

**CITY OF PACIFIC GROVE
CALIFORNIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2012



Vargas and Company
certified public accountants

CITY OF PACIFIC GROVE, CALIFORNIA

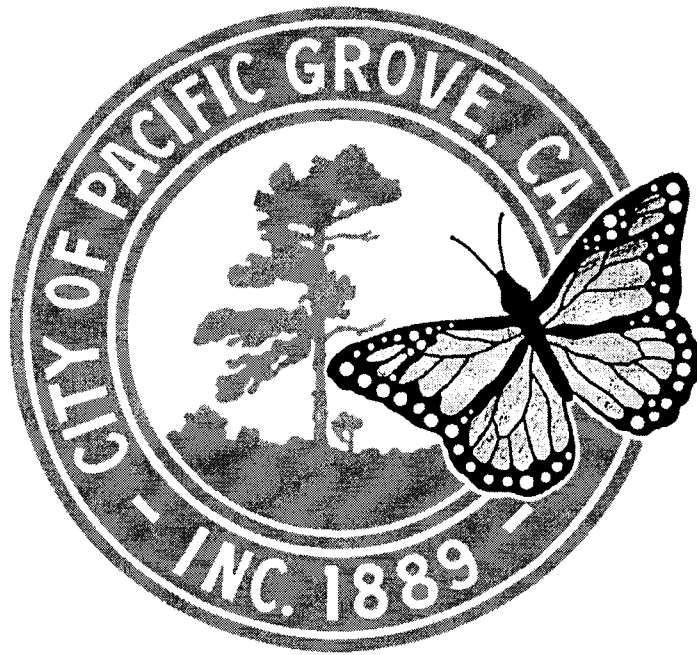
300 Forest Avenue, Pacific Grove, California 93950

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2012

Prepared by the Finance Department

**Anthony S. McFarlane
Administrative Services Manager**



CITY OF PACIFIC GROVE, CALIFORNIA
Comprehensive Annual Financial Report
Year Ended June 30, 2012

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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

April 22, 2014

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, I hereby issue the Comprehensive Annual Report (CAFR) for the City of Pacific Grove, California for the fiscal year ended June 30, 2012.

The report consists of management's representations concerning the City's financial position as of June 30, 2012. Consequently, City management assumes full responsibility for the information presented in the report. To provide a reasonable basis for making these representations, city management established a comprehensive internal control framework that is designed to both 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 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, 2012 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 2012.** The "unmodified" or clean opinion represents the optimal type of report received from any external auditor.

Profile of the Government

The City of Pacific Grove, California is 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 by the State on April 22, 1927. The city operates under 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 monarch butterfly sanctuary and habitat preserve, over five miles of shoreline and recreational trails, 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 2011-12, the City continued to operate within a balanced budget, as a result of the cost-cutting measures implemented since FY 2007-08 and the passage of the June 2008 ballot measure that implemented a new local sales tax that generated \$1.6 million in tax revenue in FY 2011-12. This amount exceeded the expected \$1.48 million in revenue for general services.

Despite significant improvements in the financial outlook for ongoing services, the City continues to combat the effects of deferred infrastructure maintenance, service levels that fall short of citizens' expectations, and a significant unfunded liability for workers' compensation claims. City staff is currently developing a capital improvement program to better quantify the shortfall in maintenance funding and begin to make some of the needed improvements. Efforts continue to improve service delivery within existing resource constraints through such measures as sharing services with other agencies and private sector providers.

The City of Pacific Grove is a participant in 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. Given potentially poor market performance, CalPERS system can be a significant threat to the City's long-term financial stability.

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*. The City provides post-employment medical benefits to retirees who meet plan eligibility requirements. This statement requires governmental entities to begin accounting for post-employment benefits on an accrual basis. Please refer to *Management's Discussion and Analysis* for further information on the impact of implementation of GASB Statement 45.

Acknowledgements

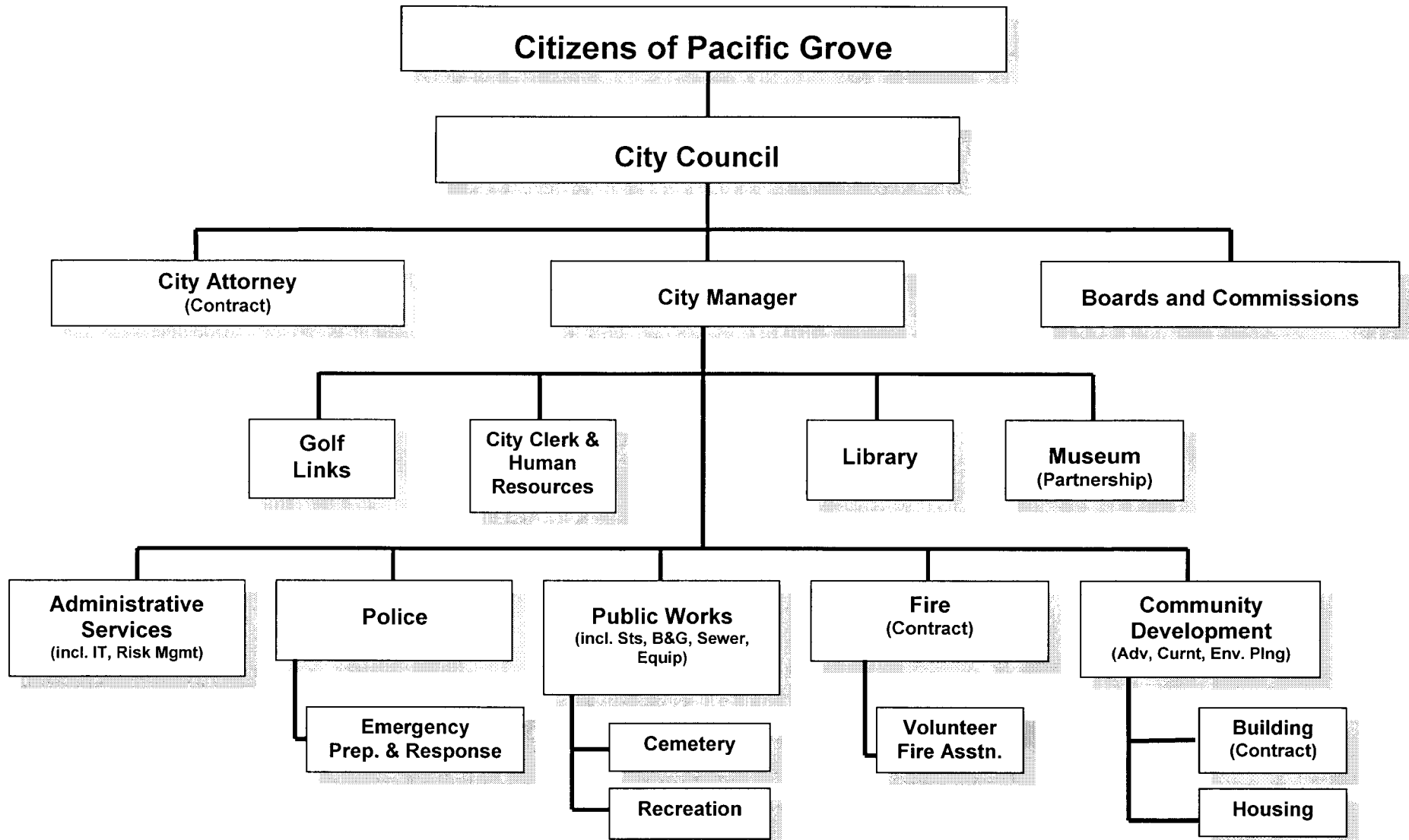
The preparation of this report would not have been possible without the leadership of departing Administrative Services Manager, Anthony McFarlane. This is also true regarding the support and cooperation from all members of the Finance Department, and other city programs and departments. We also thank and express appreciation to the City Council for their support and for requiring improvements in the quality and transparency of financial information for the City of Pacific Grove.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jeffrey W. Killian', with a stylized flourish at the end.

Jeffrey W. Killian
Interim Financial Services Manager

CITY OF PACIFIC GROVE



CITY OF PACIFIC GROVE
List of Elected and Appointed Officials
June 30, 2012

Elected Officials

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

Carmelita Garcia
William Kampe
Rudy Fischer
Alan Cohen
Daniel Miller
Ken Cuneo
Robert Huitt

Appointed Officials

City Manager
City Attorney
Chief – Police
Chief – Fire
Administrative Service Manager
Senior Planner
Senior Librarian
Head Professional – Golf Course
Superintendent – Golf Course
Coordinator – Recreation

Thomas Frutchey
David Laredo
Darius Engles
Andrew Miller (Monterey)
Anthony McFarlane
Lynn Burgess
Elisa Maddalena
Joe Riekana
Daniel Gho
Donald Mothershead



FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

To the City Council
Pacific Grove, California

Report on the Financial Statements

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 City of Pacific Grove, California (the "City"), as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pacific Grove, California, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis budgetary comparison information, and schedules of funding progress on pages 7-20, 60-70, and 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pacific Grove, California's basic financial statements. The introductory section, and supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2014, on our consideration of the City of Pacific Grove, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Pacific Grove, California's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Vargas and Company". The signature is written in a cursive, flowing style.

Vargas and Company
San Jose, California
April 4, 2014



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



CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2012

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, 2012. 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 position at June 30, 2012 totaled \$38.8 million, a \$.8 million increase from the prior year.
- Total City revenues, including program and general revenues, were \$22.0 million, a \$.5 million decrease from the prior year, primarily due to receiving prior year (FY 2010-11) receipt of Public, Education and Governmental access funds in arrears, which we not repeated in FY 2011-12.
- Total expenses were \$21.2 million, a \$.3 million decrease from the prior year primarily due to grant programs in the Public Works Department and a CalHome grant that were not repeated in FY 2011-12.
- Change in net position of governmental activities posted a decrease of \$.6 million due to depreciation in capital assets such as infrastructure, buildings and machinery. Net position in business activities increased \$1.4 million due to increased investment in capital assets.
- Governmental Revenues decreased \$.5 million from the prior year.
- Governmental Expenses decreased \$.4 million from the prior year.
- Revenues from Business-type activities increased \$.3 million to \$5.5 million.
- Expenses of Business-type activities increased \$.05 million to \$4.1 million.
- 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 (OPEB), such as health care to eligible retirees, on an accrual basis. For fiscal year 2011-12, the City's OPEB liability was \$.3 million, an increase of \$.2 million.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2012

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 Position and the Statement of Activities. The Statement of Net Position 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 Position 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 Position 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, 2012

Government-wide Financial Statements

The Statement of Net Position 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 intergovernmental revenues.
- **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 2012, 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.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2012

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.

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 position 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 position and changes in net position of the City's Governmental Activities and Business-type Activities presented in the Government-wide Statement of Net Position and Statement of Activities that follow.

Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Assets:							
Current and other assets	\$27,451,292	\$27,930,292	\$ 5,967,818	\$ 6,258,280	\$33,419,110	\$34,188,572	(2.3%)
Capital assets	<u>22,940,146</u>	<u>23,060,065</u>	<u>14,264,615</u>	<u>12,354,880</u>	<u>37,204,761</u>	<u>35,414,945</u>	5.1%
Total assets	<u>50,391,438</u>	<u>50,990,357</u>	<u>20,232,433</u>	<u>18,613,160</u>	<u>70,623,871</u>	<u>69,603,517</u>	1.5%
Liabilities:							
Current and other liabilities	2,183,421	1,454,251	925,091	490,749	3,108,512	1,945,000	59.8%
Long-term liabilities	<u>23,801,205</u>	<u>24,548,230</u>	<u>4,902,801</u>	<u>5,066,535</u>	<u>28,704,006</u>	<u>29,614,765</u>	(3.1%)
Total liabilities	<u>25,984,626</u>	<u>26,002,481</u>	<u>5,827,892</u>	<u>5,557,284</u>	<u>31,812,518</u>	<u>31,559,765</u>	0.8%
Net position:							
Net investment in capital assets	15,587,584	16,112,881	9,544,860	7,483,092	25,132,444	23,595,973	6.5%
Restricted	3,372,621	3,071,783	273,841	273,841	3,646,462	3,345,624	9.0%
Unrestricted	<u>5,446,607</u>	<u>5,803,212</u>	<u>4,585,840</u>	<u>5,298,943</u>	<u>10,032,447</u>	<u>11,102,155</u>	(9.6%)
Total net position	<u>\$24,406,812</u>	<u>\$24,987,876</u>	<u>\$14,404,541</u>	<u>\$13,055,876</u>	<u>\$38,811,353</u>	<u>\$38,043,752</u>	2.0%

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2012

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the city, net position is \$38,811,353 at the close of the current fiscal year. This represents an increase of approximately of \$.8 million, or 2.0% from the previous year.

The largest portion of the City's net position \$25,132,444 (64.8%) reflects its net investment in capital assets, i.e. 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 net 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. Net investment in Capital Assets increased \$1.5 million, or 6.5%, from the prior year. The increase is due to street maintenance and resurfacing projects, landscaping, sewer improvements, and storm water improvements.

An additional portion of the City's net position of \$3,646,462 (9.4%) represents resources that are subject to external restrictions on how they may be used. This amount increased \$.3 million or 9.0% from the prior year. \$93,550 is restricted for the Butterfly Bond debt service and \$273,841 is restricted for the Golf Course Certificates of Participation bond debt service; \$555,173 is restricted for capital projects and \$2,723,898 for special revenue.

The remaining (25.8%) represents the unrestricted net position of \$10,032,447, which may be used to meet the city's ongoing obligations for services. This amount decreased \$1.1 million, or 9.6%, from the prior year.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2012

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Revenues:							
Program revenues							
Charges for services	\$ 1,943,789	\$ 1,956,835	\$ 5,402,003	\$ 5,108,877	\$ 7,345,792	\$ 7,065,712	4.0%
Operating grants & contri.	786,541	1,470,090	-	-	786,541	1,470,090	(46.5%)
General revenues							
Taxes	13,098,959	12,855,604	-	-	13,098,959	12,855,604	1.9%
Interest & invest. income	223,845	302,274	44,460	26,659	268,305	328,933	(18.4%)
Miscellaneous	<u>434,181</u>	<u>691,550</u>	<u>61,985</u>	<u>86,320</u>	<u>496,166</u>	<u>777,870</u>	(36.2%)
Total revenues	<u>16,487,315</u>	<u>17,276,353</u>	<u>5,508,448</u>	<u>5,221,856</u>	<u>21,995,763</u>	<u>22,498,209</u>	(2.2%)
Expenses:							
Public safety							
Police	5,301,766	5,354,740	-	-	5,301,766	5,354,740	(1.0%)
Fire	2,784,927	3,059,550	-	-	2,784,927	3,059,550	(9.0%)
General administration	2,311,480	2,370,711	-	-	2,311,480	2,370,711	(2.5%)
Public works	2,636,102	2,608,811	-	-	2,636,102	2,608,811	1.0%
Recreation	317,785	313,473	-	-	317,785	313,473	1.4%
Library	1,042,065	643,306	-	-	1,042,065	643,306	62.0%
Comm. dev't & bldg insp.	1,234,326	1,596,545	-	-	1,234,326	1,596,545	(22.7%)
Museum	201,184	225,802	-	-	201,184	225,802	(10.9%)
Interest on long-term debt	1,238,744	1,272,286	-	-	1,238,744	1,272,286	(2.6%)
Cemetery Operating	-	-	252,436	193,698	252,436	193,698	30.3%
Sewer Operating	-	-	1,092,344	1,006,075	1,092,344	1,006,075	8.6%
Golf Course	<u>-</u>	<u>-</u>	<u>2,759,340</u>	<u>2,852,956</u>	<u>2,759,340</u>	<u>2,852,956</u>	(3.3%)
Total expenses	<u>17,068,379</u>	<u>17,445,224</u>	<u>4,104,120</u>	<u>4,052,729</u>	<u>21,172,499</u>	<u>21,497,953</u>	(1.5%)
Change in net position	(581,064)	(168,871)	1,404,328	1,169,127	823,264	1,000,256	(17.7%)
Net position, beginning	24,987,876	24,233,038	13,055,876	11,886,749	38,043,752	36,119,787	5.3%
Prior period adjustment	<u>-</u>	<u>923,709</u>	<u>(55,663)</u>	<u>-</u>	<u>(55,663)</u>	<u>923,709</u>	(106.0%)
Net asset, ending	<u>\$24,406,812</u>	<u>\$24,987,876</u>	<u>\$14,404,541</u>	<u>\$13,055,876</u>	<u>\$38,811,353</u>	<u>\$38,043,752</u>	2.0%

At the end of the current fiscal year, the City reported positive balances in all three categories of net position, 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, 2012

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	\$17,473,363	\$1,855,951	\$19,329,314
Expenditures	(16,860,630)	(2,374,916)	(19,235,546)
Net other financing sources (uses)	(412,277)	412,277	- .
Net Change in Fund Balances	200,456	(106,688)	93,768
Fund Balances, Beginning	<u>3,043,201</u>	<u>7,717,841</u>	<u>10,761,042</u>
Fund Balances, Ending	<u>\$ 3,243,657</u>	<u>\$7,611,153</u>	<u>\$10,854,810</u>

At June 30, 2012, the City's governmental funds reported combined ending fund balances of \$10,854,810, an increase of \$93,768 in comparison with the prior year. Of the combined ending fund balances, approximately 40.5% or \$4,400,945 is non-spendable and 59.5% or \$6,453,865 is spendable. The spendable fund balance consists of \$3,372,621 restricted, \$2,467,910 assigned, and \$613,334 unassigned.

The General Fund is the primary operating fund of the City. At June 30, 2012 the total fund balance of the General Fund was \$3,243,657, an increase of \$.2 million from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both the spendable fund balance and total fund balance to total fund expenditures. The General Fund's spendable and total fund balance represents 18.3% and 19.2% of total general fund expenditures of \$16,860,630.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2012

The City Council has established an assigned General Fund policy of 10% of General Fund revenues for contingencies, or \$1,717,910, as well as for tax interim of \$750,000 totaling \$2.47 million. The ending assigned fund balance for the general fund of \$2,467,910 does meet the required minimum levels of the General Fund reserve policy and the City is now in compliance with the City Council's General Fund assigned 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 2012</u>		<u>FY 2011</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	\$13,098,959	67.8%	\$12,855,604	63.9%	\$243,355	1.9%
Licenses and permits	345,167	1.8%	402,658	2.0%	(57,491)	(14.3%)
Fines, forfeitures and penalties	48,900	0.2%	54,731	0.3%	(5,831)	(10.7%)
Intergovernmental	1,967,347	10.2%	2,677,872	13.3%	(710,525)	(26.5%)
Charges for current services	1,549,722	8.0%	1,499,446	7.5%	50,276	3.4%
Use of money and property	223,845	1.2%	302,274	1.5%	(78,429)	(25.9%)
Interdepartmental charges	1,661,193	8.6%	1,632,020	8.1%	29,173	1.8%
Other	<u>434,181</u>	<u>2.2%</u>	<u>691,550</u>	<u>3.4%</u>	<u>(257,369)</u>	<u>(37.2%)</u>
Totals	<u>\$19,329,314</u>	<u>100.0%</u>	<u>\$20,116,155</u>	<u>100.0%</u>	<u>(\$786,841)</u>	<u>(3.9%)</u>

Revenues for governmental functions totaled \$19,329,314 in fiscal year 2012, which represents a decrease of \$786,841 or 3.9% from the prior year. The biggest decrease was seen in intergovernmental revenues due to grant programs in the Public Works Department and a CalHome grant that were not repeated in FY 2011-12.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2012

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 2012</u>		<u>FY 2011</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	\$ 5,750,059	29.9%	\$ 5,618,582	29.4%	\$131,477	2.3%
Fire	2,920,112	15.2%	3,184,115	16.7%	(264,003)	(8.3%)
General administration	2,440,953	12.7%	2,429,240	12.7%	11,713	0.5%
Public works	2,472,551	12.8%	2,385,334	12.5%	87,217	3.7%
Recreation	368,636	1.9%	311,602	1.6%	57,034	18.3%
Library	1,130,520	5.9%	679,618	3.6%	450,902	66.3%
Comm. dev't & bldg insp.	1,360,674	7.1%	1,729,531	9.1%	(368,857)	(21.3%)
Museum	183,033	1.0%	218,338	1.1%	(35,305)	(16.2%)
Capital outlay	596,108	3.1%	550,333	2.9%	45,775	8.3%
Debt service						
Principal	1,489,870	7.7%	1,522,493	8.0%	(32,623)	(2.1%)
Interest and fiscal charges	<u>523,030</u>	<u>2.7%</u>	<u>453,809</u>	<u>2.4%</u>	<u>69,221</u>	15.3%
Totals	<u>\$19,235,546</u>	<u>100.0%</u>	<u>\$19,082,995</u>	<u>100.0%</u>	<u>\$152,551</u>	0.8%

Expenditures for governmental functions in fiscal year 2012 totaled \$19,235,546, an increase of \$152,551, or 0.8% from the previous fiscal year. The increase is primarily attributable to inflationary factors.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2012

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 2012</u>		<u>FY 2011</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>
Transfers in	\$418,488	na .	\$448,414	(2875.4%)	(\$29,926)	(6.7%)
Transfers out	(418,488)	na .	(448,414)	2875.4%	29,926	6.7%
Totals	\$ <u>-</u>	na .	(\$ <u>15,595</u>)	<u>100.0%</u>	<u>\$15,595</u>	100.0%

Net Other Financing Sources and Uses for fiscal year 2012 was zero which is an increase of \$15,595, or 100.0%, from the previous fiscal year.

As a result of governmental fund activities, the net change in fund balance totaled \$200,456 in the General fund and negative \$106,688 in all of the other governmental funds for a total increase of \$93,768.

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, 2012

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

	Major Funds			
	<u>Sewer Operating</u>	<u>Golf Course</u>	<u>Cemetery Operating</u>	<u>Total</u>
Operating revenues	\$ 2,577,228	\$2,586,783	\$299,977	\$ 5,463,988
Operating expenses	(1,025,980)	(2,567,687)	(252,436)	(3,846,103)
Operating income (loss)	1,551,248	19,096	47,541	1,617,885
Net non-operating revenues (expenses)	(29,761)	(189,370)	5,574	(213,557)
Change in net position	1,521,487	(170,274)	53,115	1,404,328
Net Position, Beginning	9,309,163	3,229,803	516,910	13,055,876
Prior period adjustment	(55,663)	-	-	(55,663)
Net Position, Ending	<u>\$10,774,987</u>	<u>\$3,059,529</u>	<u>\$570,025</u>	<u>\$14,404,541</u>

The change in the Sewer fund was due to increased operating revenues and a reduced capital projects program.

The change in the Golf fund was due to economic conditions in the local, State, and National economies. Entertainment and recreational activities were given lower priorities due to lower disposable income, thereby decreasing golf revenues. The requirements for operations, even with lower user activities are virtually the same and provide little if any opportunities to reduce expenditures.

The change in the Cemetery Fund was due to increased site sales.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2012, totaled \$37,204,761 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings, improvements, machinery and equipment, and sewer lines. Significant investments were made in machinery and equipment to upgrade antiquated inventory. The City also is undertaking large capital improvement projects for sewer pump and sewer line 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
Land	\$ 2,338,270	\$ 2,338,270	\$ 362,973	\$ 362,973	\$ 2,701,243	\$ 2,701,243	0.0%
Construction							
in progress	514,510	65,186	2,561,114	232,267	3,075,624	297,453	934.0%
Infrastructure	22,391,996	22,329,855	-	-	22,391,996	22,329,855	0.3%
Building	11,208,594	11,208,594	6,093,798	6,093,798	17,302,392	17,302,392	0.0%
Improvements	347,960	319,360	3,275,316	3,205,317	3,623,276	3,524,677	2.8%
Machinery & equipment	4,093,982	4,044,875	2,095,183	2,079,602	6,189,165	6,124,477	1.1%
Sewer lines	-	-	6,133,760	6,124,968	6,133,760	6,124,968	0.1%
Total cost	<u>\$40,895,312</u>	<u>\$40,306,140</u>	<u>\$20,522,144</u>	<u>\$18,098,925</u>	<u>\$61,417,456</u>	<u>\$58,405,065</u>	5.2%

Please refer to the Note 6 in the Notes to the Basic Financial Statements for more detailed information regarding Capital Assets.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2012

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>2012</u>	<u>2011</u>	<u>% Change</u>
<u>Governmental Activities</u>			
General Obligation Refunding Note	\$ 482,086	\$ 548,975	(12.2%)
Capital Lease	607,936	850,111	(28.5%)
Pension Obligation Bond	<u>19,860,091</u>	<u>20,326,455</u>	(2.3%)
Total Governmental Activities	<u>\$20,950,113</u>	<u>\$21,725,541</u>	(3.6%)
<u>Business-type Activities</u>			
Sewer Revenue Bonds	\$1,173,311	\$1,207,447	(2.8%)
Capital Lease	71,444	114,341	(37.5%)
Golf Certificates of Participation	<u>3,475,000</u>	<u>3,550,000</u>	(2.1%)
Total Business-type Activities	<u>\$4,719,755</u>	<u>\$4,871,788</u>	(3.1%)

The City did not take on any new long-term debt during the current year. 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

PRIOR YEAR INFO:

In fiscal year 2011-12, The City continued the budgeting priorities of balancing the budget while restoring reserves and correcting long-standing budget deficit issues. The City also committed \$325,000, through an increase of \$75,000 for each continuing fiscal year, to achieve additional infrastructure improvements that address long deferred maintenance issues. In June 2008, the citizens of Pacific Grove passed a tax measure implementing a new local sales tax. This new tax generated \$1.49 million of revenue for general services during the fiscal year.

Even with additional revenues being generated from the new local sales tax and short term rentals, the City still faces a risk with its sizeable unfunded liability in Workers' Compensation claims. Although the City has been able to reduce this liability by over \$1.5 million in the past five fiscal years, the amount of the unfunded liability is still \$.77 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. The City has committed to a funding level of 67% minimum of the total liability.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2012

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 2011-12. 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. Please refer to Note 10 in the Notes to the Basic Financial Statements for more detailed information regarding the City's pension plan through CalPERS.

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 Position
June 30, 2012

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and investments			
Available for operations	\$ 8,806,047	\$ 4,834,356	\$ 13,640,403
Held in trust	858,860	323,841	1,182,701
Receivables			
Taxes	1,600,024	-	1,600,024
Accounts	163,400	509,360	672,760
Interest and other	9,163	-	9,163
Loans	1,794,545	131,894	1,926,439
Inventory	-	76,375	76,375
Prepaid expenses	621,702	91,992	713,694
Deferred charges	13,597,551	-	13,597,551
Capital assets			
Land	2,338,270	362,973	2,701,243
Infrastructure	22,391,996	-	22,391,996
Building	11,208,594	6,093,798	17,302,392
Improvements	347,960	3,275,316	3,623,276
Machinery and equipment	4,093,982	2,095,183	6,189,165
Sewer lines	-	6,133,760	6,133,760
Construction in progress	514,510	2,561,114	3,075,624
Accumulated depreciation	(17,955,166)	(6,257,529)	(24,212,695)
Total Assets	<u>50,391,438</u>	<u>20,232,433</u>	<u>70,623,871</u>
<u>Liabilities</u>			
Accounts payable	1,956,827	747,500	2,704,327
Interest payable	67,855	94,491	162,346
Deferred revenue	158,739	83,100	241,839
Due within one year			
Claims payable	566,050	-	566,050
Long-term debt	1,468,455	158,843	1,627,298
Due beyond one year			
Claims payable	657,265	-	657,265
Compensated absences	1,280,850	183,046	1,463,896
Long-term debt	19,481,658	4,560,912	24,042,570
Net OPEB obligation	346,927	-	346,927
Total Liabilities	<u>25,984,626</u>	<u>5,827,892</u>	<u>31,812,518</u>
<u>Net Position</u>			
Net investment in capital assets	15,587,584	9,544,860	25,132,444
Restricted	3,372,621	273,841	3,646,462
Unrestricted	5,446,607	4,585,840	10,032,447
Total Net Position	<u>\$ 24,406,812</u>	<u>\$ 14,404,541</u>	<u>\$ 38,811,353</u>

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, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities						
Public safety						
Police	\$ 5,301,766	\$ 672,233	\$ 272,014	\$ (4,357,519)	\$ -	\$ (4,357,519)
Fire	2,784,927	341,386	138,140	(2,305,401)	-	(2,305,401)
General administration	2,311,480	285,369	115,473	(1,910,638)	-	(1,910,638)
Public works	2,636,102	289,063	116,967	(2,230,072)	-	(2,230,072)
Recreation	317,785	43,097	17,439	(257,249)	-	(257,249)
Library	1,042,065	132,168	53,481	(856,416)	-	(856,416)
Community development & building inspection	1,234,326	159,075	64,368	(1,010,883)	-	(1,010,883)
Museum	201,184	21,398	8,659	(171,127)	-	(171,127)
Interest on long-term debt	1,238,744	-	-	(1,238,744)	-	(1,238,744)
Total Governmental Activities	17,068,379	1,943,789	786,541	(14,338,049)	-	(14,338,049)
Business-type Activities						
Cemetery Operating	252,436	293,377	-	-	40,941	40,941
Sewer Operating	1,092,344	2,573,438	-	-	1,481,094	1,481,094
Golf Course	2,759,340	2,535,188	-	-	(224,152)	(224,152)
Total Business-type Activities	4,104,120	5,402,003	-	-	1,297,883	1,297,883
Total	\$ 21,172,499	\$ 7,345,792	\$ 786,541	(14,338,049)	1,297,883	(13,040,166)
General Revenues						
Taxes				13,098,959	-	13,098,959
Interest and investment income				223,845	44,460	268,305
Miscellaneous				434,181	61,985	496,166
Total General Revenues				13,756,985	106,445	13,863,430
Change in Net Position				(581,064)	1,404,328	823,264
Net Position, Beginning				24,987,876	13,055,876	38,043,752
Prior Period Adjustment				-	(55,663)	(55,663)
Net Asset, Ending				\$ 24,406,812	\$ 14,404,541	\$ 38,811,353

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, 2012

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments			
Available for operations	\$ 2,720,875	\$ 5,631,019	\$ 8,351,894
Held in trust	-	858,860	858,860
Receivables			
Taxes	1,576,862	23,162	1,600,024
Accounts	37,597	125,803	163,400
Interest and other	8,358	805	9,163
Loans	-	1,794,545	1,794,545
Prepaid expenses	<u>162,413</u>	<u>-</u>	<u>162,413</u>
Total Assets	<u>\$ 4,506,105</u>	<u>\$ 8,434,194</u>	<u>\$ 12,940,299</u>
<u>Liabilities</u>			
Accounts payable	\$ 1,115,061	\$ 811,689	\$ 1,926,750
Deferred revenue	<u>147,387</u>	<u>11,352</u>	<u>158,739</u>
Total Liabilities	<u>1,262,448</u>	<u>823,041</u>	<u>2,085,489</u>
<u>Fund Balances</u>			
Nonspendable			
Long-term loan receivable	-	1,794,545	1,794,545
Permanent funds	-	2,443,987	2,443,987
Prepaid expenses	162,413	-	162,413
Spendable			
Restricted			
Special Revenue	-	2,723,898	2,723,898
Debt Service	-	93,550	93,550
Capital Projects	-	555,173	555,173
Assigned			
Tax interim	750,000	-	750,000
Contingencies	1,717,910	-	1,717,910
Unassigned	<u>613,334</u>	<u>-</u>	<u>613,334</u>
Total Fund Balance	<u>3,243,657</u>	<u>7,611,153</u>	<u>10,854,810</u>
Total Liabilities and Fund Balances	<u>\$ 4,506,105</u>	<u>\$ 8,434,194</u>	<u>\$ 12,940,299</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 Position - Governmental Activities
June 30, 2012

Fund Balances - Total Governmental Funds	\$ 10,854,810
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	22,940,146
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Deferred charges in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	13,597,551
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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 position.	(339,950)
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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	\$ (20,950,113)
Net OPEB obligation	(346,927)
Compensated absences	(1,280,850)
	(22,577,890)

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.	(67,855)
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Net Position of Governmental Activities	\$ <u>24,406,812</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, 2012

	General	Nonmajor Governmental Funds	Total
<u>Revenues</u>			
Taxes	\$ 12,725,418	\$ 373,541	\$ 13,098,959
Licenses and permits	345,167	-	345,167
Fines, forfeitures and penalties	48,900	-	48,900
Intergovernmental	1,242,568	724,779	1,967,347
Charges for current services	1,229,310	320,412	1,549,722
Use of money and property	172,317	51,528	223,845
Interdepartmental charges	1,661,193	-	1,661,193
Other	48,490	385,691	434,181
	<u>17,473,363</u>	<u>1,855,951</u>	<u>19,329,314</u>
<u>Expenditures</u>			
Current			
Public safety			
Police	5,356,463	393,596	5,750,059
Fire	2,792,924	127,188	2,920,112
General administration	2,197,911	243,042	2,440,953
Public works	1,988,893	483,658	2,472,551
Recreation	350,307	18,329	368,636
Library	701,303	429,217	1,130,520
Community development & building inspection	1,134,456	226,218	1,360,674
Museum	182,507	526	183,033
Capital outlay	505,866	90,242	596,108
Debt service			
Principal	1,180,806	309,064	1,489,870
Interest and fiscal charges	469,194	53,836	523,030
	<u>16,860,630</u>	<u>2,374,916</u>	<u>19,235,546</u>
Excess of Revenues Over Expenditures	<u>612,733</u>	<u>(518,965)</u>	<u>93,768</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	-	418,488	418,488
Transfers out	(412,277)	(6,211)	(418,488)
	<u>(412,277)</u>	<u>412,277</u>	<u>-</u>
Net Change in Fund Balances	200,456	(106,688)	93,768
Fund Balances, Beginning	<u>3,043,201</u>	<u>7,717,841</u>	<u>10,761,042</u>
Fund Balances, Ending	<u>\$ 3,243,657</u>	<u>\$ 7,611,153</u>	<u>\$ 10,854,810</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, 2012

Net Change in Fund Balances - Total Governmental Funds **\$ 93,768**

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	\$ 589,172	
Less current year depreciation	<u>(709,091)</u>	(119,919)

Repayments of debt principal is an expenditure in the governmental funds,
but the repayment reduces the long-term liabilities in the statement of net position.

Principal repayments on long-term debt	1,489,870
--	-----------

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	(714,442)	
Amortization of deferred charges relating to the P.O.B.	(1,180,806)	
Change in accrued interest payable	(1,272)	
Change in net OPEB obligation	(162,410)	
Change in compensated absences	<u>194,421</u>	(1,864,509)

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>(180,274)</u>
--	------------------

Change in Net Position of Governmental Activities	\$ <u>(581,064)</u>
--	----------------------------

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

CITY OF PACIFIC GROVE, CALIFORNIA
Statement of Net Position - Proprietary Funds
June 30, 2012

	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	\$ (33,654)	\$ 4,437,249	\$ 430,761	\$ 4,834,356	\$ 454,153
Held in trust	-	50,001	273,840	323,841	-
Receivables					
Accounts	-	452,016	57,344	509,360	-
Inventory	-	-	76,375	76,375	-
Prepaid expenses	-	6,033	85,959	91,992	459,289
Total Current Assets	(33,654)	4,945,299	924,279	5,835,924	913,442
Noncurrent Assets					
Capital assets					
Land	20	-	362,953	362,973	-
Building	709,611	-	5,384,187	6,093,798	-
Improvements	396,173	-	2,879,143	3,275,316	-
Machinery and equipment	198,405	751,000	1,145,778	2,095,183	-
Sewer lines	-	6,133,760	-	6,133,760	-
Construction in progress	-	2,561,114	-	2,561,114	-
Accumulated depreciation	(678,089)	(1,959,748)	(3,619,692)	(6,257,529)	-
Other assets					
Loans receivable	-	131,894	-	131,894	-
Total Noncurrent Assets	626,120	7,618,020	6,152,369	14,396,509	-
Total Assets	592,466	12,563,319	7,076,648	20,232,433	913,442
<u>Liabilities</u>					
Current Liabilities					
Accounts payable	22,441	538,835	186,224	747,500	30,077
Interest payable	-	14,924	79,567	94,491	-
Deferred revenue	-	-	83,100	83,100	-
Claims payable	-	-	-	-	566,050
Long-term debt	-	68,661	90,182	158,843	-
Total Current Liabilities	22,441	622,420	439,073	1,083,934	596,127
Noncurrent Liabilities					
Claims payable	-	-	-	-	657,265
Compensated absences	-	-	183,046	183,046	-
Long-term debt	-	1,165,912	3,395,000	4,560,912	-
Total Noncurrent Liabilities	-	1,165,912	3,578,046	4,743,958	657,265
Total Liabilities	22,441	1,788,332	4,017,119	5,827,892	1,253,392
<u>Net Position</u>					
Net investment in capital assets	626,120	6,251,553	2,667,187	9,544,860	-
Restricted					
Debt service	-	1	273,840	273,841	-
Unrestricted	(56,095)	4,523,433	118,502	4,585,840	(339,950)
Total Net Position	\$ 570,025	\$ 10,774,987	\$ 3,059,529	\$ 14,404,541	\$ (339,950)

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 Net Position - Proprietary Funds
Year Ended June 30, 2012

	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	\$ 293,377	\$ 2,573,438	\$ 2,535,188	\$ 5,402,003	\$ 1,176,947
Other	6,600	3,790	51,595	61,985	31,814
Total Operating Revenues	<u>299,977</u>	<u>2,577,228</u>	<u>2,586,783</u>	<u>5,463,988</u>	<u>1,208,761</u>
<u>Operating Expenses</u>					
Personnel services	98,895	357,469	1,129,214	1,585,578	232,990
Operating services	124,450	479,464	1,143,127	1,747,041	587,237
Insurance, claims and settlements	-	-	-	-	568,808
Depreciation	29,091	189,047	295,346	513,484	-
Total Operating Expenses	<u>252,436</u>	<u>1,025,980</u>	<u>2,567,687</u>	<u>3,846,103</u>	<u>1,389,035</u>
Operating Income (Loss)	<u>47,541</u>	<u>1,551,248</u>	<u>19,096</u>	<u>1,617,885</u>	<u>(180,274)</u>
<u>Non-operating Revenues (Expenses)</u>					
Interest and investment income	5,574	36,603	2,283	44,460	-
Interest expense	-	(66,364)	(191,653)	(258,017)	-
Total Non-operating Revenues (Expenses)	<u>5,574</u>	<u>(29,761)</u>	<u>(189,370)</u>	<u>(213,557)</u>	<u>-</u>
Change in Net Position	<u>53,115</u>	<u>1,521,487</u>	<u>(170,274)</u>	<u>1,404,328</u>	<u>(180,274)</u>
Net Position, Beginning	516,910	9,309,163	3,229,803	13,055,876	(159,676)
Prior Period Adjustment	-	(55,663)	-	(55,663)	-
Restated Net Position, Beginning	<u>516,910</u>	<u>9,253,500</u>	<u>3,229,803</u>	<u>13,000,213</u>	<u>(159,676)</u>
Net Position, Ending	<u>\$ 570,025</u>	<u>\$ 10,774,987</u>	<u>\$ 3,059,529</u>	<u>\$ 14,404,541</u>	<u>\$ (339,950)</u>

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, 2012

	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	\$ 283,878	\$ 2,548,985	\$ 2,588,966	\$ 5,421,829	\$ 1,244,953
Payments to suppliers	(114,418)	(236,510)	(1,337,645)	(1,688,573)	(1,178,625)
Payments to employees	(76,368)	(282,298)	(898,472)	(1,257,138)	(177,836)
Net Cash Provided (Used) by Operating Activities	93,092	2,030,177	352,849	2,476,118	(111,508)
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	-	(2,337,639)	(85,580)	(2,423,219)	-
Principal paid on long-term debt	-	(35,000)	(80,000)	(115,000)	-
Loan payable	-	(34,526)	(10,182)	(44,708)	-
Interest paid on long-term debt	-	(65,500)	(191,653)	(257,153)	-
Other receipts	-	19,063	-	19,063	-
Net Cash Used by Capital and Related Financing Activities	-	(2,453,602)	(367,415)	(2,821,017)	-
Cash Flows from Investing Activities					
Interest received	5,574	36,603	2,283	44,460	-
Net Cash Provided by Investing Activities	5,574	36,603	2,283	44,460	-
Net Increase (Decrease) in Cash and Cash Equivalents	98,666	(386,822)	(12,283)	(300,439)	(111,508)
Cash and Cash Equivalents, Beginning	(132,320)	4,874,072	716,884	5,458,636	565,661
Cash and Cash Equivalents, Ending	\$ (33,654)	\$ 4,487,250	\$ 704,601	\$ 5,158,197	\$ 454,153
Cash Flows from Operating Activities					
Operating income (loss)	\$ 47,541	\$ 1,551,248	\$ 19,096	\$ 1,617,885	\$ (180,274)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	29,091	189,047	295,346	513,484	-
Decrease (increase) in operating assets					
Accounts receivable	-	(28,243)	(12,059)	(40,302)	36,191
Inventory	-	-	8,652	8,652	-
Prepaid items	-	(3,017)	(50,035)	(53,052)	(25,806)
Increase (decrease) in operating liabilities					
Accounts payable	16,460	319,900	85,321	421,681	(2,033)
Claims payable	-	-	-	-	60,414
Deferred revenue	-	-	14,242	14,242	-
Other long-term debt	-	1,242	3,987	5,229	-
Compensated absences	-	-	(11,701)	(11,701)	-
Net Cash Provided (Used) by Operating Activities	\$ 93,092	\$ 2,030,177	\$ 352,849	\$ 2,476,118	\$ (111,508)

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, 2012

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 conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described 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 Position 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 position 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, 2012

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, 2012

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 position (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 position.

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, 2012

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 position 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, 2012

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, 2012

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 Position 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, 2012

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 April 4, 2014.

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, 2012

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 position:

Statement of Net Position:

Cash and investments available for operations	\$13,640,403
Cash and investments held in trust	<u>1,182,701</u>
Total City cash and investments	<u>\$14,823,104</u>

The City's total cash and investments consists of the following:

Investments	\$13,093,823
Cash in banks	1,727,206
Petty cash	<u>1,985</u>
Total City cash and investments	<u>\$14,823,014</u>

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, 2012

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, 2012

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	\$ - .	\$501,385	\$2,000,100	\$ 2,501,485
Gov't Bonds - Non-Callable	100,169	278,356	283,088	661,613
Certificates of Deposit	50,000	193,392	- .	243,392
Money Market Funds	273,841	- .	- .	273,841
Cash or Equivalent	3,855	- .	- .	3,855
California Local Agency Investment Fund	<u>9,409,637</u>	<u>- .</u>	<u>- .</u>	<u>9,409,637</u>
Total Investments	<u>\$9,837,502</u>	<u>\$973,133</u>	<u>\$2,283,188</u>	13,093,823
Cash				
Cash in banks				1,727,206
Petty cash				<u>1,985</u>
Total Cash and Investments				<u>\$14,823,014</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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, 2012 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	\$2,501,485	\$ -	\$ 2,501,485
Gov't Bonds - Non-Callable	661,613	-	661,613
Certificates of Deposit	-	243,392	243,392
Money Market Funds	273,841	-	273,841
Cash or Equivalent	-	3,855	3,855
California Local Agency Investment Fund	-	9,409,637	9,409,637
 Total Investments	 \$3,436,939	 \$9,656,884	 13,093,823
Cash			
Cash in banks			1,727,206
Petty cash			1,985
 Total Cash and Investments			 \$14,823,014

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 are as follows at June 30, 2012.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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, 2012

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, 2011</u>	<u>June 30, 2012</u>
Balance held by Trustee at end of year, at fair value	<u>\$967,313</u>	<u>\$899,775</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	\$ -	\$412,277
Nonmajor funds	<u>418,488</u>	<u>6,211</u>
Total	<u>\$418,488</u>	<u>\$418,488</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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, 2012 was \$1,794,545.

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, 2012 was \$148,065.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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 allowed the City up to four years to record infrastructure assets acquired in prior years. With the implementation of GASB 34 the City has recorded historical values for infrastructure assets since 1980 as adjustments to capital assets in the fiscal year ended 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 if 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, 2012

NOTE 6. CAPITAL ASSETS – Continued

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

	Balance July 1, 2011	Additions/ Adjustments	Retirements/ Adjustments	Balance June 30, 2012
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 2,338,270	\$ - .	\$ - .	\$ 2,338,270
Construction in progress	65,186	449,324	- .	514,510
Total capital assets, not being depreciated	2,403,456	449,324	- .	2,852,780
Capital assets, being depreciated:				
Infrastructure	22,329,855	62,141	- .	22,391,996
Buildings	11,208,594	- .	- .	11,208,594
Improvements	319,360	28,600	- .	347,960
Machinery and equipment	4,044,875	49,107	- .	4,093,982
Total capital assets, being depreciated	37,902,684	139,848	- .	38,042,532
Less accumulated depreciation for:				
Infrastructure	7,871,758	343,442	- .	8,215,200
Buildings	6,029,028	111,353	- .	6,140,381
Improvement	110,363	14,699	- .	125,062
Machinery and equipment	3,234,926	239,597	- .	3,474,523
Total accumulated depreciation	17,246,075	709,091	- .	17,955,166
Total capital assets, being depreciated, net	20,656,609	(569,243)	- .	20,087,366
Governmental activities capital assets, net	\$23,060,065	(\$119,919)	\$ - .	\$22,940,146
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 362,973	\$ - .	\$ - .	\$ 362,973
Construction in progress	232,267	2,328,847	- .	2,561,114
Total capital assets, not being depreciated	595,240	2,328,847	- .	2,924,087
Capital assets, being depreciated:				
Buildings	6,093,798	- .	- .	6,093,798
Improvements	3,205,317	69,999	- .	3,275,316
Machinery and equipment	2,079,602	749,220	733,639	2,095,183
Sewer line	6,124,968	8,792	- .	6,133,760
Total capital assets, being depreciated	17,503,685	837,043	733,639	17,598,057
Less accumulated depreciation for:				
Buildings	1,042,671	82,996	- .	1,125,551
Improvements	1,873,762	195,329	- .	2,069,091
Machinery and equipment	1,671,962	86,061	- .	1,758,023
Sewer line	1,155,650	149,214	- .	1,304,864
Total accumulated depreciation	5,744,045	513,484	- .	6,257,529
Total capital assets, being depreciated, net	11,759,640	323,559	733,639	11,340,528
Business-type activities capital assets, net	\$12,354,880	\$2,652,406	\$733,639	\$14,264,615

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, 2012

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	\$108,004
Fire	95,688
General administration	74,970
Public works	380,082
Recreation	26,177
Library	6,594
Museum	<u>17,576</u>
Total depreciation expense – governmental activities	<u>\$709,091</u>
Business-type activities:	
Cemetery operating	\$ 29,091
Sewer operating	189,047
Golf course	<u>295,346</u>
Total depreciation expense – business-type activities	<u>\$513,484</u>

NOTE 7. LONG-TERM DEBT

Long-term liabilities at June 30, 2012 included the following:

<u>Type of obligation</u>	<u>Original Issue Amount</u>	<u>Balance July 1, 2011</u>	<u>Additions/ Adjustment</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>	<u>Due within one year</u>
<u>Governmental Activities</u>						
<u>Governmental funds</u>						
<i>General Obligation Refunding Note</i>						
2003 Refunding Butterfly Habitat Note; 4.45%; maturity 8/1/17	\$ 963,793	\$ 548,975	\$ -	\$ 66,889	\$ 482,086	\$ 70,966
<i>Capital Lease</i>						
2003 Civic Center financing lease; 3.85%; maturity 2/8/14	1,909,387	625,563	-	200,622	424,941	208,420
Pierce Dash 2000 Pumper; 3.885% maturity 8/15/15	410,134	224,548	-	41,553	182,995	43,167

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 7. LONG-TERM DEBT

<u>Type of obligation</u>	<u>Original Issue Amount</u>	<u>Balance July 1, 2011</u>	<u>Additions/ Adjustment</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>	<u>Due within one year</u>
<i>Pension Obligation Bond</i>						
Taxable Pension Obligation						
Bonds; 5.67%-6.12%; maturity 6/1/29	\$19,365,355	\$14,778,357	\$ - .	\$1,180,806	\$13,597,551	\$1,145,902
Accreted Interest		<u>5,548,098</u>	<u>714,442</u>	<u>- .</u>	<u>6,262,540</u>	<u>- .</u>
Total Governmental Activities		<u>\$21,725,541</u>	<u>\$714,442</u>	<u>\$1,489,870</u>	<u>\$20,950,113</u>	<u>\$1,468,455</u>
<u>Business-type Activities</u>						
<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	\$1,225,000	\$ - .	\$ 35,000	\$1,190,000	\$ 35,000
Less: unamortized discount		(17,553)	- .	(864)	(16,689)	(864)
<i>Capital Lease</i>						
Vactor truck; due monthly until 3/30/14	165,624	94,545	- .	33,283	61,262	26,737
<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	3,550,000	- .	75,000	3,475,000	80,000
<i>Capital Lease</i>						
Mower; 5.756%; annually until 3/2/13	46,196	<u>19,796</u>	<u>- .</u>	<u>9,614</u>	<u>10,182</u>	<u>10,182</u>
Total Business-type Activities		<u>\$4,871,788</u>	<u>\$ - .</u>	<u>\$152,033</u>	<u>\$4,719,755</u>	<u>\$151,055</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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, 2012, annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 70,966	\$19,874
2014	74,923	16,628
2015	78,758	13,208
2016	82,382	9,623
2017	85,863	5,880
2018	<u>89,194</u>	<u>1,985</u>
Totals	<u>\$482,086</u>	<u>\$67,198</u>

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, 2012, annual debt service requirements to maturity are as follows:

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 7. LONG-TERM DEBT - Continued

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$208,420	\$14,373
2014	<u>216,521</u>	<u>6,272</u>
Totals	<u>\$424,941</u>	<u>\$20,645</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, 2012, annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 43,167	\$ 7,110
2014	44,844	5,433
2015	46,587	3,690
2016	<u>48,397</u>	<u>1,880</u>
Totals	<u>\$182,995</u>	<u>\$18,113</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, 2012, annual debt service requirements to maturity are as follows:

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 7. LONG-TERM DEBT – Continued

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest Accretion</u>	<u>Interest</u>
2013	\$ 1,145,902	\$ 506,345	\$ 554,098
2014	1,115,470	498,925	644,530
2015	1,084,100	486,856	730,901
2016	1,056,056	475,238	818,944
2017	1,018,816	466,780	916,184
2018-2022	4,655,853	2,167,203	6,014,147
2023-2027	2,681,587	1,264,160	5,563,413
2028-2029	<u>839,767</u>	<u>397,033</u>	<u>2,405,232</u>
Totals	<u>\$13,597,551</u>	<u>\$6,262,540</u>	<u>\$17,647,449</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, 2012, annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 35,000	\$ 58,225
2014	40,000	56,573
2015	40,000	54,753
2016	40,000	52,893
2017	45,000	50,873
2018-2022	255,000	218,026
2023-2027	325,000	144,662
2027-2032	<u>410,000</u>	<u>53,000</u>
Totals	<u>\$1,190,000</u>	<u>\$689,005</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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, 2012, annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$44,707	\$1,819
2014	<u>26,737</u>	<u>410</u>
Totals	<u>\$71,444</u>	<u>\$2,229</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, 2012, annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 80,000	\$ 188,988
2014	85,000	185,109
2015	90,000	180,840
2016	95,000	176,215
2017	100,000	171,290
2018-2022	570,000	771,001
2023-2027	745,000	590,606
2028-2032	980,000	350,865
2033-2035	<u>730,000</u>	<u>63,280</u>
Totals	<u>\$3,475,000</u>	<u>\$2,678,194</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 8. NET ASSETS AND FUND BALANCES

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position 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 position – Consists of net position 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 position – All other net position 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 follows:

- Nonspendable Fund Balance – includes amounts that are (a) not in spendable form—such as inventory, prepaid amounts or long-term notes receivable, or (b) legally or contractually required to be maintained intact—such as a trust that must be retained in perpetuity. The “not in spendable form” criterion includes items that are expected to be converted to cash.
- Spendable Fund Balance:
 - Restricted Fund Balance – constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Restriction may effectively be changed or lifted only with the consent of resource providers.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 8. NET ASSETS AND FUND BALANCES - Continued

- Committed Fund Balance – amounts that can be used only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the Board. Commitments may be changed or lifted by the City taking the same formal action that imposed the constraint originally.
- Assigned Fund Balance – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City’s Board or (b) a body (e.g., a budget or finance committee) or official to which the City’s Board has delegated the authority to assign, modify, rescind amounts to be used for specific purposes. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.
- Unassigned Fund Balance – the residual classification for the General Fund. It is also used to report negative fund balance in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

NOTE 9. DEFICIT NET ASSETS

The following funds had deficit net position at June 30, 2012:

Governmental Activities	
Internal Service funds	
Workers’ Compensation Insurance	\$607,012

The Workers’ Compensation Insurance fund deficit involves future unfunded liabilities. The City has and will continue to make additional operating transfers and evaluate status of all claims for accuracy.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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	25.654%	10.710%

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 entry age normal cost method as the actuarial cost method. 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. Average remaining period is 18 years as of valuation date and asset valuation method is 15 year smoothed market.

Effective July 1, 2005, the City's Miscellaneous and Safety Plans were joined into State-wide risk pools. Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 10. PENSION PLANS – Continued

Actuarially required contributions for fiscal years 2012, 2011, and 2010 were \$1,104,510, \$915,009, and \$740,710, respectively. The current year's required contribution was determined as part of the June 30, 2009 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%.

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, 2012, total contributions of \$48,352 were made.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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, 2012, the City paid \$92,992 for its share of benefits on behalf of 10 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 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 Year Ending</u>	<u>Normal Cost</u>	<u>Annual Required Contribution</u>	<u>Contributions during the year</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$62,040	\$173,095	\$143,155	83%	\$ 87,039
6/30/11	65,762	182,629	85,151	47%	184,517
6/30/12	69,708	192,960	92,992	48%	284,087

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 \$150,000 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.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 13. RISK MANAGEMENT - Continued

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.

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, 2011	\$707,726	\$455,175	\$1,162,901
Incurred claims and changes in estimate	137,064	25,237	162,301
Claim payments	(5,095)	(96,792)	(101,887)
Ending balance, June 30, 2012	<u>\$839,695</u>	<u>\$383,620</u>	<u>\$1,223,315</u>
Due within one year	<u>\$335,878</u>	<u>\$230,172</u>	<u>\$566,050</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2012

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

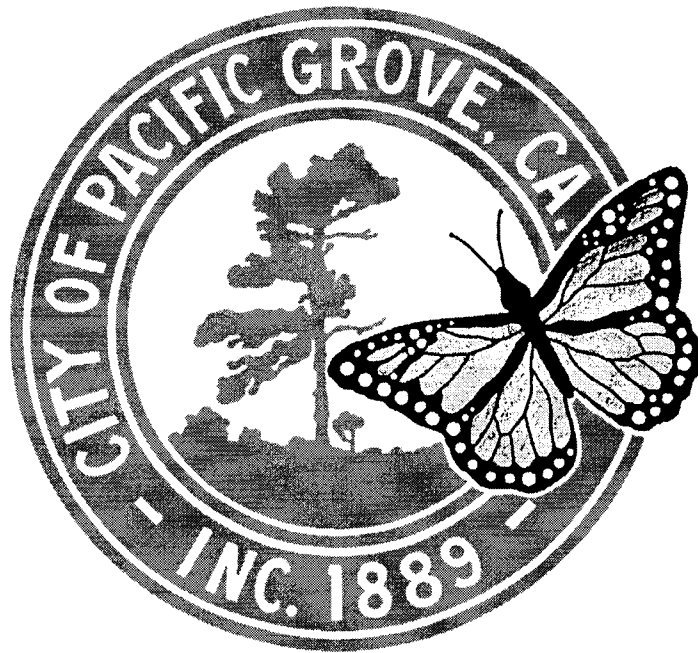
The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there are only some of these matters that may prove to be detrimental to the city. The total of these litigations, amounting to \$383,620 have been reserved by the City.

NOTE 15. PRIOR PERIOD ADJUSTMENTS

The Sewer fund reflects a prior period adjustment of \$55,663 to write off the unamortized issue cost of the Bonds Payable to comply with GASB 63/65 where issue costs are expensed when incurred. These have no effect on the financial statements nor the current year's activities.



Required Supplementary Information
(other than MD&A)



CITY OF PACIFIC GROVE, CALIFORNIA
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Balances, Beginning	\$ 3,043,201	\$ 3,043,201	\$ 3,043,201	\$ -
Resources (inflows)				
Property tax	3,959,300	3,959,300	3,924,625	(34,675)
Sales tax	2,788,368	2,788,368	2,941,271	152,903
Transient occupancy tax	2,935,963	2,935,963	3,141,801	205,838
Franchise tax	827,614	827,614	823,320	(4,294)
Utility users	1,486,956	1,486,956	1,477,555	(9,401)
Business license	411,600	411,600	328,390	(83,210)
Real estate transfer tax	60,000	60,000	88,456	28,456
Licenses and permits	391,000	391,000	345,167	(45,833)
Fines, forfeitures and penalties	62,500	62,500	48,900	(13,600)
Intergovernmental	1,344,184	1,344,184	1,242,568	(101,616)
Charges for current services	1,001,805	1,001,805	1,229,310	227,505
Use of money and property	214,000	214,000	172,317	(41,683)
Interdepartmental charges	2,108,140	2,108,140	1,661,193	(446,947)
Other	19,000	19,000	48,490	29,490
Transfers in	24,896	24,896	-	(24,896)
Amounts Available for Appropriation	17,635,326	17,635,326	17,473,363	(161,963)
Charges to appropriations (outflows)				
Current				
Public safety				
Police	5,039,227	5,011,442	5,356,463	(345,021)
Fire	2,701,971	2,688,171	2,792,924	(104,753)
General administration	2,421,058	2,158,324	2,197,911	(39,587)
Public works	1,732,387	1,713,835	1,988,893	(275,058)
Recreation	347,199	343,327	350,307	(6,980)
Library	726,319	725,596	701,303	24,293
Community development & building inspection	1,192,617	1,148,245	1,134,456	13,789
Museum	199,921	201,522	182,507	19,015
Capital outlay	690,000	690,000	505,866	184,134
Debt service				
Principal	1,180,806	1,180,806	1,180,806	-
Interest and fiscal charges	469,194	469,194	469,194	-
Transfers out	671,035	671,035	412,277	258,758
Total Charges to Appropriation	17,371,734	17,001,497	17,272,907	(271,410)
Budgetary Balances, Ending	\$ 3,306,793	\$ 3,677,030	\$ 3,243,657	\$ (433,373)

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2012

**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	\$ 17,473,363
Differences - budget to GAAP:	<u>-</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ <u>17,473,363</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule	\$ 17,272,907
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(412,277)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ <u>16,860,630</u>
	Concluded

CITY OF PACIFIC GROVE, CALIFORNIA
Schedules of Funding Progress
June 30, 2012

	(a)	(b)	(a)-(b)	(b)/(a)	(c)	[(a)-(b)]/(c)
Valuation Date	Actuarial Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liability (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL as a % of Payroll
<u>CalPERS Retirement Plan - Miscellaneous (Risk Pool):</u>						
6/30/2009	\$ 3,104,798,222	\$ 2,758,511,101	\$ 346,287,121	88.9%	\$ 742,981,488	46.6%
6/30/2010	\$ 3,309,064,934	\$ 2,946,408,106	\$ 362,656,828	89.0%	\$ 748,401,352	48.5%
<u>CalPERS Retirement Plan - Miscellaneous (Plan Specific):</u>						
6/30/2011	\$ 46,618,357	\$ 42,469,471	\$ 4,148,886	91.1%	\$ 4,278,107	97.0%
<u>CalPERS Retirement Plan - Safety (Risk Pool):</u>						
6/30/2009	\$ 9,721,675,347	\$ 8,027,158,724	\$ 1,694,516,623	82.6%	\$ 973,814,168	174.0%
6/30/2010	\$ 10,165,475,166	\$ 8,470,235,152	\$ 1,695,240,014	83.3%	\$ 955,980,815	177.3%
<u>CalPERS Retirement Plan - Safety (Plan Specific):</u>						
6/30/2011	\$ 62,199,112	\$ 54,778,452	\$ 7,420,660	88.1%	\$ 2,348,818	315.9%
<u>Other Postemployment Benefits - Health Benefit:</u>						
7/1/2009	\$ 2,753,014	\$ -	\$ 2,753,014	0%	\$ 8,627,274	32%
7/1/2012	\$ 2,676,969	\$ -	\$ 2,676,969	0%	\$ 7,521,909	36%



Supplementary Information



Nonmajor Governmental Funds

CITY OF PACIFIC GROVE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

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.

Hyperbaric Chamber. This fund is for fees generated by the use of the hyperbaric chamber at the Fire Department.

State Franchise PEG. This fund is for the deposit of funds received from the City's cable franchisee to fund Public, Educational and Governmental programming on local Public Access television and equipment expenditures to aid in broadcasting per the terms of the Digital Infrastructure and Video Competition Act of 2006.

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.

CITY OF PACIFIC GROVE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

SPECIAL REVENUE FUNDS - Continued

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.

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

Asset Seizure. This fund accounts for items seized as part of arrests and convictions relating to the illegal sale and distribution of narcotics and related illegal substances.

(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.

ARRA. This fund accounts for the expenditures related to infrastructure projects funded by the American Recovery and Reinvestment Act of 2009.

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.

CalHOME Grant. This fund accounts for housing rehabilitation loans funded by grants from the State of California Department of Housing and Community Development.

CalHOME Reuse. This fund accounts for the deposit of revenue received from the repayment of CalHOME Housing rehabilitation loans.

CITY OF PACIFIC GROVE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

SPECIAL REVENUE FUNDS - Continued

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.

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.

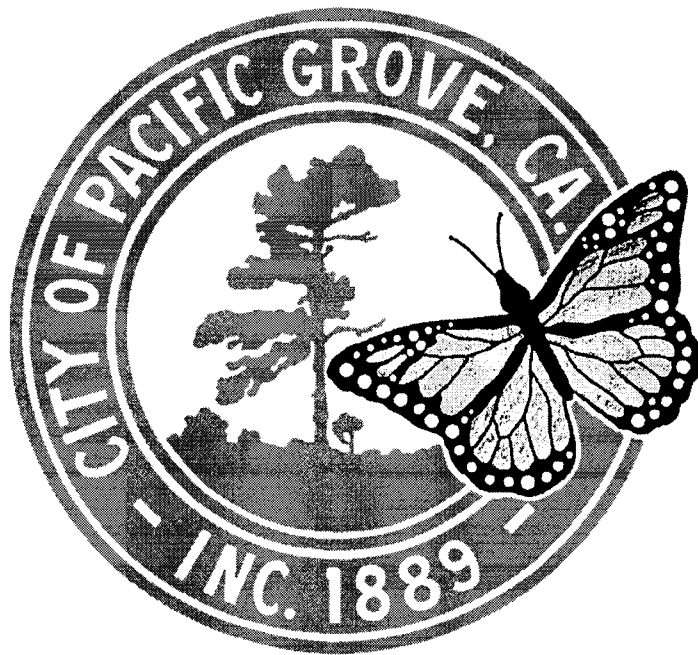
PERMANENT FUNDS

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, 2012

	<u>Special Revenue</u>			
	<u>Carillon Acquisition & Maintenance</u>	<u>Hyperbaric Chamber</u>	<u>State Franchise - PEG</u>	<u>Library Building & Equipment</u>
<u>Assets</u>				
Cash and investments				
Available for operations	\$ 9,223	\$ 39,574	\$ 197,365	\$ 348,520
Held in trust	-	-	-	-
Receivables				
Taxes	-	-	21,662	-
Accounts	-	-	-	-
Interest and other	-	-	-	-
Loans	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 9,223</u>	<u>\$ 39,574</u>	<u>\$ 219,027</u>	<u>\$ 348,520</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ 326,824
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>326,824</u>
<u>Fund Balances</u>				
Nonspendable				
Long-term loan receivable	-	-	-	-
Permanent funds	-	-	-	-
Spendable				
Restricted				
Special Revenue	9,223	39,574	219,027	21,696
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>9,223</u>	<u>39,574</u>	<u>219,027</u>	<u>21,696</u>
Total Liabilities and Fund Balances	<u>\$ 9,223</u>	<u>\$ 39,574</u>	<u>\$ 219,027</u>	<u>\$ 348,520</u>

Special Revenue

<u>Museum Improvement</u>	<u>Downtown Business District</u>	<u>Hospitality Improvement District</u>	<u>Library Book</u>	<u>Fire Dept. Emergency Equipment</u>	<u>Civic Center Site</u>	<u>Housing Program</u>
\$ 382,173	\$ 13,492	\$ 6,675	\$ 61,179	\$ 108,995	\$ 130,646	\$ 231,169
-	-	-	-	-	-	-
-	-	-	-	-	1,500	-
-	-	54,259	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	572,284
<u>\$ 382,173</u>	<u>\$ 13,492</u>	<u>\$ 60,934</u>	<u>\$ 61,179</u>	<u>\$ 108,995</u>	<u>\$ 132,146</u>	<u>\$ 803,453</u>
\$ -	\$ 4,525	\$ 60,934	\$ 6,161	\$ 1,365	\$ -	\$ 67
-	8,967	-	-	-	-	-
-	13,492	60,934	6,161	1,365	-	67
-	-	-	-	-	-	572,284
-	-	-	-	-	-	-
382,173	-	-	55,018	107,630	132,146	231,102
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>382,173</u>	<u>-</u>	<u>-</u>	<u>55,018</u>	<u>107,630</u>	<u>132,146</u>	<u>803,386</u>
<u>\$ 382,173</u>	<u>\$ 13,492</u>	<u>\$ 60,934</u>	<u>\$ 61,179</u>	<u>\$ 108,995</u>	<u>\$ 132,146</u>	<u>\$ 803,453</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2012

	Special Revenue			
	Traffic Congestion Relief	State Gas Tax	RSTP (TAMC)	Drug Awareness (DARE)
<u>Assets</u>				
Cash and investments				
Available for operations	\$ 37,120	\$ 203,630	\$ (6,360)	\$ 16,512
Held in trust	-	-	-	-
Receivables				
Taxes	-	-	-	-
Accounts	-	-	6,360	-
Interest and other	-	-	-	-
Loans	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	\$ <u>37,120</u>	\$ <u>203,630</u>	\$ <u>-</u>	\$ <u>16,512</u>
<u>Liabilities</u>				
Accounts payable	\$ 25,371	\$ 12,899	\$ -	\$ 17
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>25,371</u>	<u>12,899</u>	<u>-</u>	<u>17</u>
<u>Fund Balances</u>				
Nonspendable				
Long-term loan receivable	-	-	-	-
Permanent funds	-	-	-	-
Spendable				
Restricted				
Special Revenue	11,749	190,731	-	16,495
Debt Service	-	-	-	-
Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>11,749</u>	<u>190,731</u>	<u>-</u>	<u>16,495</u>
Total Liabilities and Fund Balances	\$ <u>37,120</u>	\$ <u>203,630</u>	\$ <u>-</u>	\$ <u>16,512</u>

Special Revenue

<u>Asset Seizure</u>	<u>(LLEBG) Law Enforcement Block Grant</u>	<u>Environmental Enhancement</u>	<u>Recreation Donation</u>	<u>Chautauqua Hall Preservation</u>	<u>Lighthouse Maintenance & Improvement</u>	<u>Senior Housing</u>
\$ 1,657	\$ 68	\$ 144,231	\$ 25,617	\$ 28,476	\$ 84,957	\$ 9,590
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,657</u>	<u>68</u>	<u>144,231</u>	<u>25,617</u>	<u>28,476</u>	<u>84,957</u>	<u>9,590</u>
\$ <u>1,657</u>	\$ <u>68</u>	\$ <u>144,231</u>	\$ <u>25,617</u>	\$ <u>28,476</u>	\$ <u>84,957</u>	\$ <u>9,590</u>
\$ -	\$ -	\$ -	\$ 1,286	\$ -	\$ 587	\$ -
-	-	585	-	-	-	-
-	-	585	1,286	-	587	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,657	68	143,646	24,331	28,476	84,370	9,590
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,657</u>	<u>68</u>	<u>143,646</u>	<u>24,331</u>	<u>28,476</u>	<u>84,370</u>	<u>9,590</u>
\$ <u>1,657</u>	\$ <u>68</u>	\$ <u>144,231</u>	\$ <u>25,617</u>	\$ <u>28,476</u>	\$ <u>84,957</u>	\$ <u>9,590</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2012

	Special Revenue			
	Operating Grants	Operating Donations	ARRA	Housing Rehabilitation (DPRL)
<u>Assets</u>				
Cash and investments				
Available for operations	\$ 10,864	\$ 100,564	\$ (29,746)	\$ 171,302
Held in trust	-	-	-	-
Receivables				
Taxes	-	-	-	-
Accounts	-	-	29,746	-
Interest and other	-	-	-	-
Loans	-	-	-	844,869
	<u>-</u>	<u>-</u>	<u>-</u>	<u>844,869</u>
Total Assets	\$ <u>10,864</u>	\$ <u>100,564</u>	\$ <u>-</u>	\$ <u>1,016,171</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>				
Nonspendable				
Long-term loan receivable	-	-	-	844,869
Permanent funds	-	-	-	-
Spendable				
Restricted				
Special Revenue	10,864	100,564	-	171,302
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
	<u>10,864</u>	<u>100,564</u>	<u>-</u>	<u>1,016,171</u>
Total Fund Balance	<u>10,864</u>	<u>100,564</u>	<u>-</u>	<u>1,016,171</u>
Total Liabilities and Fund Balances	\$ <u>10,864</u>	\$ <u>100,564</u>	\$ <u>-</u>	\$ <u>1,016,171</u>

Special Revenue						
CalHOME Reuse	Yount Trust Income	Public Safety Augmentation	Supplemental Law Enforcement (SLES)	Storm Water Fund	Ocean Front Restoration	Poetry Promotion Fund
\$ 58,789	\$ 101,181	\$ 356,223	\$ 5,519	\$ 180,966	\$ 103	\$ 43,221
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	9,538	25,000	-	-	900
-	805	-	-	-	-	-
<u>377,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>436,181</u>	\$ <u>101,986</u>	\$ <u>365,761</u>	\$ <u>30,519</u>	\$ <u>180,966</u>	\$ <u>103</u>	\$ <u>44,121</u>
\$ -	\$ 21	\$ 355,858	\$ -	\$ 15,622	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,800</u>
<u>-</u>	<u>21</u>	<u>355,858</u>	<u>-</u>	<u>15,622</u>	<u>-</u>	<u>1,800</u>
377,392	-	-	-	-	-	-
-	-	-	-	-	-	-
58,789	101,965	9,903	30,519	165,344	103	42,321
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>436,181</u>	<u>101,965</u>	<u>9,903</u>	<u>30,519</u>	<u>165,344</u>	<u>103</u>	<u>42,321</u>
\$ <u>436,181</u>	\$ <u>101,986</u>	\$ <u>365,761</u>	\$ <u>30,519</u>	\$ <u>180,966</u>	\$ <u>103</u>	\$ <u>44,121</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2012

	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>Permanent</u>
	McIndoo Donation	Buildings & Facilities Improvement	1990 Butterfly Habitat Bond	Library Endowment Trust
<u>Assets</u>				
Cash and investments				
Available for operations	\$ 323,522	\$ 555,173	\$ 93,550	\$ 522,914
Held in trust	-	-	-	-
Receivables				
Taxes	-	-	-	-
Accounts	-	-	-	-
Interest and other	-	-	-	-
Loans	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>323,522</u>	\$ <u>555,173</u>	\$ <u>93,550</u>	\$ <u>522,914</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ 152
Deferred revenue	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>152</u>
<u>Fund Balances</u>				
Nonspendable				
Long-term loan receivable	-	-	-	-
Permanent funds	-	-	-	522,762
Spendable				
Restricted				
Special Revenue	323,522	-	-	-
Debt Service	-	-	93,550	-
Capital Projects	-	555,173	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>323,522</u>	<u>555,173</u>	<u>93,550</u>	<u>522,762</u>
Total Liabilities and Fund Balances	\$ <u>323,522</u>	\$ <u>555,173</u>	\$ <u>93,550</u>	\$ <u>522,914</u>

Permanent		
Cemetery Endowment Trust	Yount Trust	Total
\$ 1,062,365	\$ -	\$ 5,631,019
-	858,860	858,860
-	-	23,162
-	-	125,803
-	-	805
-	-	1,794,545
<u>\$ 1,062,365</u>	<u>\$ 858,860</u>	<u>\$ 8,434,194</u>
\$ -	\$ -	\$ 811,689
-	-	11,352
-	-	823,041
-	-	1,794,545
1,062,365	858,860	2,443,987
-	-	2,723,898
-	-	93,550
-	-	555,173
<u>1,062,365</u>	<u>858,860</u>	<u>7,611,153</u>
<u>\$ 1,062,365</u>	<u>\$ 858,860</u>	<u>\$ 8,434,194</u>
		Concluded

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2012

	Special Revenue			
	Carillon Acquisition & Maintenance	Hyperbaric Chamber	State Franchise - PEG	Library Building & Equipment
<u>Revenues</u>				
Taxes	\$ -	\$ -	\$ 56,688	\$ -
Intergovernmental	-	-	-	-
Charges for current services	-	-	-	-
Use of money and property	84	1,984	1,068	2,067
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>84</u>	<u>1,984</u>	<u>57,756</u>	<u>2,067</u>
<u>Expenditures</u>				
Current				
Public safety				
Police	-	-	-	-
Fire	-	3,940	-	-
General administration	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	334,528
Community development & building inspection	-	-	-	-
Museum	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>3,940</u>	<u>-</u>	<u>334,528</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>84</u>	<u>(1,956)</u>	<u>57,756</u>	<u>(332,461)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	84	(1,956)	57,756	(332,461)
Fund Balances, Beginning	<u>9,139</u>	<u>41,530</u>	<u>161,271</u>	<u>354,157</u>
Fund Balances, Ending	<u>\$ 9,223</u>	<u>\$ 39,574</u>	<u>\$ 219,027</u>	<u>\$ 21,696</u>

Special Revenue

<u>Museum Improvement</u>	<u>Downtown Business District</u>	<u>Hospitality Improvement District</u>	<u>Library Book</u>	<u>Fire Dept. Emergency Equipment</u>	<u>Civic Center Site</u>	<u>Housing Program</u>
\$ -	\$ 25,630	\$ 216,872	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	3,447	-	18,999	-
2,250	-	-	414	1,028	-	1,079
-	-	-	56,709	11,785	-	103,444
<u>2,250</u>	<u>25,630</u>	<u>216,872</u>	<u>60,570</u>	<u>12,813</u>	<u>18,999</u>	<u>104,523</u>
-	-	-	-	-	-	-
-	-	-	-	5,815	-	-
-	25,635	217,024	-	-	383	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	74,903	-	-	-
-	-	-	-	-	-	119,284
526	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	200,622	-
-	-	-	-	-	22,171	-
<u>526</u>	<u>25,635</u>	<u>217,024</u>	<u>74,903</u>	<u>5,815</u>	<u>223,176</u>	<u>119,284</u>
<u>1,724</u>	<u>(5)</u>	<u>(152)</u>	<u>(14,333)</u>	<u>6,998</u>	<u>(204,177)</u>	<u>(14,761)</u>
-	-	-	-	-	212,000	-
-	-	-	-	-	-	-
-	-	-	-	-	212,000	-
1,724	(5)	(152)	(14,333)	6,998	7,823	(14,761)
<u>380,449</u>	<u>5</u>	<u>152</u>	<u>69,351</u>	<u>100,632</u>	<u>124,323</u>	<u>818,147</u>
\$ <u><u>382,173</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>55,018</u></u>	\$ <u><u>107,630</u></u>	\$ <u><u>132,146</u></u>	\$ <u><u>803,386</u></u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2012

	Special Revenue			
	Traffic Congestion Relief	State Gas Tax	RSTP (TAMC)	Drug Awareness (DARE)
<u>Revenues</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,717	428,325	34,785	-
Charges for current services	-	-	-	-
Use of money and property	214	1,062	-	96
Other	-	-	5,010	2,000
	<u>-</u>	<u>-</u>	<u>5,010</u>	<u>2,000</u>
Total Revenues	<u>1,931</u>	<u>429,387</u>	<u>39,795</u>	<u>2,096</u>
<u>Expenditures</u>				
Current				
Public safety				
Police	-	-	-	1,937
Fire	-	-	-	-
General administration	-	-	-	-
Public works	25,371	304,569	13,290	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development & building inspection	-	-	-	-
Museum	-	-	-	-
Capital outlay	-	2,203	26,505	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>25,371</u>	<u>306,772</u>	<u>39,795</u>	<u>1,937</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(23,440)</u>	<u>122,615</u>	<u>-</u>	<u>159</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(23,440)	122,615	-	159
Fund Balances, Beginning	<u>35,189</u>	<u>68,116</u>	<u>-</u>	<u>16,336</u>
Fund Balances, Ending	<u>\$ 11,749</u>	<u>\$ 190,731</u>	<u>\$ -</u>	<u>\$ 16,495</u>

Special Revenue						
Asset Seizure	(LLEBG) Law Enforcement Block Grant	Environmental Enhancement	Recreation Donation	Chautauqua Hall Preservation	Lighthouse Maintenance & Improvement	Senior Housing
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2	-	486	142	164	483	57
<u>1,655</u>	<u>-</u>	<u>125,000</u>	<u>6,637</u>	<u>6,000</u>	<u>35,542</u>	<u>-</u>
<u>1,657</u>	<u>-</u>	<u>125,486</u>	<u>6,779</u>	<u>6,164</u>	<u>36,025</u>	<u>57</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2,623	1,253	12,358	-
-	-	-	-	-	-	-
-	-	3,382	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	27,696	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>3,382</u>	<u>2,623</u>	<u>1,253</u>	<u>40,054</u>	<u>-</u>
<u>1,657</u>	<u>-</u>	<u>122,104</u>	<u>4,156</u>	<u>4,911</u>	<u>(4,029)</u>	<u>57</u>
-	-	-	-	-	6,211	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,211</u>	<u>-</u>
1,657	-	122,104	4,156	4,911	2,182	57
<u>-</u>	<u>68</u>	<u>21,542</u>	<u>20,175</u>	<u>23,565</u>	<u>82,188</u>	<u>9,533</u>
<u>\$ 1,657</u>	<u>\$ 68</u>	<u>\$ 143,646</u>	<u>\$ 24,331</u>	<u>\$ 28,476</u>	<u>\$ 84,370</u>	<u>\$ 9,590</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2012

	Special Revenue			
	Operating Grants	Operating Donations	Vehicle Replacement	Housing Rehabilitation (DPRL)
<u>Revenues</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	9,720	-	-	-
Charges for current services	-	-	-	-
Use of money and property	78	590	-	393
Other	-	500	-	25,858
	<u>-</u>	<u>500</u>	<u>-</u>	<u>25,858</u>
Total Revenues	<u>9,798</u>	<u>1,090</u>	<u>-</u>	<u>26,251</u>
<u>Expenditures</u>				
Current				
Public safety				
Police	-	-	-	-
Fire	-	-	-	-
General administration	-	-	-	-
Public works	281	-	-	-
Recreation	-	-	-	-
Library	12,425	-	-	-
Community development & building inspection	-	-	-	88,273
Museum	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	41,553	-
Interest and fiscal charges	-	-	8,724	-
	<u>-</u>	<u>-</u>	<u>8,724</u>	<u>-</u>
Total Expenditures	<u>12,706</u>	<u>-</u>	<u>50,277</u>	<u>88,273</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,908)</u>	<u>1,090</u>	<u>(50,277)</u>	<u>(62,022)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	50,277	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>50,277</u>	<u>-</u>
Net Change in Fund Balances	(2,908)	1,090	-	(62,022)
Fund Balances, Beginning	<u>13,772</u>	<u>99,474</u>	<u>-</u>	<u>1,078,193</u>
Fund Balances, Ending	<u>\$ 10,864</u>	<u>\$ 100,564</u>	<u>\$ -</u>	<u>\$ 1,016,171</u>

Special Revenue						
CalHOME Grant	CalHOME Reuse	Yount Trust Income	Public Safety Augmentation	Supplemental Law Enforcement (SLES)	Storm Water Fund	Ocean Front Restoration
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	95,588	153,795	503	-
-	2,659	-	208,479	-	-	-
-	86	16,623	-	199	-	-
-	-	-	-	-	-	-
-	2,745	16,623	304,067	153,994	503	-
-	-	-	238,425	153,234	-	-
-	-	-	117,433	-	-	-
-	-	-	-	-	-	-
-	-	16,469	-	-	123,678	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
15,200	79	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	24,807	9,031	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
15,200	79	16,469	355,858	178,041	132,709	-
(15,200)	2,666	154	(51,791)	(24,047)	(132,206)	-
-	-	-	-	-	150,000	-
-	-	-	-	-	-	-
-	-	-	-	-	150,000	-
(15,200)	2,666	154	(51,791)	(24,047)	17,794	-
15,200	433,515	101,811	61,694	54,566	147,550	103
\$ -	\$ 436,181	\$ 101,965	\$ 9,903	\$ 30,519	\$ 165,344	\$ 103

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2012

	Special Revenue		Capital Project	Debt Service
	Poetry Promotion Fund	McIndoo Donation	Buildings & Facilities Improvement	1990 Butterfly Habitat Bond
<u>Revenues</u>				
Taxes	\$ -	\$ -	\$ -	\$ 74,351
Intergovernmental	-	-	-	346
Charges for current services	-	-	-	-
Use of money and property	11,042	1,953	3,267	422
Other	152	-	-	-
	<u>11,194</u>	<u>1,953</u>	<u>3,267</u>	<u>75,119</u>
Total Revenues				
	<u>11,194</u>	<u>1,953</u>	<u>3,267</u>	<u>75,119</u>
<u>Expenditures</u>				
Current				
Public safety				
Police	-	-	-	-
Fire	-	-	-	-
General administration	-	-	-	-
Public works	-	-	-	-
Recreation	-	2,095	-	-
Library	3,275	-	-	-
Community development & building inspection	-	-	-	-
Museum	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	66,889
Interest and fiscal charges	-	-	-	22,941
	<u>3,275</u>	<u>2,095</u>	<u>-</u>	<u>89,830</u>
Total Expenditures				
	<u>3,275</u>	<u>2,095</u>	<u>-</u>	<u>89,830</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,919</u>	<u>(142)</u>	<u>3,267</u>	<u>(14,711)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	-	-
Transfers out	-	(6,211)	-	-
	<u>-</u>	<u>(6,211)</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)				
	<u>-</u>	<u>(6,211)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	7,919	(6,353)	3,267	(14,711)
Fund Balances, Beginning	<u>34,402</u>	<u>329,875</u>	<u>551,906</u>	<u>108,261</u>
Fund Balances, Ending	<u>\$ 42,321</u>	<u>\$ 323,522</u>	<u>\$ 555,173</u>	<u>\$ 93,550</u>

Library Endowment Trust	Permanent		Total
	Cemetery Endowment Trust	Yount Trust	
\$ -	\$ -	\$ -	\$ 373,541
-	-	-	724,779
-	86,828	-	320,412
3,078	-	1,117	51,528
5,399	-	-	385,691
<u>8,477</u>	<u>86,828</u>	<u>1,117</u>	<u>1,855,951</u>
-	-	-	393,596
-	-	-	127,188
-	-	-	243,042
-	-	-	483,658
-	-	-	18,329
4,086	-	-	429,217
-	-	-	226,218
-	-	-	526
-	-	-	90,242
-	-	-	309,064
-	-	-	53,836
<u>4,086</u>	<u>-</u>	<u>-</u>	<u>2,374,916</u>
<u>4,391</u>	<u>86,828</u>	<u>1,117</u>	<u>(518,965)</u>
-	-	-	418,488
-	-	-	(6,211)
-	-	-	412,277
4,391	86,828	1,117	(106,688)
<u>518,371</u>	<u>975,537</u>	<u>857,743</u>	<u>7,717,841</u>
\$ <u>522,762</u>	\$ <u>1,062,365</u>	\$ <u>858,860</u>	\$ <u>7,611,153</u>
			Concluded



Internal Service Funds

CITY OF PACIFIC GROVE, CALIFORNIA
INTERNAL SERVICE FUNDS
June 30, 2012

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 Net Position - Proprietary Funds - Internal Service Funds
June 30, 2012

	Health Insurance	Workers' Compensation Insurance	Liability Insurance	Total
<u>Assets</u>				
Current Assets				
Cash and investments				
Available for operations	\$ 102,582	\$ 22,281	\$ 329,290	\$ 454,153
Prepaid expenses	<u>4,118</u>	<u>222,258</u>	<u>232,913</u>	<u>459,289</u>
Total Assets	<u>106,700</u>	<u>244,539</u>	<u>562,203</u>	<u>913,442</u>
<u>Liabilities</u>				
Current Liabilities				
Accounts payable	16,013	11,856	2,208	30,077
Claims payable	<u>-</u>	<u>335,878</u>	<u>230,172</u>	<u>566,050</u>
Total Current Liabilities	<u>16,013</u>	<u>347,734</u>	<u>232,380</u>	<u>596,127</u>
Noncurrent Liabilities				
Claims payable	<u>-</u>	<u>503,817</u>	<u>153,448</u>	<u>657,265</u>
Total Noncurrent Liabilities	<u>-</u>	<u>503,817</u>	<u>153,448</u>	<u>657,265</u>
Total Liabilities	<u>16,013</u>	<u>851,551</u>	<u>385,828</u>	<u>1,253,392</u>
<u>Net Position</u>				
Unrestricted	<u>90,687</u>	<u>(607,012)</u>	<u>176,375</u>	<u>(339,950)</u>
Total Net Position	<u>\$ 90,687</u>	<u>\$ (607,012)</u>	<u>\$ 176,375</u>	<u>\$ (339,950)</u>

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Revenues, Expenses, and Changes in Net Position -
Proprietary Funds - Internal Service Funds
Year Ended June 30, 2012

	Health Insurance	Workers' Compensation Insurance	Liability Insurance	Total
<u>Operating Revenues</u>				
Charges for current services	\$ 314,604	\$ 477,481	\$ 384,862	\$ 1,176,947
Other	26,580	-	5,234	31,814
Total Operating Revenues	<u>341,184</u>	<u>477,481</u>	<u>390,096</u>	<u>1,208,761</u>
<u>Operating Expenses</u>				
Personnel services	197,516	17,737	17,737	232,990
Operating services	89,953	278,847	218,437	587,237
Insurance, claims and settlements	-	562,021	6,787	568,808
Total Operating Expenses	<u>287,469</u>	<u>858,605</u>	<u>242,961</u>	<u>1,389,035</u>
Change in Net Position	53,715	(381,124)	147,135	(180,274)
Net Position, Beginning	<u>36,972</u>	<u>(225,888)</u>	<u>29,240</u>	<u>(159,676)</u>
Net Position, Ending	<u>\$ 90,687</u>	<u>\$ (607,012)</u>	<u>\$ 176,375</u>	<u>\$ (339,950)</u>

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Cash Flows - Proprietary Funds - Internal Service Funds
Year Ended June 30, 2012

	Health Insurance	Workers' Compensation Insurance	Liability Insurance	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 343,192	\$ 500,416	\$ 401,345	\$ 1,244,953
Payments to suppliers	(141,193)	(725,808)	(311,624)	(1,178,625)
Payments to employees	<u>(147,516)</u>	<u>(15,160)</u>	<u>(15,160)</u>	<u>(177,836)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	54,483	(240,552)	74,561	(111,508)
Cash and Cash Equivalents, Beginning	<u>48,099</u>	<u>262,833</u>	<u>254,729</u>	<u>565,661</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 102,582</u></u>	<u><u>\$ 22,281</u></u>	<u><u>\$ 329,290</u></u>	<u><u>\$ 454,153</u></u>
Cash Flows from Operating Activities				
Operating income (loss)	\$ 53,715	\$ (381,124)	\$ 147,135	\$ (180,274)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Decrease (increase) in operating assets				
Accounts receivable	2,007	22,935	11,249	36,191
Prepaid items	(4,118)	(7,212)	(14,476)	(25,806)
Increase (decrease) in operating liabilities				
Accounts payable	2,879	(7,120)	2,208	(2,033)
Claims payable	<u>-</u>	<u>131,969</u>	<u>(71,555)</u>	<u>60,414</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 54,483</u></u>	<u><u>\$ (240,552)</u></u>	<u><u>\$ 74,561</u></u>	<u><u>\$ (111,508)</u></u>

