounts payable	\$ 245,503	\$ 695,283	\$ 940,786
Accrued wages and benefits	<u>306,603</u>	<u>11,843</u>	<u>318,446</u>
Total Liabilities	<u>552,106</u>	<u>707,126</u>	<u>1,259,232</u>
<u>Fund Balances</u>			
Reserved for			
Long-term loan receivable	-	1,422,218	1,422,218
Debt service	-	91,553	91,553
Unreserved, reported in			
General fund			
Designated for			
Contingencies	1,228,092	-	1,228,092
Tax interim	750,000	-	750,000
Special revenue funds	-	2,174,359	2,174,359
Capital projects funds	-	542,086	542,086
Permanent funds	<u>-</u>	<u>2,656,011</u>	<u>2,656,011</u>
Total Fund Balance	<u>1,978,092</u>	<u>6,886,227</u>	<u>8,864,319</u>
Total Liabilities and Fund Balances	\$ <u>2,530,198</u>	\$ <u>7,593,353</u>	\$ <u>10,123,551</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF PACIFIC GROVE, CALIFORNIA
Reconciliation of the Governmental Funds Balance Sheet to the
Government-wide Statement of Net Assets - Governmental Activities
June 30, 2009

Fund Balances - Total Governmental Funds	\$	8,864,319
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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.		22,853,330
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Deferred charges in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		17,226,418
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Internal service funds are used by management to charge the costs of health, workers' compensation, and liability self-insurances to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.		(1,265,724)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Long-term debt	\$ (23,133,486)	
Net OPEB obligation	(130,870)	
Compensated absences	<u>(1,298,578)</u>	(24,562,934)

Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.		<u>(64,946)</u>
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Net Assets of Governmental Activities	\$	<u><u>23,050,463</u></u>
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The notes to the basic financial statements are an integral part of this statement.

CITY OF PACIFIC GROVE, CALIFORNIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2009

	General	Nonmajor Governmental Funds	Total
<u>Revenues</u>			
Taxes	\$ 12,181,016	\$ 351,643	\$ 12,532,659
Licenses and permits	364,923	-	364,923
Fines, forfeitures and penalties	35,671	-	35,671
Intergovernmental	1,396,178	1,588,008	2,984,186
Charges for current services	1,341,506	374,905	1,716,411
Use of money and property	217,994	154,540	372,534
Interdepartmental charges	1,498,103	-	1,498,103
Other	137,112	382,746	519,858
Total Revenues	<u>17,172,503</u>	<u>2,851,842</u>	<u>20,024,345</u>
<u>Expenditures</u>			
Current			
Public safety			
Police	5,012,444	202,867	5,215,311
Fire	3,299,705	113,795	3,413,500
General administration	2,300,230	262,811	2,563,041
Public works	1,605,953	498,675	2,104,628
Recreation	381,344	375	381,719
Library	626,310	73,756	700,066
Community development & building inspection	1,011,422	308,836	1,320,258
Museum	163,885	217,665	381,550
Capital outlay	5,808	1,996,850	2,002,658
Debt service			
Principal	1,275,038	286,346	1,561,384
Interest and fiscal charges	228,086	88,662	316,748
Total Expenditures	<u>15,910,225</u>	<u>4,050,638</u>	<u>19,960,863</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,262,278</u>	<u>(1,198,796)</u>	<u>63,482</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds from capital lease	-	31,570	31,570
Transfers in	84,799	684,227	769,026
Transfers out	(525,666)	(133,042)	(658,708)
Net other financing sources (uses)	<u>(440,867)</u>	<u>582,755</u>	<u>141,888</u>
Net Change in Fund Balances	821,411	(616,041)	205,370
Fund Balances, Beginning	892,705	7,502,268	8,394,973
Prior Period Adjustments	263,976	-	263,976
Restated Fund Balances, Beginning	<u>1,156,681</u>	<u>7,502,268</u>	<u>8,658,949</u>
Fund Balances, Ending	<u>\$ 1,978,092</u>	<u>\$ 6,886,227</u>	<u>\$ 8,864,319</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF PACIFIC GROVE, CALIFORNIA
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-wide Statement of Activities -
Governmental Activities
Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 205,370

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. This is the
amount by which capital outlays exceeded depreciation in the current period.

Expenditures for general capital assets and other related capital assets adjustment	\$ 2,004,042	
Less current year depreciation	<u>(637,940)</u>	1,366,102

Other financing source/use in the funds increases/decreases long-term
liabilities in the statement of net assets.

Proceeds from capital lease		(31,570)
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Repayments of debt principal is an expenditure in the governmental funds,
but the repayment reduces the long-term liabilities in the statement of net assets.

Principal repayments on long-term debt		1,561,384
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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.

Accretion of capital appreciation bonds	(1,620,511)	
Amortization of deferred charges relating to the P.O.B.	(1,268,194)	
Change in accrued interest payable	(2,337)	
Change in net OPEB obligation	(130,870)	
Change in compensated absences	<u>804,844</u>	(2,217,068)

Internal service funds are used by management to charge the costs of certain
activities to individual funds. The net revenue (expenses) of certain activities
of the internal service funds is reported with governmental activities.

		<u>251,419</u>
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Change in Net Assets of Governmental Activities \$ 1,135,637

The notes to the basic financial statements are an integral part of this statement.

CITY OF PACIFIC GROVE, CALIFORNIA
Statement of Fund Net Assets - Proprietary Funds
June 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities
	Cemetery Operating	Sewer Operating	Golf Course	Total	Internal Service Funds
<u>Assets</u>					
Current Assets					
Cash and investments					
Available for operations	\$ (189,936)	\$ 2,726,381	\$ 683,218	\$ 3,219,663	\$ 418,052
Held in trust	-	50,001	273,840	323,841	-
Receivables					
Accounts	-	459,584	19,674	479,258	154,957
Interest and other	-	10,004	2,072	12,076	-
Inventory	-	-	81,051	81,051	-
Prepaid expenses	1,145	9,049	-	10,194	-
Total Current Assets	(188,791)	3,255,019	1,059,855	4,126,083	573,009
Noncurrent Assets					
Capital assets					
Land	20	-	362,953	362,973	-
Building	709,611	-	5,384,187	6,093,798	-
Improvements	396,173	-	2,632,367	3,028,540	-
Machinery and equipment	198,404	751,000	912,662	1,862,066	-
Sewer lines	-	5,174,791	-	5,174,791	-
Accumulated depreciation	(574,915)	(1,381,294)	(2,750,569)	(4,706,778)	-
Other assets					
Loans receivable	-	138,672	131,319	269,991	-
Deferred charges	-	64,336	-	64,336	-
Total Noncurrent Assets	729,293	4,747,505	6,672,919	12,149,717	-
Total Assets	\$ 540,502	\$ 8,002,524	\$ 7,732,774	\$ 16,275,800	\$ 573,009
<u>Liabilities</u>					
Current Liabilities					
Accounts payable	\$ 7,407	\$ 103,674	\$ 85,315	\$ 196,396	\$ 9,934
Interest payable	-	16,035	85,426	101,461	-
Accrued wages and benefits	5,810	9,014	38,736	53,560	-
Deferred revenue	-	-	57,913	57,913	-
Claims payable	-	-	-	-	324,677
Long-term debt	10,681	77,847	78,328	166,856	-
Total Current Liabilities	23,898	206,570	345,718	576,186	334,611
Noncurrent Liabilities					
Claims payable	-	-	-	-	1,504,122
Compensated absences	-	-	167,975	167,975	-
Long-term debt	891	1,368,214	3,653,057	5,022,162	-
Total Noncurrent Liabilities	891	1,368,214	3,821,032	5,190,137	1,504,122
Total Liabilities	24,789	1,574,784	4,166,750	5,766,323	1,838,733
<u>Net Assets</u>					
Invested in capital assets, net of related debt	717,721	3,098,436	2,810,215	6,626,372	-
Restricted					
Debt service	-	-	273,840	273,840	-
Unrestricted	(202,008)	3,329,304	481,969	3,609,265	(1,265,724)
Total Net Assets	515,713	6,427,740	3,566,024	10,509,477	(1,265,724)
Total Liabilities and Net Assets	\$ 540,502	\$ 8,002,524	\$ 7,732,774	\$ 16,275,800	\$ 573,009

The notes to the basic financial statements are an integral part of this statement.

CITY OF PACIFIC GROVE, CALIFORNIA
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities
	Cemetery Operating	Sewer Operating	Golf Course	Total	Internal Service Funds
<u>Operating Revenues</u>					
Charges for current services	\$ 139,261	\$ 2,390,364	\$ 2,661,927	\$ 5,191,552	\$ 1,516,750
Other	7,601	36,910	25,397	69,908	-
Total Operating Revenues	146,862	2,427,274	2,687,324	5,261,460	1,516,750
<u>Operating Expenses</u>					
Personnel services	158,065	258,118	1,045,075	1,461,258	14,486
Operating services	69,434	670,760	1,013,374	1,753,568	294,084
Insurance, claims and settlements	-	-	-	-	956,761
Depreciation	45,654	181,729	275,554	502,937	-
Total Operating Expenses	273,153	1,110,607	2,334,003	3,717,763	1,265,331
Operating Income (Loss)	(126,291)	1,316,667	353,321	1,543,697	251,419
<u>Non-operating Revenues (Expenses)</u>					
Interest and investment income	11,554	42,622	20,708	74,884	-
Interest expense	(2,406)	(69,602)	(203,990)	(275,998)	-
Total Non-operating Revenues (Expenses)	9,148	(26,980)	(183,282)	(201,114)	-
Net Income (Loss) Before Transfers	(117,143)	1,289,687	170,039	1,342,583	251,419
Transfers out	-	(25,519)	(84,799)	(110,318)	-
Change in Net Assets	(117,143)	1,264,168	85,240	1,232,265	251,419
Net Assets, Beginning	632,856	5,163,572	3,480,784	9,277,212	(1,551,133)
Prior Period Adjustment	-	-	-	-	33,990
Restated Net Assets, Beginning	632,856	5,163,572	3,480,784	9,277,212	(1,517,143)
Net Assets, Ending	\$ 515,713	\$ 6,427,740	\$ 3,566,024	\$ 10,509,477	\$ (1,265,724)

The notes to the basic financial statements are an integral part of this statement.

CITY OF PACIFIC GROVE, CALIFORNIA
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities
	Cemetery Operating	Sewer Operating	Golf Course	Total	Internal Service Funds
Cash Flows from Operating Activities					
Receipts from customers	\$ 146,865	\$ 2,331,857	\$ 2,649,789	\$ 5,128,511	\$ 1,047,929
Payments to suppliers	(24,020)	(395,844)	(963,020)	(1,382,884)	(722,849)
Payments to employees	(144,108)	(228,559)	(658,479)	(1,031,146)	(199,470)
Internal activity - payments to other funds	(54,702)	(224,532)	(406,580)	(685,814)	(4,944)
Claims paid	-	-	-	-	(203,191)
Other receipts (payments)	-	15,916	32,778	48,694	-
Net Cash Provided (Used) by Operating Activities	(75,965)	1,498,838	654,488	2,077,361	(82,525)
Cash Flows from Noncapital Financing Activities					
Transfers paid	-	(25,519)	(84,799)	(110,318)	-
Net Cash Used by Noncapital Financing Activities	-	(25,519)	(84,799)	(110,318)	-
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	(8,329)	(101,244)	(108,812)	(218,385)	-
Principal paid on long-term debt	(10,681)	(57,701)	(78,571)	(146,953)	-
Interest paid on long-term debt	(2,406)	(66,724)	(203,631)	(272,761)	-
Net Cash Used by Capital and Related Financing Activities	(21,416)	(225,669)	(391,014)	(638,099)	-
Cash Flows from Investing Activities					
Interest received	11,554	42,622	20,708	74,884	-
Net Cash Provided by Investing Activities	11,554	42,622	20,708	74,884	-
Net Increase (Decrease) in Cash and Cash Equivalents	(85,827)	1,290,272	199,383	1,403,828	(82,525)
Cash and Cash Equivalents, Beginning	(104,109)	1,486,110	757,675	2,139,676	500,577
Cash and Cash Equivalents, Ending	\$ (189,936)	\$ 2,776,382	\$ 957,058	\$ 3,543,504	\$ 418,052
Cash Flows from Operating Activities					
Operating income (loss)	\$ (126,291)	\$ 1,316,667	\$ 353,321	\$ 1,543,697	\$ 251,419
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	45,654	181,729	275,554	502,937	-
Decrease (increase) in operating assets					
Accounts receivable	-	(58,507)	17,339	(41,168)	(120,967)
Loans receivable	-	(20,835)	7,382	(13,453)	-
Other assets	(1,145)	7,026	(18,142)	(12,261)	-
Increase (decrease) in operating liabilities					
Accounts payable	4,654	73,008	(3,485)	74,177	(17,121)
Wages payable	1,163	(250)	3,987	4,900	-
Claims payable	-	-	-	-	(195,856)
Compensated absences	-	-	18,532	18,532	-
Net Cash Provided (Used) by Operating Activities	\$ (75,965)	\$ 1,498,838	\$ 654,488	\$ 2,077,361	\$ (82,525)

The notes to the basic financial statements are an integral part of this statement.



**Basic Financial Statements -
Notes to the Basic Financial Statements**



CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pacific Grove is a California charter city using the Council-Manager form of government which provides the following services; public safety (police and fire), public works, community development, library, museum, parks and recreation, golf course, cemetery, butterfly habitat preserve and general administration services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City has elected to apply all applicable FASB pronouncements issued on or before that date to its proprietary funds. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City is governed by a seven-member council elected by City residents. These financial statements present the financial activities of the City, which is legally separate and fiscally independent, can issue debt, set and modify budgets and fees, and sue or be sued. The City has no component units.

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the primary government (the City). This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes are presented as general revenues.

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column in the proprietary fund financial statements. The various funds are reported by generic classification within the financial statements.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major funds are defined as funds that have either assets, liabilities revenues or expenditures/expenses equal to ten percent of their fund type total and five percent of the grand total. The General fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reports the following major governmental fund:

- The **General fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other specialized fund.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major enterprise funds:

- The **Sewer Operating Fund** accounts for revenues and expenses of the City's sewer operations.
- The **Golf Course Fund** accounts for revenues and expenses of the City's golf course operations, including the Pro Shop.

Additionally, the City reports the following fund type:

- Internal Service funds account for health insurance, workers' compensation insurance, and liability insurance; all of which are provided to other departments on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The accounting objectives of the economic resources measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Fund equity is classified as net assets.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Those revenues susceptible to accrual are property, sales, transient occupancy and franchise taxes, special assessments, licenses for services and interest revenue. Fines, permits, and charges for services are not susceptible to accrual because they are not measurable until received in cash.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, entitlements, and donations. On an accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

In the current financial resources measurement focus, only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. The fund balance is used as the measure of available spendable financial resources at the end of the period.

Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means having been earned, and collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related liability is incurred, except for debt service expenditures (principal and interest), claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs followed by general revenues, if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

D. Utility Service Billings

Sewer customers are billed every other month by a separate government agency which forwards the collections to the City. Revenues earned but not collected by year-end are accrued.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Budgets and Budgetary Accounting

The City follows these procedures in establishing budgetary data reflected in the financial statements:

1. Prior to June 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. At mid-year, normally in February or March, the budget is reviewed by the Council and may be amended at that time.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through the passage of an ordinance during the first City Council meeting in the month of May.
4. The City Manager may transfer budgeted amounts within a department or fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary interrogation is employed as a management control device during the year for the General fund, Special Revenue funds, Enterprise funds and Capital Project funds.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Budgeted amounts are originally adopted or as amended by City Council. Individual amendments were not material in relation to the original appropriations.

F. Deferred Compensation Plan

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, and death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. Compensated Absences

Compensated absences comprise of unpaid vacation and the vested portion of sick leave, which are accrued as earned. The City's liability for the compensated absences is recorded in various Governmental funds or Proprietary funds as appropriate. The liability for compensated absence is determined annually. For all governmental funds, amounts expected to be paid out of current financial resources are recorded as fund liabilities. The long-term portion is recorded in the Statement of Net Assets and represents a reconciling item between the fund and government-wide presentations.

H. Property Tax

Monterey County assesses properties and its bills, collects and distributes actual property taxes collected to the City. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. The term "unsecured" refers to taxed on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue and receivables on the fiscal year of levy, provided they are collected within the fiscal year or within 60 days of the fiscal year end.

I. Long-term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

K. Estimates

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

L. Subsequent Events

Management has evaluated subsequent events through January 25, 2010.

NOTE 2. CASH AND INVESTMENTS

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for the deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places in the City ahead of general creditors of the institution.

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called book entry system. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 2. CASH AND INVESTMENTS - Continued

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income of that fiscal year.

The City pools cash from all sources and all funds so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

B. Classification

The City's total cash and investments, the following shows the allocation as presented on the accompanying statements of net assets:

Statement of Net Assets:

Cash and investments available for operations	\$ 9,383,655
Cash and investments held in trust	<u>1,212,842</u>

Total City cash and investments	\$10,596,497
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The City's total cash and investments consists of the following:

Investments	\$ 8,541,647
Cash in banks	2,023,795
Petty cash	<u>1,985</u>

Total City cash and investments	\$10,596,497
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C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided that the credit ratings of the issuers are acceptable to the City. The following also identifies certain provisions of the City and California Government Code that addresses interest rate risk, credit risk, and concentration of credit risk. This does not address the City's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 2. CASH AND INVESTMENTS - Continued

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>
Certificates of Deposit	5 years	10%
U.S. Treasury Obligation	5 years	None
U.S. Agency Securities (A)	5 years	None
California Local Agency Investment Fund	N/A	None
Repurchase Agreements	30 days	None

(A) Securities issued by agencies of the federal government agencies such as Federal Home Loan Bank (FHLB), Government National Mortgage Association (GNMA), Federal Farm Credit System, Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA) or obligations issued by a federal agency.

D. Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinances, bond indentures or State statutes. The following identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>
U.S. Treasury Obligation	None	N/A
U.S. Agency Securities (A)	None	None
Unsecured Certificates of Deposit	30 days	A-1
Commercial Paper	270 days	A-1+
Money Market Funds	N/A	AAA-m/AAAm-G
Repurchase Agreements	None	A
State Obligations	None	A-1
Investment Agreement	None	AA
California Local Agency Investment Fund	N/A	N/A

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 2. CASH AND INVESTMENTS - Continued

(A) Securities issued by agencies of the federal government agencies such as Federal Home Loan Bank (FHLB), Government National Mortgage Association (GNMA), Federal Farm Credit System, Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA) or obligations issued by a federal agency.

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

<u>Investment Type</u>	<u>12 Months or less</u>	<u>13 to 36 Months</u>	<u>37 to 60 Months</u>	<u>Total</u>
Investments				
U.S. Agency Securities				
Gov't Bonds - Callable	\$ -	\$ 502,910	\$ -	\$ 502,910
Gov't Bonds - Non-Callable	100,500	587,962	-	688,462
Certificates of Deposit	243,769	-	-	243,769
Money Market Funds	273,841	-	-	273,841
Cash or Equivalent	6,770	-	-	6,770
California Local Agency Investment Fund	<u>6,825,895</u>	<u>-</u>	<u>-</u>	<u>6,825,895</u>
Total Investments	<u>\$7,450,775</u>	<u>\$1,090,872</u>	<u>\$ -</u>	8,541,647
Cash				
Cash in banks				2,023,795
Petty cash				<u>1,985</u>
Total Cash and Investments				<u>\$10,567,427</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 2. CASH AND INVESTMENTS - Continued

F. Credit Risk

Credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2009 for each investment type as provided by Moody's:

<u>Investment Type</u>	<u>AAA</u>	<u>Not Rated</u>	<u>Total</u>
Investments			
U.S. Agency Securities			
Gov't Bonds - Callable	\$ 502,910	\$ -	\$ 502,910
Gov't Bonds - Non-Callable	688,462	-	688,462
Certificates of Deposit	-	243,769	243,769
Money Market Funds	273,841	-	273,841
Cash or Equivalent	-	6,770	6,770
California Local Agency Investment Fund	-	6,825,895	6,825,895
 Total Investments	 \$1,465,213	 \$7,076,434	 8,541,647
Cash			
Cash in banks			2,023,795
Petty cash			1,985
 Total Cash and Investments			 \$10,567,427

G. Concentration Risk

The City's investment policy contain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code for investments in a County Agency Investment Fund, Negotiable Certificates of Deposit, Repurchase Agreements and Reverse Repurchase Agreements. The City does not have any investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools, that represent 5% or more of total City-wide investments as follows at June 30, 2009.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 2. CASH AND INVESTMENTS - Continued

H. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of the City's cash on deposit. All of the City's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in the City's name.

Local Agency Investment Fund (LAIF) – The City is a voluntary participant in the Local Agency Investment Fund. LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations. The carrying value of LAIF approximates fair value.

I. Cash Equivalents

For purposed of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Proprietary fund type's cash and investments balance classified as Available for Operations are considered cash equivalents.

NOTE 3. PERMANENT FUNDS

The City is the beneficiary of several trusts established for its citizens. These trusts generally provide for the preservation of trust principal and allow the expenditure of trust income for purposes allowed under the trust. Only trust income may be expended. The City categorizes these funds as Permanent funds in the accompanying financial statements. These funds are:

- Library Endowment Trust – established to finance the purchase of additional books and materials for the library.
- Cemetery Endowment Care Trust – which accounts for "Endowment Care" revenues received in trust for the care of decedents' graves.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 3. PERMANENT FUNDS - Continued

- Lawrence and Millie Yount Trust – established in 1992, in the amount of approximately \$900,000 including the Yount's residence. The income from this Trust may be expended for the beautification of the City and for minor improvements on the educational and/or recreational facilities maintained by the City.

In addition, the City is the beneficiary of the Bertha L. Strong Trust, established in 1956. Under its terms, the principal of the Trust may only be used for the construction of a new City Hall or the expansion of certain City facilities used for education or recreation, except those usually authorized to be constructed or expanded by taxing, bonding or assessing. Trust income may only be used for beautification of the City, and is released by the Trustee only on application by the City. Since neither the principal nor the income of the Trust are under the control of the City, these amounts are not reflected in these financial statements. The ending balance of the Trust's financial activities, as reported by the Trustee, were as follows:

	<u>June 30, 2008</u>	<u>June 30, 2009</u>
Balance held by Trustee at end of year, at fair value	<u>\$968,668</u>	<u>\$806,037</u>

NOTE 4. INTERFUND TRANSFER

With Council approval, resources may be transferred from one City Fund to another. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund. These transfers were eliminated in the consolidation for the governmental activities. Transfers comprised the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Activities		
Governmental funds		
Major funds		
General fund	\$ 84,799	\$525,666
Nonmajor funds	<u>684,227</u>	<u>133,042</u>
Total Governmental Activities	<u>769,026</u>	658,708
Business-type Activities		
Sewer Operating	-	25,519
Golf Course	<u>-</u>	<u>84,799</u>
Total Business-type funds	<u>-</u>	<u>110,318</u>
Total	<u>\$769,026</u>	<u>\$769,026</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 5. LOANS RECEIVABLE

A. Housing Assistance Loans

The City engages in programs designed to encourage construction or improvement in low-to-moderate income housing. Under these programs, loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. Terms include interest rates of three to five percent and deferral of principal and interest payment until the property changes hands. All loans are secured by a deed of trust on the property.

Although these loans and notes are expected to be repaid in full, their balance has offset by a reservation of fund balance, as they are not expected to be repaid during the current fiscal year. The balance of the loans receivable arising from these programs at June 30, 2009 was \$1,422,218.

B. Sewer Lateral Replacement Loans

The City has a Sewer Lateral Repair/Replacement Loan Program to improve sewer lateral lines connected to homeowners' residences. These loans carry an interest rate of three percent per annum. Repayment on loan principal and interest are deferred until the property is sold. All loans are secured by a deed of trust on the property. The balance of these loans receivables from this program at June 30, 2009 was \$138,672.

C. Golf Course Kitchen Equipment Purchase Lease

The City entered into a kitchen equipment purchase lease agreement with the food and beverage concessionaire at the Golf Course. The City purchased and installed the kitchen equipment during the construction of the new clubhouse and sold interest and title to the fixtures and equipment to the concessionaire. The principal amount of the loan is \$152,000 and carries an interest rate of six percent per annum. The term of the loan is fifteen years and payments of \$1,282.66 are due monthly. The balance of this loan receivable at June 30, 2009 was \$131,319.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 6. CAPITAL ASSETS

All capital assets are valued 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. The City defines capital assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of three years.

GASB Statement 34 allows the City up to four years to record infrastructure assets acquired in prior years. With the implementation of GASB 34 the City has recorded current year additions and improvements to infrastructure. Historical values for infrastructure assets since 1980 are recorded as adjustments to capital assets as of June 30, 2008.

GASB Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternately, the "modified approach" may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful live in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Infrastructure	70 years
Buildings	15-70 years
Improvements	10-20 years
Sewer lines	40 years
Vehicles	3-5 years
Equipment	3-30 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 6. CAPITAL ASSETS – Continued

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions/ Adjustments	Retirements/ Adjustments	Balance June 30, 2009
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 2,338,270	\$ -	\$ -	\$ 2,338,270
Construction in progress	237,305	-	160,167	77,138
Total capital assets, not being depreciated	<u>2,575,575</u>	<u>-</u>	<u>160,167</u>	<u>2,415,408</u>
Capital assets, being depreciated:				
Infrastructure	19,161,043	2,056,710	-	21,217,753
Buildings	11,117,346	-	-	11,117,346
Improvements	242,192	-	-	242,192
Machinery and equipment	<u>3,626,579</u>	<u>125,126</u>	<u>-</u>	<u>3,751,705</u>
Total capital assets, being depreciated	<u>34,147,160</u>	<u>2,181,836</u>	<u>-</u>	<u>36,328,996</u>
Less accumulated depreciation for:				
Infrastructure	6,949,504	290,864	-	7,240,368
Buildings	5,697,048	110,050	-	5,807,098
Improvement	74,905	11,379	-	86,284
Machinery and equipment	<u>2,531,677</u>	<u>225,647</u>	<u>-</u>	<u>2,757,324</u>
Total accumulated depreciation	<u>15,253,134</u>	<u>637,940</u>	<u>-</u>	<u>15,891,074</u>
Total capital assets, being depreciated, net	<u>18,894,026</u>	<u>1,543,896</u>	<u>-</u>	<u>20,437,922</u>
Governmental activities capital assets, net	<u>\$21,469,601</u>	<u>\$1,543,896</u>	<u>\$160,167</u>	<u>\$22,853,330</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 362,973	\$ -	\$ -	\$ 362,973
Total capital assets, not being depreciated	<u>362,973</u>	<u>-</u>	<u>-</u>	<u>362,973</u>
Capital assets, being depreciated:				
Buildings	6,093,798	-	-	6,093,798
Improvements	2,925,889	102,651	-	3,028,540
Machinery and equipment	1,596,432	265,634	-	1,862,066
Sewer line	<u>5,112,783</u>	<u>62,008</u>	<u>-</u>	<u>5,174,791</u>
Total capital assets, being depreciated	<u>15,728,902</u>	<u>430,293</u>	<u>-</u>	<u>16,159,195</u>
Less accumulated depreciation for:				
Buildings	793,280	83,272	-	876,552
Improvements	1,285,251	186,323	-	1,471,574
Machinery and equipment	1,365,162	109,003	-	1,474,165
Sewer line	<u>760,148</u>	<u>124,339</u>	<u>-</u>	<u>884,487</u>
Total accumulated depreciation	<u>4,203,841</u>	<u>502,937</u>	<u>-</u>	<u>4,706,778</u>
Total capital assets, being depreciated, net	<u>11,525,061</u>	<u>(72,644)</u>	<u>-</u>	<u>11,452,417</u>
Business-type activities capital assets, net	<u>\$11,888,034</u>	<u>(\$ 72,644)</u>	<u>\$ -</u>	<u>\$11,815,390</u>

Some capital assets may be acquired using federal and state grant funds, or they may be contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 6. CAPITAL ASSETS – Continued

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental activities:	
Police	\$ 66,564
Fire	77,628
General administration	359,075
Public works	80,069
Recreation	20,096
Library	8,867
Community development & building inspection	14,195
Museum	<u>11,446</u>
Total depreciation expense – governmental activities	<u>\$637,940</u>
Business-type activities:	
Cemetery operating	\$ 45,654
Sewer operating	181,729
Golf course	<u>275,554</u>
Total depreciation expense – business-type activities	<u>\$502,937</u>

NOTE 7. LONG-TERM DEBT

Long-term liabilities at June 30, 2009 included the following:

<u>Type of obligation</u>	<u>Original Issue Amount</u>	<u>Balance July 1, 2008</u>	<u>Additions/ Adjustment</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>	<u>Due within one year</u>
<u>Governmental Activities</u>						
<u>Governmental funds</u>						
<u>General Obligation Refunding Note</u>						
2003 Refunding Butterfly						
Habitat Note; 4.45%;						
maturity 8/1/17	\$ 963,793	\$ 739,504	\$ -	\$ 59,210	\$ 680,294	\$ 63,545
<u>Housing Rehabilitation bank loan</u>						
No interest; maturity 5/18/10	150,000	75,000	-	-	75,000	75,000
<u>Capital Lease</u>						
2003 Civic Center financing						
lease; 3.85%; maturity						
2/8/14	1,909,387	1,183,502	-	178,935	1,004,567	185,889
Pierce Dash 2000 Pumper:						
3.885% maturity 8/15/15	410,134	340,114	-	37,064	303,050	38,503

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 7. LONG-TERM DEBT

Type of obligation	Original Issue Amount	Balance July 1, 2008	Additions/ Adjustment	Retirements	Balance June 30, 2009	Due within one year
2009 Police vehicles: 5.95%; maturity 11/21/10	\$ 31,570	\$ -	\$ 31,570	\$ 11,137	\$ 20,433	\$ 9,921
Stromberg Time & Attendance: 8.803% maturity 11/21/10	20,830	-	17,627	6,844	10,783	7,471
<i>Pension Obligation Bond</i>						
Taxable Pension Obligation						
Bonds: 5.67%-6.12%; maturity 6/1/29	19,365,355	18,494,612	-	1,268,194	17,226,418	1,240,280
Accreted Interest		<u>2,192,430</u>	<u>1,620,511</u>	<u>-</u>	<u>3,812,941</u>	<u>-</u>
Total Governmental Activities		<u>\$23,025,162</u>	<u>\$1,669,708</u>	<u>\$1,561,384</u>	<u>\$23,133,486</u>	<u>\$1,620,609</u>
<u>Business-type Activities</u>						
<u>Enterprise fund – Cemetery</u>						
<i>Capital Lease</i>						
Mower: 4.47%; due monthly until 7/15/10	\$ 52,273	\$ 22,253	\$ -	\$ 10,681	\$ 11,572	\$ 10,681
<u>Enterprise fund – Sewer</u>						
<i>Revenue bonds</i>						
California Statewide Community Dev. Auth. Series 2000B: 3.25%- 5.125%; due 10/1/31	1,475,000	1,320,000	-	30,000	1,290,000	30,000
Less: unamortized discount		(20,145)	-	(864)	(19,281)	(864)
<i>Capital Lease</i>						
Backhoe: 2.75%-5.75%; due annually until 11/16/09	85,650	34,884	-	17,104	17,780	17,780
Vactor truck: due monthly until 3/30/14	165,624	-	165,624	8,062	157,562	30,931
<u>Enterprise fund – Golf</u>						
<i>Certificates of Participation</i>						
2004 Golf Course Project: 2.75%-5.75%; maturity 8/1/34	3,960,000	3,765,000	-	70,000	3,695,000	70,000
<i>Capital Lease</i>						
Mower: 5.756%; annually until 3/2/13	46,196	<u>-</u>	<u>46,196</u>	<u>9,811</u>	<u>36,385</u>	<u>8,328</u>
Total Business-type Activities		<u>\$5,121,992</u>	<u>\$211,820</u>	<u>\$144,794</u>	<u>\$5,189,018</u>	<u>\$166,856</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 7. LONG-TERM DEBT - Continued

2003 General Obligation Refunding Note

The City issued the Butterfly Habitat Bonds on the principal amount of \$1,230,000 in 1990 to acquire and improve an ancient wintering site for Monarch Butterflies consisting of a 2.2 acres parcel.

On November 1, 2003, the City entered into a \$963,793 General Obligation Refunding Note. This note was issued to refund the remaining principal amount and accrued interest from the 1990 Butterfly Habitat Bonds. Semi-annual principal and interest are due February 1 and August 1. At June 30, 2009, annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 63,545	\$ 28,859
2011	67,773	25,937
2012	66,889	22,941
2013	70,966	19,874
2014	74,923	16,628
2015-2018	<u>336,198</u>	<u>30,696</u>
Totals	<u>\$680,294</u>	<u>\$144,935</u>

Housing Rehabilitation Bank Loan

On March 28, 2000, the City entered into a \$150,000 no-interest loan agreement with a bank. The loan agreement requires the loan proceeds to be used only to fund the City's housing rehabilitation loan program. At the end of 5 years, the loan agreement calls for \$75,000 of the loan balances to be forgiven, with the remaining \$75,000 due and payable at the end of 10 years. During the 2006 fiscal year, forgiveness of the \$75,000 had occurred and recorded as a decrease in long-term debt. At June 30, 2009, the loan balance is \$75,000.

2003 Civic Center Financing Leases

On November 18, 1998, the City entered into a financing lease agreement for \$1,500,000 to fund the Civic Center site improvement project. Included in the project are the construction of a civic plaza, parking lot and new building, rehabilitation of the exiting City hall building, demolition of some existing building and landscaping. On August 1, 2003, the City refinanced the lease by entering into a new Civic Center Financing lease in the amount of \$1,909,387. Semi-annual principal and interest are due on February 8 and August 8. At June 30, 2009, annual debt service requirements to maturity are as follows:

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 7. LONG-TERM DEBT - Continued

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 185,889	\$ 36,904
2011	193,115	29,678
2012	200,622	22,171
2013	208,420	14,373
2014	<u>216,521</u>	<u>6,272</u>
Totals	<u>\$1,004,567</u>	<u>\$109,398</u>

Capital Lease Obligations – governmental activities

Capital lease obligations are repayable from future revenues of the fund to which they have been assigned. At June 30, 2009, annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 55,895	\$13,643
2011	53,823	10,976
2012	41,553	8,724
2013	43,167	7,110
2014	44,844	5,433
2015-2016	<u>94,984</u>	<u>5,568</u>
Totals	<u>\$334,266</u>	<u>\$51,454</u>

Pension Obligation Bond

On June 1, 2006, the City issued Taxable Pension Obligation Bond in the principal amount of \$19,365,355. The bonds were part of the California Statewide Communities Development Authority Taxable Pension Obligation Bonds Program. The purpose of the bond is to provide monies to meet the unfunded accrued actuarial liability (“UAAL”) to the California Public Employee’s Retirement System (“PERS”). Semi-annual payments are due on June 1 and December 1. At June 30, 2009, annual debt service requirements to maturity are as follows:

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 7. LONG-TERM DEBT - Continued

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest Accretion</u>	<u>Interest</u>
2010	\$ 1,240,280	\$ 262,047	\$ 304,720
2011	1,207,782	257,608	387,218
2012	1,180,806	251,856	469,194
2013	1,145,902	246,721	554,098
2014	1,115,470	242,880	644,530
2015-2019	5,109,137	1,132,216	4,580,863
2020-2024	4,033,951	917,305	6,321,049
2025-2029	<u>2,193,090</u>	<u>502,307</u>	<u>5,546,910</u>
Totals	<u>\$17,226,418</u>	<u>\$3,812,940</u>	<u>\$18,808,582</u>

California State Community Development Authority Series 2001B Revenue Bond

On August 1, 2001, the City issued Wastewater Revenue Bond in the principal amount of \$1,475,000. The bonds were part of the California Statewide Communities Development Authority Water and Wastewater Revenue Bond pooled financing program. The purpose of the bond is to construct certain improvements to the City of Pacific Grove's sewer system. Semi-annual interest payments are due on April 1 and October 1 and annual principal payments are due on October 1. Repayments are secured by future sewer service revenues. Interest rates on the bonds range from 3.25% to 5.125%. At June 30, 2009, annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 30,000	\$ 62,383
2011	35,000	61,113
2012	35,000	59,695
2013	35,000	58,225
2014	40,000	56,573
2015-2019	220,000	253,514
2020-2024	280,000	190,569
2025-2029	360,000	110,500
2030-2032	<u>255,000</u>	<u>19,623</u>
Totals	<u>\$1,290,000</u>	<u>\$872,195</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 7. LONG-TERM DEBT - Continued

Capital Lease Obligations – business-type activities

Capital lease obligations are repayable from future revenues of the fund to which they have been assigned. At June 30, 2009, annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 67,720	\$10,375
2011	41,797	5,820
2012	42,625	3,901
2013	44,420	2,106
2014	<u>26,737</u>	<u>411</u>
Totals	<u>\$223,299</u>	<u>\$22,613</u>

2004 Certificates of Participation (Golf Course Project)

On August 1, 2004, the City issued 2004 Certificates of Participation (Golf Course Project) in the principal amount of \$3,960,000. Proceeds were used to finance capital improvements to the City's municipal golf course. Semi-annual interest payments are due on February 1 and August 1 and annual principal payments are due on August 1. Repayments are secured by future revenues from the operation of the City's Golf Course Enterprise fund. Interest rates range from 2.75% to 5.75%. At June 30, 2009, annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 70,000	\$ 198,773
2011	75,000	195,779
2012	75,000	192,516
2013	80,000	188,988
2014	85,000	185,109
2015-2019	495,000	855,110
2020-2024	635,000	705,038
2025-2029	830,000	502,978
2030-2034	1,095,000	233,766
2035	<u>255,000</u>	<u>7,204</u>
Totals	<u>\$3,695,000</u>	<u>\$3,265,261</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 8. NET ASSETS AND FUND BALANCES

Net Assets

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets is classified as and displayed in three components:

- Invested in capital assets, net of related debt – Consists of the current net book value of the City's capital assets less the outstanding balances of any debt issued to finance these assets.
- Restricted net assets – Consists of net assets constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. A legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor.
- Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" and are not restricted for any project or purpose.

Fund Balances

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Reserved fund balances represent amounts that not available for appropriation or are not expendable financial resources. Reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City management and can be increased, reduced or eliminated by similar actions.

As of June 30, 2009, reservations of fund balance are described below:

- Long-term loan receivable – to reflect the amount due from other governmental agency for the Housing Assistance Loans which are long-term in nature. Such amounts do not represent available spendable resources.
- Debt service – to reflect the funds held by trustees or fiscal agents for future payment of debt principal and interest. These funds are not available for general operations.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 8. NET ASSETS AND FUND BALANCES - Continued

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures.

As of June 30, 2009, designations of fund balance are described below:

- Contingencies – if available, this designation sets aside an amount equal to 10% of the previous year's General Fund revenues.
- Tax interim – an amount equal to \$750,000 set aside to be available to assist in meeting annual cash flow demands.

NOTE 9. DEFICIT FUND EQUITY/NET ASSETS

The following funds had deficit fund balance at June 30, 2009:

Governmental Activities	
Governmental funds	
Nonmajor funds	
RSTP (TAMC)	\$ 23,151
Public Safety Augmentation	197,374
Storm Water	14,437

The following funds had deficit net assets at June 30, 2009:

Governmental Activities	
Internal Service funds	
Workers' Compensation Insurance	\$1,305,713

The Regional Surfacing Transportation Projects (RSTP) fund deficit of \$23,151 resulted from a write-off of receivables from fiscal year 2007-2008 due to non-reimbursement from TAMC during the current fiscal year. This resulted in lower than anticipated revenues received in the current year which did not fully cover 2008-2009 actual expenditures.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 9. DEFICIT FUND EQUITY/NET ASSETS - Continued

The Public Safety Augmentation fund deficit is a carry-over from two prior period adjustments booked in fiscal year 2007. The County of Monterey bills cities for emergency communication services in arrears. Historically, the invoice for the current fiscal year is received in September of the following fiscal year. The City's practice has been to pay the prior year's service using current year revenues. A prior period adjustment was made applying the invoice paid in 2006-2007 to fiscal year 2005-2006 and accruing the invoice paid in September 2007 to fiscal year 2006-2007 restating the beginning fund balance. The invoice received for 2007-2008 services was for more than what was anticipated in the 2007-2008 budget which resulted in current year revenues not being sufficient to pay for services. The City will continue to work with the County to develop a more efficient manner in which the cost for emergency communication services can be determined so that a more efficient budgeting process can alleviate the fund's deficit. It should be noted that the fund's deficit has been reduced from \$294,728 in fiscal year 2007-2008 to \$197,374 in fiscal year 2008-2009. The City plans to have the fund deficit fully reduced by fiscal year 2010-2011.

The Storm Water fund deficit is a carry-over from a prior period adjustment. In fiscal year 2007, a contractor simultaneously working on a sewer line project and storm water diversion project billed for both projects on one invoice and the total cost of the invoice was charged to the Sewer fund. The prior period adjustment reversed the charge in the Sewer fund and correctly charged the cost to the Storm Water fund and restated the beginning fund balance in the Storm Water fund. As a result of the prior period adjustment being entered after the 2008-2009 budget was approved, the fund did not have sufficient revenue budgeted to cover current year costs. The fund's deficit has been reduced from \$91,661 in fiscal year 2007-2008 to \$14,437 in fiscal year 2008-2009. The City will make additional operating transfers in subsequent years in order to reduce the deficit.

The Workers' Compensation Insurance fund deficit is a carry-over from a historical mismatch between claims activity and aggregate charges to departments based on claims activity. The City has made additional operating transfers and long-standing open claims have been closed during the current year reducing the fund deficit from \$1,799,719 in fiscal year 2007-2008 to \$1,305,713 in fiscal year 2008-2009.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 10. PENSION PLANS

Substantially all City employees are eligible to participate in pension plans offered by California Employees Retirement System (CALPERS), an agent of the cost-sharing multiple-employer defined benefit pension plan which acts as common investment and administrative agent for its participating member employers. CALPERS provides retirement, disability, and death benefits based on the employees' years of service, age, and final compensation. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service.

The Plans' provisions and benefits are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule (credited service)	5 years	5 years
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	55
Monthly benefit, as a % of annual salary	3%	2%
Required employee contribution rates	9%	7%
Required employer contribution rates	19.166%	9.167%

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.

CALPERS uses the market valuation method of valuing the Plan's assets. An investment rate of return of 7.75% (net of administrative expenses) is assumed, including inflation at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 10. PENSION PLANS - Continued

Effective July 1, 2005, the City's Miscellaneous and Safety Plans were joined into State-wide risk pools. The Risk Pool's latest history of funded status and funding progress are as follows (amounts in millions):

Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL as % of Payroll
<i><u>Safety Plan:</u></i>						
6/30/2006	\$7,278	\$6,103	\$1,175	83.9%	\$755	155.7%
6/30/2007	7,986	6,827	1,159	85.5%	832	139.4%
6/30/2008	8,700	7,465	1,236	85.8%	915	135.1%
<i><u>Miscellaneous Plan:</u></i>						
6/30/2006	\$2,754	\$2,492	\$262	90.5%	\$700	37.5%
6/30/2007	2,612	2,391	221	91.5%	666	33.1%
6/30/2008	2,780	2,547	233	91.6%	689	33.8%

Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Actuarially required contributions for fiscal years 2009, 2008, and 2007 were \$921,267, \$1,312,277, and \$2,588,511, respectively. The current year's required contribution was determined as part of the June 30, 2005 actuarial valuation. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation. The City does not have a net pension obligation since it pays these actuarially required contributions monthly.

In June 2006 the City issued Pension Obligation Bonds to refinance the unfunded portion of the City's total CalPERS liability at a lower rate than that which would have been paid directly to CalPERS (7.75%). Interest rates on the bonds range from 5.67% to 6.12%.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 11. PUBLIC AGENCY RETIREMENT SYSTEM

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by either Social Security or an alternative plan. Effective May 22, 2006, the City contracted with the Public Agency Retirement System (PARS), a defined contribution plan. This Plan covers part-time, seasonal and temporary employees and all employees not covered by another retirement system. All eligible employees covered by the Plan are fully vested. Employer liabilities are limited to the amount of current contributions.

Under PARS, employees contribute 6.2% and the City contributes 6.2% of the employees' salary each pay period. For the fiscal year ending June 30, 2009, total contributions of \$40,405 were made.

NOTE 12. NET OPEB OBLIGATION

The City provides limited health care benefits through PERS to retired employees. Benefits provided require sharing of cost from retirees eligible to participate in the program. During the year ended June 30, 2009, the City paid \$33,450 for its share of benefits on behalf of 21 participants. The City budgets for the amounts to be paid on a "pay as you go" basis.

The actuarial valuation of postemployment medical benefits is available directly from the City. Based on the City's latest actuarial valuation (valuation date January 1, 2009 with valuation results rolled back to July 1, 2008):

Actuarial method	Entry age normal
Amortization method	Level percentage of future payroll
Amortization period	30 year
Discount rate	4%
Health care trend	5% per year after 2010

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Normal</u> <u>Cost</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Contributions</u> <u>during the</u> <u>year</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
6/30/09	\$58,528	\$164,320	\$33,450	20%	\$130,870

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 12. NET OPEB OBLIGATION - Continued

	(a)	(b)	(a)-(b) Unfunded	(b) / (a)	(c)	[(a)-(b)]/(c)
Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (UAAL)	Funded Ratios	Annual Covered Payroll	UAAL as a % of Payroll
7/1/08	\$2,753,014	\$ -	\$2,753,014	0%	\$8,627,274	32%

NOTE 13. RISK MANAGEMENT

A. Insurance Coverage

The City is a member of the Public Agency Risk Sharing Authority of California (PARSAC), a joint powers authority which provides annual general liability coverage up to \$14,000,000 in the aggregate. The City retains the risk for the first \$100,000 in the general liability claims.

PARSAC is governed by a board consisting of representatives from member municipalities. The board controls the operations of PARSAC, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's premiums are based upon the following factors: claims history, total payroll, the City's exposure, the results of an on-site underwriting inspection, total insurable values, and employee classification ratings. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating which generally occurs in the third year after the completion of the program year.

Financial statements for the Authority may be obtained from PARSAC, 1525 Response Road, Suite One, Sacramento, CA 95815.

The City is a member of the California Public Entity Insurance Authority (CPEIA); a joint power authority which provides excess worker's compensation liability claims coverage above the City's self-insured retention of \$100,000 per occurrence. Losses above the self-insured retention are pooled with excess reinsurance purchased to a \$45,000,000 limit. CPEIA was established for the purpose of creating a risk management pool for all California public entities. CPEIA is governed by a Board of Directors consisting of representatives of its member public entities.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 13. RISK MANAGEMENT - Continued

As of July 1, 2006 the City joined PARSAC for its worker's compensation liability coverage.

B. Liability for Uninsured Claims

Municipalities are required to record their liability for uninsured claims and reflect the current portion of this liability as an expenditure in their financial statements. As discussed, above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims.

The City's liability for uninsured claims is limited to worker's compensation, general liability and medical and vision care claims, as discussed above, and was estimated by management based on prior years' claims experience as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Liability</u> <u>Insurance</u>	<u>Total</u>
Ending balance, June 30, 2008	\$1,797,430	\$227,225	\$2,024,655
Incurred claims and changes in estimate	423,998	447,981	871,979
Claim payments	(741,340)	(326,495)	(1,067,835)
Ending balance, June 30, 2009	<u>\$1,480,088</u>	<u>\$348,711</u>	<u>\$1,828,799</u>
Due within one year	<u>\$198,814</u>	<u>\$125,863</u>	<u>\$324,677</u>

NOTE 14. COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the City may incur a liability to grantor agencies.

B. Litigation

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there are only some of these matters that may prove to be detrimental to the city. The total of these litigations, amounting to \$350,000 have been reserved by the city.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2009

NOTE 15. PRIOR PERIOD ADJUSTEMENTS

Several prior period adjustments have been recorded to correct the City's Net Assets & Fund Balances from last year's qualified opinion. These are mostly adjustments on capital assets, accreted interest and revenue and expenditure cut-off. Some material adjustments of note require additional disclosure.

The General Fund had two prior period adjustments increasing the beginning fund balance \$263,976. The first adjustment was the result of utility use tax and sales tax revenue not accrued in fiscal year 2007-2008 in the amount of \$127,585. The second adjustment was the result of a journal entry that voided checks in January 2007. The entry incorrectly credited the withholding account in the general fund instead of the correct division expense account. This resulted in an overstatement of the withholding account. The total amount of the adjustment was \$136,391.

The Local Streets & Road fund and Traffic Congestion Relief fund has a \$400,000 prior period adjustment as a result of the City receiving its share of bond proceeds from the sale of Transportation Bonds approved in 2006. The City originally received the proceeds as a receivable in the Traffic Congestion Relief Program. The City was later notified by the State that these monies were to be deposited into a unique fund. The adjusting entry increased the beginning fund balance in the Local Streets & Roads fund and decreased the beginning fund balance in the Traffic Congestion Relief Fund.

The Employee Benefits fund has a prior period adjustment increasing the beginning fund balance by \$3,480 as a result of revenue not accrued in the fiscal year 2007-2008.

The Workers' Compensation fund has a prior period adjustment increasing the beginning fund balance by \$30,510 as a result of revenue not accrued in the fiscal year 2007-2008.



Required Supplementary Information
(other than MD&A)



CITY OF PACIFIC GROVE, CALIFORNIA
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Balances, Beginning	\$ 1,156,681	\$ 1,156,681	\$ 1,156,681	\$ -
Resources (inflows)				
Property tax	3,645,006	3,645,006	4,070,124	425,118
Sales tax	1,556,726	1,556,726	2,433,373	876,647
Transient occupancy tax	3,348,135	3,348,135	3,046,537	(301,598)
Franchise tax	884,203	884,203	852,640	(31,563)
Utility users	1,476,040	1,476,040	1,425,920	(50,120)
Business license	285,551	285,551	294,220	8,669
Real estate transfer tax	40,000	40,000	58,202	18,202
Licenses and permits	415,200	415,200	364,923	(50,277)
Fines, forfeitures and penalties	62,200	62,200	35,671	(26,529)
Intergovernmental	1,300,287	1,300,287	1,396,178	95,891
Charges for current services	1,181,760	1,181,760	1,341,506	159,746
Use of money and property	182,840	182,840	217,994	35,154
Interdepartmental charges	1,898,109	1,898,109	1,498,103	(400,006)
Other	177,000	177,000	137,112	(39,888)
Transfers in	720,000	720,000	84,799	(635,201)
Amounts Available for Appropriation	17,173,057	17,173,057	17,257,302	84,245
Charges to appropriations (outflows)				
Current				
Public safety				
Police	5,005,128	5,116,969	5,012,444	104,525
Fire	3,179,349	3,316,592	3,299,705	16,887
General administration	2,393,814	2,393,814	2,300,230	93,584
Public works	1,711,182	1,725,482	1,605,953	119,529
Recreation	392,926	392,926	381,344	11,582
Library	598,560	623,560	626,310	(2,750)
Community development & building inspection	1,181,211	1,181,211	1,011,422	169,789
Museum	151,543	166,543	163,885	2,658
Capital outlay	362,000	167,500	5,808	161,692
Debt service				
Principal	1,268,194	1,268,194	1,275,038	(6,844)
Interest and fiscal charges	226,806	226,806	228,086	(1,280)
Transfers out	261,787	455,412	525,666	(70,254)
Total Charges to Appropriation	16,732,500	17,035,009	16,435,891	599,118
Budgetary Balances, Ending	\$ 1,597,238	\$ 1,294,729	\$ 1,978,092	\$ 683,363

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2009

**Explanation of Differences between Budgetary Inflows and Outflows
and GAAP Revenues and Expenditures**

Sources/Inflows of Resources

Actual amounts (budgetary basis) "available for appropriation" from the
budgetary comparison schedule \$ 17,257,302

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources but are not
revenues for financial reporting purposes (84,799)

Total Revenues as Reported on the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds \$ 17,172,503

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriation" from the
budgetary comparison schedule \$ 16,435,891

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not
expenditures for financial reporting purposes (525,666)

Total Expenditures as Reported on the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds \$ 15,910,225
Concluded

Supplementary Information



Nonmajor Governmental Funds

CITY OF PACIFIC GROVE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

SPECIAL REVENUE FUNDS

These funds account for the proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes.

Carillon Acquisition & Maintenance. This fund is for donations designated for the maintenance of the tower clock and chimes system at City Hall.

Ocean Rescue. This fund is for donations to the Ocean Rescue program and fees generated by the use of the hyperbaric chamber at the Fire Department.

Library Building & Equipment. This fund is for donations designated for improvements to the City Library.

Museum Improvement. This fund is for donations designated for improvements to the Museum facility.

Downtown Business District. This fund accounts for the collection of self-assessed fees from businesses within the Business Improvement District and the payment of those fees to the Pacific Grove Chamber of Commerce. Businesses within the Downtown Business Improvement District remit those fees to the City upon the annual renewal of their business licenses.

Hospitality Improvement District. This fund accounts for the collection of self assessed fees by the hotels within the City and the payment of those fees to the Monterey County Convention and Visitor's Bureau. All the hotels in the City have agreed to this self assessment and remit those fees with their Transient Occupancy Tax payments.

Library Book. This fund accounts for donations designated for the purchase of books for the City Library.

Fire Dept. Emergency Equipment. This fund accounts for grants, fees and donations in support of Fire Department safety programs.

Civic Center Site. This fund accounts for funds dedicated to the maintenance and improvement of City Hall and surrounding property, and revenues derived from the use of City owned buildings in that area..

Housing Program. This fund accounts for housing program loans under a federal program funded by CDBG.

Traffic Congestion Relief. This fund accounts for resources received from the State to provide for traffic improvements that facilitate the flow of traffic.

Local Streets & Roads. This fund accounts for the receipt of bond proceeds from the State of California used to fund local transportation projects as a result of passage of the Transportation Bond Program of 2006, or Proposition 1B.

State Gas Tax. This fund accounts for the expenditures of State Gas Tax monies received.

RSTP (TAMC). This fund accounts for allocations from the Regional Surface Transportation Program for street and sidewalk improvements.

CITY OF PACIFIC GROVE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

SPECIAL REVENUE FUNDS - Continued

Drug Awareness (DARE). This fund accounts for revenues designated for the Drug Awareness and Resistance Program directed by the Police Department.

(LLEBG) Law Enforcement Block Grant. This fund accounts for federal LLEBG grant funds used in support of specific local law enforcement programs.

Environmental Enhancement. This fund accounts for revenues associated with Coastal Area Planning grants, coastal area land use, and Environmental Impact Report deposit funds.

Recreation Donation. This fund accounts for donations in support of youth programs through the Recreation Department. This fund was previously named Youth Center.

Chautauqua Hall Preservation. This fund accounts for revenues designated for the maintenance and improvement of the historic Chautauqua Hall building.

Lighthouse Maintenance & Improvement. This fund accounts for any expenses and/or any donations, proceeds, or operating transfers received related to the maintenance and improvement of the Point Pinos Lighthouse.

Senior Housing. This fund accounts for senior housing activities.

Operating Grants. This fund accounts for grant monies received to support general operations.

Operating Donations. This fund accounts for donations received to support general operations.

Vehicle Replacement. This fund accounts for the purchase of City vehicles.

Housing Rehabilitation (DPRL). This fund accounts for the revolving loan funds used in the City's Housing Rehabilitation Loan Program managed by the Community Development Department.

Yount Trust Income. This fund accounts for income from the expendable portion of the Yount Trust.

Public Safety Augmentation. This fund accounts for revenue resulting from the passage of Proposition 172, designated for Public Safety related programs.

Supplemental Law Enforcement (SLES). This fund accounts for grants designated for the improvement of the law enforcement program.

Storm Water Fund. This fund accounts for all storm water activities.

Ocean Front Restoration. This fund accounts for grants and donations designated for the maintenance and improvement to the City's coastline area. This fund was previously named Rocky Shores Preservation.

Poetry Promotion fund. This fund accounts for the income from a bequest to the City designated for the promotion of poetry in the community.

McIndoo Donation. This fund accounts for the receipt of a donation from the Jeanette J. McIndoo Trust and for the expense for beautification and enhancement of public facilities and grounds.

CITY OF PACIFIC GROVE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

CAPITAL PROJECT FUND

Buildings & Facilities Improvement. This fund accounts for funds used for the acquisition, construction and improvement of City facilities, with the exception of those assets financed by proprietary funds.

DEBT SERVICE FUND

This fund is used for the accumulation of resources for, and payment of, general long-term debt principal and interest.

1990 Butterfly Habitat Bond. This fund accounts for payment of City bonds issued for the purchase of the property known as the Butterfly Habitat.

PERMANENT FUNDS

These funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Library Endowment Trust. This fund accounts for the principal corpus of this endowment.

Cemetery Endowment Trust. This fund accounts for the principal corpus of this endowment.

Yount Trust. This fund accounts for the principal corpus of this endowment.



CITY OF PACIFIC GROVE, CALIFORNIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2009

	<u>Special Revenue</u>			
	<u>Carillon Acquisition & Maintenance</u>	<u>Ocean Rescue</u>	<u>Library Building & Equipment</u>	<u>Museum Improvement</u>
<u>Assets</u>				
Cash and investments				
Available for operations	\$ 23,886	\$ 42,974	\$ 432,109	\$ 459,819
Held in trust	-	-	-	-
Receivables				
Accounts	-	-	-	-
Loans	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	\$ <u>23,886</u>	\$ <u>42,974</u>	\$ <u>432,109</u>	\$ <u>459,819</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 114	\$ -	\$ 2,200
Accrued wages and benefits	-	2,114	-	-
	<u>-</u>	<u>2,114</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>2,228</u>	<u>-</u>	<u>2,200</u>
<u>Fund Balances</u>				
Reserved for				
Long-term loan receivable	-	-	-	-
Debt service	-	-	-	-
Unreserved, reported in				
Special revenue funds	23,886	40,746	432,109	457,619
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>23,886</u>	<u>40,746</u>	<u>432,109</u>	<u>457,619</u>
Total Liabilities and Fund Balances	\$ <u>23,886</u>	\$ <u>42,974</u>	\$ <u>432,109</u>	\$ <u>459,819</u>

Special Revenue						
Downtown Business District	Hospitality Improvement District	Library Book	Fire Dept. Emergency Equipment	Civic Center Site	Housing Program	Traffic Congestion Relief
\$ 2,471	\$ 33,043	\$ 84,215	\$ 39,597	\$ 33,910	\$ 302,273	\$ 47,340
-	-	-	-	-	-	-
-	62,331	-	-	-	-	55,753
-	-	-	-	-	755,016	-
<u>\$ 2,471</u>	<u>\$ 95,374</u>	<u>\$ 84,215</u>	<u>\$ 39,597</u>	<u>\$ 33,910</u>	<u>\$ 1,057,289</u>	<u>\$ 103,093</u>
\$ 2,466	\$ 95,222	\$ 787	\$ -	\$ 39	\$ 102	\$ 4,443
-	-	-	-	-	2,318	-
<u>2,466</u>	<u>95,222</u>	<u>787</u>	<u>-</u>	<u>39</u>	<u>2,420</u>	<u>4,443</u>
-	-	-	-	-	755,016	-
-	-	-	-	-	-	-
5	152	83,428	39,597	33,871	299,853	98,650
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>5</u>	<u>152</u>	<u>83,428</u>	<u>39,597</u>	<u>33,871</u>	<u>1,054,869</u>	<u>98,650</u>
<u>\$ 2,471</u>	<u>\$ 95,374</u>	<u>\$ 84,215</u>	<u>\$ 39,597</u>	<u>\$ 33,910</u>	<u>\$ 1,057,289</u>	<u>\$ 103,093</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2009

	Special Revenue			
	Local Streets & Roads	State Gas Tax	RSTP (TAMC)	Drug Awareness (DARE)
<u>Assets</u>				
Cash and investments				
Available for operations	\$ 370,315	\$ 59,318	\$ (14,458)	\$ 48,986
Held in trust	-	-	-	-
Receivables				
Accounts	-	-	-	1,903
Loans	-	-	-	-
Total Assets	<u>\$ 370,315</u>	<u>\$ 59,318</u>	<u>\$ (14,458)</u>	<u>\$ 50,889</u>
<u>Liabilities</u>				
Accounts payable	\$ 25,180	\$ 9,516	\$ 7,980	\$ -
Accrued wages and benefits	-	3,801	713	-
Total Liabilities	<u>25,180</u>	<u>13,317</u>	<u>8,693</u>	<u>-</u>
<u>Fund Balances</u>				
Reserved for				
Long-term loan receivable	-	-	-	-
Debt service	-	-	-	-
Unreserved, reported in				
Special revenue funds	345,135	46,001	(23,151)	50,889
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
Total Fund Balance	<u>345,135</u>	<u>46,001</u>	<u>(23,151)</u>	<u>50,889</u>
Total Liabilities and Fund Balances	<u>\$ 370,315</u>	<u>\$ 59,318</u>	<u>\$ (14,458)</u>	<u>\$ 50,889</u>

Special Revenue

<u>(LLEBG) Law</u>			Chautauqua	Lighthouse		
<u>Enforcement</u>	<u>Environmental</u>	<u>Recreation</u>	<u>Hall</u>	<u>Maintenance &</u>	<u>Senior</u>	<u>Operating</u>
<u>Block Grant</u>	<u>Enhancement</u>	<u>Donation</u>	<u>Preservation</u>	<u>Improvement</u>	<u>Housing</u>	<u>Grants</u>
\$ 68	\$ 21,354	\$ 8,847	\$ 31,001	\$ 67,305	\$ 9,451	\$ 204,375
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>68</u>	<u>21,354</u>	<u>8,847</u>	<u>31,001</u>	<u>67,305</u>	<u>9,451</u>	<u>204,375</u>
\$ -	\$ -	\$ 375	\$ -	\$ 4	\$ -	\$ 155,368
-	-	-	-	-	-	-
-	-	375	-	4	-	155,368
-	-	-	-	-	-	-
-	-	-	-	-	-	-
68	21,354	8,472	31,001	67,301	9,451	49,007
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>68</u>	<u>21,354</u>	<u>8,472</u>	<u>31,001</u>	<u>67,301</u>	<u>9,451</u>	<u>49,007</u>
<u>\$ 68</u>	<u>\$ 21,354</u>	<u>\$ 8,847</u>	<u>\$ 31,001</u>	<u>\$ 67,305</u>	<u>\$ 9,451</u>	<u>\$ 204,375</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2009

	Special Revenue			
	Operating Donations	Housing Rehabilitation (DPRL)	Yount Trust Income	Public Safety Augmentation
<u>Assets</u>				
Cash and investments				
Available for operations	\$ 48,283	\$ (52,322)	\$ 87,117	\$ 64,498
Held in trust	-	-	-	-
Receivables				
Accounts	-	107,849	-	13,928
Loans	-	667,202	-	-
	<u>-</u>	<u>667,202</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 48,283</u>	<u>\$ 722,729</u>	<u>\$ 87,117</u>	<u>\$ 78,426</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 3,095	\$ 200	\$ 275,800
Accrued wages and benefits	-	2,643	-	-
	<u>-</u>	<u>2,643</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>5,738</u>	<u>200</u>	<u>275,800</u>
<u>Fund Balances</u>				
Reserved for				
Long-term loan receivable	-	667,202	-	-
Debt service	-	-	-	-
Unreserved, reported in				
Special revenue funds	48,283	49,789	86,917	(197,374)
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
	<u>48,283</u>	<u>49,789</u>	<u>86,917</u>	<u>(197,374)</u>
Total Fund Balance	<u>48,283</u>	<u>716,991</u>	<u>86,917</u>	<u>(197,374)</u>
Total Liabilities and Fund Balances	<u>\$ 48,283</u>	<u>\$ 722,729</u>	<u>\$ 87,117</u>	<u>\$ 78,426</u>

Supplemental Law Enforcement (SLES)	Special Revenue				Capital Project Buildings & Facilities Improvement	Debt Service 1990 Butterfly Habitat Bond
	Storm Water Fund	Ocean Front Restoration	Poetry Promotion Fund	McIndoo Donation		
\$ 555	\$ 20,017	\$ 2,046	\$ 114,116	\$ 327,025	\$ 542,086	\$ 91,553
-	-	-	-	-	-	-
44,775	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 45,330</u>	<u>\$ 20,017</u>	<u>\$ 2,046</u>	<u>\$ 114,116</u>	<u>\$ 327,025</u>	<u>\$ 542,086</u>	<u>\$ 91,553</u>
\$ 235	\$ 34,200	\$ -	\$ 75,520	\$ -	\$ -	\$ -
-	254	-	-	-	-	-
-	-	-	-	-	-	-
235	34,454	-	75,520	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	91,553
45,095	(14,437)	2,046	38,596	-	-	-
-	-	-	-	-	542,086	-
-	-	-	-	327,025	-	-
<u>45,095</u>	<u>(14,437)</u>	<u>2,046</u>	<u>38,596</u>	<u>327,025</u>	<u>542,086</u>	<u>91,553</u>
<u>\$ 45,330</u>	<u>\$ 20,017</u>	<u>\$ 2,046</u>	<u>\$ 114,116</u>	<u>\$ 327,025</u>	<u>\$ 542,086</u>	<u>\$ 91,553</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2009

	Library Endowment Trust	Permanent Cemetery Endowment Trust	Yount Trust	Total
<u>Assets</u>				
Cash and investments				
Available for operations	\$ 547,859	\$ 894,563	\$ -	\$ 4,995,595
Held in trust	-	-	889,001	889,001
Receivables				
Accounts	-	-	-	286,539
Loans	-	-	-	1,422,218
Total Assets	\$ <u>547,859</u>	\$ <u>894,563</u>	\$ <u>889,001</u>	\$ <u>7,593,353</u>
<u>Liabilities</u>				
Accounts payable	\$ 2,437	\$ -	\$ -	\$ 695,283
Accrued wages and benefits	-	-	-	11,843
Total Liabilities	<u>2,437</u>	<u>-</u>	<u>-</u>	<u>707,126</u>
<u>Fund Balances</u>				
Reserved for				
Long-term loan receivable	-	-	-	1,422,218
Debt service	-	-	-	91,553
Unreserved, reported in				
Special revenue funds	-	-	-	2,174,359
Capital projects funds	-	-	-	542,086
Permanent funds	<u>545,422</u>	<u>894,563</u>	<u>889,001</u>	<u>2,656,011</u>
Total Fund Balance	<u>545,422</u>	<u>894,563</u>	<u>889,001</u>	<u>6,886,227</u>
Total Liabilities and Fund Balances	\$ <u>547,859</u>	\$ <u>894,563</u>	\$ <u>889,001</u>	\$ <u>7,593,353</u>
				Concluded



CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2009

	Special Revenue			
	Carillon Acquisition & Maintenance	Ocean Rescue	Library Building & Equipment	Museum Improvement
<u>Revenues</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for current services	-	-	-	-
Use of money and property	378	11,241	6,894	7,102
Other	-	3,291	300	2,851
	<u>378</u>	<u>14,532</u>	<u>7,194</u>	<u>9,953</u>
Total Revenues				
<u>Expenditures</u>				
Current				
Public safety				
Police	-	-	-	-
Fire	-	9,193	-	-
General administration	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	3,446	-
Community development & building inspection	-	-	-	-
Museum	-	-	-	4,250
Capital outlay	-	-	-	9,090
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>-</u>	<u>9,193</u>	<u>3,446</u>	<u>13,340</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>378</u>	<u>5,339</u>	<u>3,748</u>	<u>(3,387)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from capital lease	-	-	-	-
Transfers in	-	-	-	15,037
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,037</u>
Net other financing sources (uses)				
Net Change in Fund Balances	378	5,339	3,748	11,650
Fund Balances, Beginning	23,508	35,407	428,361	445,969
Prior Period Adjustments	-	-	-	-
Restated Fund Balances, Beginning	<u>23,508</u>	<u>35,407</u>	<u>428,361</u>	<u>445,969</u>
Fund Balances, Ending	\$ <u>23,886</u>	\$ <u>40,746</u>	\$ <u>432,109</u>	\$ <u>457,619</u>

Special Revenue						
Downtown Business District	Hospitality Improvement District	Library Book	Fire Dept. Emergency Equipment	Civic Center Site	Housing Program	Traffic Congestion Relief
\$ 3,376	\$ 245.807	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	28.169	-	9.530	203.926
-	-	8.218	7.192	-	40.512	-
-	-	1.333	6.118	19.500	4.964	682
-	-	85.158	30	-	1,258	-
<u>3,376</u>	<u>245.807</u>	<u>94.709</u>	<u>41.509</u>	<u>19,500</u>	<u>56.264</u>	<u>204.608</u>
-	-	-	-	-	-	-
-	-	-	10.830	-	-	-
16,801	245.807	-	-	203	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	51.256	-	-	-	-
-	-	-	-	-	108.140	-
-	-	-	-	-	-	-
-	-	-	28.169	-	-	115.599
-	-	-	-	178.935	-	-
-	-	-	-	43.859	-	-
<u>16,801</u>	<u>245.807</u>	<u>51.256</u>	<u>38.999</u>	<u>222.997</u>	<u>108.140</u>	<u>115.599</u>
<u>(13.425)</u>	<u>-</u>	<u>43.453</u>	<u>2.510</u>	<u>(203.497)</u>	<u>(51.876)</u>	<u>89.009</u>
-	-	-	-	-	-	-
13.425	-	-	-	212.000	-	-
-	-	-	-	-	-	-
<u>13.425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212.000</u>	<u>-</u>	<u>-</u>
-	-	43.453	2.510	8.503	(51.876)	89.009
5	152	39.975	37.087	25,368	1,106.745	409.641
-	-	-	-	-	-	(400.000)
<u>5</u>	<u>152</u>	<u>39.975</u>	<u>37.087</u>	<u>25,368</u>	<u>1,106.745</u>	<u>9.641</u>
<u>\$ 5</u>	<u>\$ 152</u>	<u>\$ 83.428</u>	<u>\$ 39.597</u>	<u>\$ 33,871</u>	<u>\$ 1,054.869</u>	<u>\$ 98.650</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2009

	Special Revenue			
	Local Streets & Roads	State Gas Tax	RSTP (TAMC)	Drug Awareness (DARE)
<u>Revenues</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	81,642	242,352	-	35,959
Charges for current services	-	-	-	-
Use of money and property	6,678	414	-	403
Other	-	-	-	2,100
Total Revenues	<u>88,320</u>	<u>242,766</u>	<u>-</u>	<u>38,462</u>
<u>Expenditures</u>				
Current				
Public safety				
Police	-	-	-	1,868
Fire	-	-	-	-
General administration	-	-	-	-
Public works	25,180	255,596	38,020	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development & building inspection	-	-	-	-
Museum	-	-	-	-
Capital outlay	-	2,029	18,010	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>25,180</u>	<u>257,625</u>	<u>56,030</u>	<u>1,868</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>63,140</u>	<u>(14,859)</u>	<u>(56,030)</u>	<u>36,594</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from capital lease	-	-	-	-
Transfers in	-	-	-	-
Transfers out	<u>(118,005)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>(118,005)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(54,865)	(14,859)	(56,030)	36,594
Fund Balances, Beginning	-	60,860	32,879	14,295
Prior Period Adjustments	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restated Fund Balances, Beginning	<u>400,000</u>	<u>60,860</u>	<u>32,879</u>	<u>14,295</u>
Fund Balances, Ending	<u>\$ 345,135</u>	<u>\$ 46,001</u>	<u>\$ (23,151)</u>	<u>\$ 50,889</u>

Special Revenue

(LIEBG) Law Enforcement Block Grant	Environmental Enhancement	Recreation Donation	Chautauqua Hall Preservation	Lighthouse Maintenance & Improvement	Senior Housing	Operating Grants	Operating Donations
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	20.460	-	-	-
1	338	123	491	1.198	150	3.239	134
-	-	3.318	-	4.969	-	242.377	33,562
<u>1</u>	<u>338</u>	<u>3,441</u>	<u>491</u>	<u>26.627</u>	<u>150</u>	<u>245,616</u>	<u>33,696</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,318
-	-	375	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3.391	-	210.024	-
-	-	-	-	-	-	6.972	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	375	-	3.391	-	216.996	1,318
<u>1</u>	<u>338</u>	<u>3,066</u>	<u>491</u>	<u>23,236</u>	<u>150</u>	<u>28,620</u>	<u>32,378</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	20.387	15,905
-	-	-	-	(15,037)	-	-	-
-	-	-	-	(15,037)	-	20.387	15,905
1	338	3,066	491	8,199	150	49,007	48,283
67	21,016	5,406	30,510	59,102	9,301	-	-
-	-	-	-	-	-	-	-
<u>67</u>	<u>21,016</u>	<u>5,406</u>	<u>30,510</u>	<u>59,102</u>	<u>9,301</u>	<u>-</u>	<u>-</u>
<u>\$ 68</u>	<u>\$ 21,354</u>	<u>\$ 8,472</u>	<u>\$ 31,001</u>	<u>\$ 67,301</u>	<u>\$ 9,451</u>	<u>\$ 49,007</u>	<u>\$ 48,283</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2009

	Special Revenue			
	Vehicle Replacement	Housing Rehabilitation (DPRL)	Yount Trust Income	Public Safety Augmentation
<u>Revenues</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	166,176	-	97,354
Charges for current services	-	3,048	-	275,800
Use of money and property	-	-	38,900	-
Other	-	-	-	-
Total Revenues	-	169,224	38,900	373,154
<u>Expenditures</u>				
Current				
Public safety				
Police	-	-	-	182,028
Fire	-	-	-	93,772
General administration	-	-	-	-
Public works	-	-	6,001	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development & building inspection	-	63,845	-	-
Museum	-	-	-	-
Capital outlay	34,105	-	-	-
Debt service				
Principal	48,201	-	-	-
Interest and fiscal charges	13,213	-	-	-
Total Expenditures	95,519	63,845	6,001	275,800
Excess (Deficiency) of Revenues Over Expenditures	(95,519)	105,379	32,899	97,354
<u>Other Financing Sources (Uses)</u>				
Proceeds from capital lease	31,570	-	-	-
Transfers in	63,949	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	95,519	-	-	-
Net Change in Fund Balances	-	105,379	32,899	97,354
Fund Balances, Beginning	-	611,612	54,018	(294,728)
Prior Period Adjustments	-	-	-	-
Restated Fund Balances, Beginning	-	611,612	54,018	(294,728)
Fund Balances, Ending	\$ -	\$ 716,991	\$ 86,917	\$ (197,374)

Supplemental Law Enforcement (SLES)	Special Revenue				Capital Project Buildings & Facilities Improvement	Debt Service 1990 Butterfly Habitat Bond
	Storm Water Fund	Ocean Front Restoration	Poetry Promotion Fund	McIndoo Donation		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,460
100,000	37,544	585,356	-	-	-	-
-	-	-	-	-	-	-
318	-	1,647	1,539	5,178	8,582	874
-	-	400	3,132	-	-	-
<u>100,318</u>	<u>37,544</u>	<u>587,403</u>	<u>4,671</u>	<u>5,178</u>	<u>8,582</u>	<u>103,334</u>
18,971	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	160,320	12,240	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	136,851	-	-	-
-	-	-	-	-	-	-
45,993	-	1,736,883	-	-	-	-
-	-	-	-	-	-	59,210
-	-	-	-	-	-	31,590
<u>64,964</u>	<u>160,320</u>	<u>1,749,123</u>	<u>136,851</u>	<u>-</u>	<u>-</u>	<u>90,800</u>
<u>35,354</u>	<u>(122,776)</u>	<u>(1,161,720)</u>	<u>(132,180)</u>	<u>5,178</u>	<u>8,582</u>	<u>12,534</u>
-	-	-	-	-	-	-
-	200,000	143,524	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>200,000</u>	<u>143,524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
35,354	77,224	(1,018,196)	(132,180)	5,178	8,582	12,534
9,741	(91,661)	1,020,242	170,776	321,847	533,504	79,019
-	-	-	-	-	-	-
<u>9,741</u>	<u>(91,661)</u>	<u>1,020,242</u>	<u>170,776</u>	<u>321,847</u>	<u>533,504</u>	<u>79,019</u>
<u>\$ 45,095</u>	<u>\$ (14,437)</u>	<u>\$ 2,046</u>	<u>\$ 38,596</u>	<u>\$ 327,025</u>	<u>\$ 542,086</u>	<u>\$ 91,553</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2009

	Permanent			
	Library	Cemetery	Yount	
	Endowment	Endowment	Trust	
	Trust	Trust	Trust	Total
<u>Revenues</u>				
Taxes	\$ -	\$ -	\$ -	\$ 351,643
Intergovernmental	-	-	-	1,588,008
Charges for current services	-	19,675	-	374,905
Use of money and property	8,817	-	17,304	154,540
Other	-	-	-	382,746
Total Revenues	<u>8,817</u>	<u>19,675</u>	<u>17,304</u>	<u>2,851,842</u>
<u>Expenditures</u>				
Current				
Public safety				
Police	-	-	-	202,867
Fire	-	-	-	113,795
General administration	-	-	-	262,811
Public works	-	-	-	498,675
Recreation	-	-	-	375
Library	19,054	-	-	73,756
Community development & building inspection	-	-	-	308,836
Museum	-	-	-	217,665
Capital outlay	-	-	-	1,996,850
Debt service				
Principal	-	-	-	286,346
Interest and fiscal charges	-	-	-	88,662
Total Expenditures	<u>19,054</u>	<u>-</u>	<u>-</u>	<u>4,050,638</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(10,237)</u>	<u>19,675</u>	<u>17,304</u>	<u>(1,198,796)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from capital lease	-	-	-	31,570
Transfers in	-	-	-	684,227
Transfers out	-	-	-	(133,042)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>582,755</u>
Net Change in Fund Balances	(10,237)	19,675	17,304	(616,041)
Fund Balances, Beginning	555,659	874,888	871,697	7,502,268
Prior Period Adjustments	-	-	-	-
Restated Fund Balances, Beginning	<u>555,659</u>	<u>874,888</u>	<u>871,697</u>	<u>7,502,268</u>
Fund Balances, Ending	<u>\$ 545,422</u>	<u>\$ 894,563</u>	<u>\$ 889,001</u>	<u>\$ 6,886,227</u>
				Concluded

Internal Service Funds

CITY OF PACIFIC GROVE, CALIFORNIA
INTERNAL SERVICE FUNDS
June 30, 2009

Internal service funds are used to account for special activities and services performed by a designated City department for other departments on a cost reimbursement basis. The internal service funds used by the City are listed below:

Health Insurance

Workers' Compensation Insurance

Liability Insurance

These funds accumulate costs of the City's health, workers' compensation and liability and risk management programs, the costs of which are charged against City operating programs.

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Fund Net Assets - Proprietary Funds - Internal Service Funds
June 30, 2009

	Health Insurance	Workers' Compensation Insurance	Liability Insurance	Total
<u>Assets</u>				
Current Assets				
Cash and investments				
Available for operations	\$ 29,238	\$ 94,115	\$ 294,699	\$ 418,052
Receivables				
Accounts	<u>3,339</u>	<u>80,260</u>	<u>71,358</u>	<u>154,957</u>
Total Assets	<u>\$ 32,577</u>	<u>\$ 174,375</u>	<u>\$ 366,057</u>	<u>\$ 573,009</u>
<u>Liabilities</u>				
Current Liabilities				
Accounts payable	\$ 9,934	\$ -	\$ -	\$ 9,934
Claims payable	<u>-</u>	<u>198,814</u>	<u>125,863</u>	<u>324,677</u>
Total Current Liabilities	<u>9,934</u>	<u>198,814</u>	<u>125,863</u>	<u>334,611</u>
Noncurrent Liabilities				
Claims payable	<u>-</u>	<u>1,281,274</u>	<u>222,848</u>	<u>1,504,122</u>
Total Noncurrent Liabilities	<u>-</u>	<u>1,281,274</u>	<u>222,848</u>	<u>1,504,122</u>
Total Liabilities	<u>9,934</u>	<u>1,480,088</u>	<u>348,711</u>	<u>1,838,733</u>
<u>Net Assets</u>				
Unrestricted	<u>22,643</u>	<u>(1,305,713)</u>	<u>17,346</u>	<u>(1,265,724)</u>
Total Net Assets	<u>22,643</u>	<u>(1,305,713)</u>	<u>17,346</u>	<u>(1,265,724)</u>
Total Liabilities and Net Assets	<u>\$ 32,577</u>	<u>\$ 174,375</u>	<u>\$ 366,057</u>	<u>\$ 573,009</u>

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets -
Proprietary Funds - Internal Service Funds
Year Ended June 30, 2009

	Health Insurance	Workers' Compensation Insurance	Liability Insurance	Total
<u>Operating Revenues</u>				
Charges for current services	\$ 200,903	\$ 955,847	\$ 360,000	\$ 1,516,750
Total Operating Revenues	<u>200,903</u>	<u>955,847</u>	<u>360,000</u>	<u>1,516,750</u>
<u>Operating Expenses</u>				
Personnel services	3,600	8,414	2,472	14,486
Operating services	116,001	59,939	118,144	294,084
Insurance, claims and settlements	<u>84,782</u>	<u>423,998</u>	<u>447,981</u>	<u>956,761</u>
Total Operating Expenses	<u>204,383</u>	<u>492,351</u>	<u>568,597</u>	<u>1,265,331</u>
Change in Net Assets	(3,480)	463,496	(208,597)	251,419
Net Assets, Beginning	22,643	(1,799,719)	225,943	(1,551,133)
Prior Period Adjustment	<u>3,480</u>	<u>30,510</u>	<u>-</u>	<u>33,990</u>
Restated Net Assets, Beginning	<u>26,123</u>	<u>(1,769,209)</u>	<u>225,943</u>	<u>(1,517,143)</u>
Net Assets, Ending	\$ <u>22,643</u>	\$ <u>(1,305,713)</u>	\$ <u>17,346</u>	\$ <u>(1,265,724)</u>

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Cash Flows - Proprietary Funds - Internal Service Funds
Year Ended June 30, 2009

	Health Insurance	Workers' Compensation Insurance	Liability Insurance	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 201,043	\$ 558,244	\$ 288,642	\$ 1,047,929
Payments to suppliers	-	(282,587)	(440,262)	(722,849)
Payments to employees	(199,470)	-	-	(199,470)
Internal activity - payments to other funds	-	(2,472)	(2,472)	(4,944)
Claims paid	-	(198,814)	(4,377)	(203,191)
Net Increase (Decrease) in Cash and Cash Equivalents	1,573	74,371	(158,469)	(82,525)
Cash and Cash Equivalents, Beginning	27,665	19,744	453,168	500,577
Cash and Cash Equivalents, Ending	\$ <u>29,238</u>	\$ <u>94,115</u>	\$ <u>294,699</u>	\$ <u>418,052</u>
Cash Flows from Operating Activities				
Operating income (loss)	\$ (3,480)	\$ 463,496	\$ (208,597)	\$ 251,419
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Decrease (increase) in operating assets				
Accounts receivable	141	(49,750)	(71,358)	(120,967)
Increase (decrease) in operating liabilities				
Accounts payable	4,912	(22,033)	-	(17,121)
Claims payable	-	(317,342)	121,486	(195,856)
Net Cash Provided (Used) by Operating Activities	\$ <u>1,573</u>	\$ <u>74,371</u>	\$ <u>(158,469)</u>	\$ <u>(82,525)</u>

