

# **CITY OF PACIFIC GROVE**

## **INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS JUNE 30, 2013**

## **TABLE OF CONTENTS**

---

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1 - 2</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	3
Statement of Activities	4
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Position - Proprietary Funds	9
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Notes to Basic Financial Statements	12 - 35

## **TABLE OF CONTENTS (Continued)**

---

	<b><u>Page</u></b>
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	36
Schedules of Funding Progress	37
<b>Supplemental Only Information</b>	
Descriptions of Nonmajor Governmental Funds	38 – 40
Combining Balance Sheet – Nonmajor Governmental Funds	41 - 43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	44 - 46

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of 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 the City of Pacific Grove, California, (the City) as of and for the year ended June 30, 2013, 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, 2013, 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 budgetary comparison information on page 36 and the schedule of funding progress on page 37 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

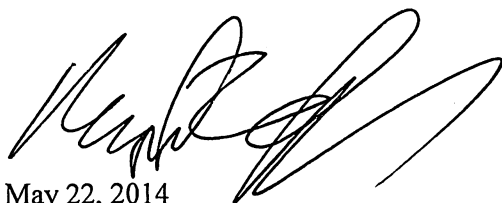
### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental only information is the responsibility of management and were 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 supplemental only information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2014, on our consideration of the City of Pacific Grove'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's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to be 'Kurt J. [unclear]', is written over the date.

May 22, 2014

# CITY OF PACIFIC GROVE

## STATEMENT OF NET POSITION JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 9,433,812	\$ 5,311,151	\$ 14,744,963
Restricted cash and investments	450,000	273,840	723,840
Accounts receivable	81,596	958,395	1,039,991
Taxes receivable	1,803,044	-	1,803,044
Due from other governments	107,805	-	107,805
Interest receivable	17,643	-	17,643
Loans receivable	1,908,709	124,778	2,033,487
Inventory	-	80,210	80,210
Prepaid expenses	-	36,090	36,090
Deferred charges	12,451,649	-	12,451,649
Internal balances	4,338	(4,338)	-
Capital assets, net of allowance for depreciation	22,663,784	14,255,665	36,919,449
Total assets	<u>48,922,380</u>	<u>21,035,791</u>	<u>69,958,171</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expense	1,515,542	337,013	1,852,555
Accrued interest payable	69,559	88,022	157,581
Deposits payable	10,000	-	10,000
Deferred revenue	170,585	93,136	263,721
Long-term liabilities			
Due within one year	1,451,758	180,584	1,632,342
Due in more than one year	18,224,121	4,461,741	22,685,862
Claims payable	839,695	-	839,695
Compensated absences	1,099,850	90,715	1,190,565
Net OPEB obligation	330,940	-	330,940
Total liabilities	<u>23,712,050</u>	<u>5,251,211</u>	<u>28,963,261</u>
<b>NET POSITION</b>			
Net investment in capital assets	21,896,315	9,613,340	31,509,655
Restricted for debt service	-	273,840	273,840
Restricted for specific projects and programs	5,186,540	-	5,186,540
Unrestricted	(1,872,525)	5,897,400	4,024,875
Total net position	<u>\$ 25,210,330</u>	<u>\$ 15,784,580</u>	<u>\$ 40,994,910</u>

# CITY OF PACIFIC GROVE

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2013

Functions/Programs	Program Revenue				Net Revenue/(Expense) and Changes in Net Position		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities							
General government	\$ 2,372,620	\$ 433,402	\$ 128,319	\$ -	\$ (3,004,661)	\$ -	\$ (3,004,661)
Community development	1,675,081	332,890	417,320	-	(1,207,035)	-	(1,207,035)
Public works	2,964,967	48,292	6,008	777,309	(668,251)	-	(668,251)
Recreation	388,241	181,316	-	-	(203,619)	-	(203,619)
Library	776,636	24,865	-	-	(747,227)	-	(747,227)
Museum	191,753	1,308	-	-	(190,445)	-	(190,445)
Public safety	7,591,216	70,448	216,900	-	(7,300,899)	-	(7,300,899)
Debt Service							
Interest and amortization	1,940,274	-	-	-	(1,940,274)	-	(1,940,274)
Total governmental activities	17,900,788	1,092,521	768,547	777,309	(15,262,411)	-	(15,262,411)
Business-type activities							
Cemetery	211,866	220,105	-	-	-	8,239	8,239
Sewer	1,707,644	2,636,516	-	245,410	-	1,174,282	1,174,282
Golf Course	2,186,562	2,542,365	-	-	-	355,803	355,803
Total business-type activities	4,106,072	5,398,986	-	245,410	-	1,538,324	1,538,324
<b>Total primary government</b>	<b>\$ 22,006,860</b>	<b>\$ 6,491,507</b>	<b>\$ 768,547</b>	<b>\$ 1,022,719</b>	<b>(15,262,411)</b>	<b>1,538,324</b>	<b>(13,724,087)</b>
<b>General Revenue</b>							
Property taxes and assessments					5,372,281	-	5,372,281
Sales taxes					3,111,379	-	3,111,379
Franchise and other taxes					1,010,451	-	1,010,451
Transient lodging taxes					3,809,270	-	3,809,270
Utility users tax					1,565,996	-	1,565,996
Business license tax					349,920	-	349,920
Investment income					89,544	32,654	122,198
Rents and other income					719,048	-	719,048
Transfers					124,058	(124,058)	-
Total general revenue and transfers					16,151,947	(91,404)	16,060,543
<b>Change in Net Position</b>					889,536	1,446,920	2,336,456
<b>Net Position</b>							
Beginning of year					24,406,812	14,404,541	38,811,353
Prior period adjustment					(86,018)	(66,881)	(152,899)
End of year					\$ 25,210,330	\$ 15,784,580	\$ 40,994,910

See accompanying notes.

# CITY OF PACIFIC GROVE

## BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2013

	General	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 3,536,056	\$ 5,587,376	\$ 9,123,432
Accounts receivable	18,195	-	18,195
Taxes receivable	1,672,824	130,220	1,803,044
Due from other funds	23,466	-	23,466
Due from other governments	40,955	66,850	107,805
Interest receivable	13,612	4,031	17,643
Loans receivable	-	1,908,709	1,908,709
Total assets	<u>\$ 5,305,108</u>	<u>\$ 7,697,186</u>	<u>\$ 13,002,294</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable and accrued expense	\$ 937,949	\$ 570,343	\$ 1,508,292
Deposits and other liabilities	10,000	-	10,000
Due to other funds	-	19,128	19,128
Deferred revenue	158,119	1,921,175	2,079,294
Total liabilities	<u>1,106,068</u>	<u>2,510,646</u>	<u>3,616,714</u>
<b>Fund Balance</b>			
Nonspendable			
Permanent funds	-	2,481,616	2,481,616
Restricted			
Social service programs	-	442,099	442,099
Debt Service	-	80,081	80,081
Community development	-	1,712,531	1,712,531
Street improvements	-	345,060	345,060
Public Safety	-	125,153	125,153
Assigned			
Social service programs	125,277	-	125,277
Unassigned	4,073,763	-	4,073,763
Total fund balance	<u>4,199,040</u>	<u>5,186,540</u>	<u>9,385,580</u>
Total liabilities and fund balance	<u>\$ 5,305,108</u>	<u>\$ 7,697,186</u>	<u>\$ 13,002,294</u>



# CITY OF PACIFIC GROVE

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2013

---

Total governmental fund balance	\$ 9,385,580
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 funds	22,663,784
Deferred charges in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	12,451,649
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(19,675,879)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds	(1,083,314)
Interest on long-term debt is reported as an expenditure of the Governmental Funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred	(69,559)
Internal service funds are used by management to charge the costs of fleet maintenance and computer services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	(39,700)
Post-retirement health benefits are not due and payable in the current period and, therefore, are not reported in the funds	(330,940)
Certain revenues in Governmental Funds are deferred because they are not collected within the prescribed time period after fiscal year end. Those revenues are recognized on the accrual basis in Governmental Activities	<u>1,908,709</u>
Net position of governmental activities	<u>\$ 25,210,330</u>

# CITY OF PACIFIC GROVE

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2013

	General	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Taxes	\$ 14,580,821	\$ 638,476	\$ 15,219,297
Licenses, permits and impact fees	412,924	-	412,924
Intergovernmental	150,136	982,796	1,132,932
Charges for services	1,016,396	-	1,016,396
Fines and forfeitures	76,125	-	76,125
Use of money and property	68,203	21,341	89,544
Other	401,809	317,239	719,048
Total revenue	<u>16,706,414</u>	<u>1,959,852</u>	<u>18,666,266</u>
<b>Expenditures</b>			
Current			
General government	2,429,557	-	2,429,557
Community development	1,038,845	750,400	1,789,245
Public works	2,314,009	268,012	2,582,021
Recreation	339,298	21,590	360,888
Library	671,808	99,339	771,147
Museum	177,952	-	177,952
Public safety			
Police	4,533,314	469,703	5,003,017
Fire	2,407,964	10,922	2,418,886
Capital outlay	225,714	684,552	910,266
Debt Service			
Principal	1,397,490	70,965	1,468,455
Interest and fiscal charges	578,573	19,874	598,447
Total expenditures	<u>16,114,524</u>	<u>2,395,357</u>	<u>18,509,881</u>
Revenue over/(under) expenditures	591,890	(435,505)	156,385
<b>Other Financing Sources/(Uses)</b>			
Transfers in/(out) - net	(116,789)	240,847	124,058
	<u>(116,789)</u>	<u>240,847</u>	<u>124,058</u>
<b>Change in Fund Balance</b>	475,101	(194,658)	280,443
<b>Fund Balance</b>			
Beginning of year, (Restated) Note 13	3,723,939	7,130,871	10,854,810
Prior period adjustment	-	(1,749,673)	(1,749,673)
End of year	<u>\$ 4,199,040</u>	<u>\$ 5,186,540</u>	<u>\$ 9,385,580</u>

# CITY OF PACIFIC GROVE

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2013

---

Net change in fund balance - total governmental funds	\$	280,443
Amounts reported for governmental activities in the Statement of Activities are different because:		
Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not required as expenditures in Governmental Funds		(672,118)
Repayment of long-term loans receivable is revenue in governmental funds, but the repayment reduces long-term assets in the statement of net position. Issuance of long-term loans receivable produces the opposite effect		114,164
Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are capitalized as an asset and depreciated over the period of service		910,266
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position		1,468,455
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	(194,221)	
Amortization of deferred charges relating to the P.O.B.	(1,145,902)	
Change in accrued interest payable	(1,704)	
Change in net OPEB obligation	15,987	
Change in compensated absences	<u>197,536</u>	(1,128,304)
Internal service funds are used by management to charge the costs of insurance to individual funds. The net revenue (loss) of certain activities of internal service funds is reported with governmental activities		<u>(83,370)</u>
Change in net position of governmental activities	\$	<u>889,536</u>

# CITY OF PACIFIC GROVE

## STATEMENT OF NET POSITION – PROPRIETARY FUNDS

JUNE 30, 2013

	Business-Type Activities - Enterprise Funds				Governmental
				Total	Activities
	Cemetery	Sewer	Golf Course	Proprietary	Internal
				Funds	Service Fund
ASSETS					
Current assets					
Cash and investments	\$ -	\$ 4,702,319	\$ 608,832	\$ 5,311,151	\$ 310,380
Restricted cash and investments	-	-	273,840	273,840	450,000
Accounts receivable	-	922,501	35,894	958,395	63,401
Inventory	-	-	80,210	80,210	-
Prepaid expenses	-	-	36,090	36,090	-
Total current assets	-	5,624,820	1,034,866	6,659,686	823,781
Non-current assets					
Loans receivable	-	124,778	-	124,778	-
Property, plant and equipment, net of allowance for depreciation	597,227	7,657,139	6,001,299	14,255,665	-
Total non-current assets	597,227	7,781,917	6,001,299	14,380,443	-
Total assets	\$ 597,227	\$ 13,406,737	\$ 7,036,165	\$ 21,040,129	\$ 823,781
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ 14,635	\$ 217,947	\$ 104,431	\$ 337,013	\$ 7,250
Accrued interest	-	10,052	77,970	88,022	-
Due to other funds	4,338	-	-	4,338	-
Deferred revenue	-	-	93,136	93,136	-
Current portion of long-term debt	-	95,584	85,000	180,584	-
Total current liabilities	18,973	323,583	360,537	703,093	7,250
Non-current liabilities					
Long-term debt	-	1,151,741	3,310,000	4,461,741	-
Claims payable	-	-	-	-	839,695
Compensated absences	1,932	51,714	37,069	90,715	16,536
Total noncurrent liabilities	1,932	1,203,455	3,347,069	4,552,456	856,231
Total liabilities	20,905	1,527,038	3,707,606	5,255,549	863,481
NET POSITION					
Net investment in capital assets	597,227	6,409,814	2,606,299	9,613,340	-
Restricted for debt service	-	-	273,840	273,840	-
Restricted for insurance reserve	-	-	-	-	450,000
Unrestricted/(deficit)	(20,905)	5,469,885	448,420	5,897,400	(489,700)
Total net position	\$ 576,322	\$ 11,879,699	\$ 3,328,559	\$ 15,784,580	\$ (39,700)

# CITY OF PACIFIC GROVE

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>				Governmental
	Cemetery	Sewer	Golf Course	Total Proprietary Funds	Activities Internal Service Fund
<b>Operating Revenue</b>					
Charges for services	\$ 176,648	\$ 2,626,719	\$ 2,540,993	\$ 5,344,360	\$ 1,078,921
Other	43,457	9,797	1,372	54,626	52,926
Total operating income	<u>220,105</u>	<u>2,636,516</u>	<u>2,542,365</u>	<u>5,398,986</u>	<u>1,131,847</u>
<b>Operating Expense</b>					
Contractual services and utilities	51,585	743,108	629,219	1,423,912	1,165,530
Personnel	99,619	442,796	718,009	1,260,424	53,122
Supplies and materials	31,769	117,797	405,243	554,809	-
Depreciation	28,893	264,915	246,555	540,363	-
Total operating expense	<u>211,866</u>	<u>1,568,616</u>	<u>1,999,026</u>	<u>3,779,508</u>	<u>1,218,652</u>
Operating income/(loss)	<u>8,239</u>	<u>1,067,900</u>	<u>543,339</u>	<u>1,619,478</u>	<u>(86,805)</u>
<b>Nonoperating Revenue/(Expense)</b>					
Intergovernmental	-	245,410	-	245,410	-
Interest income	6,231	23,678	2,745	32,654	3,435
Interest expense	-	(79,028)	(187,536)	(266,564)	-
Bond issuance expense	-	(60,000)	-	(60,000)	-
Total nonoperating revenue/(expense)	<u>6,231</u>	<u>130,060</u>	<u>(184,791)</u>	<u>(48,500)</u>	<u>3,435</u>
Net income/(loss) before transfers	14,470	1,197,960	358,548	1,570,978	(83,370)
<b>Operating Transfers In/(Out)</b>	<u>(8,173)</u>	<u>(26,367)</u>	<u>(89,518)</u>	<u>(124,058)</u>	<u>-</u>
<b>Change in Net Position</b>	<u>6,297</u>	<u>1,171,593</u>	<u>269,030</u>	<u>1,446,920</u>	<u>(83,370)</u>
<b>Net Position</b>					
Beginning of year	570,025	10,774,987	3,059,529	14,404,541	(339,950)
Prior period adjustment	-	(66,881)	-	(66,881)	383,620
End of year	<u>\$ 576,322</u>	<u>\$ 11,879,699</u>	<u>\$ 3,328,559</u>	<u>\$ 15,784,580</u>	<u>\$ (39,700)</u>

# CITY OF PACIFIC GROVE

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds				Governmental
				Total	Activities
	Cemetery	Sewer	Golf Course	Business-Type	Internal
				Funds	Service Fund
<b>Operating Activities</b>					
Receipts from customers and users	\$ 220,105	\$ 2,173,147	\$ 2,573,851	\$ 4,967,103	\$ 1,068,446
Payments for contractual services and utilities	(59,391)	(1,057,963)	(661,143)	(1,778,497)	(729,068)
Payments to employees	(97,687)	(391,082)	(863,986)	(1,352,755)	(36,586)
Payment to suppliers	(31,769)	(117,797)	(409,078)	(558,644)	-
Net cash provided by operating activities	31,258	606,305	639,644	1,277,207	302,792
<b>Non-capital Financial Activities</b>					
Payments from other governments	-	245,410	-	245,410	-
Payments (to)/from other funds	(3,835)	(26,367)	(89,518)	(119,720)	-
Net cash provided by (used in) noncapital financing activities	(3,835)	219,043	(89,518)	125,690	-
<b>Capital and Related Financing Activities</b>					
Purchase of property, plant and equipment	-	(502,809)	(95,485)	(598,294)	-
Principal received (paid) on long-term debt, net	-	12,752	(90,182)	(77,430)	-
Debt issuance costs	-	(60,000)	-	(60,000)	-
Interest paid on long-term debt	-	(83,900)	(189,133)	(273,033)	-
Net cash provided by (used in) capital and related financing activities	-	(633,957)	(374,800)	(1,008,757)	-
<b>Investing Activities</b>					
Interest received	6,231	23,678	2,745	32,654	3,435
Net cash provided by investing activities	6,231	23,678	2,745	32,654	3,435
<b>Net Increase (Decrease) in Cash</b>	33,654	215,069	178,071	426,794	306,227
<b>Cash</b>					
Beginning of year	(33,654)	4,487,250	704,601	5,158,197	454,153
End of year	\$ -	\$ 4,702,319	\$ 882,672	\$ 5,584,991	\$ 760,380
<b>Cash Flows from Operating Activities</b>					
Operating income (loss)	\$ 8,239	\$ 1,067,900	\$ 543,339	\$ 1,619,478	\$ (86,805)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	28,893	264,915	246,555	540,363	-
(Inc.) Decr. in Receivables and Prepaids	-	(457,336)	67,484	(389,852)	395,888
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(5,874)	(269,174)	(217,734)	(492,782)	(6,291)
<b>Net Cash Provided by Operating Activities</b>	\$ 31,258	\$ 606,305	\$ 639,644	\$ 1,277,207	\$ 302,792

# **CITY OF PACIFIC GROVE**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

---

### **Note 1 – Summary of Significant Accounting Policies**

The City of Pacific Grove, California is primarily a 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, a golf course, a cemetery, sewer services, a monarch butterfly sanctuary and 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:

#### **Reporting Entity**

The City of Pacific Grove 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.

#### **Basis of Presentation – Fund Accounting**

**Government-Wide Financial Statements** - The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information of all of the nonfiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

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 are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Net position are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

---

### Note 1 – Summary of Significant Accounting Policies (Continued)

**Governmental Fund Financial Statements** - The Governmental Fund Financial Statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

*General Fund* – The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police and fire protection, planning and general administrative services.

The City reports the following major enterprise funds:

*Cemetery Fund* – The Cemetery Fund accounts for revenues and expenses of the City's cemetery.

*Sewer Fund* – The Sewer Fund accounts for revenues and expenses of the City's sewer operations.

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

The City reports the following additional fund types:

*Internal Service Fund* – The Internal Service Fund accounts for health insurance, workers compensation insurance, and liability insurance; all of which are provided to other departments on a cost reimbursement basis.

### **Basis of Accounting**

The Government-Wide and Proprietary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.



# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

---

### Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating.

#### **Financial Statement Amounts**

*Cash and Cash Equivalents* - Cash and cash equivalents represent the City's cash bank accounts including, but not limited to, certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month end cash balances in each fund.

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund and certificates of deposit. Investments are stated at fair value.

*Accounts Receivable* – Billed, but unpaid, services provided to individuals or non-governmental entities are recorded as accounts receivable. The 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 FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

---

### Note 1 – Summary of Significant Accounting Policies (Continued)

Monterey County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

*Interfund Receivables/Payables* - Items classified as interfund receivable/payable represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

*Advances To/From Other Funds* - This classification represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation. The current portion of any interfund long-term loan (advance) is included as an interfund receivable/payable.

*Capital Assets* - Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold is met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life of at least three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

---

### Note 1 – Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

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

*Claims Payable* – The City records a liability to reflect an estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims includes incurred but not reported (IBNR) claims and loss adjustment expenses. There is no fixed payment schedule to pay for any of these liabilities.

*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.

*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 in 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.

*Long-Term Obligations* - In the Government-Wide Financial Statements and in the Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type Statement of Net Position. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

---

### Note 1 – Summary of Significant Accounting Policies (Continued)

In the fund financial statements, however, debt principal payments of Governmental Funds are recognized as expenditures when paid. Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Net Position* - The government-wide and business-type activities financial statements utilize a net position presentation. Net position are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position - This category presents external restrictions on net position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This category represents net position of the City not restricted for any project or other purpose.

*Fund Equity* – In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.
- Restricted fund balance category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.
- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has the authority to establish, modify, or rescind a fund balance commitment.
- Assigned fund balance are amounts designated by the City Council for specific purposes and do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

---

### **Note 1 – Summary of Significant Accounting Policies (Continued)**

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

*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.

*Use of Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### **Note 2 – Stewardship, Compliance and Accountability**

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit or time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation.

In accordance with applicable sections of the California Government Code and the Pacific Grove Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during May of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered.

# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

---

### Note 3 – Cash and Investments

The City pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 14,744,963
Restricted Cash and Investments	<u>723,840</u>
Total Cash and Investments	<u>\$ 15,468,803</u>

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$ 1,985
Deposits with Financial Institutions	1,726,326
Local Agency Investment Fund	4,945,808
Certificates of deposit	243,050
Government securities	8,277,794
Held by Fiscal Agent:	
Cash and Short Term Investments	<u>273,840</u>
Total Cash and Investments	<u>\$ 15,468,803</u>

### Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee 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 FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

### Note 3 – Cash and Investments (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	20%	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	2 years	20%	None
County Pooled Investment Funds	1 year	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

### Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	None	None

# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

### Note 3 – Cash and Investments (Continued)

#### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution to the City's investments by maturity:

Investment Type	12 Months or less	13 to 36 Months	37 to 60 Months	Total
Government Securities	\$ 4,215,305	\$ 281,002	\$ 3,781,487	\$ 8,277,794
Certificates of Deposit	50,000	193,050	-	243,050
LAIF	4,945,808	-	-	4,945,808
Total Investments	<u>\$ 9,211,113</u>	<u>\$ 474,052</u>	<u>\$ 3,781,487</u>	13,466,652
Cash with fiscal agent				273,840
Cash in bank and on hand				1,728,311
Total Cash and Investments				<u>\$ 15,468,803</u>

#### Disclosures Relating to Credit Risk

Credit risk is the risk that an issuer 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 by Standard & Poor's required by the California Government Code or the City's investment policy, and the actual rating as of June 30, 2013 for each investment type:

	Rating as of Year-End		Total
	AAA	Not Rated	
<b>Investments</b>			
Government Securities	\$ 4,337,394	\$ 3,940,400	\$ 8,277,794
Certificates of Deposit	-	243,050	243,050
LAIF	-	4,945,808	4,945,808
Total Investments	<u>\$ 4,337,394</u>	<u>\$ 9,129,258</u>	13,466,652
<b>Cash</b>			
Cash with fiscal agent			273,840
Cash in bank and on hand			1,728,311
Total Cash and Investments			<u>\$ 15,468,803</u>



# **CITY OF PACIFIC GROVE**

## **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013**

---

### **Note 3 – Cash and Investments (Continued)**

#### **Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total City investments (external investment pools and mutual funds are excluded from this disclosure requirement).

#### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government 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. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

#### **Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

#### **Fair Value Adjustment**

GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for the External Investment Pools, requires that the City's investments be carried at fair value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. The total amount of unrealized fair value loss as of June 30, 2013 was \$119,006.

# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

---

### Note 4 – 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.

*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 fair value balance held by the Trustee at June 30, 2013 was \$917,129.

### Note 5 – Loans Receivable

Loans receivable and deferred loans consisted of the following at June 30, 2013:

**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 balances are offset by deferred revenue in the respective governmental funds 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, 2013 was \$1,908,709.

**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, 2013 was \$124,778

# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

---

### Note 6 – Interfund Receivables, Payables and Transfers

#### Interfund Receivables and Payables

Interfund receivables and payables consist of short-term loans resulting from regular transactions. These loans are expected to be repaid as soon as the borrowing fund has cash, and carry an interest rate equal to the rate earned on pooled cash.

Individual fund interfund receivables and payables balances as of June 30, 2013 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 23,466	\$ -
Supplemental Law Enforcement	-	19,128
Cemetery	-	4,338
	<u>\$ 23,466</u>	<u>\$ 23,466</u>

#### Interfund Transfers

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds' that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due. In general, the effect of the interfund activity has been eliminated from the government-wide financial statements.

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major Governmental Funds:</b>		
General Fund	\$ -	\$ (116,789)
<b>Proprietary Funds:</b>		
Cemetery	-	(8,173)
Sewer	-	(26,367)
Golf Course	-	(89,518)
<b>Nonmajor Governmental Funds:</b>		
Operating Grants	1,373	-
Public Safety Augmentation	239,474	-
	<u>\$ 240,847</u>	<u>\$ (240,847)</u>

# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

**Note 7 – Capital Assets** – Capital asset activities for the year ended June 30, 2013 were as follows:

	Balance July 1, 2012	Additions	Reclassifications/ Retirements	Balance June 30, 2013
<b><u>Governmental Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 2,338,270	\$ -	\$ -	\$ 2,338,270
Construction in progress	514,510	-	(514,510)	-
Total capital assets, not being depreciated	<u>2,852,780</u>	<u>-</u>	<u>(514,510)</u>	<u>2,338,270</u>
Capital assets, being depreciated				
Buildings and improvements	11,556,554	422,073	-	11,978,627
Infrastructure	22,391,996	445,665	-	22,837,661
Machinery and equipment	4,093,982	42,528	-	4,136,510
Total capital assets, being depreciated	<u>38,042,532</u>	<u>910,266</u>	<u>-</u>	<u>38,952,798</u>
Less accumulated depreciation for				
Buildings and improvements	(6,265,443)	(131,479)	-	(6,396,922)
Infrastructure	(8,215,200)	(346,715)	-	(8,561,915)
Machinery and equipment	(3,474,523)	(193,924)	-	(3,668,447)
Total accumulated depreciation	<u>(17,955,166)</u>	<u>(672,118)</u>	<u>-</u>	<u>(18,627,284)</u>
Total capital assets, being depreciated, net	<u>20,087,366</u>	<u>238,148</u>	<u>-</u>	<u>20,325,514</u>
Governmental activities capital assets, net	<u>\$ 22,940,146</u>	<u>\$ 238,148</u>	<u>\$ (514,510)</u>	<u>\$ 22,663,784</u>
<b><u>Business-Type Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 362,973	\$ -	\$ -	\$ 362,973
Construction in progress	2,561,114	(2,561,114)	-	-
Total capital assets, not being depreciated	<u>2,924,087</u>	<u>(2,561,114)</u>	<u>-</u>	<u>362,973</u>
Capital assets, being depreciated				
Buildings and improvements	9,369,114	3,140,208	-	12,509,322
Infrastructure	6,133,760	19,200	-	6,152,960
Machinery and equipment	2,095,183	-	-	2,095,183
Total capital assets, being depreciated	<u>17,598,057</u>	<u>3,159,408</u>	<u>-</u>	<u>20,757,465</u>
Less: accumulated depreciation	<u>(6,257,529)</u>	<u>(540,363)</u>	<u>(66,881)</u>	<u>(6,864,773)</u>
Total capital assets, being depreciated, net	<u>11,340,528</u>	<u>2,619,045</u>	<u>(66,881)</u>	<u>13,892,692</u>
Business-type activities capital assets, net	<u>\$ 14,264,615</u>	<u>\$ 57,931</u>	<u>\$ (66,881)</u>	<u>\$ 14,255,665</u>

# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

---

### Note 7 – Capital Assets (Continued)

Depreciation expense was charged to the following functions in the Statement of Activities:

#### **Governmental Functions:**

General government	\$	73,216
Public works		382,946
Recreation		27,353
Library		5,489
Museum		13,801
Police		94,733
Fire		74,580
	\$	<u>672,118</u>

#### **Business-Type Functions:**

Cemetery	\$	28,893
Sewer		264,915
Golf Course		246,555
	\$	<u>540,363</u>

# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

### Note 8 – Long-Term Debt

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The City's debt transactions are summarized below and discussed in detail thereafter:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
<b><u>Governmental Activity Long Term Debt</u></b>					
General Obligation Refunding Note					
2003 Refunding Butterfly Habitat Note	\$ 482,086	\$ -	\$ (70,966)	\$ 411,120	\$ 74,923
Capital Lease					
2003 Civic Center Financing Lease	424,941	-	(208,420)	216,521	216,521
Pierce Dash 2000 Pumper	182,995	-	(43,167)	139,828	44,844
Bond Payable					
Taxable Pension Obligation Bond	13,597,551	-	(1,145,902)	12,451,649	1,115,470
Accreted Interest	6,262,540	194,221	-	6,456,761	-
Total Business-Type Activity Debt	<u>\$ 20,950,113</u>	<u>\$ 194,221</u>	<u>\$ (1,468,455)</u>	<u>\$ 19,675,879</u>	<u>\$ 1,451,758</u>
<b><u>Business-Type Activity Long Term Debt</u></b>					
Bonds Payable					
CA Statewide Com. Dev. Auth. 2000B	\$ 1,190,000	\$ -	\$ (1,190,000)	\$ -	\$ -
Less: unamortized discount	(16,689)	-	(16,689)	-	-
2013 Wastewater Revenue Refunding Bond	-	1,220,588	-	1,220,588	68,847
Loans Payable					
2004 Golf Course Project	3,475,000	-	(80,000)	3,395,000	85,000
Leases Payable					
Vactor Truck	61,262	-	(34,525)	26,737	26,737
Mower	10,182	-	(10,182)	-	-
Total Business-Type Activity Debt	<u>\$ 4,719,755</u>	<u>\$ 1,220,588</u>	<u>\$ (1,331,396)</u>	<u>\$ 4,642,325</u>	<u>\$ 180,584</u>
<b><u>Compensated Absences</u></b>					
Government Activities	<u>\$ 1,280,850</u>	<u>\$ -</u>	<u>\$ (181,000)</u>	<u>\$ 1,099,850</u>	
Business-Type Activities	<u>\$ 183,046</u>	<u>\$ -</u>	<u>\$ (92,331)</u>	<u>\$ 90,715</u>	

Long-term debt payable at June 30, 2013 was comprised of the following individual issues:

**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. Interest on the Refunding Note is 4.45 percent and matures on August 1, 2017.

# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

---

### Note 8 – Long-Term Debt (Continued)

**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. Interest on the lease is 3.85 percent and matures on February 8, 2014.

**Pierce Dash 2000 Pumper Capital Lease** – The City entered into an agreement to finance a pumper. Annual principal and interest payments are due on August 15 of each year. Interest on the lease is 3.885 percent and matures on August 15, 2015.

**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. Interest on the bonds ranges from 5.67 percent to 6.12 percent and they mature on June 1, 2029.

**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 percent to 5.125 percent and matures on October 1, 2031. The bond was retired in the current fiscal year with the issuance of the 2013 Wastewater Revenue Refunding Bond.

**2013 Wastewater Revenue Refundig Bond** - On May 6, 2013, the City issued the 2013 Wastewater Revenue Refunding Bonds in the principal amount of \$1,220,588. The purpose of the bond is to refinance the California State Community Development Authority Series 2001B Revenue Bonds. Semi-annual interest payments are due on April 1 and October 1. Repayments are secured by future sewer service revenues. Interest on the bonds is 3.35 percent and matures on October 1, 2031.

**Vactor Truck Capital Lease** – The City entered into an agreement to finance a Vactor truck. Monthly principal and interest payments are \$3,016. The lease matures on March 30, 2014.

**2001 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 percent to 5.75 percent. The Certificates mature on August 1, 2034.

**Mower Capital Lease** – The City entered into an agreement to finance a mower. The lease was paid off during the current fiscal year.

# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

### Note 8 – Long-Term Debt (Continued)

**Compensated Absences** – City employees accumulate earned by unused vacation and sick pay benefits which can be converted to cash at termination of employment. Since no means exist to reasonably estimate the amounts that might be liquidated with expendable currently available financial resources, if any, they are reported as long-term debt on the Statement of Net Position. No expenditure is reported for these amounts in the governmental funds statements. However, in the Statement of Activities the expense is allocated to general government. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, at June 30, 2013, totaled \$1,099,850 for governmental activities and \$90,715 for business-type activities.

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2013 were as follows:

Years ending June 30,	Governmental Activities			Business-Type Activities	
	Principal	Accreted Interest	Interest	Principal	Interest
2014	\$ 1,451,758	\$ 498,925	\$ 672,862	\$ 180,584	\$ 225,322
2015	1,209,445	486,856	747,799	138,644	219,012
2016	1,186,835	475,238	830,447	145,912	212,759
2017	1,104,679	466,780	922,064	153,138	206,088
2018	1,081,034	458,322	1,010,145	155,233	199,161
2019-2023	4,513,677	2,156,610	6,501,323	909,185	874,835
2024-2028	2,257,342	1,914,030	5,237,660	1,142,244	629,137
2029-2033	414,348	-	1,235,652	1,317,385	313,158
2034	-	-	-	500,000	28,533
	<u>\$13,219,118</u>	<u>\$ 6,456,761</u>	<u>\$17,157,952</u>	<u>\$ 4,642,325</u>	<u>\$ 2,908,005</u>

### Note 9 – Risk Management

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.

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.



# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

---

### Note 9 – Risk Management (Continued)

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.

#### Contingent Liabilities

The City participates in a number of Federal and State assisted grant programs which are subject to financial and compliance audits. Audits for these programs and the respective findings are to be determined at a future date, and the City expects the amount, if any, of the expenditures which may be disallowed by the granting agency to be immaterial.

There are various claims and legal actions pending against the City for which no provision has been made in the financial statements. In the opinion of the City Attorney and City Management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

### 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	25.65%	10.71%

# **CITY OF PACIFIC GROVE**

## **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013**

---

### **Note 10 – Pension Plans (Continued)**

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.

Actuarially required contributions for fiscal years 2013, 2012, and 2011 were \$913,973, \$1,104,510, and \$915,009, respectively. The current year's required contribution was determined as part of the June 30, 2012 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%.

### **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 7.5% of their salary each pay period.

# **CITY OF PACIFIC GROVE**

## **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013**

---

### **Note 11 – Post-Employment Health Care Benefits**

#### **Post Retirement Benefits**

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. Prior to adopting the requirements of GASB Statement No. 45, the City recognized the cost of post-employment healthcare in the year it was paid. With the implementation of GASB Statement No. 45 the City will report the accumulated liability from prior years in order to provide information useful in assessing potential demands in the City's future cash flows. Recognition and funding of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008-2009 liability.

#### **Plan Description**

**Eligibility and Contributing Requirements** - Employees are eligible for postretirement medical benefits upon reaching the age of 50 with a minimum of 5 years of service.

The City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act (\$112 per month in 2012, increasing to \$115 in 2013.) The City also pays an additional \$150 per month for the first five years after retirement, or until age 65, whichever is sooner (Police officers require 20 years of service to receive the 5-year benefit.)

Retirees must contribute any premium amounts in excess of the City contributions described above.

**Medical Plans** – Retirees can enroll in any of the available CalPERS medical plans.

**Duration of Benefits** – City provided benefits (except for the \$150 supplement described above) continue for the life of the retiree and surviving spouse.

#### **Funding Policy**

The City is currently funding the OPEB plan on a pay-as-you-go basis.

# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

### Note 11 – Post-Employment Health Care Benefits (Continued)

#### Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty (30) years. The following table shows the amount contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (OPEB cost)	\$ 192,830
Interest on net OPEB obligation	9,485
Adjustment to annual required contribution	<u>(57,319)</u>
Annual OPEB cost (expense)	144,996
Contributions made	<u>98,143</u>
Increase (decrease) in net OPEB obligation	46,853
Net OPEB obligation, beginning of year	<u>284,087</u>
Net OPEB obligation, end of year	<u>\$ 330,940</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Cumulative Net OPEB Obligation
June 30, 2011	\$ 182,629	85,151	47%	184,517
June 30, 2012	192,960	92,992	48%	284,087
June 30, 2013	192,830	98,143	50%	330,940

#### Funding Status and Progress

The funded status of the liability as of July 1, 2012, the plan's most recent actuarial valuation date, was as follows:

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio
07/01/12	\$ 2,676,969	\$ -	\$ 2,676,969	0%

# CITY OF PACIFIC GROVE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

---

### Note 11 – Post-Employment Health Care Benefits (Continued)

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

#### Actuarial Methods and Assumptions

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

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

### Note 12 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through May 22, 2014, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2013 that required recognition or disclosure in such financial statements.

### Note 13 – Fund Balance Restatement

#### Restatement Due to Adoption of Accounting Standard

Effective July 1, 2012 the previously reported General Fund fund balance of \$3,243,657 at June 30, 2012 is being restated and increased by \$480,282 at July 1, 2012 as a result of implementing GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". According to the new definition for special revenue funds, the following funds previously reported as special revenue funds were combined with the General Fund: Hyperbaric Chamber, Civic Center Site, Drug Awareness, Asset Seizure, Law Enforcement Block Grant, Recreation Donation, Operating Donations, Storm Water Fund, and Ocean Front Restoration.

# **CITY OF PACIFIC GROVE**

## **NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013**

---

### **Note 14 – Prior Period Adjustments**

The beginning net position of the Sewer Fund was reduced by \$66,881 as a result of understating depreciation expense in a prior year.

The beginning net position of the Internal Service Fund was increased by \$383,620 to reclassify the general liability self-insurance claims liability to a net position reserve.

The beginning fund balance of the Gas Tax Fund was increased by \$44,872 as a result of the City not accruing the prior year Gas Tax receivable.

The beginning fund balances of the Housing Program Fund, Housing Rehabilitation Revolving Loans Fund and the CalHOME Reuse Fund were decreased by \$572,284, \$844,869 and \$377,392, respectively, because the loans do not meet the City's current financial resource criteria for recognition in the governmental funds. The adjustment records an offsetting deferred revenue to offset the loan balances in the governmental funds.

In the Statement of Activities the beginning net position was reduced by \$86,018 as a result of three adjustments. The first was related to a decrease in net position of \$514,510 to expense street repairs that were previously capitalized as a capital asset. The second and third were related to an increase in net position of \$383,620 and \$44,872 as mentioned above.

## **REQUIRED SUPPLEMENTARY INFORMATION**

---

# CITY OF PACIFIC GROVE

## BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
<b>Revenue</b>				
Taxes	\$ 13,952,800	\$ 13,952,800	\$ 14,580,821	\$ 628,021
Licenses, permits and impact fees	361,000	361,000	412,924	51,924
Intergovernmental	32,000	32,000	150,136	118,136
Charges for services	1,297,610	1,297,610	1,016,396	(281,214)
Fines and forfeitures	75,000	75,000	76,125	1,125
Use of money and property	170,400	170,400	68,203	(102,197)
Other	673,800	673,800	401,809	(271,991)
Total revenue	<u>16,562,610</u>	<u>16,562,610</u>	<u>16,706,414</u>	<u>143,804</u>
<b>Expenditures</b>				
Current				
General government	2,463,016	2,463,016	2,429,557	33,459
Community development	1,075,538	1,075,538	1,038,845	36,693
Public works	2,660,693	2,660,693	2,314,009	346,684
Recreation	327,644	327,644	339,298	(11,654)
Library	740,407	740,407	671,808	68,599
Museum	179,290	179,290	177,952	1,338
Public safety			-	
Police	4,565,550	4,565,550	4,533,314	32,236
Fire	2,235,499	2,235,499	2,407,964	(172,465)
Capital outlay	250,000	250,000	225,714	24,286
Debt Service			-	
Principal	1,397,490	1,397,490	1,397,490	-
Interest and fiscal charges	578,573	578,573	578,573	-
Total expenditures	<u>16,473,700</u>	<u>16,473,700</u>	<u>16,114,524</u>	<u>359,176</u>
Revenue over (under) expenditures	88,910	88,910	591,890	502,980
<b>Other Financing Sources</b>				
Transfers in (out) - net	<u>(145,920)</u>	<u>(145,920)</u>	<u>(116,789)</u>	<u>29,131</u>
<b>Net Change in Fund Balance</b>	<u>\$ (57,010)</u>	<u>\$ (57,010)</u>	475,101	<u>\$ 532,111</u>
<b>Fund Balance</b>				
Beginning of year, (Restated) Note 13			3,723,939	
End of year			<u>\$ 4,199,040</u>	



# CITY OF PACIFIC GROVE

## SCHEDULES OF FUNDING PROGRESS

JUNE 30, 2013

	<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 (Plan Specific):</u>						
06/30/11	\$ 46,618,357	\$ 42,469,471	\$ 4,148,886	91.1%	\$ 4,278,107	97.0%
06/30/12	\$ 47,793,097	\$ 43,483,536	\$ 4,309,561	91.0%	\$ 4,181,915	103.0%
<u>CalPERS Retirement Plan - Safety (Plan Specific):</u>						
06/30/11	\$ 62,199,112	\$ 54,778,452	\$ 7,420,660	88.1%	\$ 2,348,818	315.9%
06/30/12	\$ 64,389,977	\$ 56,584,253	\$ 7,805,724	87.9%	\$ 2,105,104	370.7%
<u>Other Postemployment Benefits - Health Benefit:</u>						
07/01/09	\$ 2,753,014	\$ -	\$ 2,753,014	0.0%	\$ 8,627,274	32.0%
07/01/12	\$ 2,676,969	\$ -	\$ 2,676,969	0.0%	\$ 7,521,909	36.0%

## **SUPPLEMENTAL ONLY INFORMATION**

# CITY OF PACIFIC GROVE

## NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

---

### 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 Fund* - This fund is for donations designated for the maintenance of the tower clock and chimes system at City Hall.

*State Franchise PEG Fund* - 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 Fund* - This fund is for donations designated for improvements to the City Library.

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

*Downtown Business District Fund* - 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 Fund* - 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 Fund* - 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.

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

*McIndoo Donation Fund* - 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.

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

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

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

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

# CITY OF PACIFIC GROVE

## NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

---

### SPECIAL REVENUE FUNDS (CONTINUED)

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

*Lighthouse Maintenance & Improvement Fund* - 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 Fund* - This fund accounts for senior housing activities.

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

*Housing Rehabilitation Revolving Fund* - This fund accounts for the revolving loan funds used in the City's Housing Rehabilitation Loan Program managed by the Community Development Department.

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

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

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

*Supplemental Law Enforcement Fund* - This fund accounts for grants designated for the improvement of the law enforcement program.

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

### CAPITAL PROJECT FUND

*Buildings & Facilities Improvement Fund* - 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 Fund* - This fund accounts for payment of City bonds issued for the purchase of the properly known as the Butterfly Habitat.

# CITY OF PACIFIC GROVE

## NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2013

---

### 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 Fund* - This fund accounts for the principal corpus of this endowment.

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

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

**CITY OF PACIFIC GROVE**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

Special Revenue											
	Carillon Acquisition & Maintenance	State Franchise PEG	Library Building & Equipment	Museum Improvement	Downtown Business District	Hospitality Improvement District	Library Book	Fire Dept. Emergency Equipment	Operating Grants	McIndoo Donation	
<b>ASSETS</b>											
Cash and investments	\$ 9,265	\$ 279,707	\$ 14,100	\$ 383,908	\$ 12,286	\$ 15,818	\$ 77,122	\$ 112,102	\$ 17	\$ 127,944	
Taxes receivable	-	24,370	-	-	-	105,850	-	-	-	-	
Due from other governments	-	-	-	-	-	-	-	-	-	-	
Interest receivable	-	-	-	-	-	-	-	-	-	-	
Loans receivable	-	-	-	-	-	-	-	-	-	-	
Total assets	\$ 9,265	\$ 304,077	\$ 14,100	\$ 383,908	\$ 12,286	\$ 121,668	\$ 77,122	\$ 112,102	\$ 17	\$ 127,944	
<b>LIABILITIES AND FUND BALANCE</b>											
<b>Liabilities</b>											
Accounts payable and accrued expense	\$ -	\$ 37,708	\$ -	\$ -	\$ -	\$ 121,244	\$ 6,352	\$ 2,629	\$ -	\$ -	96
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	10,666	-	-	-	-	-	-
Total liabilities	-	37,708	-	-	10,666	121,244	6,352	2,629	-	-	96
<b>Fund Balance</b>											
Nonspendable	-	-	-	-	-	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	70,770	-	-	-	-
Social service programs	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Community development	9,265	266,369	14,100	383,908	1,620	424	-	-	17	127,848	-
Street improvements	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	109,473	-	-	-
Total fund balance	9,265	266,369	14,100	383,908	1,620	424	70,770	109,473	17	127,848	-
Total liabilities and fund balance	\$ 9,265	\$ 304,077	\$ 14,100	\$ 383,908	\$ 12,286	\$ 121,668	\$ 77,122	\$ 112,102	\$ 17	\$ 127,944	

CITY OF PACIFIC GROVE  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2013

	Special Revenue									
	Traffic Congestion Relief	State Gas Tax	RSTP (TAMC)	Environmental Enhancement	Chautauqua Hall Preservation	Lighthouse Maintenance & Improvement	Senior Housing Fund	Housing Program	Housing Rehabilitation Revolving Loans	CalHOME Reuse
ASSETS										
Cash and investments	\$ -	\$ 367,499	\$ -	\$ 146,141	\$ 16,282	\$ 100,548	\$ 9,633	\$ 256,960	\$ 54,412	\$ 3,203
Taxes receivable	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	31,896	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-	-	640,091	832,721	435,897
Total assets	\$ -	\$ 399,395	\$ -	\$ 146,141	\$ 16,282	\$ 100,548	\$ 9,633	\$ 897,051	\$ 887,133	\$ 439,100
LIABILITIES AND FUND BALANCE										
Liabilities										
Accounts payable and accrued expense	\$ -	\$ 54,335	\$ -	\$ -	\$ -	\$ 80	\$ -	\$ 8	\$ 281	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	640,091	832,721	435,897
Total liabilities	-	54,335	-	-	-	80	-	640,099	833,002	435,897
Fund Balance										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Social service programs	-	-	-	-	-	-	9,633	256,952	54,131	3,203
Debt Service	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	146,141	16,282	100,468	-	-	-	-
Street improvements	-	345,060	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-
Total fund balance	-	345,060	-	146,141	16,282	100,468	9,633	256,952	54,131	3,203
Total liabilities and fund balance	\$ -	\$ 399,395	\$ -	\$ 146,141	\$ 16,282	\$ 100,548	\$ 9,633	\$ 897,051	\$ 887,133	\$ 439,100

CITY OF PACIFIC GROVE

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2013

JUNE 30, 2013

	Special Revenue				Capital Projects	Debt Service	Permanent			Total
	Yount Trust Income	Public Safety Augmentation	Supplemental Law Enforcement	Poetry Promotion	Buildings & Facilities Improvement	Butterfly Habitat Bond	Library Endowment Trust	Cemetery Endowment Trust	Yount Trust	Non-major Governmental Funds
ASSETS										
Cash and investments	\$ 88,488	\$ 342,325	\$ -	\$ 49,210	\$ 558,709	\$ 80,081	\$ 523,282	\$ 1,111,043	\$ 847,291	\$ 5,587,376
Taxes receivable	-	-	-	-	-	-	-	-	-	130,220
Due from other governments	-	9,954	25,000	-	-	-	-	-	-	66,850
Interest receivable	4,031	-	-	-	-	-	-	-	-	4,031
Loans receivable	-	-	-	-	-	-	-	-	-	1,908,709
Total assets	\$ 92,519	\$ 352,279	\$ 25,000	\$ 49,210	\$ 558,709	\$ 80,081	\$ 523,282	\$ 1,111,043	\$ 847,291	\$ 7,697,186
LIABILITIES AND FUND BALANCE										
Liabilities										
Accounts payable and accrued expense	\$ 5,139	\$ 342,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 570,343
Due to other funds	-	-	19,128	-	-	-	-	-	-	19,128
Deferred revenue	-	-	-	1,800	-	-	-	-	-	1,921,175
Total liabilities	\$ 5,139	\$ 342,471	\$ 19,128	\$ 1,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,510,646
Fund Balance										
Nonspendable	-	-	-	-	-	-	523,282	1,111,043	847,291	2,481,616
Permanent funds	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	47,410	-	-	-	-	-	442,099
Social service programs	-	-	-	-	-	80,081	-	-	-	80,081
Debt Service	-	-	-	-	558,709	-	-	-	-	1,712,531
Community development	87,380	-	-	-	-	-	-	-	-	345,060
Street improvements	-	-	-	-	-	-	-	-	-	125,153
Public Safety	-	9,808	5,872	-	-	-	-	-	-	-
Total fund balance	\$ 87,380	\$ 9,808	\$ 5,872	\$ 47,410	\$ 558,709	\$ 80,081	\$ 523,282	\$ 1,111,043	\$ 847,291	\$ 5,186,540
Total liabilities and fund balance	\$ 92,519	\$ 352,279	\$ 25,000	\$ 49,210	\$ 558,709	\$ 80,081	\$ 523,282	\$ 1,111,043	\$ 847,291	\$ 7,697,186



## CITY OF PACIFIC GROVE

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

## NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

		Special Revenue										
		Carillon Acquisition & Maintenance	State Franchise PEG	Library Building & Equipment	Museum Improvement	Downtown Business District	Hospitality Improvement District	Library Book	Fire Dept. Emergency Equipment	Operating Grants	McIndoo Donation	
Revenue												
Taxes		\$ -	\$ 83,786	\$ -	\$ -	\$ 28,095	\$ 449,587	\$ -	\$ -	\$ -	\$ -	
Intergovernmental		-	-	-	-	-	-	-	-	-	-	
Use of money and property	42	-	1,264	64	1,735	-	-	348	507	-	-	540
Other	-	-	-	4	-	-	-	90,182	12,258	-	-	350
Total revenue	42	-	85,050	68	1,735	28,095	449,587	90,530	12,765	-	-	890
Expenditures												
Community development		-	-	-	-	26,475	449,163	-	-	-	-	5,114
Public works	-	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Library	-	-	-	7,664	-	-	-	74,778	-	12,220	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	10,922	-	-	-
Capital outlay	-	-	37,708	-	-	-	-	-	-	-	-	191,450
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	37,708	7,664	-	26,475	449,163	74,778	10,922	12,220	-	196,564
Revenue over (under) expenditures	42	-	47,342	(7,596)	1,735	1,620	424	15,752	1,843	(12,220)	-	(195,674)
Other financing sources/(uses)												
Operating transfers in/(out) - net	-	-	-	-	-	-	-	-	-	1,373	-	-
	-	-	-	-	-	-	-	-	-	1,373	-	-
Change in Fund Balance	42	-	47,342	(7,596)	1,735	1,620	424	15,752	1,843	(10,847)	-	(195,674)
Fund Balance												
Beginning of year	9,223	-	219,027	21,696	382,173	-	-	55,018	107,630	10,864	-	323,522
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	-	-
End of year	\$ 9,265	\$ -	\$ 266,369	\$ 14,100	\$ 383,908	\$ 1,620	\$ 424	\$ 70,770	\$ 109,473	\$ 17	\$ -	\$ 127,848

## CITY OF PACIFIC GROVE

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

## NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

YEAR ENDED JUNE 30, 2013

	Special Revenue									
	Traffic Congestion Relief	State Gas Tax	RSTP (TAMC)	Environmental Enhancement	Chautauqua Hall Preservation	Lighthouse Maintenance & Improvement	Senior Housing Fund	Housing Program	Housing Rehabilitation Revolving Loans	CalHOME Reuse
<b>Revenue</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,954	343,581	430,774	-	-	-	-	-	-	-
Use of money and property	67	1,661	-	660	73	454	43	1,161	246	14
Other	-	-	-	1,835	1,500	33,412	-	115,641	5,679	-
Total revenue	3,021	345,242	430,774	2,495	1,573	33,866	43	116,802	5,925	14
<b>Expenditures</b>										
Community development	-	-	-	-	-	-	-	90,952	123,096	55,600
Public works	-	235,785	95	-	-	-	-	-	-	-
Recreation	-	-	-	-	3,822	17,768	-	-	-	-
Library	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-
Capital outlay	14,770	-	-	-	9,945	-	-	-	-	-
Debt service	-	-	430,679	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	14,770	235,785	430,774	-	13,767	17,768	-	90,952	123,096	55,600
Revenue over (under) expenditures	(11,749)	109,457	-	2,495	(12,194)	16,098	43	25,850	(117,171)	(55,586)
<b>Other financing sources/(uses)</b>										
Operating transfers in/(out) - net	-	-	-	-	-	-	-	-	-	-
Change in Fund Balance	(11,749)	109,457	-	2,495	(12,194)	16,098	43	25,850	(117,171)	(55,586)
<b>Fund Balance</b>										
Beginning of year	11,749	190,731	-	-	28,476	84,370	9,590	803,386	1,016,171	436,181
Prior period adjustment	-	44,872	-	-	-	-	-	(572,284)	(844,869)	(377,392)
End of year	\$ -	\$ 345,060	\$ -	\$ 146,141	\$ 16,282	\$ 100,468	\$ 9,633	\$ 256,952	\$ 54,131	\$ 3,203

CITY OF PACIFIC GROVE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

YEAR ENDED JUNE 30, 2013

	Special Revenue			Capital Projects		Debt Service		Permanent		Total
	Yount Trust Income	Public Safety Augmentation	Supplemental Law Enforcement	Poetry Promotion	Buildings & Facilities Improvement	Butterfly Habitat Bond	Library Endowment Trust	Cemetery Endowment Trust	Yount Trust	Non-major Governmental Funds
Revenue										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,008	\$ -	\$ -	\$ -	\$ 638,476
Intergovernmental	-	102,902	102,585	-	-	-	-	-	-	982,796
Use of money and property	17,547	-	-	222	3,536	362	2,364	-	(11,569)	21,341
Other	-	-	-	7,700	-	-	-	48,678	-	317,239
Total revenue	17,547	102,902	102,585	7,922	3,536	77,370	2,364	48,678	(11,569)	1,959,852
Expenditures										
Community development	-	-	-	-	-	-	-	-	-	750,400
Public works	32,132	-	-	-	-	-	-	-	-	268,012
Recreation	-	-	-	-	-	-	-	-	-	21,590
Library	-	-	-	2,833	-	-	1,844	-	-	99,339
Public safety	-	-	-	-	-	-	-	-	-	469,703
Police	-	342,471	127,232	-	-	-	-	-	-	10,922
Fire	-	-	-	-	-	-	-	-	-	684,552
Capital outlay	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	70,965	-	-	-	70,965
Interest and fiscal charges	-	-	-	-	-	19,874	-	-	-	19,874
Total expenditures	32,132	342,471	127,232	2,833	-	90,839	1,844	-	-	2,395,357
Revenue over (under) expenditures	(14,585)	(239,569)	(24,647)	5,089	3,536	(13,469)	520	48,678	(11,569)	(435,505)
Other financing sources/(uses)										
Operating transfers in/(out) - net	-	239,474	-	-	-	-	-	-	-	240,847
	-	239,474	-	-	-	-	-	-	-	240,847
Change in Fund Balance	(14,585)	(95)	(24,647)	5,089	3,536	(13,469)	520	48,678	(11,569)	(194,658)
Fund Balance										
Beginning of year	101,965	9,903	30,519	42,321	555,173	93,550	522,762	1,062,365	858,860	7,130,871
Prior period adjustment	-	-	-	-	-	-	-	-	-	(1,749,673)
End of year	\$ 87,380	\$ 9,808	\$ 5,872	\$ 47,410	\$ 558,709	\$ 80,081	\$ 523,282	\$ 1,111,043	\$ 847,291	\$ 5,186,540