



Comprehensive Annual Financial Report

City of Pacific Grove,
California
Fiscal Year Ended June 30 2018

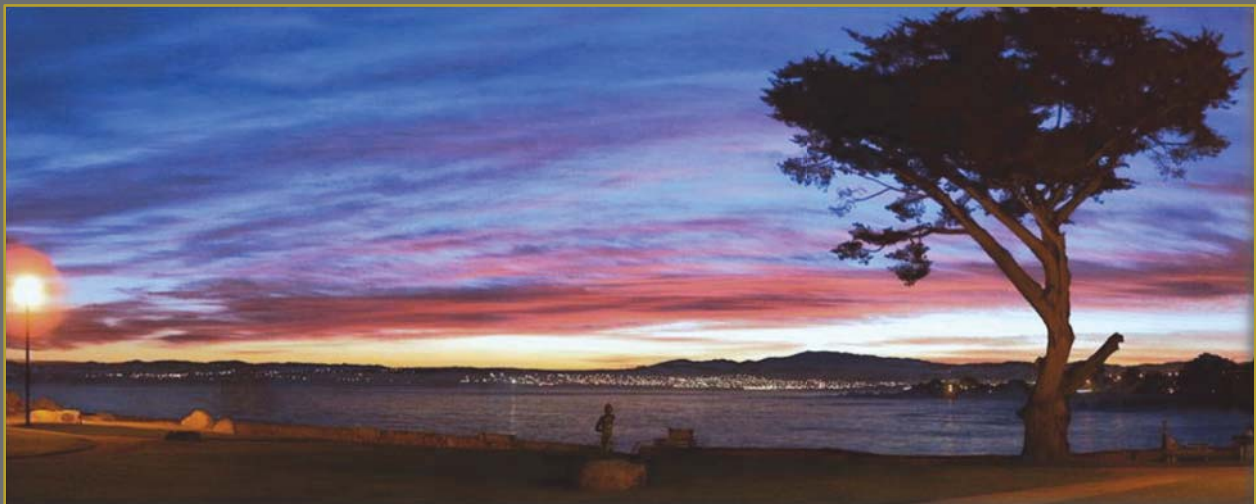
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City of Pacific Grove, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018



Prepared by the Finance Department
Tori Hannah, Administrative Services Director

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CITY OF PACIFIC GROVE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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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 19, 2018

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

SUBJECT: Comprehensive Annual Financial Report – June 30, 2018

The Comprehensive Annual Financial Report (CAFR) for the City of Pacific Grove for the fiscal year ended June 30, 2018 is hereby submitted.

REPORT PURPOSE AND ORGANIZATION

State law requires that the accounts and fiscal affairs of all municipal entities are 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, 2018, 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, 2018. 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 17/18 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 15,700 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 Marine Station 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 facility maintenance; recreational, 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, cemetery, and a local water reclamation facility.

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 referenced 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.
- Recreation: Enhance recreational opportunities in the City to create a healthy, vibrant community.
- Housing: Support maintenance of our existing housing and additional affordable housing.

In accordance with the 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.

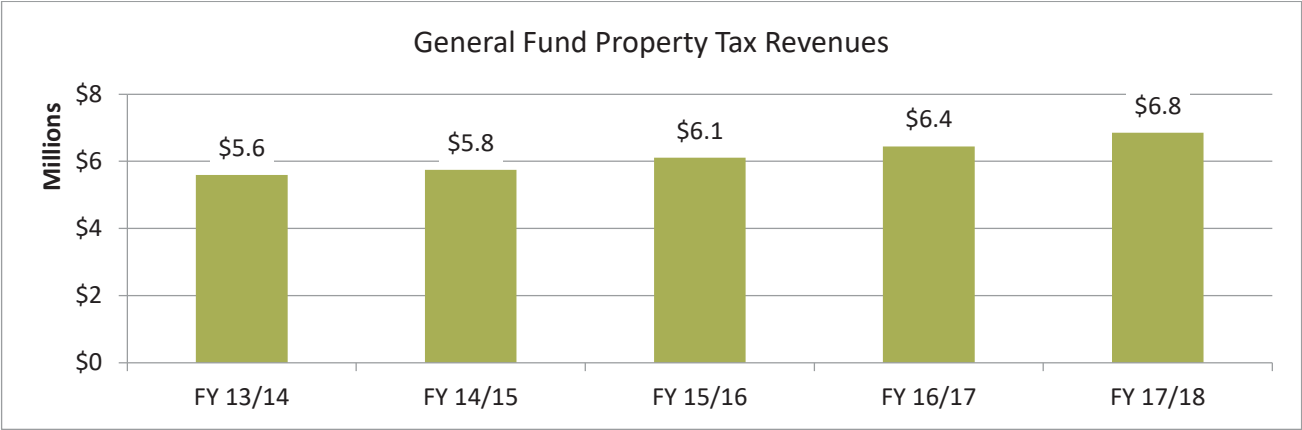
Local Economy

The City is continuing to see a strong and stable local economy, with increased growth reflected in property tax revenues and transient occupancy tax receipts. The May 2018 Beacon Economic Report for the Monterey-Salinas Region cited a continuing increase in median home prices within Monterey County, a 5.8% 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 0.7%. In Pacific Grove, the annual unemployment rate was 4.9%, which represents a 0.2% marginal increase above the prior year. Additional economic indicators within the City include a 6% growth in net assessed property values and a rise in per capita personal income of 6.4%.

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 % of the General Fund Revenues.

Property Tax

Property tax is the City’s largest source of revenue, representing approximately 30% of all general fund revenues. In Fiscal Year 17/18, property taxes generated \$6.8 million in general fund revenues. Property tax revenues have increased by more than 5% annually over the last three years primarily due to continuing growth in property values; and interest in commercial and residential development. In Fiscal Year 17/18, the Monterey County Assessor’s Office projected that property taxes would continue to grow at a conservative rate of 4%. While development is currently constrained due to limited water resources, construction is nearly complete on the Holman Building Project. This 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 Fiscal Year 18/19, with revenues anticipated to be included in multi-year budgetary projections.

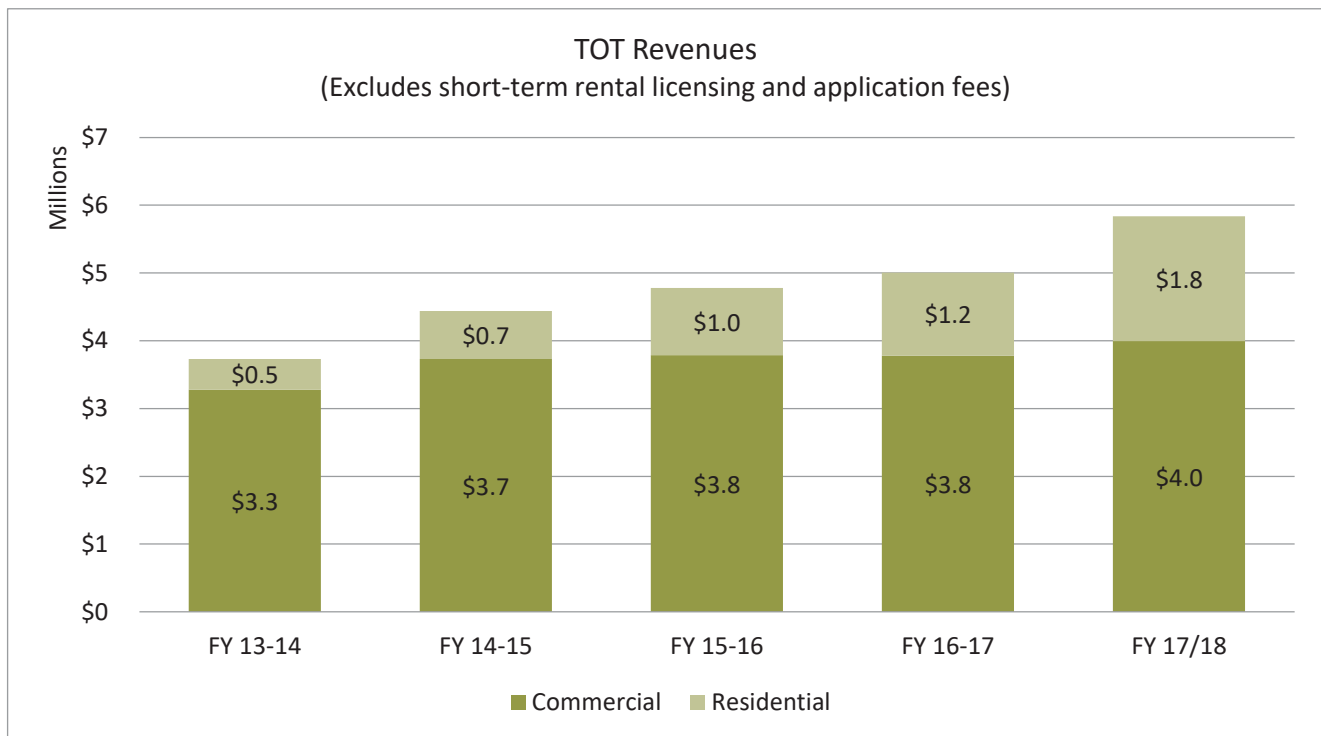


Transient Occupancy Tax Revenues

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 26% 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 17/18, the combined revenues yielded approximately 6.2 million, which is 15% or approximately \$800,000 greater than the prior year. STR's generated approximately \$1.8 million in TOT revenues; and an additional \$325,300 in short-term rental licensing and application fees. The short-term rental category continued to experience significant growth due to rental performance, as well as increased reporting through Airbnb collections. In Fiscal Year 17/18, STR transient occupancy tax revenues increased by close to \$609,000, while commercial TOT revenues increased by approximately 5.8% or \$218,000.

Transient occupancy tax receipts typically respond quickly to changes in economic conditions. While the economy is projected to be relatively stable, the City has recently imposed density limitations on the number of short-term rentals. This would reduce the number of short-term rentals from approximately 256 to 200 or less in Fiscal Year 19/20. Other future impacts include an increase in the TOT rate from 10%-12% which is anticipated to be offset by an approved ballot measure which eliminates a significant number of short-term rentals. Additional information regarding these items can be found in the Major Initiatives section of this report.

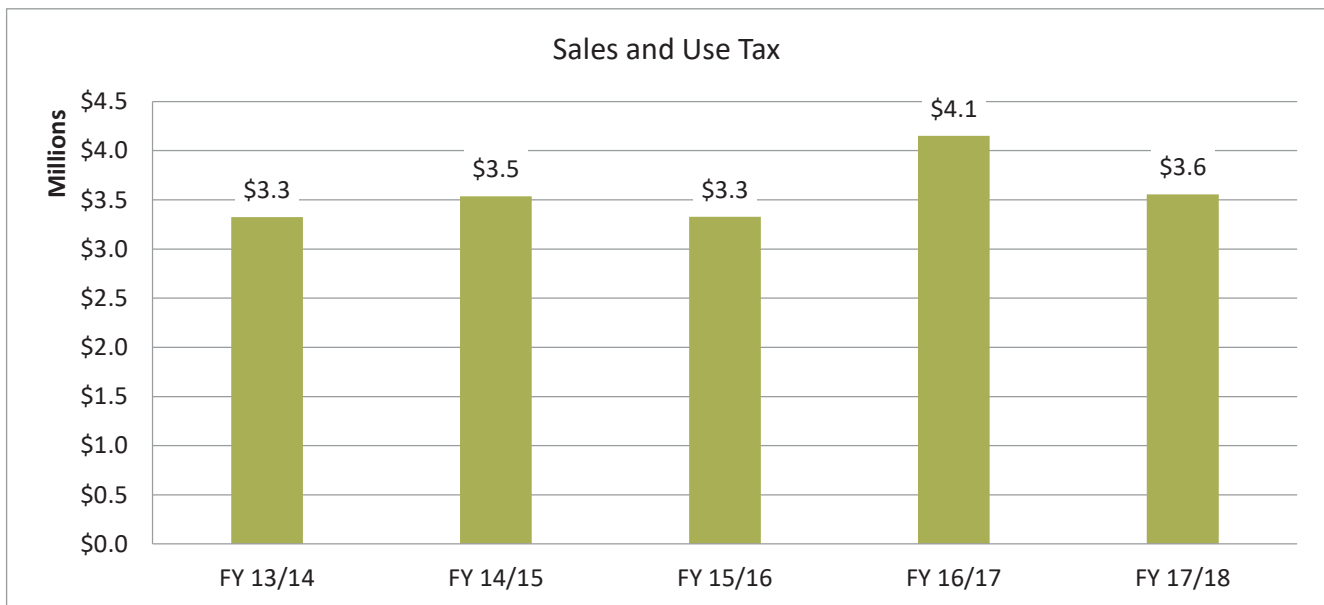
A potential new source of TOT could be derived from the proposed Hotel Durell Project. In September of 2018, a developer received approval for architectural and use permits to build a new 116-room hotel in the downtown area. This hotel is initially planned to include a restaurant and conference center, with both on-site and off-site valet parking spaces. 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 17/18, the largest share of sales and use tax was generated from the following segments: Restaurant and Hotels at 32%, Building and Construction at 20%, and General Consumer Goods at 14%. Although the chart listed below appears to indicate there was a significant increase in revenues in Fiscal Year 16/17, sales tax performance remained relatively stable. This was primarily related to timing differences in the adjacent years. In Fiscal Year 17/18, the State of California implemented a new software reporting system. Due to taxpayer reporting challenges associated with the new system, along with the State requiring additional time to process returns, payments to cities were delayed. The City's sales tax consultant estimated that the delayed revenues could be approximately \$98,400, with any true-ups expected in the later part of Fiscal Year 18/19. This could bring Fiscal Year 17/18 sales tax receipts closer to \$3.7 million. In Fiscal Year 16/17, timing differences associated with recording a second quarter sales tax true-up and the final receipt of the triple flip revenues created a variance of approximately a \$367,200 between the two years. If the amounts were adjusted for performance, 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 18/19 Budget, Sales and Use Tax performance was projected to be relatively flat. This projection was based on current economic trends and consultations with the City's sales tax consultant.



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 18/19 Adopted Budget to fund one-time capital improvements. To assist in identifying appropriate reserve levels and to develop strategies for managing upcoming fiscal challenges, a ten-year forecast was developed and presented to the City Council. Additional details regarding some of the considerations, recommendations, and outcomes of the ten-year forecast; as well as additional major initiatives are included in the subsequent and Relevant Financial Policy Sections of this Transmittal.

Major Initiatives

Balancing the Impact of Transient Occupancy Tax and Short-term Rental Initiatives

In the November 2018 election, Pacific Grove voters approved increasing the transient occupancy tax rate from 10-12%. This measure was initially anticipated to yield \$1.14 million to assist in maintaining service levels, fund rising pension costs, and support deferred maintenance and capital projects. This successful initiative will become effective on July 1, 2019. While this measure was intended to provide relief for projected budgetary shortfalls, a citizen's initiative also passed that will eliminate short-term rentals in residential districts outside of the coastal zone, over an 18 month period. To assist in measuring the impact to City finances, a consultant was retained to prepare a limited study. The report concluded that the City could lose up to \$1.25 million annually in TOT revenues, beginning in Fiscal Year 20/21. While transient occupancy tax revenues have increased since the study, the net difference between the two measures is anticipated to be relatively similar. Any variations from the study could be related to the number of STR visitors that perceive the remaining accommodations as substitutes for the phased-out rentals. Due to deferred implementation timelines, as well as strong reserve levels, the City will have sufficient time to model alternate scenarios, as well as phase-in any proposed solutions.

Implementing a Comprehensive Fee Study and Updating the City's Cost Recovery Policy

In Fiscal Year 17/18, the City retained a consultant to conduct a comprehensive user fee study and develop a cost allocation plan. The study concluded that the General Fund and the Cemetery fund were under-recovering costs by approximately \$443,000 and \$45,000, respectively. In Fiscal Year 18/19, the Council approved increasing most fees to a 100% cost recovery level over a two-year period. This included fees within the Community Development, Public Works, and Cemetery departments. Lower cost recovery percentages were assigned in the Recreation, Police, Library, and administrative departments based on benefits to the community and limitations imposed by outside agencies. To compliment this process, the City's Cost Recovery Policy was amended to reflect current priorities, as well as information learned in the study. Based on current activity levels, the new fees are anticipated to increase General Fund revenues by \$235,000, while a separate parking meter rate increase is projected to generate an additional \$47,000 in revenues for the General Fund.

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 water supply limitations and recent drought conditions. 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 design and construction of a local water reclamation facility. The new Local Water Project (LWP) treats raw sewage and stormwater and uses the reclaimed water to irrigate the City's Golf Course and Cemetery. It also provides flushing water for two public restrooms.

LWP operations commenced in Fiscal Year 17/18. As a result, the Monterey Peninsula Water Management District enacted its Ordinance No. 168 to create the Pacific Grove Recycled Water Supply Entitlement. This measure amended District Rules to add Rule 23.9, creating a Water Entitlement of 66 acre-feet per annum (AFA) as a vested property right for consumption from the Cal-Am system based on the City's reduced demand for potable water. The City Council adopted a Water Policy to address local water issues, determine allocation priorities, and provide guidance on water entitlement sale prices. Other water entitlements available within the Cal-Am water system are selectively available at the current market rate of approximately \$245,000 per AF. The City is in the process of implementing its water distribution policy, and will establish prices for sale of the water entitlements. Proceeds from the sale of entitlement water may be used to pay down long-term obligations, establish a replacement and renewal fund for the Local Water Project, fund critical capital improvements, or for any other general municipal purpose. A discussion regarding the use of water entitlement revenues will take place as part of the continuing policy discussions or the annual budget process.

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 18/19 contribution for the normal and unfunded liability portions of pensions cost is approximately \$657,000 and \$2.2 million, respectively. This represents an increase of over \$442,000 over the prior year costs. Pending CalPERS investment returns and any additional changes in actuarial assumptions, unfunded liability contributions are anticipated to significantly increase 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 3–5% of the employer's share of contributions, dependent upon the bargaining unit.

Addressing Aging Infrastructure

Pacific Grove is a historic community, with over 1,300 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 17/18, the City developed a draft ten-year capital improvement plan to assist with long-term projections. During the initial five-years, the plan identified an average of \$3.2 million in annual General Fund projects. This included approximately \$830,000 for annual street and sidewalk maintenance; with an additional \$670,000 in street-related projects that are anticipated to be funded through revenues from the Transportation Agency of Monterey County (TAMC) and the State's Road Maintenance and Rehabilitation Fund. In Fiscal Year 18/19, the City is conducting a formal street assessment that will be used to pave the way for future street and sidewalk projects. The resulting report, along with previously identified facility and equipment needs, will be used to develop future capital improvement plans.

Receiving Major Grants and Capital Contributions

- **State of California, Proposition 84 Stormwater Implementation Grant**
In Fiscal Year 17/18, the City received a \$4.4 million grant to complete the engineering, design, and construction of the Stormwater Capture and Diversion Project. This project is intended to reduce pollutants entering the Pacific Grove's areas of biological significance (ASBS) by capturing, storing, and diverting runoff from the Lover's Point and Sea Palm Watersheds and improving the aging sanitary sewer collection system.
- **Library Renovation Grants and Contributions**
In 2006, funds were raised to expand the Pacific Grove Library; however that plan was abandoned. Many donors requested that their donations be retained for a future Library project. In Fiscal Year 16/17, donations and pledges reached \$736,000 and a new Library Renewal project was envisioned. Through community workshops and surveys, the following key project priorities were identified: Improve accessibility, provide a comfortable and welcoming community space; and preserve the historic Carnegie "heart" of the Library. The resulting \$2.2 million preliminary design included restoring the 1908 Carnegie rotunda, improving access, creating a central history space to preserve and display local archives; updating paint, carpet, and fixtures; and expanding technology. To fund the design and construction of the project; and relocate the library during the construction period, the community raised close to \$2.5 million. This amount includes \$200,000 in matching funds that the City pledged as part of the Fiscal Year 18/19 Budget. The project's final designs are anticipated to be completed in Fiscal Year 18/19.

Retaining Operational Excellence through Employee Agreements

The City's operational excellence goal includes retaining and recruiting the best people for the long-term health of the organization. To assist in realizing that goal, compensation packages are balanced with the need to achieve fiscal stability. In Fiscal Year 18/19, the City approved a three year memorandum of understanding with the Police Officers Association (POA). This agreement included cost of living increases of 1.6% and 2.5% over the first two years; health benefits equivalent to the other employee bargaining groups; and a continued 3% employee contribution towards the employer's share of pension costs. While the total one year cost is anticipated to be just over \$92,000, approximately \$73,000 of these costs reflect an exchange of paid leave for the wage increase. This offset is anticipated to be realized through long-term savings associated with a reduction in paid leave cash-outs; and a decrease in overtime costs associated with coverage for paid leaves of absence. Memorandums of understanding for the two other employee associations are scheduled to expire in December of 2019.

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 reserves or unassigned fund balance requirements. In Fiscal Year 17/18, the City evaluated the General Fund's fund balance policy to ensure it aligned with the best practices and fiscal sustainability goals. To assist with this effort, the City completed GFOA's Risk Assessment Model and reviewed financial benchmarks. As a result of this assessment, the minimum General Fund unassigned fund balance level was increased from 10% to 35% of operating expenditures. The updated policy also allocates the unassigned fund balance for the following priorities: 20% for cash flow and operations; 10% for fiscal stability, and 5% for contingencies or strategic opportunities. The balance is required to be maintained at that level, unless otherwise approved by the City Council. At the close of Fiscal Year 17/18, the City's General Fund unassigned fund balance was in compliance with the policy.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Pacific Grove for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the first year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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; and commitment to fiscal sustainability and long-term financial planning.

A handwritten signature in black ink, appearing to read 'T. Hannah', is positioned above the printed name.

Tori Hannah, Administrative Services Director

**CITY OF PACIFIC GROVE
LIST OF PRINCIPAL OFFICIALS
FOR
FISCAL YEAR ENDED JUNE 30, 2018**



ELECTED OFFICIALS

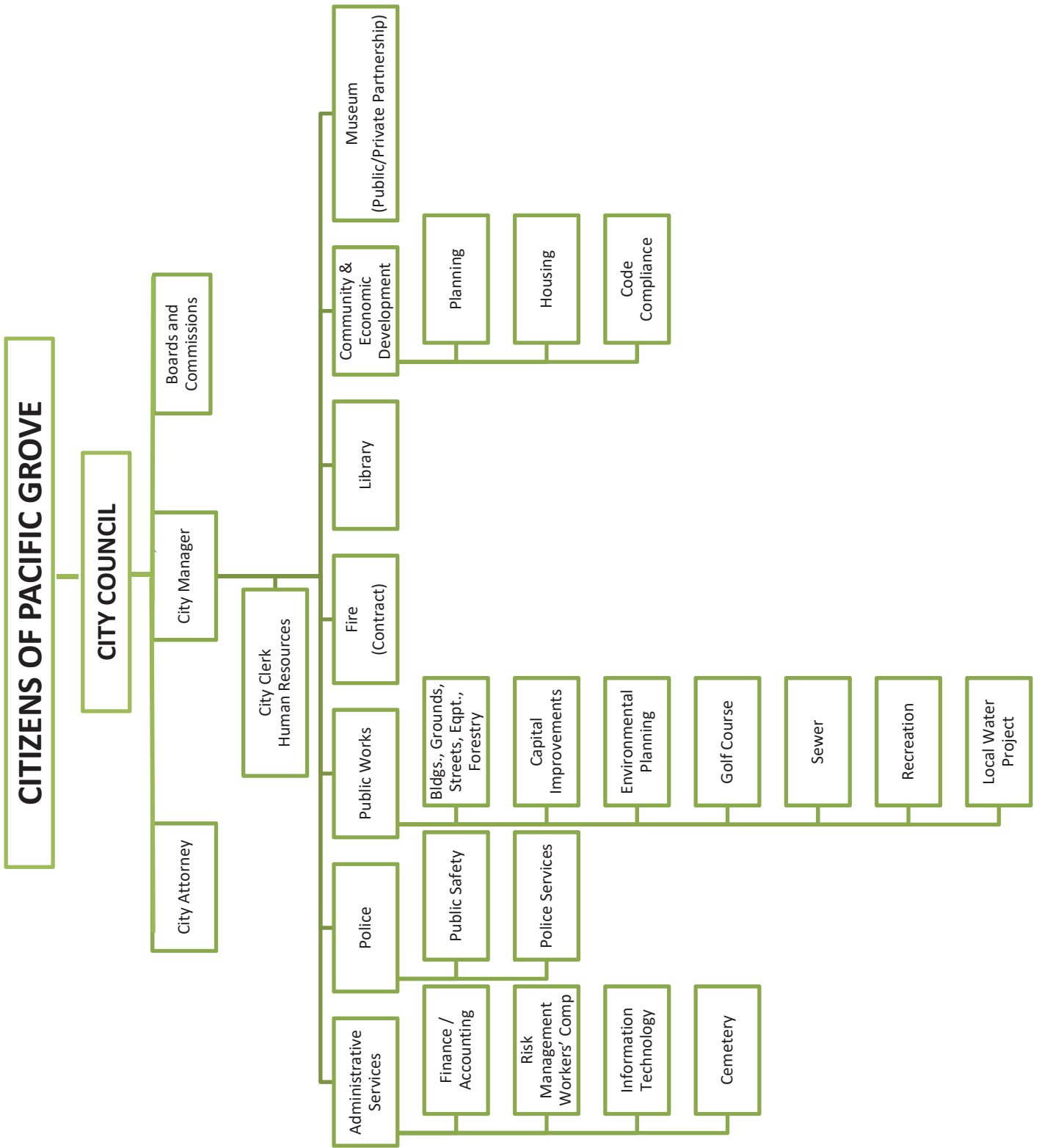
Mayor: Bill Kampe
Mayor Pro Tempore: Robert Huitt
Council Member: Ken Cuneo
Council Member: Rudy Fischer
Council Member: Cynthia Garfield
Council Member: Bill Peake
Council Member: Nick Smith

APPOINTED OFFICIALS

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

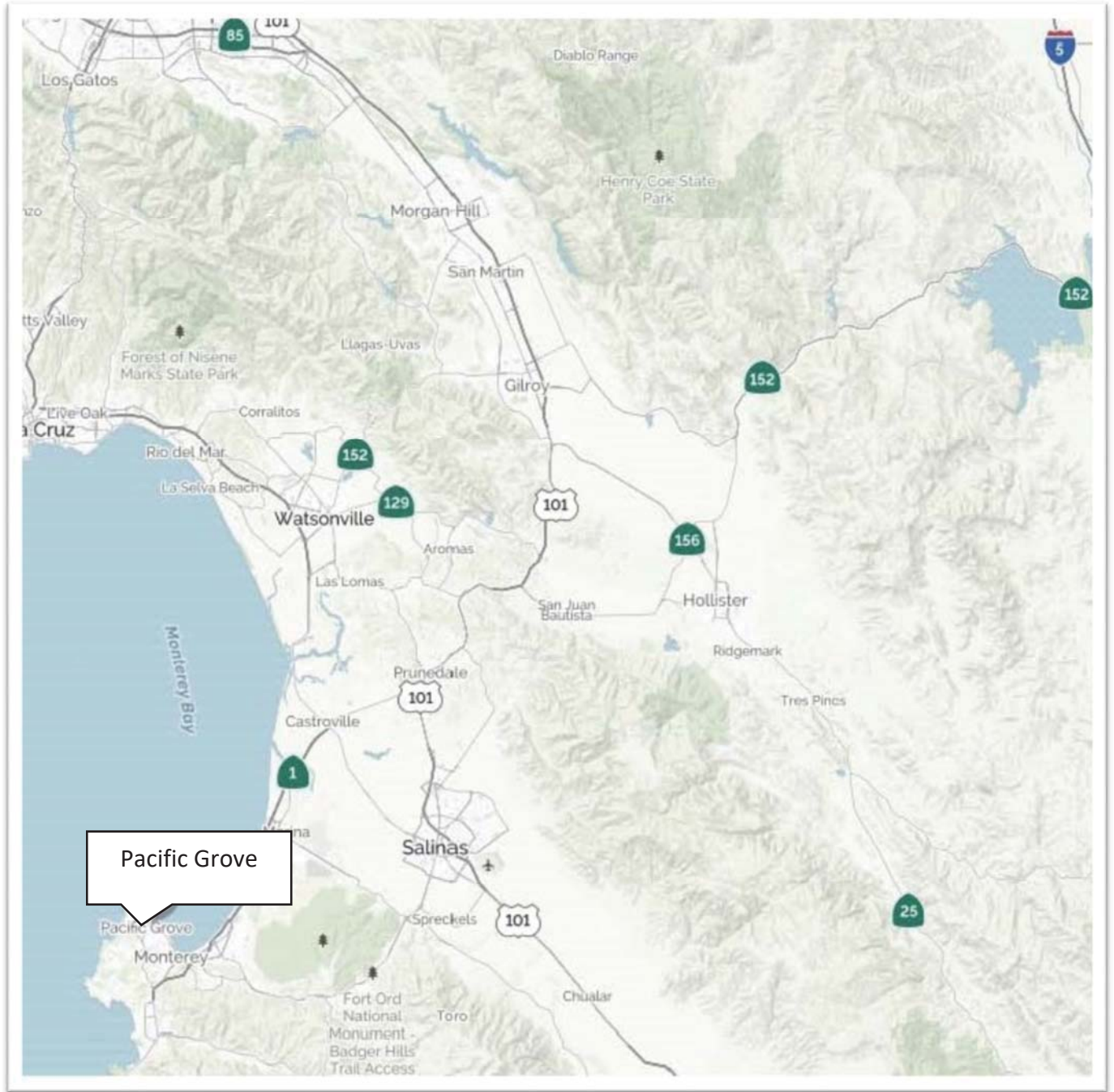
DEPARTMENT HEADS / ADMINISTRATORS

Administrative Services Director: Tori A. Hannah
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
Library Director: Scott Bauer
Public Works Director: Daniel Gho





City of Pacific Grove





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Pacific Grove
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



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, 2018, 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, 2018, 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, 2018, 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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The City currently funds this obligation on a pay-as-you go basis. The City anticipates that its ongoing funding and current resources are sufficient to meet its obligations as they come due. Our opinion is not modified with respect to this matter.

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 December 19, 2018 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

December 19, 2018
San Jose, California

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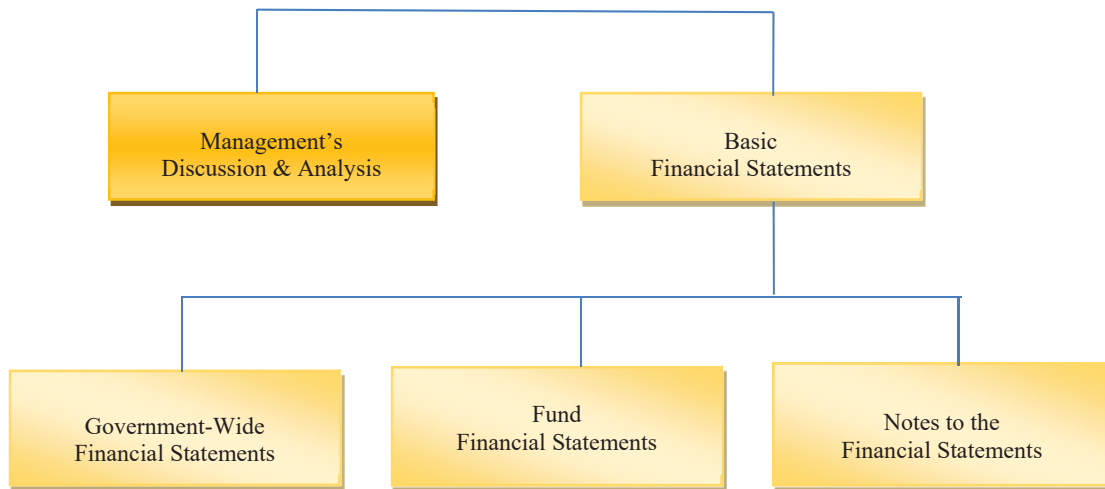
MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2018. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished in our letter of transmittal. This information can be found on pages 1-10 of this report. The required components of the report are listed below.

Required Components of the Annual Financial Report



FISCAL YEAR 2017/18 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 \$19.1 million (net position). Of this amount, net position included \$43.5 million classified as net investment in capital assets; \$7.2 million as restricted; and \$31.6 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 Government-wide financial statements include a prior period adjustment of \$2,633,367. This relates to the implementation of *GASB 75 – Accounting and Financial Reporting for Other Post Employment Benefits*. Additional information regarding the implementation of GASB 75 can be found in Note 1, Section V; Note 9, and the Requirement Supplementary Section of this document.
- The City's change in net position increased by \$3.2 million, subsequent to the prior period adjustment. In both the Governmental and Business-Type Activities, Tax revenues and Charges for

Services remained strong, with revenue increases of \$1.3 million and \$635,000, respectively. The transition between new and retiring grants resulted in a net reduction of \$567,000 in revenues between the two presented fiscal years. This primarily resulted from the Fiscal Year 17/18 receipt of a \$2.4 million grant related to Business-Type Activities, preceded by the Fiscal Year 16/17 receipt of a \$2.7 million grant to support Governmental Activities. The Combined annual expenses increased by \$854,000 on a full accrual basis, however additional funding was allocated to support capital projects and pension costs.

- A net deferred outflow/inflow of \$5.0 million related to pension and other post-employment benefit obligations (OPEB), assisted in offsetting the impacts of a \$7.4 million increase to pension and OPEB obligations. The City's pension liability in accordance with GASB 68 as of June 30, 2018 was \$39.4 million, while the total OPEB liability for the fiscal year ending June 30, 2018 was \$3.8 million.
- The City's long-term debt decreased by \$2.3 million or 9% in Fiscal Year 17/18 primarily as recognition of \$980,000 grant funds to offset the \$6.3 million Clean Water State Revolving Fund Loan that was reported last year, as well as annual debt service payments for other City obligations.
- The City's net capital assets increased by 6.8% or \$3.3 million primarily as a result of construction in progress for grant-funded storm drain improvements and the Local Water Project.

Fund Highlights

- At the close of Fiscal Year 17/18 the City of Pacific Grove's governmental funds reported combined fund balances of \$18.7 million, an increase of \$604,073 in comparison with the prior year. Approximately 60.5% 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, the general fund's unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) was \$11.7 million, or 52.5% of total general fund expenditures, prior to transfers. The general fund's unassigned fund balance was \$11.4 million or 51.2% of total general fund expenditures, prior to transfers. This percentage is above the City's policy level which targets a minimum unassigned fund balance at 35% of operating expenditures.
- The General Fund balance increased by \$231,010, with revenues of \$22.9 million and expenses of \$22.2 million, prior to transfers of \$489,000. Revenues primarily increased over the prior year by \$941,000 due to performance in the tax categories, while expenses increased by \$2.5 million. The increase in expenses primarily reflect a \$495,000 increase in capital assets, rising unfunded pension liability payments of \$336,000, full staffing, and increased contract costs.

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 declining.

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 supported 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 43-44 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 thirty-eight 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 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major 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 45-48 of this report.

Proprietary Funds

The City of Pacific Grove has the following four *enterprise funds* which are proprietary funds: Sewer, Cemetery, Local Water Project, 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 four 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, golf course, and water reclamation 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 49-51 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 17/18.

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 89-95 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 100-156 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 160-188 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 \$19.1 million at the close of the Fiscal Year 17/18. This represents an increase of \$3.2 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	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 25,232,897	\$ 24,247,784	\$ 8,501,128	\$ 9,530,476	\$ 33,734,025	\$ 33,778,260
Capital assets	27,258,794	25,774,588	25,143,246	23,284,586	52,402,040	49,059,174
Total Assets	\$ 52,491,691	\$ 50,022,372	\$ 33,644,374	\$ 32,815,062	\$ 86,136,065	\$ 82,837,434
Deferred Outflows of Resources	\$ 10,149,938	\$ 6,292,549	\$ 350,058	\$ 335,750	\$ 10,499,996	\$ 6,628,299
Liabilities						
Current and other liabilities	\$ 5,374,648	\$ 5,206,893	\$ 718,710	\$ 1,655,400	\$ 6,093,358	\$ 6,862,293
Noncurrent liabilities	55,786,430	49,565,552	10,224,539	11,522,866	66,010,969	61,088,418
Total Liabilities	\$ 61,161,078	\$ 54,772,445	\$ 10,943,249	\$ 13,178,266	\$ 72,104,327	\$ 67,950,711
Deferred Inflows of Resources	\$ 5,124,101	\$ 5,335,766	\$ 350,774	\$ 352,940	\$ 5,474,875	\$ 5,688,706
Net Position						
Net investment in capital assets	\$ 27,258,794	\$ 25,668,604	\$ 16,268,992	\$ 13,220,660	\$ 43,527,786	\$ 38,889,264
Restricted	6,880,621	6,473,653	295,090	-	7,175,711	6,473,653
Unrestricted	(37,782,965)	(35,935,547)	6,136,327	6,398,946	(31,646,638)	(29,536,601)
Total Net Position	\$ (3,643,550)	\$ (3,793,290)	\$ 22,700,409	\$ 19,619,606	\$ 19,056,859	\$ 15,826,316

A significant portion, or \$43.5 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.

The \$7.2 million amount classified as Restricted net position, represents resources that are subject to external restrictions on how they may be used. This includes \$6.9 million in funds restricted for Governmental Activities and \$295,090 for Business-Type Activities. The Restricted amount for Governmental Activities includes \$2.9 million in permanent endowments or trusts; and \$4 million for housing and community development programs; public safety, streets and sidewalks; and fees, assessments, and donations that are collected for a specific purpose. In the Business-Type Activities category, the \$295,090 balance represents funds set aside to meet debt covenant requirements. Complete details of each fund can be found in the fund descriptions and individual fund Statements of Net Position.

The remaining deficit balance of \$31.6 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. This pronouncement

requires that local governments report a proportional share of their pension plan's net pension liabilities on financial statements. In Fiscal Year 17/18, the City's proportionate share of the CalPERS pension liability was \$39.4 million. An additional contributing factor to the deficit balance, includes the implementation of *GASB 75 – Accounting and Financial Reporting for OPEB*. This new pronouncement also requires local governments to report OPEB liabilities on financial statements. The City's OPEB liability for Fiscal Year 17/18 is \$3.8 million. See notes 8 and 9 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 increased from a deficit balance of \$3.8 million in the prior year to a deficit balance of \$3.6 million in the current fiscal year. This increase is largely due to increased economic performance and the continuing receipt of grant funds. Total governmental revenues decreased by \$1.5 million from the prior year. This included a \$2.7 million decrease in program revenues, net of a \$1.3 million increase in general revenues. The net change in expenses from the prior year was a decrease of \$52,848.

With total revenues for Fiscal Year 17/18 at \$32.2 million and total expenses at \$26.4 million, the change in net position for current activity yielded an increase of \$5.8 million. The total change, net of a \$2.6 million prior period adjustment was \$3.2 million.

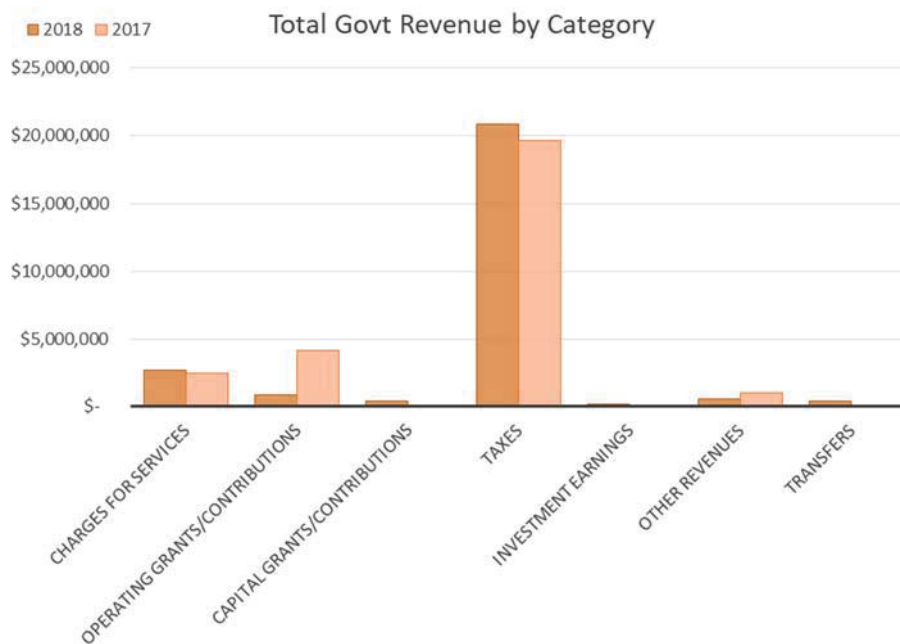
An analysis of the changes in revenues and expenses by type of significant events follows:

Table 2 - Statement of Changes in Net Position

Functions/Programs	Governmental Activities		Increase (Decrease)	Business-Type Activities		Increase (Decrease)
	2018	2017		2018	2017	
Program Revenues						
Charges for services	\$ 2,637,806	\$ 2,444,706	\$ 193,100	\$ 4,223,535	\$ 3,782,027	\$ 441,508
Operating grants and contributions	856,196	4,105,908	(3,249,712)	-	-	-
Capital grants and contributions	424,950	96,383	328,567	2,353,823	-	2,353,823
Total Program Revenues	3,918,952	6,646,997	(2,728,045)	6,577,358	3,782,027	2,795,331
General Revenues						
Taxes	20,858,973	19,584,184	1,274,789	-	-	-
Investment earnings	142,104	74,222	67,882	42,764	9,754	33,010
Other revenues	552,320	984,164	(431,844)	118,017	57,473	60,544
Transfers	356,016	-	356,016	(356,016)	-	(356,016)
Total General Revenues	21,909,413	20,642,570	1,266,843	(195,235)	67,227	(262,462)
Expenses						
General government	3,025,245	2,738,294	286,951	-	-	-
Public safety	10,133,896	10,117,543	16,353	-	-	-
Public works	4,110,946	4,136,425	(25,479)	-	-	-
Recreation	737,279	684,848	52,431	-	-	-
Library	920,946	988,284	(67,338)	-	-	-
Museum	255,915	277,538	(21,623)	-	-	-
Community development	2,897,897	3,086,903	(189,006)	-	-	-
Interest on fiscal charges	963,134	1,068,271	(105,137)	-	-	-
Cemetery operating	-	-	-	370,747	293,068	77,679
Local water project	-	-	-	190,977	-	190,977
Sewer operating	-	-	-	2,367,950	1,751,842	616,108
Golf course	-	-	-	371,646	349,811	21,835
Total Expenses	23,045,258	23,098,106	(52,848)	3,301,320	2,394,721	906,599
Increase / (Decrease) in Net Position	2,783,107	4,191,461	(1,408,354)	3,080,803	1,454,533	1,626,270
Prior Period Adjustments	(2,633,367)	79,330	(2,712,697)	-	-	-
Net Position, Beginning of Year	(3,793,290)	(8,064,081)	4,270,791	19,619,606	18,165,073	1,454,533
Net Position, End of Year	\$ (3,643,550)	\$ (3,793,290)	\$ 149,740	\$ 22,700,409	\$ 19,619,606	\$ 3,080,803

Governmental Revenues

The following chart summarizes the changes in revenues by category during Fiscal Year 17/18:



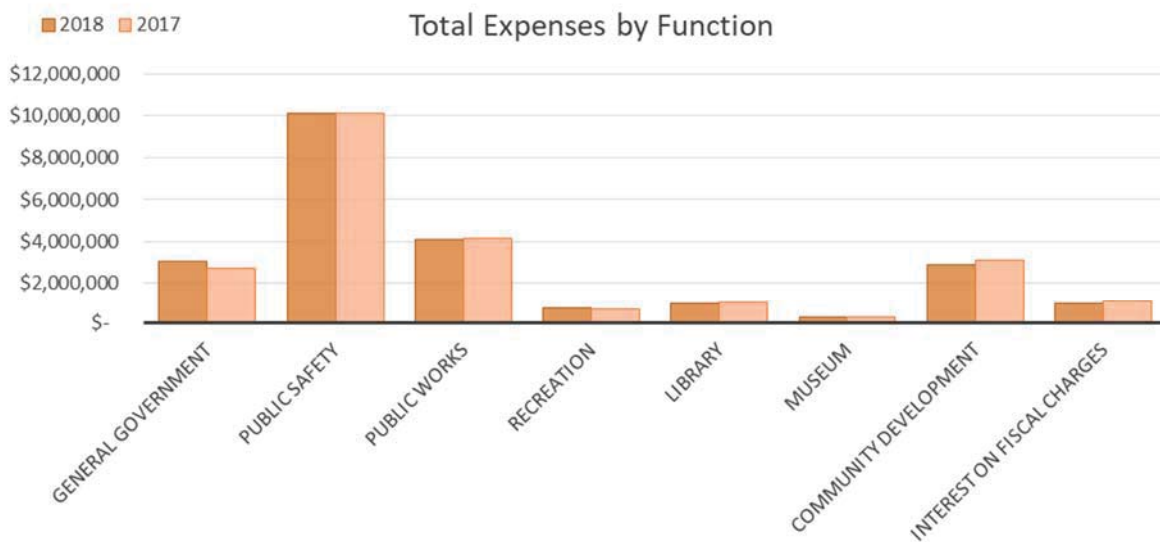
Significant changes in governmental revenues consisted of the following:

- Charges for Services increased by approximately \$193,000 or 7.9%. This is primarily related to resolution of two code compliance liens in the amount of \$167,000. The remaining difference reflects net increases in other governmental activities.
- Taxes increased by \$1.3 million or 6.5%, with changes related to the following categories:
 - Property taxes increased by approximately \$294,000, which includes \$401,000 related to continuing increases in property values, net of \$107,000 related to the retirement of the 2003 Refunding Butterfly Habitat General Obligation Bond.
 - Transient occupancy taxes and transient occupancy license fees increased by approximately \$827,000 or 14.2%, which primarily represented \$609,000 generated by short-term residential rentals, and \$218,000 from commercial properties.
 - Sales tax revenues decreased by approximately \$84,000 or 2%. This is comprised of \$437,000 in new or increased special revenues attributed to Measure X, a local streets and road initiative; and the State's Road Maintenance and Rehabilitation Account (RMRA) tax. This increase is offset by a \$521,000 reduction in General Fund sales tax receipts that is related to timing differences, rather than performance. Additional details regarding the General Fund sales tax is included in the Transmittal.
- Operating grants and contributions decreased by \$3.2 million or 79% primarily due to one-time grant revenues in Fiscal Year 16/17. This funding includes \$2.7 million in grants from the State Water Resources Control Board to support storm drain replacement and repairs; and \$403,000 related to an Areas of Special Biological Significance (ASBS) grant.

- Capital grants and contributions increased by approximately \$329,000 primarily due to a \$100,000 grant to assist with Library renovation project, \$138,000 in expenditures relating to new \$4.4 million State grant for a Stormwater Capture and Diversion Project; and the final grant reimbursements for partial funding of the Great Tide Pool and Point Pinos Trail Projects.
- Other Revenues decreased by approximately \$432,000 primarily due to classification changes related to library donations, loan repayments for housing programs, and a \$50,000 reimbursement related to Project Bella.
- Transfers of \$356,016 represent the Sewer Fund's matching contribution to the Lovers Point Water Quality Improvement Initiative projects in the Clean Beaches Fund.

Governmental Expenses

The Fiscal Year 17/18 expenses for Governmental Activities decreased by \$52,848 as illustrated in the chart below:



Significant changes in governmental expenses consisted of the following:

- General Government increased by 10.5% or \$286,951 primarily due to an increase in the City Attorney contract, a comprehensive fee study and cost allocation plan; the evaluation of a potential revenue measure, and various other costs.
- Community development expenses decreased by 6.1% or \$189,006, which included a reduction in expenditures associated with grant-funded housing programs and an urban greening plan of approximately \$167,000, with additional reductions in other categories.
- Interest expense decreased by 9.8% or \$105,137 due to obligations generally requiring less interest as debt matures. Also, the accretion of interest is on a sliding scale and is decreasing each year.
- While pension costs increased on a fund or modified accrual-basis level, adjustments to pension expenses on a government-wide basis decreased by \$1.7 million to reflect adjustments associated with GASB 68 such as changes in assumptions or proportionate shares of contributions made.

Business-Type Activities

The City's net position for business type activities increased by \$3.1 million. This was largely due to a \$2.4 million recognition of grant funding; and a \$580,000 net difference between revenues and expenses within the Sewer Fund, with the net difference primarily planned to fund sewer infrastructure improvements.

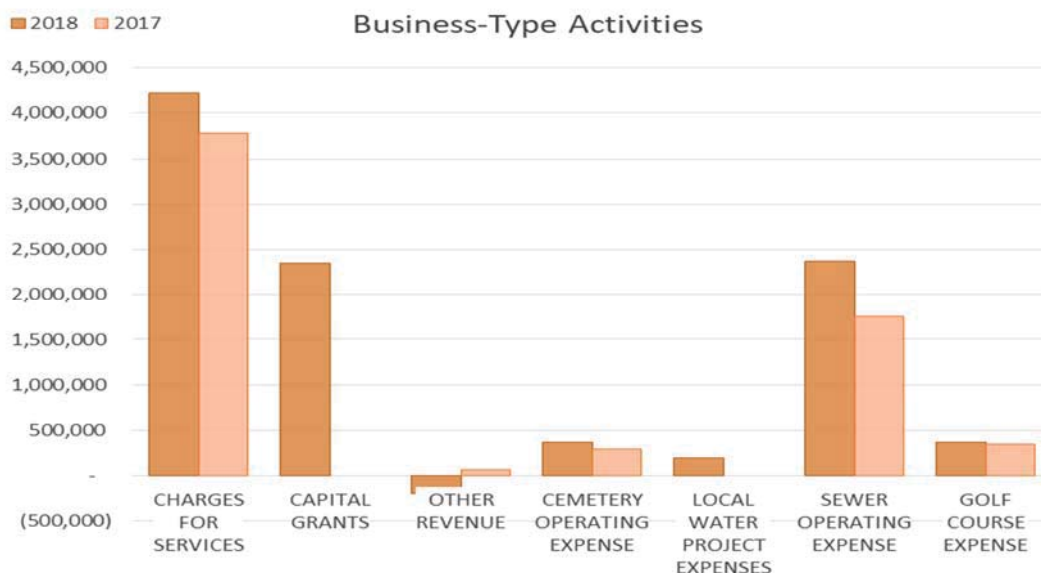
Total Program Revenues for business-type activities increased over the prior year by \$2.8 million. This included a \$441,508 increase in the Charges for Services category, with approximately \$193,000 in operational revenues related to the commencement of operations of the Local Water Project; and growth in the Cemetery Site and Services Sales; and Sewer Service Surcharges of \$163,571 and \$105,709, respectively. This was offset by a minor decrease in Golf Course rents and concessions.

Additional program revenues included the recognition of a \$2.4 million State grant for the Local Water Project. This grant was applied towards the Clean Water State Revolving Fund Loan, as well as applied against Fiscal Year 17/18 construction costs.

A transfer of \$356,016 from the Sewer Fund to the Clean Beaches fund reflected a true-up for the Sewer Fund's matching share of stormwater project costs.

Total expenses for business type activities was \$3.3 million during the year, which was an increase of \$906,599 when compared to the prior year. This is primarily related costs in the Sewer Fund which include periodic pump and lift station maintenance; hydro line cleaning and foaming, sewer system planning costs, and allocation changes in personnel that amounted to \$616,000. Additional increases in expenses include \$191,000 related to commencement of operations of the new Local Water Project; and \$78,000 associated with increased Cemetery operations.

The following chart is a summary of the changes in revenues and expenses for the City's business-type activities from Fiscal Year 16/17 to 17/18:



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						Total
	General Fund	Housing Fund	CDBG Grant Fund	Clean Beaches Fund	2013 CDBG Grant Fund	Other Governmental Funds	
Total Revenues	\$ 22,919,219	\$ 164,490	\$ 266,942	\$ 133,480	\$ -	\$ 2,419,915	\$ 25,904,046
Total Expenditures	22,199,360	82,941	26,894	480,907	-	2,865,887	25,655,989
Revenues Over (Under) Expenditures	719,859	81,549	240,048	(347,427)	-	(445,972)	248,057
Transfers in	56,138	-	-	356,016	-	577,449	989,603
Transfers out	(544,987)	-	-	(8,589)	-	(80,011)	(633,587)
Net change in fund balances	231,010	81,549	240,048	-	-	51,466	604,073
Beginning of year	11,632,102	362,423	6,862	-	-	6,080,279	18,081,666
End of year	\$ 11,863,112	\$ 443,972	\$ 246,910	\$ -	\$ -	\$ 6,131,745	\$ 18,685,739

The fund balance of the City's General Fund increased by approximately \$231,010. As presented earlier in connection with governmental activities, the increase was primarily due to growth in tax revenues. This was offset by increases in capital spending of approximately \$495,000, a rise in unfunded pension liability costs of \$336,000, funding for full staffing, and increased legal fees. The Housing and CDBG Grant fund revenues exceeded expenditures to reflect the repayment of housing loans and the revolving support of housing programs. In Fiscal Year 17/18, all funds supported by the 2013 CDBG Grant Fund were loaned to residents; however no loan payments were received.

The Clean Beaches Fund was primarily established to support projects and/or programs associated with the State's Clean Beaches Initiative Grant. In Fiscal Year 17/18, the City expended \$480,907 on the final phase of a project to protect and restore water quality in the Lover's Point Beach watershed. The revenues reflect grant reimbursements and matching contributions from the Sewer Fund.

Combined Funds – Components of Fund Balance

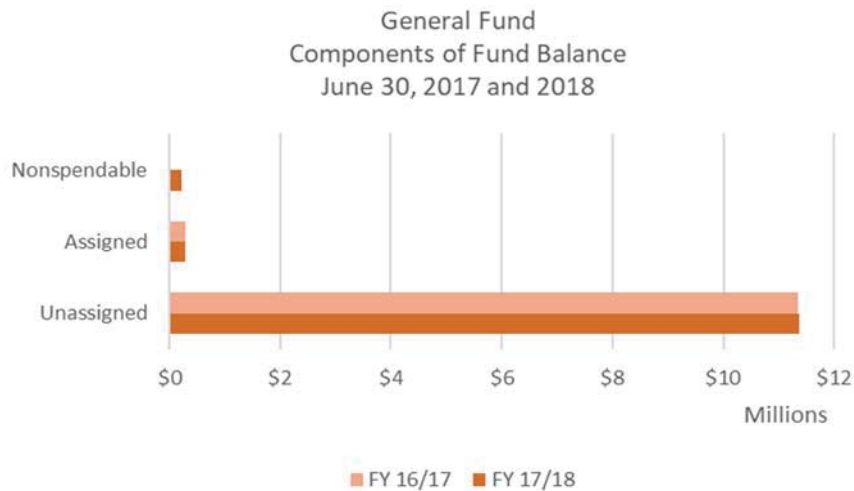
As of June 30, 2018, the City of Pacific Grove's reported combined fund balances of \$18.7 million, which represents a \$604,073 increase over the prior year. Approximately 60%, or \$11.3 million, is classified as unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned. The nonspendable balance of \$3.1 million represents funds that are not in a spendable form, such as prepaid items, endowments, or trust funds. The

restricted balance of \$4 million reflects funds that are legally required to remain intact, while the remainder of \$286,638 represents funds that are assigned to a particular purpose.

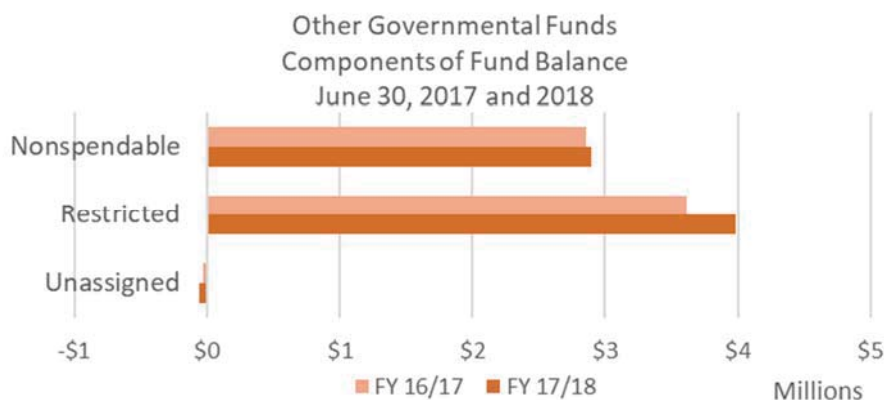
General Fund – Components of Fund Balance

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 and the total fund balance increased to \$11.9 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 \$22.2 million. City Council Policy 400-6: Budget and Financial Management establishes a goal of retaining an Unassigned General Fund balance of 35%. In Fiscal Year 17/18, the General Fund's Unassigned fund balance represented approximately 51.2% of the total general fund expenditures, while the total fund balance represented approximately 53.4% of total general fund expenditures. This placed the City in compliance with the City Council Policy 400-6.

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, 2018 amounts to \$52.4 million (net of accumulated depreciation). This includes net capital assets from governmental activities of \$27.3 million and net capital assets from business type activities at \$25.1 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 \$3.3 million. This includes a net increase of \$1.48 million or 5.8% related to Governmental Activities and a net increase \$1.86 million or 8% related 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
	2018	2017	2018	2017	2018	2017	
Land	\$ 2,338,270	\$ 2,338,270	\$ 362,973	\$ 362,973	\$ 2,701,243	\$ 2,701,243	0.00%
Construction in progress	151,969	2,791,762	-	6,308,658	151,969	9,100,420	-98.33%
Buildings and improvement	5,765,783	5,484,254	5,504,775	5,530,371	11,270,558	11,014,625	2.32%
Infrastructure	18,175,094	14,460,166	19,161,544	10,944,065	37,336,638	25,404,231	46.97%
Machinery and equipment	827,678	700,136	113,954	138,519	941,632	838,655	12.28%
Total Capital Assets, Net	\$ 27,258,794	\$ 25,774,588	\$ 25,143,246	\$ 23,284,586	\$ 52,402,040	\$ 49,059,174	6.81%

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

- Governmental Activities:
 - Completion of storm drain replacement and repair projects in the Laurel and Forest, Mermaid, and Caledonia areas. This includes \$184,731 in current year costs and \$2.7 million in prior year costs that were reclassified from Construction in Progress to Infrastructure.
 - Various street and sidewalk projects: \$663,000
 - Improvements on the Great Tide Pool and Point Pinos trails: \$286,000
 - Seawall upgrade: \$143,000
 - Improvements to the city-owned facility, occupied by a lessee: \$159,000
- Business-Type Activities:
 - Completion of the \$7.7 million Local Water Project
 - Golf course grading of \$135,000
 - Sewer system improvements of \$746,000

Additional detail and information on capital asset activity is described in the notes to the financial statements, Note 5.

DEBT ADMINISTRATION

During the year, Long-Term Debt from governmental activities decreased by \$1.1 million primarily due to regular debt service payments, while Long-Term Debt attributable to business type activities decreased by \$1.2 million. The reduction within the business-type category resulted from regular debt service payments and the application of grant funding to the Clean Water State Revolving Fund (CWSRF) Loan. In Fiscal Year 16/17, the \$6.3 million CWSRF obligation for the Pacific Grove Local Water Project reflected the amount of loan proceeds received through the end of the fiscal year. In Fiscal Year 17/18, the Local Water Project was completed at a cost of \$7.7 million. The State applied grant funds in the amount of \$2.4 million to the final CWSRF amortization schedule, which resulted in a reduction of \$980,000 in the previously recorded loan balance.

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		
	2018	2017	% Change
2003 Refunding Butterfly Habitat Note	\$ -	\$ 89,194	-100.00%
PNC Equipment Lease	-	16,787	-100.00%
Pension Obligation Bonds	7,185,366	8,177,207	-12.13%
Accreted Interest	7,495,438	7,535,353	-0.53%
Total outstanding long-term debt	<u>\$ 14,680,804</u>	<u>\$ 15,818,541</u>	-7.19%
	Business-type Activities		
	2018	2017	% Change
2013 Wastewater Revenue Refunding Bonds	\$ 943,812	\$ 999,045	-5.53%
Golf Course COP Refunding	2,602,366	2,756,223	-5.58%
Clean Water State Revolving Fund Loan	5,328,076	6,308,658	-15.54%
Total outstanding long-term debt	<u>\$ 8,874,254</u>	<u>\$ 10,063,926</u>	-11.82%

Additional detail and information on long-term debt activity is described in the notes to the financial statements, Note 6.

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 17/18, the City originally estimated that a \$2.1 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 \$22.1 and \$22.9 million, with actual revenues recorded at \$22.9 million. The minor difference of \$28,575 was primarily related to greater than anticipated performance in transient occupancy and franchise taxes; and increased revenues associated with resolution of two major code compliance penalties in the Fines and Forfeitures category. The Other Revenues category reported a budgetary variance of \$674,302 which was primarily related to donations associated with the Library Renovation Project. The initial Library construction was expected to begin in Fiscal Year 17/18, with committed reimbursements anticipated to be \$583,000. Due to additional planning and fundraising efforts, all design costs were covered with existing funds.

Expenditures

The General Fund adopted expenditure budget was \$24.2 million and the final budget was \$24.1 million. The actual expenditures totaled \$22.2 million, which resulted in a net difference of \$1.9 million. While approximately \$283,000 can be attributed primarily to budgetary savings in contracts and position vacancies, \$1.58 million relates to capital outlay and capital improvement projects that were carried forward into the next fiscal year. This amount includes approximately \$700,000 related to the Library Renovation Project.

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 18/19. Factors that were considered in the development of the Fiscal Year 17/18 Budget include:

- Increasing signs of economic growth in the hospitality industry, with continued growth projected based on year-end estimates at 2% for transient occupancy tax.
- Inclusion of the County Assessor's Property Tax projections, with property values anticipated to remain strong, and an estimated growth rate of 4% growth
- Stable sales tax revenues based on current revenue patterns, as well as consultation with the City's sales tax consultant
- Relatively stable City unemployment rate, with the unemployment rate marginally rising from 4.7% to 4.9% at the conclusion of Fiscal Year 17/18.
- Review of the CalPERS Retirement System's actuarially rates which include an increase of \$442,500 in the unfunded liability rates.
- Implementation of a class and compensation study and enhanced healthcare contributions
- A planned drawdown of \$2.1 million in fund balance reserves to fund one-time capital projects
- Retaining a General Fund balance consistent with the City's reserve policy which targets a reserve level at 35% of operating expenditures.

The City prepares multi-year and capital improvement projections to facilitate long-term planning. While the City was successful in retaining voter approval for a 2% transient occupancy tax increase, the projected benefits are anticipated to be offset by a successful citizen's initiative which significantly reduced the number of short-term rentals. While both of these initiatives will not become effective in Fiscal Year 18/19, the City will need to plan for the forthcoming years. This will include reviewing multi-year operating and capital improvement forecasts to assist in developing strategies to support deferred infrastructure and technology needs, as well as fund rising pension costs.

Additional information regarding the transient occupancy tax increase, as well as the short-term rental initiative can be found in the Transmittal Section of this document.

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.

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BASIC FINANCIAL STATEMENTS

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City of Pacific Grove
Statement of Net Position
June 30, 2018

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 19,932,093	\$ 7,023,987	\$ 26,956,080
Restricted cash and investments	-	295,090	295,090
Receivables:			
Taxes	1,499,464	-	1,499,464
Accounts	673,734	1,274,697	1,948,431
Interest	68,764	-	68,764
Interfund receivables (payables)	315,945	(315,945)	-
Other assets	964,957	-	964,957
Total Current Assets	<u>23,454,957</u>	<u>8,277,829</u>	<u>31,732,786</u>
Noncurrent Assets:			
Loans receivable	1,777,940	223,299	2,001,239
Capital Assets:			
Nondepreciable	2,490,239	362,973	2,853,212
Depreciable, net of accumulated depreciation	24,768,555	24,780,273	49,548,828
Total Capital Assets - Net	<u>27,258,794</u>	<u>25,143,246</u>	<u>52,402,040</u>
Total Noncurrent Assets	<u>29,036,734</u>	<u>25,366,545</u>	<u>54,403,279</u>
Total Assets	<u>\$ 52,491,691</u>	<u>\$ 33,644,374</u>	<u>\$ 86,136,065</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB Adjustments	\$ 170,422	\$ -	\$ 170,422
Pension Adjustments	9,979,516	350,058	10,329,574
Total Deferred outflows of Resources	<u>\$ 10,149,938</u>	<u>\$ 350,058</u>	<u>\$ 10,499,996</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 1,652,991	\$ 209,236	\$ 1,862,227
Payroll related liabilities	381,652	24,949	406,601
Deposits and other liabilities	11,651	-	11,651
Interest payable	461,000	55,072	516,072
Unearned revenues	166,099	32,049	198,148
Claims payable - current portion	342,875	-	342,875
Compensated absences - current portion	293,380	26,254	319,634
Long-term debt - due within one year	2,065,000	371,150	2,436,150
Total Current Liabilities	<u>5,374,648</u>	<u>718,710</u>	<u>6,093,358</u>
Noncurrent Liabilities:			
Long-term debt - due in more than one year	12,615,804	8,503,104	21,118,908
Claims payable	686,780	-	686,780
Compensated absences	880,140	78,762	958,902
Net pension obligation	37,798,271	1,642,673	39,440,944
Net OPEB liability	3,805,435	-	3,805,435
Total Noncurrent Liabilities	<u>55,786,430</u>	<u>10,224,539</u>	<u>66,010,969</u>
Total Liabilities	<u>\$ 61,161,078</u>	<u>\$ 10,943,249</u>	<u>\$ 72,104,327</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB Adjustments	\$ 346,363	\$ -	\$ 346,363
Pension Adjustments	4,777,738	350,774	5,128,512
Total Deferred Inflows of Resources	<u>\$ 5,124,101</u>	<u>\$ 350,774</u>	<u>\$ 5,474,875</u>
NET POSITION			
Net investment in capital assets	\$ 27,258,794	\$ 16,268,992	\$ 43,527,786
Restricted for:			
Social service programs	704,968	-	704,968
Public safety	908,239	-	908,239
Community development	5,020,556	-	5,020,556
Street improvements	223,651	-	223,651
Debt service	23,207	295,090	318,297
Total Restricted	<u>6,880,621</u>	<u>295,090</u>	<u>7,175,711</u>
Unrestricted	<u>(37,782,965)</u>	<u>6,136,327</u>	<u>(31,646,638)</u>
Total Net Position	<u>\$ (3,643,550)</u>	<u>\$ 22,700,409</u>	<u>\$ 19,056,859</u>

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

City of Pacific Grove
Statement of Activities
For the Year Ended June 30, 2018

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
Primary Government:							
Governmental Activities:							
General government	\$ 3,025,245	\$ 1,596,481	\$ 63,313	\$ -	\$ 1,659,794	\$ (1,365,451)	\$ (1,365,451)
Public safety	10,133,896	33,363	342,048	-	375,411	(9,758,485)	(9,758,485)
Public works	4,110,946	43,434	247,587	271,334	562,355	(3,548,591)	(3,548,591)
Recreation	737,279	403,889	91,479	-	495,368	(241,911)	(241,911)
Library	920,946	16,364	106,859	-	123,223	(797,723)	(797,723)
Museum	255,915	-	-	-	-	(255,915)	(255,915)
Community development	2,897,897	544,275	4,910	153,616	702,801	(2,195,096)	(2,195,096)
Interest and fiscal charges	963,134	-	-	-	-	(963,134)	(963,134)
Total Governmental Activities	\$ 23,045,258	\$ 2,637,806	\$ 856,196	\$ 424,950	\$ 3,918,952	(19,126,306)	(19,126,306)
Business-Type Activities:							
Cemetery	\$ 370,747	\$ 452,283	\$ -	\$ -	\$ 452,283	\$ 81,536	\$ 81,536
Sewer	2,367,950	3,244,931	-	-	3,244,931	876,981	876,981
Local water project	190,977	192,787	-	2,353,823	2,546,610	2,355,633	2,355,633
Golf	371,646	333,534	-	-	333,534	(38,112)	(38,112)
Total Business-Type Activities	\$ 3,301,320	\$ 4,223,535	\$ -	\$ 2,353,823	\$ 6,577,358	3,276,038	3,276,038
General Revenues:							
Taxes:							
Property taxes						6,851,928	6,851,928
Sales and use taxes						4,075,744	4,075,744
Franchise and other taxes						1,082,574	1,082,574
Transient occupancy taxes						6,656,849	6,656,849
Utility users taxes						1,688,876	1,688,876
Business license tax						381,810	381,810
Other taxes						121,192	121,192
Total taxes						20,858,973	20,858,973
Investment earnings						142,104	142,104
Other revenues						552,320	552,320
Transfers						356,016	356,016
Total General Revenues						21,909,413	21,909,413
Change in Net Position						2,783,107	3,080,803
Net Position - Beginning of Year						(3,793,290)	19,619,606
Prior Period Adjustment - GASB 75 Other Postemployment Benefits						(2,633,367)	-
Net Position - Beginning of Year, As Adjusted						(6,426,657)	19,619,606
Net Position - End of Year						\$ (3,643,550)	\$ 22,700,409

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

City of Pacific Grove
Balance Sheet
Governmental Funds
June 30, 2018

	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	\$ 10,567,638	\$ 446,253	\$ 246,910	\$ -	\$ -	\$ 6,849,168	\$ 18,109,969
Receivables:							
Taxes	1,412,653	-	-	-	-	46,154	1,458,807
Accounts	269,633	-	-	133,480	-	270,621	673,734
Interest	68,764	-	-	-	-	-	68,764
Due from other funds	499,074	-	-	-	-	-	499,074
Advances to other funds	107,699	-	-	-	-	-	107,699
Loans receivable	-	436,046	690,915	-	385,694	265,285	1,777,940
Other assets	210,824	-	-	-	-	-	210,824
Total assets	13,136,285	882,299	937,825	133,480	385,694	7,431,228	22,906,811
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 743,348	\$ -	\$ -	\$ -	\$ -	\$ 849,661	\$ 1,593,009
Payroll related liabilities	364,340	2,281	-	-	-	15,031	381,652
Deposits and other liabilities	11,651	-	-	-	-	-	11,651
Due to other funds	-	-	-	133,480	-	157,348	290,828
Unearned revenues	153,834	436,046	690,915	-	385,694	277,443	1,943,932
Total liabilities	1,273,173	438,327	690,915	133,480	385,694	1,299,483	4,221,072
Fund Balances:							
Nonspendable							
Prepaid assets	210,824	-	-	-	-	-	210,824
Permanent funds	-	-	-	-	-	2,899,737	2,899,737
Restricted:							
Social service programs	-	443,972	-	-	-	260,996	704,968
Public safety	-	-	-	-	-	908,239	908,239
Community development	-	-	246,910	-	-	1,873,909	2,120,819
Street improvements	-	-	-	-	-	223,651	223,651
Debt service	-	-	-	-	-	23,207	23,207
Assigned:							
Social service programs	286,638	-	-	-	-	-	286,638
Unassigned	11,365,650	-	-	-	-	(57,994)	11,307,656
Total fund balances	11,863,112	443,972	246,910	-	-	6,131,745	18,685,739
Total liabilities and fund balances	\$ 13,136,285	\$ 882,299	\$ 937,825	\$ 133,480	\$ 385,694	\$ 7,431,228	\$ 22,906,811

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, 2018

Total Fund Balances - Total Governmental Funds \$ 18,685,739

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	48,382,619
Less: accumulated depreciation	(21,123,825)
Total Capital Assets	<u>27,258,794</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. (461,000)

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. 1,139,994

The differences from benefit plan assumptions and estimates versus actuals are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows or deferred outflows of resources in the statement of net position. 4,861,346

Liabilities were reported for certain revenues that were not available to pay current period expenditures and were reported as unearned in the fund statements. 1,777,940

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	(14,680,804)
Compensated absences	(1,173,520)
Net pension obligation	(37,246,604)
Net OPEB liability	(3,805,435)
Total Long-Term Obligations	<u>(56,906,363)</u>

Net Position of Governmental Activities \$ (3,643,550)

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
For the Year Ended June 30, 2018

	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	\$ 6,847,780	\$ -	\$ -	\$ -	\$ -	\$ 4,148	\$ 6,851,928
Sales and use taxes	3,554,727	-	-	-	-	521,017	4,075,744
Franchise and other taxes	1,027,988	-	-	-	-	54,586	1,082,574
Transient occupancy taxes	6,160,611	-	-	-	-	496,238	6,656,849
Utility users taxes	1,688,876	-	-	-	-	-	1,688,876
Business license tax	353,044	-	-	-	-	28,766	381,810
Other taxes	121,192	-	-	-	-	-	121,192
Intergovernmental revenues	87,478	-	-	133,480	-	970,940	1,191,898
License, permits and impact fees	521,403	-	-	-	-	-	521,403
Fines and forfeitures	282,841	-	-	-	-	-	282,841
Charges for services	1,643,238	28,322	-	-	-	62,603	1,734,163
Interest, rents and concessions	259,883	44,056	29,190	-	-	38,143	371,272
Other revenues	370,158	92,112	237,752	-	-	243,474	943,496
Total Revenues	22,919,219	164,490	266,942	133,480	-	2,419,915	25,904,046
EXPENDITURES							
Current:							
General government	2,961,094	-	-	-	-	3,848	2,964,942
Public safety:							
Police	5,952,549	-	-	-	-	647,240	6,599,789
Fire	3,342,837	-	-	-	-	12,028	3,354,865
Public works	3,219,153	-	-	-	-	302,533	3,521,686
Recreation	650,219	-	-	-	-	28,235	678,454
Library	914,094	-	-	-	-	1,937	916,031
Museum	251,422	-	-	-	-	-	251,422
Community development	1,764,383	82,941	26,894	319,807	-	688,727	2,882,752
Capital outlay	1,174,917	-	-	161,100	-	1,090,160	2,426,177
Debt service							
Principal	1,008,628	-	-	-	-	89,194	1,097,822
Interest and fiscal charges	960,064	-	-	-	-	1,985	962,049
Total Expenditures	22,199,360	82,941	26,894	480,907	-	2,865,887	25,655,989
Excess (Deficiency) of							
Revenues over Expenditures	719,859	81,549	240,048	(347,427)	-	(445,972)	248,057
OTHER FINANCING SOURCES (USES)							
Transfers in	56,138	-	-	356,016	-	577,449	989,603
Transfers out	(544,987)	-	-	(8,589)	-	(80,011)	(633,587)
Total Other Financing Sources (Uses)	(488,849)	-	-	347,427	-	497,438	356,016
Net Change in Fund Balances	231,010	81,549	240,048	-	-	51,466	604,073
Fund Balances Beginning	11,632,102	362,423	6,862	-	-	6,080,279	18,081,666
Fund Balances Ending	\$ 11,863,112	\$ 443,972	\$ 246,910	\$ -	\$ -	\$ 6,131,745	\$ 18,685,739

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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ 604,073
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	2,350,159
Depreciation expense	(865,953)
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.	759,853
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.	(441,862)
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	(57,354)
In governmental funds, actual contributions to benefit plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year benefit expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	(588,592)
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.	1,097,822
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	(73,954)
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.	(1,085)
Change in Net Position of Governmental Activities	<u><u>\$ 2,783,107</u></u>

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

City of Pacific Grove
Statement of Net Position
Proprietary Funds
June 30, 2018

	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	\$ 185,399	\$ -	\$ 6,700,326	\$ 138,262	\$ 7,023,987	\$ 1,822,124
Restricted cash and investments	-	-	295,090	-	295,090	-
Accounts receivable	9,849	162,141	1,098,335	4,372	1,274,697	40,657
Other assets	-	-	-	-	-	754,133
Total current assets	195,248	162,141	8,093,751	142,634	8,593,774	2,616,914
Non-current assets:						
Loans receivable	-	-	105,499	117,800	223,299	-
Property, plant and equipment - net	549,287	7,760,216	11,425,093	5,408,650	25,143,246	-
Total non-current assets	549,287	7,760,216	11,530,592	5,526,450	25,366,545	-
Total assets	\$ 744,535	\$ 7,922,357	\$ 19,624,343	\$ 5,669,084	\$ 33,960,319	\$ 2,616,914
DEFERRED OUTFLOWS OF RESOURCES						
Pension adjustments	\$ 69,310	\$ -	\$ 280,748	\$ -	\$ 350,058	\$ 220,414
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 3,035	\$ 30,402	\$ 27,107	\$ 148,692	\$ 209,236	\$ 59,982
Payroll and related liabilities	4,486	-	20,313	150	24,949	-
Unearned revenue	1,632	-	-	30,417	32,049	107
Due to other funds	-	208,246	-	-	208,246	-
Accrued interest	-	-	7,904	47,168	55,072	-
Claims payable - current	-	-	-	-	-	342,875
Compensated absences - current portion	2,123	-	24,131	-	26,254	-
Long-term debt - due within one year	-	153,290	57,238	160,622	371,150	-
Total current liabilities	11,276	391,938	136,693	387,049	926,956	402,964
Non-current liabilities:						
Long-term debt - due in more than one year	-	5,174,786	886,574	2,441,744	8,503,104	-
Advances from other funds	-	-	-	107,699	107,699	-
Claims payable	-	-	-	-	-	686,780
Net pension liabilities	308,066	-	1,334,607	-	1,642,673	551,667
Compensated absences	6,368	-	72,394	-	78,762	-
Total non-current liabilities	314,434	5,174,786	2,293,575	2,549,443	10,332,238	1,238,447
Total liabilities	\$ 325,710	\$ 5,566,724	\$ 2,430,268	\$ 2,936,492	\$ 11,259,194	\$ 1,641,411
DEFERRED INFLOWS OF RESOURCES						
Pension adjustments	\$ 63,581	\$ -	\$ 287,193	\$ -	\$ 350,774	\$ 55,923
NET POSITION						
Net Investment in capital assets	\$ 549,287	\$ 2,432,140	\$ 10,481,281	\$ 2,806,284	\$ 16,268,992	\$ -
Restricted for debt service	-	-	295,090	-	295,090	-
Unrestricted	(124,733)	(76,507)	6,411,259	(73,692)	6,136,327	1,139,994
Total net position	\$ 424,554	\$ 2,355,633	\$ 17,187,630	\$ 2,732,592	\$ 22,700,409	\$ 1,139,994

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, 2018

	Business-type Activities - Enterprise Funds					Governmental
	Cemetery	Local	Sewer	Golf	Total	Activities -
	Fund	Water	Fund	Course	Enterprise	Internal
	Fund	Project	Fund	Fund	Funds	Service Funds
OPERATING REVENUES						
Charges for services	\$ 430,344	\$ 192,787	\$ 3,244,931	\$ -	\$ 3,868,062	\$ 2,234,866
Rents and concessions	21,939	-	-	333,534	355,473	-
Other	-	-	18,017	-	18,017	-
Total operating revenues	452,283	192,787	3,262,948	333,534	4,241,552	2,234,866
OPERATING EXPENSES						
Contractual services and utilities	171,938	154,965	969,418	50,079	1,346,400	1,235,592
Personnel	134,340	634	711,496	2,250	848,720	249,586
Supplies and materials	34,695	-	304,318	22,947	361,960	-
Depreciation	29,774	-	350,160	180,918	560,852	-
Total operating expenses	370,747	155,599	2,335,392	256,194	3,117,932	1,485,178
Operating income (loss)	81,536	37,188	927,556	77,340	1,123,620	749,688
NONOPERATING REVENUES(EXPENSES)						
Intergovernmental	-	2,353,823	-	-	2,353,823	-
Investment earnings	954	-	41,329	481	42,764	10,165
Interest expense	-	(35,378)	(32,558)	(115,452)	(183,388)	-
Total nonoperating revenues(expenses)	954	2,318,445	8,771	(114,971)	2,213,199	10,165
Income (loss) before operating transfers	82,490	2,355,633	936,327	(37,631)	3,336,819	759,853
Capital contributions	-	-	-	100,000	100,000	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(356,016)	-	(356,016)	-
Change in net position	82,490	2,355,633	580,311	62,369	3,080,803	759,853
Total net position - beginning	342,064	-	16,607,319	2,670,223	19,619,606	380,141
Total net position - ending	\$ 424,554	\$ 2,355,633	\$ 17,187,630	\$ 2,732,592	\$ 22,700,409	\$ 1,139,994

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, 2018

	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	\$ 444,216	\$ 192,787	\$ 2,691,837	\$ 369,490	\$ 3,698,330	\$ -
Receipts from interfund services provided	-	-	-	-	-	2,194,316
Payments for contractual services and utilities	(180,418)	(154,965)	(1,226,774)	37,464	(1,524,693)	(1,398,206)
Payments to suppliers	(34,695)	-	(304,318)	(22,947)	(361,960)	-
Payments to employees	(128,371)	(634)	(668,272)	(2,400)	(799,677)	(113,750)
Net cash provided (used) by operating activities	100,732	37,188	492,473	381,607	1,012,000	682,360
Cash flows from noncapital financing activities:						
Payments from other governments	-	4,746,508	-	-	4,746,508	-
Interfund transactions	-	(1,354,812)	(356,016)	107,699	(1,603,129)	-
Net cash provided (used) by noncapital financing activities	-	3,391,696	(356,016)	107,699	3,143,379	-
Cash flows from capital financing activities:						
Purchases (sales) of property, plant and equipment - net	(27,110)	(2,412,924)	(794,506)	(146,338)	(3,380,878)	-
Proceeds from long-term debt	-	(1,015,960)	-	3,130,505	2,114,545	-
Proceeds from capital contributions	-	-	-	100,000	100,000	-
Principal payments on long-term debt - net	-	-	(55,233)	(3,284,362)	(3,339,595)	-
Interest paid on long-term debt	-	-	(33,021)	(118,241)	(151,262)	-
Net cash provided (used) by capital financing activities	(27,110)	(3,428,884)	(882,760)	(318,436)	(4,657,190)	-
Cash flows from investing activities:						
Receipts from (payments on) loans receivable	-	-	(8,000)	(82,200)	(90,200)	-
Investment income received	954	-	41,329	481	42,764	10,165
Net cash provided (used) by investing activities	954	-	33,329	(81,719)	(47,436)	10,165
Net increase (decrease) in cash and cash equivalents	74,576	-	(712,974)	89,151	(549,247)	692,525
Cash and cash equivalents - beginning	110,823	-	7,708,390	49,111	7,868,324	1,129,599
Cash and cash equivalents - ending	<u>\$ 185,399</u>	<u>\$ -</u>	<u>\$ 6,995,416</u>	<u>\$ 138,262</u>	<u>\$ 7,319,077</u>	<u>\$ 1,822,124</u>
Reconciliation of operating income to net cash provided (used)						
by operating activities:						
Operating income (loss)	\$ 81,536	\$ 37,188	\$ 927,556	\$ 77,340	\$ 1,123,620	\$ 749,688
Adjustments to reconcile operating income (loss)						
to net cash provided (used) by operating activities:						
Depreciation	29,774	-	350,160	180,918	560,852	-
Change in operating assets and liabilities:						
Accounts receivables	(9,699)	-	(571,111)	5,539	(575,271)	(40,657)
Other assets	-	-	-	-	-	(241,128)
Deferred outflows of resources	(7,715)	-	(6,593)	-	(14,308)	(146,170)
Accounts payable	(8,480)	-	(257,356)	87,543	(178,293)	(22,486)
Payroll related liabilities	(282)	-	1,026	(150)	594	(3,644)
Unearned revenue	1,632	-	-	30,417	32,049	107
Deferred inflows of resources	10,166	-	8,687	-	18,853	(22,126)
Net pension obligations	(1,168)	-	(998)	-	(2,166)	192,591
Compensated absences	4,968	-	41,102	-	46,070	(48,184)
Net cash provided (used) by operating activities	<u>\$ 100,732</u>	<u>\$ 37,188</u>	<u>\$ 492,473</u>	<u>\$ 381,607</u>	<u>\$ 1,012,000</u>	<u>\$ 682,360</u>

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

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2018

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, 2018.

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
Notes to the Basic Financial Statements
June 30, 2018

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. Interfund services provided and used are not eliminated in the process of consolidation. 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
June 30, 2018

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 2018 to account for grants received coastal improvements and maintenance.

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2018

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, 2018 was \$887,241.

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2018

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
Notes to the Basic Financial Statements
June 30, 2018

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.

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 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

City of Pacific Grove
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June 30, 2018

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 one year 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 capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. 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 capital 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, 2018.

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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June 30, 2018

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, 2018:

Description	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Compensated Absences					
Government Activities	\$ 1,164,350	\$ 309,299	\$ 300,129	\$ 1,173,520	\$ 293,380
Business-Type Activities	58,946	56,092	10,022	105,016	26,254
Total Compensated Absences	<u>\$ 1,223,296</u>	<u>\$ 365,391</u>	<u>\$ 310,151</u>	<u>\$ 1,278,536</u>	<u>\$ 319,634</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
June 30, 2018

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. Benefit Plans

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.

Other Postemployment Benefit (OPEB) Expense

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the City's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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.

City of Pacific Grove
Notes to the Basic Financial Statements
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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. Council policy dictates that amounts in excess of nonspendable, restricted and committed fund balance in funds other than the General Fund be reported as assigned fund balance.

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 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.

City of Pacific Grove
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Deficit Net Position – Governmental Activities

The City's net pension liabilities as of June 30, 2018 totaled \$39.4 million (both governmental and business-type activities). As a result, the City's unrestricted net position for governmental activities was a deficit \$37.8 million and the City's total net position for governmental activities was a deficit of \$3.6 million as of June 30, 2018. Total net position for both governmental and business-type activities combined was a positive \$19.1 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.

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

City of Pacific Grove
Notes to the Basic Financial Statements
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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.

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 December 19, 2018, 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. 75

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The provisions in Statement 75 are effective for the fiscal year ended June 30, 2018. 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

City of Pacific Grove
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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.

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.

As of June 30, 2018, according to GASB 75, the City's net OPEB liability must be recognized. Therefore, beginning net position was adjusted by \$2,633,367 in the Statement of Activities as a separate line item to accomplish the retroactive implementation.

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.

W. Upcoming New Accounting Pronouncements

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

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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 issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for City's fiscal year ending June 30, 2021. The City doesn't believe this statement will have a significant impact on the City's financial statements.

GASB Statement No. 88

Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. 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. 89

Accounting for Interest Cost Incurred Before the End of the Construction Period

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods

City of Pacific Grove
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June 30, 2018

beginning after December 15, 2019. Earlier application is encouraged. The City doesn't believe this statement will have a significant impact on the City's financial statements.

NOTE 2 - CASH AND INVESTMENTS

As of June 30, 2018, cash and investments were reported in the financial statements as follows:

Cash or Investment Type	Total Cash and Investments	GASB 72 Input Levels
Cash on hand	\$ 685	n/a
Deposits with financial institutions	2,546,304	n/a
Local Agency Investment Fund	14,923,636	n/a
Certificates of deposit	5,758,867	Level 1
Government Securities	4,024,178	Level 1
Total cash and investments	27,253,670	
Less: restricted cash	295,090	
Available cash and investments	<u>\$ 26,958,580</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 \$3,848,103 at June 30, 2018 and were different from carrying amounts due to deposits in transit and outstanding checks. The amount uninsured was \$3,348,103 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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Notes to the Basic Financial Statements
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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.

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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, 2018, 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, S&P 500. As of June 30, 2018, 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, 2018, 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, 2018, 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)	\$ 14,923,636	\$ -	\$ -	\$ -	\$ 14,923,636	\$ 14,923,636
Certificates of deposit	581,864	2,782,501	2,394,502	-	5,126,615	5,758,867
Government Securities	-	3,452,739	571,439	4,024,178	-	4,024,178
Total Investments	<u>\$ 15,505,500</u>	<u>\$ 6,235,240</u>	<u>\$ 2,965,941</u>	<u>\$ 4,024,178</u>	<u>\$ 20,050,251</u>	24,706,681
Cash in banks and on hand						2,546,989
Total Cash and Investments						<u>\$ 27,253,670</u>

City of Pacific Grove
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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, 2018, inter-fund receivables and payables consisted of the following:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 499,074	\$ -
Clean Beaches Fund	-	133,480
Local Water Project Fund	-	208,246
Other nonmajor governmental funds	-	157,348
Total Due from/to	<u>\$ 499,074</u>	<u>\$ 499,074</u>

Fund	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 107,699	\$ -
Golf Course Fund	-	107,699
Total advances	<u>\$ 107,699</u>	<u>\$ 107,699</u>

Transfers In/Out

With Council approval resources may be transferred from one fund to another. Transfers may 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, 2018:

Fund	Transfer in	Transfer out
General Fund	\$ 56,138	\$ 544,987
Clean Beaches Fund	356,016	8,589
Nonmajor Funds	577,449	80,011
Sewer Fund	-	356,016
Total Transfers	<u>\$ 989,603</u>	<u>\$ 989,603</u>

NOTE 4 - LOANS RECEIVABLE

Loans receivable consisted of the following as of June 30, 2018:

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 \$1,777,940 as of June 30, 2018.

City of Pacific Grove
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June 30, 2018

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 \$105,499 as of June 30, 2018.

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. The annual rent is \$300,000, paid monthly through September 30, 2024, and is reported in the City's Golf Course fund. Certain equipment owned by the City was sold to the Tenant as a part of the lease establishing a loan receivable. The balance of the loan receivable from this transaction was \$117,800 as of June 30, 2018.

NOTE 5 - CAPITAL ASSETS

Capital assets for governmental activities consisted of the following as of June 30, 2018:

	Balance July 01, 2017	Additions	Deletions/ Adjustments	Balance June 30, 2018
Governmental activities:				
Non-depreciable:				
Land	\$ 2,338,270	\$ -	\$ -	\$ 2,338,270
Construction in Progress	2,791,762	151,968	(2,791,761)	151,969
Total Non-Depreciable	5,130,032	151,968	(2,791,761)	2,490,239
Depreciable:				
Buildings and Improvements	12,502,789	462,569	-	12,965,358
Infrastructure	24,691,213	1,514,961	2,791,761	28,997,935
Machinery and Equipment	3,708,426	285,424	(64,763)	3,929,087
Total Depreciable	40,902,428	2,262,954	2,726,998	45,892,380
Less Accumulated Depreciation for:				
Buildings and Improvements	(7,018,535)	(181,040)	-	(7,199,575)
Infrastructure	(10,231,047)	(591,794)	-	(10,822,841)
Machinery and Equipment	(3,008,290)	(157,882)	64,763	(3,101,409)
Total Accumulated Depreciation	(20,257,872)	(930,716)	64,763	(21,123,825)
Total Depreciable Capital Assets - Net	20,644,556	1,332,238	2,791,761	24,768,555
Total Capital Assets - Net	\$ 25,774,588	\$ 1,484,206	\$ -	\$ 27,258,794

Depreciation expense for governmental activities was charged to the following programs during the year:

General Government	\$ 62,902
Public Safety	187,955
Public Works	592,343
Recreation	59,419
Library	5,716
Museum	4,713
Community Development	17,668
Total depreciation expense	<u>\$ 930,716</u>

City of Pacific Grove
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Capital assets for business-type activities consisted of the following as of June 30, 2018:

	Balance July 01, 2017	Additions	Deletions/ Adjustments	Balance June 30, 2018
Business-Type Activities:				
Non-depreciable:				
Land	\$ 362,973	\$ -	\$ -	\$ 362,973
Construction in Progress	6,308,658	-	(6,308,658)	-
Total Non-Depreciable	6,671,631	-	(6,308,658)	362,973
Depreciable:				
Buildings and Improvements	9,725,307	173,448	-	9,898,755
Infrastructure	13,664,479	2,246,065	6,308,658	22,219,202
Machinery and Equipment	927,244	-	-	927,244
Total Depreciable	24,317,030	2,419,513	6,308,658	33,045,201
Less Accumulated Depreciation for:				
Buildings and Improvements	(4,194,936)	(199,044)	-	(4,393,980)
Infrastructure	(2,720,414)	(337,244)	-	(3,057,658)
Machinery and Equipment	(788,726)	(24,564)	-	(813,290)
Total Accumulated Depreciation	(7,704,076)	(560,852)	-	(8,264,928)
Total Depreciable Capital Assets - Net	16,612,954	1,858,661	6,308,658	24,780,273
Total Capital Assets - Net	\$ 23,284,585	\$ 1,858,661	\$ -	\$ 25,143,246

NOTE 6 - LONG-TERM DEBT

The City's long-term debt consisted of the following as of June 30, 2018:

Description	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Governmental Activity Long-Term Debt					
2003 Refunding Butterfly Habitat GOB	\$ 89,194	\$ -	\$ 89,194	\$ -	\$ -
PNC Equipment Finance Capital Lease	16,787	-	16,787	-	-
Taxable Pension Obligation Bond	8,177,207	-	991,841	7,185,366	958,325
Subtotal Long-Term Debt	8,283,188	-	1,097,822	7,185,366	958,325
Accreted Interest	7,535,353	968,245	1,008,160	7,495,438	1,106,675
Total Governmental Activities Debt	\$ 15,818,541	\$ 968,245	\$ 2,105,982	\$ 14,680,804	\$ 2,065,000
Business-Type Activity Long Term Debt					
2013 Wastewater Revenue Refunding Bond	\$ 999,045	\$ -	\$ 55,233	\$ 943,812	\$ 57,238
2014 Golf Course Site Lease	2,756,223	-	153,857	2,602,366	160,622
Clean Water State Revolving Fund Loan	6,308,658	-	980,582	5,328,076	153,290
Total Business-type Activities Debt	\$ 10,063,926	\$ -	\$ 1,189,672	\$ 8,874,254	\$ 371,150

City of Pacific Grove
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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, 2018. This bond obligation was fully paid during the year.

PNC Equipment Finance Capital Lease

The City entered into an agreement to finance equipment totaling \$312,851 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, 2018. This lease was fully paid during the year.

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
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	849,664	1,495,336	2,345,000
2024-2028	2,257,342	5,237,658	7,495,000
2029-2033	414,347	1,235,652	1,649,999
Total	<u>\$ 7,185,366</u>	<u>\$ 12,974,633</u>	<u>\$ 20,159,999</u>

City of Pacific Grove
Notes to the Basic Financial Statements
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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. Charges for services reported in the Sewer Fund totaled \$3,244,931 and debt service totaled \$88,254.

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>
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	64,316	23,035	87,351
2024-2028	357,245	81,073	438,318
2029-2033	282,383	19,214	301,597
Total	<u>\$ 943,812</u>	<u>\$ 236,046</u>	<u>\$ 1,179,858</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>
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	190,793	81,304	272,097
2024-2028	1,087,436	273,048	1,360,484
2029-2033	638,015	42,228	680,243
Total	<u>\$ 2,602,366</u>	<u>\$ 798,845</u>	<u>\$ 3,401,211</u>

City of Pacific Grove
Notes to the Basic Financial Statements
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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 \$5,328,076 as of June 30, 2018. The loan will be repaid with interest at 1% per annum.

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 153,290	\$ 53,158	\$ 206,448
2020	154,700	51,748	206,448
2021	156,247	50,201	206,448
2022	157,810	48,638	206,448
2023	159,387	47,060	206,447
2024-2028	821,170	211,072	1,032,242
2029-2033	863,055	169,185	1,032,240
2034-2038	907,080	125,159	1,032,239
2038-2042	953,353	78,889	1,032,242
2043-2047	1,001,984	30,259	1,032,243
Total	<u>\$ 5,328,076</u>	<u>\$ 865,369</u>	<u>\$ 6,193,445</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	
2019	\$ 958,325	\$ 1,106,675	\$ 371,150	\$ 195,765	\$ 2,631,915
2020	927,700	1,202,300	381,473	185,380	2,696,853
2021	901,362	1,298,638	392,219	174,442	2,766,661
2022	876,626	1,398,374	403,195	163,148	2,841,343
2023	849,664	1,495,336	414,496	151,399	2,910,895
2024-2028	2,257,342	5,237,658	2,265,852	565,193	10,326,045
2029-2033	414,347	1,235,652	1,783,453	230,625	3,664,077
2034-2038	-	-	907,080	125,159	1,032,239
2039-2043	-	-	953,353	78,889	1,032,242
2044-2048	-	-	1,001,983	30,259	1,032,242
Total	<u>\$ 7,185,366</u>	<u>\$ 12,974,633</u>	<u>\$ 8,874,254</u>	<u>\$ 1,900,259</u>	<u>\$ 30,934,512</u>

City of Pacific Grove
Notes to the Basic Financial Statements
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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, 2017. The following summarizes the change in the estimated liability during the fiscal year ended June 30, 2018:

	2018	2017
Claims payable, beginning of year	\$ 765,286	\$ 1,010,923
Fiscal year claims and changes in estimates	345,405	46,307
Claims payments	(81,036)	(291,944)
Claims payable, end of year	<u>\$ 1,029,655</u>	<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). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues

City of Pacific Grove
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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, 2018, 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%	2.0% to 2.7%
Required employee contribution rates	7.00%	6.25%	12%	11.50%
Required employer contribution rates	8.91%	6.53%	16.720%	11.990%

Employees Covered

At June 30, 2018, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous	Safety	Total
Active	55	15	70
Transferred	28	32	60
Separated	49	9	58
Retired	132	112	244
Total	264	168	432

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, 2018, the following contributions were made:

	Employer Contributions
Miscellaneous	\$ 943,976
Safety	1,448,396
Total Employer Contributions	<u>\$ 2,392,372</u>

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

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	Governmental Activities	Business-Type Activities	Total
Miscellaneous	\$ 13,755,862	\$ 1,642,673	\$ 15,398,535
Safety	24,042,409	-	24,042,409
Total Net Pension Liability	<u>\$ 37,798,271</u>	<u>\$ 1,642,673</u>	<u>\$ 39,440,944</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, 2017, 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, 2016 rolled forward to June 30, 2017 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 2018 was as follows:

	Proportion
June 30, 2017	0.3994%
June 30, 2018	0.3977%
Change in Proportions	<u>-0.0017%</u>

For the year ended June 30, 2018, the City recognized pension expense of \$3,007,641.

At June 30, 2018, 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	\$ 2,392,372	\$ -
Changes in assumptions	5,812,988	444,821
Differences between expected and actual experiences	-	95,412
Change in employer's proportion	836,674	2,124,145
Net differences between the employer's contributions the employer's proportionate share of contributions	-	2,464,134
Net differences between projected and actual earnings on plan investments	1,287,541	-
Total	<u>\$ 10,329,575</u>	<u>\$ 5,128,512</u>

The City reported \$2,392,372 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, 2019.

City of Pacific Grove
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June 30, 2018

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	\$ (753,224)
2019	2,789,321
2020	1,530,779
2021	(758,185)
2022	-
Thereafter	-
Total	<u>\$ 2,808,691</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
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 7.15 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 7.15 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 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.

City of Pacific Grove
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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	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
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.

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	6.15%
Net Pension Liability	\$ 58,626,590
Current Discount Rate	7.15%
Net Pension Liability	\$ 39,440,944
1% Increase	8.15%
Net Pension Liability	\$ 23,669,846

Pension Plan Fiduciary Net Position

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

City of Pacific Grove
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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 which is nontrusted.

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 2018.) 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.

Employees Covered by Benefit Terms

At June 30, 2017 (the valuation date), the benefit terms covered the following employees:

Active employees	78
Inactive employees	<u>97</u>
Total employees	<u><u>175</u></u>

Contributions

The City makes contributions based on a pay-as-you go basis as approved by the authority of the City's Board. Total benefit payments included in the measurement period were \$171,120. The actuarially determined contribution for the measurement period was \$284,000. The City's contributions and benefit payments were 2.71% of payroll during the measurement period June 30, 2017 (reporting period June 30, 2018). Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

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Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2017
Actuarial Cost Method:	Entry-Age Level
	Percent of Pay
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	3.58%
Inflation	2.75%
Salary Increases	3.00%
Healthcare Trend Rate	7.50%
Investment Rate of Return	7.00%
Mortality	CalPERS 1997-2015 Experience Study
	Mortality projected fully generational with Scale MP-17
Retirement	Actives: 60%
	Retirees: 100% if covered

Discount Rate

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2017 (measurement date) and was determined by an actuarial valuation as of June 30, 2017 (valuation date) for the fiscal year ended June 30, 2018 (reporting date).

Changes in the Total OPEB Liability

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2018, for the measurement date of June 30, 2017:

Fiscal Year Ended June 30, 2018 (Measurement Date June 30, 2017)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2017	\$ 4,078,542	\$ -	\$ 4,078,542
Service cost	194,311	-	194,311
Interest in Total OPEB Liability	119,338	-	119,338
Employer contributions	-	-	-
Benefit payments	(171,120)	-	(171,120)
Other	-	-	-
Net changes	(273,107)	-	(273,107)
Balance at June 30, 2018	\$ 3,805,435	\$ -	\$ 3,805,435
Covered Payroll at Measurement Date	\$ 6,325,000		
Total OPEB Liability as a % of covered payroll	60.16%		
Plan Fid. Net Position as a % of Total OPEB Liability	0.00%		
Service cost as a % of covered payroll	3.07%		
Net OPEB Liability as a % of covered payroll	60.16%		
Contribution in measurement period % cov. payroll	2.71%		

The City's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2018

Deferred Inflows and Outflows of Resources

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ -
Difference between actual and expected earnings	-	-
Change in assumptions	-	(346,363)
OPEB contribution subsequent to measurement date	170,422	-
Totals	\$ 170,422	\$ (346,363)

Of the total amount reported as deferred outflows of resources related to OPEB, \$170,422 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2019	\$ (69,273)
2020	(69,273)
2021	(69,273)
2022	(69,273)
2023	(69,273)
Thereafter	-
Total	\$ (346,363)

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2018, for the measurement date of June 30, 2017:

Service cost	\$ 194,311
Interest in TOL	119,338
Change in assumptions	(69,273)
OPEB Expense	\$ 244,376

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2018

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2018, for the measurement date of June 30, 2017:

Total OPEB liability ending	\$ 3,805,435
Total OPEB liability beginning	<u>(4,078,542)</u>
Change in total OPEB liability	(273,107)
Changes in deferred outflows	-
Changes in deferred inflows	346,363
Employer contributions and implicit subsidy	<u>171,120</u>
OPEB Expense	<u>\$ 244,376</u>

Sensitivity to Changes in the Discount Rate

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Municipal Bond Rate		
	3.58%		
	(1% Decrease)	(Current Rate)	(1% Increase)
Total OPEB Liability	\$ 4,393,208	\$ 3,805,435	\$ 3,333,986

Sensitivity to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	(Current Rate)	(1% Increase)
Total OPEB Liability	\$ 3,307,969	\$ 3,805,435	\$ 4,427,565

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.

City of Pacific Grove
Notes to the Basic Financial Statements
June 30, 2018

NOTE 11 - PRIOR PERIOD ADJUSTMENTS

As of June 30, 2018, local governments were required to implement GASB 75, which required the City to record its net OPEB liability (NOL; previously referred to as the unfunded accrued actuarial liability) in the government-wide statement of net position. Per GASB 75, the implementation was treated as a change in accounting policy and the city reduced beginning net position by \$2,633,367, which was effectively the NOL as of June 30, 2017. See Notes 1 and 9 for more information.

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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
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property taxes	\$ 6,573,000	\$ 6,892,770	\$ 6,847,780	\$ (44,990)
Sales and use taxes	3,460,000	3,636,000	3,554,727	(81,273)
Franchise and other taxes	1,015,000	834,000	1,027,988	193,988
Transient occupancy taxes	5,173,000	5,774,000	6,160,611	386,611
Utility users taxes	1,675,000	1,837,000	1,688,876	(148,124)
Business license tax	332,000	344,000	353,044	9,044
Other taxes	156,000	156,000	121,192	(34,808)
Intergovernmental revenues	244,000	34,000	87,478	53,478
License, permits and impact fees	511,000	464,000	521,403	57,403
Fines and forfeitures	136,000	131,000	282,841	151,841
Charges for services	1,451,000	1,543,000	1,643,238	100,238
Interest, rents and concessions	377,000	257,564	259,883	2,319
Other revenues	948,000	1,044,460	370,158	(674,302)
Total Revenues	22,051,000	22,947,794	22,919,219	(28,575)
EXPENDITURES				
Current:				
General government	3,045,721	3,061,322	2,961,094	100,228
Public safety:				
Police	6,407,941	5,990,696	5,952,549	38,147
Fire	3,464,436	3,386,569	3,342,837	43,732
Public works	2,824,782	3,074,361	3,219,153	(144,792)
Recreation	591,496	608,673	650,219	(41,546)
Library	1,028,213	1,036,179	914,094	122,085
Museum	240,069	248,637	251,422	(2,785)
Community development	1,854,904	1,947,419	1,764,383	183,036
Capital outlay	2,746,000	2,756,800	1,174,917	1,581,883
Debt service				
Principal retirement	1,012,555	993,703	1,008,628	(14,925)
Interest and fiscal charges	960,064	960,064	960,064	-
Total Expenditures	24,176,181	24,064,423	22,199,360	1,865,063
Excess (Deficiency) of Revenues over Expenditures	(2,125,181)	(1,116,629)	719,859	1,836,488
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	56,138	56,138
Transfers out	(763,258)	(642,581)	(544,987)	97,594
Total Other Financing Sources (Uses)	(763,258)	(642,581)	(488,849)	153,732
Net Change in Fund Balances	(2,888,439)	(1,759,210)	231,010	1,990,220
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning	11,632,102	11,632,102	11,632,102	-
Fund Balances Ending	\$ 8,743,663	\$ 9,872,892	\$ 11,863,112	\$ 1,990,220

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****For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	28,322	28,322
Interest, rents and concessions	-	-	44,056	44,056
Other revenues	-	-	92,112	92,112
Total Revenues	-	-	164,490	164,490
EXPENDITURES				
Current:				
Community development	140,266	123,991	82,941	41,050
Total Expenditures	140,266	123,991	82,941	41,050
Excess (Deficiency) of Revenues over Expenditures	(140,266)	(123,991)	81,549	205,540
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(140,266)	(123,991)	81,549	205,540
Fund Balances Beginning	362,423	362,423	362,423	-
Fund Balances Ending	\$ 222,157	\$ 238,432	\$ 443,972	\$ 205,540

City of Pacific Grove
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
CDBG Grant Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Charges for services	40,400	40,400	-	(40,400)
Interest, rents and concessions	-	-	29,190	29,190
Other revenues	-	-	237,752	237,752
Total Revenues	<u>40,400</u>	<u>40,400</u>	<u>266,942</u>	<u>226,542</u>
EXPENDITURES				
Current:				
Community development	40,400	168,202	26,894	141,308
Total Expenditures	<u>40,400</u>	<u>168,202</u>	<u>26,894</u>	<u>141,308</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(127,802)</u>	<u>240,048</u>	<u>367,850</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	-	(127,802)	240,048	367,850
Fund Balances Beginning	<u>6,862</u>	<u>6,862</u>	<u>6,862</u>	<u>-</u>
Fund Balances Ending	<u>\$ 6,862</u>	<u>\$ (120,940)</u>	<u>\$ 246,910</u>	<u>\$ 367,850</u>

City of Pacific Grove
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Clean Beaches Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes:				
Intergovernmental revenues	\$ 1,706,157	\$ 60,000	\$ 133,480	\$ 73,480
Total Revenues	<u>1,706,157</u>	<u>60,000</u>	<u>133,480</u>	<u>73,480</u>
EXPENDITURES				
Current:				
Community development	407,122	-	319,807	(319,807)
Capital outlay	1,192,336	60,000	161,100	(101,100)
Total Expenditures	<u>1,599,458</u>	<u>60,000</u>	<u>480,907</u>	<u>(420,907)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>106,699</u>	<u>-</u>	<u>(347,427)</u>	<u>(347,427)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	356,016	356,016
Transfers out	-	-	(8,589)	(8,589)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>347,427</u>	<u>347,427</u>
Net Change in Fund Balances	106,699	-	-	-
Fund Balances Beginning	-	-	-	-
Fund Balances Ending	<u>\$ 106,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Expenditures in excess of appropriations were covered by budgets in other objects/functions or transfers.

City of Pacific Grove

Schedule of Pension Contributions

June 30, 2018

	Fiscal Year			
	2018	2017	2016	2015
Contractually Required Contributions (Actuarially Determined)	\$ 2,392,372	\$ 1,995,457	\$ 1,784,443	\$ 837,801
Contributions in Relation to Actuarially Determined Contributions	2,392,372	1,995,457	1,784,443	837,801
Contribution Deficiency (Excess)	-	-	-	-
Covered Payroll	\$ 7,328,064	\$ 5,873,761	\$ 6,248,635	\$ 5,714,952
Contributions as a Percentage of Covered Payroll	32.65%	33.97%	28.56%	14.66%

Notes to Schedule:

Valuation Date: June 30, 2016

Assumptions Used: Entry Age Method used for Actuarial Cost Method
 Level Percentage of Payroll (Closed) Used Amortization Method
 3.7 to 3.8 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 four years are shown.

There were no changes in benefit terms

PERS discount rates were reduced from 7.5 to 7.65 in 2017 and then again to 7.15 in 2018.

City of Pacific Grove

Schedule of Proportionate Share of Net Pension Liability June 30, 2018

	Fiscal Year			
	2018	2017	2016	2015
Proportion of Net Pension Liability	0.39770%	0.39944%	0.38241%	0.37300%
Proportionate Share of Net Pension Liability	\$ 39,440,944	\$ 34,564,209	\$ 26,535,640	\$ 23,123,343
Covered Payroll	\$ 5,873,761	\$ 6,248,635	\$ 5,714,952	\$ 5,543,503
Net Pension Liability				
as a % of Covered Payroll	671.48%	553.15%	464.32%	417.13%
Plan's Fiduciary Net Position as a % of the TPL	73.31%	74.06%	78.40%	81.99%

Notes to Schedule:

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

There were no changes in benefit terms

PERS discount rates were reduced from 7.5 to 7.65 in 2017 and then again to 7.15 in 2018.

City of Pacific Grove
Retiree Healthcare Plan
Schedule of Total OPEB Liability
June 30, 2018

	Ended June 30, 2018
Total OPEB liability	
Service cost	\$ 194,311
Interest	119,338
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(415,636)
Benefit payments	(171,120)
Implicit subsidy fulfilled	-
Net change in Total OPEB Liability	(273,107)
Total OPEB Liability - beginning	4,078,542
Total OPEB Liability - ending	<u>\$ 3,805,435</u>
 Plan fiduciary net position	
Employer contributions	\$ -
Employer implicit subsidy	-
Employee contributions	-
Net investment income	-
Difference between estimated and actual earnings	-
Benefit payments	-
Implicit subsidy fulfilled	-
Other	-
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	<u>\$ -</u>
 Net OPEB liability (asset)	 \$ 3,805,435
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.00%
 Covered payroll for the plan	 \$ 6,325,000
 Net OPEB Liability as a percentage of covered payroll	 60.16%
 Total OPEB Liability as a percentage of covered payroll	 60.16%

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

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SUPPLEMENTARY INFORMATION

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COMBINING NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

(See Page 105)

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.
GENERAL FUND CAPITAL IMPROVEMENT PROJECTS FUND	The General Fund Capital Improvement Program Fund accounts for capital projects funded fully or in part by discretionary General Fund revenues. These projects are distinct from projects funded by the self-supporting Enterprise Funds or Special Revenue Funds. This Fund was established in late Fiscal Year 17/18, with fully funding anticipated to begin in Fiscal Year 18/19.

PERMANENT FUNDS

(See Page 147)

City of Pacific Grove
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

		Debt Service	Capital Projects			
	Total Special Revenue Funds	Butterfly Habitat Bond Fund	Building Facilities & Improvement Fund	Capital Improvement Projects Fund	Total Permanent Funds	Total Nonmajor Governmental Funds
ASSETS						
Cash and investments	\$ 3,792,082	\$ 23,207	\$ 125,842	\$ 8,300	\$ 2,899,737	\$ 6,849,168
Receivables:						
Taxes	46,154	-	-	-	-	46,154
Accounts	270,621	-	-	-	-	270,621
Loans receivable	265,285	-	-	-	-	265,285
Total assets	\$ 4,374,142	\$ 23,207	\$ 125,842	\$ 8,300	\$ 2,899,737	\$ 7,431,228
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 841,361	\$ -	\$ -	\$ 8,300	\$ -	\$ 849,661
Payroll related liabilities	15,031	-	-	-	-	15,031
Due to other funds	157,348	-	-	-	-	157,348
Unearned revenues	277,443	-	-	-	-	277,443
Total liabilities	1,291,183	-	-	8,300	-	1,299,483
Fund Balances:						
Nonspendable						
Permanent Funds	-	-	-	-	2,899,737	2,899,737
Restricted:						
Social service programs	260,996	-	-	-	-	260,996
Public safety	908,239	-	-	-	-	908,239
Community development	1,748,067	-	125,842	-	-	1,873,909
Street improvements	223,651	-	-	-	-	223,651
Debt service	-	23,207	-	-	-	23,207
Unassigned	(57,994)	-	-	-	-	(57,994)
Total fund balances	3,082,959	23,207	125,842	-	2,899,737	6,131,745
Total liabilities and fund balances	\$ 4,374,142	\$ 23,207	\$ 125,842	\$ 8,300	\$ 2,899,737	\$ 7,431,228

City of Pacific Grove
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

		Debt Service	Capital Projects			
	Total Special Revenue Funds	Butterfly Habitat Bond Fund	Building Facilities & Improvement Fund	Capital Improvement Projects Fund	Total Permanent Funds	Total Nonmajor Governmental Funds
REVENUES						
Taxes:						
Property taxes	\$ -	\$ 4,148	\$ -	\$ -	\$ -	\$ 4,148
Franchise and other taxes	54,586	-	-	-	-	54,586
Transient occupancy taxes	496,238	-	-	-	-	496,238
Business license tax	28,766	-	-	-	-	28,766
Intergovernmental revenues	970,940	-	-	-	-	970,940
Charges for services	4,029	-	-	-	58,574	62,603
Interest, rents and concessions	18,601	186	1,252	-	18,104	38,143
Other revenues	243,474	-	-	-	-	243,474
Total Revenues	2,337,651	4,334	1,252	-	76,678	2,419,915
EXPENDITURES						
Current:						
General government	3,848	-	-	-	-	3,848
Public safety:						
Police	647,240	-	-	-	-	647,240
Fire	12,028	-	-	-	-	12,028
Public works	302,533	-	-	-	-	302,533
Recreation	28,235	-	-	-	-	28,235
Library	1,937	-	-	-	-	1,937
Community development	688,727	-	-	-	-	688,727
Capital outlay	718,828	-	363,032	8,300	-	1,090,160
Debt service:						
Principal	-	89,194	-	-	-	89,194
Interest and fiscal charges	-	1,985	-	-	-	1,985
Total Expenditures	2,403,376	91,179	363,032	8,300	-	2,865,887
Excess (Deficiency) of Revenues over Expenditures	(65,725)	(86,845)	(361,780)	(8,300)	76,678	(445,972)
OTHER FINANCING SOURCES (USES)						
Transfers in	569,149	-	-	8,300	-	577,449
Transfers out	(47,549)	-	-	-	(32,462)	(80,011)
Total Other Financing Sources (Uses)	521,600	-	-	8,300	(32,462)	497,438
Net Change in Fund Balances	455,875	(86,845)	(361,780)	-	44,216	51,466
Fund Balances Beginning	2,627,084	110,052	487,622	-	2,855,521	6,080,279
Fund Balances Ending	<u>\$ 3,082,959</u>	<u>\$ 23,207</u>	<u>\$ 125,842</u>	<u>\$ -</u>	<u>\$ 2,899,737</u>	<u>\$ 6,131,745</u>

City of Pacific Grove

Schedule of Revenues, Expenditures, and

Changes in Fund Balances

Budget and Actual (GAAP Basis)

For the Year Ended June 30, 2018

Butterfly Habitat Bond Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 95,214	\$ 95,214	\$ 4,148	\$ (91,066)
Interest, rents and concessions	758	758	186	(572)
Total Revenues	95,972	95,972	4,334	(91,638)
EXPENDITURES				
Capital outlay	-	-	-	-
Debt service:				
Principal	89,194	89,194	89,194	-
Interest and fiscal charges	1,985	1,985	1,985	-
Total Expenditures	91,179	91,179	91,179	-
Excess (Deficiency) of Revenues over Expenditures	4,793	4,793	(86,845)	(91,638)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	4,793	4,793	(86,845)	(91,638)
Fund Balances Beginning	110,052	110,052	110,052	-
Fund Balances Ending	\$ 114,845	\$ 114,845	\$ 23,207	(91,638)

Cont'd

City of Pacific Grove

Schedule of Revenues, Expenditures, and

Changes in Fund Balances

Budget and Actual (GAAP Basis)

For the Year Ended June 30, 2018

	Building Facilities & Improvement Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Interest, rents and concessions	2,525	2,525	1,252	(1,273)
Total Revenues	2,525	2,525	1,252	(1,273)
EXPENDITURES				
Capital outlay	410,000	410,000	363,032	46,968
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	410,000	410,000	363,032	46,968
Excess (Deficiency) of Revenues over Expenditures	(407,475)	(407,475)	(361,780)	45,695
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(407,475)	(407,475)	(361,780)	45,695
Fund Balances Beginning	487,622	487,622	487,622	-
Fund Balances Ending	\$ 80,147	\$ 80,147	\$ 125,842	45,695

Cont'd

City of Pacific Grove
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2018

	Capital Improvement Projects Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Interest, rents and concessions	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
Capital outlay	-	-	8,300	(8,300)
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	8,300	(8,300)
Excess (Deficiency) of Revenues over Expenditures	-	-	(8,300)	(8,300)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	8,300	8,300
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	8,300	8,300
Net Change in Fund Balances	-	-	-	-
Fund Balances Beginning	-	-	-	-
Fund Balances Ending	\$ -	\$ -	\$ -	-
Concluded				

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.
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.
OPERATING GRANTS FUND	This fund accounts for grant proceeds and expenditures related to operating grants for various operations and projects throughout the City.
ROAD MAINTENANCE AND REHABILITATION ACCOUNT (RMRA) FUND	The Road Maintenance and Rehabilitation Account (RMRA) Fund is supported through shared revenues received from the Road Repair and Accountability Act of 2017. These revenues are generated from increased gas tax, diesel excise and sales tax; and a zero-emission vehicle registration fee for local transportation projects. Funding allocations are project specific and include a maintenance of effort requirement.

City of Pacific Grove
Combining Balance Sheet
Special Revenue Nonmajor Governmental Funds
June 30, 2018

	Carillion Fund	Environmental Enhancement Fund	State Franchise PEG Fund	Library Building & Equipment Fund
ASSETS				
Cash and investments	\$ 9,515	\$ 135,661	\$ 336,754	\$ 66,217
Receivables:				
Taxes	-	-	13,306	-
Accounts	-	-	-	-
Loans receivable	-	-	-	-
Total assets	9,515	135,661	350,060	66,217
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	180	13,306	-
Payroll related liabilities	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	-	180	13,306	-
Fund Balances:				
Restricted:				
Social service programs	-	-	-	-
Public safety	-	-	-	-
Community development	9,515	135,481	336,754	66,217
Street improvements	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	9,515	135,481	336,754	66,217
Total liabilities and fund balances	\$ 9,515	\$ 135,661	\$ 350,060	\$ 66,217

Cont'd

City of Pacific Grove
Combining Balance Sheet
Special Revenue Nonmajor Governmental Fund
June 30, 2018

	Museum Improvement Fund	Downtown Business District Fund	Hospitality Improvement District Fund	Library Book Fund
ASSETS				
Cash and investments	\$ 473,167	\$ 14,500	\$ 79,023	\$ 2,696
Receivables:				
Taxes	-	-	-	-
Accounts	-	20,738	52,582	-
Loans receivable	-	-	-	-
Total assets	473,167	35,238	131,605	2,696
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	21,409	123,936	2,696
Payroll related liabilities	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	12,158	-	-
Total liabilities	-	33,567	123,936	2,696
Fund Balances:				
Restricted:				
Social service programs	-	-	-	-
Public safety	-	-	-	-
Community development	473,167	1,671	7,669	-
Street improvements	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	473,167	1,671	7,669	-
Total liabilities and fund balances	\$ 473,167	\$ 35,238	\$ 131,605	\$ 2,696

Cont'd

City of Pacific Grove
Combining Balance Sheet
Special Revenue Nonmajor Governmental Fund
June 30, 2018

	Fire Emergency Equipment Fund	Local Streets and Roads Fund	Gas Tax Fund	Chautauqua Hall Fund
ASSETS				
Cash and investments	\$ 179,629	\$ 201,270	\$ 54,465	\$ 16,900
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Loans receivable	-	-	-	-
Total assets	179,629	201,270	54,465	16,900
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	260	15,717	11,182	-
Payroll related liabilities	-	-	5,185	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	260	15,717	16,367	-
Fund Balances:				
Restricted:				
Social service programs	-	-	-	-
Public safety	179,369	-	-	-
Community development	-	-	-	16,900
Street improvements	-	185,553	38,098	-
Unassigned	-	-	-	-
Total fund balances	179,369	185,553	38,098	16,900
Total liabilities and fund balances	\$ 179,629	\$ 201,270	\$ 54,465	\$ 16,900

Cont'd

City of Pacific Grove
Combining Balance Sheet
Special Revenue Nonmajor Governmental Fund
June 30, 2018

	Lighthouse Maintenance & Improvement Fund	Senior Housing Fund	CalHome Reuse Fund	Greening Grant Fund
ASSETS				
Cash and investments	\$ 111,642	\$ 9,893	\$ 195,406	\$ -
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Loans receivable	-	-	265,285	-
Total assets	111,642	9,893	460,691	-
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	5,124	-	-	-
Payroll related liabilities	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	265,285	-
Total liabilities	5,124	-	265,285	-
Fund Balances:				
Restricted:				
Social service programs	-	9,893	195,406	-
Public safety	-	-	-	-
Community development	106,518	-	-	-
Street improvements	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	106,518	9,893	195,406	-
Total liabilities and fund balances	\$ 111,642	\$ 9,893	\$ 460,691	\$ -

Cont'd

City of Pacific Grove
Combining Balance Sheet
Special Revenue Nonmajor Governmental Fund
June 30, 2018

	Poetry Promotion Fund	Yount Income Fund	Public Safety Augmentation Fund	Supplement Law Enforcement Fund
ASSETS				
Cash and investments	\$ 55,697	\$ 81,959	\$ 919,154	\$ 241,251
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	16,667
Loans receivable	-	-	-	-
Total assets	55,697	81,959	919,154	257,918
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	466,021	-
Payroll related liabilities	-	633	-	9,213
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	-	633	466,021	9,213
Fund Balances:				
Restricted:				
Social service programs	55,697	-	-	-
Public safety	-	-	453,133	248,705
Community development	-	81,326	-	-
Street improvements	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	55,697	81,326	453,133	248,705
Total liabilities and fund balances	\$ 55,697	\$ 81,959	\$ 919,154	\$ 257,918

Cont'd

City of Pacific Grove
Combining Balance Sheet
Special Revenue Nonmajor Governmental Fund
June 30, 2018

	Vehicle Abandonment Fund	Strong Disbursements Fund	ASBS Grant Fund	Coastal Conservancy Grant Fund
ASSETS				
Cash and investments	\$ 27,032	\$ 161,813	\$ -	\$ 252,206
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	180,634	-
Loans receivable	-	-	-	-
Total assets	27,032	161,813	180,634	252,206
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	3,643	81,280	-
Payroll related liabilities	-	-	-	-
Due to other funds	-	-	157,348	-
Unearned revenues	-	-	-	-
Total liabilities	-	3,643	238,628	-
Fund Balances:				
Restricted:				
Social service programs	-	-	-	-
Public safety	27,032	-	-	-
Community development	-	158,170	-	252,206
Street improvements	-	-	-	-
Unassigned	-	-	(57,994)	-
Total fund balances	27,032	158,170	(57,994)	252,206
Total liabilities and fund balances	\$ 27,032	\$ 161,813	\$ 180,634	\$ 252,206

Cont'd

City of Pacific Grove
Combining Balance Sheet
Special Revenue Nonmajor Governmental Fund
June 30, 2018

	Operating Grants Fund	RMRA Fund	McIndoo Donation Fund	Total Special Revenue Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 832	\$ 63,759	\$ 101,641	\$ 3,792,082
Receivables:				
Taxes	-	32,848	-	46,154
Accounts	-	-	-	270,621
Loans receivable	-	-	-	265,285
Total assets	832	96,607	101,641	4,374,142
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	96,607	-	841,361
Payroll related liabilities	-	-	-	15,031
Due to other funds	-	-	-	157,348
Unearned revenues	-	-	-	277,443
Total liabilities	-	96,607	-	1,291,183
Fund Balances:				
Restricted:				
Social service programs	-	-	-	260,996
Public safety	-	-	-	908,239
Community development	832	-	101,641	1,748,067
Street improvements	-	-	-	223,651
Unassigned	-	-	-	(57,994)
Total fund balances	832	-	101,641	3,082,959
Total liabilities and fund balances	\$ 832	\$ 96,607	\$ 101,641	\$ 4,374,142

Concluded

City of Pacific Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Nonmajor Governmental Funds For the Year Ended June 30, 2018

	Carillion Fund	Environmental Enhancement Fund	State Franchise PEG Fund	Library Building & Equipment Fund
REVENUES				
Taxes:				
Sales and use taxes	\$ -	\$ -	\$ -	\$ -
Franchise and other taxes	-	-	54,586	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	100,000
Charges for services	-	-	-	-
Interest, rents and concessions	53	773	1,879	230
Other revenues	-	4,909	-	603
Total Revenues	53	5,682	56,465	100,833
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	11
Community development	-	9,815	68,578	-
Capital outlay	-	-	1,750	59,505
Total Expenditures	-	9,815	70,328	59,516
Excess (Deficiency) of Revenues over Expenditures	53	(4,133)	(13,863)	41,317
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	53	(4,133)	(13,863)	41,317
Fund Balances Beginning	9,462	139,614	350,617	24,900
Fund Balances Ending	\$ 9,515	\$ 135,481	\$ 336,754	\$ 66,217

Cont'd

City of Pacific Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Nonmajor Governmental Funds For the Year Ended June 30, 2018

	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	-	-	496,238	-
Business license tax	-	28,766	-	-
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	2,622	54	119	11
Other revenues	-	-	-	4,643
Total Revenues	<u>2,622</u>	<u>28,820</u>	<u>496,357</u>	<u>4,654</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	37,911	489,389	78,572
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>37,911</u>	<u>489,389</u>	<u>78,572</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,622</u>	<u>(9,091)</u>	<u>6,968</u>	<u>(73,918)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	59,322
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,322</u>
Net Change in Fund Balances	2,622	(9,091)	6,968	(14,596)
Fund Balances Beginning	<u>470,545</u>	<u>10,762</u>	<u>701</u>	<u>14,596</u>
Fund Balances Ending	<u>\$ 473,167</u>	<u>\$ 1,671</u>	<u>\$ 7,669</u>	<u>\$ -</u>

Cont'd

City of Pacific Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Nonmajor Governmental Funds For the Year Ended June 30, 2018

	Fire Emergency Equipment Fund	Local Streets and Roads Fund	Gas Tax Fund	Chautauqua Hall Fund
REVENUES				
Taxes:				
Sales and use taxes	\$ -	\$ 430,205	\$ -	\$ -
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	299,180	-
Charges for services	-	-	-	-
Interest, rents and concessions	1,002	1,153	241	94
Other revenues	18,334	-	-	3,600
Total Revenues	19,336	431,358	299,421	3,694
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	12,028	-	-	-
Public works	-	-	281,813	-
Recreation	-	-	-	2,527
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	329,825	-	-
Total Expenditures	12,028	329,825	281,813	2,527
Excess (Deficiency) of Revenues over Expenditures	7,308	101,533	17,608	1,167
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	7,308	101,533	17,608	1,167
Fund Balances Beginning	172,061	84,020	20,490	15,733
Fund Balances Ending	\$ 179,369	\$ 185,553	\$ 38,098	\$ 16,900
				Cont'd

City of Pacific Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Nonmajor Governmental Funds For the Year Ended June 30, 2018

	Lighthouse Maintenance & Improvement Fund	Senior Housing Fund	CalHome Reuse Fund	Greening Grant Fund
REVENUES				
Taxes:				
Sales and use taxes	\$ -	\$ -	\$ -	\$ -
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Charges for services	4,029	-	-	-
Interest, rents and concessions	558	55	3,087	-
Other revenues	81,271	-	87,000	-
Total Revenues	85,858	55	90,087	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	25,708	-	-	-
Library	-	-	-	-
Community development	-	-	-	4,462
Capital outlay	28,889	-	-	-
Total Expenditures	54,597	-	-	4,462
Excess (Deficiency) of Revenues over Expenditures	31,261	55	90,087	(4,462)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	4,462
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	4,462
Net Change in Fund Balances	31,261	55	90,087	-
Fund Balances Beginning	75,257	9,838	105,319	-
Fund Balances Ending	\$ 106,518	\$ 9,893	\$ 195,406	\$ -

Cont'd

City of Pacific Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Nonmajor Governmental Funds For the Year Ended June 30, 2018

	Poetry Promotion Fund	Yount Income Fund	Public Safety Augmentation Fund	Supplement Law Enforcement Fund
REVENUES				
Taxes:				
Sales and use taxes	\$ -	\$ -	\$ -	\$ -
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	123,919	201,036
Charges for services	-	-	-	-
Interest, rents and concessions	313	459	2,796	1,517
Other revenues	114	-	-	-
Total Revenues	<u>427</u>	<u>459</u>	<u>126,715</u>	<u>202,553</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	491,961	155,279
Fire	-	-	-	-
Public works	-	20,720	-	-
Recreation	-	-	-	-
Library	1,926	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	42,000
Total Expenditures	<u>1,926</u>	<u>20,720</u>	<u>491,961</u>	<u>197,279</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,499)</u>	<u>(20,261)</u>	<u>(365,246)</u>	<u>5,274</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	13,540	481,630	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>13,540</u>	<u>481,630</u>	<u>-</u>
Net Change in Fund Balances	(1,499)	(6,721)	116,384	5,274
Fund Balances Beginning	<u>57,196</u>	<u>88,047</u>	<u>336,749</u>	<u>243,431</u>
Fund Balances Ending	<u>\$ 55,697</u>	<u>\$ 81,326</u>	<u>\$ 453,133</u>	<u>\$ 248,705</u>

Cont'd

City of Pacific Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Nonmajor Governmental Funds For the Year Ended June 30, 2018

	Vehicle Abandonment Fund	Strong Disbursements Fund	ASBS Grant Fund	Coastal Conservancy Grant Fund
REVENUES				
Taxes:				
Sales and use taxes	\$ -	\$ -	\$ -	\$ -
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	6,926	-	85,431	153,617
Charges for services	-	-	-	-
Interest, rents and concessions	106	756	-	-
Other revenues	-	43,000	-	-
Total Revenues	<u>7,032</u>	<u>43,756</u>	<u>85,431</u>	<u>153,617</u>
EXPENDITURES				
Current:				
General government	-	-	3,848	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	4,873	139,577	11,243
Total Expenditures	<u>-</u>	<u>4,873</u>	<u>143,425</u>	<u>11,243</u>
Excess (Deficiency) of Revenues over Expenditures	<u>7,032</u>	<u>38,883</u>	<u>(57,994)</u>	<u>142,374</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(47,549)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,549)</u>
Net Change in Fund Balances	7,032	38,883	(57,994)	94,825
Fund Balances Beginning	<u>20,000</u>	<u>119,287</u>	<u>-</u>	<u>157,381</u>
Fund Balances Ending	<u>\$ 27,032</u>	<u>\$ 158,170</u>	<u>\$ (57,994)</u>	<u>\$ 252,206</u>

Cont'd

City of Pacific Grove

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Special Revenue Nonmajor Governmental Funds

For the Year Ended June 30, 2018

	Operating Grants Fund	RMRA Fund	McIndoo Donation Fund	Total Special Revenue Nonmajor Governmental Funds
REVENUES				
Taxes:				
Sales and use taxes	\$ -	\$ 90,812	\$ -	\$ 521,017
Franchise and other taxes	-	-	-	54,586
Transient occupancy taxes	-	-	-	496,238
Business license tax	-	-	-	28,766
Intergovernmental revenues	831	-	-	970,940
Charges for services	-	-	-	4,029
Interest, rents and concessions	1	159	563	18,601
Other revenues	-	-	-	243,474
Total Revenues	832	90,971	563	2,337,651
EXPENDITURES				
Current:				
General government	-	-	-	3,848
Public safety:				
Police	-	-	-	647,240
Fire	-	-	-	12,028
Public works	-	-	-	302,533
Recreation	-	-	-	28,235
Library	-	-	-	1,937
Community development	-	-	-	688,727
Capital outlay	-	101,166	-	718,828
Total Expenditures	-	101,166	-	2,403,376
Excess (Deficiency) of Revenues over Expenditures	832	(10,195)	563	(65,725)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	10,195	-	569,149
Transfers out	-	-	-	(47,549)
Total Other Financing Sources (Uses)	-	10,195	-	521,600
Net Change in Fund Balances	832	-	563	455,875
Fund Balances Beginning	-	-	101,078	2,627,084
Fund Balances Ending	\$ 832	\$ -	\$ 101,641	\$ 3,082,959
				Concluded

City of Pacific Grove

Statement of Revenues, Expenditures, and

Changes in Fund Balances

Budget and Actual (GAAP Basis)

Special Revenue Nonmajor Governmental Funds

For the Year Ended June 30, 2018

	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	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	51	51	53	2
Other revenues	-	-	-	-
Total Revenues	51	51	53	2
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	3,060	3,060	-	3,060
Total Expenditures	3,060	3,060	-	3,060
Excess (Deficiency) of Revenues over Expenditures	(3,009)	(3,009)	53	3,062
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(3,009)	(3,009)	53	3,062
Fund Balances Beginning	9,462	9,462	9,462	-
Fund Balances Ending	\$ 6,453	\$ 6,453	\$ 9,515	\$ 3,062

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
For the Year Ended June 30, 2018

	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	151,500	151,500	-	(151,500)
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	773	773
Other revenues	-	-	4,909	4,909
Total Revenues	151,500	151,500	5,682	(145,818)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	147,535	147,535	9,815	137,720
Capital outlay	-	-	-	-
Total Expenditures	147,535	147,535	9,815	137,720
Excess (Deficiency) of Revenues over Expenditures	3,965	3,965	(4,133)	(8,098)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	3,965	3,965	(4,133)	(8,098)
Fund Balances Beginning	139,614	139,614	139,614	-
Fund Balances Ending	\$ 143,579	\$ 143,579	\$ 135,481	\$ (8,098)

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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

For the Year Ended June 30, 2018

	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	57,812	57,812	54,586	(3,226)
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	1,879	1,879
Other revenues	-	-	-	-
Total Revenues	57,812	57,812	56,465	(1,347)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	40,804	58,000	68,578	(10,578)
Capital outlay	100,000	100,000	1,750	98,250
Total Expenditures	140,804	158,000	70,328	87,672
Excess (Deficiency) of Revenues over Expenditures	(82,992)	(100,188)	(13,863)	86,325
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(82,992)	(100,188)	(13,863)	86,325
Fund Balances Beginning	350,617	350,617	350,617	-
Fund Balances Ending	\$ 267,625	\$ 250,429	\$ 336,754	\$ 86,325

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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

For the Year Ended June 30, 2018

	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	-	-	100,000	100,000
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	230	230
Other revenues	-	-	603	603
Total Revenues	-	-	100,833	100,833
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	42,000	11	41,989
Community development	-	-	-	-
Capital outlay	-	-	59,505	(59,505)
Total Expenditures	-	42,000	59,516	(17,516)
Excess (Deficiency) of Revenues over Expenditures	-	(42,000)	41,317	83,317
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	(42,000)	41,317	83,317
Fund Balances Beginning	24,900	24,900	24,900	-
Fund Balances Ending	\$ 24,900	\$ (17,100)	\$ 66,217	\$ 83,317

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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
For the Year Ended June 30, 2018

	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	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	2,020	2,020	2,622	602
Other revenues	-	-	-	-
Total Revenues	2,020	2,020	2,622	602
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	40,000	40,000	-	40,000
Total Expenditures	40,000	40,000	-	40,000
Excess (Deficiency) of Revenues over Expenditures	(37,980)	(37,980)	2,622	40,602
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(37,980)	(37,980)	2,622	40,602
Fund Balances Beginning	470,545	470,545	470,545	-
Fund Balances Ending	\$ 432,565	\$ 432,565	\$ 473,167	\$ 40,602

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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
For the Year Ended June 30, 2018

	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	30,603	30,603	28,766	(1,837)
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	54	54
Other revenues	-	-	-	-
Total Revenues	30,603	30,603	28,820	(1,783)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	30,603	30,603	37,911	(7,308)
Capital outlay	-	-	-	-
Total Expenditures	30,603	30,603	37,911	(7,308)
Excess (Deficiency) of Revenues over Expenditures	-	-	(9,091)	(9,091)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	(9,091)	(9,091)
Fund Balances Beginning	10,762	10,762	10,762	-
Fund Balances Ending	\$ 10,762	\$ 10,762	\$ 1,671	\$ (9,091)

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
For the Year Ended June 30, 2018

	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	494,900	494,900	496,238	1,338
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	119	119
Other revenues	-	-	-	-
Total Revenues	494,900	494,900	496,357	1,457
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	459,045	489,547	489,389	158
Capital outlay	-	-	-	-
Total Expenditures	459,045	489,547	489,389	158
Excess (Deficiency) of Revenues over Expenditures	35,855	5,353	6,968	1,615
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	35,855	5,353	6,968	1,615
Fund Balances Beginning	701	701	701	-
Fund Balances Ending	\$ 36,556	\$ 6,054	\$ 7,669	\$ 1,615

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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

For the Year Ended June 30, 2018

	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	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	11	11
Other revenues	40,400	40,400	4,643	(35,757)
Total Revenues	40,400	40,400	4,654	(35,746)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	80,800	80,800	78,572	2,228
Capital outlay	-	-	-	-
Total Expenditures	80,800	80,800	78,572	2,228
Excess (Deficiency) of Revenues over Expenditures	(40,400)	(40,400)	(73,918)	(33,518)
OTHER FINANCING SOURCES (USES)				
Transfers in	40,400	40,400	59,322	18,922
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	40,400	40,400	59,322	18,922
Net Change in Fund Balances	-	-	(14,596)	(14,596)
Fund Balances Beginning	14,596	14,596	14,596	-
Fund Balances Ending	\$ 14,596	\$ 14,596	\$ -	\$ (14,596)

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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
For the Year Ended June 30, 2018

	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	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	1,002	1,002
Other revenues	22,018	22,018	18,334	(3,684)
Total Revenues	22,018	22,018	19,336	(2,682)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	18,000	18,000	12,028	5,972
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	18,000	18,000	12,028	5,972
Excess (Deficiency) of Revenues over Expenditures	4,018	4,018	7,308	3,290
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	4,018	4,018	7,308	3,290
Fund Balances Beginning	172,061	172,061	172,061	-
Fund Balances Ending	\$ 176,079	\$ 176,079	\$ 179,369	\$ 3,290

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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
For the Year Ended June 30, 2018

	Local Streets and Roads Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	\$ 410,000	\$ 410,000	\$ 430,205	\$ 20,205
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	1,153	1,153
Other revenues	-	-	-	-
Total Revenues	410,000	410,000	431,358	21,358
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	410,000	410,000	329,825	80,175
Total Expenditures	410,000	410,000	329,825	80,175
Excess (Deficiency) of Revenues over Expenditures	-	-	101,533	101,533
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	101,533	101,533
Fund Balances Beginning	84,020	84,020	84,020	-
Fund Balances Ending	\$ 84,020	\$ 84,020	\$ 185,553	\$ 101,533

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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
For the Year Ended June 30, 2018

	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	326,935	326,935	299,180	(27,755)
Charges for services	-	-	-	-
Interest, rents and concessions	1,515	1,515	241	(1,274)
Other revenues	-	-	-	-
Total Revenues	328,450	328,450	299,421	(29,029)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	328,449	338,541	281,813	56,728
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	328,449	338,541	281,813	56,728
Excess (Deficiency) of Revenues over Expenditures	1	(10,091)	17,608	27,699
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	1	(10,091)	17,608	27,699
Fund Balances Beginning	20,490	20,490	20,490	-
Fund Balances Ending	\$ 20,491	\$ 10,399	\$ 38,098	\$ 27,699

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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
For the Year Ended June 30, 2018

	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	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	94	94
Other revenues	2,525	2,525	3,600	1,075
Total Revenues	2,525	2,525	3,694	1,169
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	10,201	10,201	2,527	7,674
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	10,201	10,201	2,527	7,674
Excess (Deficiency) of Revenues over Expenditures	(7,676)	(7,676)	1,167	8,843
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(7,676)	(7,676)	1,167	8,843
Fund Balances Beginning	15,733	15,733	15,733	-
Fund Balances Ending	\$ 8,057	\$ 8,057	\$ 16,900	\$ 8,843

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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
For the Year Ended June 30, 2018

	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	-	-	-	-
Charges for services	-	-	4,029	4,029
Interest, rents and concessions	-	-	558	558
Other revenues	38,683	58,683	81,271	22,588
Total Revenues	38,683	58,683	85,858	27,175
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	10,201	11,805	25,708	(13,903)
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	65,000	65,000	28,889	36,111
Total Expenditures	75,201	76,805	54,597	22,208
Excess (Deficiency) of Revenues over Expenditures	(36,518)	(18,122)	31,261	49,383
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(36,518)	(18,122)	31,261	49,383
Fund Balances Beginning	75,257	75,257	75,257	-
Fund Balances Ending	\$ 38,739	\$ 57,135	\$ 106,518	\$ 49,383

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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
For the Year Ended June 30, 2018

	Senior Housing 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	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	152	152	55	(97)
Other revenues	-	-	-	-
Total Revenues	152	152	55	(97)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	9,895	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	9,895	-	-	-
Excess (Deficiency) of Revenues over Expenditures	(9,743)	152	55	(97)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(9,743)	152	55	(97)
Fund Balances Beginning	9,838	9,838	9,838	-
Fund Balances Ending	\$ 95	\$ 9,990	\$ 9,893	\$ (97)

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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
For the Year Ended June 30, 2018

	CalHome Reuse Account 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	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	3,087	3,087
Other revenues	75,750	75,750	87,000	11,250
Total Revenues	75,750	75,750	90,087	14,337
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	75,750	75,750	-	75,750
Capital outlay	-	-	-	-
Total Expenditures	75,750	75,750	-	75,750
Excess (Deficiency) of Revenues over Expenditures	-	-	90,087	90,087
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	90,087	90,087
Fund Balances Beginning	105,319	105,319	105,319	-
Fund Balances Ending	\$ 105,319	\$ 105,319	\$ 195,406	\$ 90,087

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
For the Year Ended June 30, 2018

	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	274,406	274,406	-	(274,406)
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	274,406	274,406	-	(274,406)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	274,408	-	4,462	(4,462)
Capital outlay	-	-	-	-
Total Expenditures	274,408	-	4,462	(4,462)
Excess (Deficiency) of Revenues over Expenditures	(2)	274,406	(4,462)	(278,868)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	4,462	4,462
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	4,462	4,462
Net Change in Fund Balances	(2)	274,406	-	(274,406)
Fund Balances Beginning	-	-	-	-
Fund Balances Ending	\$ (2)	\$ 274,406	\$ -	\$ (274,406)

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
For the Year Ended June 30, 2018

	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	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	202	202	313	111
Other revenues	101	101	114	13
Total Revenues	303	303	427	124
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	15,856	15,856	1,926	13,930
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	15,856	15,856	1,926	13,930
Excess (Deficiency) of Revenues over Expenditures	(15,553)	(15,553)	(1,499)	14,054
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(15,553)	(15,553)	(1,499)	14,054
Fund Balances Beginning	57,196	57,196	57,196	-
Fund Balances Ending	\$ 41,643	\$ 41,643	\$ 55,697	\$ 14,054

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
For the Year Ended June 30, 2018

	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	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	4,040	4,040	459	(3,581)
Other revenues	-	-	-	-
Total Revenues	4,040	4,040	459	(3,581)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	20,178	20,178	20,720	(542)
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	20,178	20,178	20,720	(542)
Excess (Deficiency) of Revenues over Expenditures	(16,138)	(16,138)	(20,261)	(4,123)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	13,540	13,540
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	13,540	13,540
Net Change in Fund Balances	(16,138)	(16,138)	(6,721)	9,417
Fund Balances Beginning	88,047	88,047	88,047	-
Fund Balances Ending	\$ 71,909	\$ 71,909	\$ 81,326	\$ 9,417

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
For the Year Ended June 30, 2018

	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	80,800	80,800	123,919	43,119
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	2,796	2,796
Other revenues	-	-	-	-
Total Revenues	80,800	80,800	126,715	45,915
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	306,030	420,000	491,961	(71,961)
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	306,030	420,000	491,961	(71,961)
Excess (Deficiency) of Revenues over Expenditures	(225,230)	(339,200)	(365,246)	(26,046)
OTHER FINANCING SOURCES (USES)				
Transfers in	383,800	383,800	481,630	97,830
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	383,800	383,800	481,630	97,830
Net Change in Fund Balances	158,570	44,600	116,384	71,784
Fund Balances Beginning	336,749	336,749	336,749	-
Fund Balances Ending	\$ 495,319	\$ 381,349	\$ 453,133	\$ 71,784

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
For the Year Ended June 30, 2018

	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	179,600	179,600	201,036	21,436
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	1,517	1,517
Other revenues	-	-	-	-
Total Revenues	179,600	179,600	202,553	22,953
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	165,559	169,443	155,279	14,164
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	42,000	42,000	-
Total Expenditures	165,559	211,443	197,279	14,164
Excess (Deficiency) of Revenues over Expenditures	14,041	(31,843)	5,274	37,117
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	14,041	(31,843)	5,274	37,117
Fund Balances Beginning	243,431	243,431	243,431	-
Fund Balances Ending	\$ 257,472	\$ 211,588	\$ 248,705	\$ 37,117

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
For the Year Ended June 30, 2018

	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	-	-	6,926	6,926
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	106	106
Other revenues	-	-	-	-
Total Revenues	-	-	7,032	7,032
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	7,032	7,032
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	7,032	7,032
Fund Balances Beginning	20,000	20,000	20,000	-
Fund Balances Ending	\$ 20,000	\$ 20,000	\$ 27,032	\$ 7,032

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
For the Year Ended June 30, 2018

	Strong Fund Disbursements			
	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	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	756	756
Other revenues	43,430	43,430	43,000	(430)
Total Revenues	43,430	43,430	43,756	326
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	30,000	30,000	4,873	25,127
Total Expenditures	30,000	30,000	4,873	25,127
Excess (Deficiency) of Revenues over Expenditures	13,430	13,430	38,883	25,453
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	13,430	13,430	38,883	25,453
Fund Balances Beginning	119,287	119,287	119,287	-
Fund Balances Ending	\$ 132,717	\$ 132,717	\$ 158,170	\$ 25,453

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
For the Year Ended June 30, 2018

	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	214,383	300,000	85,431	(214,569)
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	214,383	300,000	85,431	(214,569)
EXPENDITURES				
Current:				
General government	3,849	3,849	3,848	1
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	138,039	138,039	-	138,039
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	300,000	-	300,000
Total Expenditures	141,888	441,888	3,848	438,040
Excess (Deficiency) of Revenues over Expenditures	72,495	(141,888)	81,583	223,471
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	72,495	(141,888)	81,583	223,471
Fund Balances Beginning	-	-	-	-
Fund Balances Ending	\$ 72,495	\$ (141,888)	\$ 81,583	\$ 223,471

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
For the Year Ended June 30, 2018

	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	-	250,000	153,617	(96,383)
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	-	250,000	153,617	(96,383)
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	250,000	11,243	238,757
Total Expenditures	-	250,000	11,243	238,757
Excess (Deficiency) of Revenues over Expenditures	-	-	142,374	142,374
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(47,549)	(47,549)
Total Other Financing Sources (Uses)	-	-	(47,549)	(47,549)
Net Change in Fund Balances	-	-	94,825	94,825
Fund Balances Beginning	157,381	157,381	157,381	-
Fund Balances Ending	\$ 157,381	\$ 157,381	\$ 252,206	\$ 94,825

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

For the Year Ended June 30, 2018

	Operating Grants			
	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	-	-	831	831
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	1	1
Other revenues	-	-	-	-
Total Revenues	-	-	832	832
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	832	832
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	832	832
Fund Balances Beginning	-	-	-	-
Fund Balances Ending	\$ -	\$ -	\$ 832	\$ 832

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

For the Year Ended June 30, 2018

	RMRA Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Sales and use taxes	\$ -	\$ 86,740	\$ 90,812	\$ 4,072
Franchise and other taxes	-	-	-	-
Transient occupancy taxes	-	-	-	-
Business license tax	-	-	-	-
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	-	-	159	159
Other revenues	-	-	-	-
Total Revenues	-	86,740	90,971	4,231
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	86,740	86,740	101,166	(14,426)
Total Expenditures	86,740	86,740	101,166	(14,426)
Excess (Deficiency) of Revenues over Expenditures	(86,740)	-	(10,195)	(10,195)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	10,195	10,195
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	10,195	10,195
Net Change in Fund Balances	(86,740)	-	-	-
Fund Balances Beginning	-	-	-	-
Fund Balances Ending	\$ (86,740)	\$ -	\$ -	\$ -

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
For the Year Ended June 30, 2018

	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	-	-	-	-
Charges for services	-	-	-	-
Interest, rents and concessions	101	101	563	462
Other revenues	-	-	-	-
Total Revenues	101	101	563	462
EXPENDITURES				
Current:				
General government	15,000	15,000	-	15,000
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	15,000	15,000	-	15,000
Excess (Deficiency) of Revenues over Expenditures	(14,899)	(14,899)	563	15,462
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(14,899)	(14,899)	563	15,462
Fund Balances Beginning	101,078	101,078	101,078	-
Fund Balances Ending	\$ 86,179	\$ 86,179	\$ 101,641	\$ 15,462

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, 2018

	Library Endowment Trust Fund	Cemetery Endowment Trust Fund	Yount Trust Fund	Total Permanent Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 529,767	\$ 1,544,732	\$ 825,238	\$ 2,899,737
Total assets	<u>\$ 529,767</u>	<u>\$ 1,544,732</u>	<u>\$ 825,238</u>	<u>\$ 2,899,737</u>
FUND BALANCES				
Nonspendable				
Permanent funds	\$ 529,767	\$ 1,544,732	\$ 825,238	\$ 2,899,737
Total fund balances	<u>\$ 529,767</u>	<u>\$ 1,544,732</u>	<u>\$ 825,238</u>	<u>\$ 2,899,737</u>

City of Pacific Grove

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

Permanent Nonmajor Governmental Funds

For the Year Ended June 30, 2018

	Library Endowment Trust Fund	Cemetery Endowment Trust Fund	Yount Trust Fund	Total Permanent Nonmajor Governmental Funds
REVENUES				
Charges for services	\$ -	\$ 58,574	\$ -	\$ 58,574
Interest, rents and concessions	9,161	8,463	480	18,104
Total Revenues	<u>9,161</u>	<u>67,037</u>	<u>480</u>	<u>76,678</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>9,161</u>	<u>67,037</u>	<u>480</u>	<u>76,678</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(18,922)	-	(13,540)	(32,462)
Total Other Financing Sources (Uses)	<u>(18,922)</u>	<u>-</u>	<u>(13,540)</u>	<u>(32,462)</u>
Net Change in Fund Balances	(9,761)	67,037	(13,060)	44,216
Fund Balances Beginning	<u>539,528</u>	<u>1,477,695</u>	<u>838,298</u>	<u>2,855,521</u>
Fund Balances Ending	<u>\$ 529,767</u>	<u>\$ 1,544,732</u>	<u>\$ 825,238</u>	<u>\$ 2,899,737</u>

City of Pacific Grove

Statement of Revenues, Expenditures, and

Changes in Fund Balances

Budget and Actual (GAAP Basis)

Permanent Nonmajor Governmental Funds

For the Year Ended June 30, 2018

	Library Endowment Trust Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Interest, rents and concessions	505	505	9,161	8,656
Total Revenues	505	505	9,161	8,656
EXPENDITURES				
Current:				
General government	4,040	4,040	-	4,040
Total Expenditures	4,040	4,040	-	4,040
Excess (Deficiency) of Revenues over Expenditures	(3,535)	(3,535)	9,161	12,696
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(18,922)	(18,922)
Total Other Financing Sources (Uses)	-	-	(18,922)	(18,922)
Net Change in Fund Balances	(3,535)	(3,535)	(9,761)	(6,226)
Fund Balances Beginning	539,528	539,528	539,528	-
Fund Balances Ending	\$ 535,993	\$ 535,993	\$ 529,767	\$ (6,226)

Cont'd

City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Permanent Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Cemetery Endowment Trust Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Charges for services	\$ 75,447	\$ 75,447	\$ 58,574	\$ (16,873)
Interest, rents and concessions	-	-	8,463	8,463
Total Revenues	75,447	75,447	67,037	(8,410)
EXPENDITURES				
Current:				
General government	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	75,447	75,447	67,037	(8,410)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	75,447	75,447	67,037	(8,410)
Fund Balances Beginning	1,477,695	1,477,695	1,477,695	-
Fund Balances Ending	\$ 1,553,142	\$ 1,553,142	\$ 1,544,732	\$ (8,410)

Cont'd

City of Pacific Grove
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Permanent Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Yount Trust Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Interest, rents and concessions	3,030	3,030	480	(2,550)
Total Revenues	3,030	3,030	480	(2,550)
EXPENDITURES				
Current:				
General government	202	200	-	200
Total Expenditures	202	200	-	200
Excess (Deficiency) of Revenues over Expenditures	2,828	2,830	480	(2,350)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	12,000	(13,540)	(25,540)
Total Other Financing Sources (Uses)	-	12,000	(13,540)	(25,540)
Net Change in Fund Balances	2,828	14,830	(13,060)	(27,890)
Fund Balances Beginning	838,298	838,298	838,298	-
Fund Balances Ending	\$ 841,126	\$ 853,128	\$ 825,238	\$ (27,890)
				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, 2018

	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	\$ 112,448	\$ 1,171,467	\$ 314,637	\$ 223,572	\$ 1,822,124
Accounts receivable	-	40,657	-	-	40,657
Other assets	-	228,928	525,205	-	754,133
Total assets	\$ 112,448	\$ 1,441,052	\$ 839,842	\$ 223,572	\$ 2,616,914
DEFERRED OUTFLOWS OF RESOURCES					
Pension adjustments	\$ -	\$ 69,947	\$ 150,467	\$ -	\$ 220,414
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 19,526	\$ 32,951	\$ 7,505	\$ -	\$ 59,982
Payroll related liabilities	-	-	-	-	-
Unearned revenue	107	-	-	-	107
Claims payable - current	-	342,875	-	-	342,875
Compensated absences - current	-	-	-	-	-
Total current liabilities	19,633	375,826	7,505	-	402,964
Noncurrent liabilities:					
Claims payable	-	686,780	-	-	686,780
Net pension liabilities	-	222,788	328,879	-	551,667
Compensated absences	-	-	-	-	-
Total noncurrent liabilities	-	909,568	328,879	-	1,238,447
Total liabilities	\$ 19,633	\$ 1,285,394	\$ 336,384	\$ -	\$ 1,641,411
DEFERRED INFLOWS OF RESOURCES					
Pension adjustments	\$ -	\$ 34,055	\$ 21,868	\$ -	\$ 55,923
NET POSITION					
Unrestricted	92,815	191,550	632,057	223,572	1,139,994
Total net position	\$ 92,815	\$ 191,550	\$ 632,057	\$ 223,572	\$ 1,139,994

City of Pacific Grove
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2018

	Employee Benefit Fund	Workers Compensation Fund	Liability Insurance Fund	Other Postemployment Benefits Fund	Total Governmental Activities - Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 185,078	\$ 1,394,730	\$ 655,058	\$ -	\$ 2,234,866
Total operating revenues	<u>185,078</u>	<u>1,394,730</u>	<u>655,058</u>	<u>-</u>	<u>2,234,866</u>
OPERATING EXPENSES					
Contractual services and utilities	37,733	960,031	136,828	101,000	1,235,592
Personnel	204,363	15,919	29,304	-	249,586
Total operating expenses	<u>242,096</u>	<u>975,950</u>	<u>166,132</u>	<u>101,000</u>	<u>1,485,178</u>
Operating income (loss)	<u>(57,018)</u>	<u>418,780</u>	<u>488,926</u>	<u>(101,000)</u>	<u>749,688</u>
NONOPERATING REVENUES(EXPENSES)					
Investment income	917	6,880	606	1,762	10,165
Total nonoperating revenues(expenses)	<u>917</u>	<u>6,880</u>	<u>606</u>	<u>1,762</u>	<u>10,165</u>
Change in net position	<u>(56,101)</u>	<u>425,660</u>	<u>489,532</u>	<u>(99,238)</u>	<u>759,853</u>
Total net position - beginning	148,916	(234,110)	142,525	322,810	380,141
Total net position - ending	<u>\$ 92,815</u>	<u>\$ 191,550</u>	<u>\$ 632,057</u>	<u>\$ 223,572</u>	<u>\$ 1,139,994</u>

City of Pacific Grove
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

	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	\$ 185,185	\$ 1,354,073	\$ 655,058	\$ -	\$ 2,194,316
Payments for contractual services and utilities	(39,184)	(996,499)	(362,523)	-	(1,398,206)
Payments to employees	(204,363)	227,993	(36,380)	(101,000)	(113,750)
Net cash provided (used) by operating activities	(58,362)	585,567	256,155	(101,000)	682,360
Cash flows from investing activities:					
Investment income received	917	6,880	606	1,762	10,165
Net cash provided (used) by investing activities	917	6,880	606	1,762	10,165
Net increase (decrease) in cash and cash equivalents	(57,445)	592,447	256,761	(99,238)	692,525
Cash and cash equivalents - beginning	169,893	579,020	57,876	322,810	1,129,599
Cash and cash equivalents - ending	\$ 112,448	\$ 1,171,467	\$ 314,637	\$ 223,572	\$ 1,822,124
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (57,018)	\$ 418,780	\$ 488,926	\$ (101,000)	\$ 749,688
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Change in operating assets and liabilities:					
Accounts receivable	-	(40,657)	-	-	(40,657)
Prepaid expenses	-	(27,967)	(213,161)	-	(241,128)
Deferred outflows of resources	-	(32,825)	(113,345)	-	(146,170)
Accounts payable	(1,451)	(8,501)	(12,534)	-	(22,486)
Payroll related liabilities	-	(1,822)	(1,822)	-	(3,644)
Unearned revenue	107	-	-	-	107
Claims payable	-	264,369	-	-	264,369
Deferred inflows of resources	-	(4,968)	(17,158)	-	(22,126)
Net pension liabilities	-	43,250	149,341	-	192,591
Compensated absences	-	(24,092)	(24,092)	-	(48,184)
Net cash provided (used) by operating activities	\$ (58,362)	\$ 585,567	\$ 256,155	\$ (101,000)	\$ 682,360



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.

160-169

Revenue Capacity

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

170-175

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.

176-183

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.

184-186

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.

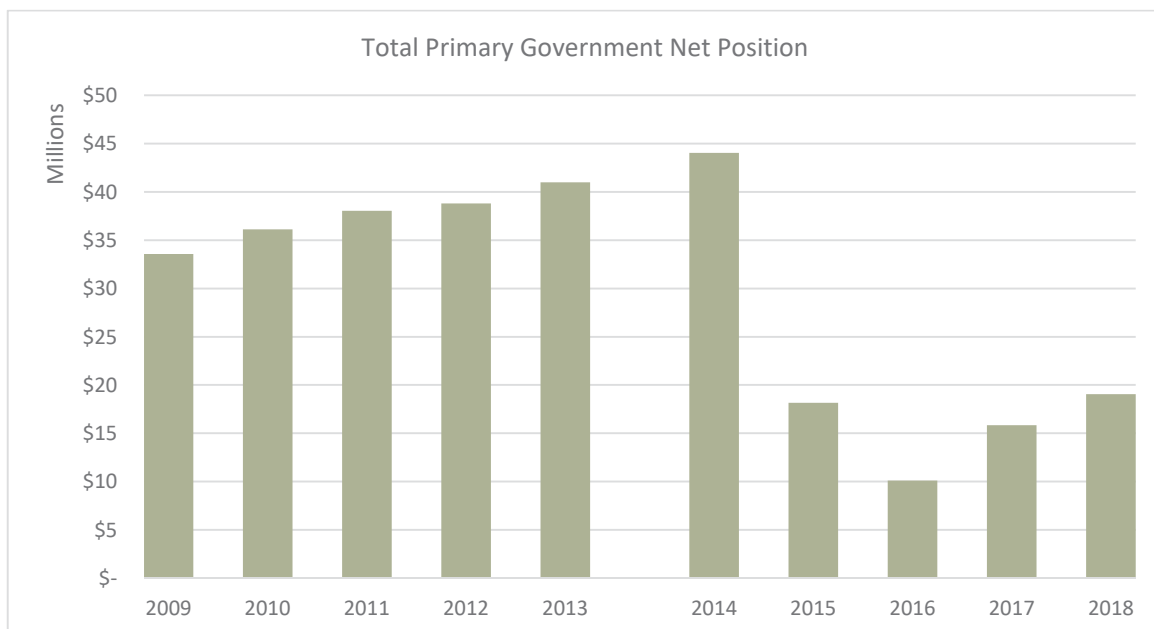
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Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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

TABLE 1

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
Governmental activities:					
Net investment in capital assets	\$ 16,946,262	\$ 16,777,252	\$ 16,112,881	\$ 15,587,584	\$ 21,896,315
Restricted	91,553	102,057	3,071,783	3,372,621	5,186,540
Unrestricted	6,012,648	7,353,729	5,803,212	5,446,607	(1,872,525)
Total governmental activities net position	<u>\$ 23,050,463</u>	<u>\$ 24,233,038</u>	<u>\$ 24,987,876</u>	<u>\$ 24,406,812</u>	<u>\$ 25,210,330</u>
Business-type activities:					
Net investment in capital assets	\$ 6,626,372	\$ 7,175,799	\$ 7,483,092	\$ 9,544,860	\$ 9,613,340
Restricted	273,840	273,841	273,841	273,841	273,840
Unrestricted	3,609,265	4,437,109	5,298,943	4,585,840	5,897,400
Total business-type activities net position	<u>\$ 10,509,477</u>	<u>\$ 11,886,749</u>	<u>\$ 13,055,876</u>	<u>\$ 14,404,541</u>	<u>\$ 15,784,580</u>
Primary government:					
Net investment in capital assets	\$ 23,572,634	\$ 23,953,051	\$ 23,595,973	\$ 25,132,444	\$ 31,509,655
Restricted	365,393	375,898	3,345,624	3,646,462	5,460,380
Unrestricted	9,621,913	11,790,838	11,102,155	10,032,447	4,024,875
Total primary government net position	<u>\$ 33,559,940</u>	<u>\$ 36,119,787</u>	<u>\$ 38,043,752</u>	<u>\$ 38,811,353</u>	<u>\$ 40,994,910</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				
	2014	2015	2016	2017	2018
Governmental activities:					
Net investment in capital assets	\$ 21,416,743	\$ 22,263,317	\$ 22,741,849	\$ 25,668,607	\$ 27,258,794
Restricted	5,875,777	6,023,419	6,193,527	6,430,258	6,880,621
Unrestricted	(601,953)	(28,355,257)	(36,999,457)	(35,892,155)	(37,782,965)
Total governmental activities net position	\$ 26,690,567	\$ (68,521)	\$ (8,064,081)	\$ (3,793,290)	\$ (3,643,550)
Business-type activities:					
Net investment in capital assets	\$ 11,468,718	\$ 12,181,977	\$ 12,525,066	\$ 13,220,660	\$ 16,268,992
Restricted	273,843	-	-	-	295,090
Unrestricted	5,611,580	6,059,829	5,640,007	6,398,946	6,136,327
Total business-type activities net position	\$ 17,354,141	\$ 18,241,806	\$ 18,165,073	\$ 19,619,606	\$ 22,700,409
Primary government:					
Net investment in capital assets	\$ 32,885,461	\$ 34,445,294	\$ 35,266,915	\$ 38,889,267	\$ 43,527,786
Restricted	6,149,620	6,023,419	6,193,527	6,430,258	7,175,711
Unrestricted	5,009,627	(22,295,428)	(31,359,450)	(29,493,209)	(31,646,638)
Total primary government net position	\$ 44,044,708	\$ 18,173,285	\$ 10,100,992	\$ 15,826,316	\$ 19,056,859

Concluded

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

TABLE 2

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
Expenses					
Governmental activities:					
General government	\$ 2,651,095	\$ 2,339,217	\$ 2,370,711	\$ 2,311,480	\$ 2,372,620
Public safety	7,083,560	7,830,227	8,414,290	8,086,693	7,591,216
Public works	1,975,888	1,773,319	2,608,811	2,636,102	2,964,967
Recreation	359,269	319,776	313,473	317,785	388,241
Library	653,150	554,877	643,306	1,042,065	776,636
Museum	367,303	260,876	225,802	201,184	191,753
Community Development	1,202,868	1,164,714	1,596,545	1,234,326	1,675,081
Interest and fiscal charges on long-term debt	1,939,596	1,302,442	1,272,286	1,238,744	1,940,274
Total governmental activities expenses	16,232,729	15,545,448	17,445,224	17,068,379	17,900,788
Business-type activities:					
Cemetery	275,559	229,019	193,698	252,436	211,866
Sewer	1,180,209	1,158,397	1,006,075	1,092,344	1,707,644
Golf	2,537,993	2,542,647	2,852,956	2,759,340	2,186,562
Total business-type activities expenses	3,993,761	3,930,063	4,052,729	4,104,120	4,106,072
Total primary government expenses	\$ 20,226,490	\$ 19,475,511	\$ 21,497,953	\$ 21,172,499	\$ 22,006,860
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 337,435	\$ 310,730	\$ 287,117	\$ 285,369	\$ 433,402
Public safety	1,136,016	1,206,259	1,040,412	1,013,619	70,448
Public works	277,083	276,474	281,928	289,063	48,292
Recreation	50,255	46,979	36,829	43,097	181,316
Library	92,166	89,223	80,326	132,168	24,865
Museum	50,232	40,092	25,806	21,398	1,308
Community Development	173,818	186,201	204,417	159,075	332,890
Operating grants and contributions	1,715,992	1,326,874	1,470,090	786,541	768,547
Capital grants and contributions	-	-	-	-	777,309
Total governmental activities program revenues	3,832,997	3,482,832	3,426,925	2,730,330	2,638,377
Business-type activities:					
Charges for services:					
Cemetery	139,261	154,817	237,626	293,377	220,105
Sewer	2,390,364	2,516,888	2,470,459	2,573,438	2,636,516
Golf	2,661,927	2,611,308	2,400,792	2,535,188	2,542,365
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	245,410
Total business-type activities program revenues	5,191,552	5,283,013	5,108,877	5,402,003	5,644,396
Total primary government program revenues	9,024,549	8,765,845	8,535,802	8,132,333	8,282,773
Net (expense)/revenue:					
Governmental activities	(12,399,732)	(12,062,616)	(14,018,299)	(14,338,049)	(15,262,411)
Business-type activities	1,197,791	1,352,950	1,056,148	1,297,883	1,538,324
Total primary government net (expense)/revenue	\$ (11,201,941)	\$ (10,709,666)	\$ (12,962,151)	\$ (13,040,166)	\$ (13,724,087)

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

TABLE 2

	Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 4,172,584	\$ 4,142,004	\$ 4,070,176	\$ 3,998,976	\$ 5,372,281
Sales and use taxes	2,433,372	2,794,789	2,895,637	2,941,271	3,111,379
Franchise taxes	852,640	805,820	979,285	880,008	1,010,451
Transient occupancy taxes	3,292,344	3,105,820	3,113,978	3,378,973	3,809,270
Utility users taxes	1,425,921	1,434,505	1,434,515	1,477,555	1,565,996
Business license tax	297,595	328,827	305,107	333,721	349,920
Other taxes	58,203	73,157	56,906	88,455	-
Unrestricted grants and contributions					
Unrestricted Investment earnings	372,534	257,586	302,274	223,845	89,544
Gain (loss) on sale of assets					
Extraordinary items					
Miscellaneous or Other revenues	519,858	250,958	691,550	434,181	719,048
Transfers	110,318	51,725			124,058
Total governmental activities	13,535,369	13,245,191	13,849,428	13,756,985	16,151,947
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	74,884	37,082	26,659	44,460	32,654
Gain (loss) on sale of assets					
Miscellaneous or Other revenues	69,908	38,965	86,320	61,985	-
Transfers	(110,318)	(51,725)		-	(124,058)
Total business-type activities	34,474	24,322	112,979	106,445	(91,404)
Total primary government	\$ 13,569,843	\$ 13,269,513	\$ 13,962,407	\$ 13,863,430	\$ 16,060,543
Change in Net Position					
Governmental activities	\$ 1,135,637	\$ 1,182,575	\$ (168,871)	\$ (581,064)	\$ 889,536
Business-type activities	1,232,265	1,377,272	1,169,127	1,404,328	1,446,920
Total primary government	\$ 2,367,902	\$ 2,559,847	\$ 1,000,256	\$ 823,264	\$ 2,336,456

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				
	2014	2015	2016	2017	2018
Expenses					
Governmental activities:					
General government	\$ 2,722,546	\$ 2,320,217	\$ 2,768,729	\$ 2,738,294	\$ 3,025,245
Public safety	6,783,251	7,144,172	8,675,956	10,117,543	10,133,896
Public works	3,847,820	3,357,831	4,057,715	4,136,425	4,110,946
Recreation	534,649	439,368	586,436	684,848	737,279
Library	778,981	662,076	844,521	988,284	920,946
Museum	200,369	195,868	258,591	277,538	255,915
Community Development	1,684,231	2,246,289	3,512,657	3,086,903	2,897,897
Interest and fiscal charges on long-term debt	2,102,187	1,323,094	1,209,972	1,068,271	963,134
Total governmental activities expenses	18,654,034	17,688,915	21,914,577	23,098,106	23,045,258
Business-type activities:					
Cemetery	236,615	231,261	295,388	293,068	370,747
Sewer	1,585,152	1,761,965	1,703,290	1,751,842	2,558,927
Golf	2,073,405	811,666	420,788	349,811	371,646
Total business-type activities expenses	3,895,172	2,804,892	2,419,466	2,394,721	3,301,320
Total primary government expenses	\$ 22,549,206	\$ 20,493,807	\$ 24,334,043	\$ 25,492,827	\$ 26,346,578
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 305,112	\$ 874,861	\$ 1,398,707	\$ 1,338,655	\$ 1,596,481
Public safety	41,475	9,552	10,405	11,222	33,363
Public works	89,412	35,743	45,792	32,993	43,434
Recreation	236,005	322,363	295,341	377,778	403,889
Library	25,664	18,810	17,601	19,925	16,364
Museum	-	-	-	-	-
Community Development	335,515	564,954	578,575	664,133	544,275
Operating grants and contributions	1,170,116	960,553	2,354,025	4,105,908	856,196
Capital grants and contributions	100,000	104,677	36,050	96,383	424,950
Total governmental activities program revenues	2,303,299	2,891,513	4,736,496	6,646,997	3,918,952
Business-type activities:					
Charges for services:					
Cemetery	241,848	200,527	191,497	288,712	452,283
Sewer	2,788,017	2,908,507	2,967,074	3,139,222	3,437,718
Golf	2,050,807	405,552	386,916	354,093	333,534
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	857,774	48,405	152,830	-	2,353,823
Total business-type activities program revenues	5,938,446	3,562,991	3,698,317	3,782,027	6,577,358
Total primary government program revenues	8,241,745	6,454,504	8,434,813	10,429,024	10,496,310
Net (expense)/revenue:					
Governmental activities	(16,350,735)	(14,797,402)	(17,178,081)	(16,451,109)	(19,126,306)
Business-type activities	2,043,274	758,099	1,278,851	1,387,306	3,276,038
Total primary government net (expense)/revenue	\$ (14,307,461)	\$ (14,039,303)	\$ (15,899,230)	\$ (15,063,803)	\$ (15,850,268)

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

TABLE 2

	Fiscal Year Ended June 30				
	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 5,679,257	\$ 5,836,174	\$ 6,226,267	\$ 6,557,824	\$ 6,851,928
Sales and use taxes	3,325,567	3,534,495	3,325,809	4,159,401	4,075,744
Franchise taxes	1,046,677	975,090	1,041,653	915,094	1,082,574
Transient occupancy taxes	4,167,334	4,998,885	5,364,317	5,829,610	6,656,849
Utility users taxes	1,580,400	1,428,360	1,594,143	1,593,887	1,688,876
Business license tax	347,089	359,408	341,071	402,881	381,810
Other taxes	-	102,627	146,945	125,487	121,192
Unrestricted grants and contributions					-
Unrestricted Investment earnings	334,802	257,602	253,846	74,222	142,104
Gain (loss) on sale of assets					
Extraordinary items					
Miscellaneous or Other revenues	1,095,006	837,458	947,392	984,164	552,320
Transfers	507,135		5,301		356,016
Total governmental activities	18,083,267	18,330,099	19,246,744	20,642,570	21,909,413
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	33,422	26,693	67,318	9,754	42,764
Gain (loss) on sale of assets					
Miscellaneous or Other revenues	-	102,878	113,560	57,473	118,017
Transfers	(507,135)	-	(5,301)	-	(356,016)
Total business-type activities	(473,713)	129,571	175,577	67,227	(195,235)
Total primary government	\$ 17,609,554	\$ 18,459,670	\$ 19,422,321	\$ 20,709,797	\$ 21,714,178
Change in Net Position					
Governmental activities	\$ 1,732,532	\$ 3,532,697	\$ 2,068,663	\$ 4,191,461	\$ 2,783,107
Business-type activities	1,569,561	887,670	1,454,428	1,454,533	3,080,803
Total primary government	\$ 3,302,093	\$ 4,420,367	\$ 3,523,091	\$ 5,645,994	\$ 5,863,910

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				
	2009	2010	2011	2012	2013
General Fund					
Reserved					
Unreserved, designated	\$ 1,978,092	\$ 2,456,216	\$ -	\$ -	\$ -
Unreserved, undesignated	-	255,453	-	-	-
Non-spendable	-	-	-	-	-
Prepaid assets	-	-	177,089	162,413	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	2,467,910	2,467,910	125,277
Unassigned	-	-	398,202	613,334	4,073,763
Total General Fund	<u>\$ 1,978,092</u>	<u>\$ 2,711,669</u>	<u>\$ 3,043,201</u>	<u>\$ 3,243,657</u>	<u>\$ 4,199,040</u>
All other governmental funds					
Reserved					
Long-term loan receivable	\$ 1,422,218	\$ 1,707,418	\$ 2,294,575	\$ 1,794,545	\$ -
Debt service	91,553	102,057			
Unreserved, designated, reported in:					
Special revenue funds	2,174,359	2,043,525	2,411,616	2,723,898	-
Permanent funds	2,656,011	2,629,122	-	-	-
Capital projects funds	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	2,481,616
Restricted					
Social service programs	-	-	-	-	442,099
Public safety	-	-	-	-	125,153
Community development	-	-	-	-	1,712,531
Street improvements	-	-	-	-	345,060
Debt service			108,261	93,550	80,081
Assigned					
Social service programs					
Unassigned	-	-	(5,387)	-	-
Total all other governmental funds	<u>\$ 6,886,227</u>	<u>\$ 7,031,808</u>	<u>\$ 7,717,841</u>	<u>\$ 7,611,153</u>	<u>\$ 5,186,540</u>

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				
	2014	2015	2016	2017	2018
General Fund					
Reserved					
Unreserved, designated	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, undesignated	-	-	-	-	-
Non-spendable	-	-	-	-	-
Prepaid assets	-	25,878	27,904	-	210,824
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	305,554	240,922	261,771	279,660	286,638
Unassigned	5,789,263	7,956,937	9,632,848	11,352,442	11,365,650
Total General Fund	\$ 6,094,817	\$ 8,223,737	\$ 9,922,523	\$ 11,632,102	\$ 11,863,112
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	2,558,499	2,643,651	2,761,263	2,855,521	2,899,737
Restricted	-	-	-	-	-
Social service programs	525,887	507,885	622,022	549,372	704,968
Public safety	553,676	377,053	482,400	772,241	908,239
Community development	1,927,833	1,801,999	1,786,526	2,057,868	2,120,819
Street improvements	239,731	179,252	570	104,510	223,651
Debt service	70,151	63,579	90,746	90,746	23,207
Assigned					
Social service programs	-	-	-	-	-
Unassigned	(56,185)	(32,658)	157,765	19,306	(57,994)
Total all other governmental funds	\$ 5,819,592	\$ 5,544,976	\$ 5,901,292	\$ 6,449,564	\$ 6,822,627

The City implemented GASB 54, "Fund Balance Reporting and Fund Balances for Major Funds," in 2010. GASB 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				
	2009	2010	2011	2012	2013
Revenues					
Taxes	\$ 12,532,659	\$ 12,684,922	\$ 12,855,604	\$ 13,098,959	\$ 15,219,297
Intergovernmental revenues	2,984,186	2,567,153	2,677,872	1,967,347	1,132,932
Licenses, permits, and impact fees	364,923	424,659	402,658	345,167	412,924
Fines and forfeitures	35,671	41,706	54,731	48,900	76,125
Charges for services	1,716,411	1,689,593	1,499,446	1,549,722	1,016,396
Use of money and property	372,534	257,586	302,274	223,845	89,544
Other revenues	2,017,961	1,799,247	2,323,570	2,095,374	719,048
Total revenues	20,024,345	19,464,866	20,116,155	19,329,314	18,666,266
Expenditures					
General government	2,563,041	2,249,557	2,429,240	2,440,953	2,429,557
Public safety					
Police	5,215,311	5,454,952	5,618,582	5,750,059	5,003,017
Fire	3,413,500	3,277,873	3,184,115	2,920,112	2,418,886
Public works	2,104,628	2,001,561	2,385,334	2,472,551	2,582,021
Recreation	381,719	340,107	311,602	368,636	360,888
Library	700,066	645,940	679,618	1,130,520	771,147
Museum	381,550	290,256	218,338	183,033	177,952
Community development	1,320,258	1,348,018	1,729,531	1,360,674	1,789,245
Capital Outlay	2,002,658	1,024,435	550,333	596,108	910,266
Debt Service					
Principal	1,561,384	1,620,609	1,522,493	1,489,870	1,468,455
Interest and fiscal charges	316,748	384,125	453,809	523,030	598,447
Bond issuance costs	-	-	-	-	-
Total expenditures	19,960,863	18,637,433	19,082,995	19,235,546	18,509,881
Excess of revenues over (under) expenditures	63,482	827,433	1,033,160	93,768	156,385
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	769,026	613,327	448,414	418,488	240,847
Transfers out	(658,708)	(561,602)	(464,009)	(418,488)	(116,789)
Total other financing sources (uses)	141,888	51,725	(15,595)	-	124,058
Extraordinary items					
Extraordinary gain/(loss)	-	-	-	-	-
Total extraordinary items	-	-	-	-	-
Net change in fund balances	\$ 205,370	\$ 879,158	\$ 1,017,565	\$ 93,768	\$ 280,443
 Total Expenditures	\$ 19,960,863	\$ 18,637,433	\$ 19,082,995	\$ 19,235,546	\$ 18,509,881
Capitalized Portion of Capital Outlay	2,004,042	1,022,715	539,021	589,172	910,266
Total Non-Capitalized Expenditures	\$ 17,956,821	\$ 17,614,718	\$ 18,543,974	\$ 18,646,374	\$ 17,599,615
 Debt Service: Principal & Interest	\$ 1,878,132	\$ 2,004,734	\$ 1,976,302	\$ 2,012,900	\$ 2,066,902
 Debt service as a percentage of noncapital expenditures	10.5%	11.4%	10.7%	10.8%	11.7%

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

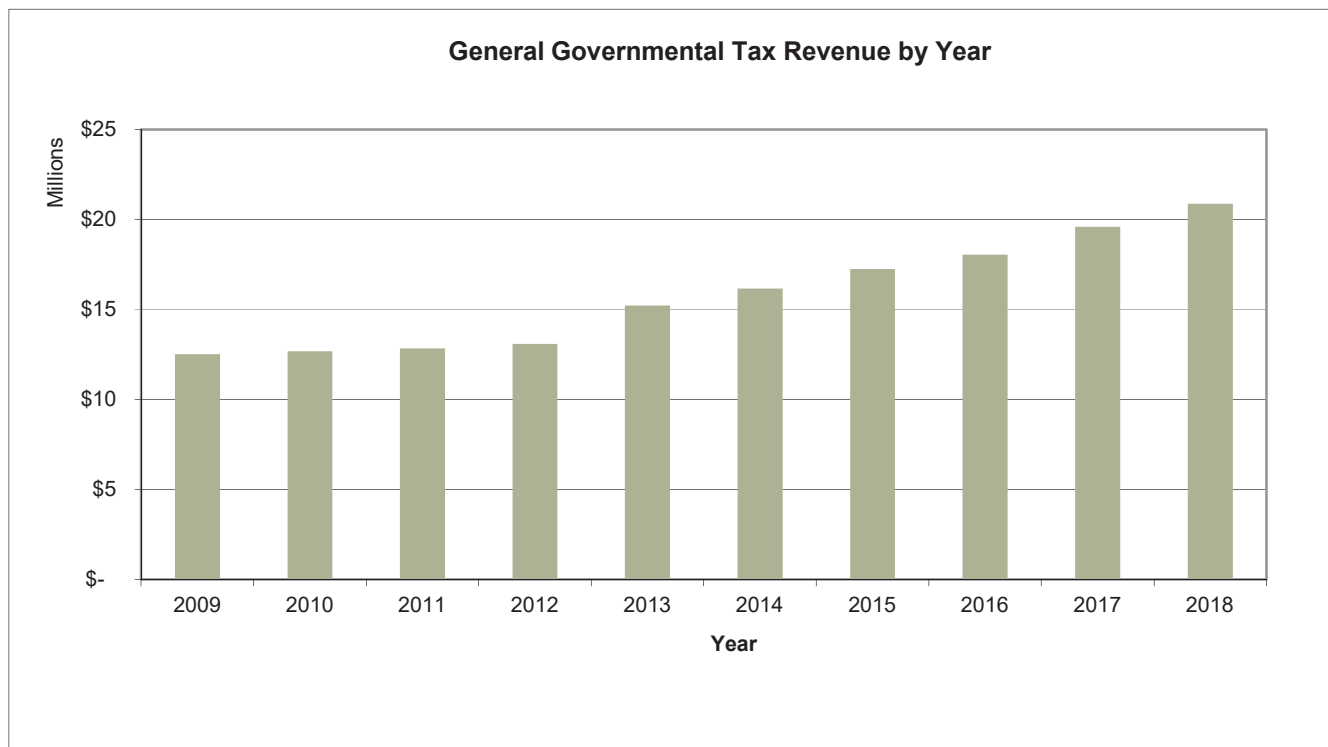
	Fiscal Year Ended June 30				
	2014	2015	2016	2017	2018
Revenues					
Taxes	\$ 16,146,324	\$ 17,235,039	\$ 18,040,205	\$ 19,584,184	\$ 20,858,973
Intergovernmental revenues	845,946	786,672	2,129,066	4,109,269	1,191,898
Licenses, permits, and impact fees	424,170	440,403	481,304	576,779	521,403
Fines and forfeitures	50,370	49,714	127,740	110,665	282,841
Charges for services	982,813	1,062,829	1,454,936	1,689,714	1,734,163
Use of money and property	334,802	489,037	467,624	297,620	371,272
Other revenues	1,237,666	901,452	1,181,216	803,453	943,496
Total revenues	20,022,091	20,965,146	23,882,091	27,171,684	25,904,046
Expenditures					
General government	2,521,715	2,317,327	2,522,818	2,453,176	2,964,942
Public safety					
Police	4,320,909	4,960,868	5,345,441	6,097,399	6,599,789
Fire	2,331,484	2,296,708	2,647,804	2,998,969	3,354,865
Public works	3,437,789	2,951,525	3,298,160	3,294,064	3,521,686
Recreation	497,896	413,832	516,486	594,636	678,454
Library	773,492	677,900	781,275	895,836	916,031
Museum	188,713	190,271	229,053	241,227	251,422
Community development	1,684,231	2,319,204	3,258,093	2,798,269	2,882,752
Capital Outlay	66,686	952,906	1,148,160	3,525,129	2,426,177
Debt Service					
Principal	1,496,503	1,264,632	1,250,399	1,170,427	1,097,822
Interest and fiscal charges	680,979	765,673	834,601	924,034	962,049
Bond issuance costs	-	-	-	-	-
Total expenditures	18,000,397	19,110,846	21,832,290	24,993,166	25,655,989
Excess of revenues over (under) expenditures	2,021,694	1,854,300	2,049,801	2,178,518	248,057
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	507,135	753,277	906,787	621,455	989,603
Transfers out		(753,277)	(901,486)	(621,455)	(633,587)
Total other financing sources (uses)	507,135	-	5,301	-	356,016
Extraordinary items					
Extraordinary gain/(loss)	-	-	-	-	-
Total extraordinary items	-	-	-	-	-
Net change in fund balances	\$ 2,528,829	\$ 1,854,300	\$ 2,055,102	\$ 2,178,518	\$ 604,073
 Total Expenditures	\$ 18,000,397	\$ 19,110,846	\$ 21,832,290	\$ 24,993,166	\$ 25,655,989
Capitalized Portion of Capital Outlay	66,686	1,411,285	1,006,089	3,525,129	2,350,159
Total Non-Capitalized Expenditures	\$ 17,933,711	\$ 17,699,561	\$ 20,826,201	\$ 21,468,037	\$ 23,305,830
 Debt Service: Principal & Interest	\$ 2,177,482	\$ 2,030,305	\$ 2,085,000	\$ 2,094,461	\$ 2,059,871
 Debt service as a percentage of noncapital expenditures	12.1%	11.5%	10.0%	9.8%	8.8%

Source: City of Pacific Grove Finance Department

Concluded

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
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
2018	6,851,928	4,075,744	1,082,574	6,656,849	1,688,876	381,810	121,192	20,858,973



Notes:

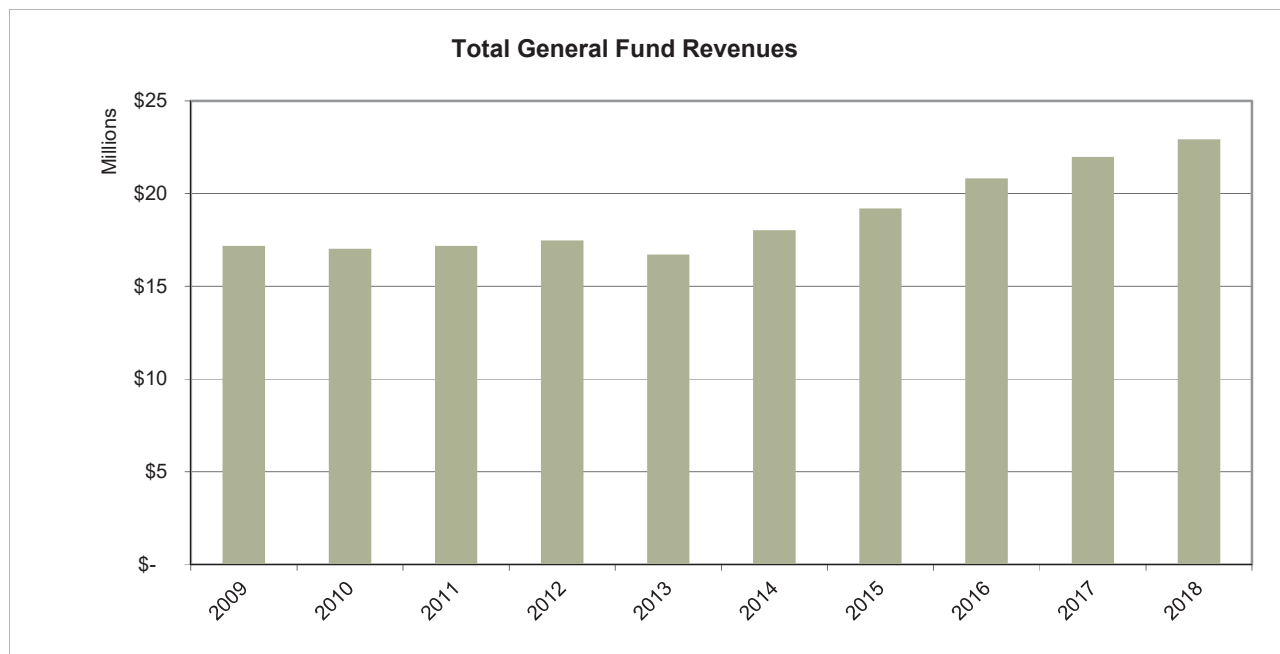
1 References all governmental funds

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
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
2018	19,754,218	87,478	521,403	282,841	1,643,238	259,883	370,158	22,919,219

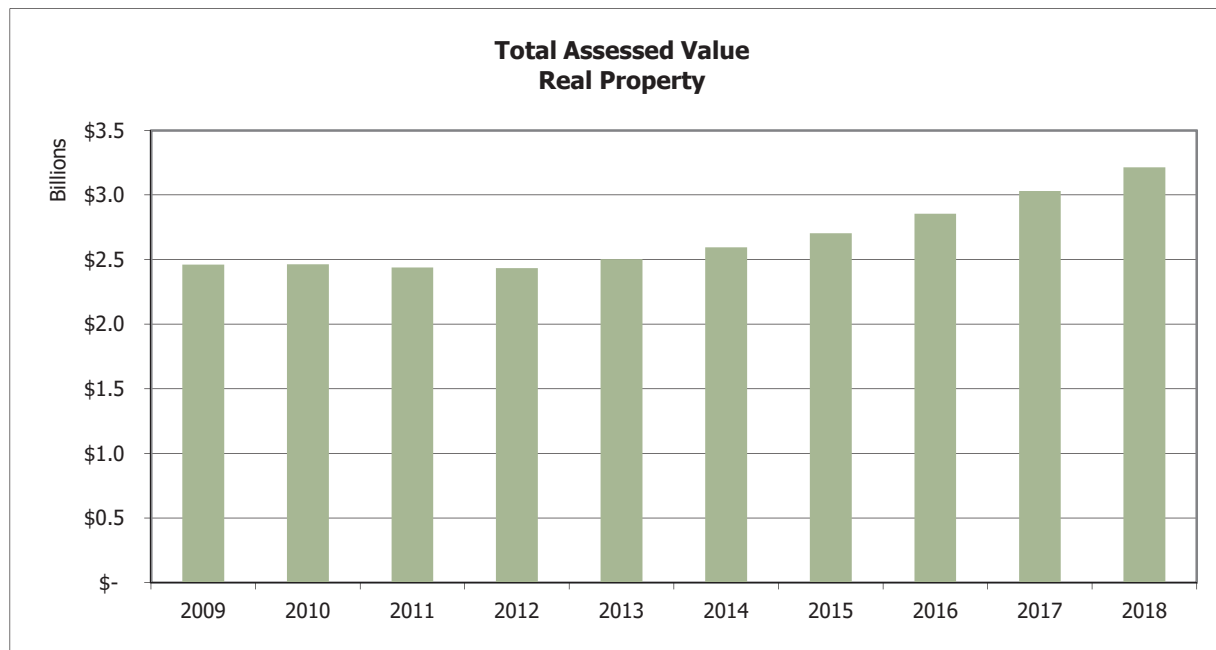


Source: City of Pacific Grove Finance Department

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
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%
2018	2,908,762,848	266,287,857	39,754,626	3,214,805,331	43,278,546		3,258,083,877	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 2008/09 - 2017/18 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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Direct Rates:										
General Obligation Bonds	\$ 0.0040	\$ 0.0040	\$ 0.0040	\$ 0.0030	\$ 0.0030	\$ 0.0030	\$ 0.0030	\$ 0.0040	\$ 0.0035	\$ -
Total Direct Rate	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	1.0000	1.0000	1.0000
School Districts									-	-
Monterey Peninsula College A, B, C	0.0198	0.0224	0.0215	0.0236	0.0158	0.0325	0.0230	0.0230	0.0223	0.0217
Pacific Grove Unified B, C, D	0.0483	0.0602	0.0771	0.0841	0.0736	0.0729	0.0829	0.0829	0.0855	0.0651
Total Overlapping Rate	1.0681	1.0826	1.0986	1.1077	1.0893	1.1053	1.1059	1.1059	1.1078	1.0868
Total Direct and Overlapping Rate	<u>\$ 1.0721</u>	<u>\$ 1.0866</u>	<u>\$ 1.1026</u>	<u>\$ 1.1107</u>	<u>\$ 1.0923</u>	<u>\$ 1.1083</u>	<u>\$ 1.1089</u>	<u>\$ 1.1099</u>	<u>\$ 1.1113</u>	<u>\$ 1.0868</u>
City Share of 1% Levy per Prop. 13	\$ 0.1942	\$ 0.1942	\$ 0.1977	\$ 0.1977	\$ 0.1977	\$ 0.1965	\$ 0.1976	\$ 0.1976	\$ 0.1976	\$ 0.1976
Voter Approved City Debt Rate	\$ 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	\$ 0.1608	\$ 0.1608	\$ 0.1583	\$ 0.1612	\$ 0.1613	\$ 0.1624	\$ 0.1620	\$ 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 2008/09 - 2017/18 Tax Table, HdL Companies, Avenu Insights and Analytics

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

TABLE 9

Tax Owner	2018			2009		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Roic California LLC	24,621,441	1	0.76%			
Sequoia Equities Pacific Grove	20,857,192	2	0.64%			
Monarch Pines Homeowners Assoc	19,102,389	3	0.59%			
Aramark Sports Entertainment S	18,328,992	4	0.57%			
Wga Grove Acres Lp	15,444,649	5	0.48%	13,927,091	3	0.56%
Pacifica Lighthouse Lp	12,215,621	6	0.38%			
Foursome Dev Company	11,699,487	7	0.36%	10,348,656	6	0.42%
Postolica Danut L Zenaída M	10,715,551	8	0.33%			
Green Valley Corp	10,127,710	9	0.31%	9,202,007	7	0.37%
Villa Del Mar Apts Partnership	9,134,748	10	0.28%	8,070,672	9	0.32%
Kirkwood Village Associates				18,466,728	1	0.74%
Fpa Country Club Associates				18,359,428	2	0.74%
Delaware North Parks Services				13,269,709	4	0.53%
Lighthouse Lodge LLC			-	12,595,956	5	0.51%
Nam Long				8,825,450	8	0.36%
California American Water Co.			-	7,685,806	10	0.31%
Totals	\$ 152,247,780		4.70%	\$120,751,503		4.86%
Total assessed value	3,241,507,877			2,483,320,300		

Notes:

Tax owners and values presented in this table reflect the County's Assessment Roll Reports.

Source: Monterey County Assessor data, Avenu Insights & Analytics

Total Taxable Value includes State Unitary \$1,671,275.

Source: Monterey County Assessor 2008/09 and 2017/18 Combined Tax Rolls and the SBE Unitary Tax Roll

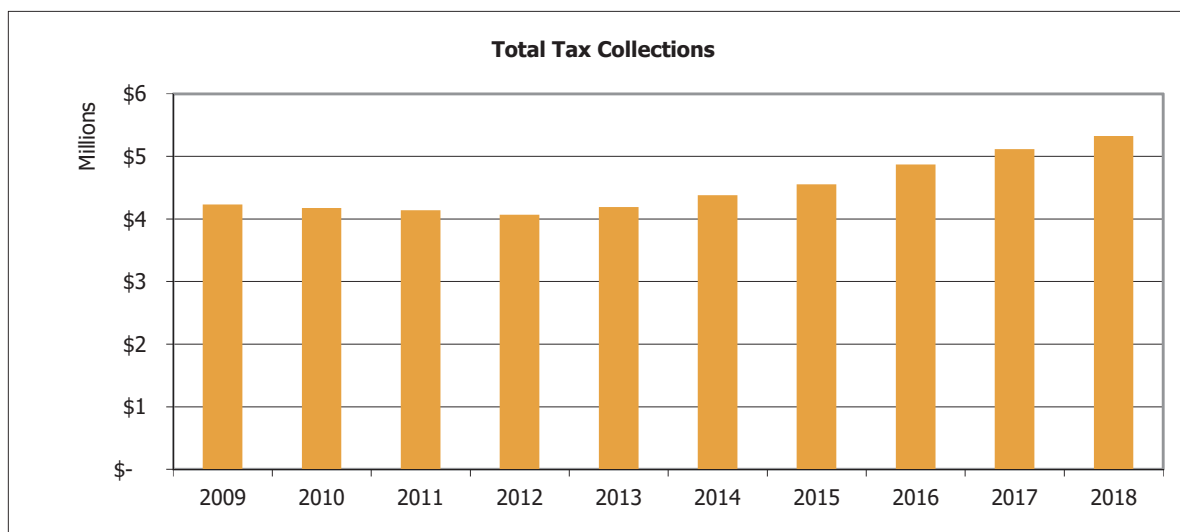
City of Pacific Grove

Property Tax Levies and Collections

Last Ten Fiscal Years

TABLE 10

Fiscal Year Ended June 30	Collected within the Fiscal Year of Levy					
	Total Tax Levy ¹	Current Tax Collections ²	Percent of Levy Collected	Supplemental Tax Collections	Delinquent Tax Collections ³	Total Collections
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
2018	5,279,399	5,155,609	97.7%	106,153	64,907	5,326,669



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, irregardless 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

	2009	2010	2011	2012	2013
Governmental Activities:					
General obligation bonds	\$ 680,294	\$ 616,748	\$ 548,975	\$ 482,086	\$ 411,120
Pension obligation bonds	21,039,359	20,716,420	20,326,455	19,860,091	18,908,410
Revenue bonds payable	-	-	-	-	-
Certificates of participation	-	-	-	-	-
Loans - Housing Rehabilitation Bank Loan	75,000	-	-	-	-
Capital leases	1,338,833	1,097,049	850,111	607,936	356,349
Notes	-	-	-	-	-
Other	-	-	-	-	-
Premiums	-	-	-	-	-
Total Governmental Activities	23,133,486	22,430,217	21,725,541	20,950,113	19,675,879
Business-type Activities:					
Revenue bonds - Wastewater refunding bonds	1,270,719	1,241,583	1,207,447	1,173,311	1,220,588
Site Lease - Golf course	-	-	-	-	-
Certificates of participation - Golf course	3,695,000	3,625,000	3,550,000	3,475,000	3,395,000
Capital Leases	223,299	156,395	114,341	71,444	26,737
Notes	-	-	-	-	-
Loans - Local water project construction, State loan	-	-	-	-	-
Premiums	-	-	-	-	-
Total Business-type Activities	5,189,018	5,022,978	4,871,788	4,719,755	4,642,325
Total Primary Government	\$ 28,322,504	\$ 27,453,195	\$ 26,597,329	\$ 25,669,868	\$ 24,318,204
Personal income ¹	\$ 650,508,000	\$ 633,329,000	\$ 608,767,000	\$ 619,885,000	\$ 649,562,000
Debt as percentage of personal income	4.35%	4.33%	4.37%	4.14%	3.74%
Population ²	15,391	15,506	15,683	15,219	15,268
Debt per capita	1,840	1,770	1,696	1,687	1,593
Assessed value ³	2,501,090,852	2,475,500,126	2,469,142,458	2,537,788,818	2,631,606,993
Debt as percentage of assessed value	1.13%	1.11%	1.08%	1.01%	0.92%

Notes:

Source:

¹ US Department of Commerce, Bureau of Economic Analysis (refer to Table 16).

² California Department of Finance

³ HdL Companies and Avenu Insights and Analytics

City of Pacific Grove Finance Department

Cont'd

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

TABLE 11

	Fiscal Year Ended June 30				
	2014	2015	2016	2017	2018
Governmental Activities:					
General obligation bonds	\$ 336,197	\$ 257,439	\$ 175,057	\$ 89,194	\$ -
Pension obligation bonds	18,097,866	17,431,558	16,625,139	15,712,560	14,680,804
Revenue bonds payable	-	-	-	-	-
Certificates of participation	-	-	-	-	-
Loans - Housing Rehabilitation Bank Loan	-	-	-	-	-
Capital leases	302,534	200,761	82,534	16,787	-
Notes	-	-	-	-	-
Other	-	-	-	-	-
Premiums	-	-	-	-	-
Total Governmental Activities	18,736,597	17,889,758	16,882,730	15,818,541	14,680,804
Business-type Activities:					
Revenue bonds - Wastewater refunding bonds	1,151,740	1,103,096	1,052,184	999,045	943,812
Site Lease - Golf course	-	3,044,767	2,903,599	2,756,223	2,602,366
Certificates of participation - Golf course	3,310,000	-	-	-	-
Capital Leases	-	-	-	-	-
Notes	-	-	-	-	-
Loans - Local water project construction, State loan	-	-	960,522	6,308,658	5,328,076
Premiums	-	-	-	-	-
Total Business-type Activities	4,461,740	4,147,863	4,916,305	10,063,926	8,874,254
Total Primary Government	\$ 23,198,337	\$ 22,037,621	\$ 21,799,035	\$ 25,882,467	\$ 23,555,058
Personal income ¹	\$ 662,082,000	\$ 675,827,000	\$ 717,389,000	\$ 740,117,000	\$ 795,439,000
Debt as percentage of personal income	3.50%	3.26%	3.04%	3.50%	2.96%
Population ²	15,431	15,394	15,352	15,498	15,660
Debt per capita	1,503	1,432	1,420	1,670	1,504
Assessed value ³	2,742,566,744	2,894,837,646	3,073,098,914	3,073,098,914	3,258,083,877
Debt as percentage of assessed value	0.85%	0.76%	0.71%	0.84%	0.72%

Notes:

Source:

¹ US Department of Commerce, Bureau of Economic Analysis

² California Department of Finance

³ HdL Companies and Avenu Insights and Analytics

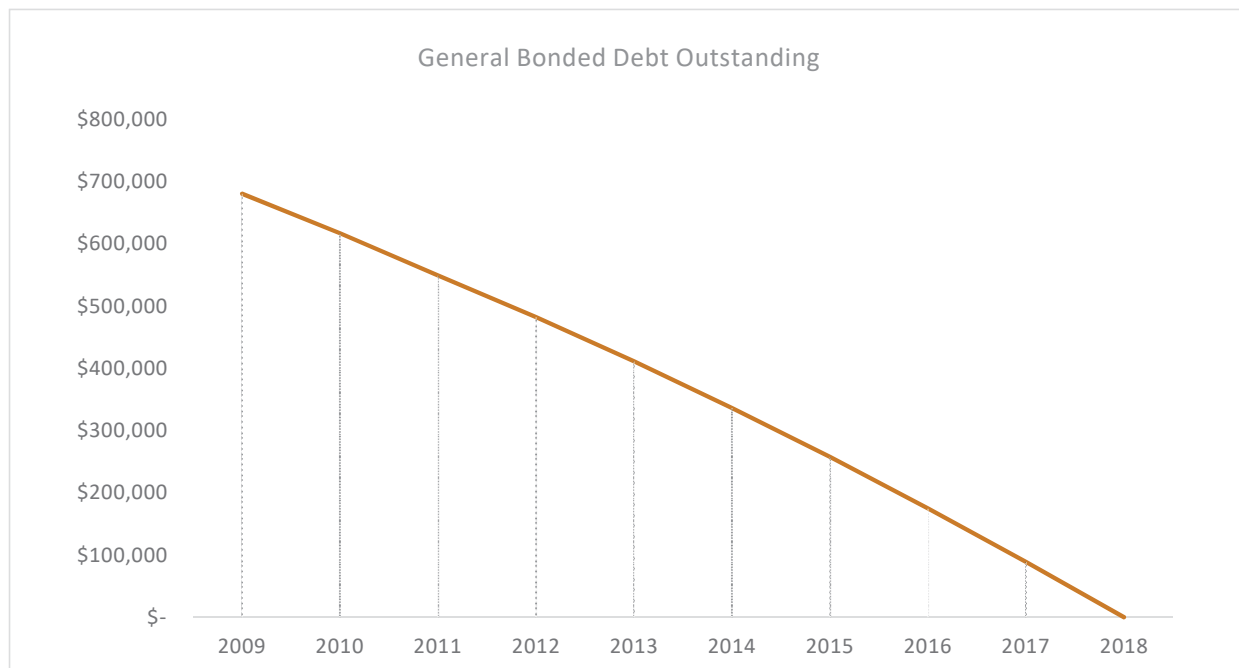
City of Pacific Grove Finance Department

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
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
2018	-	23,207	(23,207)	0.00%	(1)	3,258,083,877	15,660



Source: ¹ HdL Companies and Avenu Insights and Analytics

² California Department of Finance
City of Pacific Grove Finance Department

City of Pacific Grove
Computation of Direct and Overlapping Debt
June 30, 2018

TABLE 13

2017-2018 Assessed Valuation	\$	3,258,083,877		
	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	\$ 131,443,522	9.534%	\$ 12,531,825	
Pacific Grove Unified School District	44,506,000	61.466%	27,356,058	
Total Direct and Overlapping Tax and Assessment Debt	<u>\$ 175,949,522</u>		<u>\$ 39,887,883</u>	
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>				
Monterey County General Fund Obligations	169,718,230	5.193%	8,813,468	
Monterey County Board of Education Certificates of Participation	1,495,000	5.193%	77,635	
City of Pacific Grove Pension Obligation Bonds	<u>7,185,367</u>	100.000%	<u>7,185,367</u>	
Total Gross Direct and Overlapping General Fund Debt	178,398,597		16,076,470	
Less: Monterey County supported obligations			(2,065,256)	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>14,011,214</u>	
TOTAL DIRECT DEBT			\$ 7,185,367	
TOTAL GROSS OVERLAPPING DEBT			\$ 48,778,986	
TOTAL NET OVERLAPPING DEBT			\$ 46,713,730	
GROSS COMBINED TOTAL DEBT			\$ 55,964,353	
NET COMBINED TOTAL DEBT			\$ 53,899,097	

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:

Total Direct and Overlapping Tax and Assessment Debt	1.22%
Total Direct Debt (\$8,266,401)	0.22%
Gross Combined Total Debt	1.72%
Net Combined Total Debt	1.65%

Source: Avenu Insights and Analytics

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

TABLE 14

	2009	2010	2011	2012	2013
Debt limit	\$ 375,560,030	\$ 375,163,628	\$ 371,325,019	\$ 370,371,369	\$ 380,668,323
Total net debt applicable to limit	588,741	514,961	440,714	388,536	331,039
Legal debt margin	\$ 374,971,289	\$ 374,648,667	\$ 370,884,305	\$ 369,982,833	\$ 380,337,284
Total net debt applicable to the limit as a percentage of debt limit	0.16%	0.14%	0.12%	0.10%	0.09%

Cont'd

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

TABLE 14

	Fiscal Year Ended June 30				
	2014	2015	2016	2017	2018
Debt limit	\$ 394,741,049	\$ 411,385,012	\$ 434,225,647	\$ 460,964,837	\$ 488,712,582
Total net debt applicable to limit	266,046	193,860	84,311	(20,858)	-
Legal debt margin	\$ 394,475,003	\$ 411,191,152	\$ 434,141,336	\$ 460,985,695	\$ 488,712,582
Total net debt applicable to the limit as a percentage of debt limit	0.07%	0.05%	0.02%	0.00%	0.00%

Legal Debt Margin Calculation For Fiscal Year 2016-17:

Total assessed value	\$ 3,258,083,877
Debt limit (15% of total assessed value)	488,712,582
Debt applicable to limit:	
General obligation bonds (reported at accreted value)	-
Less: Amount available in debt service fund for repayment of bonds	23,207
Total net debt applicable to limit	-
Legal debt margin	\$ 488,712,582

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				
	2009	2010	2011	2012	2013
Wastewater Revenue Bonds ¹ :					
Wastewater charges and other	\$ 2,469,896	\$ 2,539,268	\$ 2,506,627	\$ 2,613,831	\$ 2,905,604
Less: operating expenses	954,397	888,417	746,389	836,933	1,330,068
Net available revenue	1,515,499	1,650,851	1,760,238	1,776,898	1,575,536
Debt service:					
Principal	30,000	30,000	35,000	35,000	35,000
Interest	63,752	61,923	60,758	62,586	55,204
Total	93,752	91,923	95,758	97,586	90,204
Coverage	16.16	17.96	18.38	18.21	17.47
Certificates of Participation					
Golf course charges and other	\$ 2,708,032	\$ 2,645,758	\$ 2,465,349	\$ 2,589,066	\$ 2,545,110
Less: operating expenses	2,143,248	2,108,049	2,370,198	2,272,341	1,841,989
Net available revenue	564,784	537,709	95,151	316,725	703,121
Debt service:					
Principal	70,000	70,000	75,000	75,000	80,000
Interest	200,391	198,022	194,272	190,938	187,389
Total	270,391	268,022	269,272	265,938	267,389
Coverage	2.09	2.01	0.35	1.19	2.63

Cont'd

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

TABLE 15

	Fiscal Year Ended June 30				
	2014	2015	2016	2017	2018
Wastewater Revenue Bonds ¹ :					
Wastewater charges and other	\$ 2,818,010	\$ 2,986,640	\$ 3,208,150	\$ 3,151,928	\$ 3,304,277
Less: operating expenses	1,513,448	1,438,459	1,371,609	1,388,706	1,985,232
Net available revenue	1,304,562	1,548,181	1,836,541	1,763,222	1,319,045
Debt service:					
Principal	68,847	47,793	50,062	53,138	55,233
Interest	39,394	37,764	36,117	34,353	33,021
Total	108,241	85,557	86,179	87,491	88,254
Coverage	12.05	18.10	21.31	20.15	14.95
Certificates of Participation					
Golf course charges and other	\$ 2,054,168	\$ 406,968	\$ 393,009	\$ 354,856	\$ 334,015
Less: operating expenses	1,934,567	485,069	124,775	53,142	75,276
Net available revenue	119,601	(78,101)	268,234	301,714	258,739
Debt service:					
Principal	85,000	-	-	-	-
Interest	183,426	-	-	-	-
Total	268,426	-	-	-	-
Coverage	0.45	-	-	-	-

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

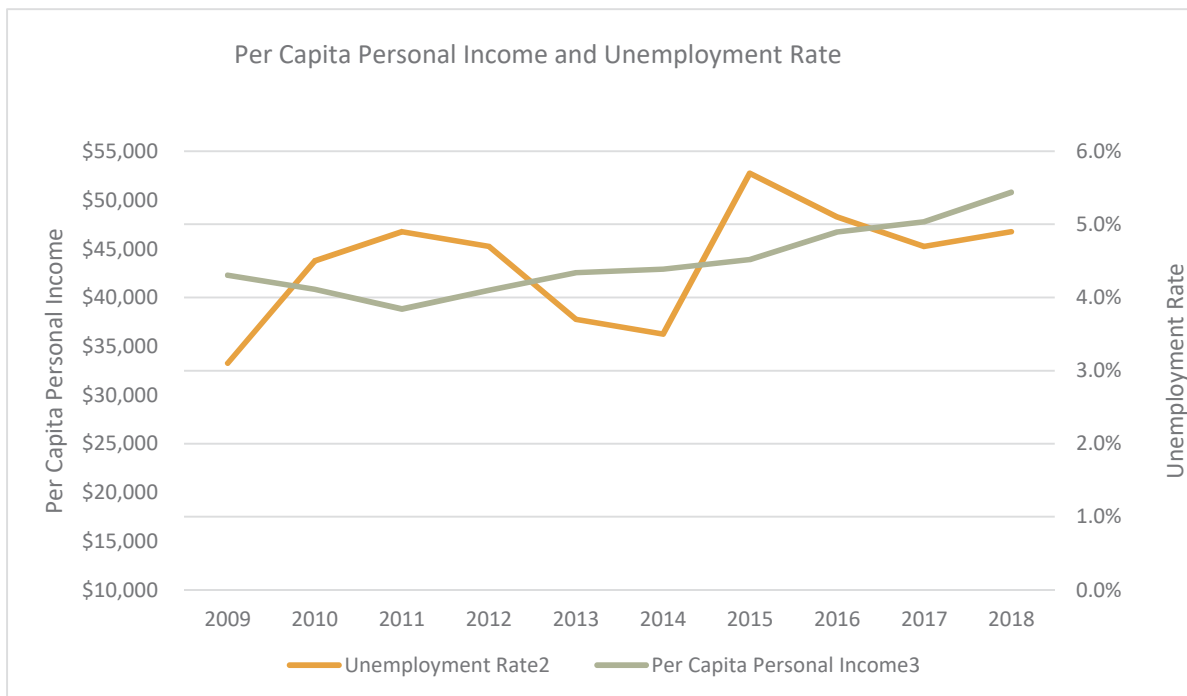
Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

Source: City of Pacific Grove Finance Department Concluded

City of Pacific Grove
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
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%
2018	15,660	4.9%	795,439	50,794	49.0	95.5%	53.3%



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 through FY 16/17; FY 17-18 data provided by Avenu Insights and Analytics

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

TABLE 17

	Fiscal Year Ended June 30					
	2018			2017		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Employer:	.					
Pacific Grove Unified School District	352	1	4.24%	314	1	3.49%
Asilomar Hotel and Conference Center	240	2	2.89%	238	2	2.64%
Canterbury Woods	140	3	1.69%	140	3	1.56%
City of Pacific Grove ⁽²⁾	113	4	1.36%	108	4	1.20%
Safeway	80	5	0.96%	80	5	0.89%
Pacific Grove Convalescent	74	6	0.89%	54	7	0.60%
Trader Joe's	65	7	0.78%	60	6	0.67%
Lucky Supermarket ^(3,4)	60	8	0.72%	50	8	0.56%
Best Western Inn and Suites of Pacific Grove ⁽⁴⁾	50	9	0.60%	50	8	0.56%
Forest Hill ⁽⁴⁾	50	9	0.60%	50	8	0.56%
Totals	1,224		14.75%	1,144		12.71%
Total employment	8,300			9,000		

Notes:

¹ This is the second 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. The actual count is 112.7.

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

⁴ The listed employers may have the same number of employees and are ranked equivalent.

Source: Avenu Insights and Analytics, EDD Labor Force Data

Results based on direct correspondence with City's local businesses

Number of City Employees by Department ⁽¹⁾

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Departments:										
General Government ⁽²⁾	13.5	12.5	12.5	12.1	12.5	14.5	14.5	14.5	14.2	16.6
Public Safety ⁽³⁾	86.5	46.0	46.0	46.3	35.3	34.3	34.0	34.0	36.5	34.3
Public Works	16.5	17.0	16.9	17.0	21.7	22.2	22.0	20.1	19.8	20.5
Recreation ⁽⁴⁾	11.5	11.5	12.0	12.1	11.6	14.6	14.9	13.7	13.7	13.8
Library	7.5	6.5	8.0	9.5	9.5	10.0	9.5	12.0	12.0	12.0
Museum	1.5	1.5	-	-	-	-	-	-	-	-
Community Development	11.0	11.7	9.8	7.7	7.0	6.5	8.1	7.9	8.2	8.3
Business-type Activities:										
Cemetery	1.8	1.8	1.8	1.5	1.5	1.5	1.5	1.5	1.5	2.1
Sewer	3.4	3.6	2.8	5.6	5.8	6.1	6.0	4.3	4.8	5.1
Golf Course ⁽⁵⁾	21.5	21.5	21.5	21.5	18.9	17.6	-	-	-	-
Total	174.7	133.5	131.2	133.2	123.7	127.2	110.4	107.8	110.5	112.7



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.

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

TABLE 19

Function:	For Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Calls for service	15,612	17,022	17,433	16,084	15,407	16,080	17,627	21,521	15,359	18,032
Fire										
Calls for service	1,478	1,294	1,426	1,400	1,314	1,379	1,584	1,764	1,604	1,694
Inspections	321	874	814	1,055	518	117	177	182	484	703
Recreation										
Park rentals	146	161	160	134	132	159	140	146	152	160
Paid special events ⁽¹⁾	13	16	18	10	10	19	14	16	18	18
Public Works										
Potholes patched ⁽²⁾	480	600	600	725	750	700	725	600	650	350
Lightbulb replacements ⁽³⁾	100	75	75	177	58	74	48	12	5	-
Street light repairs	15	10	10	10	8	13	14	4	4	16
Tree Permits Issued	97	92	91	94	130	159	96	329	354	457
Library										
Circulation of library materials	222,994	216,058	215,383	239,820	253,770	259,252	283,462	291,751	289,458	288,386
Reference questions	19,497	13,159	17,124	23,499	24,225	24,225	25,294	28,779	25,629	21,468
Community Development										
Building Permits	682	725	323	278	427	350	525	576	429	429
Architectural Approvals	116	43	71	78	63	56	59	53	31	55
Other planning approvals	91	62	117	180	209	323	416	448	395	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) Road repairs and rehabilitation has increased, resulting in a decreased need for pothole patching
- (3) The number of potholes patched is reduced due to an increased investment in street improvements

Source: City of Pacific Grove Finance Department

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

TABLE 20

Function:	For Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	120	120	121	121	123	121	93
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



**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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2018.

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

December 19, 2018
San Jose, California