

City of Pacific Grove

California

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2017



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City of Pacific Grove California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017



Prepared by the Finance Department
Tori A. Hannah, MBA, Administrative Services Director

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CITY OF PACIFIC GROVE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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TRANSMITTAL LETTER

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CITY OF PACIFIC GROVE
300 Forest Avenue
Pacific Grove, California, 93950
Telephone (831) 648-3100 • Fax (831) 375-9863

December 13, 2017

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

SUBJECT: Comprehensive Annual Financial Report – June 30, 2017

The Comprehensive Annual Financial Report (CAFR) for the City of Pacific Grove for the fiscal year ended June 30, 2017 is hereby submitted.

REPORT PURPOSE AND ORGANIZATION

State law requires that the accounts and fiscal affairs of all municipal entities to be examined annually by an independent certified public accountant. The City's independent auditor, Chavan and Associates, LLP has audited the City's financial statements and issued an unmodified opinion that the financial statements for the year ended June 30, 2017 are fairly presented in conformity with generally accepted accounting principles (GAAP). This opinion, along with the basic financial statements, are hereby submitted as the CAFR for the City of Pacific Grove for the fiscal year ended June 30, 2017. The information included in the financial section of this report fulfills the above requirement.

The independent audit of the financial statements is also typically conducted in conjunction with the federally mandated Single Audit. The standards governing the Single Audit require the independent auditor to report on items beyond fair presentation of the financial statements, including internal controls and compliance with legal requirements involving the administration of federal awards. A single audit was not required or prepared in Fiscal Year 16/17 because the City had less than \$750,000 in federal grant expenditures.

This report consists of City management's representations concerning the finances of the City of Pacific Grove. Consequently, management assumes full responsibility for completeness, accuracy of data, and fairness of presentation, including all footnotes and disclosures. Management believes the data presented are accurate in all material respects and that they are presented in a manner designed to fairly set forth the financial position and results of operations of the City. To provide a reasonable basis for making these representations, City management has established a comprehensive framework of internal controls designed both to protect the City's assets from loss, theft, or misuse; and to compile sufficiently reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not exceed their benefits, the City's internal controls have been designed to provide

reasonable rather than absolute assurance that the financial statements are free of material misstatements. The audit provides users with reasonable assurance that the information presented is free from material misstatements. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD & A). This letter of transmittal is designed to complement the MD & A and should be read in conjunction with it. The City's MD & A can be found in the Financial Section of this document, immediately following the report of the independent auditor.

CITY OF PACIFIC GROVE PROFILE

The City of Pacific Grove is a small coastal community located in Monterey County that occupies just under three square miles, with a population of approximately 15,500 residents. The City is situated on a peninsula which is bordered by Monterey, Pebble Beach, the Pacific Ocean and the Monterey Bay. The coastal city is renowned for its historic ambience, stunning views, and exceptional quality of life; with a resident deer population that frequently wanders the city streets and golf course. Pacific Grove has a captivating "turn of the century" look with over 1,300 registered historical homes and structures built between 1874 and 1926.

The City is home to numerous attractions, including the Point Pinos Lighthouse, the Monarch Butterfly Sanctuary, Asilomar State Beach and Conference Grounds; and picturesque Lovers Point Park and Beach. The Monterey Bay Coastal Recreation Trail and the Shoreline Park Network offer excellent opportunities for bicycling, walking, jogging, and whale watching. In addition to featuring an abundance of shops and restaurants, the City is host to numerous events including Good Old Days, the Big Sur Half Marathon, Feast of Lanterns, and various auto shows.

Pacific Grove also offers an abundance of cultural and educational amenities with over 40 art venues. The local public school district includes schools that have been ranked as the highest on the Monterey Peninsula. Nearby colleges include Monterey Peninsula College, the Monterey Institute for International Studies, California State University Monterey Bay, and the Hopkins Marina Institute operated by Stanford University.

Form of Government

Pacific Grove is a Charter City which was incorporated in 1889. The City operates under the Council-City Manager form of government with a seven-member City Council elected by the citizens. The Mayor is directly elected to serve a two-year term and Council members are elected to alternating four-year terms. The Council has the authority to establish all laws and regulations with respect to municipal affairs, subject only to the limits of the City Municipal Code and State legislation.

The City Council appoints a City Manager to serve as the City's chief administrative officer. The City Manager provides direction and leadership to all City departments; and ensures that all City Council policies are implemented.

City Services

The City provides police protection, street, park and facilities maintenance, recreation, planning, zoning, economic development, library, administrative and financial services for Pacific Grove. Fire protection services

are provided through a contract with the City of Monterey. Additional services include sewer operations, a municipal golf course, and a cemetery.

The Comprehensive Annual Financial Report includes all financial activities of the City. Financial data for all funds through which services are provided by the City have been included in this report based on the criteria adopted by the Governmental Accounting Standards Board (GASB), which is the authoritative body establishing U.S. Generally Accepted Accounting Principles (GAAP) for local governments.

Budgetary Policy and Control

The City's budgetary records are maintained on a modified accrual basis. Revenues are recorded when measurable and available; and expenditures are recorded when goods or services are received and the liability incurred. The City produces an annual budget, which serves as the foundation for the City of Pacific Grove's financial planning and control. Based on the Pacific Grove Budget and Financial Management Policy, the City is required to maintain a balanced operating budget; along with a using one-time revenues to fund non-recurring expenditures. In the budget development process, the City Council and staff reference the following goals as a basis for budget development:

- Financial Stability: Maintain fiscal sustainability through prudent financial plans that balance anticipated revenue with long-term needs.
- Infrastructure: Continue to build and improve the infrastructure needed to match existing and anticipated needs.
- Placemaking: Support a dynamic and robust local economy through the development and adoption of an economic development strategy centered on the concept of "placemaking".
- Cultural Heritage: Safeguard the cultural heritage of the community through effective programs, education, and policymaking.
- Environment: Preserve the community's unique natural assets and resources through appropriate environmental stewardship.
- Revitalize Downtown: Stimulate business within the City's historic downtown while preserving its unique "small-town" charm and feel.
- Neighborhoods: Work in partnership with community stakeholders to achieve safe and dynamic neighborhoods.
- Operational Excellence: Strive to update, improve, and professionalize all City services to better serve the community, ensure best practices and retain/recruit the best people for the long-term health of the municipal organization.

In accordance with City's Budget and Financial Management Policy, the City Manager recommends the budget and presents it to the City Council in May. After public input and discussion is received, the City Council may request modifications to the budget or introduce an ordinance adopting the budget. The City's budget is then adopted by ordinance and becomes effective on July 1st of each fiscal year. Expenditures authorized in the final budget ordinance are appropriated at the Fund level, and in the case of the General Fund, at the department or program level. All amendments to the budget at these levels can only be approved by the City Council. The City Manager has the authority to transfer funds within a given fund and between department appropriations to ensure that programmatic budgets may adapt throughout the year to evolving circumstances.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment in which the City operates.

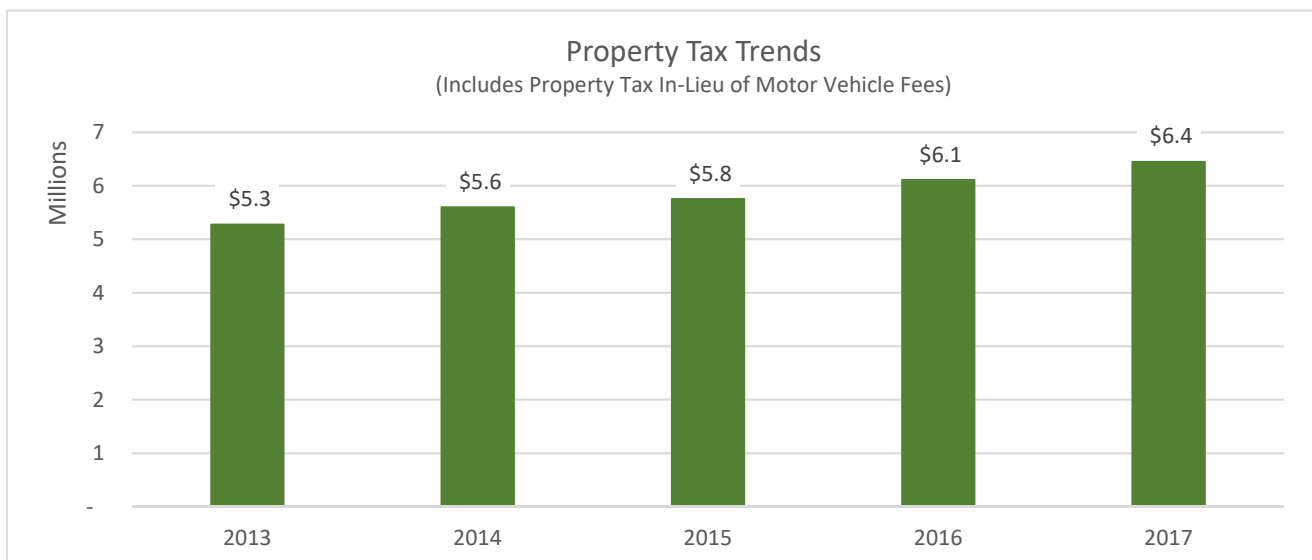
Local Economy

The City is continuing to recover from the recession, with signs of growth reflected in property tax revenues and transient occupancy tax receipts. The May 2017 Beacon Economic Report for the Monterey-Salinas Region cited a 1.6% increase in sales tax revenues within Monterey County, a 3.9% increase in hotel occupancy rates, and a relatively stable unemployment rate. This is also consistent with the State showing signs of economic improvement with unemployment declining by approximately 0.6%. In Pacific Grove, the unemployment rate at the close of the fiscal year was 4.7%, which represents a 0.4% reduction from the prior year. In addition, per capital personal income for Pacific Grove residents rose by 2.2%.

The three major sources of General Fund revenue include Property Tax, Transient Occupancy Tax (TOT), and Sales Tax. These three revenues account for over 72.2 % of the General Fund Revenues.

Property Tax

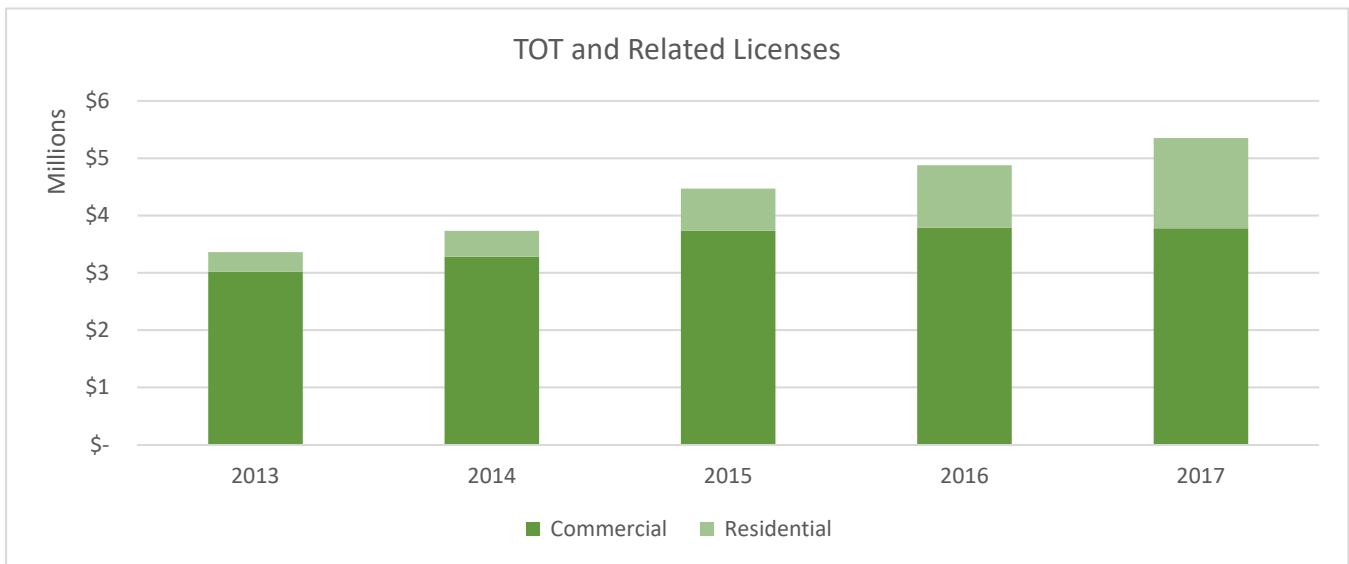
Property tax is the City's largest source of revenue, representing approximately 29% of all general fund revenues. In Fiscal Year 16/17, property taxes generated \$6.4 million in general fund revenues. Property tax revenues have increased by over 5% over the last two years primarily due to continuing growth in property values, along with continuing interest in commercial and residential development. In Fiscal Year 17/18, the Monterey County Assessor's Office has projected that property taxes are anticipated to grow at a conservative rate. While development is currently limited due to limited water resources, construction is proceeding on the Holman Building. The Holman Building project will convert a longtime retail use building into 25 luxury condominiums, with ground floor retail space. It is tentatively scheduled to be completed in 2018, with revenues anticipated to be included in multi-year budgetary projections.



Transient Occupancy Tax Revenues

The City of Pacific Grove's second major source of revenue is Transient Occupancy Tax (TOT). When combined with transient occupancy licenses, the two related categories represent over 24% of general fund revenues. The City's TOT revenues are generated from both commercial hotels and short-term residential rentals (STR's). In Fiscal Year 16/17, the combined revenues yielded approximately 5.4 million, which was 9.7% or approximately \$475,000 greater than the prior year. STR's generated approximately \$1.2 million in TOT revenues and \$343,600 in transient occupancy license fees. This represents an increase of close to \$485,000 more than the prior year. Commercial TOT remained relatively stable at \$3.8 million.

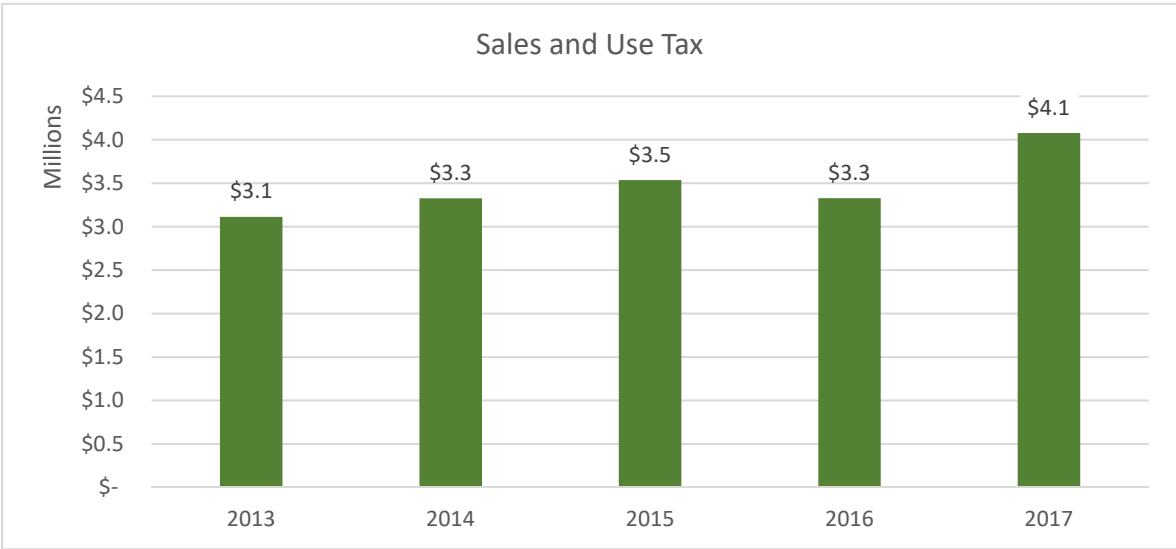
Transient occupancy tax receipts typically respond quickly to changes in economic conditions. While the economy is projected to be relatively stable, there are concerns that there could be variations in the short-term rental market due to homeowner preference, as well as potential changes to the short-term rental ordinance. A potential new source of TOT could be derived from the proposed Hotel Durell Project. A developer has envisioned adding a new 137-room, three-story hotel in the downtown area. This hotel is initially planned to include a restaurant, two conference rooms, a small swimming pool, and an 88-space valet parking garage. Public input and the scoping portion of the environmental review process has commenced this year. Staff will be monitoring the progress of the proposed development, as well as other trends to assist with long-term projections. An overview of the revenue history is provided below.



Sales and Use Tax Revenues

Sales and Use Tax revenues represent the third largest share of General Fund revenues. In Fiscal Year 16/17, the largest share of sales and use tax was generated from the following segments: Restaurant and Hotels at 30%, Building and Construction at 19%; and General Consumer Goods at 15%. In Fiscal Year 16/17, revenues appear to be substantially higher than Fiscal Year 15/16; however, the increase is partially related to timing differences associated with recording a second quarter sales tax true-up and the final receipt of the triple-flip revenues. This resulted in approximately a \$367,200 variance between the two years. If adjusted for actual earnings within each period, the Fiscal Year 15/16 and Fiscal Year 16/17 sales tax revenues would be closer to \$3.7 million in both years.

In the Fiscal Year 17/18 Budget, Sales and Use Tax growth was projected to increase at a conservative rate of 2%, with no major changes anticipated in the primary sales tax segments. An overview of the sales and use tax trends for the last five fiscal years is presented below.



Long-Term Financial Planning

The City’s Budget and Financial Policy requires the City to use a five-year fiscal planning horizon, in which the annual budget is used as the first year of the forecast. This forecast assists in identifying important trends and understanding long-term consequences of budget decisions. In prior years, the City implemented several measures to maintain resiliency and respond to economic challenges, which included significantly reducing the workforce and deferring capital improvements. While there has been continued economic growth and strong general fund reserves, a draw-down of reserves was approved in the Fiscal Year 17/18 Adopted Budget to fund one-time capital improvements.

In the forthcoming fiscal years, the City plans to evaluate alternate strategies to fund deferred capital improvements, manage rising pension costs, and retain a lean, high quality workforce. As part of the Fiscal Year 17/18 Budget process, a draft ten-year projection was provided to assist with long-term planning. It is anticipated that this projection will be updated to reflect the Fiscal Year 16/17 financial statements, any new economic indicators, and a multi-year capital improvement plan. This information will be used to evaluate whether the City should pursue a revenue ballot measure to assist with future economic challenges.

Major Initiatives

Providing Alternative Water Resources - Local Water Project

Pacific Grove, like many other communities on the Monterey Peninsula, has a shortage of potable water due to limitations placed on existing water supplies and recent drought conditions. The California American Water Company, which supplies water to most of the peninsula, has received a mandate from the State to reduce its diversion from the Carmel River. This decree has increased local efforts to seek alternative water sources. The City currently uses approximately 100 to 125 acre-feet per year (AFY) of potable water to irrigate the Pacific Grove Municipal Golf Links and the adjacent El Carmelo Cemetery. In Fiscal Year 15/16, the City received a \$5.3 million low interest loan from the State Water Resources Control Board and a \$2.4 million grant to fund the Local Water Project (LWP). This project includes the design and construction of a water recycling facility that will

divert and treat raw sewage and stormwater for local reclamation and irrigation purposes. The resulting recycled water would be used to irrigate the City's golf course and cemetery, while also providing toilet flushing water at two public restrooms. This new water source is planned to reduce the local demand of potable water by 100 to 125 AFY.

Managing Rising Pension Costs

The City of Pacific Grove, like many municipalities throughout the State, is facing rising CalPERS pension costs. This is primarily related to the changes in CalPERS actuarial assumptions which include changes to discount rate, amortization policies, mortality rates, and the implementation of risk mitigation strategies. The City's estimated Fiscal Year 17/18 contribution for the normal and unfunded liability portions of pensions cost is approximately \$691,700 and \$1.7 million, respectively. This represents an increase of over \$400,000 over the prior year. Pending CalPERS investment returns and any additional changes in actuarial assumptions, a similar increase in the unfunded liability is projected in the next fiscal year, along with rates continuing to ramp-up through Fiscal Year 24/25.

While the City is hopeful for pension reform, the continuing increase in rates, as well as debt service on pension obligation bonds continue to impact City finances. To assist with pension reform, the City has implemented internal measures to aid in cost control. In addition, to employees paying the employee's share of pension rates, provisions within the current memoranda of understandings state that "Classic" employees will pay between 2–5% of the employer's share of contributions, dependent upon the bargaining unit.

Conducting a Technology Assessment

The City's technology investments have been deferred due to the prior economic downturn. The ability to use technology to create efficiencies is critical in operating with a lean workforce, as well as to meet increasing trends for information and transparency. In Fiscal Year 16/17, the Agency retained a consultant to conduct an assessment of the City's information technology infrastructure. The initial report identified areas of improvement, inventoried equipment, and established an Information Technology Steering Committee comprised from members of each department. This Committee assisted in identifying areas where software could streamline processes, as well as provide increased service levels to the community. The result of this report, along with an evaluation of information technology staffing alternatives is scheduled to be presented to Council in Fiscal Year 17/18.

Addressing Aging Infrastructure

Pacific Grove is a historic community, with 1,394 buildings listed on the historic registry. Like many older municipalities in California, Pacific Grove has not been able to keep up with infrastructure maintenance. The City has multiple streets with pot-holes, deteriorating sidewalks, and trails in need of greater maintenance.

In Fiscal Year 15/16, the Transportation Agency for Monterey County (TAMC) proposed a .375% sales tax initiative, Measure X, to fund transportation safety and mobility projects throughout Monterey County. This measure was passed in November 2016 and is projected to generate \$400,000 - \$500,000 annually for the City of Pacific Grove. While this new revenue source provides some relief in meeting infrastructure demands, staff estimates that it needs approximately \$2 million annually to properly maintain streets and sidewalks. In Fiscal Year 17/18, the City plans to conduct a comprehensive infrastructure needs assessment to fully evaluate the condition of streets and sidewalks, while also defining future capital improvement and maintenance needs.

Relevant Financial Policies

Budget and Financial Management Policies

The City established Council Policy 400-6: Budget and Financial Management Policy to provide guidance on a number of financial topics. This Policy includes sections regarding the management of the operating and capital budget process; treasury and cash management; definition of appropriate reserve levels; debt management; and the safeguarding and recording of capital assets. This policy also includes a provision to incorporate a five-year fiscal planning horizon into the annual budget process, with the goal of identifying important trends and understanding long-term consequences of budget decisions.

A key component of the policy focuses on reserve requirements. The General Fund, which is the City's main operating fund has a target reserve level of 10% of the general fund annual operating budget. Reserves are required to be maintained at that level, unless otherwise approved by the City Council. At the close of Fiscal Year 16/17, the City's General Fund reserve levels were in compliance with the policy.

AWARDS

This is the first year that the City has enhanced its basic financial reports to assist in meeting the award criteria established by the California Society of Municipal Finance Officers and the Government Finance Officers Association of the United States and Canada (GFOA). The enhanced material includes the addition of a multi-year statistical section within the document, as well as strengthening various sections of the report. Both of these awards recognize conformance with the highest standards for preparation of State and local government financial reports. In addition, they require governments to publish an easily readable and efficiently organized comprehensive annual financial report with contents conforming to program standards, generally accepted accounting principles, and applicable legal requirements.

Although this is the first year the City of Pacific Grove is applying for these awards, the City is hopeful that the Fiscal Year 16/17 CAFR meets the program requirements. If the document does not receive an award this year, staff anticipates the City will benefit from the feedback received from municipal finance professionals, as well as by producing a more transparent and detailed document. By submitting the CAFR for these awards, the City believes that this will result in continuous improvement in reporting financial results to elected officials, staff, and other interested parties such as bondholders, credit agencies, and the general public.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the year-round dedication and efficiency of the Finance Department staff and the support and efforts of the City's independent auditors.

We would also like to express thanks and appreciation to the Mayor and members of the City Council for their leadership and support in planning and conducting the financial operations of the City in a responsible and progressive manner.



Tori Hannah, Administrative Services Director

**CITY OF PACIFIC GROVE
LIST OF PRINCIPAL OFFICIALS
FOR
FISCAL YEAR ENDED JUNE 30, 2017**



ELECTED OFFICIALS

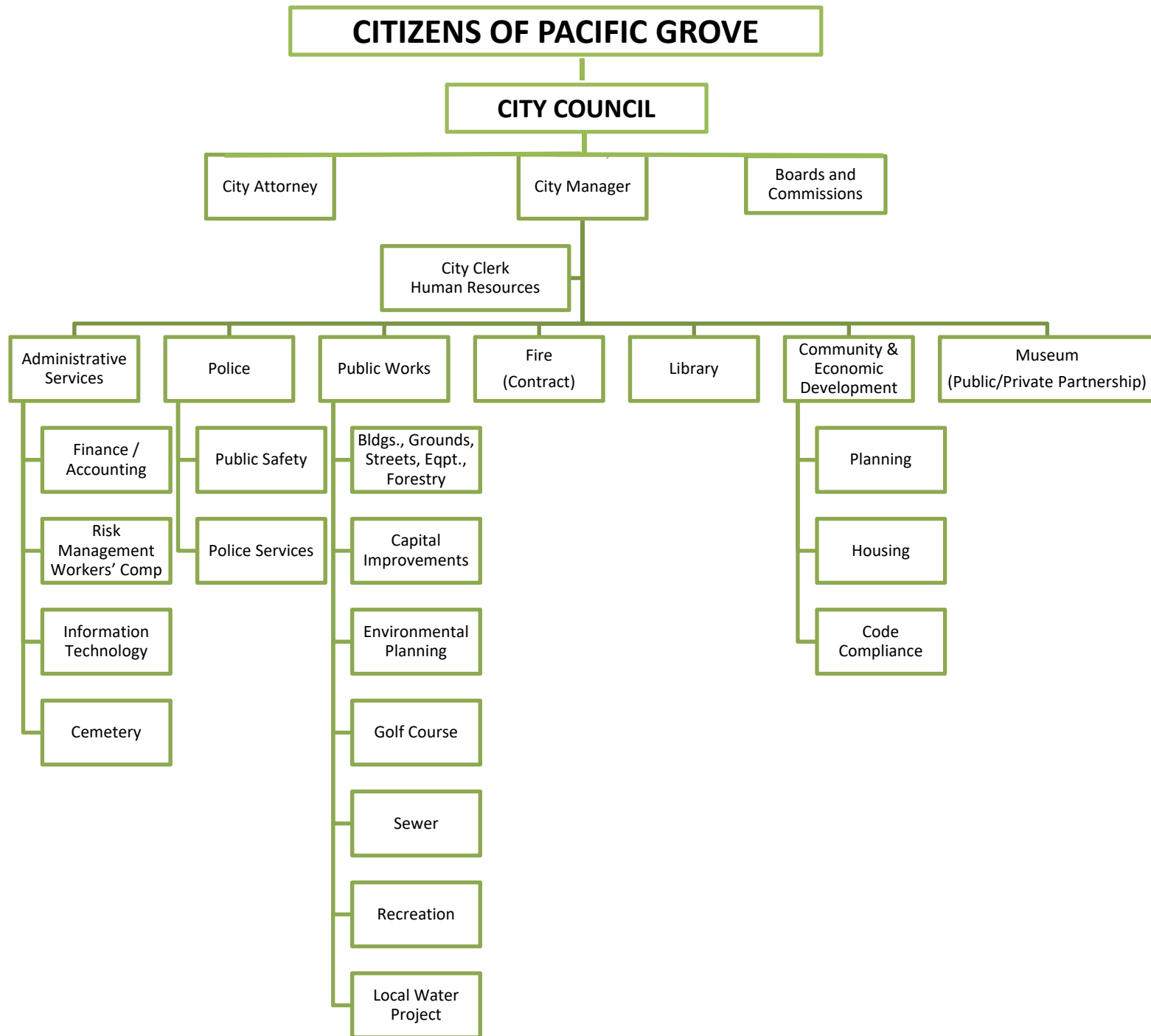
Mayor: Bill Kampe
Mayor Pro Tempore: Robert Huitt
Council Member: Ken Cuneo
Council Member: Rudy Fischer
Council Member: Cynthia Garfield
Council Member: Bill Peake
Council Member: Nick Smith

APPOINTED OFFICIALS

City Manager: Ben Harvey
City Attorney: David C. Laredo

DEPARTMENT HEADS / ADMINISTRATORS

Interim Administrative Services Director: Dave Culver
Chief of Police: Amy Christey
City Clerk: Sandra Kandell
Community and Economic Development Director: Mark Brodeur
Fire Chief: Gaudenz Panholzer
Human Resources Manager: Leticia Livian
Interim Library Director: Douglas Holtzman
Public Works Director: Daniel Gho





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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Pacific Grove (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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, 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 City'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 City'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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Pacific Grove, as of June 30, 2017, 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.

Emphasis of a Matter

Deficit Net Position

As of June 30, 2017, the City's net position in its Government-wide financial statements was reported at a deficit mostly because of the long-term pension liabilities and deferrals as reported in Note 8. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and other required supplementary information, as listed in the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining individual non-major fund schedules, statistical data, and other information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2017 on our consideration of the City'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 the City's internal control over financial reporting and compliance.

C & A LLP

November 11, 2017
San Jose, California

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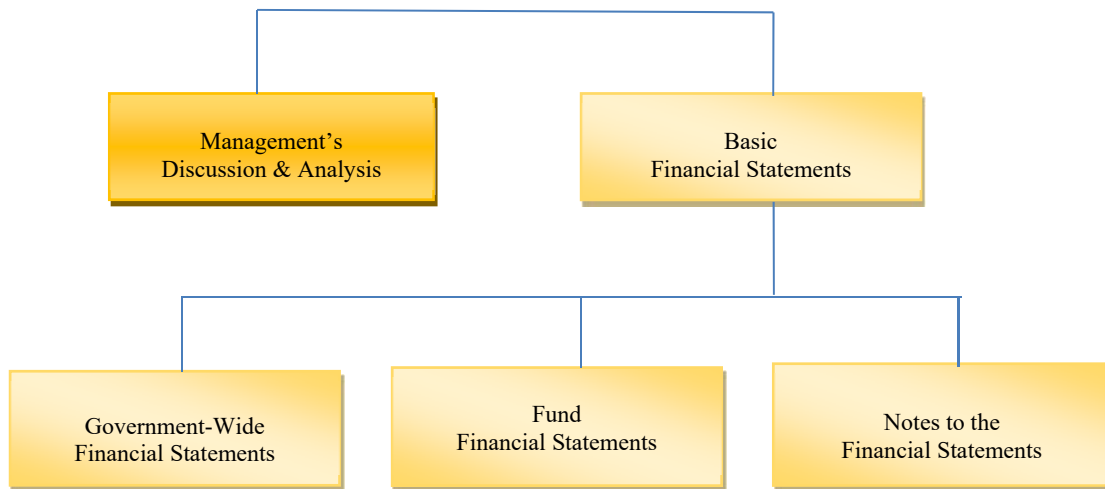
MANAGEMENT'S DISCUSSION AND ANALYSIS

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INTRODUCTION

As management of the City of Pacific Grove, we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City of Pacific Grove for the fiscal year that ended on June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-8 of this report. The required components of the report are listed below.

Required Components of the Annual Financial Report



FISCAL YEAR 2016/17 FINANCIAL HIGHLIGHTS

Government-Wide Highlights

- The assets and deferred outflows of resources of the City of Pacific Grove exceeded the liabilities at the close of the most recent fiscal year by \$15.8 million (net position). Of this amount, net position included \$38.9 million classified as net investment in capital assets; \$6.5 million as restricted; and \$29.5 million as a deficit unrestricted net position (negative net position). The negative unrestricted net position is largely due to the implementation of *GASB 68 – Accounting and Financial Reporting for Pensions*. This new pronouncement required local governments to record pension liabilities on the government-wide financial statements. The City's pension liability in accordance with GASB 68 as of June 30, 2017 was \$34.6 million.
- The City of Pacific Grove's total net position increased by \$5.73 million from last fiscal year due to increased performance in governmental program and general revenues of \$3.3 million; and sewer service charges collected to support sewer infrastructure improvements.

Fund Highlights

- At the close of Fiscal Year 16/17 the City of Pacific Grove's governmental funds reported combined fund balances of \$18.1 million, an increase of \$2.2 million in comparison with the prior year. Approximately 62.7% or \$11.3 million is classified as unassigned fund balance and is available for spending at the government's discretion.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$11.6 million, or 58.9% of total general fund expenditures, prior to transfers.
- The City's long-term debt increased by \$4.1 million in Fiscal Year 16/17 primarily as the result of a \$6.3 million Clean Water State Revolving Fund Loan related to Business-Type activities. The debt service for this loan is anticipated to be funded through new revenues generated from the Local Water Project.
- The City's net capital assets increased by 21.3% or \$8.6 million primarily as a result of construction in progress for grant-funded storm drain improvements and the Local Water Project.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City of Pacific Grove's financial statements. The City of Pacific Grove's basic financial statements are comprised of (1) Government-wide Financial Statements (2) Fund Financial Statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Pacific Grove's finances, in a manner similar to a private-sector business. Government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole. Government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* presents financial information on all of the City of Pacific Grove's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Pacific Grove is improving or deteriorating.

The *Statement of Activities* presents information showing how the City of Pacific Grove's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This is consistent with a full accrual concept, which may result in the reporting of revenues and expenses in the current fiscal year, with cash flows occurring in future fiscal periods (e.g. uncollected revenues and earned but not used vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Pacific Grove that are principally support by taxes and intergovernmental revenues (*governmental activities*) from other functions

that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). An overview of the City's functions associated with each classification is listed below.

Governmental Activities – All of the City's basic services are considered to be governmental activities. This includes general government, public safety, public works, recreation, library, museum, and community development. These services are supported by general City revenues such as taxes, and by specific program revenues such as development and recreation program fees.

Business-Type Activities – This City's enterprise activities include cemetery, sewer, and golf operations. Unlike governmental services, these services are fully supported by charges paid by users based on the amount of services they use.

The government-wide financial statements can be found on pages 35-36 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial statements provide detailed information about each of the City's most significant funds, called major funds. Major funds are presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the fiscal year, and may change from year to year as a result of changes in the pattern of the City's activities. The City's funds are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This represents a modified accrual basis of accounting, with capital assets, long-lived assets, and long-term liabilities excluded from the financial statements. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City maintains thirteen governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Housing Fund, Community Development Block Grants (CDBG) Grant Fund, Clean Beaches Fund, and the 2013 CDBG Grant Fund. These five funds are considered to be major funds. Data from the other thirty-one governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Pacific Grove adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 37-40 of this report.

Proprietary Funds

The City of Pacific Grove has the following three proprietary or *enterprise funds*: Sewer, cemetery, and golf course Funds. *Enterprise funds* provide the same type of information as business-type activities in the government-wide statements. *Internal service funds* are an accounting mechanism used to accumulate and allocate costs internally among the City of Pacific Grove's various functions. The City uses internal service funds to account for the management of its retained risks associated with liability self-insurance, workers compensation, health insurance, and other post-employment benefits (OPEB). Because these internal services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-Wide Financial Statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, cemetery, and golf course operations, all of which are considered major funds for the City of Pacific Grove. Conversely, all internal service funds are provided combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report. The basic proprietary fund financial statements can be found on pages 41-43 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reported in the Government-Wide financial statements because the resources of these funds are not available to support the City of Pacific Grove's own programs. The accounting for fiduciary funds is much like that used for business type activities. The City did not maintain any fiduciary funds during Fiscal Year 16/17.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the fund financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Pacific Grove's funding progress for its employee pension and OPEB benefit obligations. The required supplementary information can be found on pages 77-84 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the *required supplementary information* on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 88-120 of this report.

An un-audited statistical section provides historical and current data on financial trends, revenue and debt capacity, demographic and economic information, and operating information. This information can be found on pages 126-153 of this document.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position may serve as an indicator of a government's financial position. In the case of the City of Pacific Grove, assets and deferred outflows of resources exceeded liabilities by \$15.8 million at the close of the Fiscal Year 16/17. This represents an increase of \$5.7 million over the prior year.

The following table summarizes the City's ending net position:

Table 1 - Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 24,247,784	\$ 20,754,211	\$ 9,530,476	\$ 7,526,481	\$ 33,778,260	\$ 28,280,692
Capital assets	25,774,588	22,999,440	23,284,586	17,441,368	49,059,174	40,440,808
Total Assets	<u>\$ 50,022,372</u>	<u>\$ 43,753,651</u>	<u>\$ 32,815,062</u>	<u>\$ 24,967,849</u>	<u>\$ 82,837,434</u>	<u>\$ 68,721,500</u>
Deferred Outflows of Resources	<u>\$ 6,292,549</u>	<u>\$ 1,716,601</u>	<u>\$ 335,750</u>	<u>\$ 92,132</u>	<u>\$ 6,628,299</u>	<u>\$ 1,808,733</u>
Liabilities						
Current and other liabilities	\$ 5,206,893	\$ 4,601,661	\$ 1,655,400	\$ 486,812	\$ 6,862,293	\$ 5,088,473
Noncurrent liabilities	49,565,552	42,848,181	11,522,866	5,985,633	61,088,418	48,833,814
Total Liabilities	<u>\$ 54,772,445</u>	<u>\$ 47,449,842</u>	<u>\$ 13,178,266</u>	<u>\$ 6,472,445</u>	<u>\$ 67,950,711</u>	<u>\$ 53,922,287</u>
Deferred Inflows of Resources	<u>\$ 5,335,766</u>	<u>\$ 6,084,491</u>	<u>\$ 352,940</u>	<u>\$ 422,464</u>	<u>\$ 5,688,706</u>	<u>\$ 6,506,955</u>
Net Position						
Net investment in capital assets	\$ 25,668,604	\$ 22,741,849	\$ 13,220,660	\$ 12,525,066	\$ 38,889,264	\$ 35,266,915
Restricted	6,473,653	6,193,527	-	-	6,473,653	6,193,527
Unrestricted	(35,935,547)	(36,999,457)	6,398,946	5,640,006	(29,536,601)	(31,359,451)
Total Net Position	<u>\$ (3,793,290)</u>	<u>\$ (8,064,081)</u>	<u>\$ 19,619,606</u>	<u>\$ 18,165,072</u>	<u>\$ 15,826,316</u>	<u>\$ 10,100,991</u>

A significant portion or \$38.9 million of the City's net position reflects its investment in capital assets, (e.g., land, buildings, general government infrastructure, equipment, etc.), less accumulated depreciation and any outstanding that was debt used to acquire or construct those assets. Capital assets represent infrastructure which provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

An additional portion or \$6.5 million of the City of Pacific Grove's net position represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$29.5 million is classified as unrestricted. This negative unrestricted balance is largely due to the implementation of *GASB 68 – Accounting and Financial Reporting for Pensions*. The City participates in the CalPERS Miscellaneous and Safety pension plans. GASB 68 impacted local governments by requiring them to report a proportional share of their pension plan's net pension liabilities on financial statements. In Fiscal Year 16/17, the City's proportionate share of the CalPERS pension liability was \$34.6 million. See note 8 for detailed information related to the Plans, along with the required supplementary information section of this report.

At the end of the current fiscal year, the City of Pacific Grove is able to report a positive balance for the government as a whole, with financial strength increasing. The reasons for the overall financial changes are discussed in the following sections for governmental and business-type activities.

Governmental Activities

As shown in the above *Statement of Changes in Net Position* schedule, the net position for governmental activities decreased the deficit balance from \$8.1 million in the prior year to a reduced deficit balance of \$3.8 million in the current fiscal year. This increase is largely due to increased economic performance and receipt of additional grant funds. Total governmental revenues increased by \$3.3 million over the prior year, which included a \$1.9 million increase in program revenues and a \$1.4 million increase in general revenues. The net change in expenses from the prior year was an increase of \$1.2 million.

With total revenues for Fiscal Year 16/17 at \$27.3 million and total expenses at \$23.1 million, the change in net position for current activity yielded an increase of \$4.2 million. The total change, net of a \$79,330 prior period adjustment was \$4.3 million.

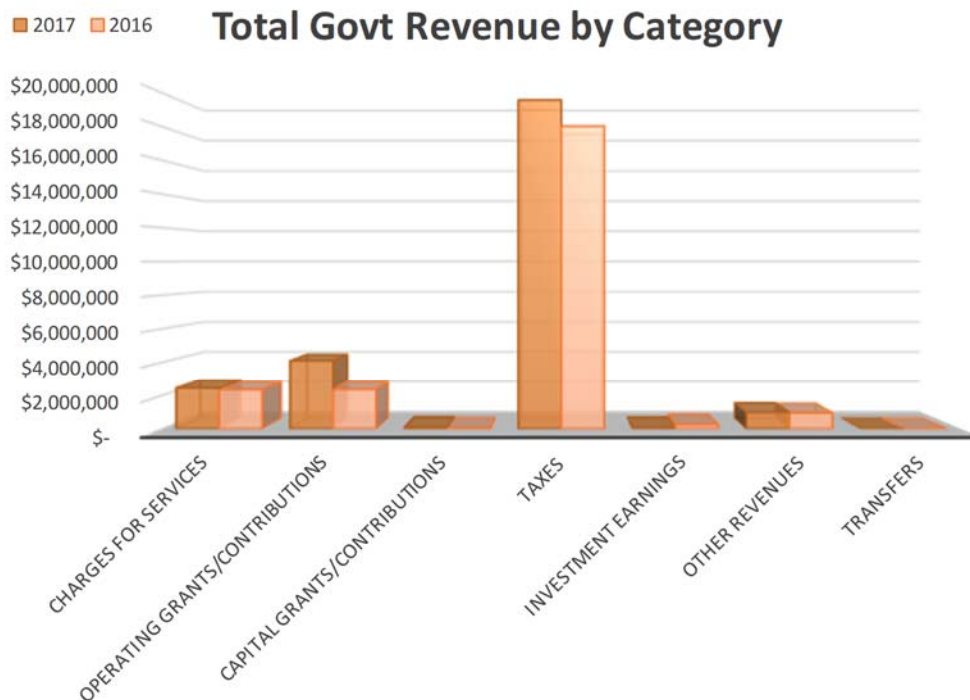
An analysis of the changes in revenues and expenses by type of significant events follows:

Table 2 - Statement of Changes in Net Position

Functions/Programs	Governmental Activities		Increase (Decrease)	Business-Type Activities		Increase (Decrease)
	2017	2016		2017	2016	
Program Revenues						
Charges for services	\$ 2,444,706	\$ 2,346,421	\$ 98,285	\$ 3,782,027	\$ 3,545,487	\$ 236,540
Operating grants and contributions	4,105,908	2,354,025	1,751,883	-	-	-
Capital grants and contributions	96,383	36,050	60,333	-	152,830	(152,830)
Total Program Revenues	6,646,997	4,736,496	1,910,501	3,782,027	3,698,317	83,710
General Revenues						
Taxes	19,584,184	18,040,205	1,543,979	-	-	-
Investment earnings	74,222	253,846	(179,624)	9,754	67,318	(57,564)
Other revenues	984,164	947,392	36,772	57,473	113,560	(56,087)
Transfers	-	5,301	(5,301)	-	(5,301)	5,301
Total General Revenues	20,642,570	19,246,744	1,395,826	67,227	175,577	(108,350)
Expenses						
General government	2,738,294	2,768,729	(30,435)	-	-	-
Public safety	10,117,543	8,675,956	1,441,587	-	-	-
Public works	4,136,425	4,057,715	78,710	-	-	-
Recreation	684,848	586,436	98,412	-	-	-
Library	988,284	844,521	143,763	-	-	-
Museum	277,538	258,591	18,947	-	-	-
Community development	3,086,903	3,512,657	(425,754)	-	-	-
Interest on fiscal charges	1,068,271	1,209,972	(141,701)	-	-	-
Cemetery operating	-	-	-	293,068	295,388	(2,320)
Sewer operating	-	-	-	1,751,842	1,703,290	48,552
Golf course	-	-	-	349,811	420,788	(70,977)
Total Expenses	23,098,106	21,914,577	1,183,529	2,394,721	2,419,466	(24,745)
Increase / (Decrease) in Net Position	4,191,461	2,068,663	2,122,798	1,454,533	1,454,428	105
Prior Period Adjustments	79,330	(10,064,222)	10,143,552	-	(1,531,161)	1,531,161
Net Position, Beginning of Year	(8,064,081)	(68,522)	(7,995,559)	18,165,073	18,241,805	(76,732)
Net Position, End of Year	\$ (3,793,290)	\$ (8,064,081)	\$ 4,270,791	\$ 19,619,606	\$ 18,165,072	\$ 1,454,534

Governmental Revenues

The following chart summarizes the changes in revenues by category during Fiscal Year 16/17:

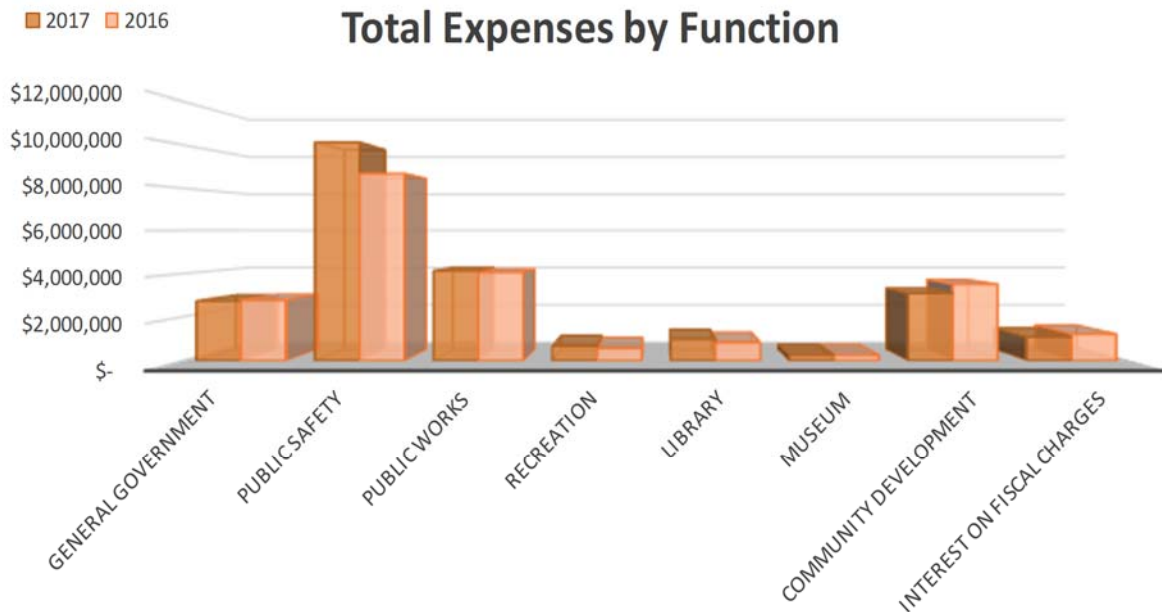


Significant changes in governmental revenues consisted of the following:

- Charge for Services increased by approximately by \$98,285 or 4.2% primarily due to net increases in various building and planning activities; and increased parking enforcement revenues.
- Taxes increased by \$1.5 million or 8.6%, with changes related to the following categories:
 - Property taxes increased by approximately \$349,000 due to continuing increases in property values.
 - Transient occupancy taxes and transient occupancy license fees increased by approximately \$485,000 from revenues generated by short –term residential rentals.
 - Sales tax revenues increased by approximately \$834,000, which includes \$84,000 in new revenues attributed to Measure X. A large portion of the remaining increase is related to timing differences associated with a sales tax true-up and the State's final triple flip payment. If these combined receipts of \$367,200 were posted in the prior fiscal year, the annual revenues would be relatively consistent.
- Operating grants and contributions increased by \$1.8 million or 74% primarily due to the receipt of a State Water Resources Control Board Clean Beaches Grant in the amount of \$2.7 million for storm drain replacements and repairs. This increase was offset by reduced spending associated with expiring Community Development Block Grants (CDBG) of \$432,000, as well as other operating grants and contributions.
- Investment earnings decreased in Fiscal Year 16/17 primarily due to fair market value adjustments associated with GASB Statement 72 – Fair Value and Measurement Application.

Governmental Expenses

The Fiscal Year 16/17 expenses for Governmental Activities increased by \$1.2 million as illustrated in the chart below:



Significant changes in governmental expenses consisted of the following:

- Public safety increased by 17% or \$1.4 million primarily due to GASB 68 pension expense adjustments, the addition of a Police Officer and a Police Chief position; and savings from position transitions in the prior year.
- Recreation and Library expenses increased by approximately 17% or \$242,175 largely due to position vacancies in the prior year and GASB 68 pension adjustments in Fiscal Year 16/17.
- Community development expenses decreased by 12% or \$425,754 primarily due to reductions in funding for grant-supported housing programs and contract savings.
- Interest expense decreased by 12% or \$141,701 because debt maturities generally require less interest at debt matures. Also, the accretion of interest is on a sliding scale and is decreasing each year.

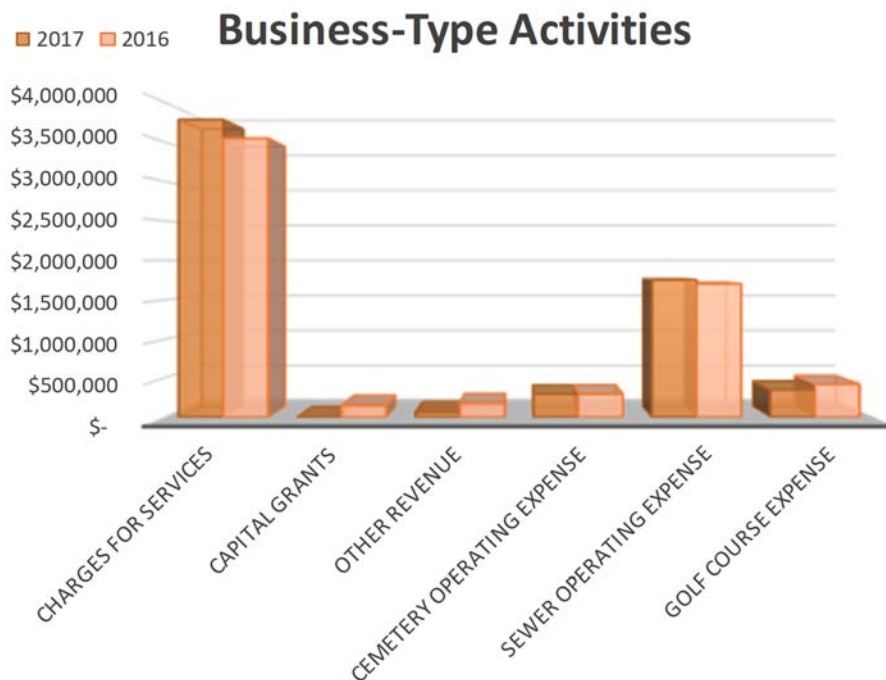
Business-Type Activities

The City's net position for business type activities increased by \$1.45 million. This was largely due to revenues in excess of operating expenses in the Sewer Fund, with the net difference primarily planned to fund sewer infrastructure improvements.

Total Program Revenues for business-type activities increased over the prior year by \$83,710. The \$236,500 increase in the Charges for Services categories was primarily related to growth in the Cemetery Site and Services Sales; and Sewer Service Surcharges of \$71,833 and \$172,146, respectively. This was offset by reductions in other operational categories, as well as a one-time grant of \$152,830 to fund sewer capital improvements.

Total expenses for business type activities was \$2.4 million during the year, which was a decrease of \$24,745 from prior year. This is primarily related to increased pension and utility costs in the Sewer Fund, which were offset by savings in utility, contract services, and the indirect cost categories of the Golf Course Fund.

The following chart is a summary of the changes in revenues and expenses for the City's business-type activities from Fiscal Year 15/16 to 16/17:



FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

As noted earlier, the City of Pacific Grove uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the City of Pacific Grove's Council.

A summary of the changes in fund balance of the Major Funds and Other Governmental Funds is presented below:

Table 3 - Summary of Changes in Fund Balance - Governmental Funds

	Major Funds					Other Governmental Funds	Total
	General Fund	Housing Fund	CDBG Grant Fund	Clean Beaches Fund	2013 CDBG Grant Fund		
Total Revenues	\$ 21,977,796	\$ 98,714	\$ 42,862	\$ 2,705,528	\$ 84,204	\$ 2,262,580	\$ 27,171,684
Total Expenditures	19,737,550	82,154	36,000	2,705,528	84,204	2,347,730	24,993,166
Revenues Over (Under) Expenditures	2,240,246	16,560	6,862	-	-	(85,150)	2,178,518
Transfers in	-	-	-	-	-	621,455	621,455
Transfers out	(610,000)	-	-	-	-	(11,455)	(621,455)
Net change in fund balances	1,630,246	16,560	6,862	-	-	524,850	2,178,518
Beginning of year	9,922,523	345,863	-	-	-	5,555,429	15,823,815
Prior Period Adjustment	79,333	-	-	-	-	-	79,333
End of year	<u>\$ 11,632,102</u>	<u>\$ 362,423</u>	<u>\$ 6,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,080,279</u>	<u>\$ 18,081,666</u>

The fund balance of the City's General Fund increased by approximately \$1.6 million. As presented earlier in connection with governmental activities, the increase was primarily due to growth in tax revenues and charges for services. The Housing, CDBG Grant, and 2013 CDBG Grant fund revenues exceeded or were equivalent to expenditures to reflect continued support of housing programs.

The Clean Beaches Fund was not considered a major fund in Fiscal Year 15/16. This fund is primarily being used to support projects and/or programs associated with the State's Clean Beaches Initiative Grant. In Fiscal Year 16/17, the City expended \$2.7 million in project costs to protect and restore water quality in the Lover's Point Beach watershed. The fund revenues reflect reimbursements requested or received to support project costs.

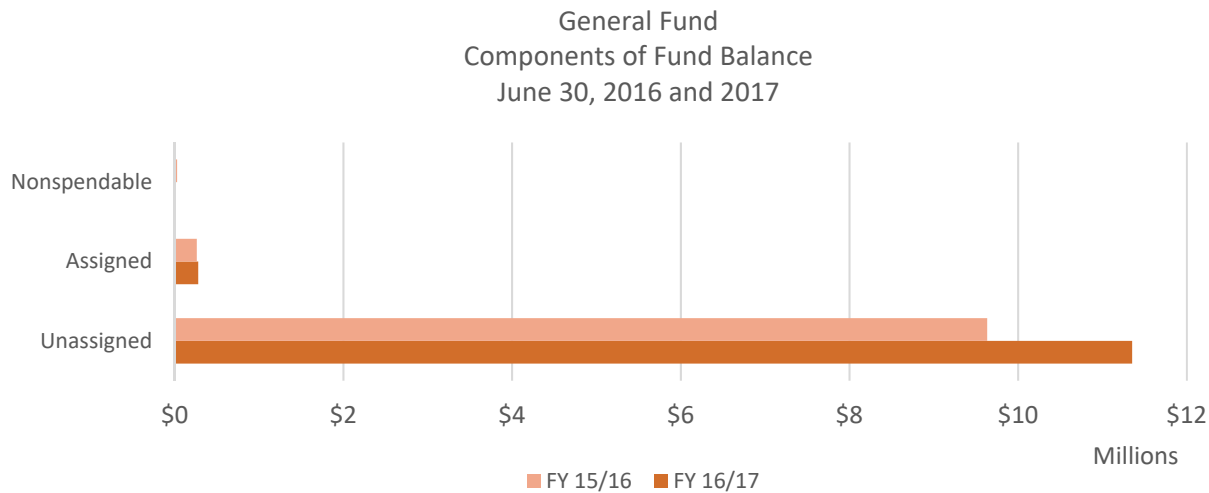
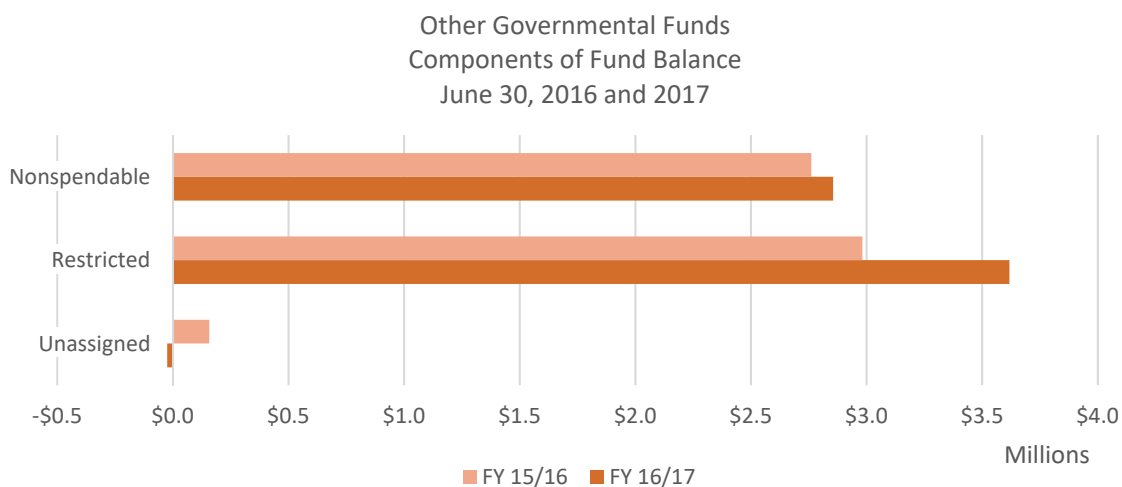
Combined Funds – Components of Fund Balance

As of June 30, 2017, the City of Pacific Grove's reported combined fund balances of \$18.1 million, which represents a \$2.2 million increase over the prior year. Approximately 62.6% or \$11.3 million is classified as unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned. The nonspendable balance of \$2.9 million represents funds that are not in a spendable form, such as prepaid items, endowments, or trust funds. The restricted balance of \$3.6 million reflects fund that are legally required to remain intact, while the remainder of \$279,660 represents funds that are assigned to a particular purpose.

General Fund – Components of Fund Balance

The general fund is the chief operating fund of the City of Pacific Grove. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$11.4 million, with the total fund balance increased to \$11.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. The total general fund expenditures, prior to transfers is \$19.7 million. Unassigned fund balance represents approximately 57.5% of the total general fund expenditures, while total fund balance represents approximately 58.9% of total general fund expenditures.

The subsequent charts provide an annual comparison of the fund balance components included in the general fund and the other governmental funds.

*Other Governmental Funds Components of Fund Balance*

CAPITAL ASSETS

The City of Pacific Grove's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$49.1 million (net of accumulated depreciation). This includes net capital assets from governmental activities of \$25.8 million and net capital assets from business type activities at \$23.3 million. This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, and sewer systems. The total increase in the City of Pacific Grove's investment in the current fiscal year was approximately \$8.6 million, with 12.1% of the increase attributed to Governmental Activities and 33.5% attributed to Business-type activities. The following table summarizes the City's capital assets at the end of the year:

Table 4 - Capital Assets at Year End - Net

	Governmental Activities		Business-type Activities		Total		% Change
	2017	2016	2017	2016	2017	2016	
Land	\$ 2,338,270	\$ 2,338,270	\$ 362,973	\$ 362,973	\$ 2,701,243	\$ 2,701,243	0.00%
Construction in progress	2,791,762	-	6,308,658	960,522	9,100,420	960,522	847.45%
Buildings and improvement	5,484,254	5,475,442	5,530,371	5,554,642	11,014,625	11,030,084	-0.14%
Infrastructure	14,460,166	14,619,929	10,944,065	10,405,280	25,404,231	25,025,209	1.51%
Machinery and equipment	700,136	565,799	138,519	157,951	838,655	723,750	15.88%
Total Capital Assets, Net	<u>\$ 25,774,588</u>	<u>\$ 22,999,440</u>	<u>\$ 23,284,586</u>	<u>\$ 17,441,368</u>	<u>\$ 49,059,174</u>	<u>\$ 40,440,808</u>	21.31%

Major capital asset events during the fiscal year included the following:

- Governmental Activities:
 - Construction in Progress of \$2.67 million for storm drain replacements and repairs in the Laurel and Forest, Mermaid, and Caledonia areas; and \$113,832 for the Point Pinos Trail Project.
- Business-Type Activities:
 - Construction in progress of \$6.3 million for the Local Water Project.

Additional detail and information on capital asset activity is described in the notes to the financial statements.

DEBT ADMINISTRATION

During the year, Long-Term Debt from governmental activities decreased by \$1 million primarily due to regular debt service payments. Long-Term Debt attributable to business type activities increased by \$5.2 million during Fiscal Year 16/17 due to loans from the Clean Water State Revolving Fund Loan to fund the construction of the Local Water Project, which were offset by debt service payments on other obligations.

The following table summarizes the City's debt at the end of the year:

Table 5 - Outstanding Long-Term Debt at Year End

	Governmental Activities		
	2017	2016	% Change
2003 Refunding Butterfly Habitat Note	\$ 89,194	\$ 175,057	-49.05%
PNC Equipment Lease	16,787	82,534	-79.66%
Pension Obligation Bonds	8,177,207	9,196,023	-11.08%
Accreted Interest	7,535,353	7,429,116	1.43%
Total outstanding long-term debt	<u>\$ 15,818,541</u>	<u>\$ 16,882,730</u>	-6.30%
	Business-type Activities		
	2017	2016	% Change
2013 Wastewater Revenue Refunding Bonds	\$ 999,045	\$ 1,052,184	-5.05%
Golf Course COP Refunding	2,756,223	2,903,599	-5.08%
Clean Water State Revolving Fund Loan	6,308,658	960,522	556.79%
Total outstanding long-term debt	<u>\$ 10,063,926</u>	<u>\$ 4,916,305</u>	104.71%

Additional detail and information on long-term debt activity is described in the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Changes from the City's General Fund original budget to the final budget are detailed in the *Required Supplementary Information* section along with a comparison to actual activity for the year ended. In Fiscal Year 16/17, the City originally estimated that a \$1.6 million drawdown from fund balance was needed to fund one-time capital improvements and outlay; however due to increased performance in revenues and decreased annual spending, the City ended the year with a positive fund balance.

Revenues

The General Fund adopted and final revenue budgets were \$20 million, with actual revenues recorded at \$21.9 million. This \$1.9 million difference is primarily related to greater than anticipated performance in most tax categories, with the exception of property and franchise taxes. Property taxes which resulted in the largest variance was \$731,521 below the budgeted amount; however the actual revenues received represented were \$339,500 or 5.6% over the prior year.

Expenditures

The General Fund adopted expenditure budget was \$21.1 million, with an amendment of approximately \$80,000 resulting in a final budget of \$21.2 million. The actual expenditures totaled \$19.7 million, which resulted in a net difference of \$1.4 million. While approximately \$579,000 can be attributed primarily to

budgetary savings in contracts and professional services, \$854,000 relates to capital outlay and capital improvement projects that were carried forward into the next fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Pacific Grove's economic climate is anticipated to be stable, with modest revenue growth projected in Fiscal Year 16/17. Factors that were considered in the development of the Fiscal Year 17/18 Budget include:

- Increasing signs of economic growth in the restaurant and hotel industry, with continued growth projected based on year-end estimates at 2% for sales and use tax; and 3% for transient occupancy tax.
- Continuing marginal reductions in the City's unemployment rate, with the unemployment rate decreasing from 5.1% in the prior fiscal year to 4.7% at the conclusion of Fiscal Year 16/17.
- Addition of approximately \$410,000 in revenues from a county-wide Transportation and Investment Plan (Measure X) initiative to fund transportation safety and mobility projects.
- Review of the CalPERS Retirement System's actuarially rates which include an increase of \$335,000 in the unfunded liability rates.
- Inclusion of the County Assessor's Property Tax projections, with property values anticipated to remain strong
- Addition of approximately \$280,000 in Fiscal Year 17/18 to support negotiated provisions in the new Police Officers Association (POA) Memorandum of Understanding
- A planned drawdown of \$1.9 million in fund balance reserves to fund one-time capital projects

In the upcoming fiscal year, the City plans to review multi-year operating and capital improvement projections to determine if a potential revenue measure is needed to assist in funding deferred infrastructure and technology needs, as well as support rising pension costs.

REQUEST FOR FINANCIAL INFORMATION

This financial report is designed to provide a general overview of the City of Pacific Grove's finances for all of Pacific Grove's residents, taxpayers, customers, investors, and creditors. This financial report seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Department of Finance at 300 Forest Avenue, Pacific Grove, CA 93950, or visit the City of Pacific Grove webpage at www.cityofpacificgrove.org.



BASIC FINANCIAL STATEMENTS

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City of Pacific Grove
Statement of Net Position
June 30, 2017

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 15,773,331	\$ 7,868,324	\$ 23,641,655
Receivables:			
Taxes	2,097,604	-	2,097,604
Accounts	2,055,738	3,092,111	5,147,849
Due from other governments	3,549	-	3,549
Interest	21,697	-	21,697
Interfund receivables (payables)	1,563,058	(1,563,058)	-
Other assets	513,005	-	513,005
Total Current Assets	22,027,982	9,397,377	31,425,359
Noncurrent Assets:			
Loans receivable	2,219,802	133,099	2,352,901
Capital Assets:			
Nondepreciable	5,130,032	6,671,631	11,801,663
Depreciable, net of accumulated depreciation	20,644,556	16,612,955	37,257,511
Total Capital Assets - Net	25,774,588	23,284,586	49,059,174
Total Noncurrent Assets	27,994,390	23,417,685	51,412,075
Total Assets	\$ 50,022,372	\$ 32,815,062	\$ 82,837,434
DEFERRED OUTFLOWS OF RESOURCES			
Pension Adjustments	\$ 6,292,549	\$ 335,750	\$ 6,628,299
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 1,964,120	\$ 1,348,895	\$ 3,313,015
Payroll related liabilities	314,228	24,355	338,583
Deposits and other liabilities	18,250	-	18,250
Interest payable	420,000	58,324	478,324
Unearned revenues	93,226	-	93,226
Compensated absences - current portion	291,088	14,737	305,825
Long-term debt - due within one year	2,105,981	209,089	2,315,070
Total Current Liabilities	5,206,893	1,655,400	6,862,293
Noncurrent Liabilities:			
Long-term debt - due in more than one year	13,712,560	9,854,837	23,567,397
Claims payable	765,286	-	765,286
Compensated absences	873,262	44,209	917,471
Net pension obligation	32,940,389	1,623,820	34,564,209
Net OPEB obligation	1,274,055	-	1,274,055
Total Noncurrent Liabilities	49,565,552	11,522,866	61,088,418
Total Liabilities	\$ 54,772,445	\$ 13,178,266	\$ 67,950,711
DEFERRED INFLOWS OF RESOURCES			
Pension Adjustments	\$ 5,335,766	\$ 352,940	\$ 5,688,706
NET POSITION			
Net investment in capital assets	\$ 25,668,607	\$ 13,220,660	\$ 38,889,267
Restricted for:			
Social service programs	549,372	-	549,372
Public safety	772,241	-	772,241
Community development	4,913,389	-	4,913,389
Street improvements	104,510	-	104,510
Debt service	90,746	-	90,746
Total Restricted	6,430,258	-	6,430,258
Unrestricted	(35,892,155)	6,398,946	(29,493,209)
Total Net Position	\$ (3,793,290)	\$ 19,619,606	\$ 15,826,316

The accompanying notes are an integral part of these financial statements.

City of Pacific Grove
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues					Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
Primary Government:								
Governmental Activities:								
General government	\$ 2,738,294	\$ 1,338,655	\$ 9,903	\$ -	\$ 1,348,558	\$ (1,389,736)		\$ (1,389,736)
Public safety	10,117,543	11,222	844,623	-	855,845	(9,261,698)		(9,261,698)
Public works	4,136,425	32,993	3,071,956	-	3,104,949	(1,031,476)		(1,031,476)
Recreation	684,848	377,778	650	-	378,428	(306,420)		(306,420)
Library	988,284	19,925	94,353	-	114,278	(874,006)		(874,006)
Museum	277,538	-	-	-	-	(277,538)		(277,538)
Community development	3,086,903	664,133	84,423	96,383	844,939	(2,241,964)		(2,241,964)
Interest and fiscal charges	1,068,271	-	-	-	-	(1,068,271)		(1,068,271)
Total Governmental Activities	\$ 23,098,106	\$ 2,444,706	\$ 4,105,908	\$ 96,383	\$ 6,646,997	(16,451,109)		(16,451,109)
Business-Type Activities:								
Cemetery	\$ 293,068	\$ 288,712	\$ -	\$ -	\$ 288,712		\$ (4,356)	(4,356)
Sewer	1,751,842	3,139,222	-	-	3,139,222		1,387,380	1,387,380
Golf	349,811	354,093	-	-	354,093		4,282	4,282
Total Business-Type Activities	\$ 2,394,721	\$ 3,782,027	\$ -	\$ -	\$ 3,782,027		1,387,306	1,387,306
General Revenues:								
Taxes:								
Property taxes						6,557,824	-	6,557,824
Sales and use taxes						4,159,401	-	4,159,401
Franchise and other taxes						915,094	-	915,094
Transient occupancy taxes						5,829,610	-	5,829,610
Utility users taxes						1,593,887	-	1,593,887
Business license tax						402,881	-	402,881
Other taxes						125,487	-	125,487
Total taxes						19,584,184	-	19,584,184
Investment earnings						74,219	9,754	83,973
Other revenues						984,167	57,473	1,041,640
Total General Revenues						20,642,570	67,227	20,709,797
Change in Net Position						4,191,461	1,454,533	5,645,994
Net Position - Beginning of Year						(8,064,081)	18,165,073	10,100,992
Prior Period Adjustments						79,330	-	79,330
Net Position - Beginning of Year, As Adjusted						(7,984,751)	18,165,073	10,180,322
Net Position - End of Year						\$ (3,793,290)	\$ 19,619,606	\$ 15,826,316

The accompanying notes are an integral part of these financial statements.

City of Pacific Grove
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds						
	General Fund	Housing Fund	CDBG Grant Fund	Clean Beaches Fund	2013 CDBG Grant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 7,814,939	\$ 364,822	\$ 6,862	\$ -	\$ 91,245	\$ 6,365,864	\$ 14,643,732
Receivables:							
Taxes	1,864,311	-	-	-	-	233,293	2,097,604
Accounts	356,983	-	-	1,407,958	58,755	232,042	2,055,738
Due from other governments	3,549	-	-	-	-	-	3,549
Interest	21,697	-	-	-	-	-	21,697
Due from other funds	3,081,053	-	-	-	-	-	3,081,053
Loans receivable	-	558,156	796,915	-	512,446	352,285	2,219,802
Total assets	\$ 13,142,532	\$ 922,978	\$ 803,777	\$ 1,407,958	\$ 662,446	\$ 7,183,484	\$ 24,123,175
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,078,375	\$ -	\$ -	\$ 273,427	\$ -	\$ 529,850	\$ 1,881,652
Payroll related liabilities	298,882	2,399	-	-	-	9,303	310,584
Deposits and other liabilities	18,250	-	-	-	-	-	18,250
Due to other funds	21,697	-	-	1,134,531	150,000	211,767	1,517,995
Unearned revenues	93,226	558,156	796,915	-	512,446	352,285	2,313,028
Total liabilities	1,510,430	560,555	796,915	1,407,958	662,446	1,103,205	6,041,509
Fund Balances:							
Nonspendable							
Permanent funds	-	-	-	-	-	2,855,521	2,855,521
Restricted:							
Social service programs	-	362,423	-	-	-	186,949	549,372
Public safety	-	-	-	-	-	772,241	772,241
Community development	-	-	6,862	-	-	2,051,006	2,057,868
Street improvements	-	-	-	-	-	104,510	104,510
Debt service	-	-	-	-	-	90,746	90,746
Assigned:							
Social service programs	279,660	-	-	-	-	-	279,660
Unassigned	11,352,442	-	-	-	-	19,306	11,371,748
Total fund balances	11,632,102	362,423	6,862	-	-	6,080,279	18,081,666
Total liabilities and fund balances	\$ 13,142,532	\$ 922,978	\$ 803,777	\$ 1,407,958	\$ 662,446	\$ 7,183,484	\$ 24,123,175

The accompanying notes are an integral part of these financial statements.

City of Pacific Grove
Reconciliation of the Government Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2017

Total Fund Balances - Total Governmental Funds \$ 18,081,666

Amounts reported for governmental activities in the statement of net position were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets were adjusted as follows:

Capital assets	46,032,460
Less: accumulated depreciation	(20,257,872)
Total Capital Assets	<u>25,774,588</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (420,000)

Internal service funds are used by management to charge the costs of stores, vehicle maintenance and various insurance costs to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 380,141

Contributions made to pension plans will not be included in the calculation of the City's net pension liability of the plan year included in this report and have been deferred and reported as deferred outflows of resources. 6,218,305

The difference between projected and actual earnings from pension plan assets is not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the statement of net position. (5,257,717)

Liabilities were reported for certain revenues that were not available to pay current period expenditures and were reported as unearned in the fund statements. 2,219,802

Long-term obligations were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Long-term debt	(15,818,541)
Compensated absences	(1,116,166)
Net pension obligation	(32,581,313)
Net OPEB obligation	(1,274,055)
Total Long-Term Obligations	<u>(50,790,075)</u>

Net Position of Governmental Activities \$ (3,793,290)

The accompanying notes are an integral part of these financial statements.

City of Pacific Grove
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2017

	Major Funds						
	General Fund	Housing Fund	CDBG Grant Fund	Clean Beaches Fund	2013 CDBG Grant Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property taxes	\$ 6,446,979	\$ -	\$ -	\$ -	\$ -	\$ 110,845	\$ 6,557,824
Sales and use taxes	4,075,381	-	-	-	-	84,020	4,159,401
Franchise and other taxes	857,580	-	-	-	-	57,514	915,094
Transient occupancy taxes	5,350,996	-	-	-	-	478,614	5,829,610
Utility users taxes	1,593,887	-	-	-	-	-	1,593,887
Business license tax	355,499	-	-	-	-	47,382	402,881
Other taxes	125,487	-	-	-	-	-	125,487
Intergovernmental revenues	111,092	219	-	2,705,528	84,204	1,208,226	4,109,269
License, permits and impact fees	576,779	-	-	-	-	-	576,779
Fines and forfeitures	110,665	-	-	-	-	-	110,665
Charges for services	1,545,556	40,046	210	-	-	103,902	1,689,714
Interest, rents and concessions	265,903	24,961	2,724	-	-	4,029	297,617
Other revenues	561,992	33,488	39,928	-	-	168,048	803,456
Total Revenues	21,977,796	98,714	42,862	2,705,528	84,204	2,262,580	27,171,684
EXPENDITURES							
Current:							
General government	2,453,115	-	-	-	-	61	2,453,176
Public safety:							
Police	5,651,060	-	-	-	-	446,339	6,097,399
Fire	2,991,891	-	-	-	-	7,078	2,998,969
Public works	2,617,893	-	-	-	-	676,171	3,294,064
Recreation	520,590	-	-	-	-	74,046	594,636
Library	872,110	-	-	-	-	23,726	895,836
Museum	241,227	-	-	-	-	-	241,227
Community development	1,706,848	82,154	36,000	27,598	84,204	861,465	2,798,269
Capital outlay	680,098	-	-	2,677,930	-	167,101	3,525,129
Debt service							
Principal	1,084,564	-	-	-	-	85,863	1,170,427
Interest and fiscal charges	918,154	-	-	-	-	5,880	924,034
Total Expenditures	19,737,550	82,154	36,000	2,705,528	84,204	2,347,730	24,993,166
Excess (Deficiency) of							
Revenues over Expenditures	2,240,246	16,560	6,862	-	-	(85,150)	2,178,518
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	621,455	621,455
Transfers out	(610,000)	-	-	-	-	(11,455)	(621,455)
Total Other Financing Sources (Uses)	(610,000)	-	-	-	-	610,000	-
Net Change in Fund Balances	1,630,246	16,560	6,862	-	-	524,850	2,178,518
Prior Period Adjustments	79,333	-	-	-	-	-	79,333
Fund Balances Beginning	9,922,523	345,863	-	-	-	5,555,429	15,823,815
Fund Balances Ending	\$ 11,632,102	\$ 362,423	\$ 6,862	\$ -	\$ -	\$ 6,080,279	\$ 18,081,666

The accompanying notes are an integral part of these financial statements.

City of Pacific Grove

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ 2,178,518
Amounts reported for governmental activities in the Statement of Activities and Changes in net position were different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in net position, the cost of those assets was allocated over their estimated useful lives as depreciation expense.	
Capital outlay	3,525,129
Depreciation expense	(749,981)
Internal service funds are used by management to charge the costs of stores, vehicle maintenance, and various insurance costs to individual funds. The net revenue or (excess expenses) of the internal service funds is reported with government activities.	802,361
Certain revenues were not recorded or recorded as unearned revenue in the governmental funds because they did not meet the revenue recognition criteria of availability. However, they were included as revenue in the Government-Wide Statement of Activities under the full accrual basis.	117,783
Long-term compensated absences and claims payables were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources and were not reported as expenditures in governmental funds.	
Compensated absences	(35,022)
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	(2,270,315)
Repayment of long-term debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of net position.	1,170,426
Certain expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the fund statements as follows:	
Other postemployment benefits	(403,203)
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in net position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the net change in accrued interest from and accreted interest from prior year.	(144,238)
Change in Net Position of Governmental Activities	\$ 4,191,458

The accompanying notes are an integral part of these financial statements.

City of Pacific Grove
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Cemetery Fund	Local Water Project Fund	Sewer Fund	Golf Course Fund	Total Enterprise Funds	
ASSETS						
Current assets:						
Cash and investments	\$ 110,823	\$ -	\$ 7,708,390	\$ 49,111	\$ 7,868,324	\$ 1,129,599
Accounts receivable	150	2,554,826	527,224	9,911	3,092,111	513,005
Total current assets	110,973	2,554,826	8,235,614	59,022	10,960,435	1,642,604
Non-current assets:						
Loans receivable	-	-	97,499	35,600	133,099	-
Property, plant and equipment - net	551,951	6,308,658	10,980,747	5,443,230	23,284,586	-
Total non-current assets	551,951	6,308,658	11,078,246	5,478,830	23,417,685	-
Total assets	\$ 662,924	\$ 8,863,484	\$ 19,313,860	\$ 5,537,852	\$ 34,378,120	\$ 1,642,604
DEFERRED OUTFLOWS OF RESOURCES						
Pension adjustments	\$ 61,595	\$ -	\$ 274,155	\$ -	\$ 335,750	\$ 74,244
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 11,515	\$ 991,768	\$ 284,463	\$ 61,149	\$ 1,348,895	\$ 82,468
Payroll and related liabilities	4,768	-	19,287	300	24,355	3,644
Due to other funds	-	1,563,058	-	-	1,563,058	-
Accrued interest	-	-	8,367	49,957	58,324	-
Compensated absences - current portion	881	-	13,856	-	14,737	12,046
Long-term debt - due within one year	-	-	55,233	153,856	209,089	-
Total current liabilities	17,164	2,554,826	381,206	265,262	3,218,458	98,158
Non-current liabilities:						
Long-term debt - due in more than one year	-	6,308,658	943,812	2,602,367	9,854,837	-
Claims payable	-	-	-	-	-	765,286
Net pension liabilities	297,900	-	1,325,920	-	1,623,820	359,076
Compensated absences	2,642	-	41,567	-	44,209	36,138
Total non-current liabilities	300,542	6,308,658	2,311,299	2,602,367	11,522,866	1,160,500
Total liabilities	\$ 317,706	\$ 8,863,484	\$ 2,692,505	\$ 2,867,629	\$ 14,741,324	\$ 1,258,658
DEFERRED INFLOWS OF RESOURCES						
Pension adjustments	\$ 64,749	\$ -	\$ 288,191	\$ -	\$ 352,940	\$ 78,049
NET POSITION						
Net Investment in capital assets	\$ 551,951	\$ -	\$ 9,981,702	\$ 2,687,007	\$ 13,220,660	\$ -
Unrestricted	(209,887)	-	6,625,617	(16,784)	6,398,946	380,141
Total net position	\$ 342,064	\$ -	\$ 16,607,319	\$ 2,670,223	\$ 19,619,606	\$ 380,141

The accompanying notes are an integral part of these financial statements.

City of Pacific Grove
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Cemetery Fund	Local Water Project Fund	Sewer Fund	Golf Course Fund	Total Enterprise Funds	
OPERATING REVENUES						
Charges for services	\$ 279,844	\$ -	\$ 3,139,222	\$ -	\$ 3,419,066	\$ 2,157,214
Rents and concessions	8,868	-	-	354,093	362,961	-
Other	53,432	-	4,041	-	57,473	-
Total operating revenues	342,144	-	3,143,263	354,093	3,839,500	2,157,214
OPERATING EXPENSES						
Contractual services and utilities	98,569	-	512,500	34,901	645,970	1,106,621
Personnel	141,437	-	583,947	4,050	729,434	248,332
Supplies and materials	23,679	-	292,259	14,191	330,129	-
Depreciation	29,383	-	328,783	174,619	532,785	-
Total operating expenses	293,068	-	1,717,489	227,761	2,238,318	1,354,953
Operating income (loss)	49,076	-	1,425,774	126,332	1,601,182	802,261
NONOPERATING REVENUES(EXPENSES)						
Investment earnings	326	-	8,665	763	9,754	100
Interest expense	-	-	(34,353)	(122,050)	(156,403)	-
Total nonoperating revenues(expenses)	326	-	(25,688)	(121,287)	(146,649)	100
Income (loss) before operating transfers	49,402	-	1,400,086	5,045	1,454,533	802,361
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Change in net position	49,402	-	1,400,086	5,045	1,454,533	802,361
Total net position - beginning	292,662	-	15,207,233	2,665,178	18,165,073	(422,220)
Total net position - ending	\$ 342,064	\$ -	\$ 16,607,319	\$ 2,670,223	\$ 19,619,606	\$ 380,141

The accompanying notes are an integral part of these financial statements.

City of Pacific Grove
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds					Governmental
	Cemetery Fund	Local Water Project Fund	Sewer Fund	Golf Course Fund	Total Enterprise Funds	Activities - Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	\$ 341,994	\$ -	\$ 3,117,946	\$ 348,404	\$ 3,808,344	\$ -
Receipts from interfund services provided	-	-	-	-	-	2,157,214
Payments for contractual services and utilities	(102,504)	-	(344,369)	1,453	(445,420)	(1,549,213)
Payments to suppliers	(23,679)	-	(292,259)	(14,191)	(330,129)	-
Payments to employees	(128,468)	-	(513,372)	(3,750)	(645,590)	(471,262)
Net cash provided (used) by operating activities	87,343	-	1,967,946	331,916	2,387,205	136,739
Cash flows from noncapital financing activities:						
Payments from other governments	-	-	-	-	-	-
Interfund transactions	-	1,234,141	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	1,234,141	-	-	-	-
Cash flows from capital financing activities:						
Purchases (sales) of property, plant and equipment - net	(8,541)	(4,382,973)	(859,784)	(159,541)	(5,410,839)	-
Proceeds from long-term debt	-	3,148,832	-	3,130,505	6,279,337	-
Principal payments on long-term debt - net	-	-	(53,138)	(3,277,880)	(3,331,018)	-
Interest paid on long-term debt	-	-	(34,798)	(124,721)	(159,519)	-
Net cash provided (used) by capital financing activities	(8,541)	(1,234,141)	(947,720)	(431,637)	(2,622,039)	-
Cash flows from investing activities:						
Receipts from (payments on) loans receivable	-	-	4,386	17,800	22,186	-
Investment income received	326	-	8,665	763	9,754	100
Net cash provided (used) by investing activities	326	-	13,051	18,563	31,940	100
Net increase (decrease) in cash and cash equivalents	79,128	-	1,033,277	(81,158)	1,031,247	136,839
Cash and cash equivalents - beginning	31,695	-	6,675,113	130,269	6,837,077	992,760
Cash and cash equivalents - ending	\$ 110,823	\$ -	\$ 7,708,390	\$ 49,111	\$ 7,868,324	\$ 1,129,599
Reconciliation of operating income to net cash provided (used)						
by operating activities:						
Operating income (loss)	\$ 49,076	\$ -	\$ 1,425,774	\$ 126,332	\$ 1,601,182	\$ 802,261
Adjustments to reconcile operating income (loss)						
to net cash provided (used) by operating activities:						
Depreciation	29,383	-	328,783	174,619	532,785	-
Change in operating assets and liabilities:						
Accounts receivables	(150)	-	(25,317)	(4,304)	(29,771)	(513,005)
Other assets	-	-	-	-	-	-
Deferred outflows of resources	(44,665)	-	(198,953)	-	(243,618)	(53,830)
Accounts payable	(3,935)	-	168,131	36,354	200,550	70,413
Payroll related liabilities	620	-	2,595	300	3,515	312
Unearned revenue	-	-	-	(1,385)	(1,385)	-
Deferred inflows of resources	75,275	-	337,053	-	412,328	(15,561)
Net pension liabilities	(12,883)	-	(56,641)	-	(69,524)	90,644
Compensated absences	(5,378)	-	(13,479)	-	(18,857)	1,142
Net cash provided (used) by operating activities	\$ 87,343	\$ -	\$ 1,967,946	\$ 331,916	\$ 2,387,205	\$ 136,739

The accompanying notes are an integral part of these financial statements.

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Pacific Grove, California, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

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.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City Council acts as the governing board. In addition, the City staff performs all administrative and accounting functions for these entities and these entities provide their services entirely to the City. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize their legal separateness from the City. Each blended component unit has a June 30 year-end. The City had no component units as of June 30, 2017.

The City applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 also amends GASB 62 and AICPA Pronouncements paragraphs 64, 74, and 82. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. The sources of authoritative GAAP are categorized in descending order of authority as follows:

- a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)
- b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B).

If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, a governmental entity should consider whether the accounting treatment is specified by a source in Category B.

City of Pacific Grove
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Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City's government-wide financial statements include a *Statement of Net Position* and a *Statement of Activities and Changes in Net Position*. These statements present summaries of governmental and business-type activities for the City. Fiduciary activities of the City are not included in these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources (including capital assets, as well as infrastructure assets, and long-term liabilities), are included in the accompanying *Statement of Net Position*. The *Statement of Activities* presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those clearly identifiable with a specific function or segment. In conformity with the City's indirect cost allocation plan, certain indirect costs are included in the program expense reported for individual functions and activities.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in-regards-to interfund activities, payables, and receivables. All internal balances in the *Statement of Net Position* have been eliminated. The following interfund activities have been eliminated:

- Transfers in/Transfers out
- Internal Service Fund charges

Governmental Fund Financial Statements

Governmental fund financial statements include a *Balance Sheet* and a *Statement of Revenues, Expenditures and Changes in Fund Balances* for all major governmental funds and non-major funds

City of Pacific Grove
Notes to the Basic Financial Statements
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aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the balance sheets. The *Statement of Revenues, Expenditures and Changes in Fund Balances* present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (up to 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Fines, forfeitures, licenses and permits and parking meter revenues are not susceptible to accrual because they are usually not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unearned revenue is removed from the combined balance sheet and revenue is recognized.

The following funds are major 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.

Housing Program Fund

This special revenue fund accounts for the administration and operation of the City's low and moderate income housing program. Principal revenues consist of payments received from loans extended to low and moderate income housing citizens, proceeds from the sale of housing properties and federal grants.

Community Development Block Grant Fund

This special revenue fund was established to account for amounts received from Community Development Block Grants and for the loan and administrative activities of the City's various CDBG grants.

Clean Beaches Fund

This special revenue fund was established in fiscal year 2017 to account for grants received coastal improvements and maintenance.

City of Pacific Grove
Notes to the Basic Financial Statements
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2013 Community Development Block Grant Fund

This special revenue fund was established in fiscal year 2013 to account for amounts received from Community Development Block Grants and for the loan and administrative activities of the City's various CDBG grants.

Additionally, the City reports the following nonmajor fund types of governmental funds:

Special Revenue Funds

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to specific purposes other than debt service or capital projects.

Debt Service Funds

Debt service funds account for the accumulation of resources for, and payment on, long-term obligation debt principal and interest.

Capital Project Funds

Capital project funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets in governmental funds.

Permanent Funds

Permanent funds account for and report financial resources for the principal corpus of endowments where only the investment earnings can be spent on specified purposes. The City is the beneficiary of several trusts for its citizens that are classified as permanent funds as follows:

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, 2017 was \$894,427.

City of Pacific Grove
Notes to the Basic Financial Statements
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Proprietary Funds

In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the “economic resources measurement focus”. This means all assets, deferred outflows of resources, liabilities (whether current or noncurrent) and deferred inflows of resources associated with their activities are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Non-operating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the internal service funds financial statements.

The City has the following enterprise funds that have been reported as major:

Cemetery Fund

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

Local Water Project Fund

The Local Water Project Fund accounts for revenues and expenses related to water treatment and reclamation projects in the City and operations and services related to those projects.

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, clubhouse and driving range.

The City's internal service funds are proprietary funds. Internal service funds account for charges to City departments for services provided, on a cost reimbursement basis, in the following areas: health insurance, workers compensation, insurance, liability insurance and other postemployment benefits.

B. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Deposit and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB Statement No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas: Interest Rate Risk, Overall Credit Risk, Custodial Credit Risk, Concentrations of Credit Risk, and Foreign Currency Risk.

Other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

City of Pacific Grove
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The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. This statement changed the definition of fair value and is effective for periods beginning after June 15, 2015.

The following is a summary of the definition of fair value:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

C. Interfund Receivables and Payables

Items classified as interfund receivables/payables are referred to as “advances to/advances from other funds” or as “due to/from other funds”. Due to/from other funds include short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund. Advances to/advances from other funds 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.

D. Receivables

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. No allowance for uncollectible accounts receivable has been provided as management has determined that uncollectible accounts have historically been immaterial and the direct write-off method does not result in a material difference from the allowance method.

E. Loans Receivable

Under the City’s housing assistance program, loans are made to qualified individuals and businesses

City of Pacific Grove
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within prescribed project areas for the purpose of housing acquisition, housing rehabilitation and/or economic development. The majority of these loans are on a deferred payback program. Repayments of the outstanding loans are classified as a revenue source in the applicable funds. The long-term portion of loans receivable has been offset by *Unearned Revenues* in the accompanying financial statements, as applicable. The City also offers Sewer Lateral Replacement Loans to homeowners. The disbursement of loans are recorded as expenditures at the time of a loan and the repayment of principal and interest is deferred until the property is sold.

F. 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 governmental-wide financial statements. All assets, including land, buildings, machinery and equipment, with an original cost in excess of \$5,000 and a useful life of three years or more will be subject to capitalization. Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Interest is capitalized on the construction or acquisition of major assets using debt proceeds. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during the year ended June 30, 2017.

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	100 Years
Machinery and equipment	5 Years
Furniture and fixtures	5 Years
Improvements other than buildings	3 Years
Sidewalks, curb, gutters and streets	20-50 Years
Traffic signals	15 Years
Street signs	15 Years
Storm Drains	20-50 Years
Park equipment	10-50 Years

G. Deferred Outflows/Deferred Inflows

Deferred outflows of resources are a consumption of net assets by the City that is applicable to a future reporting period; for example, prepaid items and deferred charges.

Deferred inflows of resources are an acquisition of net assets by the City that is applicable to a future reporting period; for example, unearned revenue and advance collections.

City of Pacific Grove
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H. Interest Payable

In the government-wide financial statements, interest payable of long-term debt is recognized as an incurred liability for governmental fund types. The City has not allocated the interest on long-term debt to departments.

In the fund financial statements, governmental fund types do not recognize the interest payable when the liability is incurred. Interest on long-term debt is recorded in the fund statements when payment is made.

I. Claims Payable

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for general liability and workers' compensation claims. The estimated liability for these claims include "incurred but not reported" (IBNR) claims. There is no fixed payment schedule to pay these liabilities.

J. 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.

K. 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. The following is a summary of the changes in compensated absences for the fiscal year ended June 30, 2017:

Description	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Compensated Absences					
Government Activities	\$ 1,128,185	\$ 318,624	\$ 282,459	\$ 1,164,350	\$ 291,088
Business-Type Activities	77,803	16,696	35,553	58,946	14,736
Total Compensated Absences	<u>\$ 1,205,988</u>	<u>\$ 335,320</u>	<u>\$ 318,012</u>	<u>\$ 1,223,296</u>	<u>\$ 305,824</u>

Compensated absences and the net OPEB obligation are generally liquidated by the General Fund or Proprietary Funds.

City of Pacific Grove
Notes to the Basic Financial Statements
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L. Long-Term Obligations

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are expensed in year incurred.

In the fund financial statements, 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 financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Pension Expense

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Fund Balances

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Nonspendable

Nonspendable fund balance includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted

Restricted fund balance includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed

Committed fund balance includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the City Council.

Assigned

Assigned fund balance includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by the City Council.

Unassigned

The Unassigned Fund Balance category represents fund balance which may be held for specific types of uses or stabilization purposes, but is not yet directed to be used for a specific purpose. The detail of

City of Pacific Grove
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amounts reported for each of the above defined fund balance categories is reported in the governmental funds balance sheet and in the combining nonmajor fund balance sheets.

Flow Assumption / Spending Order Policy

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to be spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to be spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has directed otherwise.

O. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that are attributed to the acquisition, construction, or improvement of the assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position

Restricted Net Position

This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position

This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The detail of amounts reported for each of the above defined net position categories is reported in the government-wide Statement of Net Position.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

Deficit Net Position – Governmental Activities

The City's net pension liabilities as of June 30, 2017 totaled \$34.56 million (both governmental and business-type activities). As a result, the City's unrestricted net position for governmental activities was a deficit \$35.89 million and the City's total net position for governmental activities was a deficit of \$3.79 million as of June 30, 2017. Total net position for both governmental and business-type activities combined was a positive \$15.8 million. The City's financial health and evaluation of its going concern has been based on its fund statements, ending fund balance and future budgets instead of the government-wide statements and net position.

The City reported deficit net position in the Workers Compensation internal service fund totaling \$234,110. The deficit balance is expected to be eliminated via a Council adopted refunding plan, future service charges and interfund transfers. Management will continue to monitor the activities within these funds.

City of Pacific Grove
Notes to the Basic Financial Statements
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Interfund Transactions

Interfund services provided and used are accounted for as revenue, expenditures or expenses, as appropriate. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursed fund. All other interfund transactions, except for interfund services provided and used and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as transfers.

P. Property Taxes and Special Assessments

County tax assessments include secured and unsecured property taxes and special assessments. "Unsecured" refers to taxes on personal property. These tax assessments are secured by liens on the property being taxed.

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.

Q. Budgetary Information

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
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R. Encumbrances

Under encumbrance accounting, purchase orders, contract and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. All appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

S. Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows from unearned revenue.

T. Use of Estimates

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

U. Subsequent Events

Management has considered subsequent events through October 30, 2017, the date which the financial statements were available to be issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

V. Implemented New GASB Pronouncements

GASB Statement No. 77, *Tax Abatement Disclosures* - Effective date: the requirements of this Statement are effective for reporting periods beginning after December 15, 2015 (earlier application was encouraged and was applied at the City). This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the City under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The implementation of this statement did not have a significant impact on the City's financial statements and did not result in any prior period restatements or adjustments.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* - The objective of this Statement is to address a practice issue regarding the scope and

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applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this GASB 78, the requirements of GASB 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that statement.

GASB 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The implementation of this statement did not have a significant impact on the City's financial statements and did not result in any prior period restatements or adjustments.

W. Upcoming New Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

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In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The City is in the process of determining the impact this statement will have on the financial statements.

GASB Statement No. 81, Irrevocable Split-Interest Agreements - The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The City doesn't believe this statement will have a significant impact on the City's financial statements.

GASB Statement No. 82, Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73 - The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of GASB 82 for selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-

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end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The City doesn't believe this statement will have a significant impact on the City's financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations* - This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The City doesn't believe this statement will have a significant impact on the City's financial statements.

GASB Statement No. 84, *Fiduciary Activities* - The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The City doesn't believe this statement will have a significant impact on the City's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* - The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Earlier application is encouraged. The City doesn't believe this statement will have a significant impact on the City's financial statements.

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NOTE 2 - CASH AND INVESTMENTS

As of June 30, 2017, cash and investments were reported in the financial statements as follows:

Cash or Investment Type	Unrestricted	Total Cash and Investments	GASB 72 Input Levels
Cash on hand	\$ 685	\$ 685	n/a
Deposits with financial institutions	2,536,246	2,536,246	n/a
Local Agency Investment Fund	11,271,164	11,271,164	Level 2
Certificates of deposit	5,751,543	5,751,543	Level 1
Government Securities	4,082,017	4,082,017	Level 1
Total cash and investments	<u>\$ 23,641,655</u>	<u>\$ 23,641,655</u>	

A. Cash Deposits

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest, and places the City ahead of general creditors of the institution.

The market value of pledged securities must equal at least 110 percent of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150 percent of the City's total cash deposits. The City has waived the collateral requirements for cash deposits which are fully insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

The bank balances before reconciling items totaled \$2,518,070 at June 30, 2017 and were different from carrying amounts due to deposits in transit and outstanding checks. The amount uninsured was \$2,018,070 which was collateralized by securities held by pledging financial institutions.

B. Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

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C. Investment Policies

City Investment Policy

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

- **Certificates of Deposit** - Non-Negotiable Certificates of Deposits will be made only in FDIC or FSLIC insured accounts. For deposits in excess of the insured maximum of \$250,000, approved collateral shall be required in accordance with Government Code 53652 and/or 53651 (m) (1). Investment in these instruments shall be limited to financial institutions that in the Treasurer's judgment are of high quality, and shall not have a term exceeding five years from the date of purchase.
- **Securities of the U.S. Government or its Agencies** - Includes obligations issued by Federal Home Loan Banks, Government National Mortgage Association, Farm Credit System, the Federal Home Loan Bank, Federal Home Loan Mortgage Association, Federal National Mortgage Association, or obligations or other instruments of or issued by a federal agency or a United States Government sponsored enterprise. Investment in these instruments shall not have a term exceeding five years from the date of purchase.
- **Treasury Bills and Notes** - U.S. Treasury Bills, Notes, Bonds, or Certificates of Indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest. The term of such securities shall not exceed five years from the date of purchase.
- **Local Agency Investment Fund (LAIF)** - Investment of funds in the California LAIF which allows the State Treasurer to invest through the Pooled Money Investment Account (PMIA). Maximum investment is subject to state regulation. LAIF investments are available for City use.
- **Repurchase Agreements** - A purchase of securities by the City pursuant to an agreement by which the seller will repurchase such securities on or before a specified date, or on demand of either party, and for a specified amount. Investments in repurchase agreements will be used solely as short-term investments not to exceed 30 days.
- **Other** - Other investments that are, or may become, legal investments through the State of California Government Code, only with prior approval of the City Council.

City of Pacific Grove
Notes to the Basic Financial Statements
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Authorized Investments - Debt Trustee Agreements

Investments held by bond fiscal agents (trustees) are governed by the provisions of the underlying indenture agreements rather than the general provisions of the City's investment policy or California Government Code.

The indenture agreements do identify the following permitted investments:

Authorized Investment Type	Maximum Maturity (1)	Maximum Total of Portfolio	Maximum Investment in Anyone Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180	None	None
Commercial Paper	270	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

D. External Investment Pool

The City's investments with LAIF at June 30, 2017, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes

These are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities

The bulk of asset-backed securities are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The approved investments policy is listed on the LAIF website, located at <http://www.treasurer.ca.gov/pmia-laif/>.

D. Risk Disclosures

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 term of an investment's maturity, the greater the sensitivity to changes in market interest rates. It is the City's practice to manage its exposure to interest rate risk by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for City's operations.

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Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2017, the City's investments were in compliance with the ratings required by the City's investment policy, indenture agreements and Government Code.

Concentrations 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. As of June 30, 2017, the City had no investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represented 5% or more of the total City investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or 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 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).

As of June 30, 2017, the City's investments had the following maturities and ratings:

Cash or Investment Type	Investment Maturities in Years			Year End Rating		Fair Value
	12 months or less	13 to 36 Months	37 to 60 Months	AA/AAA	Not Rated	
Local Agency Investment Fund (LAIF)	\$ 11,271,164	\$ -	\$ -	\$ -	\$ 11,271,164	\$ 11,271,164
Certificates of deposit	2,342,673	1,832,055	1,576,815	-	5,126,615	5,751,543
Government Securities	269,688	2,158,574	1,653,755	4,082,017	-	4,082,017
Total Investments	<u>\$ 13,883,525</u>	<u>\$ 3,990,629</u>	<u>\$ 3,230,570</u>	<u>\$ 4,082,017</u>	<u>\$ 16,397,779</u>	21,104,724
Cash in banks and on hand						2,536,931
Total Cash and Investments						<u>\$ 23,641,655</u>

NOTE 3 - INTERFUND TRANSACTIONS

A. Inter-fund Receivables and Payables

Amounts due to or due from other funds reflect inter-fund balances for services rendered or short-term loans expected to be repaid in the next fiscal year. Advances to or from other funds are long-term loans between funds that are to be repaid in their entirety over several years. As of June 30, 2017, inter-fund receivables and payables consisted of the following:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 3,081,053	\$ 21,697
Clean Beaches Fund	-	1,134,531
2013 CDBG Grant Fund	-	150,000
Local Water Project Fund	-	1,563,058
Other nonmajor governmental funds	-	211,767
Total Due from/to	<u>\$ 3,081,053</u>	<u>\$ 3,081,053</u>

City of Pacific Grove
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B. Transfers In/Out

With Council approval resources may be transferred from one fund to another. Transfers routinely reimburse funds that have made an expenditure on behalf of another fund. Transfers may also be made to pay for capital projects or capital outlays, lease or debt service payments, operating expenses and low and moderate-income housing projects.

The following summarizes transfers between funds during the fiscal year ended June 30, 2017:

Fund	Transfer in	Transfer out
General Fund	\$ -	\$ 610,000
Nonmajor Funds	621,455	-
Young Trust Fund	-	11,455
Total Transfers	<u>\$ 621,455</u>	<u>\$ 621,455</u>

NOTE 4 - LOANS RECEIVABLE

Loans receivable consisted of the following as of June 30, 2017:

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 was \$2,219,802 as of June 30, 2017.

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 was \$97,499 as of June 30, 2017.

Golf Course Equipment Loans

In September of 2014, the City leased its golf course to Pacific Grove Golf, LLC (the Tenant) whereas the Tenant would operate and manage the golf course and pay the City rent. Certain equipment owned by the City was sold to the Tenant as a part of the lease establishing a loan receivable totaling \$84,550. The balance of the loan receivable from this transaction was \$35,600 as of June 30, 2017.

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NOTE 5 - CAPITAL ASSETS

Capital assets for governmental activities consisted of the following as of June 30, 2017:

	Balance July 01, 2016	Additions	Deletions/ Adjustments	Balance June 30, 2017
Governmental activities:				
Non-depreciable:				
Land	\$ 2,338,270	\$ -	\$ -	\$ 2,338,270
Construction in Progress	-	2,791,762	-	2,791,762
Total Non-Depreciable	2,338,270	2,791,762	-	5,130,032
Depreciable:				
Buildings and Improvements	12,326,523	176,266		12,502,789
Infrastructure	24,412,697	278,516		24,691,213
Machinery and Equipment	3,429,841	278,585		3,708,426
Total Depreciable	40,169,061	733,367	-	40,902,428
Less Accumulated Depreciation for:				
Buildings and Improvements	(6,851,081)	(167,454)		(7,018,535)
Infrastructure	(9,792,768)	(438,279)		(10,231,047)
Machinery and Equipment	(2,864,042)	(144,248)		(3,008,290)
Total Accumulated Depreciation	(19,507,891)	(749,981)	-	(20,257,872)
Total Depreciable Capital Assets - Net	20,661,170	(16,614)	-	20,644,556
Total Capital Assets - Net	\$ 22,999,440	\$ 2,775,148	\$ -	\$ 25,774,588

Depreciation expense for governmental activities was charged to the following programs during 2015/16:

General Government	\$ 43,736
Public Safety	126,131
Public Works	518,238
Recreation	31,702
Library	4,302
Museum	12,576
Community Development	13,296
Total depreciation expense	<u>\$ 749,981</u>

City of Pacific Grove
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Capital assets for business-type activities consisted of the following as of June 30, 2017:

	Balance July 01, 2016	Additions	Deletions/ Adjustments	Balance June 30, 2017
Business-Type Activities:				
Non-depreciable:				
Land	\$ 362,973	\$ -	\$ -	\$ 362,973
Construction in Progress	960,522	5,348,136	-	6,308,658
Total Non-Depreciable	1,323,495	5,348,136	-	6,671,631
Depreciable:				
Buildings and Improvements	9,557,224	168,083	-	9,725,307
Infrastructure	12,809,816	854,663	-	13,664,479
Machinery and Equipment	922,124	5,121	-	927,245
Total Depreciable	23,289,164	1,027,867	-	24,317,031
Less Accumulated Depreciation for:				
Buildings and Improvements	(4,002,582)	(192,354)	-	(4,194,936)
Infrastructure	(2,404,536)	(315,878)	-	(2,720,414)
Machinery and Equipment	(764,173)	(24,553)	-	(788,726)
Total Accumulated Depreciation	(7,171,291)	(532,785)	-	(7,704,076)
Total Depreciable Capital Assets - Net	16,117,873	495,082	-	16,612,955
Total Capital Assets - Net	\$ 17,441,368	\$ 5,843,218	\$ -	\$ 23,284,586

NOTE 6 - LONG-TERM DEBT

The City's long-term debt consisted of the following as of June 30, 2017:

Description	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Governmental Activity Long-Term Debt					
2003 Refunding Butterfly Habitat GOB	\$ 175,057	\$ -	\$ 85,863	\$ 89,194	\$ 89,194
PNC Equipment Finance Capital Lease	82,534	-	65,747	16,787	16,787
Taxable Pension Obligation Bond	9,196,023	-	1,018,816	8,177,207	991,840
Subtotal Long-Term Debt	9,453,614	-	1,170,426	8,283,188	1,097,821
Accreted Interest	7,429,116	106,237	-	7,535,353	1,008,160
Total Governmental Activities Debt	\$ 16,882,730	\$ 106,237	\$ 1,170,426	\$ 15,818,541	\$ 2,105,981
Business-Type Activity Long Term Debt					
2013 Wastewater Revenue Refunding Bond	\$ 1,052,184	\$ -	\$ 53,139	\$ 999,045	\$ 55,233
2014 Golf Course Site Lease	2,903,599	-	147,376	2,756,223	153,856
Clean Water State Revolving Fund Loan	960,522	5,348,136	-	6,308,658	-
Total Business-type Activities Debt	\$ 4,916,305	\$ 5,348,136	\$ 200,515	\$ 10,063,926	\$ 209,089

City of Pacific Grove
Notes to the Basic Financial Statements
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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% and matures on August 1, 2017.

The annual debt service requirements were as follows for the 2003 General Obligation Refunding Note:

Year Ending June 30	Principal	Interest	Total
2018	\$ 89,194	\$ 1,985	\$ 91,179
Total	\$ 89,194	\$ 1,985	\$ 91,179

PNC Equipment Finance Capital Lease

The City entered into an agreement to finance equipment for public works and police vehicles. Principal and interest payments of \$16,929 are due quarterly. Interest on the lease is 3.393% and matures on September 13, 2017.

The annual debt service requirements were as follows for the PNC Equipment Finance Capital Lease:

Year Ending June 30	Principal	Interest	Total
2018	\$ 16,787	\$ 142	\$ 16,929
Total	\$ 16,787	\$ 142	\$ 16,929

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% to 6.12% and they mature on June 1, 2029.

The annual debt service requirements were as follows for the Pension Obligation Bond:

Year Ending June	Principal	Interest	Total
2018	\$ 991,840	\$ 1,008,160	\$ 2,000,000
2019	958,325	1,106,675	2,065,000
2020	927,700	1,202,300	2,130,000
2021	901,362	1,298,638	2,200,000
2022	876,626	1,398,374	2,275,000
2023-2027	2,681,587	5,563,413	8,245,000
2028-2032	839,767	2,405,234	3,245,001
Total	\$ 8,177,207	\$ 13,982,794	\$ 22,160,001

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June 30, 2017

2013 Wastewater Revenue Refunding 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% and matures on October 1, 2031.

The annual debt service requirements were as follows for the 2013 Wastewater Revenue Refunding Bond:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 55,233	\$ 33,021	\$ 88,254
2019	57,238	31,132	88,370
2020	59,088	29,220	88,308
2021	60,913	27,203	88,116
2022	62,629	25,169	87,798
2023-2027	344,772	92,708	437,480
2028-2032	359,172	30,613	389,785
Total	<u>\$ 999,045</u>	<u>\$ 269,066</u>	<u>\$ 1,268,111</u>

2014 Golf Course Site Lease

The City entered into a \$3,130,505 Site Lease dated September 1, 2014 with Umpqua Bank to Refund the 2014 Golf Course Certificate of Participation. The lease bears interest at 4.35% with debt service payments due on February 1st and August 1st through 2030. The lease is secured by the transfer of property rights to Umpqua Bank and includes a prepayment penalty 1% if paid before February 1, 2020 and .5% if paid before February 1, 2021.

The annual debt service requirements were as follows for the 2014 Golf Course Site Lease:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 153,856	\$ 118,240	\$ 272,096
2019	160,622	111,475	272,097
2020	167,685	104,412	272,097
2021	175,059	97,038	272,097
2022	182,756	89,340	272,096
2023-2027	1,041,633	318,852	1,360,485
2028-2032	874,612	77,728	952,340
Total	<u>\$ 2,756,223</u>	<u>\$ 917,085</u>	<u>\$ 3,673,308</u>

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2017

Clean Water State Revolving Fund Loan

In November 2015, the City secured SWRCB funding for the construction of a recycled water treatment plant, sewer diversion structure, waste pump and force main station, user connections and site retrofits. The SWRCB reimbursed the City for project-related expenditures as incurred, and the outstanding liability was \$6,308,658 as of June 30, 2017. The total loan available is \$7.7 million with \$2.4 million convertible to a grant once the first \$5.3 million is repaid with interest at 1% per annum. Payments commence in 2019 and end in 2048 and a debt service schedule has not been established.

The annual debt service requirements were as follows for the Clean Water State Revolving Fund Loan:

Year Ending June 30	Principal	Interest	Total
2018	\$ -	\$ -	\$ -
2019	152,874	52,217	205,091
2020	153,683	51,408	205,091
2021	155,220	49,871	205,091
2022	156,772	48,318	205,090
2023-2027	807,691	217,761	1,025,452
2028-2032	848,891	176,560	1,025,451
2033-2037	892,193	133,258	1,025,451
2038-2042	937,704	87,748	1,025,452
2043-2047	985,536	39,915	1,025,451
2048-2052	1,218,094	2,031	1,220,125
Total	<u>\$ 6,308,658</u>	<u>\$ 859,087</u>	<u>\$ 7,167,745</u>

The City's total annual debt service requirements are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 1,097,821	\$ 1,010,287	\$ 209,089	\$ 151,261	\$ 2,468,458
2019	958,325	1,106,675	370,734	194,824	2,630,558
2020	927,700	1,202,300	380,456	185,040	2,695,496
2021	901,362	1,298,638	391,192	174,112	2,765,304
2022	876,626	1,398,374	402,157	162,828	2,839,985
2023-2027	2,681,587	5,563,413	2,194,096	629,321	11,068,417
2028-2032	839,767	2,405,234	2,082,675	284,901	5,612,577
2033-2037	-	-	892,193	133,258	1,025,451
2038-2042	-	-	937,704	87,748	1,025,452
2043-2047	-	-	985,536	39,915	1,025,451
2048	-	-	1,218,094	2,031	1,220,125
Total	<u>\$ 8,283,188</u>	<u>\$ 13,984,921</u>	<u>\$ 10,063,926</u>	<u>\$ 2,045,239</u>	<u>\$ 34,377,274</u>

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2017

NOTE 7 - 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.

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. An estimated liability has been accrued for unpaid claims, including the effects of specific, incremental claim adjustments expenditures/expenses; salvage or subrogation; and allocated claim adjustment expenditures/expenses. There was no change in the estimated liability during the fiscal year ended June 30, 2016. The following summarizes the change in the estimated liability during the fiscal year ended June 30, 2017:

	2017
Claims payable, beginning of year	\$ 1,010,923
Fiscal year claims and changes in estimates	46,307
Claims payments	(291,944)
Claims payable, end of year	<u>\$ 765,286</u>

NOTE 8 - RETIREMENT PLANS

General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous and Safety Employee Pension Plans (the Plans); cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS).

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2017

Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The cost of living adjustments for the Plans are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous		Safety	
	Tier 1	PEPRA	Tier 1	PEPRA
Hire date	Before 1/1/2013	1/1/2013	Before 1/1/2013	1/1/2013
Benefit formula	2% @ 55	2% @ 62	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 Years	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	62	50	50
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	2%	3%	2% to 2.7%
Required employee contribution rates	7.00%	6.25%	9%	11.50%
Required employer contribution rates	8.88%	6.56%	19.536%	12.082%

Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous	Safety	Total
Active	48	18	66
Transferred	28	37	65
Separated	46	10	56
Retired	125	102	227
Total	247	167	414

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rates are the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for the Plans were as follows:

	Employer Contributions
Miscellaneous	\$ 730,030
Safety	1,054,413
Total Employer Contributions	<u>\$ 1,784,443</u>

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2017

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	Governmental Activities	Business-Type Activities	Total
Miscellaneous	\$ 11,675,278	\$ 1,623,820	\$ 13,299,098
Safety	21,265,111	-	21,265,111
Total Net Pension Liability	<u>\$ 32,940,389</u>	<u>\$ 1,623,820</u>	<u>\$ 34,564,209</u>

The City's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans are measured as of June 30, 2016, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plans as of June 30, 2017 and 2016 was as follows:

	Proportion
June 30, 2016	0.3866%
June 30, 2017	0.3994%
Change in Proportions	<u>0.0128%</u>

For the year ended June 30, 2017, the City recognized pension expense of \$4,386,210.

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,995,457	\$ -
Changes in assumptions	-	608,803
Differences between expected and actual experiences	-	63,003
Change in employer's proportion	1,569,910	2,104,011
Net differences between the employer's contributions the employer's proportionate share of contributions	-	2,912,886
Net differences between projected and actual earnings on plan investments	3,062,933	-
Total	<u>\$ 6,628,300</u>	<u>\$ 5,688,703</u>

The City reported \$1,995,457 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2017

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending:	Net Deferred Outflows (Inflows) of Resources
2018	\$ (1,964,708)
2019	(1,313,372)
2020	1,426,541
2021	795,679
2022	-
Thereafter	-
Total	<u>\$ (1,055,860)</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method

Actuarial Assumptions:

Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

- (1) Varies by age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent for the Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plans, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website. According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2017

slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year.

CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2017

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount

Rate

The following presents the City's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.65%
Net Pension Liability	\$ 52,141,046
Current Discount Rate	7.65%
Net Pension Liability	\$ 34,564,209
1% Increase	8.65%
Net Pension Liability	\$ 20,093,945

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The City of Pacific Grove Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the City.

Eligibility and Contribution Requirements

- The City participates in the CalPERS 3%@50 Police and Fire pension plans and the 2%@55 Public Agency Miscellaneous Employees pension plan.
- Employees hired on or after January 1, 2013 participate in the CalPERS 2.7%@57 Police and Fire pension plans and the 2%@62 Public Agency Miscellaneous Employees pension plan.
- Employees are eligible for postretirement medical benefits upon reaching age 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 (\$125 per month in 2016, increasing to \$128 in 2017.) The City also pays an additional \$150 per month for the first five years after retirement, or until age 65 or date of death, 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.

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2017

Funding Policy

The City contributes to the OPEB plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and the changes in the City's net OPEB obligation:

Annual required contribution	\$ 468,283
Interest on net OPEB obligation	34,834
Adjustment to annual required contribution	(44,371)
Annual OPEB cost (expense)	<u>458,746</u>
Contributions made	(55,543)
Increase in net OPEB obligation	403,203
Net OPEB obligation - beginning of year	<u>870,852</u>
Net OPEB obligation - end of year	<u><u>\$ 1,274,055</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year 2017 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 214,713	48%	\$ 553,143
2016	433,512	27%	870,852
2017	458,746	12%	1,274,055

Funded Status and Funding Progress

The funded status of the Plan was as follows as of June 30, 2017:

Actuarial accrued liability (AAL)	\$ 5,289,262
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 5,289,262</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Projected covered payroll (active Plan members)	\$ 8,018,778
UAAL as a percentage of covered payroll	66%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments 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 progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2017

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 the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the July 1, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and a 3.25% general inflation assumption. The Medicare medical cost increase rates were 5-8% per year. The initial unfunded actuarial accrued liability was amortized as a level percentage of projected payroll over a fixed 30-year period, of which 22 years remain.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. Lawsuits

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. Federal and State Grant Programs

The City participates in Federal and State grant programs. These programs are audited by the City's independent accountants if required by and in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. For Federal programs, the City did not reach the level of qualifying expenditures during the current fiscal year that would require a single audit. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.



REQUIRED SUPPLEMENTARY INFORMATION

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City of Pacific Grove

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual (GAAP Basis)

General Fund

June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 7,178,500	\$ 7,178,500	\$ 6,446,979	\$ (731,521)
Sales and use taxes	3,677,000	3,677,000	4,075,381	398,381
Franchise and other taxes	938,000	938,000	857,580	(80,420)
Transient occupancy taxes	4,695,000	4,695,000	5,350,996	655,996
Utility users taxes	1,501,000	1,501,000	1,593,887	92,887
Business license tax	347,000	347,000	355,499	8,499
Other taxes	109,000	109,000	125,487	16,487
Intergovernmental revenues	10,000	10,000	111,092	101,092
License, permits and impact fees	207,000	207,000	576,779	369,779
Fines and forfeitures	61,000	61,000	110,665	49,665
Charges for services	796,355	796,355	1,545,556	749,201
Interest, rents and concessions	226,910	226,910	265,903	38,993
Other revenues	288,400	288,400	561,992	273,592
Total Revenues	20,035,165	20,035,165	21,977,796	1,942,631
EXPENDITURES				
Current:				
General government	2,932,511	2,932,511	2,453,115	479,396
Public safety:				
Police	5,913,685	5,913,685	5,651,060	262,625
Fire	2,961,074	2,961,074	2,991,891	(30,817)
Public works	2,505,782	2,555,782	2,617,893	(62,111)
Recreation	508,325	508,325	520,590	(12,265)
Library	987,846	987,846	872,110	115,736
Museum	239,489	239,489	241,227	(1,738)
Community development	1,553,635	1,583,635	1,706,848	(123,213)
Capital outlay	1,534,484	1,534,484	680,098	854,386
Debt service				
Principal retirement	1,035,601	1,035,601	1,084,564	(48,963)
Interest and fiscal charges	918,154	918,154	918,154	-
Total Expenditures	21,090,586	21,170,586	19,737,550	1,433,036
Excess (Deficiency) of Revenues over Expenditures	(1,055,421)	(1,135,421)	2,240,246	3,375,667
OTHER FINANCING SOURCES (USES)				
Transfers in	191,145	191,145	-	(191,145)
Transfers out	(755,701)	(755,701)	(610,000)	145,701
Total Other Financing Sources (Uses)	(564,556)	(564,556)	(610,000)	(45,444)
Net Change in Fund Balances	(1,619,977)	(1,699,977)	1,630,246	3,330,223
Prior Period Adjustments	79,333	79,333	79,333	-
Fund Balances Beginning	9,922,523	9,922,523	9,922,523	-
Fund Balances Ending	\$ 8,381,879	\$ 8,301,879	\$ 11,632,102	\$ 3,330,223

Expenditures in excess of appropriations were covered by budgets in other objects/functions or beginning fund balance.

City of Pacific Grove**Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual (GAAP Basis)****Housing Fund****June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 219	\$ 219
Charges for services	-	-	40,046	40,046
Interest, rents and concessions	-	-	24,961	24,961
Other revenues	-	-	33,488	33,488
Total Revenues	-	-	98,714	98,714
EXPENDITURES				
Current:				
Community development	109,215	109,215	82,154	27,061
Total Expenditures	109,215	109,215	82,154	27,061
Excess (Deficiency) of Revenues over Expenditures	(109,215)	(109,215)	16,560	125,775
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(109,215)	(109,215)	16,560	125,775
Fund Balances Beginning	345,863	345,863	345,863	-
Fund Balances Ending	\$ 236,648	\$ 236,648	\$ 362,423	\$ 125,775

City of Pacific Grove**Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual (GAAP Basis)****CDBG Grant Fund****June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	210	210
Interest, rents and concessions	-	-	2,724	2,724
Other revenues	-	-	39,928	39,928
Total Revenues	-	-	42,862	42,862
EXPENDITURES				
Current:				
Community development	40,000	76,500	36,000	40,500
Total Expenditures	40,000	76,500	36,000	40,500
Excess (Deficiency) of Revenues over Expenditures	(40,000)	(76,500)	6,862	83,362
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(40,000)	(76,500)	6,862	83,362
Fund Balances Beginning	-	-	-	-
Fund Balances Ending	\$ (40,000)	\$ (76,500)	\$ 6,862	\$ 83,362

City of Pacific Grove

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual (GAAP Basis)

Clean Beaches Fund

June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Intergovernmental revenues	\$ 3,372,433	\$ 3,372,433	\$ 2,705,528	\$ (666,905)
Total Revenues	<u>3,372,433</u>	<u>3,372,433</u>	<u>2,705,528</u>	<u>(666,905)</u>
EXPENDITURES				
Current:				
Community development	403,091	403,091	27,598	375,493
Capital outlay	2,918,799	2,918,799	2,677,930	240,869
Total Expenditures	<u>3,321,890</u>	<u>3,321,890</u>	<u>2,705,528</u>	<u>616,362</u>
Excess (Deficiency) of Revenues over Expenditures	<u>50,543</u>	<u>50,543</u>	<u>-</u>	<u>(50,543)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	50,543	50,543	-	(50,543)
Fund Balances Beginning	-	-	-	-
Fund Balances Ending	<u>\$ 50,543</u>	<u>\$ 50,543</u>	<u>\$ -</u>	<u>\$ (50,543)</u>

City of Pacific Grove**Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual (GAAP Basis)****2013 CDBG Grant Fund****June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 580,000	\$ 580,000	\$ 84,204	\$ (495,796)
Interest, rents and concessions	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	<u>580,000</u>	<u>580,000</u>	<u>84,414</u>	<u>(495,586)</u>
EXPENDITURES				
Current:				
Community development	156,442	156,442	84,204	72,238
Total Expenditures	<u>156,442</u>	<u>156,442</u>	<u>84,204</u>	<u>72,238</u>
Excess (Deficiency) of Revenues over Expenditures	<u>423,558</u>	<u>423,558</u>	<u>210</u>	<u>(423,348)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	423,558	423,558	210	(423,348)
Fund Balances Beginning	-	-	-	-
Fund Balances Ending	<u>\$ 423,558</u>	<u>\$ 423,558</u>	<u>\$ 210</u>	<u>\$ (423,348)</u>

City of Pacific Grove

Schedule of Pension Contributions June 30, 2017

	Fiscal Year		
	2017	2016	2015
Contractually Required Contributions (Actuarially Determined)	\$ 1,995,457	\$ 1,784,443	\$ 837,801
Contributions in Relation to Actuarially Determined Contributions	1,995,457	1,784,443	837,801
Contribution Deficiency (Excess)	-	-	-
Covered Employee Payroll	\$ 5,873,761	\$ 5,352,906	\$ 5,714,952
Contributions as a Percentage of Covered Payroll	33.97%	33.34%	14.66%

Notes to Schedule:

Valuation Date: June 30, 2015
 Assumptions Used: Entry Age Method used for Actuarial Cost Method
 Level Percentage of Payroll (Closed) Used Amortization Method
 3.7 Years Remaining Amortization Period
 Inflation Assumed at 2.75%
 Investment Rate of Returns set at 7.5%
 CalPERS mortality table using 20 years of membership data for all funds

** Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

City of Pacific Grove

Schedule of Proportionate Share of Net Pension Liability June 30, 2017

	Fiscal Year		
	2017	2016	2015
Net Pension Liability	\$ 34,564,209	\$ 26,535,640	\$ 23,123,343
Covered Employee Payroll	\$ 5,873,761	\$ 5,352,906	\$ 5,714,952
Net Pension Liability as a % of Covered Employee Payroll	588.45%	495.72%	404.61%
Plan's Fiduciary Net Position as a % of the TPL	74.06%	78.40%	81.99%

** Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

City of Pacific Grove
Retiree Healthcare Plan
Schedule of Funding Progress
June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
7/1/2009	\$ -	\$ 2,753,014	\$ 2,753,014	0.00%	\$ 8,627,274	31.91%
7/1/2012	\$ -	\$ 2,676,969	\$ 2,676,969	0.00%	\$ 7,521,909	35.59%
7/1/2015	\$ -	\$ 5,093,587	\$ 5,093,587	0.00%	\$ 7,766,371	65.59%



SUPPLEMENTARY INFORMATION

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COMBINING NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

(See Page 88)

DEBT SERVICE FUNDS

Fund Title	Fund Description
BUTTERFLY HABITAT BOND FUND	This fund accounts for payment of City bonds issued for the purchase of the properly known as the Butterfly Habitat.

CAPITAL PROJECTS FUNDS

Fund Title	Fund Description
BUILDING AND FACILITIES IMPROVEMENT FUND	This fund is used to support General Fund Building and Improvement capital costs. This fund was previously supported by General Fund transfers.

PERMANENT FUNDS

(See Page 103)

City of Pacific Grove
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

		Debt Service	Capital Projects		
	Total Special Revenue Funds	Butterfly Habitat Bond Fund	Building Facilities & Improvement Fund	Total Permanent Funds	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$ 2,896,323	\$ 110,052	\$ 503,968	\$ 2,855,521	\$ 6,365,864
Receivables:					
Taxes	233,293	-	-	-	233,293
Accounts	232,042	-	-	-	232,042
Loans receivable	352,285	-	-	-	352,285
Total assets	\$ 3,713,943	\$ 110,052	\$ 503,968	\$ 2,855,521	\$ 7,183,484
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 513,504	\$ -	\$ 16,346	\$ -	\$ 529,850
Payroll related liabilities	9,303	-	-	-	9,303
Due to other funds	211,767	-	-	-	211,767
Unearned revenues	352,285	-	-	-	352,285
Total liabilities	1,086,859	-	16,346	-	1,103,205
Fund Balances:					
Nonspendable					
Permanent Funds	-	-	-	2,855,521	2,855,521
Restricted:					
Social service programs	186,949	-	-	-	186,949
Public safety	772,241	-	-	-	772,241
Community development	1,563,384	-	487,622	-	2,051,006
Street improvements	104,510	-	-	-	104,510
Debt service	-	90,746	-	-	90,746
Unassigned	-	19,306	-	-	19,306
Total fund balances	2,627,084	110,052	487,622	2,855,521	6,080,279
Total liabilities and fund balances	\$ 3,713,943	\$ 110,052	\$ 503,968	\$ 2,855,521	\$ 7,183,484

City of Pacific Grove
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2017

		Debt Service	Capital Projects		
	Total Special Revenue Funds	Butterfly Habitat Bond Fund	Building Facilities & Improvement Fund	Total Permanent Funds	Total Nonmajor Governmental Funds
REVENUES					
Taxes:					
Property taxes	\$ -	\$ 110,845	\$ -	\$ -	\$ 110,845
Franchise and other taxes	57,514	-	-	-	57,514
Transient occupancy taxes	478,614	-	-	-	478,614
Business license tax	47,382	-	-	-	47,382
Intergovernmental revenues	1,208,226	-	-	-	1,208,226
Charges for services	-	-	-	103,902	103,902
Interest, rents and concessions	1,625	204	389	1,811	4,029
Other revenues	168,048	-	-	-	168,048
Total Revenues	2,045,429	111,049	389	105,713	2,262,580
EXPENDITURES					
Current:					
General government	61	-	-	-	61
Public safety:					
Police	446,339	-	-	-	446,339
Fire	7,078	-	-	-	7,078
Public works	676,171	-	-	-	676,171
Recreation	74,046	-	-	-	74,046
Library	23,726	-	-	-	23,726
Museum	-	-	-	-	-
Community development	861,465	-	-	-	861,465
Capital outlay	123,317	-	43,784	-	167,101
Debt service:					
Principal	-	85,863	-	-	85,863
Interest and fiscal charges	-	5,880	-	-	5,880
Total Expenditures	2,212,203	91,743	43,784	-	2,347,730
Excess (Deficiency) of Revenues over Expenditures	(166,774)	19,306	(43,395)	105,713	(85,150)
OTHER FINANCING SOURCES (USES)					
Transfers in	621,455	-	-	-	621,455
Transfers out	-	-	-	(11,455)	(11,455)
Total Other Financing Sources (Uses)	621,455	-	-	(11,455)	610,000
Net Change in Fund Balances	454,681	19,306	(43,395)	94,258	524,850
Fund Balances Beginning	2,172,403	90,746	531,017	2,761,263	5,555,429
Fund Balances Ending	<u>\$ 2,627,084</u>	<u>\$ 110,052</u>	<u>\$ 487,622</u>	<u>\$ 2,855,521</u>	<u>\$ 6,080,279</u>

City of Pacific Grove

Schedule of Revenues, Expenditures, and

Changes in Fund Balances

Budget and Actual (GAAP Basis)

June 30, 2017

Butterfly Habitat Bond Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 94,271	\$ 94,271	\$ 110,845	\$ 16,574
Interest, rents and concessions	750	750	204	(546)
Total Revenues	95,021	95,021	111,049	16,028
EXPENDITURES				
Capital outlay	-	-	-	-
Debt service:				
Principal	83,206	83,206	85,863	(2,657)
Interest and fiscal charges	9,794	9,794	5,880	3,914
Total Expenditures	93,000	93,000	91,743	1,257
Excess (Deficiency) of Revenues over Expenditures	2,021	2,021	19,306	17,285
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	2,021	2,021	19,306	17,285
Fund Balances Beginning	90,746	90,746	90,746	-
Fund Balances Ending	\$ 92,767	\$ 92,767	\$ 110,052	17,285

Cont'd

City of Pacific Grove
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
June 30, 2017

	Building Facilities & Improvement Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Interest, rents and concessions	2,500	2,500	389	(2,111)
Total Revenues	2,500	2,500	389	(2,111)
EXPENDITURES				
Capital outlay	351,000	351,000	43,784	307,216
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	351,000	351,000	43,784	307,216
Excess (Deficiency) of Revenues over Expenditures	(348,500)	(348,500)	(43,395)	305,105
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(348,500)	(348,500)	(43,395)	305,105
Fund Balances Beginning	531,017	531,017	531,017	-
Fund Balances Ending	\$ 182,517	\$ 182,517	\$ 487,622	305,105
				Concluded

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NONMAJOR SPECIAL REVENUE FUNDS

Fund Title	Fund Description
CARILLON FUND	This fund is for donations designated for the maintenance of the tower clock and chimes system at City Hall.
ENVIRONMENTAL ENHANCEMENT	This fund accounts for revenues associated with Coastal Area Planning grants, coastal area land use, and Environmental Impact Report deposit funds.
STATE FRANCHISE PEG	This fund is for the deposit of funds received from the City's cable franchisee to fund Public, Educational and Governmental programming on local Public Access television and equipment expenditures to aid in broadcasting per the terms of the Digital Infrastructure and Video Competition Act of 2006.
LIBRARY BLDG & EQUIP 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 DISTRIC	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 IMPRVMT DIST.	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 EMERG EQUIP FUND	This fund accounts for grants, fees and donations in support of Fire Department safety programs.
TRAFFIC CONG RELIEF FUND	This fund accounts for the expenditures of traffic congestion monies received.
LOCAL STREETS AND ROADS	This fund accounts amounts received for streets and roads expenditures.
GAS TAX FUND	This fund accounts for the expenditures of State Gas Tax monies received.
CHAUTAUQUA HALL FUND	This fund accounts for revenues designated for the maintenance and improvement of the historic Chautauqua Hall building.
LIGHTHOUSE MAINT.& IMPV.	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.
CALHOME REUSE FUND	This fund accounts for the deposit of revenue received from the repayment of CalHOME Housing rehabilitation loans.
GREENING GRANT FUND	This fund accounts for grant proceeds and expenditures related to greening projects and plans that reduce energy consumption, conserve water, improve air and water quality, in addition to other community benefits.
POETRY PROMOTION FUND	This fund accounts for the income from a bequest to the City designated for the promotion of poetry in the community.
YOUNT INCOME FUND	This fund accounts for income from the expendable portion of the Yount Trust.
PUB SAFETY AUG 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.
VEHICLE ABANDONMENT	This fund accounts for the expenditures related to vehicle abandonment.
STRONG FUND DISBURSEMENTS	This fund accounts for the expenditures of interest earned from the Stong endowment.
ASBS GRANT FUND	This fund accounts for grants from the State Water Resources Control Board and expenditures related to discharge prohibition in and around the ocean.
COASTAL CONSERVANCY GRANT FUND	This fund accounts for grant proceeds and expenditures related to coastal conservancy projects and plans that maintain and improve beaches and coastal parks.
MCINDOO DONATION	This fund accounts for the receipt of a donation from the Jeanette J. McIndoo Trust and for the expense for beautification and enhancement of public facilities and grounds.

City of Pacific Grove

Combining Balance Sheet

Special Revenue Nonmajor Governmental Funds

June 30, 2017

	Carillion Fund	Environmental Enhancement Fund	State Franchise PEG Fund	Library Building & Equipment Fund
ASSETS				
Cash and investments	\$ 9,462	\$ 140,551	\$ 336,625	\$ 24,900
Receivables:				
Taxes	-	-	13,992	-
Accounts	-	-	-	-
Loans receivable	-	-	-	-
Total assets	\$ 9,462	\$ 140,551	\$ 350,617	\$ 24,900
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 937	\$ -	\$ -
Payroll related liabilities	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	-	937	-	-
Fund Balances:				
Restricted:				
Social service programs	-	-	-	-
Public safety	-	-	-	-
Community development	9,462	139,614	350,617	24,900
Street improvements	-	-	-	-
Total fund balances	9,462	139,614	350,617	24,900
Total liabilities and fund balances	\$ 9,462	\$ 140,551	\$ 350,617	\$ 24,900

Cont'd

City of Pacific Grove

Combining Balance Sheet

Special Revenue Nonmajor Governmental Fund

June 30, 2017

	Museum Improvement Fund	Downtown Business District Fund	Hospitality Improvement District Fund	Library Book Fund
ASSETS				
Cash and investments	\$ 470,545	\$ 7,840	\$ 41,211	\$ 17,869
Receivables:				
Taxes	-	16,827	80,813	-
Accounts	-	-	-	-
Loans receivable	-	-	-	-
Total assets	\$ 470,545	\$ 24,667	\$ 122,024	\$ 17,869
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 13,905	\$ 121,323	\$ 3,273
Payroll related liabilities	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	-	13,905	121,323	3,273
Fund Balances:				
Restricted:				
Social service programs	-	-	-	14,596
Public safety	-	-	-	-
Community development	470,545	10,762	701	-
Street improvements	-	-	-	-
Total fund balances	470,545	10,762	701	14,596
Total liabilities and fund balances	\$ 470,545	\$ 24,667	\$ 122,024	\$ 17,869

Cont'd

City of Pacific Grove

Combining Balance Sheet

Special Revenue Nonmajor Governmental Fund

June 30, 2017

	Fire Emergency Equipment Fund	Traffic Congestion Relief Fund	Local Streets and Roads Fund	Gas Tax Fund
ASSETS				
Cash and investments	\$ 177,340	\$ -	\$ -	\$ 35,646
Receivables:				
Taxes	-	-	84,020	-
Accounts	-	-	-	-
Loans receivable	-	-	-	-
Total assets	\$ 177,340	\$ -	\$ 84,020	\$ 35,646
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,279	\$ -	\$ -	\$ 10,290
Payroll related liabilities	-	-	-	4,866
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	5,279	-	-	15,156
Fund Balances:				
Restricted:				
Social service programs	-	-	-	-
Public safety	172,061	-	-	-
Community development	-	-	-	-
Street improvements	-	-	84,020	20,490
Total fund balances	172,061	-	84,020	20,490
Total liabilities and fund balances	\$ 177,340	\$ -	\$ 84,020	\$ 35,646

Cont'd

City of Pacific Grove

Combining Balance Sheet

Special Revenue Nonmajor Governmental Fund

June 30, 2017

	Chautauqua Hall Fund	Lighthouse Maintenance & Improvement Fund	Senior Housing Fund	CalHome Reuse Fund
ASSETS				
Cash and investments	\$ 15,733	\$ 77,397	\$ 9,838	\$ 105,319
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Loans receivable	-	-	-	352,285
Total assets	\$ 15,733	\$ 77,397	\$ 9,838	\$ 457,604
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 2,140	\$ -	\$ -
Payroll related liabilities	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	352,285
Total liabilities	-	2,140	-	352,285
Fund Balances:				
Restricted:				
Social service programs	-	-	9,838	105,319
Public safety	-	-	-	-
Community development	15,733	75,257	-	-
Street improvements	-	-	-	-
Total fund balances	15,733	75,257	9,838	105,319
Total liabilities and fund balances	\$ 15,733	\$ 77,397	\$ 9,838	\$ 457,604

Cont'd

City of Pacific Grove

Combining Balance Sheet

Special Revenue Nonmajor Governmental Fund

June 30, 2017

	Greening Grant Fund	Poetry Promotion Fund	Yount Income Fund
ASSETS			
Cash and investments	\$ -	\$ 57,196	\$ 88,700
Receivables:			
Taxes	-	-	-
Accounts	116,564	-	-
Loans receivable	-	-	-
Total assets	\$ 116,564	\$ 57,196	\$ 88,700
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Payroll related liabilities	-	-	653
Due to other funds	116,564	-	-
Unearned revenues	-	-	-
Total liabilities	116,564	-	653
Fund Balances:			
Restricted:			
Social service programs	-	57,196	-
Public safety	-	-	-
Community development	-	-	88,047
Street improvements	-	-	-
Total fund balances	-	57,196	88,047
Total liabilities and fund balances	\$ 116,564	\$ 57,196	\$ 88,700

Cont'd

City of Pacific Grove

Combining Balance Sheet

Special Revenue Nonmajor Governmental Fund

June 30, 2017

	Public Safety Augmentation Fund	Supplement Law Enforcement Fund	Vehicle Abandonment Fund	Strong Disbursements Fund
ASSETS				
Cash and investments	\$ 666,666	\$ 210,273	\$ 20,000	\$ 119,287
Receivables:				
Taxes	20,974	16,667	-	-
Accounts	-	20,275	-	-
Loans receivable	-	-	-	-
Total assets	\$ 687,640	\$ 247,215	\$ 20,000	\$ 119,287
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 350,891	\$ -	\$ -	\$ -
Payroll related liabilities	-	3,784	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	350,891	3,784	-	-
Fund Balances:				
Restricted:				
Social service programs	-	-	-	-
Public safety	336,749	243,431	20,000	-
Community development	-	-	-	119,287
Street improvements	-	-	-	-
Total fund balances	336,749	243,431	20,000	119,287
Total liabilities and fund balances	\$ 687,640	\$ 247,215	\$ 20,000	\$ 119,287

Cont'd

City of Pacific Grove

Combining Balance Sheet

Special Revenue Nonmajor Governmental Fund

June 30, 2017

	ASBS Grant Fund	Coastal Conservancy Grant Fund	McIndoo Donation Fund	Total Special Revenue Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ -	\$ 162,786	\$ 101,139	\$ 2,896,323
Receivables:				
Taxes	-	-	-	233,293
Accounts	95,203	-	-	232,042
Loans receivable	-	-	-	352,285
Total assets	\$ 95,203	162,786	\$ 101,139	\$ 3,713,943
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 5,405	\$ 61	\$ 513,504
Payroll related liabilities	-	-	-	9,303
Due to other funds	95,203	-	-	211,767
Unearned revenues	-	-	-	352,285
Total liabilities	95,203	5,405	61	1,086,859
Fund Balances:				
Restricted:				
Social service programs	-	-	-	186,949
Public safety	-	-	-	772,241
Community development	-	157,381	101,078	1,563,384
Street improvements	-	-	-	104,510
Total fund balances	-	157,381	101,078	2,627,084
Total liabilities and fund balances	\$ 95,203	\$ 162,786	\$ 101,139	\$ 3,713,943

Concluded

City of Pacific Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Special Revenue Nonmajor Governmental Funds

June 30, 2017

	Carillion Fund	Environmental Enhancement Fund	State Franchise PEG Fund	Library Building & Equipment Fund
REVENUES				
Taxes:				
Sales and use taxes	\$ -	\$ -	\$ -	\$ -
Franchise and other taxes	-	-	57,514	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	7	92	279	(3)
Other revenues	-	-	-	11
Total Revenues	<u>7</u>	<u>92</u>	<u>57,793</u>	<u>8</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	17,624
Community development	-	18,243	57,771	-
Capital outlay	-	-	7,775	-
Total Expenditures	<u>-</u>	<u>18,243</u>	<u>65,546</u>	<u>17,624</u>
Excess (Deficiency) of Revenues over Expenditures	<u>7</u>	<u>(18,151)</u>	<u>(7,753)</u>	<u>(17,616)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	7	(18,151)	(7,753)	(17,616)
Fund Balances Beginning	<u>9,455</u>	<u>157,765</u>	<u>358,370</u>	<u>42,516</u>
Fund Balances Ending	<u>\$ 9,462</u>	<u>\$ 139,614</u>	<u>\$ 350,617</u>	<u>\$ 24,900</u>

Cont'd

City of Pacific Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Special Revenue Nonmajor Governmental Funds

June 30, 2017

	Museum Improvement Fund	Downtown Business District Fund	Hospitality Improvement District Fund	Library Book Fund
REVENUES				
Taxes:				
Sales and use taxes	\$ -	\$ -	\$ -	\$ -
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	478,614	-
Business license tax	-	47,382	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	381	(1)	(111)	46
Other revenues	-	-	-	44,750
Total Revenues	<u>381</u>	<u>47,381</u>	<u>478,503</u>	<u>44,796</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	38,412	494,881	80,589
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>38,412</u>	<u>494,881</u>	<u>80,589</u>
Excess (Deficiency) of Revenues over Expenditures	<u>381</u>	<u>8,969</u>	<u>(16,378)</u>	<u>(35,793)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	15,000	40,000
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>40,000</u>
Net Change in Fund Balances	381	8,969	(1,378)	4,207
Fund Balances Beginning	<u>470,164</u>	<u>1,793</u>	<u>2,079</u>	<u>10,389</u>
Fund Balances Ending	<u>\$ 470,545</u>	<u>\$ 10,762</u>	<u>\$ 701</u>	<u>\$ 14,596</u>

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City of Pacific Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Special Revenue Nonmajor Governmental Funds

June 30, 2017

	Fire Emergency Equipment Fund	Traffic Congestion Relief Fund	Local Streets and Roads Fund	Gas Tax Fund
REVENUES				
Taxes:				
Sales and use taxes	\$ -	\$ -	\$ 84,020	\$ -
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	281,859
Interest, rents and concessions	185	-	-	15
Other revenues	19,850	-	-	-
Total Revenues	20,035	-	84,020	281,874
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	7,078	-	-	-
Public works	-	-	-	261,954
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	7,078	-	-	261,954
Excess (Deficiency) of Revenues over Expenditures	12,957	-	84,020	19,920
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	12,957	-	84,020	19,920
Fund Balances Beginning	159,104	-	-	570
Fund Balances Ending	\$ 172,061	\$ -	\$ 84,020	\$ 20,490

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City of Pacific Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Special Revenue Nonmajor Governmental Funds

June 30, 2017

	Chautauqua Hall Fund	Lighthouse Maintenance & Improvement Fund	Senior Housing Fund	CalHome Reuse Fund
REVENUES				
Taxes:				
Sales and use taxes	\$ -	\$ -	\$ -	\$ -
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	12	57	7	(651)
Other revenues	1,500	58,653	-	-
Total Revenues	<u>1,512</u>	<u>58,710</u>	<u>7</u>	<u>(651)</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	9,800	64,076	-	-
Library	-	-	-	-
Community development	-	-	-	87,000
Capital outlay	-	-	-	-
Total Expenditures	<u>9,800</u>	<u>64,076</u>	<u>-</u>	<u>87,000</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(8,288)</u>	<u>(5,366)</u>	<u>7</u>	<u>(87,651)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(8,288)	(5,366)	7	(87,651)
Fund Balances Beginning	<u>24,021</u>	<u>80,623</u>	<u>9,831</u>	<u>192,970</u>
Fund Balances Ending	<u>\$ 15,733</u>	<u>\$ 75,257</u>	<u>\$ 9,838</u>	<u>\$ 105,319</u>

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City of Pacific Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Special Revenue Nonmajor Governmental Funds

June 30, 2017

	Greening Grant Fund	Poetry Promotion Fund	Yount Income Fund	Public Safety Augmentation Fund
REVENUES				
Taxes:				
Sales and use taxes	\$ -	\$ -	\$ -	\$ -
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	84,569	-	-	117,371
Interest, rents and concessions	-	45	72	610
Other revenues	-	284	-	-
Total Revenues	84,569	329	72	117,981
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	416,244
Fire	-	-	-	-
Public works	-	-	11,023	-
Recreation	-	-	-	-
Library	-	6,102	-	-
Community development	84,569	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	84,569	6,102	11,023	416,244
Excess (Deficiency) of Revenues over Expenditures	-	(5,773)	(10,951)	(298,263)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	11,455	380,000
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	11,455	380,000
Net Change in Fund Balances	-	(5,773)	504	81,737
Fund Balances Beginning	-	62,969	87,543	255,012
Fund Balances Ending	\$ -	\$ 57,196	\$ 88,047	\$ 336,749

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City of Pacific Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Special Revenue Nonmajor Governmental Funds

June 30, 2017

	Supplement Law Enforcement Fund	Vehicle Abandonment Fund	Strong Disbursements Fund
REVENUES			
Taxes:			
Sales and use taxes	\$ -	\$ -	\$ -
Franchise and other taxes	-	-	-
Transient occupancy taxes	-	-	-
Business license tax	-	-	-
Intergovernmental revenues	204,850	20,000	-
Interest, rents and concessions	392	-	110
Other revenues	-	-	43,000
Total Revenues	205,242	20,000	43,110
EXPENDITURES			
Current:			
General government	-	-	-
Public safety:			
Police	30,095	-	-
Fire	-	-	-
Public works	-	-	-
Recreation	-	-	-
Library	-	-	-
Community development	-	-	-
Capital outlay	-	-	1,710
Total Expenditures	30,095	-	1,710
Excess (Deficiency) of Revenues over Expenditures	175,147	20,000	41,400
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	175,147	20,000	41,400
Fund Balances Beginning	68,284	-	77,887
Fund Balances Ending	\$ 243,431	\$ 20,000	\$ 119,287

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City of Pacific Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Special Revenue Nonmajor Governmental Funds

June 30, 2017

	ASBS Grant Fund	Coastal Conservancy Grant Fund	McIndoo Donation Fund	Total Special Revenue Nonmajor Governmental Funds
REVENUES				
Taxes:				
Sales and use taxes	\$ -	\$ -	\$ -	\$ 84,020
Franchise and other taxes	-	-	-	57,514
Transient occupancy taxes	-	-	-	478,614
Business license tax	-	-	-	47,382
Intergovernmental revenues	403,194	96,383	-	1,208,226
Interest, rents and concessions	-	-	81	1,625
Other revenues	-	-	-	168,048
Total Revenues	403,194	96,383	81	2,045,429
EXPENDITURES				
Current:				
General government	-	-	61	61
Public safety:				
Police	-	-	-	446,339
Fire	-	-	-	7,078
Public works	403,194	-	-	676,171
Recreation	-	170	-	74,046
Library	-	-	-	23,726
Community development	-	-	-	861,465
Capital outlay	-	113,832	-	123,317
Total Expenditures	403,194	114,002	61	2,212,203
Excess (Deficiency) of Revenues over Expenditures	-	(17,619)	20	(166,774)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	175,000	-	621,455
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	175,000	-	621,455
Net Change in Fund Balances	-	157,381	20	454,681
Fund Balances Beginning	-	-	101,058	2,172,403
Fund Balances Ending	\$ -	\$ 157,381	\$ 101,078	\$ 2,627,084
				Concluded

City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Carillion Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	50	50	7	(43)
Other revenues	-	-	-	-
Total Revenues	50	50	7	(43)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	3,030	3,030	-	3,030
Total Expenditures	3,030	3,030	-	3,030
Excess (Deficiency) of Revenues over Expenditures	(2,980)	(2,980)	7	2,987
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(2,980)	(2,980)	7	2,987
Fund Balances Beginning	9,455	9,455	9,455	-
Fund Balances Ending	\$ 6,475	\$ 6,475	\$ 9,462	\$ 2,987

Cont'd

City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Environmental Enhancement Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	150,000	150,000	-	(150,000)
Interest, rents and concessions	-	-	92	92
Other revenues	-	-	-	-
Total Revenues	150,000	150,000	92	(149,908)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	145,938	145,938	18,243	127,695
Capital outlay	-	-	-	-
Total Expenditures	145,938	145,938	18,243	127,695
Excess (Deficiency) of Revenues over Expenditures	4,062	4,062	(18,151)	(22,213)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	4,062	4,062	(18,151)	(22,213)
Fund Balances Beginning	157,765	157,765	157,765	-
Fund Balances Ending	\$ 161,827	\$ 161,827	\$ 139,614	\$ (22,213)

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City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	State Franchise PEG			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	57,240	57,240	57,514	274
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	-	-	279	279
Other revenues	-	-	-	-
Total Revenues	57,240	57,240	57,793	553
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	40,400	50,400	57,771	(7,371)
Capital outlay	-	-	7,775	(7,775)
Total Expenditures	40,400	50,400	65,546	(15,146)
Excess (Deficiency) of Revenues over Expenditures	16,840	6,840	(7,753)	(14,593)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	16,840	6,840	(7,753)	(14,593)
Fund Balances Beginning	358,370	358,370	358,370	-
Fund Balances Ending	\$ 375,210	\$ 365,210	\$ 350,617	\$ (14,593)

Cont'd

City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Library Building & Equipment Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	-	-	(3)	(3)
Other revenues	100	100	11	(89)
Total Revenues	100	100	8	(92)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	10,100	20,000	17,624	2,376
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	10,100	20,000	17,624	2,376
Excess (Deficiency) of Revenues over Expenditures	(10,000)	(19,900)	(17,616)	2,284
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(10,000)	(19,900)	(17,616)	2,284
Fund Balances Beginning	42,516	42,516	42,516	-
Fund Balances Ending	\$ 32,516	\$ 22,616	\$ 24,900	\$ 2,284

Cont'd

City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Museum Improvement Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	2,000	2,000	381	(1,619)
Other revenues	-	-	-	-
Total Revenues	2,000	2,000	381	(1,619)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	90,900	90,900	-	90,900
Total Expenditures	90,900	90,900	-	90,900
Excess (Deficiency) of Revenues over Expenditures	(88,900)	(88,900)	381	89,281
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(88,900)	(88,900)	381	89,281
Fund Balances Beginning	470,164	470,164	470,164	-
Fund Balances Ending	\$ 381,264	\$ 381,264	\$ 470,545	\$ 89,281

Cont'd

City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Downtown Business District Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	30,300	30,300	47,382	17,082
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	-	-	(1)	(1)
Other revenues	-	-	-	-
Total Revenues	30,300	30,300	47,381	17,081
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	30,300	30,300	38,412	(8,112)
Capital outlay	-	-	-	-
Total Expenditures	30,300	30,300	38,412	(8,112)
Excess (Deficiency) of Revenues over Expenditures	-	-	8,969	8,969
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	8,969	8,969
Fund Balances Beginning	1,793	1,793	1,793	-
Fund Balances Ending	\$ 1,793	\$ 1,793	\$ 10,762	\$ 8,969

Cont'd

City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Hospitality Improvement District Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	490,000	490,000	478,614	(11,386)
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	-	-	(111)	(111)
Other revenues	-	-	-	-
Total Revenues	490,000	490,000	478,503	(11,497)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	454,500	454,500	494,881	(40,381)
Capital outlay	-	-	-	-
Total Expenditures	454,500	454,500	494,881	(40,381)
Excess (Deficiency) of Revenues over Expenditures	35,500	35,500	(16,378)	(51,878)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	15,000	15,000
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	15,000	15,000
Net Change in Fund Balances	35,500	35,500	(1,378)	(36,878)
Fund Balances Beginning	2,079	2,079	2,079	-
Fund Balances Ending	\$ 37,579	\$ 37,579	\$ 701	\$ (36,878)

Cont'd

City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Library Book Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	-	-	46	46
Other revenues	40,000	40,000	44,750	4,750
Total Revenues	40,000	40,000	44,796	4,796
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	80,000	80,000	80,589	(589)
Capital outlay	-	-	-	-
Total Expenditures	80,000	80,000	80,589	(589)
Excess (Deficiency) of Revenues over Expenditures	(40,000)	(40,000)	(35,793)	4,207
OTHER FINANCING SOURCES (USES)				
Transfers in	40,000	40,000	40,000	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	40,000	40,000	40,000	-
Net Change in Fund Balances	-	-	4,207	4,207
Fund Balances Beginning	10,389	10,389	10,389	-
Fund Balances Ending	\$ 10,389	\$ 10,389	\$ 14,596	\$ 4,207

Cont'd

City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Fire Emergency Equipment Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	-	-	185	185
Other revenues	21,800	21,800	19,850	(1,950)
Total Revenues	21,800	21,800	20,035	(1,765)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	5,832	5,832	7,078	(1,246)
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	5,832	5,832	7,078	(1,246)
Excess (Deficiency) of Revenues over Expenditures	15,968	15,968	12,957	(3,011)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	15,968	15,968	12,957	(3,011)
Fund Balances Beginning	159,104	159,104	159,104	-
Fund Balances Ending	\$ 175,072	\$ 175,072	\$ 172,061	\$ (3,011)

Cont'd

City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Local Streets and Roads Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Sales and use taxes	-	-	84,020	84,020
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	-	-	84,020	84,020
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	84,020	84,020
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	84,020	84,020
Fund Balances Beginning	-	-	-	-
Fund Balances Ending	\$ -	\$ -	\$ 84,020	\$ 84,020

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City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Gas Tax Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	383,500	383,500	281,859	(101,641)
Interest, rents and concessions	1,500	1,500	15	(1,485)
Other revenues	-	-	-	-
Total Revenues	385,000	385,000	281,874	(103,126)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	454,876	454,876	261,954	192,922
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	454,876	454,876	261,954	192,922
Excess (Deficiency) of Revenues over Expenditures	(69,876)	(69,876)	19,920	89,796
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(69,876)	(69,876)	19,920	89,796
Fund Balances Beginning	570	570	570	-
Fund Balances Ending	\$ (69,306)	\$ (69,306)	\$ 20,490	\$ 89,796

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City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Chautauqua Hall Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	-	-	12	12
Other revenues	-	-	1,500	1,500
Total Revenues	-	-	1,512	1,512
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	10,100	10,100	9,800	300
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	10,100	10,100	9,800	300
Excess (Deficiency) of Revenues over Expenditures	(10,100)	(10,100)	(8,288)	1,812
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(10,100)	(10,100)	(8,288)	1,812
Fund Balances Beginning	24,021	24,021	24,021	-
Fund Balances Ending	\$ 13,921	\$ 13,921	\$ 15,733	\$ 1,812

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City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

Lighthouse Maintenance & Improvements Fund				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	-	-	57	57
Other revenues	38,300	38,300	58,653	20,353
Total Revenues	38,300	38,300	58,710	20,410
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	50,500	50,500	64,076	(13,576)
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	50,500	50,500	64,076	(13,576)
Excess (Deficiency) of Revenues over Expenditures	(12,200)	(12,200)	(5,366)	6,834
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(12,200)	(12,200)	(5,366)	6,834
Fund Balances Beginning	80,623	80,623	80,623	-
Fund Balances Ending	\$ 68,423	\$ 68,423	\$ 75,257	\$ 6,834

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City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Senior Housing Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	150	150	7	(143)
Other revenues	-	-	-	-
Total Revenues	150	150	7	(143)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	9,797	9,797	-	9,797
Capital outlay	-	-	-	-
Total Expenditures	9,797	9,797	-	9,797
Excess (Deficiency) of Revenues over Expenditures	(9,647)	(9,647)	7	(9,940)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(9,647)	(9,647)	7	(9,940)
Fund Balances Beginning	9,831	9,831	9,831	-
Fund Balances Ending	\$ 184	\$ 184	\$ 9,838	\$ (9,940)

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City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

CalHome Reuse Account Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	-	-	(651)	(651)
Other revenues	-	-	-	-
Total Revenues	-	-	(651)	(651)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	75,000	125,000	87,000	38,000
Capital outlay	-	-	-	-
Total Expenditures	75,000	125,000	87,000	38,000
Excess (Deficiency) of Revenues over Expenditures	(75,000)	(125,000)	(87,651)	37,349
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(75,000)	(125,000)	(87,651)	37,349
Fund Balances Beginning	192,970	192,970	192,970	-
Fund Balances Ending	\$ 117,970	\$ 67,970	\$ 105,319	\$ 37,349

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City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Greening Grant Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	272,500	272,500	84,569	(187,931)
Interest, rents and concessions	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	272,500	272,500	84,569	(187,931)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	271,690	271,690	84,569	187,121
Capital outlay	-	-	-	-
Total Expenditures	271,690	271,690	84,569	187,121
Excess (Deficiency) of Revenues over Expenditures	810	810	-	(810)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	810	810	-	(810)
Fund Balances Beginning	-	-	-	-
Fund Balances Ending	\$ 810	\$ 810	\$ -	\$ (810)

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City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Poetry Promotion Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	200	200	45	(155)
Other revenues	100	100	284	184
Total Revenues	300	300	329	29
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	38,600	38,600	6,102	32,498
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	38,600	38,600	6,102	32,498
Excess (Deficiency) of Revenues over Expenditures	(38,300)	(38,300)	(5,773)	32,527
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(38,300)	(38,300)	(5,773)	32,527
Fund Balances Beginning	62,969	62,969	62,969	-
Fund Balances Ending	\$ 24,669	\$ 24,669	\$ 57,196	\$ 32,527

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City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Yount Income Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	4,000	4,000	72	(3,928)
Other revenues	-	-	-	-
Total Revenues	4,000	4,000	72	(3,928)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	23,252	23,252	11,023	12,229
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	23,252	23,252	11,023	12,229
Excess (Deficiency) of Revenues over Expenditures	(19,252)	(19,252)	(10,951)	8,301
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	11,455	11,455
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	11,455	11,455
Net Change in Fund Balances	(19,252)	(19,252)	504	19,756
Fund Balances Beginning	87,543	87,543	87,543	-
Fund Balances Ending	\$ 68,291	\$ 68,291	\$ 88,047	\$ 19,756

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City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Public Safety Augmentation Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	380,000	380,000	117,371	(262,629)
Interest, rents and concessions	-	-	610	610
Other revenues	-	-	-	-
Total Revenues	380,000	380,000	117,981	(262,019)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	303,000	303,000	416,244	(113,244)
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	303,000	303,000	416,244	(113,244)
Excess (Deficiency) of Revenues over Expenditures	77,000	77,000	(298,263)	(375,263)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	380,000	380,000
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	380,000	380,000
Net Change in Fund Balances	77,000	77,000	81,737	4,737
Fund Balances Beginning	255,012	255,012	255,012	-
Fund Balances Ending	\$ 332,012	\$ 332,012	\$ 336,749	\$ 4,737

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City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Supplemental Law Enforcement Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	160,000	160,000	204,850	44,850
Interest, rents and concessions	-	-	392	392
Other revenues	-	-	-	-
Total Revenues	160,000	160,000	205,242	45,242
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	157,118	157,118	30,095	127,023
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	157,118	157,118	30,095	127,023
Excess (Deficiency) of Revenues over Expenditures	2,882	2,882	175,147	172,265
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	2,882	2,882	175,147	172,265
Fund Balances Beginning	68,284	68,284	68,284	-
Fund Balances Ending	\$ 71,166	\$ 71,166	\$ 243,431	\$ 172,265

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City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Vehicle Abandonment Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	20,000	20,000
Interest, rents and concessions	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	-	-	20,000	20,000
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	20,000	20,000
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	20,000	20,000
Fund Balances Beginning	-	-	-	-
Fund Balances Ending	\$ -	\$ -	\$ 20,000	\$ 20,000

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City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Strong Fund Disbursements			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	-	-	110	110
Other revenues	43,000	43,000	43,000	-
Total Revenues	43,000	43,000	43,110	110
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	42,420	42,420	1,710	40,710
Total Expenditures	42,420	42,420	1,710	40,710
Excess (Deficiency) of Revenues over Expenditures	580	580	41,400	40,820
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	580	580	41,400	40,820
Fund Balances Beginning	77,887	77,887	77,887	-
Fund Balances Ending	\$ 78,467	\$ 78,467	\$ 119,287	\$ 40,820

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City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	ASBS Grant Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	1,158,340	1,158,340	403,194	(755,146)
Interest, rents and concessions	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	1,158,340	1,158,340	403,194	(755,146)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	140,131	140,131	403,194	(263,063)
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	880,339	880,339	-	880,339
Total Expenditures	1,020,470	1,020,470	403,194	617,276
Excess (Deficiency) of Revenues over Expenditures	137,870	137,870	-	(137,870)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	137,870	137,870	-	(137,870)
Fund Balances Beginning	-	-	-	-
Fund Balances Ending	\$ 137,870	\$ 137,870	\$ -	\$ (137,870)

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City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	Coastal Conservancy Grant Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	425,000	425,000	96,383	(328,617)
Interest, rents and concessions	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	425,000	425,000	96,383	(328,617)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	170	(170)
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	425,000	425,000	113,832	311,168
Total Expenditures	425,000	425,000	114,002	310,998
Excess (Deficiency) of Revenues over Expenditures	-	-	(17,619)	(17,619)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	175,000	175,000
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	175,000	175,000
Net Change in Fund Balances	-	-	157,381	157,381
Fund Balances Beginning	-	-	-	-
Fund Balances Ending	\$ -	\$ -	\$ 157,381	\$ 157,381

Cont'd

City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Special Revenue Nonmajor Governmental Funds
June 30, 2017

	McIndoo Donation Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Interest, rents and concessions	100	100	81	(19)
Other revenues	-	-	-	-
Total Revenues	100	100	81	(19)
EXPENDITURES				
Current:				
General government	-	-	61	(61)
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	15,150	15,150	-	15,150
Total Expenditures	15,150	15,150	61	15,089
Excess (Deficiency) of Revenues over Expenditures	(15,050)	(15,050)	20	15,070
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(15,050)	(15,050)	20	15,070
Fund Balances Beginning	101,058	101,058	101,058	-
Fund Balances Ending	\$ 86,008	\$ 86,008	\$ 101,078	\$ 15,070
				Completed

NONMAJOR PERMANENT FUNDS

Fund Title	Fund Description
LIBRARY ENDOWMENT TRUST FUND	This fund was established to finance the purchase of additional books and materials for the library.
CEMETERY ENDOWMENT FUND	This fund accounts for "Endowment Care" revenues received in trust for the care of decedents' graves.
YOUNT TRUST FUND	This fund was 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.

City of Pacific Grove
Combining Balance Sheet
Permanent Nonmajor Governmental Funds
June 30, 2017

	Library Endowment Trust Fund	Cemetery Endowment Trust Fund	Yount Trust Fund	Total Permanent Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 539,528	\$ 1,477,695	\$ 838,298	\$ 2,855,521
Total assets	<u>\$ 539,528</u>	<u>\$ 1,477,695</u>	<u>\$ 838,298</u>	<u>\$ 2,855,521</u>
FUND BALANCES				
Nonspendable				
Permanent funds	\$ 539,528	\$ 1,477,695	\$ 838,298	\$ 2,855,521
Total fund balances	<u>\$ 539,528</u>	<u>\$ 1,477,695</u>	<u>\$ 838,298</u>	<u>\$ 2,855,521</u>

City of Pacific Grove

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Permanent Nonmajor Governmental Funds

June 30, 2017

	Library Endowment Trust Fund	Cemetery Endowment Trust Fund	Yount Trust Fund	Total Permanent Nonmajor Governmental Funds
REVENUES				
Charges for services	\$ -	\$ 103,902	\$ -	\$ 103,902
Interest, rents and concessions	438	1,297	76	1,811
Total Revenues	<u>438</u>	<u>105,199</u>	<u>76</u>	<u>105,713</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>438</u>	<u>105,199</u>	<u>76</u>	<u>105,713</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(11,455)	(11,455)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(11,455)</u>	<u>(11,455)</u>
Net Change in Fund Balances	438	105,199	(11,379)	94,258
Fund Balances Beginning	<u>539,090</u>	<u>1,372,496</u>	<u>849,677</u>	<u>2,761,263</u>
Fund Balances Ending	<u>\$ 539,528</u>	<u>\$ 1,477,695</u>	<u>\$ 838,298</u>	<u>\$ 2,855,521</u>

City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Permanent Nonmajor Governmental Funds
June 30, 2017

	Library Endowment Trust Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Interest, rents and concessions	500	500	438	(62)
Total Revenues	500	500	438	(62)
EXPENDITURES				
Current:				
General government	4,000	4,000	-	4,000
Total Expenditures	4,000	4,000	-	4,000
Excess (Deficiency) of Revenues over Expenditures	(3,500)	(3,500)	438	3,938
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(3,500)	(3,500)	438	3,938
Fund Balances Beginning	539,090	539,090	539,090	-
Fund Balances Ending	\$ 535,590	\$ 535,590	\$ 539,528	\$ 3,938

Cont'd

City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Permanent Nonmajor Governmental Funds
June 30, 2017

	Cemetery Endowment Trust Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Charges for services	\$ 74,700	\$ 74,700	\$ 103,902	\$ 29,202
Interest, rents and concessions	-	-	1,297	1,297
Total Revenues	74,700	74,700	105,199	30,499
EXPENDITURES				
Current:				
General government	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	74,700	74,700	105,199	30,499
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	74,700	74,700	105,199	30,499
Fund Balances Beginning	1,372,496	1,372,496	1,372,496	-
Fund Balances Ending	\$ 1,447,196	\$ 1,447,196	\$ 1,477,695	\$ 30,499

Cont'd

City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Permanent Nonmajor Governmental Funds
June 30, 2017

	Yount Trust Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Interest, rents and concessions	3,000	3,000	76	(2,924)
Total Revenues	3,000	3,000	76	(2,924)
EXPENDITURES				
Current:				
General government	200	200	-	200
Total Expenditures	200	200	-	200
Excess (Deficiency) of Revenues over Expenditures	2,800	2,800	76	(2,724)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(11,455)	(11,455)
Total Other Financing Sources (Uses)	-	-	(11,455)	(11,455)
Net Change in Fund Balances	2,800	2,800	(11,379)	(14,179)
Fund Balances Beginning	849,677	849,677	849,677	-
Fund Balances Ending	\$ 852,477	\$ 852,477	\$ 838,298	\$ (14,179)

Completed

INTERNAL SERVICE FUNDS

Fund Title	Fund Description
EMPLOYEE BENEFIT FUND	This fund accounts for health insurance provided to departments on a cost reimbursement basis.
WORKERS COMPENSATION FUND	This fund accounts for workers compensation insurance provided to departments on a cost reimbursement basis.
LIABILITY INSURANCE FUND	This fund accounts for liability insurance provided to departments on a cost reimbursement basis.
OPEB FUND	This fund accounts for other postemployment benefits provided to departments on a cost reimbursement basis.

City of Pacific Grove
Combining Statement of Net Position
Internal Service Funds
June 30, 2017

	Employee Benefit Fund	Workers Compensation Fund	Liability Insurance Fund	Other Postemployment Benefits Fund	Total Governmental Activities - Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 169,893	\$ 579,020	\$ 57,876	\$ 322,810	\$ 1,129,599
Other assets	-	200,961	312,044	-	513,005
Total current assets	169,893	779,981	369,920	322,810	1,642,604
Total assets	\$ 169,893	\$ 779,981	\$ 369,920	\$ 322,810	\$ 1,642,604
DEFERRED OUTFLOWS OF RESOURCES					
Pension adjustments	\$ -	\$ 37,122	\$ 37,122	\$ -	\$ 74,244
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 20,977	\$ 41,452	\$ 20,039	\$ -	\$ 82,468
Payroll related liabilities	-	1,822	1,822	-	3,644
Compensated absences - current	-	6,023	6,023	-	12,046
Total current liabilities	20,977	49,297	27,884	-	98,158
Noncurrent liabilities:					
Claims payable	-	765,286	-	-	765,286
Net pension liabilities	-	179,538	179,538	-	359,076
Compensated absences	-	18,069	18,069	-	36,138
Total noncurrent liabilities	-	962,893	197,607	-	1,160,500
Total liabilities	\$ 20,977	\$ 1,012,190	\$ 225,491	\$ -	\$ 1,258,658
DEFERRED INFLOWS OF RESOURCES					
Pension adjustments	\$ -	\$ 39,023	\$ 39,026	\$ -	\$ 78,049
NET POSITION					
Unrestricted	148,916	(234,110)	142,525	322,810	380,141
Total net position	\$ 148,916	\$ (234,110)	\$ 142,525	\$ 322,810	\$ 380,141

City of Pacific Grove
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2017

	Employee Benefit Fund	Workers Compensation Fund	Liability Insurance Fund	Other Postemployment Benefits Fund	Total Governmental Activities - Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 262,683	\$ 1,553,161	\$ 241,370	\$ 100,000	\$ 2,157,214
Total operating revenues	<u>262,683</u>	<u>1,553,161</u>	<u>241,370</u>	<u>100,000</u>	<u>2,157,214</u>
OPERATING EXPENSES					
Contractual services and utilities	239,368	537,057	330,196	-	1,106,621
Personnel	-	57,654	190,678	-	248,332
Total operating expenses	<u>239,368</u>	<u>594,711</u>	<u>520,874</u>	<u>-</u>	<u>1,354,953</u>
Operating income (loss)	<u>23,315</u>	<u>958,450</u>	<u>(279,504)</u>	<u>100,000</u>	<u>802,261</u>
NONOPERATING REVENUES(EXPENSES)					
Investment income	(32)	298	(403)	237	100
Total nonoperating revenues(expenses)	<u>(32)</u>	<u>298</u>	<u>(403)</u>	<u>237</u>	<u>100</u>
Change in net position	<u>23,283</u>	<u>958,748</u>	<u>(279,907)</u>	<u>100,237</u>	<u>802,361</u>
Total net position - beginning	125,633	(1,192,858)	422,432	222,573	(422,220)
Total net position - ending	<u>\$ 148,916</u>	<u>\$ (234,110)</u>	<u>\$ 142,525</u>	<u>\$ 322,810</u>	<u>\$ 380,141</u>

City of Pacific Grove
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017

	Employee Benefit Fund	Workers Compensation Fund	Liability Insurance Fund	Other Postemployment Benefits Fund	Total Governmental Activities - Internal Service Funds
Cash flows from operating activities:					
Receipts from interfund services provided	\$ 262,683	\$ 1,553,161	\$ 241,370	\$ 100,000	\$ 2,157,214
Payments for contractual services and utilities	(221,797)	(697,192)	(630,224)	-	(1,549,213)
Payments to employees	-	(291,944)	(179,318)	-	(471,262)
Net cash provided (used) by operating activities	<u>40,886</u>	<u>564,025</u>	<u>(568,172)</u>	<u>100,000</u>	<u>136,739</u>
Cash flows from investing activities:					
Investment income received	(32)	298	(403)	237	100
Net cash provided (used) by investing activities	<u>(32)</u>	<u>298</u>	<u>(403)</u>	<u>237</u>	<u>100</u>
Net increase (decrease) in cash and cash equivalents	40,854	564,323	(568,575)	100,237	136,839
Cash and cash equivalents - beginning	129,039	14,697	626,451	222,573	992,760
Cash and cash equivalents - ending	<u>\$ 169,893</u>	<u>\$ 579,020</u>	<u>\$ 57,876</u>	<u>\$ 322,810</u>	<u>\$ 1,129,599</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 23,315	\$ 958,450	\$ (279,504)	\$ 100,000	\$ 802,261
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Change in operating assets and liabilities:					
Prepaid expenses	-	(200,961)	(312,044)	-	(513,005)
Deferred outflows of resources	-	(26,915)	(26,915)	-	(53,830)
Accounts payable	17,571	40,826	12,016	-	70,413
Payroll related liabilities	-	156	156	-	312
Claims payable	-	(245,637)	-	-	(245,637)
Deferred inflows of resources	-	(7,782)	(7,779)	-	(15,561)
Net pension liabilities	-	45,317	45,327	-	90,644
Compensated absences	-	571	571	-	1,142
Net cash provided (used) by operating activities	<u>\$ 40,886</u>	<u>\$ 564,025</u>	<u>\$ (568,172)</u>	<u>\$ 100,000</u>	<u>\$ 136,739</u>



STATISTICAL SECTION

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STATISTICAL SECTION

(Unaudited)

This part of the City of Pacific Grove's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents

Page

Financial Trends

These tables contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

150-158

Revenue Capacity

These tables contain information to help the reader assess the city's most significant local revenue source, the property tax.

160-165

Debt Capacity

These tables present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

166-172

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.

174-176

Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

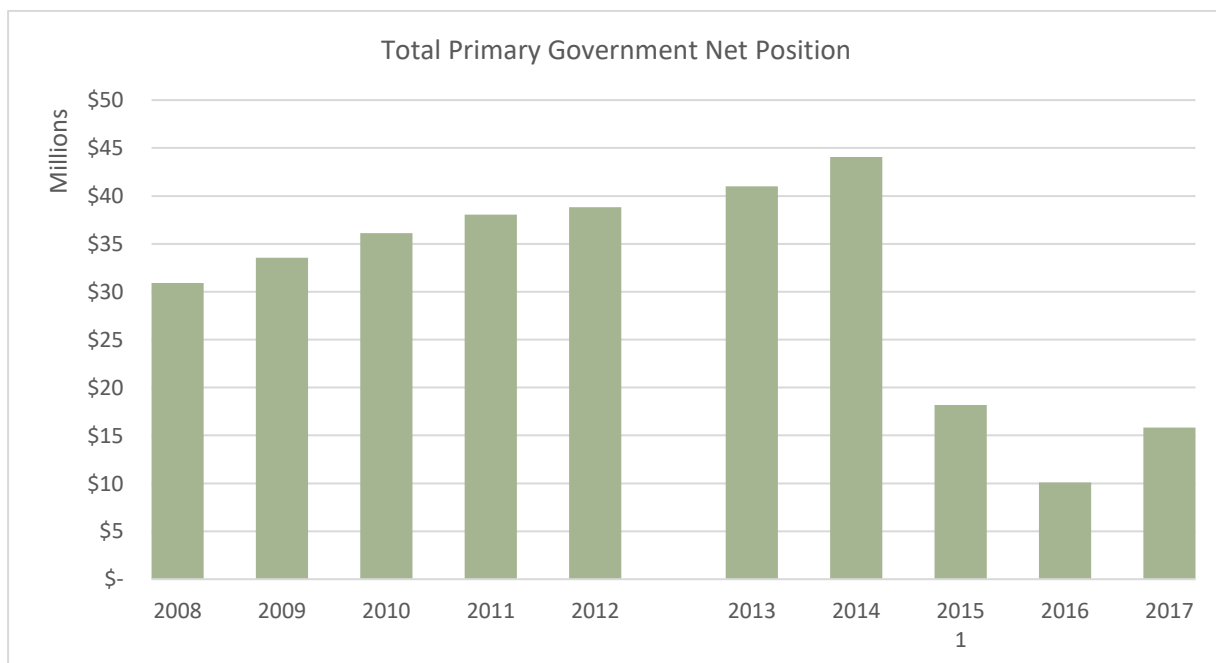
177-178

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

City of Pacific Grove
Net Position By Component
Last Ten Fiscal Years

TABLE 1

	Fiscal Year Ended June 30				
	2008	2009	2010	2011	2012
Governmental activities:					
Net investment in capital assets	\$ 16,939,051	\$ 16,946,262	\$ 16,777,252	\$ 16,112,881	\$ 15,587,584
Restricted	79,019	91,553	102,057	3,071,783	3,372,621
Unrestricted	4,598,790	6,012,648	7,353,729	5,803,212	5,446,607
Total governmental activities net position	<u>\$ 21,616,860</u>	<u>\$ 23,050,463</u>	<u>\$ 24,233,038</u>	<u>\$ 24,987,876</u>	<u>\$ 24,406,812</u>
Business-type activities:					
Net investment in capital assets	\$ 6,766,042	\$ 6,626,372	\$ 7,175,799	\$ 7,483,092	\$ 9,544,860
Restricted	275,552	273,840	273,841	273,841	273,841
Unrestricted	2,235,618	3,609,265	4,437,109	5,298,943	4,585,840
Total business-type activities net position	<u>\$ 9,277,212</u>	<u>\$ 10,509,477</u>	<u>\$ 11,886,749</u>	<u>\$ 13,055,876</u>	<u>\$ 14,404,541</u>
Primary government:					
Net investment in capital assets	\$ 23,705,093	\$ 23,572,634	\$ 23,953,051	\$ 23,595,973	\$ 25,132,444
Restricted	354,571	365,393	375,898	3,345,624	3,646,462
Unrestricted	6,834,408	9,621,913	11,790,838	11,102,155	10,032,447
Total primary government net position	<u>\$ 30,894,072</u>	<u>\$ 33,559,940</u>	<u>\$ 36,119,787</u>	<u>\$ 38,043,752</u>	<u>\$ 38,811,353</u>



Notes:

In Fiscal Year 2014/15, the City implemented GASB 68 - Accounting and Financial Reporting for Pensions. This required the City to record a pension obligation that was previously not carried on the City's financial statements

Source: City of Pacific Grove Finance Department

Cont'd

City of Pacific Grove
Net Position By Component
Last Ten Fiscal Years

TABLE 1

	Fiscal Year Ended June 30				
	2013	2014	2015 ¹	2016	2017
Governmental activities:					
Net investment in capital assets	\$ 21,896,315	\$ 21,416,743	\$ 22,263,317	\$ 22,741,849	\$ 25,668,607
Restricted	5,186,540	5,875,777	6,023,419	6,193,527	6,473,653
Unrestricted	(1,872,525)	(601,953)	(28,355,257)	(36,999,457)	(35,935,550)
Total governmental activities net position	<u>\$ 25,210,330</u>	<u>\$ 26,690,567</u>	<u>\$ (68,521)</u>	<u>\$ (8,064,081)</u>	<u>\$ (3,793,290)</u>
Business-type activities:					
Net investment in capital assets	\$ 9,613,340	\$ 11,468,718	\$ 12,181,977	\$ 12,525,066	\$ 13,220,660
Restricted	273,840	273,843	-	-	-
Unrestricted	5,897,400	5,611,580	6,059,829	5,640,007	6,398,946
Total business-type activities net position	<u>\$ 15,784,580</u>	<u>\$ 17,354,141</u>	<u>\$ 18,241,806</u>	<u>\$ 18,165,073</u>	<u>\$ 19,619,606</u>
Primary government:					
Net investment in capital assets	\$ 31,509,655	\$ 32,885,461	\$ 34,445,294	\$ 35,266,915	\$ 38,889,267
Restricted	5,460,380	6,149,620	6,023,419	6,193,527	6,473,653
Unrestricted	4,024,875	5,009,627	(22,295,428)	(31,359,450)	(29,536,604)
Total primary government net position	<u>\$ 40,994,910</u>	<u>\$ 44,044,708</u>	<u>\$ 18,173,285</u>	<u>\$ 10,100,992</u>	<u>\$ 15,826,316</u>

Concluded

City of Pacific Grove
Changes in Net Position
Last Ten Fiscal Years

TABLE 2

	Fiscal Year Ended June 30				
	2008	2009	2010	2011	2012
Expenses					
Governmental activities:					
General government	\$ 2,667,817	\$ 2,651,095	\$ 2,339,217	\$ 2,370,711	\$ 2,311,480
Public safety	7,992,753	7,083,560	7,830,227	8,414,290	8,086,693
Public works	2,352,891	1,975,888	1,773,319	2,608,811	2,636,102
Recreation	622,419	359,269	319,776	313,473	317,785
Library	828,222	653,150	554,877	643,306	1,042,065
Museum	171,746	367,303	260,876	225,802	201,184
Community Development	1,017,804	1,202,868	1,164,714	1,596,545	1,234,326
Interest and fiscal charges on long-term debt	1,327,298	1,939,596	1,302,442	1,272,286	1,238,744
Total governmental activities expenses	16,980,950	16,232,729	15,545,448	17,445,224	17,068,379
Business-type activities:					
Cemetery	284,697	275,559	229,019	193,698	252,436
Sewer	1,075,578	1,180,209	1,158,397	1,006,075	1,092,344
Golf	2,523,229	2,537,993	2,542,647	2,852,956	2,759,340
Total business-type activities expenses	3,883,504	3,993,761	3,930,063	4,052,729	4,104,120
Total primary government expenses	\$ 20,864,454	\$ 20,226,490	\$ 19,475,511	\$ 21,497,953	\$ 21,172,499
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 296,518	\$ 337,435	\$ 310,730	\$ 287,117	\$ 285,369
Public safety	954,615	1,136,016	1,206,259	1,040,412	1,013,619
Public works	305,341	277,083	276,474	281,928	289,063
Recreation	96,470	50,255	46,979	36,829	43,097
Library	104,036	92,166	89,223	80,326	132,168
Museum	30,296	50,232	40,092	25,806	21,398
Community Development	146,909	173,818	186,201	204,417	159,075
Operating grants and contributions	3,560,620	1,715,992	1,326,874	1,470,090	786,541
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	5,494,805	3,832,997	3,482,832	3,426,925	2,730,330
Business-type activities:					
Charges for services:					
Cemetery	192,063	139,261	154,817	237,626	293,377
Sewer	2,383,467	2,390,364	2,516,888	2,470,459	2,573,438
Golf	2,845,334	2,661,927	2,611,308	2,400,792	2,535,188
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	5,420,864	5,191,552	5,283,013	5,108,877	5,402,003
Total primary government program revenues	10,915,669	9,024,549	8,765,845	8,535,802	8,132,333
Net (expense)/revenue:					
Governmental activities	(11,486,145)	(12,399,732)	(12,062,616)	(14,018,299)	(14,338,049)
Business-type activities	1,537,360	1,197,791	1,352,950	1,056,148	1,297,883
Total primary government net (expense)/revenue	\$ (9,948,785)	\$ (11,201,941)	\$ (10,709,666)	\$ (12,962,151)	\$ (13,040,166)

City of Pacific Grove
Changes in Net Position
Last Ten Fiscal Years

TABLE 2

	Fiscal Year Ended June 30				
	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 3,969,520	\$ 4,172,584	\$ 4,142,004	\$ 4,070,176	\$ 3,998,976
Sales and use taxes	1,612,980	2,433,372	2,794,789	2,895,637	2,941,271
Franchise taxes	747,678	852,640	805,820	979,285	880,008
Transient occupancy taxes	3,389,505	3,292,344	3,105,820	3,113,978	3,378,973
Utility users taxes	1,545,209	1,425,921	1,434,505	1,434,515	1,477,555
Business license tax	300,012	297,595	328,827	305,107	333,721
Other taxes	66,867	58,203	73,157	56,906	88,455
Unrestricted grants and contributions					
Unrestricted Investment earnings	314,367	372,534	257,586	302,274	223,845
Gain (loss) on sale of assets					
Extraordinary items					
Miscellaneous or Other revenues	17,843	519,858	250,958	691,550	434,181
Transfers	400,000	110,318	51,725		
Total governmental activities	12,363,981	13,535,369	13,245,191	13,849,428	13,756,985
Business-type activities:					
Taxes					
Property taxes	-	-	-	-	-
Sales and use taxes	-	-	-	-	-
Franchise taxes	-	-	-	-	-
Transient occupancy taxes	-	-	-	-	-
Utility users taxes	-	-	-	-	-
Business license tax	-	-	-	-	-
Other taxes	-	-	-	-	-
Unrestricted grants and contributions					
Unrestricted Investment earnings	112,541	74,884	37,082	26,659	44,460
Gain (loss) on sale of assets					
Miscellaneous or Other revenues	67,580	69,908	38,965	86,320	61,985
Transfers	(400,000)	(110,318)	(51,725)		-
Total business-type activities	(219,879)	34,474	24,322	112,979	106,445
Total primary government	\$ 12,144,102	\$ 13,569,843	\$ 13,269,513	\$ 13,962,407	\$ 13,863,430
Change in Net Position					
Governmental activities	\$ 877,836	\$ 1,135,637	\$ 1,182,575	\$ (168,871)	\$ (581,064)
Business-type activities	1,317,481	1,232,265	1,377,272	1,169,127	1,404,328
Total primary government	\$ 2,195,317	\$ 2,367,902	\$ 2,559,847	\$ 1,000,256	\$ 823,264

Source: City of Pacific Grove Finance Department

Cont'd

City of Pacific Grove
Changes in Net Position
Last Ten Fiscal Years

TABLE 2

	Fiscal Year Ended June 30				
	2013	2014	2015	2016	2017
Expenses					
Governmental activities:					
General government	\$ 2,372,620	\$ 2,722,546	\$ 2,320,217	\$ 2,768,729	\$ 2,738,294
Public safety	7,591,216	6,783,251	7,144,172	8,675,956	10,117,543
Public works	2,964,967	3,847,820	3,357,831	4,057,715	4,136,425
Recreation	388,241	534,649	439,368	586,436	684,848
Library	776,636	778,981	662,076	844,521	988,284
Museum	191,753	200,369	195,868	258,591	277,538
Community Development	1,675,081	1,684,231	2,246,289	3,512,657	3,086,903
Interest and fiscal charges on long-term debt	1,940,274	2,102,187	1,323,094	1,209,972	1,068,271
Total governmental activities expenses	17,900,788	18,654,034	17,688,915	21,914,577	23,098,106
Business-type activities:					
Cemetery	211,866	236,615	231,261	295,388	293,068
Sewer	1,707,644	1,585,152	1,761,965	1,703,290	1,751,842
Golf	2,186,562	2,073,405	811,666	420,788	349,811
Total business-type activities expenses	4,106,072	3,895,172	2,804,892	2,419,466	2,394,721
Total primary government expenses	\$ 22,006,860	\$ 22,549,206	\$ 20,493,807	\$ 24,334,043	\$ 25,492,827
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 433,402	\$ 305,112	\$ 874,861	\$ 1,398,707	\$ 1,338,655
Public safety	70,448	41,475	9,552	10,405	11,222
Public works	48,292	89,412	35,743	45,792	32,993
Recreation	181,316	236,005	322,363	295,341	377,778
Library	24,865	25,664	18,810	17,601	19,925
Museum	1,308	-	-	-	-
Community Development	332,890	335,515	564,954	578,575	664,133
Operating grants and contributions	768,547	1,170,116	960,553	2,354,025	4,105,908
Capital grants and contributions	777,309	100,000	104,677	36,050	96,383
Total governmental activities program revenues	2,638,377	2,303,299	2,891,513	4,736,496	6,646,997
Business-type activities:					
Charges for services:					
Cemetery	220,105	241,848	200,527	191,497	288,712
Sewer	2,636,516	2,788,017	2,908,507	2,967,074	3,139,222
Golf	2,542,365	2,050,807	405,552	386,916	354,093
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	245,410	857,774	48,405	152,830	-
Total business-type activities program revenues	5,644,396	5,938,446	3,562,991	3,698,317	3,782,027
Total primary government program revenues	8,282,773	8,241,745	6,454,504	8,434,813	10,429,024
Net (expense)/revenue:					
Governmental activities	(15,262,411)	(16,350,735)	(14,797,402)	(17,178,081)	(16,451,109)
Business-type activities	1,538,324	2,043,274	758,099	1,278,851	1,387,306
Total primary government net (expense)/revenue	\$ (13,724,087)	\$ (14,307,461)	\$ (14,039,303)	\$ (15,899,230)	\$ (15,063,803)

City of Pacific Grove
Changes in Net Position
Last Ten Fiscal Years

TABLE 2

	Fiscal Year Ended June 30				
	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 5,372,281	\$ 5,679,257	\$ 5,836,174	\$ 6,226,267	\$ 6,557,824
Sales and use taxes	3,111,379	3,325,567	3,534,495	3,325,809	4,159,401
Franchise taxes	1,010,451	1,046,677	975,090	1,041,653	915,094
Transient occupancy taxes	3,809,270	4,167,334	4,998,885	5,364,317	5,829,610
Utility users taxes	1,565,996	1,580,400	1,428,360	1,594,143	1,593,887
Business license tax	349,920	347,089	359,408	341,071	402,881
Other taxes	-	-	102,627	146,945	125,487
Unrestricted grants and contributions					
Unrestricted Investment earnings	89,544	334,802	257,602	253,846	74,222
Gain (loss) on sale of assets					
Extraordinary items					
Miscellaneous or Other revenues	719,048	1,095,006	837,458	947,392	984,164
Transfers	124,058	507,135		5,301	
Total governmental activities	16,151,947	18,083,267	18,330,099	19,246,744	20,642,570
Business-type activities:					
Taxes					
Property taxes	-	-	-	-	-
Sales and use taxes	-	-	-	-	-
Franchise taxes	-	-	-	-	-
Transient occupancy taxes	-	-	-	-	-
Utility users taxes	-	-	-	-	-
Business license tax	-	-	-	-	-
Other taxes	-	-	-	-	-
Unrestricted grants and contributions					
Unrestricted Investment earnings	32,654	33,422	26,693	67,318	9,754
Gain (loss) on sale of assets					
Miscellaneous or Other revenues	-	-	102,878	113,560	57,473
Transfers	(124,058)	(507,135)	-	(5,301)	-
Total business-type activities	(91,404)	(473,713)	129,571	175,577	67,227
Total primary government	\$ 16,060,543	\$ 17,609,554	\$ 18,459,670	\$ 19,422,321	\$ 20,709,797
Change in Net Position					
Governmental activities	\$ 889,536	\$ 1,732,532	\$ 3,532,697	\$ 2,068,663	\$ 4,191,461
Business-type activities	1,446,920	1,569,561	887,670	1,454,428	1,454,533
Total primary government	\$ 2,336,456	\$ 3,302,093	\$ 4,420,367	\$ 3,523,091	\$ 5,645,994

Source: City of Pacific Grove Finance Department

Concluded

City of Pacific Grove
Fund Balances of Governmental Funds
Last Ten Fiscal Years

TABLE 3

	Fiscal Year Ended June 30				
	2008	2009	2010	2011	2012
General Fund					
Reserved					
Unreserved, designated	\$ -	\$ 1,978,092	\$ 2,456,216	\$ -	\$ -
Unreserved, undesignated	892,705	-	255,453	-	-
Non-spendable	-	-	-	-	-
Prepaid assets			-	177,089	162,413
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	2,467,910	2,467,910
Unassigned	-	-	-	398,202	613,334
Total General Fund	\$ 892,705	\$ 1,978,092	\$ 2,711,669	\$ 3,043,201	\$ 3,243,657
All other governmental funds					
Reserved					
Long-term loan receivable	\$ 1,332,851	\$ 1,422,218	\$ 1,707,418	\$ 2,294,575	\$ 1,794,545
Debt service	79,019	91,553	102,057		
Unreserved, designated, reported in:					
Special revenue funds	3,254,650	2,174,359	2,043,525	2,411,616	2,723,898
Permanent funds	2,302,244	2,656,011	2,629,122	-	-
Capital projects funds	533,504	542,086	549,686	551,906	555,173
Unreserved, undesignated, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Non-spendable	-	-	-		
Prepaid assets				5,219	
Permanent funds	-	-	-	2,351,651	2,443,987
Restricted					
Social service programs	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Street improvements	-	-	-	-	-
Debt service				108,261	93,550
Assigned					
Social service programs					
Unassigned					-
Capital projects funds	-	-	-	(5,387)	-
Total all other governmental funds	\$ 7,502,268	\$ 6,886,227	\$ 7,031,808	\$ 7,717,841	\$ 7,611,153

The City implemented GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions," beginning fiscal year 2011. Certain data required by GASB 54 was not readily available for years prior to 2010.

Source: City of Pacific Grove Finance Department

Cont'd

City of Pacific Grove
Fund Balances of Governmental Funds
Last Ten Fiscal Years

TABLE 3

	Fiscal Year Ended June 30				
	2013	2014	2015	2016	2017
General Fund					
Reserved					
Unreserved, designated	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, undesignated	-	-	-	-	-
Non-spendable	-	-	-	-	-
Prepaid assets	-	-	25,878	27,904	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	125,277	305,554	240,922	261,771	279,660
Unassigned	4,073,763	5,789,263	7,956,937	9,632,848	11,352,442
Total General Fund	\$ 4,199,040	\$ 6,094,817	\$ 8,223,737	\$ 9,922,523	\$ 11,632,102
All other governmental funds					
Reserved					
Long-term loan receivable	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service					
Unreserved, designated, reported in:					
Special revenue funds	-	-	-	-	-
Permanent funds	-	-	-	-	-
Capital projects funds					
Unreserved, undesignated, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Non-spendable					
Prepaid assets			4,215		
Permanent funds	2,481,616	2,558,499	2,643,651	2,761,263	2,855,521
Restricted	-	-	-	-	-
Social service programs	442,099	525,887	507,885	622,022	549,372
Public safety	125,153	553,676	377,053	482,400	772,241
Community development	1,712,531	1,927,833	1,801,999	1,786,526	2,101,263
Street improvements	345,060	239,731	179,252	570	104,510
Debt service	80,081	70,151	63,579	90,746	90,746
Assigned					
Social service programs					
Unassigned	-	-	-	-	-
Capital projects funds	-	(56,185)	(32,658)	157,765	(24,089)
Total all other governmental funds	\$ 5,186,540	\$ 5,819,592	\$ 5,544,976	\$ 5,901,292	\$ 6,449,564

The City implemented GASB 54, "Fund Balance Reporting a: 54 was not readily available for years prior to 2010.

Source: City of Pacific Grove Finance Department

Concluded

City of Pacific Grove
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

TABLE 4

	Fiscal Year Ended June 30				
	2008	2009	2010	2011	2012
Revenues					
Taxes	\$ 11,631,771	\$ 12,532,659	\$ 12,684,922	\$ 12,855,604	\$ 13,098,959
Intergovernmental revenues	3,560,620	2,984,186	2,567,153	2,677,872	1,967,347
Licenses, permits, and impact fees	455,021	364,923	424,659	402,658	345,167
Fines and forfeitures	52,245	35,671	41,706	54,731	48,900
Charges for services	1,426,919	1,716,411	1,689,593	1,499,446	1,549,722
Use of money and property	314,367	372,534	257,586	302,274	223,845
Other revenues	1,485,330	2,017,961	1,799,247	2,323,570	2,095,374
Total revenues	18,926,273	20,024,345	19,464,866	20,116,155	19,329,314
Expenditures					
General government	2,467,139	2,563,041	2,249,557	2,429,240	2,440,953
Public safety					
Police	5,009,577	5,215,311	5,454,952	5,618,582	5,750,059
Fire	2,933,181	3,413,500	3,277,873	3,184,115	2,920,112
Public works	2,540,545	2,104,628	2,001,561	2,385,334	2,472,551
Recreation	802,661	381,719	340,107	311,602	368,636
Library	865,616	700,066	645,940	679,618	1,130,520
Museum	252,074	381,550	290,256	218,338	183,033
Community development	1,222,336	1,320,258	1,348,018	1,729,531	1,360,674
Capital Outlay	322,541	2,002,658	1,024,435	550,333	596,108
Debt Service					
Principal	1,111,275	1,561,384	1,620,609	1,522,493	1,489,870
Interest and fiscal charges	193,873	316,748	384,125	453,809	523,030
Bond issuance costs	-	-	-	-	-
Total expenditures	17,720,818	19,960,863	18,637,433	19,082,995	19,235,546
Excess of revenues over (under) expenditures	1,205,455	63,482	827,433	1,033,160	93,768
Other financing sources (uses)					
Proceeds from asset dispositions	-	-	-		
Proceeds from long-term debt issued	-	-	-		
Proceeds from capital lease	-	31,570	-		
Payment of pension UAAL	-	-	-		
Payment to refunded bond escrow agent	-	-	-		
Premiums on bonds sold	-	-	-		
Interagency transfers out	-	-	-		
Transfers in	1,106,607	769,026	613,327	448,414	418,488
Transfers out	(1,044,807)	(658,708)	(561,602)	(464,009)	(418,488)
Total other financing sources (uses)	61,800	141,888	51,725	(15,595)	-
Extraordinary items					
Extraordinary gain/(loss)	-	-	-	-	-
Total extraordinary items	-	-	-	-	-
Net change in fund balances	\$ 1,267,255	\$ 205,370	\$ 879,158	\$ 1,017,565	\$ 93,768
Total Expenditures	\$ 17,720,818	\$ 19,960,863	\$ 18,637,433	\$ 19,082,995	\$ 19,235,546
Capitalized Portion of Capital Outlay	472,238	2,004,042	1,022,715	539,021	589,172
Total Non-Capitalized Expenditures	\$ 17,248,580	\$ 17,956,821	\$ 17,614,718	\$ 18,543,974	\$ 18,646,374
Debt Service: Principal & Interest	\$ 1,305,148	\$ 1,878,132	\$ 2,004,734	\$ 1,976,302	\$ 2,012,900
Debt service as a percentage of noncapital expenditures	7.6%	10.5%	11.4%	10.7%	10.8%

Source: City of Pacific Grove Finance Department

Cont'd

City of Pacific Grove
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

TABLE 4

	Fiscal Year Ended June 30				
	2013	2014	2015	2016	2017
Revenues					
Taxes	\$ 15,219,297	\$ 16,146,324	\$ 17,235,039	\$ 18,040,205	\$ 19,584,184
Intergovernmental revenues	1,132,932	845,946	786,672	2,129,066	4,109,269
Licenses, permits, and impact fees	412,924	424,170	440,403	481,304	576,779
Fines and forfeitures	76,125	50,370	49,714	127,740	110,665
Charges for services	1,016,396	982,813	1,062,829	1,454,936	1,689,714
Use of money and property	89,544	334,802	489,037	467,624	297,620
Other revenues	719,048	1,237,666	901,452	1,181,216	803,453
Total revenues	18,666,266	20,022,091	20,965,146	23,882,091	27,171,684
Expenditures					
General government	2,429,557	2,521,715	2,317,327	2,522,818	2,453,176
Public safety					
Police	5,003,017	4,320,909	4,960,868	5,345,441	6,097,399
Fire	2,418,886	2,331,484	2,296,708	2,647,804	2,998,969
Public works	2,582,021	3,437,789	2,951,525	3,298,160	3,294,064
Recreation	360,888	497,896	413,832	516,486	594,636
Library	771,147	773,492	677,900	781,275	895,836
Museum	177,952	188,713	190,271	229,053	241,227
Community development	1,789,245	1,684,231	2,319,204	3,258,093	2,798,269
Capital Outlay	910,266	66,686	952,906	1,148,160	3,525,129
Debt Service					
Principal	1,468,455	1,496,503	1,264,632	1,250,399	1,170,427
Interest and fiscal charges	598,447	680,979	765,673	834,601	924,034
Bond issuance costs	-	-	-	-	-
Total expenditures	18,509,881	18,000,397	19,110,846	21,832,290	24,993,166
Excess of revenues over (under) expenditures	156,385	2,021,694	1,854,300	2,049,801	2,178,518
Other financing sources (uses)					
Proceeds from asset dispositions	-	-	-	-	-
Proceeds from long-term debt issued	-	-	-	-	-
Proceeds from capital lease	-	-	-	-	-
Payment of pension UAAL	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Premiums on bonds sold	-	-	-	-	-
Interagency transfers out	-	-	-	-	-
Transfers in	240,847	507,135	753,277	906,787	621,455
Transfers out	(116,789)		(753,277)	(901,486)	(621,455)
Total other financing sources (uses)	124,058	507,135	-	5,301	-
Extraordinary items					
Extraordinary gain/(loss)		-	-	-	-
Total extraordinary items	-	-	-	-	-
Net change in fund balances	\$ 280,443	\$ 2,528,829	\$ 1,854,300	\$ 2,055,102	\$ 2,178,518
Total Expenditures	\$ 18,509,881	\$ 18,000,397	\$ 19,110,846	\$ 21,832,290	\$ 24,993,166
Capitalized Portion of Capital Outlay	910,266	66,686	1,411,285	1,006,089	3,525,129
Total Non-Capitalized Expenditures	\$ 17,599,615	\$ 17,933,711	\$ 17,699,561	\$ 20,826,201	\$ 21,468,037
Debt Service: Principal & Interest	\$ 2,066,902	\$ 2,177,482	\$ 2,030,305	\$ 2,085,000	\$ 2,094,461
Debt service as a percentage of noncapital expenditures	11.7%	12.1%	11.5%	10.0%	9.8%

Source: City of Pacific Grove Finance Department

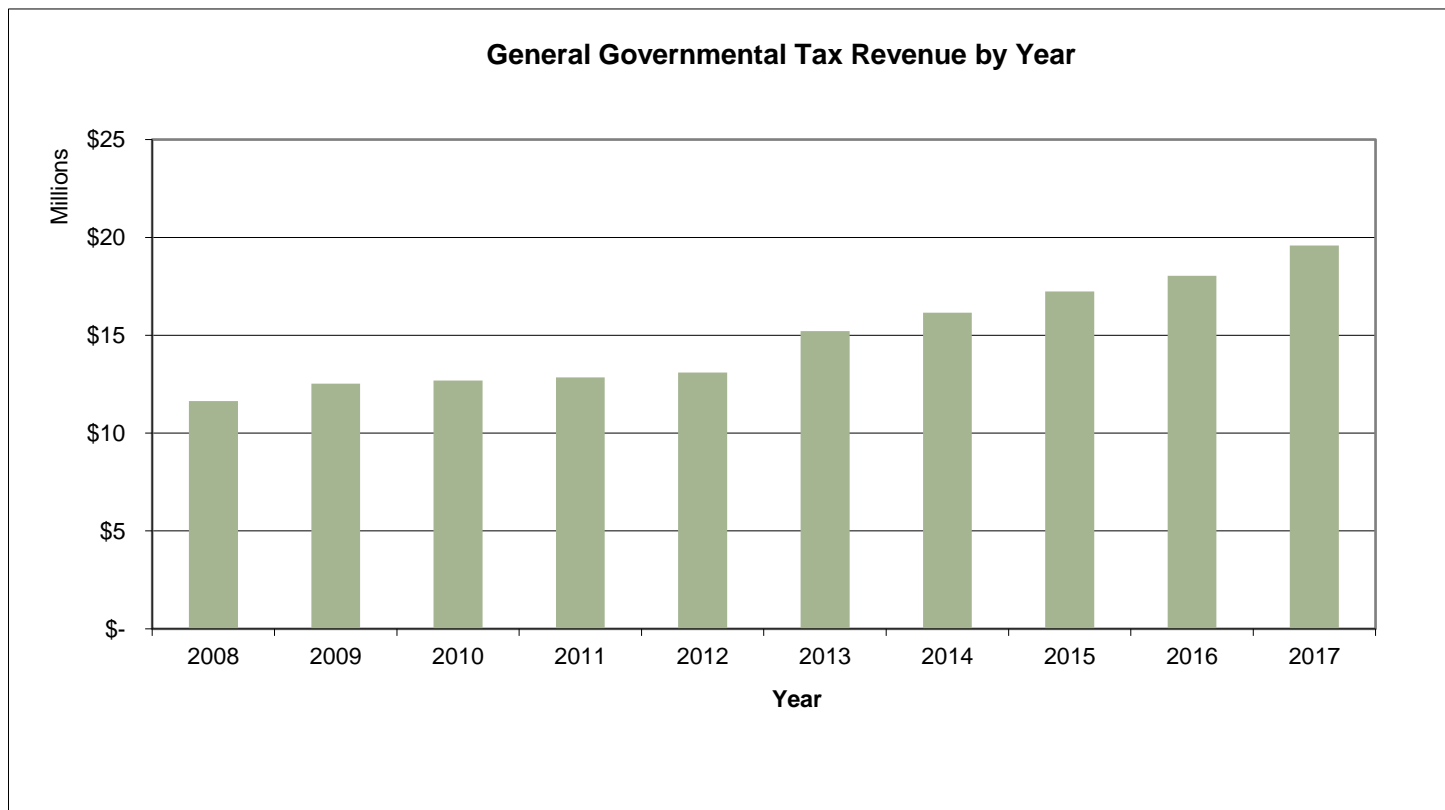
Concluded

City of Pacific Grove

TABLE 5

General Governmental Tax Revenues by Source¹ Last Ten Fiscal Years

Fiscal Year Ended June 30	Property	Sales and Use	Franchise	Transient Occupancy	Utility Users	Business License	Other Tax	Total
2008	\$ 3,969,520	\$ 1,612,980	\$ 747,678	\$ 3,389,505	\$ 1,545,209	\$ 300,012	\$ 66,867	\$ 11,631,771
2009	4,172,584	2,433,372	852,640	3,292,344	1,425,921	297,595	58,203	12,532,659
2010	4,142,004	2,794,789	805,820	3,105,820	1,434,505	328,827	73,157	12,684,922
2011	4,070,176	2,895,637	979,285	3,113,978	1,434,515	305,107	56,906	12,855,604
2012	3,998,976	2,941,271	880,008	3,378,973	1,477,555	333,721	88,455	13,098,959
2013	5,372,281	3,111,379	1,010,451	3,809,270	1,565,996	349,920	-	15,219,297
2014	5,679,257	3,325,567	1,046,677	4,167,334	1,580,400	347,089	-	16,146,324
2015	5,836,174	3,534,495	975,090	4,998,885	1,428,360	359,408	102,627	17,235,039
2016	6,226,267	3,325,809	1,041,653	5,364,317	1,594,143	341,071	146,945	18,040,205
2017	6,557,824	4,159,401	915,094	5,829,610	1,593,887	402,881	125,487	19,584,184



Notes:

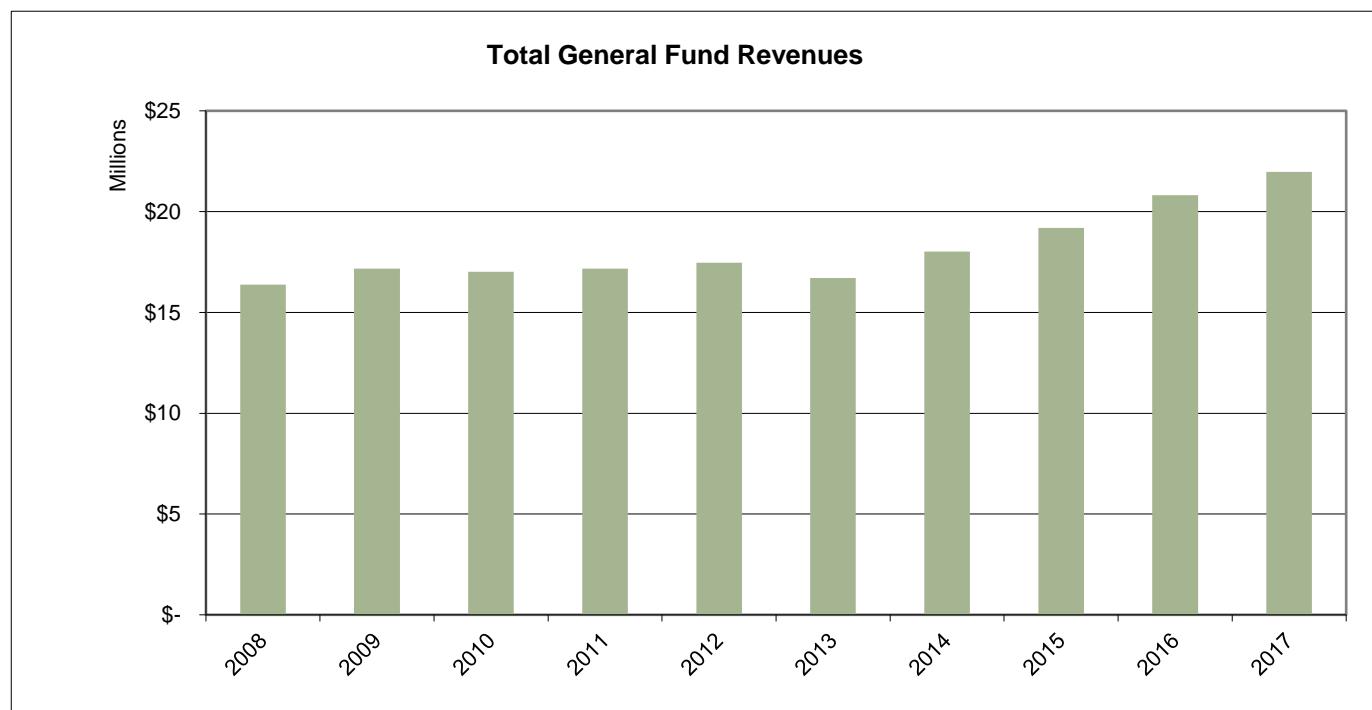
1 References all governmental funds

Source: City of Pacific Grove Finance Department

City of Pacific Grove
General Fund Revenues by Source
Last Ten Fiscal Years

TABLE 6

Fiscal Year Ended June 30	Taxes	Inter- Governmental	Licenses, Permits, Impact Fees	Fines and Forfeitures	Charges for Services	Interest, Rents and Concessions	Other Revenues	Total
2008	\$ 11,404,100	\$ 1,594,668	\$ 455,021	\$ 52,245	\$ 1,313,033	\$ 82,575	\$ 1,485,330	\$ 16,386,972
2009	12,181,016	1,396,178	364,923	35,671	1,341,506	217,994	1,635,215	17,172,503
2010	12,297,855	1,302,203	424,659	41,706	1,198,865	170,843	1,574,304	17,010,435
2011	12,354,827	1,310,987	402,658	54,731	1,227,096	164,460	1,664,343	17,179,102
2012	12,725,418	1,242,568	345,167	48,900	1,229,310	172,317	1,709,683	17,473,363
2013	14,580,821	150,136	412,924	76,125	1,016,396	68,203	401,809	16,706,414
2014	15,500,875	118,692	424,170	50,370	982,813	270,920	674,157	18,021,997
2015	16,532,093	163,543	440,403	49,714	983,061	433,491	589,932	19,192,237
2016	17,358,914	229,671	481,304	127,740	1,367,494	355,293	893,646	20,814,062
2017	18,805,809	111,092	576,779	110,665	1,545,556	265,903	561,992	21,977,796

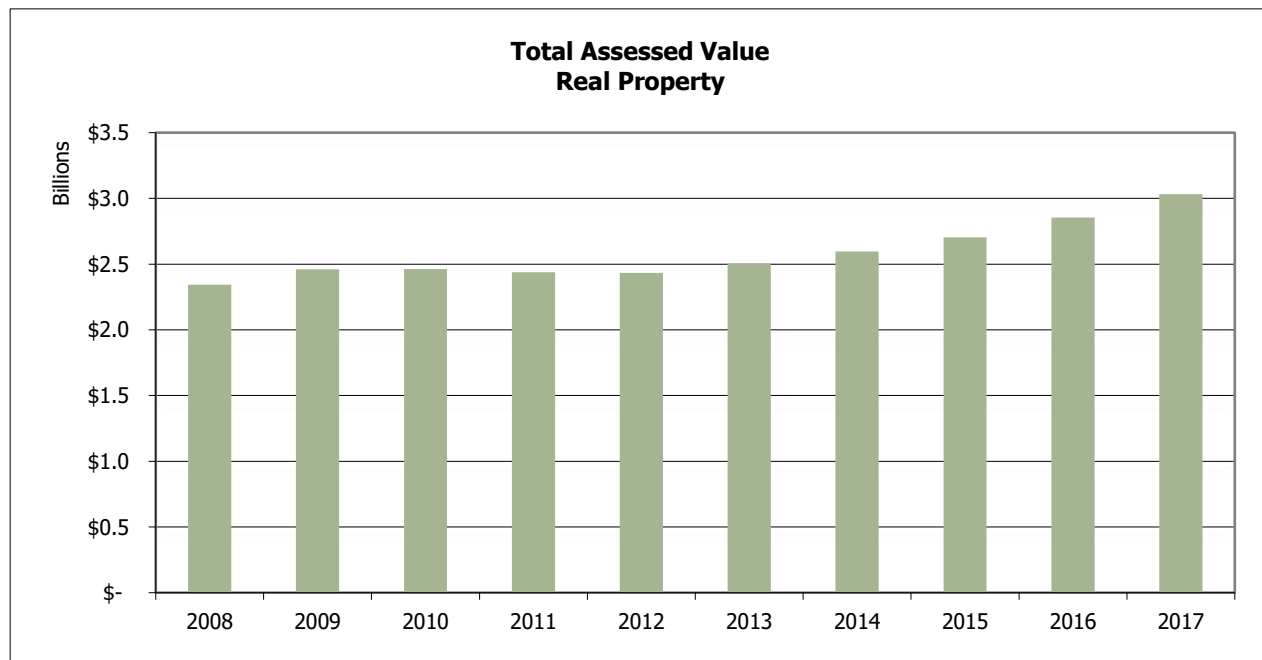


Source: City of Pacific Grove Finance Department

City of Pacific Grove
Net Assessed Value of Taxable Property
Last Ten Fiscal Years

TABLE 7

Fiscal Year						Total	Total
Ended	Real Property					Assessed	Direct Tax
June 30	Residential	Commercial	Other	Total	Personal Property	Value	Rate
2008	\$ 2,104,249,455	\$ 202,807,289	\$ 35,392,621	\$ 2,342,449,365	\$ 38,006,710	\$ 2,380,456,075	16.024%
2009	2,199,492,593	221,778,709	39,646,727	2,460,918,029	42,815,501	2,503,733,530	16.016%
2010	2,199,005,454	226,248,939	37,361,243	2,462,615,636	38,475,216	2,501,090,852	16.024%
2011	2,167,848,902	222,965,057	47,458,951	2,438,272,910	37,227,216	2,475,500,126	16.075%
2012	2,179,172,919	218,873,116	35,682,180	2,433,728,215	35,414,243	2,469,142,458	16.077%
2013	2,239,987,027	227,208,290	35,438,101	2,502,633,418	35,155,400	2,537,788,818	15.826%
2014	2,335,856,065	228,837,888	30,928,929	2,595,622,882	35,984,111	2,631,606,993	16.124%
2015	2,438,540,047	229,888,967	35,379,902	2,703,808,916	38,757,828	2,742,566,744	16.129%
2016	2,582,410,785	238,447,123	33,362,264	2,854,220,172	40,617,474	2,894,837,646	16.241%
2017	2,747,369,747	246,883,728	36,894,923	3,031,148,398	41,950,516	3,073,098,914	16.204%



Notes:

Total Direct Tax Rate is from Table 8. Rates are based on a \$100 of taxable value.

Exempt values are not included in Total.

With the passage of a constitutional amendment (Proposition 13) and subsequently enacted State legislation, property is assessed according to a base year rather than on a percentage of market value. Accordingly, a reliable estimate of actual value of taxable property within the City is not possible.

Source: Monterey County Assessor 2007/08 - 2016/17 Combined Tax Rolls, HdL Companies

City of Pacific Grove
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate per \$100 of Taxable Value)

TABLE 8

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Direct Rates:										
General Obligation Bonds	\$ 0.0050	\$ 0.0040	\$ 0.0040	\$ 0.0040	\$ 0.0030	\$ 0.0030	\$ 0.0030	\$ 0.0030	\$ 0.0040	\$ 0.0035
Total Direct Rate	0.0050	0.0040	0.0040	0.0040	0.0030	0.0030	0.0030	0.0030	0.0040	0.0035
Overlapping Rates ¹ :										
County ²	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.0000	1.0000
School Districts										-
Monterey Peninsula College A, B, C	0.0199	0.0198	0.0224	0.0215	0.0236	0.0158	0.0325	0.0230	0.0230	0.0223
Pacific Grove Unified B, C, D	0.0278	0.0483	0.0602	0.0771	0.0841	0.0736	0.0729	0.0829	0.0829	0.0855
Total Overlapping Rate	1.0477	1.0681	1.0826	1.0986	1.1077	1.0893	1.1053	1.1059	1.1059	1.1078
Total Direct and Overlapping Rate	\$ 1.0527	\$ 1.0721	\$ 1.0866	\$ 1.1026	\$ 1.1107	\$ 1.0923	\$ 1.1083	\$ 1.1089	\$ 1.1099	\$ 1.1113
City Share of 1% Levy per Prop. 13	\$ 0.1942	\$ 0.1942	\$ 0.1942	\$ 0.1977	\$ 0.1977	\$ 0.1977	\$ 0.1965	\$ 0.1976	\$ 0.1976	\$ 0.1976
Voter Approved City Debt Rate	\$ 0.0050	\$ 0.0040	\$ 0.0040	\$ 0.0040	\$ 0.0030	\$ 0.0030	\$ 0.0030	\$ 0.0030	\$ 0.0040	\$ 0.0035
Total Direct Rate	\$ 0.1602	\$ 0.1602	\$ 0.1602	\$ 0.1608	\$ 0.1608	\$ 0.1583	\$ 0.1612	\$ 0.1613	\$ 0.1624	\$ 0.1620

Notes:

1 Overlapping rates are those of entities that apply to property owners within the City of Pacific Grove. Not all overlapping rates apply to all property owners (e.g., the rates for school districts apply only to the proportion of the city's property owners whose property is located within the geographic boundaries of the school district).

2 The passage of a constitutional amendment (Proposition 13) in June 1978 limits the property tax rate to a base of \$1.00 per \$100.00. The \$1.00 rate is levied by the County and apportioned to local agencies according to a formula prescribed by the California legislature.

3 The Total Direct Rate is the weighted average of all individual direct rates applied by the City preparing the statistical section information and excludes revenues derived from aircraft.

Source: Monterey County Assessors 2007/08 - 2016/17 Tax Table and HdL Companies

City of Pacific Grove
Principal Property Tax Owners
Current Year and Nine Years Ago

Table 9

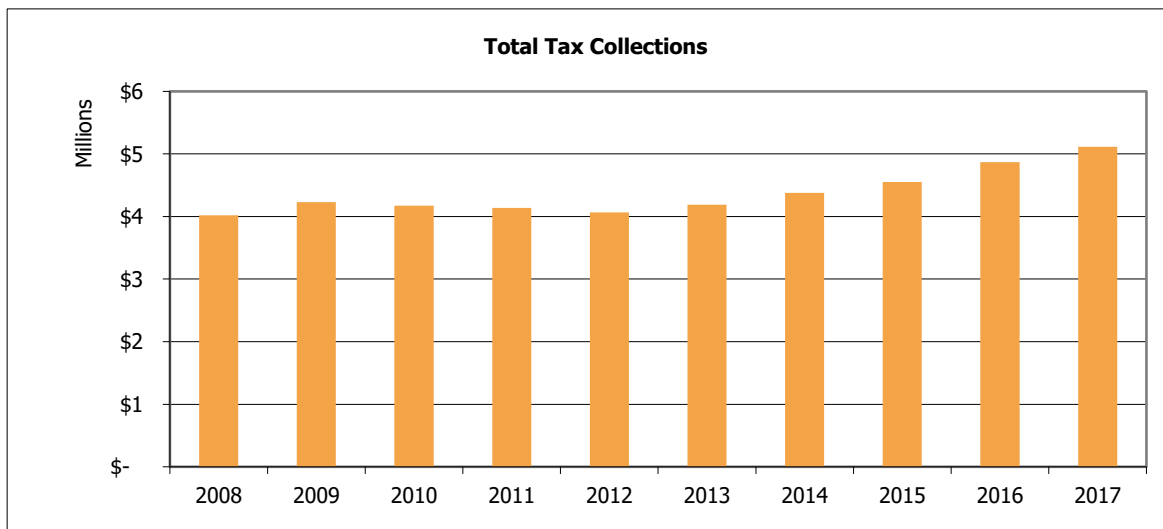
Tax Owner	2017			2008		
	Assessed Valuation	Rank	Percentage of Total Assessed	Assessed Valuation	Rank	Percentage of Total Assessed
			Valuation			Valuation
ROIC California LLC	\$ 24,138,669	1	0.79%	-	-	-
Sequoia Entities - Pacific Grove ET AL	20,441,672	2	0.67%	-	-	-
Gary S. De Amaral, SR	15,292,103	3	0.50%	-	-	-
WGA Grove Acres LP	15,147,903	4	0.49%	13,674,322	3	0.57%
Aramark Sports and Entertainment Services LLC	14,758,817	5	0.48%	-	-	-
Pacific Lighthouse LP	12,377,524	6	0.40%	-	-	-
Foursome Development Company	11,510,715	7	0.37%	10,246,029	6	0.43%
Green Valley Corporation	9,930,873	8	0.32%	-	-	-
Villa Del Mar Apts Partnership	8,955,539	9	0.29%	7,912,439	8	0.33%
Dana Dornsife 2016 Trust	8,781,912	10	0.29%	-	-	-
FPA Country Club Associates	-	-	-	20,600,440	1	0.87%
Kirkwood Village Associates Limited	-	-	-	18,104,636	2	0.76%
Delaware North Parks Services Inc.	-	-	-	13,009,519	4	0.55%
Lighthouse Lodge LLC	-	-	-	12,328,699	5	0.52%
Nam Long 1 LP	-	-	-	8,595,903	7	0.36%
Holman Building Associates LP	-	-	-	7,481,570	9	0.31%
California American Water Company	-	-	-	7,478,604	10	0.31%
Totals	\$ 141,335,727		4.60%	\$ 119,432,161		5.02%
Total assessed value	\$ 3,073,098,914			\$ 2,380,456,075		

Source: Monterey County Assessor 2007/08 and 2016/17 Combined Tax Rolls and the SBE Unitary Tax Roll

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy ¹	Current Tax Collections ²	Percent of Levy Collected	Supplemental Tax Collections	Delinquent Tax Collections ³	Total Collections
2008	3,933,466	3,734,934	95.0%	\$ 162,062	\$ 122,883	\$ 4,019,879
2009	4,110,129	3,919,925	95.4%	103,766	204,445	4,228,136
2010	4,107,792	3,925,741	95.6%	44,942	205,107	4,175,790
2011	4,078,386	3,894,521	95.5%	56,129	188,412	4,139,062
2012	4,043,715	3,894,354	96.3%	51,762	122,408	4,068,524
2013	4,092,438	4,047,146	98.9%	60,464	82,343	4,189,953
2014	4,322,151	4,217,087	97.6%	82,679	79,953	4,379,719
2015	4,505,763	4,404,126	97.7%	83,785	64,142	4,552,053
2016	4,817,299	4,691,501	97.4%	100,936	74,690	4,867,127
2017	5,087,208	4,954,066	97.4%	93,055	70,203	5,117,324



Notes:

- ¹ The Monterey County Auditor-Controller's Office does not list the total assessed value. This amount is calculated referencing the assessed values of properties and the total direct tax rate and general obligation rate for the City of Pacific Grove.
- ² Monterey County reports collections as current period, regardless of original level year.
- ³ The amounts listed in this column represent prior year secured, prior year secured, unsecured, and unitary taxes.

Source: County of Monterey Auditor-Controller's Office
City of Pacific Grove Finance Department

City of Pacific Grove
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years

TABLE 11

	Fiscal Year Ended June 30				
	2008	2009	2010	2011	2012
Governmental Activities:					
General obligation bonds	\$ 739,504	\$ 680,294	\$ 616,748	\$ 548,975	\$ 482,086
Pension obligation bonds	20,687,042	21,039,359	20,716,420	20,326,455	19,860,091
Revenue bonds payable	-	-	-	-	-
Certificates of participation	-	-	-	-	-
Housing Rehabilitation Bank Loan	75,000	75,000	-	-	-
Capital leases	1,523,616	1,338,833	1,097,049	850,111	607,936
Notes	-	-	-	-	-
Other	-	-	-	-	-
Premiums	-	-	-	-	-
Total Governmental Activities	23,025,162	23,133,486	22,430,217	21,725,541	20,950,113
Business-type Activities:					
Wastewater revenue bonds	1,299,855	1,270,719	1,241,583	1,207,447	1,173,311
Golf course site lease	-	-	-	-	-
Certificates of Participation	3,765,000	3,695,000	3,625,000	3,550,000	3,475,000
Leases	57,137	223,299	156,395	114,341	71,444
Notes	-	-	-	-	-
Other - Clean Water State Revolving Loan	-	-	-	-	-
Premiums	-	-	-	-	-
Total Business-type Activities	5,121,992	5,189,018	5,022,978	4,871,788	4,719,755
Total Primary Government	\$ 28,147,154	\$ 28,322,504	\$ 27,453,195	\$ 26,597,329	\$ 25,669,868
Personal income ¹	\$ 641,770,000	\$ 650,508,000	\$ 633,329,000	\$ 608,767,000	\$ 619,885,000
Debt as percentage of personal income	4.39%	4.35%	4.33%	4.37%	4.14%
Population ²	15,349	15,391	15,506	15,683	15,219
Debt per capita	1,834	1,840	1,770	1,696	1,687
Assessed value ³	2,380,456,075	2,503,733,530	2,501,090,852	2,475,500,126	2,469,142,458
Debt as percentage of assessed value	1.18%	1.13%	1.10%	1.07%	1.04%

Notes:

Source:

¹ Personal income is calculated based on the US Department of Commerce, Bureau of Economic Analysis (refer to Table 16).

² California Department of Finance

Cont'd

City of Pacific Grove
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years

TABLE 11

	Fiscal Year Ended June 30				
	2013	2014	2015	2016	2017
Governmental Activities:					
General obligation bonds	\$ 411,120	\$ 336,197	\$ 257,439	\$ 175,057	\$ 89,194
Pension obligation bonds	18,908,410	18,097,866	17,431,558	16,625,139	15,712,560
Revenue bonds payable	-	-	-	-	-
Certificates of participation	-	-	-	-	-
Housing Rehabilitation Bank Loan	-	-	-	-	-
Capital leases	356,349	302,534	200,761	82,534	16,787
Notes	-	-	-	-	-
Other	-	-	-	-	-
Premiums	-	-	-	-	-
Total Governmental Activities	19,675,879	18,736,597	17,889,758	16,882,730	15,818,541
Business-type Activities:					
Wastewater revenue bonds	1,220,588	1,151,740	1,103,096	1,052,184	999,045
Golf course site lease	-	-	3,044,767	2,903,599	2,756,223
Certificates of Participation	3,395,000	3,310,000	-	-	-
Leases	26,737	-	-	-	-
Notes	-	-	-	-	-
Other - Clean Water State Revolving Loan	-	-	-	960,522	6,308,658
Premiums	-	-	-	-	-
Total Business-type Activities	4,642,325	4,461,740	4,147,863	4,916,305	10,063,926
Total Primary Government	\$ 24,318,204	\$ 23,198,337	\$ 22,037,621	\$ 21,799,035	\$ 25,882,467
Personal income ¹	\$ 649,562,000	\$ 662,082,000	\$ 675,827,000	\$ 717,389,000	\$ 740,117,000
Debt as percentage of personal income	3.74%	3.50%	3.26%	3.04%	3.50%
Population ²	15,268	15,431	15,394	15,352	15,498
Debt per capita	1,593	1,503	1,432	1,420	1,670
Assessed value ³	2,537,788,818	2,631,606,993	2,742,566,744	2,894,837,646	3,073,098,914
Debt as percentage of assessed value	0.96%	0.88%	0.80%	0.75%	0.84%

Notes:

Source:

¹ Personal income is calculated based on the US Department of Commerce

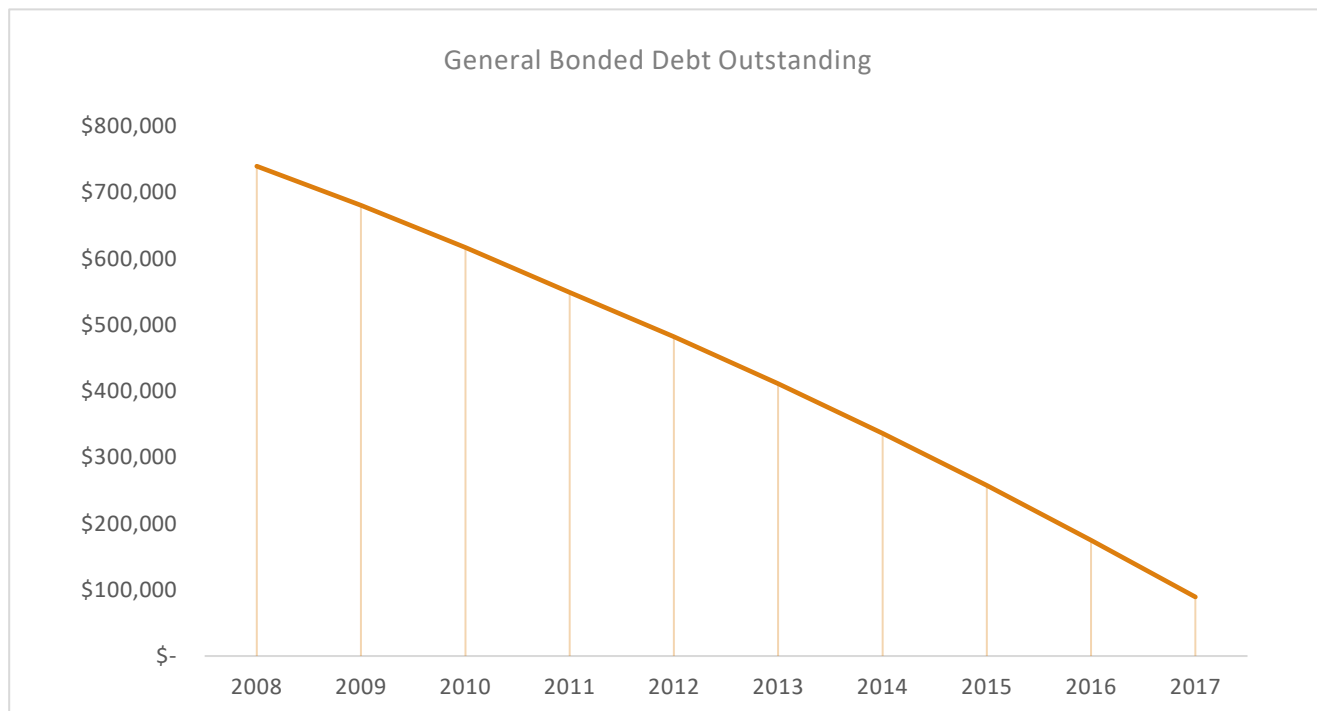
² California Department of Finance

Concluded

City of Pacific Grove
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

TABLE 12

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amount Available in Debt Service Fund	Total	Percentage of Assessed Value	Debt Per Capita	Assessed Value ¹	Population ²
2008	\$ 739,504	\$ 79,019	\$ 660,485	0.03%	\$ 43	2,380,456,075	15,349
2009	680,294	91,553	588,741	0.02%	38	2,503,733,530	15,391
2010	616,748	102,057	514,691	0.02%	33	2,501,090,852	15,506
2011	548,975	108,261	440,714	0.02%	28	2,475,500,126	15,683
2012	482,086	93,550	388,536	0.02%	26	2,469,142,458	15,219
2013	411,120	80,081	331,039	0.01%	22	2,537,788,818	15,268
2014	336,197	70,151	266,046	0.01%	17	2,631,606,993	15,431
2015	257,439	63,579	193,860	0.01%	13	2,742,566,744	15,394
2016	175,057	90,746	84,311	0.00%	5	2,894,837,646	15,352
2017	89,194	110,052	(20,858)	0.00%	(1)	3,073,098,914	15,498



Source: ¹ HdL Companies
² California Department of Finance
City of Pacific Grove Finance Department

City of Pacific Grove
Computation of Direct and Overlapping Debt
June 30, 2017

TABLE 13

2016-2017 Assessed Valuation	\$	3,073,098,914		
	Total Debt Outstanding	Percentage Applicable to City ⁽¹⁾	Amount Applicable to City	
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>				
Monterey Peninsula Community College District	\$ 137,583,522	9.480%	\$ 13,042,918	
Pacific Grove Unified School District	46,754,000	61.325%	28,671,891	
City of Pacific Grove	89,194	100.000%	89,194	
Total Direct and Overlapping Tax and Assessment Debt	<u>\$ 184,426,716</u>		<u>\$ 41,804,003</u>	
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>				
Monterey County General Fund Obligations	199,640,000	5.169%	10,319,392	
Monterey County Board of Education Certificates of Participation	1,575,000	5.169%	81,412	
City of Pacific Grove Pension Obligation Bonds	8,177,207	100.000%	8,177,207	
Total Gross Direct and Overlapping General Fund Debt	209,392,207		18,578,011	
Less: Monterey County supported obligations			(2,510,910)	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>16,067,101</u>	
TOTAL DIRECT DEBT			\$ 8,266,401	
TOTAL GROSS OVERLAPPING DEBT			\$ 52,115,613	
TOTAL NET OVERLAPPING DEBT			\$ 49,604,703	
GROSS COMBINED TOTAL DEBT			\$ 60,382,014	
NET COMBINED TOTAL DEBT			\$ 57,871,104	

Notes:

- (1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2016-17 Assessed Valuation:

Direct Debt (\$89,914)	0.003%
Total Direct and Overlapping Tax and Assessment Debt	1.36%
Total Direct Debt (\$8,266,401)	0.27%
Gross Combined Total Debt	1.96%
Net Combined Total Debt	1.88%

Source: MuniServices, LLC

City of Pacific Grove
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE 14

	Fiscal Year Ended June 30				
	2008	2009	2010	2011	2012
Debt limit	\$ 357,068,411	\$ 375,560,030	\$ 375,163,628	\$ 371,325,019	\$ 370,371,369
Total net debt applicable to limit	660,485	588,741	514,691	440,714	388,536
Legal debt margin	\$ 356,407,926	\$ 374,971,289	\$ 374,648,937	\$ 370,884,305	\$ 369,982,833
Total net debt applicable to the limit as a percentage of debt limit	0.18%	0.16%	0.14%	0.12%	0.10%

Cont'd

City of Pacific Grove
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE 14

	Fiscal Year Ended June 30				
	2013	2014	2015	2016	2017
Debt limit	\$ 380,668,323	\$ 394,741,049	\$ 411,385,012	\$ 434,225,647	\$ 460,964,837
Total net debt applicable to limit	331,039	266,046	193,860	84,311	(20,858)
Legal debt margin	<u>\$ 380,337,284</u>	<u>\$ 394,475,003</u>	<u>\$ 411,191,152</u>	<u>\$ 434,141,336</u>	<u>\$ 460,985,695</u>
Total net debt applicable to the limit as a percentage of debt limit	0.09%	0.07%	0.05%	0.02%	0.00%

Legal Debt Margin Calculation For Fiscal Year 2016-17:

Total assessed value	\$ 3,073,098,914
Debt limit (15% of total assessed value)	460,964,837
Debt applicable to limit:	
General obligation bonds (reported at accreted value)	89,194
Less: Amount available in debt service fund for repayment of bonds	<u>110,052</u>
Total net debt applicable to limit	<u>(20,858)</u>
Legal debt margin	<u>\$ 460,985,695</u>

Notes:

California Government Code, Section 43605, sets the debt limit at 15% of the total assessed valuation of all real personal property within the city.

Source:	County of Monterey Auditor-Controller's Office	
	City of Pacific Grove Finance Department	Concluded

City of Pacific Grove
Pledged-Revenue Coverage
Last Ten Fiscal Years

TABLE 15

	Fiscal Year Ended June 30				
	2008	2009	2010	2011	2012
Wastewater Revenue Bonds ¹ :					
Wastewater charges and other	\$ 2,471,579	\$ 2,469,896	\$ 2,539,268	\$ 2,506,627	\$ 2,613,831
Less: operating expenses	833,826	954,397	888,417	746,389	836,933
Net available revenue	1,637,753	1,515,499	1,650,851	1,760,238	1,776,898
Debt service:					
Principal	30,000	30,000	30,000	35,000	35,000
Interest	65,207	63,752	61,923	60,758	62,586
Total	95,207	93,752	91,923	95,758	97,586
Coverage	17.20	16.16	17.96	18.38	18.21
Certificates of Participation					
Golf course charges and other	\$ 2,906,023	\$ 2,708,032	\$ 2,645,758	\$ 2,465,349	\$ 2,589,066
Less: operating expenses	2,426,072	2,143,248	2,108,049	2,370,198	2,272,341
Net available revenue	479,951	564,784	537,709	95,151	316,725
Debt service:					
Principal	65,000	70,000	70,000	75,000	75,000
Interest	202,987	200,391	198,022	194,272	190,938
Total	267,987	270,391	268,022	269,272	265,938
Coverage	1.79	2.09	2.01	0.35	1.19

Cont'd

City of Pacific Grove
Pledged-Revenue Coverage
Last Ten Fiscal Years

TABLE 15

	Fiscal Year Ended June 30				
	2013	2014	2015	2016	2017
Wastewater Revenue Bonds ¹ :					
Wastewater charges and other	\$ 2,905,604	\$ 2,818,010	\$ 2,986,640	\$ 3,208,150	\$ 3,151,928
Less: operating expenses	1,330,068	1,513,448	1,438,459	1,371,609	1,388,706
Net available revenue	1,575,536	1,304,562	1,548,181	1,836,541	1,763,222
Debt service:					
Principal	35,000	68,847	47,793	50,062	53,138
Interest	55,204	39,394	37,764	36,117	34,353
Total	90,204	108,241	85,557	86,179	87,491
Coverage	17.47	12.05	18.10	21.31	20.15
Certificates of Participation					
Golf course charges and other	\$ 2,545,110	\$ 2,054,168	\$ 406,968	\$ 393,009	\$ 354,856
Less: operating expenses	1,841,989	1,934,567	485,069	124,775	53,142
Net available revenue	703,121	119,601	(78,101)	268,234	301,714
Debt service:					
Principal	80,000	85,000	-	-	-
Interest	187,389	183,426	-	-	-
Total	267,389	268,426	-	-	-
Coverage	2.63	0.45	-	-	-

Refunded Series 2001B Wastewater Bonds with Series 2013 Refunding Wastewater Revenue Loan

Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

Source: City of Pacific Grove Finance Department

Concluded

City of Pacific Grove
Principal Employers
Current Year and Nine Years Ago ⁽¹⁾

TABLE 17

	Fiscal Year Ended June 30					
	2017			2008		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Employer:						
Pacific Grove Unified School District	261	1	2.90%			
Asilomar Hotel and Conference Center	238	2	2.64%			
City of Pacific Grove ⁽²⁾	108	3	1.20%			
Safeway ⁽³⁾	80	4	0.89%			
Canterbury Woods	65	5	0.72%			
Trader Joe's	60	6	0.67%			
Pacific Grove Convalescent	54	7	0.60%			
Best Western The Inn and Suites Pacific Grove ⁽⁴⁾	50	8	0.56%			
Forest Hill ⁽⁴⁾	50	8	0.56%			
Lucky Supermarket ⁽⁴⁾	50	8	0.56%			
Totals	1,016		11.29%	0		0.000%
Total employment	9,000					

Notes:

¹ This is the first year that the City is including a statistical section. Due to the small size of the City, employee counts for prior years were not available through a database or third party. Prior year information will be included as the City reports this information in forthcoming years.

² Includes authorized full-time and part-time equivalency positions; and Council members

³ Includes full-time equivalency and part-time equivalency positions

⁴ All three employers have the same number of employees and are ranked equivalent.

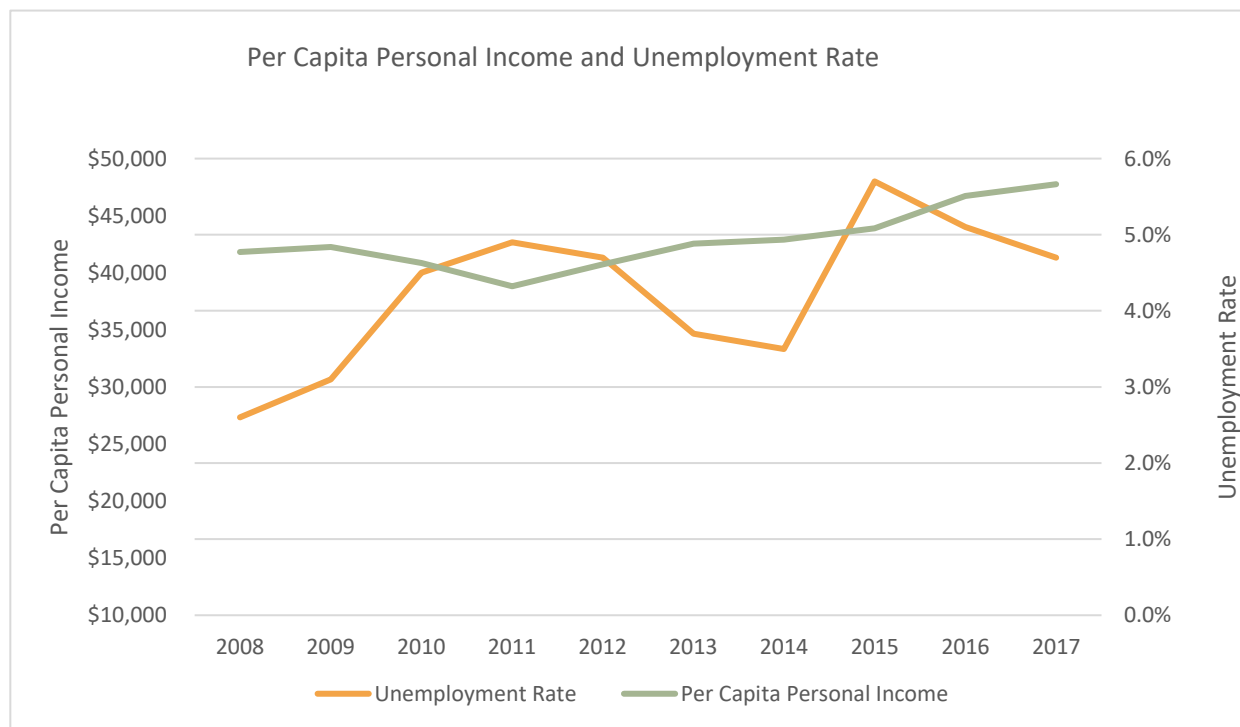
Source: MuniServices, LLC

Results based on direct correspondence with City's local businesses

City of Pacific Grove
Demographic and Economic Statistics
Last Ten Fiscal Years

TABLE 16

Fiscal Year Ended June 30	Population ¹	Unemployment Rate ²	Total Personal Income (In thousands)	Per Capita Personal Income ³	Median Age ⁴	% of Population 25+ with High School Diploma	% of Population 25+ with Bachelor's Degree
2008	15,349	2.6%	641,770	41,812	N/A	N/A	N/A
2009	15,391	3.1%	650,508	42,265	45.0	95.8%	48.5%
2010	15,506	4.5%	633,329	40,844	47.7	93.2%	46.2%
2011	15,683	4.9%	608,767	38,817	45.0	95.8%	48.5%
2012	15,219	4.7%	619,885	40,731	45.8	95.2%	46.0%
2013	15,268	3.7%	649,562	42,544	47.4	95.6%	48.0%
2014	15,431	3.5%	662,082	42,906	48.8	96.0%	51.2%
2015	15,394	5.7%	675,827	43,902	49.3	95.5%	50.4%
2016	15,352	5.1%	717,389	46,729	49.3	95.4%	50.0%
2017	15,498	4.7%	740,117	47,756	48.8	95.5%	52.0%



Notes:

- A For calendar year ending during the fiscal year.
- B Total Personal Income is presented in thousands.

Source: ¹ California Department of Finance and HdL Companies
² California Employment Development Department and HdL Companies
³ U.S. Department of Commerce, Bureau of Economic Analysis and HdL Companies, for years 2010-2017
⁴ U.S. Census, American Fact Finder for 2009, and HdL Companies
⁵ California Board of Equalization and HdL Companies
⁵ Sources 1-5, provided by the HdL companies

City of Pacific Grove
Number of City Employees¹ by Department
Last Ten Fiscal Years

TABLE 18

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Departments:										
General Government ⁽²⁾	15.0	13.5	12.5	12.5	12.1	12.5	14.5	14.5	14.5	14.2
Public Safety ⁽³⁾	91.5	86.5	46.0	46.0	46.3	35.3	34.3	34.0	34.0	36.5
Public Works	19.5	16.5	17.0	16.9	17.0	21.7	22.2	22.0	20.1	19.8
Recreation ⁽⁴⁾	50.4	11.5	11.5	12.0	12.1	11.6	14.6	14.9	13.7	13.7
Library	15.3	7.5	6.5	8.0	9.5	9.5	10.0	9.5	12.0	12.0
Museum	3.0	1.5	1.5	-	-	-	-	-	-	-
Community Development	12.4	11.0	11.7	9.8	7.7	7.0	6.5	8.1	7.9	8.2
Business-type Activities:										
Cemetery	2.8	1.8	1.8	1.8	1.5	1.5	1.5	1.5	1.5	1.5
Sewer	3.6	3.4	3.6	2.8	5.6	5.8	6.1	6.0	4.3	4.8
Golf Course ⁽⁵⁾	20.7	21.5	21.5	21.5	21.5	18.9	17.6	-	-	-
Total	234.0	174.7	133.5	131.2	133.2	123.7	127.2	110.4	107.8	110.5



Notes:

- 1 Reflects the authorized positions in each budget year. This number includes both regular and part-time staff.
- 2 Includes 3.5 FTE's for Council Members and Mayor
- 3 In Fiscal Year 2009/10 the City contracted out fire services to the City of Monterey. From Fiscal Years 2009/10 to 2012/13, the number of paid volunteers in Fire and the Hyperbaric Chamber were gradually reduced.
- 4 In Fiscal Year 2008/09, the number of part-time Recreation staff was reduced due to the economic downturn.
- 5 In Fiscal Year 2014/15, the operation of the municipal golf course was transitioned to a contract services model.

Source: City of Pacific Grove Budget Document

City of Pacific Grove
Operating Indicators By Function
Last Ten Fiscal Years

TABLE 19

	For Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function:										
Police										
Calls for service	15,281	15,612	17,022	17,433	16,084	15,407	16,080	17,627	21,521	15,359
Fire										
Calls for service	1,651	1,478	1,294	1,426	1,400	1,314	1,379	1,584	1,764	1,604
Inspections	N/A	321	874	814	1,055	518	117	177	182	484
Recreation										
Park rentals	145	146	161	160	134	132	159	140	146	152
Paid special events ⁽¹⁾	7	13	16	18	10	10	19	14	16	18
Public Works										
Potholes patched	275	480	600	600	725	750	700	725	600	650
Lightbulb replacements ⁽²⁾	45	100	75	75	177	58	74	48	12	5
Street light repairs	30	15	10	10	10	8	13	14	4	4
Tree Permits Issued	81	97	92	91	94	130	159	96	329	354
Library										
Circulation of library materials	252,268	222,994	216,058	215,383	239,820	253,770	259,252	283,462	291,751	289,458
Reference questions	15,475	19,497	13,159	17,124	23,499	24,225	24,225	25,294	28,779	25,629
Community Development										
Building Permits	682	682	725	323	278	427	350	525	576	429
Architectural Approvals	121	116	43	71	78	63	56	59	53	55
Other planning approvals	71	91	62	117	180	209	323	416	448	395

Notes:

- (1) The Finance Department software and Recreation is currently only tracking paid special events; however the City is also host to several non-profits events
- (2) A reduction in lightbulb replacements occurred due to a transition to LED lighting

Source: City of Pacific Grove Finance Department

City of Pacific Grove
Capital Asset Statistics By Function
Last Ten Fiscal Years

TABLE 20

	For Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function:										
General Government										
Number of buildings	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Parking meters	101	101	101	101	101	101	101	101	101	101
Fire stations	1	1	1	1	1	1	1	1	1	1
Hyperbaric chamber	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of paved streets	55	55	55	55	55	55	55	55	55	55
Parking lots	7	7	7	7	7	7	7	7	7	7
Street lights	699	699	699	699	699	699	699	699	699	699
Fleet Vehicles (City-wide)	119	119	119	119	120	120	121	121	123	121
Recreation										
Parks	19	19	19	19	19	19	19	19	19	19
Playgrounds	4	4	4	4	4	4	4	4	4	4
Community centers / facilities	4	4	4	4	4	4	4	4	4	4
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	5	5	5	5	5	5	5	5	5	5
Historic lighthouse	1	1	1	1	1	1	1	1	1	1
Library										
Library facilities	1	1	1	1	1	1	1	1	1	1
Museum										
Museum facilities	1	1	1	1	1	1	1	1	1	1
Cemetery										
Cemetery facilities	1	1	1	1	1	1	1	1	1	1
Sewer										
Miles of sanitary sewers	58	58	58	58	58	58	58	58	58	58
Miles of storm drains	332	332	332	332	332	332	332	332	332	332
Golf Course										
Number of courses	1	1	1	1	1	1	1	1	1	1

Source: City of Pacific Grove Departments



OTHER INDEPENDENT AUDITOR'S REPORTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
City of Pacific Grove

We have audited, 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, the financial statements of the City of Pacific Grove (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 11, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

November 11, 2017
San Jose, California