

**CITY OF PACIFIC GROVE
CALIFORNIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2011



Vargas and Company
certified public accountants

CITY OF PACIFIC GROVE, CALIFORNIA

300 Forest Avenue, Pacific Grove, California 93950

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2011

Prepared by the Finance Department

**James L. Becklenberg
Deputy City Manager**

**Anthony S. McFarlane
Senior Accountant**



CITY OF PACIFIC GROVE, CALIFORNIA
Comprehensive Annual Financial Report
Year Ended June 30, 2011

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INTRODUCTORY SECTION





CITY OF PACIFIC GROVE

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

June 6, 2012

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

The Charter of the City of Pacific Grove requires an annual financial report. Various financing covenants and rules associated with restricted funding sources require the City of Pacific Grove to publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants. Pursuant to these requirements, we hereby issue the *Comprehensive Annual Report (CAFR) for the City of Pacific Grove, California for the fiscal year ended June 30, 2011*.

The report consists of management's representations concerning the City's financial position as of June 30, 2011. Consequently, management assumes full responsibility for the information presented in the report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City has contracted with Vargas and Company, a firm of licensed certified public accountants, to audit the City of Pacific Grove's financial statements. The goal of the independent audit is to provide reasonable assurance about whether the basic financial statements for the fiscal year ended June 30, 2010 are free from material misstatement. **The enclosed auditors' opinion indicates that the financial statements present fairly, in all material respects, the financial position of the City of Pacific Grove as of June 30, 2011.** This "unqualified," or clean, opinion represents the optimal type of report received from any external auditor and continues the on-going improvement in financial management and reporting the City has undertaken since the "adverse" opinion was rendered in FY 2005/06.

Profile of the Government

The City of Pacific Grove, California is a primarily residential community located at the tip of the Monterey Peninsula on the Central California coast. The community was founded as a Methodist Church summer retreat, and was incorporated as a city on July 16, 1889. It was granted a charter on April 22, 1927. The city government operates with a Council-Manager form of government. The seven-member City Council appoints a City Manager, who is the administrative head of the municipal government. City amenities include a library, natural history museum, a community center, a youth center, a senior center, an 18-hole golf course, a cemetery, a butterfly habitat preserve, five miles of shoreline, and numerous parks.

sanctuary and habitat preserve, over five miles of shoreline and recreational trails, and numerous parks.

Factors Affecting Financial Condition

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

During FY 2010/11, the City continued to operate within a balanced budget, as a result of the cost-cutting measures implemented since FY 2007/08 and the passage of the June 2008 ballot measure that implemented a new local sales tax that generated \$1.49 million in tax revenue in FY 2010/11. This amount exceeded the expected additional \$1.35 million in revenue for general services.

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

Since the amount of net assets in the workers' compensation fund hit a low point of -\$2.4 million as of June 30, 2004, the City has worked to reduce the liability to -\$0.962 million; an additional \$0.5 million was reduced during FY 2010/11. The City also recorded a prior period adjustment as a result of an accounting error in the workers' compensation liability. Reducing this unfunded liability is a priority for the City and, as resources are available, additional transfers from the General Fund will be made. Please refer to *Management's Discussion and Analysis* for further details on the impact of this unfunded liability and the Audit Report.

Another of the ongoing financial realities that poses a major threat to the City's long-term financial stability is the California Public Employees Retirement System (CalPERS). CalPERS is a defined-benefit retirement program that relies heavily on investments in financial markets for the assets required to pay benefits to retirees. This reliance on investment returns to meet expectations exposes the City to potentially large rate increases when the CalPERS investment portfolio fails to meet expectations. In December 2010, CalPERS reported an increase of 10.28% of its asset value from the prior year's decline of 27.8%, the largest one-year decline in its history. Although this is a positive increase from the prior year, CalPERS' investment portfolio is still down -4.58% over the past three fiscal years. Member agencies expect employer contribution rates to increase in FY 2012/13, which would limit the funding available for services in order to pay for increasing employee retirement costs.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45, *Accounting and Financial Reporting by Employers for Other Post Employment Benefits Other Than Pensions*. The City provides post-employment medical benefits to retirees who meet plan eligibility requirements. This statement requires governmental entities to begin accounting for post-employment benefits on an accrual basis. Please refer to *Management's Discussion and Analysis* for further information on the impact of implementation of GASB 45.

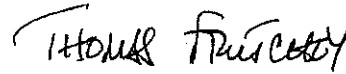
Acknowledgements

The preparation of this report would not have been possible without the leadership of departing Deputy City Manager James Becklenberg, with support and cooperation from other members of the Finance Department, and other city departments. We would like to express our appreciation to the City Council for its unyielding support and demand for improvements in financial information quality and transparency.

Respectfully submitted,

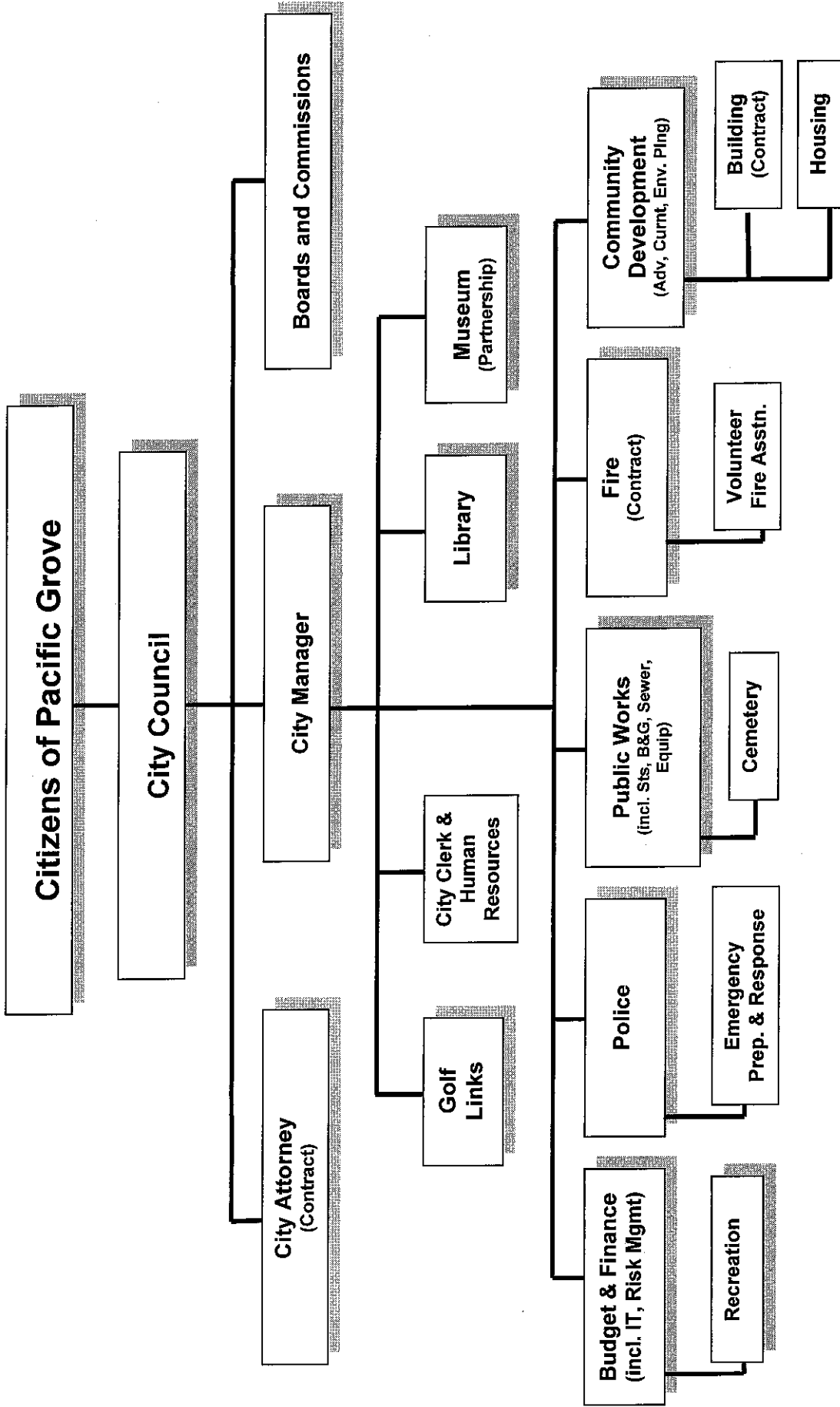


Anthony McFarlane
Acting Budget and Finance Manager



Thomas Frutchey
City Manager

CITY OF PACIFIC GROVE



CITY OF PACIFIC GROVE
List of Elected and Appointed Officials
June 30, 2011

Elected Officials

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

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

Appointed Officials

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

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



FINANCIAL SECTION





Vargas and Company

certified public accountants

INDEPENDENT AUDITORS' REPORT

To the City Council
Pacific Grove, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pacific Grove (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Pacific Grove's management. Our responsibility is to express opinions on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pacific Grove, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2012, on our consideration of the City of Pacific Grove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress, 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.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Pacific Grove's financial statements as a whole. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.


Vargas and Company
San Jose, California
April 13, 2012

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



CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2011

Our discussion and analysis of the City of Pacific Grove's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the accompanying notes to the financial statements. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The City's total net assets at June 30, 2011 totaled \$38.0 million, a \$1.9 million increase from the prior year.
- Total City revenues, including program and general revenues, were \$22.5 million, a \$.46 million increase from the prior year, primarily due to the receipt of Public, Education and Governmental access funds in arrears, increase in short-term rental TOT, and an increase in grant monies received from other governmental agencies.
- Total expenses were \$21.5 million, a \$2.0 million increase from the prior year primarily due to increased investments in planning and permit processing, infrastructure with public works, retirement and workers compensation obligations, and golf course operations.
- Change in net assets of governmental activities posted a decrease of \$.17 million; however, the ending net assets of governmental activities increased \$.75 million to \$25.0 million as a result of a prior period adjustment of \$.92 million due to an accounting error in the calculation of the Workers' Compensation liability. Net assets in business activities increased \$1.2 million for a total of \$13.1 million.
- Governmental Revenues increased \$.65 million from the prior year.
- Governmental Expenses increased \$1.9 million from the prior year.
- Revenues from Business-type activities decreased \$.09 million to \$5.2 million.
- Expenses of Business-type activities increased \$.12 million to \$4.1 million.
- In July 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45. This statement requires governmental entities to begin accounting for other post-employment benefits (OPEB), such as health care to eligible retirees, on an accrual basis. For fiscal year 2010-11, the City's OPEB liability was \$.18 million, an increase of \$.01 million.
- The Transactions and Use District Tax (adding an additional 1% to the local sales tax rate, approved by the citizens of Pacific Grove in June 2008) generated \$1.49 million in general revenue for the fiscal year.
- The City revised its short-term rental policy and generated \$69,536 in additional license and tax revenue.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report is presented in five parts:

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

The Basic Financial Statements

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

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

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

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

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2011

Government-wide Financial Statements

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

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

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

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the criteria for determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in pattern of City's activities. For fiscal year 2011, other than the General fund, no governmental fund met the requirements for major fund classification established by GASB Statement 34.

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

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2011

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>Variance</u>
Assets:							
Current and other assets	\$27,930,292	\$28,380,760	\$ 6,258,280	\$ 5,473,997	\$34,188,572	\$33,854,757	1.0%
Capital assets	<u>23,060,065</u>	<u>23,221,330</u>	<u>12,354,880</u>	<u>12,198,777</u>	<u>35,414,945</u>	<u>35,420,107</u>	(0.0%)
Total assets	<u>50,990,357</u>	<u>51,602,090</u>	<u>18,613,160</u>	<u>17,672,774</u>	<u>69,603,517</u>	<u>69,274,864</u>	0.5%
Liabilities:							
Current and other liabilities	1,454,251	1,815,554	490,749	577,134	1,945,000	2,392,688	(18.7%)
Long-term liabilities	<u>24,548,230</u>	<u>25,553,498</u>	<u>5,066,535</u>	<u>5,208,891</u>	<u>29,614,765</u>	<u>30,762,389</u>	(3.7%)
Total liabilities	<u>26,002,481</u>	<u>27,369,052</u>	<u>5,557,284</u>	<u>5,786,025</u>	<u>31,559,765</u>	<u>33,155,077</u>	(4.8%)
Net assets:							
Invested in capital assets, net of related debt	16,112,881	16,777,252	7,483,092	7,175,799	23,595,973	23,953,051	(1.5%)
Restricted	3,071,783	102,057	273,841	273,841	3,345,624	375,898	790.0%
Unrestricted	<u>5,803,212</u>	<u>7,353,729</u>	<u>5,298,943</u>	<u>4,437,109</u>	<u>11,102,155</u>	<u>11,790,838</u>	(5.8%)
Total net assets	<u>\$24,987,876</u>	<u>\$24,233,038</u>	<u>\$13,055,876</u>	<u>\$11,886,749</u>	<u>\$38,043,752</u>	<u>\$36,119,787</u>	5.3%

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2011

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the city, assets exceeded liabilities by \$38,043,752 at the close of the current fiscal year. This represents an increase of approximately of \$1.9 million, or 5.3% from the previous year.

The largest portion of the City's net assets \$23,595,973 (62.0%) reflects its investment in capital assets (e.g. land, building and structures, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Invested in Capital Assets net of related debt decreased \$.36 million, or 1.5%, from the prior year. The decrease is due to the reduction of principal in long-term debt for the fiscal year and depreciation expense exceeding the cost of additions to capital assets. The City did not take on any additional long-term debt during the year.

An additional portion of the City's net assets of \$3,345,624 (8.8%) represents resources that are subject to external restrictions on how they may be used. This amount increased \$2.97 million or 790.0% from the prior year. \$108,261 is restricted for the Butterfly Bond debt service and \$273,841 is restricted for the Golf Course Certificates of Participation bond debt service; \$551,906 is restricted for capital projects and \$2,411,616 for special revenue.

The remaining (29.2%) represents the unrestricted net assets of \$11,102,155, which may be used to meet the city's ongoing obligations for services. This amount decreased \$.69 million, or 5.8%, from the prior year.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2011

Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>% Change</u>
Revenues:							
Program revenues							
Charges for services	\$ 1,956,835	\$ 2,155,958	\$ 5,108,877	\$ 5,283,013	\$ 7,065,712	\$ 7,438,971	(5.0%)
Operating grants & contri.	1,470,090	1,326,874	-	-	1,470,090	1,326,874	10.8%
General revenues							
Taxes	12,855,604	12,684,922	-	-	12,855,604	12,684,922	1.3%
Interest & invest. income	302,274	257,586	26,659	37,082	328,933	294,668	11.6%
Miscellaneous	691,550	250,958	86,320	38,965	777,870	289,923	168.3%
Transfers	-	51,725	-	(51,725)	-	-	na
Total revenues	<u>17,276,353</u>	<u>16,728,023</u>	<u>5,221,856</u>	<u>5,307,335</u>	<u>22,498,209</u>	<u>22,035,358</u>	2.1%
Expenses:							
Public safety							
Police	5,354,740	4,921,378	-	-	5,354,740	4,921,378	8.8%
Fire	3,059,550	2,908,849	-	-	3,059,550	2,908,849	5.2%
General administration	2,370,711	2,339,217	-	-	2,370,711	2,339,217	1.3%
Public works	2,608,811	1,773,319	-	-	2,608,811	1,773,319	47.1%
Recreation	313,473	319,776	-	-	313,473	319,776	(2.0%)
Library	643,306	554,877	-	-	643,306	554,877	15.9%
Comm. dev't & bldg insp.	1,596,545	1,164,714	-	-	1,596,545	1,164,714	37.1%
Museum	225,802	260,876	-	-	225,802	260,876	(13.4%)
Interest on long-term debt	1,272,286	1,302,442	-	-	1,272,286	1,302,442	(2.3%)
Cemetery Operating	-	-	193,698	229,019	193,698	229,019	(15.4%)
Sewer Operating	-	-	1,006,075	1,158,397	1,006,075	1,158,397	(13.1%)
Golf Course	-	-	2,852,956	2,542,647	2,852,956	2,542,647	12.2%
Total expenses	<u>17,445,224</u>	<u>15,545,448</u>	<u>4,052,729</u>	<u>3,930,063</u>	<u>21,497,953</u>	<u>19,475,511</u>	10.4%
Change in net assets	(168,871)	1,182,575	1,169,127	1,377,272	1,000,256	2,559,847	(60.9%)
Net assets, beginning	24,233,038	23,050,463	11,886,749	10,509,477	36,119,787	33,559,940	7.6%
Prior period adjustment	<u>923,709</u>	-	-	-	<u>923,709</u>	-	na
Net asset, ending	<u>\$24,987,876</u>	<u>\$24,233,038</u>	<u>\$13,055,876</u>	<u>\$11,886,749</u>	<u>\$38,043,752</u>	<u>\$36,119,787</u>	5.3%

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

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2011

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

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

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

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues	\$17,179,102	\$2,937,053	\$20,116,155
Expenditures	(16,399,156)	(2,683,839)	(19,082,995)
Net other financing sources (uses)	(448,414)	432,819	(15,595)
Net Change in Fund Balances	331,532	686,033	1,017,565
Fund Balances, Beginning	<u>2,711,669</u>	<u>7,031,808</u>	<u>9,743,477</u>
Fund Balances, Ending	<u>\$ 3,043,201</u>	<u>\$7,717,841</u>	<u>\$10,761,042</u>

At June 30, 2011, the City's governmental funds reported combined ending fund balances of \$10,761,042, an increase of \$1,017,565 in comparison with the prior year. Of the combined ending fund balances, approximately 44.9% or \$4,828,534 is nonspendable and 55.1% or \$5,932,508 is spendable. The spendable fund balance consists of \$3,071,783 restricted, \$2,459,734 assigned, and \$400,991 unassigned.

The General Fund is the primary operating fund of the City. At June 30, 2011 the total fund balance of the General Fund was \$3,043,201, an increase of \$.33 million from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both the spendable fund balance and total fund balance to total fund expenditures. The General Fund's spendable and total fund balance represents 17.5% and 18.6% of total general fund expenditures of \$16,399,156.

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The City Council has established an assigned General Fund policy of 10% of General Fund revenues for contingencies, or \$1,709,734, as well as for tax interim of \$750,000 totaling \$2.46 million. The ending assigned fund balance for the general fund of \$2,459,734 does meet the required minimum levels of the General Fund reserve policy and the City is now in compliance with the City Council's General Fund assigned policy.

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

Revenues Classified by Source
Governmental Funds

<u>Revenues by Source</u>	<u>FY 2011</u>		<u>FY 2010</u>		<u>Increase/(Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Change</u>
Taxes	\$12,855,604	63.9%	\$12,684,922	65.2%	\$170,682	1.3%
Licenses and permits	402,658	2.0%	424,659	2.2%	(22,001)	(5.2%)
Fines, forfeitures and penalties	54,731	0.3%	41,706	0.2%	13,025	31.2%
Intergovernmental	2,677,872	13.3%	2,567,153	13.2%	110,719	4.3%
Charges for current services	1,499,446	7.5%	1,689,593	8.7%	(190,147)	(11.3%)
Use of money and property	302,274	1.5%	257,586	1.3%	44,688	17.3%
Interdepartmental charges	1,632,020	8.1%	1,548,289	7.9%	83,731	5.4%
Other	<u>691,550</u>	<u>3.4%</u>	<u>250,958</u>	<u>1.3%</u>	<u>440,592</u>	<u>175.6%</u>
Totals	<u>\$20,116,155</u>	<u>100.0%</u>	<u>\$19,464,866</u>	<u>100.0%</u>	<u>\$651,289</u>	<u>3.3%</u>

Revenues for governmental functions totaled \$20,116,155 in fiscal year 2011, which represents an increase of \$651,289 or 3.3% from the prior year. The biggest increases were seen in tax revenues and contributions from other governmental agencies in the form of grants; the biggest decreases were in fees collected for services

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2011

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

Expenditures Classified by Function
Governmental Funds

<u>Expenditures by Function</u>	<u>FY 2011</u>		<u>FY 2010</u>		<u>Increase/(Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Change</u>
Public safety						
Police	\$ 5,618,582	29.4%	\$ 5,454,952	29.3%	\$163,630	3.0%
Fire	3,184,115	16.7%	3,277,873	17.6%	(93,758)	(2.9%)
General administration	2,429,240	12.7%	2,249,557	12.1%	179,683	8.0%
Public works	2,385,334	12.5%	2,001,561	10.7%	383,773	19.2%
Recreation	311,602	1.6%	340,107	1.8%	(28,505)	(8.4%)
Library	679,618	3.6%	645,940	3.5%	33,678	5.2%
Comm. dev't & bldg insp.	1,729,531	9.1%	1,348,018	7.2%	381,513	28.3%
Museum	218,338	1.1%	290,256	1.5%	(71,918)	(24.8%)
Capital outlay	550,333	2.9%	1,024,435	5.5%	(474,102)	(46.3%)
Debt service						
Principal	1,522,493	8.0%	1,620,609	8.7%	(98,116)	(6.1%)
Interest and fiscal charges	<u>453,809</u>	<u>2.4%</u>	<u>384,125</u>	<u>2.1%</u>	<u>69,684</u>	<u>18.1%</u>
Totals	<u>\$19,082,995</u>	<u>100.0%</u>	<u>\$18,637,433</u>	<u>100.0%</u>	<u>\$445,562</u>	<u>2.4%</u>

Expenditures for governmental functions in fiscal year 2011 totaled \$19,082,995, an increase of \$445,562, or 2.4% from the previous fiscal year. The increase is primarily attributable to a significant increase in Public Works investments from the previous year.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2011

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

Other Financing Sources (Uses)
Governmental Funds

	<u>FY 2011</u>		<u>FY 2009</u>		<u>Increase/(Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Change</u>
Transfers in	\$448,414	(2875.4%)	\$613,327	1185.7%	(\$164,913)	(26.9%)
Transfers out	(448,414)	2875.4%	(561,602)	(1085.7%)	113,188	20.2%
Other	(15,595)	100.0%	-	- %	(15,595)	na .
Totals	(\$ 15,595)	100.0%	\$ 51,725	100.0%	(\$ 67,320)	(130.1%)

Net Other Financing Sources and Uses for fiscal year 2011 totaled negative \$15,595 which is a decrease of \$67,320, or 130.1%, from the previous fiscal year.

As a result of governmental fund activities, the net change in fund balance totaled \$331,532 in the General fund and \$686,033 in all of the other governmental funds for a total increase of \$1,017,565.

Proprietary Funds

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

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Management's Discussion and Analysis
Year Ended June 30, 2011

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

	Major Funds			
	Sewer Operating	Golf Course	Cemetery Operating	Total
Operating revenues	\$2,488,535	\$2,461,836	\$244,826	\$ 5,195,197
Operating expenses	(937,451)	(2,657,432)	(193,498)	(3,788,381)
Operating income (loss)	1,551,084	(195,596)	51,328	1,406,816
Net non-operating revenues (expenses)	(50,532)	(192,011)	4,854	(237,689)
Change in net assets	1,500,552	(387,607)	56,182	1,169,127
Net Assets, Beginning	7,808,611	3,617,410	460,728	11,886,749
Net Assets, Ending	\$9,309,163	\$3,229,803	\$516,910	\$13,055,876

The Sewer fund expended \$388,971 in sewer line improvements, including \$17,531 in sewer lateral replacements. Please refer to Note 5 in the Notes to the Basic Financial Statements for more information on the sewer lateral loan program and Note 6 for more information on fixed asset additions.

During the fiscal year the City terminated the Golf Course Kitchen Equipment Lease and Concession agreement and did not transfer any surplus revenue into the General Fund due to loss from operations of \$387,607. The City contracted with a professional consultant to review and make recommendations on improving results in golf course operations. See Note 7 in the Notes to the Basic Financial Statements for more information regarding the turf mower capital lease.

There were no significant events in the Cemetery Fund during the fiscal year.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2011, totaled \$35,414,945 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings, improvements, machinery and equipment, and sewer lines. Significant investments were made in machinery and equipment to upgrade antiquated inventory. The City also is undertaking large capital improvement projects for sewer pump and sewer line improvements.

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>% of</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Land	\$ 2,338,270	\$ 2,338,270	\$ 362,973	\$ 362,973	\$ 2,701,243	\$ 2,701,243	0.0%
Construction in progress	65,186	77,138	232,267	-	297,453	77,138	285.6%
Infrastructure	22,329,855	22,021,767	-	-	22,329,855	22,021,767	1.4%
Building	11,208,594	11,208,594	6,093,798	6,093,798	17,302,392	17,302,392	0.0%
Improvements	319,360	277,687	3,205,317	3,124,494	3,524,677	3,402,181	3.6%
Machinery & equipment	4,044,875	3,843,663	2,079,602	1,883,392	6,124,477	5,727,055	6.9%
Sewer lines	-	-	6,124,968	5,968,264	6,124,968	5,968,264	2.6%
Total cost	<u>\$40,306,140</u>	<u>\$39,767,119</u>	<u>\$18,098,925</u>	<u>\$17,432,921</u>	<u>\$58,405,065</u>	<u>\$57,200,040</u>	2.1%

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

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2011

Long-term Debt

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

	<u>2011</u>	<u>2010</u>	<u>% Change</u>
<u>Governmental Activities</u>			
General Obligation Refunding Note	\$ 548,975	\$ 616,748	(11.0%)
Capital Lease	850,111	1,097,049	(22.5%)
Pension Obligation Bond	<u>20,326,455</u>	<u>20,716,420</u>	(1.9%)
Total Governmental Activities	<u>\$21,725,541</u>	<u>\$22,430,217</u>	(3.1%)
<u>Business-type Activities</u>			
Sewer Revenue Bonds	\$1,207,447	\$1,241,583	(2.7%)
Capital Lease	114,341	156,395	(26.9%)
Golf Certificates of Participation	<u>3,550,000</u>	<u>3,625,000</u>	(2.1%)
Total Business-type Activities	<u>\$4,871,788</u>	\$ 616,748	(3.0%)

The City did not take on any new long-term debt during the current year. Please refer to Note 7 in the Notes to the Basic Financial Statements for more detailed information regarding long-term debt.

FACTORS AFFECTING ECONOMIC STATUS

In fiscal year 2010-11, The City continued the budgeting priorities of balancing the budget while restoring reserves and correcting long-standing budget deficit issues. The City also committed \$325,000, through an increase of \$75,000 for each continuing fiscal year, to achieve additional infrastructure improvements that address long deferred maintenance issues. In June 2008, the citizens of Pacific Grove passed a tax measure implementing a new local sales tax. This new tax generated \$1.49 million of revenue for general services during the fiscal year.

Even with additional revenues being generated from the new local sales tax and short term rentals, the City still faces a risk with its sizeable unfunded liability in Workers' Compensation claims. Although the City has been able to reduce this liability by over \$1.5 million in the past five fiscal years, the amount of the unfunded liability is still \$.77 million and poses a risk to current resources available to fund services in the future. Reducing the liability is a priority for the City and as resources become available, additional transfers from the General Fund will be made to further reduce the liability. The City has committed to a funding level of 67% minimum of the total liability. The ending cash balance in the Workers' Compensation fund totaled \$262,833.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2011

Another item that poses a risk to the City's long-term financial stability is the California Public Employees Retirement System, or CalPERS. CalPERS is a defined-benefit retirement program that relies heavily on investment returns to pay benefits to retirees. With significant losses due to the collapse of the Stock Market, CalPERS announced that member agencies should plan for employer contribution rate increases equal to 2 to 5 percent of employee salary costs beginning in fiscal year 2011-12. The City sees no certainty that the CalPERS portfolio will stabilize or rebound in the coming years and is expecting contribution rates to increase limiting the resources available to fund services in order to pay for increasing employee retirement costs. Please refer to Note 10 in the Notes to the Basic Financial Statements for more detailed information regarding the City's pension plan through CalPERS.

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

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

REQUESTS FOR INFORMATION

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

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



CITY OF PACIFIC GROVE, CALIFORNIA
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and investments			
Available for operations	\$ 7,451,853	\$ 5,134,795	\$ 12,586,648
Held in trust	857,743	323,841	1,181,584
Receivables			
Taxes	1,435,268	-	1,435,268
Accounts	471,336	469,058	940,394
Interest and other	25,369	-	25,369
Loans	2,294,575	148,065	2,442,640
Inventory	-	85,027	85,027
Prepaid expenses	615,791	38,940	654,731
Deferred charges	14,778,357	58,554	14,836,911
Capital assets			
Land	2,338,270	362,973	2,701,243
Infrastructure	22,329,855	-	22,329,855
Building	11,208,594	6,093,798	17,302,392
Improvements	319,360	3,205,317	3,524,677
Machinery and equipment	4,044,875	2,079,602	6,124,477
Sewer lines	-	6,124,968	6,124,968
Construction in progress	65,186	232,267	297,453
Accumulated depreciation	(17,246,075)	(5,744,045)	(22,990,120)
Total Assets	\$ 50,990,357	\$ 18,613,160	\$ 69,603,517
<u>Liabilities</u>			
Accounts payable	\$ 1,002,294	\$ 325,819	\$ 1,328,113
Interest payable	66,583	96,072	162,655
Accrued wages and benefits	342,423	-	342,423
Deferred revenue	42,951	68,858	111,809
Due within one year			
Claims payable	525,778	-	525,778
Long-term debt	1,489,870	152,897	1,642,767
Due beyond one year			
Claims payable	637,123	-	637,123
Compensated absences	1,475,271	194,747	1,670,018
Long-term debt	20,235,671	4,718,891	24,954,562
Net OPEB obligation	184,517	-	184,517
Total Liabilities	26,002,481	5,557,284	31,559,765
<u>Net Assets</u>			
Invested in capital assets, net of related debt	16,112,881	7,483,092	23,595,973
Restricted	3,071,783	273,841	3,345,624
Unrestricted	5,803,212	5,298,943	11,102,155
Total Net Assets	24,987,876	13,055,876	38,043,752
Total Liabilities and Net Assets	\$ 50,990,357	\$ 18,613,160	\$ 69,603,517

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

CITY OF PACIFIC GROVE, CALIFORNIA

**Statement of Activities
Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities						
Public safety						
Police	\$ 5,354,740	\$ 664,074	\$ 498,891	\$ (4,191,775)	\$ -	\$ (4,191,775)
Fire	3,059,550	376,338	282,728	(2,400,484)	-	(2,400,484)
General administration	2,370,711	287,117	215,700	(1,867,894)	-	(1,867,894)
Public works	2,608,811	281,928	211,801	(2,115,082)	-	(2,115,082)
Recreation	313,473	36,829	27,668	(248,976)	-	(248,976)
Library	643,306	80,326	60,345	(502,635)	-	(502,635)
Community development & building inspection	1,596,545	204,417	153,570	(1,238,558)	-	(1,238,558)
Museum	225,802	25,806	19,387	(180,609)	-	(180,609)
Interest on long-term debt	1,272,286	-	-	(1,272,286)	-	(1,272,286)
Total Governmental Activities	17,445,224	1,956,835	1,470,090	(14,018,299)	-	(14,018,299)
Business-type Activities						
Cemetery Operating	193,698	237,626	-	-	43,928	43,928
Sewer Operating	1,006,075	2,470,459	-	-	1,464,384	1,464,384
Golf Course	2,852,956	2,400,792	-	-	(452,164)	(452,164)
Total Business-type Activities	4,052,729	5,108,877	-	-	1,056,148	1,056,148
Total	\$ 21,497,953	\$ 7,065,712	\$ 1,470,090	(14,018,299)	1,056,148	(12,962,151)
General Revenues						
Taxes				12,855,604	-	12,855,604
Interest and investment income				302,274	26,659	328,933
Miscellaneous				691,550	86,320	777,870
Total General Revenues and Transfers				13,849,428	112,979	13,962,407
Change in Net Assets				(168,871)	1,169,127	1,000,256
Net Assets, Beginning				24,233,038	11,886,749	36,119,787
Prior Period Adjustment				923,709	-	923,709
Net Asset, Ending				\$ 24,987,876	\$ 13,055,876	\$ 38,043,752

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

Basic Financial Statements - Fund Financial Statements



CITY OF PACIFIC GROVE, CALIFORNIA
Balance Sheet - Governmental Funds
June 30, 2011

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments			
Available for operations	\$ 2,261,701	\$ 4,624,491	\$ 6,886,192
Held in trust	-	857,743	857,743
Receivables			
Taxes	1,424,284	10,984	1,435,268
Accounts	74,743	360,402	435,145
Interest and other	23,001	2,368	25,369
Loans	-	2,294,575	2,294,575
Prepaid expenses	<u>177,089</u>	<u>5,219</u>	<u>182,308</u>
Total Assets	<u>\$ 3,960,818</u>	<u>\$ 8,155,782</u>	<u>\$ 12,116,600</u>
<u>Liabilities</u>			
Accounts payable	\$ 534,628	\$ 435,556	\$ 970,184
Accrued wages and benefits	342,423	-	342,423
Deferred revenue	<u>40,566</u>	<u>2,385</u>	<u>42,951</u>
Total Liabilities	<u>917,617</u>	<u>437,941</u>	<u>1,355,558</u>
<u>Fund Balances</u>			
Nonspendable			
Long-term loan receivable	-	2,294,575	2,294,575
Permanent funds	-	2,351,651	2,351,651
Prepaid expenses	177,089	5,219	182,308
Spendable			
Restricted			
Special Revenue	-	2,411,616	2,411,616
Debt Service	-	108,261	108,261
Capital Projects	-	551,906	551,906
Assigned			
Tax interim	750,000	-	750,000
Contingencies	1,717,910	-	1,717,910
Unassigned	<u>398,202</u>	<u>(5,387)</u>	<u>392,815</u>
Total Fund Balance	<u>3,043,201</u>	<u>7,717,841</u>	<u>10,761,042</u>
Total Liabilities and Fund Balances	<u>\$ 3,960,818</u>	<u>\$ 8,155,782</u>	<u>\$ 12,116,600</u>

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

CITY OF PACIFIC GROVE, CALIFORNIA
Reconciliation of the Governmental Funds Balance Sheet to the
Government-wide Statement of Net Assets - Governmental Activities
June 30, 2011

Fund Balances - Total Governmental Funds		\$ 10,761,042
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		23,060,065
Deferred charges in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		14,778,357
Internal service funds are used by management to charge the costs of health, workers' compensation, and liability self-insurances to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.		(159,676)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Long-term debt	\$ (21,725,541)	
Net OPEB obligation	(184,517)	
Compensated absences	<u>(1,475,271)</u>	(23,385,329)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.		<u>(66,583)</u>
Net Assets of Governmental Activities		\$ <u>24,987,876</u>

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

CITY OF PACIFIC GROVE, CALIFORNIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	General	Nonmajor Governmental Funds	Total
<u>Revenues</u>			
Taxes	\$ 12,354,827	\$ 500,777	\$ 12,855,604
Licenses and permits	402,658	-	402,658
Fines, forfeitures and penalties	54,731	-	54,731
Intergovernmental	1,310,987	1,366,885	2,677,872
Charges for current services	1,227,096	272,350	1,499,446
Use of money and property	164,460	137,814	302,274
Interdepartmental charges	1,632,020	-	1,632,020
Other	32,323	659,227	691,550
	<u>17,179,102</u>	<u>2,937,053</u>	<u>20,116,155</u>
Total Revenues			
	<u>17,179,102</u>	<u>2,937,053</u>	<u>20,116,155</u>
<u>Expenditures</u>			
Current			
Public safety			
Police	5,310,716	307,866	5,618,582
Fire	3,073,878	110,237	3,184,115
General administration	2,165,970	263,270	2,429,240
Public works	1,888,479	496,855	2,385,334
Recreation	296,330	15,272	311,602
Library	589,736	89,882	679,618
Community development & building inspection	1,145,967	583,564	1,729,531
Museum	188,905	29,433	218,338
Capital outlay	140,790	409,543	550,333
Debt service			
Principal	1,211,094	311,399	1,522,493
Interest and fiscal charges	387,291	66,518	453,809
	<u>16,399,156</u>	<u>2,683,839</u>	<u>19,082,995</u>
Total Expenditures			
	<u>16,399,156</u>	<u>2,683,839</u>	<u>19,082,995</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>779,946</u>	<u>253,214</u>	<u>1,033,160</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	-	448,414	448,414
Transfers out	(448,414)	-	(448,414)
Other	-	(15,595)	(15,595)
	<u>-</u>	<u>(15,595)</u>	<u>(15,595)</u>
Net other financing sources (uses)	<u>(448,414)</u>	<u>432,819</u>	<u>(15,595)</u>
Net Change in Fund Balances	331,532	686,033	1,017,565
Fund Balances, Beginning	<u>2,711,669</u>	<u>7,031,808</u>	<u>9,743,477</u>
Fund Balances, Ending	<u>\$ 3,043,201</u>	<u>\$ 7,717,841</u>	<u>\$ 10,761,042</u>

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

CITY OF PACIFIC GROVE, CALIFORNIA
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-wide Statement of Activities -
Governmental Activities
Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds **\$ 1,017,565**

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlay as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period.

Expenditures for general capital assets and other related capital assets adjustment	\$ 539,021	
Less current year depreciation	<u>(700,286)</u>	(161,265)

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

Principal repayments on long-term debt	1,522,493
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Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as expenditures
in governmental funds.

Accretion of capital appreciation bonds	(817,817)	
Amortization of deferred charges relating to the P.O.B.	(1,207,782)	
Change in accrued interest payable	(660)	
Change in net OPEB obligation	(97,478)	
Change in compensated absences	<u>(157,716)</u>	(2,281,453)

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

	<u>(266,211)</u>
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Change in Net Assets of Governmental Activities	\$ <u>(168,871)</u>
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The notes to the basic financial statements are an integral part of this statement.

CITY OF PACIFIC GROVE, CALIFORNIA
Statement of Fund Net Assets - Proprietary Funds
June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities
	Cemetery Operating	Sewer Operating	Golf Course	Total	Internal Service Funds
<u>Assets</u>					
Current Assets					
Cash and investments					
Available for operations	\$ (132,320)	\$ 4,824,071	\$ 443,044	\$ 5,134,795	\$ 565,661
Held in trust	-	50,001	273,840	323,841	-
Receivables					
Accounts	-	423,773	45,285	469,058	36,191
Inventory	-	-	85,027	85,027	-
Prepaid expenses	-	3,016	35,924	38,940	433,483
Total Current Assets	<u>(132,320)</u>	<u>5,300,861</u>	<u>883,120</u>	<u>6,051,661</u>	<u>1,035,335</u>
Noncurrent Assets					
Capital assets					
Land	20	-	362,953	362,973	-
Building	709,611	-	5,384,187	6,093,798	-
Improvements	396,173	-	2,809,144	3,205,317	-
Machinery and equipment	198,405	751,000	1,130,197	2,079,602	-
Sewer lines	-	6,124,968	-	6,124,968	-
Construction in progress	-	232,267	-	232,267	-
Accumulated depreciation	(648,998)	(1,770,701)	(3,324,346)	(5,744,045)	-
Other assets					
Loans receivable	-	148,065	-	148,065	-
Deferred charges	-	58,554	-	58,554	-
Total Noncurrent Assets	<u>655,211</u>	<u>5,544,153</u>	<u>6,362,135</u>	<u>12,561,499</u>	<u>-</u>
Total Assets	<u>\$ 522,891</u>	<u>\$ 10,845,014</u>	<u>\$ 7,245,255</u>	<u>\$ 18,613,160</u>	<u>\$ 1,035,335</u>
<u>Liabilities</u>					
Current Liabilities					
Accounts payable	\$ 5,981	\$ 218,935	\$ 100,903	\$ 325,819	\$ 32,110
Interest payable	-	14,924	81,148	96,072	-
Deferred revenue	-	-	68,858	68,858	-
Claims payable	-	-	-	-	525,778
Long-term debt	-	68,283	84,614	152,897	-
Total Current Liabilities	<u>5,981</u>	<u>302,142</u>	<u>335,523</u>	<u>643,646</u>	<u>557,888</u>
Noncurrent Liabilities					
Claims payable	-	-	-	-	637,123
Compensated absences	-	-	194,747	194,747	-
Long-term debt	-	1,233,709	3,485,182	4,718,891	-
Total Noncurrent Liabilities	<u>-</u>	<u>1,233,709</u>	<u>3,679,929</u>	<u>4,913,638</u>	<u>637,123</u>
Total Liabilities	<u>5,981</u>	<u>1,535,851</u>	<u>4,015,452</u>	<u>5,557,284</u>	<u>1,195,011</u>
<u>Net Assets</u>					
Invested in capital assets, net of related debt	655,211	4,035,542	2,792,339	7,483,092	-
Restricted					
Debt service	-	1	273,840	273,841	-
Unrestricted	(138,301)	5,273,620	163,624	5,298,943	(159,676)
Total Net Assets	<u>516,910</u>	<u>9,309,163</u>	<u>3,229,803</u>	<u>13,055,876</u>	<u>(159,676)</u>
Total Liabilities and Net Assets	<u>\$ 522,891</u>	<u>\$ 10,845,014</u>	<u>\$ 7,245,255</u>	<u>\$ 18,613,160</u>	<u>\$ 1,035,335</u>

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

CITY OF PACIFIC GROVE, CALIFORNIA
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities
	Cemetery Operating	Sewer Operating	Golf Course	Total	Internal Service Funds
<u>Operating Revenues</u>					
Charges for current services	\$ 237,626	\$ 2,470,459	\$ 2,400,792	\$ 5,108,877	\$ 1,150,308
Other	7,200	18,076	61,044	86,320	38,009
Total Operating Revenues	<u>244,826</u>	<u>2,488,535</u>	<u>2,461,836</u>	<u>5,195,197</u>	<u>1,188,317</u>
<u>Operating Expenses</u>					
Personnel services	87,570	276,263	1,113,160	1,476,993	149,725
Operating services	74,323	470,126	1,257,038	1,801,487	515,611
Insurance, claims and settlements	-	-	-	-	789,192
Depreciation	31,605	191,062	287,234	509,901	-
Total Operating Expenses	<u>193,498</u>	<u>937,451</u>	<u>2,657,432</u>	<u>3,788,381</u>	<u>1,454,528</u>
Operating Income (Loss)	<u>51,328</u>	<u>1,551,084</u>	<u>(195,596)</u>	<u>1,406,816</u>	<u>(266,211)</u>
<u>Non-operating Revenues (Expenses)</u>					
Interest and investment income	5,054	18,092	3,513	26,659	-
Interest expense	(200)	(68,624)	(195,524)	(264,348)	-
Total Non-operating Revenues (Expenses)	<u>4,854</u>	<u>(50,532)</u>	<u>(192,011)</u>	<u>(237,689)</u>	<u>-</u>
Change in Net Assets	<u>56,182</u>	<u>1,500,552</u>	<u>(387,607)</u>	<u>1,169,127</u>	<u>(266,211)</u>
Net Assets, Beginning	460,728	7,808,611	3,617,410	11,886,749	(817,174)
Prior Period Adjustment	-	-	-	-	923,709
Restated Net Assets, Beginning	<u>460,728</u>	<u>7,808,611</u>	<u>3,617,410</u>	<u>11,886,749</u>	<u>106,535</u>
Net Assets, Ending	<u>\$ 516,910</u>	<u>\$ 9,309,163</u>	<u>\$ 3,229,803</u>	<u>\$ 13,055,876</u>	<u>\$ (159,676)</u>

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

CITY OF PACIFIC GROVE, CALIFORNIA
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities
	Cemetery Operating	Sewer Operating	Golf Course	Total	Internal Service Funds
Cash Flows from Operating Activities					
Receipts from customers	\$ 239,590	\$ 2,454,759	\$ 2,396,270	\$ 5,090,619	\$ 1,208,729
Payments to suppliers	(56,044)	(474,818)	(1,008,654)	(1,539,516)	(1,094,842)
Payments to employees	(87,569)	(276,263)	(1,113,160)	(1,476,992)	(33,468)
Internal activity - payments to other funds	(21,018)	(88,202)	(287,314)	(396,534)	-
Claims paid	-	-	-	-	(402,293)
Other receipts (payments)	7,200	1,354	60,515	69,069	-
Net Cash Provided (Used) by Operating Activities	82,159	1,616,830	47,657	1,746,646	(321,874)
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	-	(388,871)	(123,202)	(512,073)	-
Principal paid on long-term debt	(891)	(67,085)	(84,078)	(152,054)	-
Interest paid on long-term debt	(200)	(64,869)	(197,031)	(262,100)	-
Net Cash Used by Capital and Related Financing Activities	(1,091)	(520,825)	(404,311)	(926,227)	-
Cash Flows from Investing Activities					
Interest received	5,054	18,092	3,513	26,659	-
Net Cash Provided by Investing Activities	5,054	18,092	3,513	26,659	-
Net Increase (Decrease) in Cash and Cash Equivalents	86,122	1,114,097	(353,141)	847,078	(321,874)
Cash and Cash Equivalents, Beginning	(218,442)	3,759,975	1,070,025	4,611,558	887,535
Cash and Cash Equivalents, Ending	\$ (132,320)	\$ 4,874,072	\$ 716,884	\$ 5,458,636	\$ 565,661
Cash Flows from Operating Activities					
Operating income (loss)	\$ 51,328	\$ 1,551,084	\$ (195,596)	\$ 1,406,816	\$ (266,211)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	31,605	191,062	287,234	509,901	-
Decrease (increase) in operating assets					
Accounts receivable	1,771	(8,345)	(38,680)	(45,254)	(14,512)
Loans receivable	-	11,533	-	11,533	-
Other assets	1,091	-	45,659	46,750	(433,483)
Increase (decrease) in operating liabilities					
Accounts payable	(3,636)	(128,504)	(59,794)	(191,934)	24,409
Claims payable	-	-	-	-	367,923
Compensated absences	-	-	8,834	8,834	-
Net Cash Provided (Used) by Operating Activities	\$ 82,159	\$ 1,616,830	\$ 47,657	\$ 1,746,646	\$ (321,874)

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



Basic Financial Statements -
Notes to the Basic Financial Statements



CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Financial Statements

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

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Fund Financial Statements

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

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

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

The City reports the following major governmental fund:

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

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major enterprise funds:

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

Additionally, the City reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

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

D. Utility Service Billings

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

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Budgets and Budgetary Accounting

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

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

F. Deferred Compensation Plan

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

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

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. Compensated Absences

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

H. Property Tax

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

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

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

I. Long-term Liabilities

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

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

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Interfund Activity

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

K. Estimates

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

L. Subsequent Events

Management has evaluated subsequent events through April 13, 2012.

NOTE 2. CASH AND INVESTMENTS

A. Policies

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

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

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 2. CASH AND INVESTMENTS - Continued

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

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

B. Classification

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

Statement of Net Assets:

Cash and investments available for operations	\$12,586,648
Cash and investments held in trust	<u>1,181,584</u>
Total City cash and investments	<u>\$13,768,232</u>

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

Investments	\$13,351,968
Cash in banks	414,279
Petty cash	<u>1,985</u>
Total City cash and investments	<u>\$13,768,232</u>

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

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

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 2. CASH AND INVESTMENTS - Continued

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

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

D. Investments Authorized by Debt Agreements

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

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

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 2. CASH AND INVESTMENTS - Continued

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

E. Interest Rate Risk

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

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

<u>Investment Type</u>	<u>12 Months or less</u>	<u>13 to 36 Months</u>	<u>37 to 60 Months</u>	<u>Total</u>
Investments				
U.S. Agency Securities				
Gov't Bonds - Callable	\$ -	\$ -	\$2,495,690	\$ 2,495,690
Gov't Bonds - Non-Callable	276,052	202,522	181,513	660,087
Certificates of Deposit	240,984	-	-	240,984
Money Market Funds	273,841	-	-	273,841
Cash or Equivalent	6,672	-	-	6,672
California Local Agency Investment Fund	<u>9,674,694</u>	<u>-</u>	<u>-</u>	<u>9,674,694</u>
Total Investments	<u>\$10,472,243</u>	<u>\$202,522</u>	<u>\$2,677,203</u>	13,351,968
Cash				
Cash in banks				414,279
Petty cash				<u>1,985</u>
Total Cash and Investments				<u>\$13,768,232</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 2. CASH AND INVESTMENTS - Continued

F. Credit Risk

Credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2011 for each investment type as provided by Moody's:

<u>Investment Type</u>	<u>AAA</u>	<u>Not Rated</u>	<u>Total</u>
Investments			
U.S. Agency Securities			
Gov't Bonds - Callable	\$2,495,690	\$ -	\$ 2,495,690
Gov't Bonds - Non-Callable	660,087	-	660,087
Certificates of Deposit	-	240,984	240,984
Money Market Funds	273,841	-	273,841
Cash or Equivalent	-	6,672	6,672
California Local Agency Investment Fund	-	9,674,694	9,674,694
Total Investments	<u>\$3,429,618</u>	<u>\$9,922,350</u>	13,351,968
Cash			
Cash in banks			414,279
Petty cash			<u>1,985</u>
Total Cash and Investments			<u>\$13,768,232</u>

G. Concentration Risk

The City's investment policy contain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code for investments in a County Agency Investment Fund, Negotiable Certificates of Deposit, Repurchase Agreements and Reverse Repurchase Agreements. The City does not have any investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools, that represent 5% or more of total City-wide investments are as follows at June 30, 2011.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 2. CASH AND INVESTMENTS - Continued

H. Custodial Credit Risk

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

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

I. Cash Equivalents

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

NOTE 3. PERMANENT FUNDS

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

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

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 3. PERMANENT FUNDS - Continued

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

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

	<u>June 30, 2010</u>	<u>June 30, 2011</u>
Balance held by Trustee at end of year, at fair value	\$ <u>857,463</u>	\$ <u>967,313</u>

NOTE 4. INTERFUND TRANSFER

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

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Activities		
Governmental funds		
Major funds		
General fund	\$ -	\$448,414
Nonmajor funds	<u>448,414</u>	<u>-</u>
Total	<u>\$448,414</u>	<u>\$448,414</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 5. LOANS RECEIVABLE

A. Housing Assistance Loans

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

Although these loans and notes are expected to be repaid in full, their balance has offset by a reservation of fund balance, as they are not expected to be repaid during the current fiscal year. The balance of the loans receivable arising from these programs at June 30, 2011 was \$2,294,575.

B. Sewer Lateral Replacement Loans

The City has a Sewer Lateral Repair/Replacement Loan Program to improve sewer lateral lines connected to homeowners' residences. These loans carry an interest rate of three percent per annum. Repayment on loan principal and interest are deferred until the property is sold. All loans are secured by a deed of trust on the property. The balance of these loans receivables from this program at June 30, 2011 was \$148,065.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 6. CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City defines capital assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of three years.

GASB Statement 34 allowed the City up to four years to record infrastructure assets acquired in prior years. With the implementation of GASB 34 the City has recorded historical values for infrastructure assets since 1980 as adjustments to capital assets in the fiscal year ended June 30, 2008.

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

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

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

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

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

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 6. CAPITAL ASSETS – Continued

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions/ Adjustments	Retirements/ Adjustments	Balance June 30, 2011
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 2,338,270	\$ -	\$ -	\$ 2,338,270
Construction in progress	77,138	5,816	17,768	65,186
Total capital assets, not being depreciated	<u>2,415,408</u>	<u>5,816</u>	<u>17,768</u>	<u>2,403,456</u>
Capital assets, being depreciated:				
Infrastructure	22,021,767	308,088	-	22,329,855
Buildings	11,208,594	-	-	11,208,594
Improvements	277,687	41,673	-	319,360
Machinery and equipment	3,843,663	204,798	3,586	4,044,875
Total capital assets, being depreciated	<u>37,351,711</u>	<u>554,559</u>	<u>3,586</u>	<u>37,902,684</u>
Less accumulated depreciation for:				
Infrastructure	7,545,521	326,237	-	7,871,758
Buildings	5,917,675	111,353	-	6,029,028
Improvement	97,247	13,116	-	110,363
Machinery and equipment	2,985,346	249,580	-	3,234,926
Total accumulated depreciation	<u>16,545,789</u>	<u>700,286</u>	<u>-</u>	<u>17,246,075</u>
Total capital assets, being depreciated, net	<u>20,805,922</u>	<u>(145,727)</u>	<u>3,586</u>	<u>20,656,609</u>
Governmental activities capital assets, net	<u>\$23,221,330</u>	<u>(\$139,911)</u>	<u>\$21,354</u>	<u>\$23,060,065</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 362,973	\$ -	\$ -	\$ 362,973
Construction in progress	-	232,267	-	232,267
Total capital assets, not being depreciated	<u>362,973</u>	<u>232,267</u>	<u>-</u>	<u>595,240</u>
Capital assets, being depreciated:				
Buildings	6,093,798	-	-	6,093,798
Improvements	3,124,494	80,823	-	3,205,317
Machinery and equipment	1,883,392	196,210	-	2,079,602
Sewer line	5,968,264	156,704	-	6,124,968
Total capital assets, being depreciated	<u>17,069,948</u>	<u>433,737</u>	<u>-</u>	<u>17,503,685</u>
Less accumulated depreciation for:				
Buildings	959,675	82,996	-	1,042,671
Improvements	1,675,963	197,799	-	1,873,762
Machinery and equipment	1,588,322	83,640	-	1,671,962
Sewer line	1,010,184	145,466	-	1,155,650
Total accumulated depreciation	<u>5,234,144</u>	<u>509,901</u>	<u>-</u>	<u>5,744,045</u>
Total capital assets, being depreciated, net	<u>11,835,804</u>	<u>(76,164)</u>	<u>-</u>	<u>11,759,640</u>
Business-type activities capital assets, net	<u>\$12,198,777</u>	<u>\$156,103</u>	<u>\$ -</u>	<u>\$12,354,880</u>

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

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 6. CAPITAL ASSETS – Continued

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

Governmental activities:	
Police	\$104,885
Fire	116,544
General administration	75,296
Public works	350,309
Recreation	26,045
Library	8,344
Museum	<u>18,863</u>
Total depreciation expense – governmental activities	<u>\$700,286</u>
Business-type activities:	
Cemetery operating	\$ 31,605
Sewer operating	191,062
Golf course	<u>287,234</u>
Total depreciation expense – business-type activities	<u>\$509,901</u>

NOTE 7. LONG-TERM DEBT

Long-term liabilities at June 30, 2011 included the following:

<u>Type of obligation</u>	<u>Original Issue Amount</u>	<u>Balance July 1, 2010</u>	<u>Additions/ Adjustment</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>	<u>Due within one year</u>
<u>Governmental Activities</u>						
<u>Governmental funds</u>						
<u>General Obligation Refunding Note</u>						
2003 Refunding Butterfly						
Habitat Note; 4.45%; maturity 8/1/17	\$ 963,793	\$ 616,748	\$ -	\$ 67,773	\$ 548,975	\$ 66,889
<u>Capital Lease</u>						
2003 Civic Center financing						
lease; 3.85%; maturity 2/8/14	1,909,387	818,678	-	193,115	625,563	200,622
Pierce Dash 2000 Pumper; 3.885% maturity 8/15/15	410,134	264,547	-	39,999	224,548	41,553

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 7. LONG-TERM DEBT

<u>Type of obligation</u>	<u>Original Issue Amount</u>	<u>Balance July 1, 2010</u>	<u>Additions/ Adjustment</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>	<u>Due within one year</u>
2009 Police vehicles; 5.95%; maturity 11/21/10	\$ 31,570	\$ 10,512	\$ -	\$ 10,512	\$ -	\$ -
Stromberg Time & Attendance; 8.803% maturity 11/21/10	20,830	3,312	-	3,312	-	-
<i>Pension Obligation Bond</i>						
Taxable Pension Obligation						
Bonds; 5.67%-6.12%; maturity 6/1/29	19,365,355	15,986,139	-	1,207,782	14,778,357	1,180,806
Accreted Interest		<u>4,730,281</u>	<u>817,817</u>	<u>-</u>	<u>5,548,098</u>	<u>-</u>
Total Governmental Activities		<u>\$22,430,217</u>	<u>\$817,817</u>	<u>\$1,522,493</u>	<u>\$21,725,541</u>	<u>\$1,489,870</u>
<u>Business-type Activities</u>						
<u>Enterprise fund – Cemetery</u>						
<i>Capital Lease</i>						
Mower; 4.47%; due monthly until 7/15/10	\$ 52,273	\$ 891	\$ -	\$ 891	\$ -	\$ -
<u>Enterprise fund – Sewer</u>						
<i>Revenue bonds</i>						
California Statewide Community Dev. Auth. Series 2000B; 3.25%- 5.125%; due 10/1/31	1,475,000	1,260,000	-	35,000	1,225,000	35,000
Less: unamortized discount		(18,417)	-	(864)	(17,553)	(864)
<i>Capital Lease</i>						
Vactor truck; due monthly until 3/30/14	165,624	126,630	-	32,085	94,545	33,283
<u>Enterprise fund – Golf</u>						
<i>Certificates of Participation</i>						
2004 Golf Course Project; 2.75%-5.75%; maturity 8/1/34	3,960,000	3,625,000	-	75,000	3,550,000	75,000
<i>Capital Lease</i>						
Mower; 5.756%; annually until 3/2/13	46,196	<u>28,874</u>	<u>-</u>	<u>9,078</u>	<u>19,796</u>	<u>9,614</u>
Total Business-type Activities		<u>\$5,022,978</u>	<u>\$ -</u>	<u>\$151,190</u>	<u>\$4,871,788</u>	<u>\$152,033</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 7. LONG-TERM DEBT - Continued

2003 General Obligation Refunding Note

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

On November 1, 2003, the City entered into a \$963,793 General Obligation Refunding Note. This note was issued to refund the remaining principal amount and accrued interest from the 1990 Butterfly Habitat Bonds. Semi-annual principal and interest are due February 1 and August 1. At June 30, 2011, annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 66,889	\$22,941
2013	70,966	19,874
2014	74,923	16,628
2015	78,758	13,208
2016	82,382	9,623
2017-2018	<u>175,057</u>	<u>7,864</u>
Totals	<u>\$548,975</u>	<u>\$90,138</u>

2003 Civic Center Financing Leases

On November 18, 1998, the City entered into a financing lease agreement for \$1,500,000 to fund the Civic Center site improvement project. Included in the project are the construction of a civic plaza, parking lot and new building, rehabilitation of the exiting City hall building, demolition of some existing building and landscaping. On August 1, 2003, the City refinanced the lease by entering into a new Civic Center Financing lease in the amount of \$1,909,387. Semi-annual principal and interest are due on February 8 and August 8. At June 30, 2011, annual debt service requirements to maturity are as follows:

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 7. LONG-TERM DEBT - Continued

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$200,622	\$22,171
2013	208,420	14,373
2014	<u>216,521</u>	<u>6,272</u>
Totals	<u>\$625,563</u>	<u>\$42,816</u>

Capital Lease Obligations – governmental activities

Capital lease obligations are repayable from future revenues of the fund to which they have been assigned. At June 30, 2011, annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 41,553	\$ 8,724
2013	43,167	7,110
2014	44,844	5,433
2015	46,587	3,690
2016	<u>48,397</u>	<u>1,880</u>
Totals	<u>\$224,548</u>	<u>\$26,837</u>

Pension Obligation Bond

On June 1, 2006, the City issued Taxable Pension Obligation Bond in the principal amount of \$19,365,355. The bonds were part of the California Statewide Communities Development Authority Taxable Pension Obligation Bonds Program. The purpose of the bond is to provide monies to meet the unfunded accrued actuarial liability ("UAAL") to the California Public Employee's Retirement System ("PERS"). Semi-annual payments are due on June 1 and December 1. At June 30, 2011, annual debt service requirements to maturity are as follows:

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 7. LONG-TERM DEBT – Continued

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest Accretion</u>	<u>Interest</u>
2012	\$ 1,180,806	\$ 423,225	\$ 469,194
2013	1,145,902	414,817	554,098
2014	1,115,470	408,619	644,530
2015	1,084,100	398,701	730,901
2016	1,056,056	389,156	818,944
2017-2021	4,798,044	1,818,693	5,531,956
2022-2026	3,120,514	1,200,988	5,854,486
2027-2029	<u>1,277,465</u>	<u>493,899</u>	<u>3,512,534</u>
Totals	<u>\$14,778,357</u>	<u>\$5,548,098</u>	<u>\$18,116,643</u>

California State Community Development Authority Series 2001B Revenue Bond

On August 1, 2001, the City issued Wastewater Revenue Bond in the principal amount of \$1,475,000. The bonds were part of the California Statewide Communities Development Authority Water and Wastewater Revenue Bond pooled financing program. The purpose of the bond is to construct certain improvements to the City of Pacific Grove's sewer system. Semi-annual interest payments are due on April 1 and October 1 and annual principal payments are due on October 1. Repayments are secured by future sewer service revenues. Interest rates on the bonds range from 3.25% to 5.125%. At June 30, 2011, annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 35,000	\$ 59,695
2013	35,000	58,225
2014	40,000	56,573
2015	40,000	54,753
2016	40,000	52,893
2017-2021	245,000	230,665
2022-2026	310,000	160,646
2027-2031	390,000	73,000
2032	<u>90,000</u>	<u>2,250</u>
Totals	<u>\$1,225,000</u>	<u>\$748,700</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 7. LONG-TERM DEBT - Continued

Capital Lease Obligations – business-type activities

Capital lease obligations are repayable from future revenues of the fund to which they have been assigned. At June 30, 2011, annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 42,897	\$3,629
2013	44,708	1,818
2014	<u>26,737</u>	<u>409</u>
Totals	<u>\$114,342</u>	<u>\$5,856</u>

2004 Certificates of Participation (Golf Course Project)

On August 1, 2004, the City issued 2004 Certificates of Participation (Golf Course Project) in the principal amount of \$3,960,000. Proceeds were used to finance capital improvements to the City's municipal golf course. Semi-annual interest payments are due on February 1 and August 1 and annual principal payments are due on August 1. Repayments are secured by future revenues from the operation of the City's Golf Course Enterprise fund. Interest rates range from 2.75% to 5.75%. At June 30, 2011, annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 75,000	\$ 192,516
2013	80,000	188,988
2014	85,000	185,109
2015	90,000	180,840
2016	95,000	176,215
2017-2021	545,000	800,860
2022-2026	705,000	630,844
2027-2031	925,000	404,598
2034-2035	<u>950,000</u>	<u>110,740</u>
Totals	<u>\$3,550,000</u>	<u>\$2,870,710</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 8. NET ASSETS AND FUND BALANCES

Net Assets

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

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

Fund Balances

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

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

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 8. NET ASSETS AND FUND BALANCES - Continued

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

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

NOTE 9. DEFICIT NET ASSETS

The following funds had deficit net assets at June 30, 2011:

Governmental Activities	
Internal Service funds	
Workers’ Compensation Insurance	\$225,888

The Workers’ Compensation Insurance fund deficit is a carry-over from a historical mismatch between claims activity and aggregate charges to departments based on claims activity. The City has made additional operating transfers and reviewed the status of all claims during the current year reducing the fund deficit from \$961,938 in fiscal year 2009-2010 to \$225,888 in fiscal year 2010-2011.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 10. PENSION PLANS

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

The Plans' provisions and benefits are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule (credited service)	5 years	5 years
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	55
Monthly benefit, as a % of annual salary	3%	2%
Required employee contribution rates	9%	7%
Required employer contribution rates	19.894%	9.629%

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

CALPERS uses the entry age normal cost method as the actuarial cost method. An investment rate of return of 7.75% (net of administrative expenses) is assumed, including inflation at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll. Average remaining period is 16 years as of valuation date and asset valuation method is 15' year smoothed market.

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

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 10. PENSION PLANS – Continued

Actuarially required contributions for fiscal years 2011, 2010, and 2009 were \$915,009, \$740,710, and \$921,267, respectively. The current year's required contribution was determined as part of the June 30, 2008 actuarial valuation. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation. The City does not have a net pension obligation since it pays these actuarially required contributions monthly.

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

NOTE 11. PUBLIC AGENCY RETIREMENT SYSTEM

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

Under PARS, employees contribute 6.2% and the City contributes 6.2% of the employees' salary each pay period. For the fiscal year ending June 30, 2011, total contributions of \$43,051 were made.

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 12. NET OPEB OBLIGATION

The City provides limited health care benefits through PERS to retired employees. Benefits provided require sharing of cost from retirees eligible to participate in the program. During the year ended June 30, 2011, the City paid \$85,151 for its share of benefits on behalf of 16 participants. The City budgets for the amounts to be paid on a "pay as you go" basis.

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

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

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Normal</u> <u>Cost</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Contributions</u> <u>during the</u> <u>year</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
6/30/09	\$58,528	\$164,320	\$107,221*	65%*	\$ 59,099*
6/30/10	62,040	173,095	143,155	83%	87,039
6/30/11	65,762	182,629	85,151	47%	184,517

* includes adjustment for PEMCA payments of \$73,771.

NOTE 13. RISK MANAGEMENT

A. Insurance Coverage

The City is a member of the Public Agency Risk Sharing Authority of California (PARSAC), a joint powers authority which provides annual general liability coverage up to \$14,000,000 in the aggregate. The City retains the risk for the first \$150,000 in the general liability claims.

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

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 13. RISK MANAGEMENT - Continued

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

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

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

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

B. Liability for Uninsured Claims

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

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

	<u>Workers'</u> <u>Compensation</u>	<u>Liability</u> <u>Insurance</u>	<u>Total</u>
Ending balance, June 30, 2010	\$1,464,613	\$254,074	\$1,718,687
Incurred claims and changes in estimate	572,194	216,998	789,192
Claim payments	(1,329,081)	(15,897)	(1,344,978)
Ending balance, June 30, 2011	<u>\$707,726</u>	<u>\$455,175</u>	<u>\$1,162,901</u>
Due within one year	<u>\$198,814</u>	<u>\$326,964</u>	<u>\$525,778</u>

CITY OF PACIFIC GROVE
Notes to the Basic Financial Statements
Year Ended June 30, 2011

NOTE 14. COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Litigation

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there are only some of these matters that may prove to be detrimental to the city. The total of these litigations, amounting to \$455,175 have been reserved by the City.

NOTE 15. PRIOR PERIOD ADJUSTMENTS

A. CalHome Grant \$42,041 reclass to CalHome Reuse

Per terms of the CalHOME Grant, revenue generated from loans through grant disbursements must be deposited into a separate fund for Reuse. Fund was not created in the prior year. The CalHOME Grant Fund can only receive grant reimbursements.

B. Workers' Compensation Insurance \$923,709

During the fiscal year, the City reviewed all open claims with its third party administrator and determined that in prior years, the City had erroneously accrued claims that had exceeded the Self Insurance Rate of \$100,000. This adjustment removed all claims in excess of \$100,000 from the claims liability.



Required Supplementary Information
(other than MD&A)



CITY OF PACIFIC GROVE, CALIFORNIA
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Balances, Beginning	\$ 2,711,669	\$ 2,711,669	\$ 2,711,669	\$ -
Resources (inflows)				
Property tax	3,898,490	3,898,490	3,971,238	72,748
Sales tax	2,582,728	2,582,728	2,895,637	312,909
Transient occupancy tax	2,849,302	2,849,302	2,891,120	41,818
Franchise tax	821,430	821,430	818,115	(3,315)
Utility users	1,614,050	1,614,050	1,434,515	(179,535)
Business license	300,950	300,950	287,296	(13,654)
Real estate transfer tax	63,000	63,000	56,906	(6,094)
Licenses and permits	323,791	323,791	402,658	78,867
Fines, forfeitures and penalties	34,250	34,250	54,731	20,481
Intergovernmental	1,187,284	1,187,284	1,310,987	123,703
Charges for current services	1,215,453	1,215,453	1,227,096	11,643
Use of money and property	171,000	171,000	164,460	(6,540)
Interdepartmental charges	1,603,501	1,603,501	1,632,020	28,519
Other	80,180	80,180	32,323	(47,857)
Transfers in	38,985	38,985	-	(38,985)
Amounts Available for Appropriation	16,784,394	16,784,394	17,179,102	394,708
Charges to appropriations (outflows)				
Current				
Public safety				
Police	5,098,481	5,352,967	5,310,716	42,251
Fire	2,900,377	3,014,657	3,073,878	(59,221)
General administration	2,261,669	2,358,298	2,165,970	192,328
Public works	1,711,855	1,811,855	1,888,479	(76,624)
Recreation	334,808	335,808	296,330	39,478
Library	600,000	602,000	589,736	12,264
Community development & building inspection	1,065,674	1,073,415	1,145,967	(72,552)
Museum	190,010	190,010	188,905	1,105
Capital outlay	41,000	510,162	140,790	369,372
Debt service				
Principal	1,211,094	1,211,094	1,211,094	-
Interest and fiscal charges	387,293	387,293	387,291	2
Transfers out	652,181	448,414	448,414	-
Total Charges to Appropriation	16,454,442	17,295,973	16,847,570	448,403
Budgetary Balances, Ending	\$ 3,041,621	\$ 2,200,090	\$ 3,043,201	\$ 843,111

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2011

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

Sources/Inflows of Resources

Actual amounts (budgetary basis) "available for appropriation" from the
budgetary comparison schedule \$ 17,179,102

Differences - budget to GAAP: -

Total Revenues as Reported on the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds \$ 17,179,102

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriation" from the
budgetary comparison schedule \$ 16,847,570

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not
expenditures for financial reporting purposes (448,414)

Total Expenditures as Reported on the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds \$ 16,399,156
Concluded

CITY OF PACIFIC GROVE, CALIFORNIA
Schedules of Funding Progress
June 30, 2011

	(a)	(b)	(a)-(b)	(b)/(a)	(c)	[(a)-(b)]/(c)
Valuation Date	Actuarial Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liability (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL as a % of Payroll
<u>CalPERS Retirement Plan - Miscellaneous (Risk Pool):</u>						
6/30/2008	\$ 2,780,280,768	\$ 2,547,323,278	\$ 232,957,490	91.6%	\$ 688,606,681	33.8%
6/30/2009	\$ 3,104,798,222	\$ 2,758,511,101	\$ 346,287,121	88.9%	\$ 742,981,488	46.6%
6/30/2010	\$ 3,309,064,934	\$ 2,946,408,106	\$ 362,656,828	89.0%	\$ 748,401,352	48.5%
<u>CalPERS Retirement Plan - Safety (Risk Pool):</u>						
6/30/2008	\$ 8,700,467,733	\$ 7,464,927,716	\$ 1,235,540,017	85.8%	\$ 914,840,596	135.1%
6/30/2009	\$ 9,721,675,347	\$ 8,027,158,724	\$ 1,694,516,623	82.6%	\$ 973,814,168	174.0%
6/30/2010	\$ 10,165,475,166	\$ 8,470,235,152	\$ 1,695,240,014	83.3%	\$ 955,980,815	177.3%
<u>Other Postemployment Benefits - Health Benefit:</u>						
7/1/2008 *	\$ 2,753,014	\$ -	\$ 2,753,014	0%	\$ 8,627,274	32%

* Valuation date: January 1, 2009 with valuation results rolled back to July 1, 2008.



Supplementary Information



Nonmajor Governmental Funds

CITY OF PACIFIC GROVE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF PACIFIC GROVE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

SPECIAL REVENUE FUNDS - Continued

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

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

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

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

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

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

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

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

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

Senior Housing. This fund accounts for senior housing activities.

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

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

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

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

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

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

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

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

CITY OF PACIFIC GROVE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

SPECIAL REVENUE FUNDS - Continued

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

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

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

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

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

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

CAPITAL PROJECT FUND

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

DEBT SERVICE FUND

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

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

PERMANENT FUNDS

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

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

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

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



CITY OF PACIFIC GROVE, CALIFORNIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2011

	<u>Special Revenue</u>			
	<u>Carillon Acquisition & Maintenance</u>	<u>Hyperbaric Chamber</u>	<u>State Franchise - PEG</u>	<u>Library Building & Equipment</u>
<u>Assets</u>				
Cash and investments				
Available for operations	\$ 9,139	\$ 41,280	\$ 150,287	\$ 354,157
Held in trust	-	-	-	-
Receivables				
Taxes	-	-	10,984	-
Accounts	-	250	-	-
Interest and other	-	-	-	-
Loans	-	-	-	-
Prepaid expenses	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	\$ <u>9,139</u>	\$ <u>41,530</u>	\$ <u>161,271</u>	\$ <u>354,157</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>				
Nonspendable				
Long-term loan receivable	-	-	-	-
Permanent funds	-	-	-	-
Prepaid expenses	-	-	-	-
Spendable				
Restricted				
Special Revenue	9,139	41,530	161,271	354,157
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>9,139</u>	<u>41,530</u>	<u>161,271</u>	<u>354,157</u>
Total Liabilities and Fund Balances	\$ <u>9,139</u>	\$ <u>41,530</u>	\$ <u>161,271</u>	\$ <u>354,157</u>

Special Revenue

<u>Museum Improvement</u>	<u>Downtown Business District</u>	<u>Hospitality Improvement District</u>	<u>Library Book</u>	<u>Fire Dept. Emergency Equipment</u>	<u>Civic Center Site</u>	<u>Housing Program</u>
\$ 380,449	\$ 4,120	\$ 5,422	\$ 63,017	\$ 34,837	\$ 83,908	\$ 40,052
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	51,639	7,603	65,795	40,415	-
-	-	-	-	-	-	-
-	-	-	-	-	-	778,140
-	-	-	-	-	-	-
<u>\$ 380,449</u>	<u>\$ 4,120</u>	<u>\$ 57,061</u>	<u>\$ 70,620</u>	<u>\$ 100,632</u>	<u>\$ 124,323</u>	<u>\$ 818,192</u>
\$ -	\$ 4,115	\$ 56,909	\$ 1,269	\$ -	\$ -	\$ 45
-	-	-	-	-	-	-
-	4,115	56,909	1,269	-	-	45
-	-	-	-	-	-	-
-	-	-	-	-	-	778,140
-	-	-	-	-	-	-
-	-	-	-	-	-	-
380,449	5	152	69,351	100,632	124,323	40,007
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>380,449</u>	<u>5</u>	<u>152</u>	<u>69,351</u>	<u>100,632</u>	<u>124,323</u>	<u>818,147</u>
<u>\$ 380,449</u>	<u>\$ 4,120</u>	<u>\$ 57,061</u>	<u>\$ 70,620</u>	<u>\$ 100,632</u>	<u>\$ 124,323</u>	<u>\$ 818,192</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2011

	Special Revenue			
	Traffic Congestion Relief	Local Streets & Roads	State Gas Tax	RSTP (TAMC)
<u>Assets</u>				
Cash and investments				
Available for operations	\$ 45,269	\$ -	\$ 97,121	\$ -
Held in trust	-	-	-	-
Receivables				
Taxes	-	-	-	-
Accounts	-	-	-	6,800
Interest and other	-	-	-	-
Loans	-	-	-	-
Prepaid expenses	-	-	5,219	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>45,269</u>	\$ <u>-</u>	\$ <u>102,340</u>	\$ <u>6,800</u>
<u>Liabilities</u>				
Accounts payable	\$ 10,080	\$ -	\$ 34,224	\$ 6,800
Deferred revenue	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>10,080</u>	<u>-</u>	<u>34,224</u>	<u>6,800</u>
<u>Fund Balances</u>				
Nonspendable				
Long-term loan receivable	-	-	-	-
Permanent funds	-	-	-	-
Prepaid expenses	-	-	5,219	-
Spendable				
Restricted				
Special Revenue	35,189	-	62,897	-
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>35,189</u>	<u>-</u>	<u>68,116</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	\$ <u>45,269</u>	\$ <u>-</u>	\$ <u>102,340</u>	\$ <u>6,800</u>

Special Revenue

<u>Drug Awareness (DARE)</u>	<u>(LLEBG) Law Enforcement Block Grant</u>	<u>Environmental Enhancement</u>	<u>Recreation Donation</u>	<u>Chautauqua Hall Preservation</u>	<u>Lighthouse Maintenance & Improvement</u>	<u>Senior Housing</u>
\$ 16,336	\$ 68	\$ 22,127	\$ 20,175	\$ 23,565	\$ 82,587	\$ 9,533
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>16,336</u>	<u>68</u>	<u>22,127</u>	<u>20,175</u>	<u>23,565</u>	<u>82,587</u>	<u>9,533</u>
\$ <u>16,336</u>	\$ <u>68</u>	\$ <u>22,127</u>	\$ <u>20,175</u>	\$ <u>23,565</u>	\$ <u>82,587</u>	\$ <u>9,533</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 399	\$ -
-	-	585	-	-	-	-
<u>-</u>	<u>-</u>	<u>585</u>	<u>-</u>	<u>-</u>	<u>399</u>	<u>-</u>
-	-	585	-	-	399	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
16,336	68	21,542	20,175	23,565	82,188	9,533
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>16,336</u>	<u>68</u>	<u>21,542</u>	<u>20,175</u>	<u>23,565</u>	<u>82,188</u>	<u>9,533</u>
\$ <u>16,336</u>	\$ <u>68</u>	\$ <u>22,127</u>	\$ <u>20,175</u>	\$ <u>23,565</u>	\$ <u>82,587</u>	\$ <u>9,533</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2011

	<u>Special Revenue</u>			
	<u>Operating Grants</u>	<u>Operating Donations</u>	<u>Vehicle Replacement</u>	<u>ARRA</u>
<u>Assets</u>				
Cash and investments				
Available for operations	\$ 18,816	\$ 99,474	\$ -	\$ (29,746)
Held in trust	-	-	-	-
Receivables				
Taxes	-	-	-	-
Accounts	-	-	-	29,746
Interest and other	-	-	-	-
Loans	-	-	-	-
Prepaid expenses	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>18,816</u>	\$ <u>99,474</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Liabilities</u>				
Accounts payable	\$ 5,044	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>5,044</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>				
Nonspendable				
Long-term loan receivable	-	-	-	-
Permanent funds	-	-	-	-
Prepaid expenses	-	-	-	-
Spendable				
Restricted				
Special Revenue	13,772	99,474	-	-
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Unassigned	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>13,772</u>	<u>99,474</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	\$ <u>18,816</u>	\$ <u>99,474</u>	\$ <u>-</u>	\$ <u>-</u>

Special Revenue

<u>Housing Rehabilitation (DPRL)</u>	<u>CalHOME Grant</u>	<u>CalHOME Reuse</u>	<u>Yount Trust Income</u>	<u>Public Safety Augmentation</u>	<u>Supplemental Law Enforcement (SLES)</u>	<u>Storm Water Fund</u>
\$ (10,065)	\$ (104,800)	\$ 660	\$ 99,464	\$ 363,631	\$ 33,034	\$ 149,794
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,686	120,000	-	-	8,468	25,000	-
-	-	-	2,368	-	-	-
1,083,580	-	432,855	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,078,201</u>	<u>\$ 15,200</u>	<u>\$ 433,515</u>	<u>\$ 101,832</u>	<u>\$ 372,099</u>	<u>\$ 58,034</u>	<u>\$ 149,794</u>
\$ 8	\$ -	\$ -	\$ 21	\$ 310,405	\$ 3,468	\$ 2,244
-	-	-	-	-	-	-
<u>8</u>	<u>-</u>	<u>-</u>	<u>21</u>	<u>310,405</u>	<u>3,468</u>	<u>2,244</u>
1,083,580	-	432,855	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	15,200	660	101,811	61,694	54,566	147,550
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(5,387)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,078,193</u>	<u>15,200</u>	<u>433,515</u>	<u>101,811</u>	<u>61,694</u>	<u>54,566</u>	<u>147,550</u>
<u>\$ 1,078,201</u>	<u>\$ 15,200</u>	<u>\$ 433,515</u>	<u>\$ 101,832</u>	<u>\$ 372,099</u>	<u>\$ 58,034</u>	<u>\$ 149,794</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2011

		Special Revenue		Capital Project
	Ocean Front Restoration	Poetry Promotion Fund	McIndoo Donation	Buildings & Facilities Improvement
<u>Assets</u>				
Cash and investments				
Available for operations	\$ 103	\$ 36,727	\$ 329,875	\$ 551,906
Held in trust	-	-	-	-
Receivables				
Taxes	-	-	-	-
Accounts	-	-	-	-
Interest and other	-	-	-	-
Loans	-	-	-	-
Prepaid expenses	-	-	-	-
	<u>103</u>	<u>36,727</u>	<u>329,875</u>	<u>551,906</u>
Total Assets	\$ <u>103</u>	\$ <u>36,727</u>	\$ <u>329,875</u>	\$ <u>551,906</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 525	\$ -	\$ -
Deferred revenue	-	1,800	-	-
	<u>-</u>	<u>2,325</u>	<u>-</u>	<u>-</u>
Total Liabilities	-	2,325	-	-
<u>Fund Balances</u>				
Nonspendable				
Long-term loan receivable	-	-	-	-
Permanent funds	-	-	-	-
Prepaid expenses	-	-	-	-
Spendable				
Restricted				
Special Revenue	103	34,402	329,875	-
Debt Service	-	-	-	-
Capital Projects	-	-	-	551,906
Unassigned	-	-	-	-
	<u>103</u>	<u>34,402</u>	<u>329,875</u>	<u>551,906</u>
Total Fund Balance	103	34,402	329,875	551,906
Total Liabilities and Fund Balances	\$ <u>103</u>	\$ <u>36,727</u>	\$ <u>329,875</u>	\$ <u>551,906</u>

Debt Service	Permanent			
1990 Butterfly Habitat Bond	Library Endowment Trust	Cemetery Endowment Trust	Yount Trust	Total
\$ 108,261	\$ 518,371	\$ 975,537	\$ -	\$ 4,624,491
-	-	-	857,743	857,743
-	-	-	-	10,984
-	-	-	-	360,402
-	-	-	-	2,368
-	-	-	-	2,294,575
-	-	-	-	5,219
<u>\$ 108,261</u>	<u>\$ 518,371</u>	<u>\$ 975,537</u>	<u>\$ 857,743</u>	<u>\$ 8,155,782</u>
\$ -	\$ -	\$ -	\$ -	\$ 435,556
-	-	-	-	2,385
-	-	-	-	437,941
-	-	-	-	2,294,575
-	518,371	975,537	857,743	2,351,651
-	-	-	-	5,219
-	-	-	-	2,411,616
108,261	-	-	-	108,261
-	-	-	-	551,906
-	-	-	-	(5,387)
<u>108,261</u>	<u>518,371</u>	<u>975,537</u>	<u>857,743</u>	<u>7,717,841</u>
<u>\$ 108,261</u>	<u>\$ 518,371</u>	<u>\$ 975,537</u>	<u>\$ 857,743</u>	<u>\$ 8,155,782</u>
				Concluded

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue			
	Carillon Acquisition & Maintenance	Hyperbaric Chamber	State Franchise - PEG	Library Building & Equipment
<u>Revenues</u>				
Taxes	\$ -	\$ -	\$ 161,170	\$ -
Intergovernmental	-	-	-	-
Charges for current services	-	-	-	-
Use of money and property	64	2,902	101	1,441
Other	-	1,050	-	-
	<u>64</u>	<u>3,952</u>	<u>161,271</u>	<u>1,441</u>
Total Revenues	64	3,952	161,271	1,441
<u>Expenditures</u>				
Current				
Public safety				
Police	-	-	-	-
Fire	-	2,831	-	-
General administration	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	-	-	4,555
Community development & building inspection	-	-	-	-
Museum	-	-	-	-
Capital outlay	14,922	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>14,922</u>	<u>2,831</u>	<u>-</u>	<u>4,555</u>
Total Expenditures	14,922	2,831	-	4,555
Excess (Deficiency) of Revenues Over Expenditures	<u>(14,858)</u>	<u>1,121</u>	<u>161,271</u>	<u>(3,114)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	-	-	-	-
Net Change in Fund Balances	(14,858)	1,121	161,271	(3,114)
Fund Balances, Beginning	23,997	40,409	-	357,271
Prior Period Adjustments	-	-	-	-
Restated Fund Balances, Beginning	<u>23,997</u>	<u>40,409</u>	<u>-</u>	<u>357,271</u>
Fund Balances, Ending	<u>\$ 9,139</u>	<u>\$ 41,530</u>	<u>\$ 161,271</u>	<u>\$ 354,157</u>

Special Revenue

<u>Museum Improvement</u>	<u>Downtown Business District</u>	<u>Hospitality Improvement District</u>	<u>Library Book</u>	<u>Fire Dept. Emergency Equipment</u>	<u>Civic Center Site</u>	<u>Housing Program</u>
\$ -	\$ 30,461	\$ 210,208	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	13,964
-	-	-	-	-	-	-
1,570	21	74	318	66,110	19,825	166
-	-	22,000	59,166	50	40,415	34,758
<u>1,570</u>	<u>30,482</u>	<u>232,282</u>	<u>59,484</u>	<u>66,160</u>	<u>60,240</u>	<u>48,888</u>
-	-	-	-	-	-	-
-	-	-	-	4,972	-	-
-	30,482	232,282	-	-	506	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	71,000	-	-	-
-	-	-	-	-	-	102,529
29,433	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	193,115	-
-	-	-	-	-	29,678	-
<u>29,433</u>	<u>30,482</u>	<u>232,282</u>	<u>71,000</u>	<u>4,972</u>	<u>223,299</u>	<u>102,529</u>
<u>(27,863)</u>	<u>-</u>	<u>-</u>	<u>(11,516)</u>	<u>61,188</u>	<u>(163,059)</u>	<u>(53,641)</u>
-	-	-	-	-	212,000	-
-	-	-	-	-	-	-
-	-	-	-	-	212,000	-
(27,863)	-	-	(11,516)	61,188	48,941	(53,641)
408,312	5	152	80,867	39,444	75,382	871,788
-	-	-	-	-	-	-
<u>408,312</u>	<u>5</u>	<u>152</u>	<u>80,867</u>	<u>39,444</u>	<u>75,382</u>	<u>871,788</u>
<u>\$ 380,449</u>	<u>\$ 5</u>	<u>\$ 152</u>	<u>\$ 69,351</u>	<u>\$ 100,632</u>	<u>\$ 124,323</u>	<u>\$ 818,147</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue			
	Traffic Congestion Relief	Local Streets & Roads	State Gas Tax	RSTP (TAMC)
<u>Revenues</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	343,587	6,800
Charges for current services	-	-	-	-
Use of money and property	325	23	81	-
Other	-	-	-	-
Total Revenues	<u>325</u>	<u>23</u>	<u>343,668</u>	<u>6,800</u>
<u>Expenditures</u>				
Current				
Public safety				
Police	-	-	-	-
Fire	-	-	-	-
General administration	-	-	-	-
Public works	-	-	266,365	6,800
Recreation	-	-	-	-
Library	-	-	-	-
Community development & building inspection	-	-	-	-
Museum	-	-	-	-
Capital outlay	88,280	5,779	12,707	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>88,280</u>	<u>5,779</u>	<u>279,072</u>	<u>6,800</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(87,955)</u>	<u>(5,756)</u>	<u>64,596</u>	<u>-</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	-	-
Other	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(87,955)	(5,756)	64,596	-
Fund Balances, Beginning	123,144	5,756	3,520	-
Prior Period Adjustments	-	-	-	-
Restated Fund Balances, Beginning	<u>123,144</u>	<u>5,756</u>	<u>3,520</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 35,189</u>	<u>\$ -</u>	<u>\$ 68,116</u>	<u>\$ -</u>

Special Revenue

Drug Awareness (DARE)	(LLEBG) Law Enforcement Block Grant	Environmental Enhancement	Recreation Donation	Chautauqua Hall Preservation	Lighthouse Maintenance & Improvement	Senior Housing
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
65	-	89	56	104	330	38
<u>2,025</u>	<u>-</u>	<u>-</u>	<u>11,647</u>	<u>4,638</u>	<u>29,120</u>	<u>-</u>
<u>2,090</u>	<u>-</u>	<u>89</u>	<u>11,703</u>	<u>4,742</u>	<u>29,450</u>	<u>38</u>
2,434	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	39	4,138	11,095	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	6,098	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,434</u>	<u>-</u>	<u>-</u>	<u>39</u>	<u>4,138</u>	<u>17,193</u>	<u>-</u>
<u>(344)</u>	<u>-</u>	<u>89</u>	<u>11,664</u>	<u>604</u>	<u>12,257</u>	<u>38</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(344)	-	89	11,664	604	12,257	38
16,680	68	21,453	8,511	22,961	69,931	9,495
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>16,680</u>	<u>68</u>	<u>21,453</u>	<u>8,511</u>	<u>22,961</u>	<u>69,931</u>	<u>9,495</u>
\$ <u>16,336</u>	\$ <u>68</u>	\$ <u>21,542</u>	\$ <u>20,175</u>	\$ <u>23,565</u>	\$ <u>82,188</u>	\$ <u>9,533</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue			
	Operating Grants	Operating Donations	Vehicle Replacement	ARRA
<u>Revenues</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	229,720	-	-	-
Charges for current services	-	-	-	-
Use of money and property	-	294	-	-
Other	-	46,363	-	-
	<u>229,720</u>	<u>46,657</u>	<u>-</u>	<u>-</u>
Total Revenues	229,720	46,657	-	-
<u>Expenditures</u>				
Current				
Public safety				
Police	-	-	-	-
Fire	-	-	-	-
General administration	-	-	-	-
Public works	28,444	-	-	-
Recreation	-	-	-	-
Library	8,626	-	-	-
Community development & building inspection	-	-	-	-
Museum	-	-	-	-
Capital outlay	191,556	-	-	-
Debt service				
Principal	-	-	50,511	-
Interest and fiscal charges	-	-	10,903	-
	<u>228,626</u>	<u>-</u>	<u>61,414</u>	<u>-</u>
Total Expenditures	228,626	-	61,414	-
Excess (Deficiency) of Revenues Over Expenditures	<u>1,094</u>	<u>46,657</u>	<u>(61,414)</u>	<u>-</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	61,414	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>61,414</u>	<u>-</u>
Net other financing sources (uses)	-	-	61,414	-
Net Change in Fund Balances	1,094	46,657	-	-
Fund Balances, Beginning	12,678	52,817	-	-
Prior Period Adjustments	-	-	-	-
Restated Fund Balances, Beginning	<u>12,678</u>	<u>52,817</u>	<u>-</u>	<u>-</u>
Fund Balances, Ending	\$ <u>13,772</u>	\$ <u>99,474</u>	\$ <u>-</u>	\$ <u>-</u>

Special Revenue

Housing Rehabilitation (DPRL)	CalHOME Grant	CalHOME Reuse	Yount Trust Income	Public Safety Augmentation	Supplemental Law Enforcement (SLES)	Storm Water Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
206,694	360,000	-	-	80,492	124,935	-
-	-	-	-	203,766	-	-
-	-	4	26,060	719	183	-
<u>16,360</u>	<u>-</u>	<u>391,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>223,054</u>	<u>360,000</u>	<u>391,474</u>	<u>26,060</u>	<u>284,977</u>	<u>125,118</u>	<u>-</u>
-	-	-	-	207,971	97,461	-
-	-	-	-	102,434	-	-
-	-	-	-	-	-	-
-	-	-	28,781	-	-	166,465
-	-	-	-	-	-	-
-	-	-	-	-	-	-
58,634	422,401	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	90,201	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>58,634</u>	<u>422,401</u>	<u>-</u>	<u>28,781</u>	<u>310,405</u>	<u>187,662</u>	<u>166,465</u>
<u>164,420</u>	<u>(62,401)</u>	<u>391,474</u>	<u>(2,721)</u>	<u>(25,428)</u>	<u>(62,544)</u>	<u>(166,465)</u>
-	-	-	-	-	-	175,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,000</u>
164,420	(62,401)	391,474	(2,721)	(25,428)	(62,544)	8,535
913,773	119,642	-	104,532	87,122	117,110	139,015
-	(42,041)	42,041	-	-	-	-
<u>913,773</u>	<u>77,601</u>	<u>42,041</u>	<u>104,532</u>	<u>87,122</u>	<u>117,110</u>	<u>139,015</u>
\$ <u>1,078,193</u>	\$ <u>15,200</u>	\$ <u>433,515</u>	\$ <u>101,811</u>	\$ <u>61,694</u>	\$ <u>54,566</u>	\$ <u>147,550</u>

Continued

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Ocean Front Restoration	Special Revenue Poetry Promotion Fund	McIndoo Donation	Capital Project Buildings & Facilities Improvement
<u>Revenues</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for current services	-	-	-	-
Use of money and property	-	10,933	1,327	2,220
Other	-	165	-	-
	<u>-</u>	<u>11,098</u>	<u>1,327</u>	<u>2,220</u>
Total Revenues	-	11,098	1,327	2,220
<u>Expenditures</u>				
Current				
Public safety				
Police	-	-	-	-
Fire	-	-	-	-
General administration	-	-	-	-
Public works	-	-	-	-
Recreation	-	-	-	-
Library	-	1,701	-	-
Community development & building inspection	-	-	-	-
Museum	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>-</u>	<u>1,701</u>	<u>-</u>	<u>-</u>
Total Expenditures	-	1,701	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	9,397	1,327	2,220
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	-	-	-	-
Net Change in Fund Balances	-	9,397	1,327	2,220
Fund Balances, Beginning	103	25,005	328,548	549,686
Prior Period Adjustments	-	-	-	-
Restated Fund Balances, Beginning	<u>103</u>	<u>25,005</u>	<u>328,548</u>	<u>549,686</u>
Fund Balances, Ending	\$ <u>103</u>	\$ <u>34,402</u>	\$ <u>329,875</u>	\$ <u>551,906</u>

Debt Service	Permanent			
1990 Butterfly Habitat Bond	Library Endowment Trust	Cemetery Endowment Trust	Yount Trust	Total
\$ 98,938	\$ -	\$ -	\$ -	\$ 500,777
693	-	-	-	1,366,885
-	-	68,584	-	272,350
283	2,088	-	-	137,814
-	-	-	-	659,227
<u>99,914</u>	<u>2,088</u>	<u>68,584</u>	<u>-</u>	<u>2,937,053</u>
-	-	-	-	307,866
-	-	-	-	110,237
-	-	-	-	263,270
-	-	-	-	496,855
-	-	-	-	15,272
-	4,000	-	-	89,882
-	-	-	-	583,564
-	-	-	-	29,433
-	-	-	-	409,543
67,773	-	-	-	311,399
<u>25,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,518</u>
<u>93,710</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>2,683,839</u>
<u>6,204</u>	<u>(1,912)</u>	<u>68,584</u>	<u>-</u>	<u>253,214</u>
-	-	-	-	448,414
<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,595)</u>	<u>(15,595)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,595)</u>	<u>432,819</u>
6,204	(1,912)	68,584	(15,595)	686,033
102,057	520,283	906,953	873,338	7,031,808
-	-	-	-	-
<u>102,057</u>	<u>520,283</u>	<u>906,953</u>	<u>873,338</u>	<u>7,031,808</u>
\$ <u>108,261</u>	\$ <u>518,371</u>	\$ <u>975,537</u>	\$ <u>857,743</u>	\$ <u>7,717,841</u>
				Concluded



Internal Service Funds

CITY OF PACIFIC GROVE, CALIFORNIA
INTERNAL SERVICE FUNDS
June 30, 2011

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

Health Insurance

Workers' Compensation Insurance

Liability Insurance

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

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Fund Net Assets - Proprietary Funds - Internal Service Funds
June 30, 2011

	<u>Health Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
<u>Assets</u>				
Current Assets				
Cash and investments				
Available for operations	\$ 48,099	\$ 262,833	\$ 254,729	\$ 565,661
Receivables				
Accounts	2,007	22,935	11,249	36,191
Prepaid expenses	<u>-</u>	<u>215,046</u>	<u>218,437</u>	<u>433,483</u>
Total Assets	<u>\$ 50,106</u>	<u>\$ 500,814</u>	<u>\$ 484,415</u>	<u>\$ 1,035,335</u>
<u>Liabilities</u>				
Current Liabilities				
Accounts payable	\$ 13,134	\$ 18,976	\$ -	\$ 32,110
Claims payable	<u>-</u>	<u>198,814</u>	<u>326,964</u>	<u>525,778</u>
Total Current Liabilities	<u>13,134</u>	<u>217,790</u>	<u>326,964</u>	<u>557,888</u>
Noncurrent Liabilities				
Claims payable	<u>-</u>	<u>508,912</u>	<u>128,211</u>	<u>637,123</u>
Total Noncurrent Liabilities	<u>-</u>	<u>508,912</u>	<u>128,211</u>	<u>637,123</u>
Total Liabilities	<u>13,134</u>	<u>726,702</u>	<u>455,175</u>	<u>1,195,011</u>
<u>Net Assets</u>				
Unrestricted	<u>36,972</u>	<u>(225,888)</u>	<u>29,240</u>	<u>(159,676)</u>
Total Net Assets	<u>36,972</u>	<u>(225,888)</u>	<u>29,240</u>	<u>(159,676)</u>
Total Liabilities and Net Assets	<u>\$ 50,106</u>	<u>\$ 500,814</u>	<u>\$ 484,415</u>	<u>\$ 1,035,335</u>

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets -
Proprietary Funds - Internal Service Funds
Year Ended June 30, 2011

	Health Insurance	Workers' Compensation Insurance	Liability Insurance	Total
<u>Operating Revenues</u>				
Charges for current services	\$ 128,145	\$ 658,379	\$ 363,784	\$ 1,150,308
Other	<u>23,799</u>	<u>-</u>	<u>14,210</u>	<u>38,009</u>
Total Operating Revenues	<u>151,944</u>	<u>658,379</u>	<u>377,994</u>	<u>1,188,317</u>
<u>Operating Expenses</u>				
Personnel services	116,251	16,737	16,737	149,725
Operating services	48,848	257,107	209,656	515,611
Insurance, claims and settlements	<u>-</u>	<u>572,194</u>	<u>216,998</u>	<u>789,192</u>
Total Operating Expenses	<u>165,099</u>	<u>846,038</u>	<u>443,391</u>	<u>1,454,528</u>
Change in Net Assets	(13,155)	(187,659)	(65,397)	(266,211)
Net Assets, Beginning	50,127	(961,938)	94,637	(817,174)
Prior Period Adjustment	<u>-</u>	<u>923,709</u>	<u>-</u>	<u>923,709</u>
Restated Net Assets, Beginning	<u>50,127</u>	<u>(38,229)</u>	<u>94,637</u>	<u>106,535</u>
Net Assets, Ending	<u>\$ 36,972</u>	<u>\$ (225,888)</u>	<u>\$ 29,240</u>	<u>\$ (159,676)</u>

CITY OF PACIFIC GROVE, CALIFORNIA
Combining Statement of Cash Flows - Proprietary Funds - Internal Service Funds
Year Ended June 30, 2011

	<u>Health Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
Cash Flows from Operating Activities				
Receipts from customers	\$ 152,950	\$ 669,804	\$ 385,975	\$ 1,208,729
Payments to suppliers	(156,004)	(491,512)	(447,326)	(1,094,842)
Payments to employees	-	(16,734)	(16,734)	(33,468)
Claims paid	<u>-</u>	<u>(386,396)</u>	<u>(15,897)</u>	<u>(402,293)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,054)	(224,838)	(93,982)	(321,874)
Cash and Cash Equivalents, Beginning	<u>51,153</u>	<u>487,671</u>	<u>348,711</u>	<u>887,535</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 48,099</u></u>	<u><u>\$ 262,833</u></u>	<u><u>\$ 254,729</u></u>	<u><u>\$ 565,661</u></u>
Cash Flows from Operating Activities				
Operating income	\$ (13,155)	\$ (187,659)	\$ (65,397)	\$ (266,211)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Decrease (increase) in operating assets				
Accounts receivable	1,005	(4,268)	(11,249)	(14,512)
Other assets	-	(215,046)	(218,437)	(433,483)
Increase (decrease) in operating liabilities				
Accounts payable	9,096	15,313	-	24,409
Claims payable	<u>-</u>	<u>166,822</u>	<u>201,101</u>	<u>367,923</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (3,054)</u></u>	<u><u>\$ (224,838)</u></u>	<u><u>\$ (93,982)</u></u>	<u><u>\$ (321,874)</u></u>

