

CITY OF PACIFIC GROVE

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

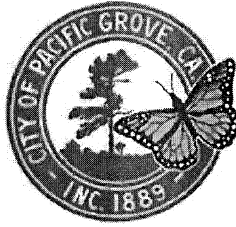
JUNE 30, 2014

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CITY OF PACIFIC GROVE

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

November 5, 2014

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

The Charter of the City of Pacific Grove requires an annual financial report. Various financing covenants and rules associated with restricted funding sources require the City of Pacific Grove to publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants. Pursuant to these requirements, I hereby issue the Comprehensive Annual Financial Report (CAFR) for the City of Pacific Grove, California for the fiscal year ended June 30, 2014.

The report consists of management's representations concerning the City's financial position as of June 30, 2014. Consequently, City management assumes full responsibility for the information presented in the report. To provide a reasonable basis for making these representations, city management established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City contracted with Bryant L. Jolley, 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, 2014 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 2014.** The "unqualified," or clean opinion represents the optimal type of report received from any external auditor.

Profile of the Government

The City of Pacific Grove, California is 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 by the State on April 22, 1927. The city operates under a council-manager form of government. The seven-member City Council appoints a City manager, who is the administrative head of the municipal government. City amenities include a library, natural history museum, a community center, a youth center, a senior center, an 18-hole golf course, a cemetery, a monarch butterfly sanctuary and habitat preserve, over five miles of shoreline and recreational trails, and numerous parks.

Factors Affecting Financial Condition

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 2013-14, the City continued to operate within a balanced budget, as a result of the cost-cutting measures implemented since FY 2007-08. Additionally, General Fund revenues for FY 2013-14 exceeded anticipated (budgeted) revenues by \$.9 million. While continuing to make improvements in its financial outlook, deferred infrastructure maintenance, service levels that fall short of citizens' expectations, and unfunded liability for workers' compensation claims remain fiscal challenges for the City. City staff has begun implementing a capital improvement program to address the needed maintenance while efforts continue to improve service delivery within resource constraints. Those efforts include the use of private sector service providers and shared services with other agencies.

The City of Pacific Grove is a participant in the California Public Employees Retirement System (CalPERS). CalPERS is a defined-benefit retirement program that relies heavily on investments in financial markets for the assets required to pay benefits to retirees. This reliance on investment returns to meet expectations exposes the City to potentially large rate increases when the CalPERS investment portfolio fails to meet expectations.

The City has reported the medical benefits paid to retirees pursuant to Governmental Accounting Standards Board (GASB) issued Statement 45. GASB 68, effective for fiscal years beginning after June 15, 2014, will require the City to post its net pension liability on its balance sheet.

Acknowledgements

The preparation of this report would not have been possible without the leadership of the City Council and Tom Frutche, the City Manager. This is also true regarding the support and cooperation from all members of the Finance Department, and other city programs and departments.

Sincerely,



Patricia A. Maitland
Finance Director

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pacific Grove, California, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pacific Grove, California, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 16, budgetary comparison information on page 49 and the schedule of funding progress on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

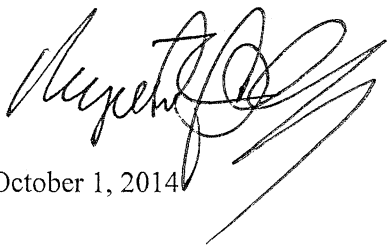
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The transmittal letter and supplemental only information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental only information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental only information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2014, on our consideration of the City of Pacific Grove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Pacific Grove's internal control over financial reporting and compliance.



October 1, 2014

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2014

The 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, 2014. It is meant to be read in conjunction with the accompanying notes to the financial statements. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

FINANCIAL HIGHLIGHTS

- The City's total net position at June 30, 2014 totaled \$44 million, a \$3 million increase from the prior year (FY 2012-13).
- Total revenues in Governmental Funds, including General Fund revenues and Non-Major Governmental funds, were \$20 million, a \$1.3 million increase from the prior year, primarily due to an increase in general fund revenues in Fiscal Year 2013-14 (FY 2013-14).
- Total expenditures in Governmental Funds were \$18 million, a \$.5 million decrease from the prior year primarily due to a reduction in expenditures in Non-Major Governmental Funds.
- Operating Revenues from Business-type activities decreased from the prior fiscal year by \$.3 million primarily due to a reduction in Golf Course operating revenues.
- Operating Expenses of Business-type activities decreased by \$.1 million from the prior fiscal year primarily due to a reduction in Golf Course proprietary fund operating expenditures.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2014

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, and
- 5) Combining Statements for Non-major Governmental Funds and Internal Service Funds.

The Basic Financial Statements

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

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

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

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

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2014

Government-wide Financial Statements

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

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

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

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the criteria for determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in pattern of City's activities. For fiscal year 2014, 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, 2014

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>Variance</u>
Assets:							
Current and other assets	\$26,258,596	\$27,094,074	\$6,780,126	\$6,337,426	\$33,038,722	\$33,431,500	1.2%
Capital assets	<u>22,663,784</u>	<u>22,055,474</u>	<u>14,255,665</u>	<u>15,930,458</u>	<u>36,919,449</u>	<u>37,985,932</u>	2.9%
Total assets	<u>48,922,380</u>	<u>49,149,548</u>	<u>21,035,791</u>	<u>22,267,884</u>	<u>69,958,171</u>	<u>71,417,432</u>	2.1%
Liabilities:							
Current and other liabilities	1,765,686	1,322,669	518,171	404,460	2,283,857	1,727,129	-24.4%
Long-term liabilities	<u>21,946,364</u>	<u>21,136,312</u>	<u>4,733,040</u>	<u>4,509,283</u>	<u>26,679,404</u>	<u>25,645,595</u>	-3.9%
Total liabilities	<u>23,712,050</u>	<u>22,458,981</u>	<u>5,251,211</u>	<u>4,913,743</u>	<u>28,963,261</u>	<u>27,372,724</u>	-5.5%
Net position:							
Net investment in capital assets	21,896,315	21,416,743	9,613,340	11,468,718	31,509,655	32,885,461	4.4%
Restricted for debt service	0	0	273,840	273,843	273,840	273,843	
Restricted for specific projects and programs	5,186,540	5,875,777	0	0	5,186,540	5,875,777	13.3%
Unrestricted	<u>-1,872,525</u>	<u>-601,953</u>	<u>5,897,400</u>	<u>5,611,580</u>	<u>4,024,875</u>	<u>5,009,627</u>	24.5%
Total net position	\$25,210,330	\$26,690,567	\$15,784,580	\$17,354,141	\$40,994,910	\$44,044,708	7.4%

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2014

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the city, total net position is \$44 million at the close of the current fiscal year. This represents an increase of approximately \$3 million, or 7.4% over the previous year.

The largest portion of the City's net position \$32.0 million (74.7%) reflects its net investment in capital assets, i.e. land, building and structures, and equipment, less any related debt used to acquire the assets that is still outstanding. The City uses these assets to provide services; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net investment in Capital Assets increased \$1.1 million, or 2.8%, from the prior year. The increase is due to street maintenance, landscaping, sewer improvements, and storm water improvements.

An additional portion of the City's net position of \$5.9 million (13%) represents resources that are subject to external restrictions on how they may be used. This amount increased \$.7 million or 13.3% from the prior year. The remaining \$5 million represents the unrestricted net position which may be used to meet the city's ongoing obligations for services. This amount increased by approximately \$1 million, or 24.5%, from the prior year.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2014

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>% Change</u>
Revenues:							
Program revenues							
Charges for services	\$ 1,092,521	\$ 1,033,183	\$ 5,398,986	\$ 5,080,672	\$ 6,491,507	\$ 6,113,855	-5.8%
Operating grants & contri.	768,547	1,170,116	-	-	768,547	1,170,116	52.3%
Capital grants & contri.	777,309	100,000	245,410	857,774	1,022,719	957,774	-6.4%
General revenues							
Taxes	15,219,297	16,146,324	-	-	15,219,297	16,146,324	6.1%
Interest & invest. income	89,544	334,802	32,654	33,422	122,198	368,224	201.3%
Miscellaneous & Transfers	843,106	1,602,141	(124,058)	(507,135)	719,048	1,095,006	52.3%
Total revenues	<u>18,790,324</u>	<u>20,386,566</u>	<u>5,552,992</u>	<u>5,464,733</u>	<u>24,343,316</u>	<u>25,851,299</u>	6.2%
Expenses:							
Public safety	7,591,216	6,783,251	-	-	7,591,216	6,783,251	-10.6%
General Government	2,372,620	2,722,546	-	-	2,372,620	2,722,546	14.7%
Public works	2,964,967	3,847,820	-	-	2,964,967	3,847,820	29.8%
Recreation	388,241	534,649	-	-	388,241	534,649	37.7%
Library	776,636	778,981	-	-	776,636	778,981	0.3%
Comm. dev't & bldg insp.	1,675,081	1,684,231	-	-	1,675,081	1,684,231	0.5%
Museum	191,753	200,369	-	-	191,753	200,369	4.5%
Interest and Amortization	1,940,274	2,102,187	-	-	1,940,274	2,102,187	8.3%
Cemetery Operating	-	-	211,866	236,615	220,105	236,615	7.5%
Sewer Operating	-	-	1,707,644	1,585,152	2,636,516	1,585,152	-39.9%
Golf Course	-	-	2,186,562	2,073,405	2,542,365	2,073,405	-18.4%
Total expenses	<u>17,900,788</u>	<u>18,654,034</u>	<u>4,106,072</u>	<u>3,895,172</u>	<u>23,299,774</u>	<u>22,549,206</u>	-3.2%
Change in net position	889,536	1,732,532	1,446,920	1,569,561	1,043,542	3,302,093	216.4%
Net position, beginning	24,406,812	25,210,330	14,404,541	15,784,580	38,811,353	40,994,910	5.6%
Prior period adjustment	<u>(86,018)</u>	<u>(252,295)</u>	<u>(66,881)</u>	<u>-</u>	<u>(152,899)</u>	<u>(252,295)</u>	65.0%
Net position, ending	<u>\$ 25,210,330</u>	<u>\$ 26,690,567</u>	<u>\$ 15,784,580</u>	<u>\$ 17,354,141</u>	<u>\$ 39,701,996</u>	<u>\$ 44,044,708</u>	10.9%

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2014

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

	Governmental Activities	Business Type Activities	Total
Net Investment in Capital Assets	\$ 21,416,743	\$ 11,468,718	\$ 32,885,461
Restricted	\$ 5,875,777	\$ 273,843	\$ 6,149,620
Unrestricted	\$ (601,953)	\$ 5,611,580	\$ 5,009,627
Total Net Position	\$ 26,690,567	\$ 17,354,141	\$ 44,044,708

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.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2014

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

	<u>General</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
Revenues	\$ 18,021,997	\$ 2,000,094	\$ 20,022,091
Expenditures	16,330,355	1,670,042	18,000,397
Net other financing sources (uses)	<u>204,135</u>	<u>303,000</u>	<u>507,135</u>
Net Change in Fund Balances	1,895,777	633,052	2,528,829
Fund Balances, Beginning	<u>4,199,040</u>	<u>5,186,540</u>	<u>9,385,580</u>
Fund Balances, Ending	<u><u>\$ 6,094,817</u></u>	<u><u>\$ 5,819,592</u></u>	<u><u>\$ 11,914,409</u></u>

At June 30, 2014, the City's governmental funds reported combined ending fund balances of \$11.9 million, an increase of \$2.5 million in comparison with the prior year.

The General Fund is the primary operating fund of the City. As of June 30, 2014 the total fund balance of the General Fund was \$6.1 million, an increase of \$1.9 million from the prior year.

The City Council has established an assigned General Fund policy of 10% of General Fund revenues for contingencies, or \$1.8 million, as well as for tax interim of \$750,000 totaling \$2.55 million. This reserve policy was recently amended by the City Council to 10% of the current year's General Fund budgeted expenditures which will be reflected in the next fiscal year's audited financial statement.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2014

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 2013</u>		<u>FY 2014</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	\$15,219,297	81.53%	\$16,146,324	80.64%	\$927,027	6.09%
Licenses, permits and impact fees	412,924	2.21%	424,170	2.12%	11,246	2.72%
Intergovernmental	1,132,932	6.07%	845,946	4.23%	-286,986	-25.33%
Charges for current services	1,016,396	5.45%	982,813	4.91%	-33,583	-3.30%
Fines and forfeitures	76,125	0.41%	50,370	0.25%	-25,755	-33.83%
Use of money and property	89,544	0.48%	334,802	1.67%	245,258	273.90%
Donations and other revenue	719,048	3.85%	1,237,666	6.18%	518,618	72.13%
Totals	\$18,666,266	<u>100.00%</u>	\$20,022,091	<u>100.00%</u>	\$1,355,825	7.30%

Revenues for governmental functions totaled \$20 million FY 2013-14, which represents an increase of \$1.4 million or 7.3% from the prior year. The biggest decrease was seen in intergovernmental revenues due to grant funding in the Public Works Housing Division. 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>2013</u>		<u>2014</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	\$ 5,003,017	27.0%	\$ 4,320,909	24.0%	\$ (682,108)	-13.6%
Fire	2,418,886	13.1%	2,331,484	13.0%	(87,402)	-3.6%
General Administration	2,429,557	13.1%	2,521,715	14.0%	92,158	3.8%
Public Works	2,582,021	13.9%	3,437,789	19.1%	855,768	33.1%
Recreation	360,888	1.9%	497,896	2.8%	137,008	38.0%
Library	771,147	4.2%	773,492	4.3%	2,345	0.3%
Community dev't & bldg insp.	1,789,245	9.7%	1,684,231	9.4%	(105,014)	-5.9%
Museum	177,952	1.0%	188,713	1.0%	10,761	6.0%
Capital outlay	910,266	4.9%	66,686	0.4%	(843,580)	-92.7%
Debt service						
Principal	1,468,455	7.9%	1,496,503	8.3%	28,048	1.9%
Interest and fiscal charges	598,447	3.2%	680,979	3.8%	82,532	13.8%
Totals	\$ 18,509,881	100.0%	\$ 18,000,397	100.0%	\$ (509,484)	-2.8%

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2014

Expenditures for governmental functions in fiscal year 2014 totaled \$18 million, a decrease of \$.5 million from the previous fiscal year. The decrease is primarily due to decreased expenditures in public safety functions, and capital outlay. However, these reductions were offset by a significant increase in Public Works expenditures.

Proprietary Funds

The City's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail. The following table summarizes the Proprietary Funds' actual revenues, expenses and change in net position as a result of operations for the current fiscal year:

	<u>Major Funds</u>			
	<u>Sewer</u>	<u>Golf</u>	<u>Cemetery</u>	<u>Total</u>
	<u>Operating</u>	<u>Course</u>	<u>Operating</u>	
Operating revenues	\$ 2,788,017	\$ 2,050,807	\$ 241,848	\$ 5,080,672
Operating expenses	<u>(1,545,758)</u>	<u>(1,889,979)</u>	<u>(236,615)</u>	<u>(3,672,352)</u>
Operating income (loss)	1,242,259	160,828	5,233	1,408,320
Non-operating revenues (expenses)	<u>848,373</u>	<u>(180,065)</u>	<u>68</u>	<u>668,376</u>
Net income/(loss) before transfers	2,090,632	(19,237)	5,301	2,076,696
Operating Transfers In/(Out)	<u>(224,277)</u>	<u>(262,372)</u>	<u>(20,486)</u>	<u>(507,135)</u>
Change in net position	<u>1,866,355</u>	<u>(281,609)</u>	<u>(15,185)</u>	<u>1,569,561</u>
Net Position, Beginning	<u>11,879,699</u>	<u>3,328,559</u>	<u>576,322</u>	<u>15,784,580</u>
Net Position, Ending	<u>\$ 13,746,054</u>	<u>\$ 3,046,950</u>	<u>\$ 561,137</u>	<u>\$17,354,141</u>

The change in the Sewer fund was due to increased operating revenues. The change in the Golf fund was due to decreased operating revenues while the operating revenues remained consistent with the prior year. The requirements for operations, even with lower user activities are virtually the same and provide little if any opportunities to reduce expenditures. The change in the Cemetery Fund was due to increased site sales.

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2014, totaled \$37,985,932 (net of total capital assets being depreciated). This investment in capital assets includes land, construction in progress, infrastructure, buildings, improvements, machinery and equipment, and sewer lines.

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. Please refer to Note 7 for more detailed information regarding Capital Assets.

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

	Governmental Activities		Business-type Activities		Total		% of Change
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	
Land	\$ 2,338,270	\$ 2,338,270	\$ 362,973	\$ 362,973	\$ 2,701,243	\$ 2,701,243	0.00%
Construction in Progress	-	-	-	-	-	-	
Infrastructure	22,837,661	22,870,169	6,152,960	8,331,019	28,990,621	31,201,188	7.6%
Building and Improvements	11,978,627	11,978,627	12,509,322	12,509,322	24,487,949	24,487,949	0.0%
Machinery & equipment	4,136,510	4,170,688	2,095,183	2,095,183	6,231,693	6,265,871	0.5%
Total	<u>\$ 41,291,068</u>	<u>\$ 41,357,754</u>	<u>\$ 21,120,438</u>	<u>\$ 23,298,497</u>	<u>\$ 62,411,506</u>	<u>\$ 64,656,251</u>	<u>3.6%</u>

CITY OF PACIFIC GROVE
Management's Discussion and Analysis
Year Ended June 30, 2014

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:

	2013	2014	% Change
<u>Governmental Activities</u>			
2003 Refunding Butterfly Habitat Note	\$ 411,120	\$ 336,197	-18.2%
2003 Civic Center Lease	216,521	-	-100.0%
Pierce Dash 2000 Pumper	139,828	94,984	-32.1%
PNC Epmt Finance Lease	252,295	207,550	-17.7%
Pension Obligation Bond	12,451,649	11,336,179	-9.0%
Accreted Interest	6,456,761	6,761,687	4.7%
Total Governmental Activities	<u>\$ 19,928,174</u>	<u>\$ 18,736,597</u>	<u>-6.0%</u>
<u>Business-type Activities</u>			
2013 Wastewater Revenue Refunding Bond	\$ 1,220,588	\$ 1,151,740	-6.0%
2004 Golf Course Project	3,395,000	3,310,000	-2.6%
Vactor Truck	26,737	-	-100.0%
Total Business-type Activities	<u>\$ 4,642,325</u>	<u>\$ 4,461,740</u>	<u>-3.9%</u>

The City did not take on any new long-term debt during fiscal year 2013-14. Please refer to Note 8 in the Notes to the Basic Financial Statements for more detailed information regarding long-term debt.

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.

CITY OF PACIFIC GROVE

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 11,347,148	\$ 5,321,475	\$ 16,668,623
Restricted cash and investments	450,000	273,843	723,843
Accounts receivable	83,925	548,520	632,445
Taxes receivable	1,921,669	-	1,921,669
Due from other governments	170,858	-	170,858
Interest receivable	18,246	-	18,246
Loans receivable	1,766,049	113,378	1,879,427
Inventory	-	80,210	80,210
Deferred charges	11,336,179	-	11,336,179
Capital assets, net of allowance for depreciation	22,055,474	15,930,458	37,985,932
Total assets	<u>49,149,548</u>	<u>22,267,884</u>	<u>71,417,432</u>
LIABILITIES			
Accounts payable and accrued expense	1,067,045	217,797	1,284,842
Accrued interest payable	70,371	85,934	156,305
Deposits payable	15,105	-	15,105
Unearned revenue	170,148	100,729	270,877
Long-term liabilities			
Due within one year	1,270,897	138,644	1,409,541
Due in more than one year	17,465,700	4,323,096	21,788,796
Claims payable	1,010,923	-	1,010,923
Compensated absences	948,365	47,543	995,908
Net OPEB obligation	440,427	-	440,427
Total liabilities	<u>22,458,981</u>	<u>4,913,743</u>	<u>27,372,724</u>
NET POSITION			
Net investment in capital assets	21,416,743	11,468,718	32,885,461
Restricted for debt service	-	273,843	273,843
Restricted for specific projects and programs	5,875,777	-	5,875,777
Unrestricted	(601,953)	5,611,580	5,009,627
Total net position/(deficit)	<u>\$ 26,690,567</u>	<u>\$ 17,354,141</u>	<u>\$ 44,044,708</u>

CITY OF PACIFIC GROVE

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2014

Functions/Programs	Expense	Program Revenue			Net Revenue/(Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 2,722,546	\$ 305,112	\$ 58,112	\$ -	\$ (2,359,322)	\$ -	\$ (2,359,322)
Community development	1,684,231	335,515	366,058	100,000	(882,658)	-	(882,658)
Public works	3,847,820	89,412	477,507	-	(3,280,901)	-	(3,280,901)
Recreation	534,649	236,005	-	-	(298,644)	-	(298,644)
Library	778,981	25,664	-	-	(753,317)	-	(753,317)
Museum	200,369	-	-	-	(200,369)	-	(200,369)
Public safety	6,783,251	41,475	268,439	-	(6,473,337)	-	(6,473,337)
Debt Service							
Interest and amortization	2,102,187	-	-	-	(2,102,187)	-	(2,102,187)
Total governmental activities	<u>18,654,034</u>	<u>1,033,183</u>	<u>1,170,116</u>	<u>100,000</u>	<u>(16,350,735)</u>	<u>-</u>	<u>(16,350,735)</u>
Business-type activities							
Cemetery	236,615	241,848	-	-	-	5,233	5,233
Sewer	1,585,152	2,788,017	-	857,774	-	2,060,639	2,060,639
Golf Course	2,073,405	2,050,807	-	-	-	(22,598)	(22,598)
Total business-type activities	<u>3,895,172</u>	<u>5,080,672</u>	<u>-</u>	<u>857,774</u>	<u>-</u>	<u>2,043,274</u>	<u>2,043,274</u>
Total primary government	<u>\$ 22,549,206</u>	<u>\$ 6,113,855</u>	<u>\$ 1,170,116</u>	<u>\$ 957,774</u>	<u>(16,350,735)</u>	<u>2,043,274</u>	<u>(14,307,461)</u>
General Revenue							
Property taxes and assessments					5,679,257	-	5,679,257
Sales taxes					3,325,567	-	3,325,567
Franchise and other taxes					1,046,677	-	1,046,677
Transient lodging taxes					4,167,334	-	4,167,334
Utility users tax					1,580,400	-	1,580,400
Business license tax					347,089	-	347,089
Investment income					334,802	33,422	368,224
Donations and other revenue					1,095,006	-	1,095,006
Transfers					507,135	(507,135)	-
Total general revenue and transfers					<u>18,083,267</u>	<u>(473,713)</u>	<u>17,609,554</u>
Change in Net Position					1,732,532	1,569,561	3,302,093
Net Position							
Beginning of year					25,210,330	15,784,580	40,994,910
Prior period adjustment					(252,295)	-	(252,295)
End of year					<u>\$ 26,690,567</u>	<u>\$ 17,354,141</u>	<u>\$ 44,044,708</u>

See accompanying notes.

CITY OF PACIFIC GROVE

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2014

	General	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 5,058,673	\$ 5,891,040	\$ 10,949,713
Accounts receivable	83,925	-	83,925
Taxes receivable	1,813,734	107,935	1,921,669
Due from other funds	37,855	-	37,855
Due from other governments	102,238	68,620	170,858
Interest receivable	15,105	3,141	18,246
Loans receivable	-	1,766,049	1,766,049
Total assets	<u>\$ 7,111,530</u>	<u>\$ 7,836,785</u>	<u>\$ 14,948,315</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable and accrued expense	\$ 843,806	\$ 200,943	\$ 1,044,749
Deposits and other liabilities	15,105	-	15,105
Due to other funds	-	37,855	37,855
Unearned revenue	157,802	1,778,395	1,936,197
Total liabilities	<u>1,016,713</u>	<u>2,017,193</u>	<u>3,033,906</u>
Fund Balance			
Nonspendable			
Permanent funds	-	2,558,499	2,558,499
Restricted			
Social service programs	-	525,887	525,887
Debt Service	-	70,151	70,151
Community development	-	1,927,833	1,927,833
Street improvements	-	239,731	239,731
Public Safety	-	553,676	553,676
Assigned			
Social service programs	305,554	-	305,554
Unassigned	5,789,263	(56,185)	5,733,078
Total fund balance	<u>6,094,817</u>	<u>5,819,592</u>	<u>11,914,409</u>
Total liabilities and fund balance	<u>\$ 7,111,530</u>	<u>\$ 7,836,785</u>	<u>\$ 14,948,315</u>

CITY OF PACIFIC GROVE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2014

Total governmental fund balance	\$ 11,914,409
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	22,055,474
Deferred charges in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	11,336,179
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(18,736,597)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds	(931,991)
Interest on long-term debt is reported as an expenditure of the Governmental Funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred	(70,371)
Internal service funds are used by management to charge the costs of employee benefits and insurance expenses to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	(202,158)
Post-retirement health benefits are not due and payable in the current period and, therefore, are not reported in the funds	(440,427)
Certain revenues in Governmental Funds are deferred because they are not collected within the prescribed time period after fiscal year end. Those revenues are recognized on the accrual basis in Governmental Activities	<u>1,766,049</u>
Net position of governmental activities	<u>\$ 26,690,567</u>

CITY OF PACIFIC GROVE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2014

	General	Non-Major Governmental Funds	Total Governmental Funds
Revenue			
Taxes	\$ 15,500,875	\$ 645,449	\$ 16,146,324
Licenses, permits and impact fees	424,170	-	424,170
Intergovernmental	118,692	727,254	845,946
Charges for services	982,813	-	982,813
Fines and forfeitures	50,370	-	50,370
Use of money and property	270,920	63,882	334,802
Donations and other revenue	674,157	563,509	1,237,666
Total revenue	18,021,997	2,000,094	20,022,091
Expenditures			
Current			
General government	2,521,715	-	2,521,715
Community development	1,060,560	623,671	1,684,231
Public works	2,836,780	601,009	3,437,789
Recreation	397,248	100,648	497,896
Library	682,335	91,157	773,492
Museum	188,713	-	188,713
Public safety			
Police	4,160,210	160,699	4,320,909
Fire	2,330,177	1,307	2,331,484
Capital outlay	66,686	-	66,686
Debt Service			
Principal	1,421,580	74,923	1,496,503
Interest and fiscal charges	664,351	16,628	680,979
Total expenditures	16,330,355	1,670,042	18,000,397
Revenue over/(under) expenditures	1,691,642	330,052	2,021,694
Other Financing Sources/(Uses)			
Transfers in/(out) - net	204,135	303,000	507,135
	204,135	303,000	507,135
Change in Fund Balance	1,895,777	633,052	2,528,829
Fund Balance			
Beginning of year	4,199,040	5,186,540	9,385,580
End of year	\$ 6,094,817	\$ 5,819,592	\$ 11,914,409

CITY OF PACIFIC GROVE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2014

Net change in fund balance - total governmental funds		\$ 2,528,829
Amounts reported for governmental activities in the Statement of Activities are different because:		
Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not required as expenditures in Governmental Funds		(674,996)
Repayment of long-term loans receivable is revenue in governmental funds, but the repayment reduces long-term assets in the statement of net position. Issuance of long-term loans receivable produces the opposite effect		(142,660)
Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are capitalized as an asset and depreciated over the period of service		66,686
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position		1,496,503
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	(304,926)	
Amortization of deferred charges relating to the P.O.B.	(1,115,470)	
Change in accrued interest payable	(812)	
Change in net OPEB obligation	(109,487)	
Change in compensated absences	<u>151,323</u>	(1,379,372)
Internal service funds are used by management to charge the costs of insurance to individual funds. The net revenue (loss) of certain activities of internal service funds is reported with governmental activities		<u>(162,458)</u>
Change in net position of governmental activities		<u>\$ 1,732,532</u>

CITY OF PACIFIC GROVE

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				Governmental
	Cemetery	Sewer	Golf Course	Total Proprietary Funds	Activities Internal Service Fund
ASSETS					
Current assets					
Cash and investments	\$ 9,767	\$ 4,910,462	\$ 401,246	\$ 5,321,475	\$ 397,435
Restricted cash and investments	-	-	273,843	273,843	450,000
Accounts receivable	600	542,284	5,636	548,520	-
Inventory	-	-	80,210	80,210	-
Total current assets	<u>10,367</u>	<u>5,452,746</u>	<u>760,935</u>	<u>6,224,048</u>	<u>847,435</u>
Non-current assets					
Loans receivable	-	113,378	-	113,378	-
Property, plant and equipment, net of allowance for depreciation	568,332	9,578,610	5,783,516	15,930,458	-
Total non-current assets	<u>568,332</u>	<u>9,691,988</u>	<u>5,783,516</u>	<u>16,043,836</u>	<u>-</u>
Total assets	<u>\$ 578,699</u>	<u>\$ 15,144,734</u>	<u>\$ 6,544,451</u>	<u>\$ 22,267,884</u>	<u>\$ 847,435</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ 17,204	\$ 190,109	\$ 10,484	\$ 217,797	\$ 22,296
Accrued interest	-	9,646	76,288	85,934	-
Unearned revenue	-	-	100,729	100,729	-
Current portion of long-term debt	-	48,644	90,000	138,644	-
Total current liabilities	<u>17,204</u>	<u>248,399</u>	<u>277,501</u>	<u>543,104</u>	<u>22,296</u>
Non-current liabilities					
Long-term debt	-	1,103,096	3,220,000	4,323,096	-
Claims payable	-	-	-	-	1,010,923
Compensated absences	358	47,185	-	47,543	16,374
Total noncurrent liabilities	<u>358</u>	<u>1,150,281</u>	<u>3,220,000</u>	<u>4,370,639</u>	<u>1,027,297</u>
Total liabilities	<u>17,562</u>	<u>1,398,680</u>	<u>3,497,501</u>	<u>4,913,743</u>	<u>1,049,593</u>
NET POSITION					
Net investment in capital assets	568,332	8,426,870	2,473,516	11,468,718	-
Restricted for debt service	-	-	273,843	273,843	-
Restricted for insurance reserve	-	-	-	-	450,000
Unrestricted/(deficit)	(7,195)	5,319,184	299,591	5,611,580	(652,158)
Total net position	<u>\$ 561,137</u>	<u>\$ 13,746,054</u>	<u>\$ 3,046,950</u>	<u>\$ 17,354,141</u>	<u>\$ (202,158)</u>

See accompanying notes.

CITY OF PACIFIC GROVE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				Governmental
	Cemetery	Sewer	Golf Course	Total Proprietary Funds	Activities Internal Service Fund
Operating Revenue					
Charges for services	\$ 195,913	\$ 2,780,863	\$ 1,749,972	\$ 4,726,748	\$ 1,296,525
Other	45,935	7,154	300,835	353,924	-
Total operating income	<u>241,848</u>	<u>2,788,017</u>	<u>2,050,807</u>	<u>5,080,672</u>	<u>1,296,525</u>
Operating Expense					
Contractual services and utilities	81,485	878,953	700,005	1,660,443	1,424,621
Personnel	97,220	347,565	663,742	1,108,527	36,072
Supplies and materials	29,015	62,653	308,448	400,116	-
Depreciation	28,895	256,587	217,784	503,266	-
Total operating expense	<u>236,615</u>	<u>1,545,758</u>	<u>1,889,979</u>	<u>3,672,352</u>	<u>1,460,693</u>
Operating income/(loss)	<u>5,233</u>	<u>1,242,259</u>	<u>160,828</u>	<u>1,408,320</u>	<u>(164,168)</u>
Nonoperating Revenue/(Expense)					
Intergovernmental	-	857,774	-	857,774	-
Interest income	68	29,993	3,361	33,422	1,710
Interest expense	-	(39,394)	(183,426)	(222,820)	-
Total nonoperating revenue/(expense)	<u>68</u>	<u>848,373</u>	<u>(180,065)</u>	<u>668,376</u>	<u>1,710</u>
Net income/(loss) before transfers	5,301	2,090,632	(19,237)	2,076,696	(162,458)
Operating Transfers In/(Out)	<u>(20,486)</u>	<u>(224,277)</u>	<u>(262,372)</u>	<u>(507,135)</u>	<u>-</u>
Change in Net Position	<u>(15,185)</u>	<u>1,866,355</u>	<u>(281,609)</u>	<u>1,569,561</u>	<u>(162,458)</u>
Net Position					
Beginning of year	576,322	11,879,699	3,328,559	15,784,580	(39,700)
End of year	<u>\$ 561,137</u>	<u>\$ 13,746,054</u>	<u>\$ 3,046,950</u>	<u>\$ 17,354,141</u>	<u>\$ (202,158)</u>

CITY OF PACIFIC GROVE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				Governmental
				Total	Activities
	Cemetery	Sewer	Golf Course	Business-Type	Internal
				Funds	Service Fund
Operating Activities					
Receipts from customers and users	\$ 241,248	\$ 3,679,268	\$ 2,088,668	\$ 6,009,184	\$ 1,359,926
Payments for contractual services and utilities	(78,916)	(906,791)	(757,862)	(1,743,569)	(1,238,346)
Payments to employees	(98,794)	(352,094)	(700,821)	(1,151,709)	(36,235)
Payment to suppliers	(29,015)	(62,653)	(308,448)	(400,116)	-
Net cash provided by operating activities	34,523	2,357,730	321,537	2,713,790	85,345
Non-capital Financial Activities					
Payments from other governments	-	857,774	-	857,774	-
Payments (to)/from other funds	(24,824)	(224,277)	(262,373)	(511,474)	-
Net cash provided by (used in) noncapital financing activities	(24,824)	633,497	(262,373)	346,300	-
Capital and Related Financing Activities					
Purchase of property, plant and equipment	-	(2,178,058)	-	(2,178,058)	-
Principal received (paid) on long-term debt, net	-	(95,585)	(85,000)	(180,585)	-
Interest paid on long-term debt	-	(39,800)	(185,108)	(224,908)	-
Net cash provided by (used in) capital and related financing activities	-	(2,313,443)	(270,108)	(2,583,551)	-
Investing Activities					
Payments on loans receivable	-	11,400	-	11,400	-
Interest received	68	29,993	3,361	33,422	1,710
Net cash provided by investing activities	68	41,393	3,361	44,822	1,710
Net Increase (Decrease) in Cash	9,767	719,177	(207,583)	521,361	87,055
Cash					
Beginning of year	-	4,702,319	882,672	5,584,991	760,380
End of year	\$ 9,767	\$ 5,421,496	\$ 675,089	\$ 6,106,352	\$ 847,435
Cash Flows from Operating Activities					
Operating income (loss)	\$ 5,233	\$ 1,242,259	\$ 160,828	\$ 1,408,320	\$ (164,168)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	28,895	256,587	217,784	503,266	-
(Inc.) Decr. in Receivables and Prepaids	(600)	891,251	66,348	956,999	63,401
Increase (Decrease) in Accounts Payable and Accrued Liabilities	995	(32,367)	(123,423)	(154,795)	186,112
Net Cash Provided by Operating Activities	\$ 34,523	\$ 2,357,730	\$ 321,537	\$ 2,713,790	\$ 85,345

See accompanying notes.

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 1 – Summary of Significant Accounting Policies

The City of Pacific Grove, California is primarily a residential community located at the tip of the Monterey Peninsula on the Central California coast. The community was founded as a Methodist Church summer retreat, and was incorporated as a city on July 16, 1889. It was granted a charter by the State on April 22, 1927. The city operates under a council-manager form of government. The seven-member City Council appoints a City manager, who is the administrative head of the municipal government. City amenities include a library, natural history museum, a community center, a youth center, a senior center, a golf course, a cemetery, sewer services, a monarch butterfly sanctuary and habitat preserve and general administration services.

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

Reporting Entity

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

Basis of Presentation – Fund Accounting

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

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

Golf Course Fund – The Golf Course Fund accounts for the revenues and expenses of the City's golf course operations, including the pro shop, clubhouse and driving range.

The City reports the following additional fund types:

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

Basis of Accounting

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

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

Financial Statement Amounts

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

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

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

Accounts Receivable – Billed, but unpaid, services provided to individuals or non-governmental entities are recorded as accounts receivable. The Sewer customers are billed every other month by a separate government agency which forwards the collections to the City. Revenues earned but not collected by year-end are accrued.

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

New GASB Pronouncements Not Yet Adopted - In June 30, 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. The provisions of GASB Statement No. 68 are effective for the fiscal year ended June 30, 2015.

Note 2 – Stewardship, Compliance and Accountability

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

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

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

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 3 – Cash and Investments

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

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 16,668,623
Restricted Cash and Investments	<u>723,843</u>
Total Cash and Investments	<u>\$ 17,392,466</u>

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 685
Deposits with Financial Institutions	2,007,822
Local Agency Investment Fund	6,519,156
Certificates of deposit	240,000
Government securities	8,350,960
Held by Fiscal Agent:	
Cash and Short Term Investments	<u>273,843</u>
Total Cash and Investments	<u>\$ 17,392,466</u>

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

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

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 3 – Cash and Investments (Continued)

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

Investments Authorized by Debt Agreements

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

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

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	12 Months or less	13 to 36 Months	37 to 60 Months	Total
Government Securities	\$ 3,973,267	\$ 2,619,638	\$ 1,758,055	\$ 8,350,960
Certificates of Deposit	240,000	-	-	240,000
LAIF	6,519,156	-	-	6,519,156
Total Investments	<u>\$10,732,423</u>	<u>\$ 2,619,638</u>	<u>\$ 1,758,055</u>	15,110,116
Cash with fiscal agent				273,843
Cash in bank and on hand				2,008,507
Total Cash and Investments				<u>\$ 17,392,466</u>

Disclosures Relating to Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating by Standard & Poor's required by the California Government Code or the City's investment policy, and the actual rating as of June 30, 2014 for each investment type:

	Rating as of Year-End		Total
	AAA	Not Rated	
Investments			
Government Securities	\$ 4,377,693	\$ 3,973,267	\$ 8,350,960
Certificates of Deposit	-	240,000	240,000
LAIF	-	6,519,156	6,519,156
Total Investments	<u>\$ 4,377,693</u>	<u>\$ 10,732,423</u>	15,110,116
Cash			
Cash with fiscal agent			273,843
Cash in bank and on hand			2,008,507
Total Cash and Investments			<u>\$ 17,392,466</u>

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 3 – Cash and Investments (Continued)

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

Investment in State Investment Pool

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

Fair Value Adjustment

GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for the External Investment Pools, requires that the City's investments be carried at fair value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. The total amount of unrealized fair value loss as of June 30, 2014 was \$90,586.

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

Note 4 – Permanent Funds

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

Library Endowment Trust - established to finance the purchase of additional books and materials for the library.

Cemetery Endowment Care Trust - which accounts for "Endowment Care" revenues received in trust for the care of decedents' graves.

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

In addition, the City is the beneficiary of the Bertha L. Strong Trust, established in 1956. Under its terms, the principal of the Trust may only be used for the construction of a new City Hall or the expansion of certain City facilities used for education or recreation, except those usually authorized to be constructed or expanded by taxing, bonding or assessing. Trust income may only be used for beautification of the City, and is released by the Trustee only on application by the City. Since neither the principal nor the income of the Trust are under the control of the City, these amounts are not reflected in these financial statements. The fair value balance held by the Trustee at June 30, 2014 was \$983,476.

Note 5 – Loans Receivable

Loans receivable and deferred loans consisted of the following at June 30, 2014:

Housing Assistance Loans - The City engages in programs designed to encourage construction or improvement in low-to-moderate income housing. Under these programs, loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. Terms include interest rates of three to five percent and deferral of principal and interest payment until the property changes hands. All loans are secured by a deed of trust on the property. Although these loans and notes are expected to be repaid in full, their balances are offset by deferred revenue in the respective governmental funds as they are not expected to be repaid during the current fiscal year. The balance of the loans receivable arising from these programs at June 30, 2014 was \$1,766,049.

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, 2014 was \$113,378.

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 6 – Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

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

Individual fund interfund receivables and payables balances as of June 30, 2014 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 37,855	\$ -
Supplemental Law Enforcement	-	37,855
	<u>\$ 37,855</u>	<u>\$ 37,855</u>

Interfund Transfers

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 204,135	\$ -
Proprietary Funds:		
Cemetery	-	(20,486)
Sewer	-	(224,277)
Golf Course	-	(262,372)
Nonmajor Governmental Funds:		
Public Safety Augmentation	303,000	-
	<u>\$ 507,135</u>	<u>\$ (507,135)</u>

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 7 – Capital Assets – Capital asset activities for the year ended June 30, 2014 were as follows:

	Balance July 1, 2013	Additions	Reclassifications/ Retirements	Balance June 30, 2014
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 2,338,270	\$ -	\$ -	\$ 2,338,270
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>2,338,270</u>	<u>-</u>	<u>-</u>	<u>2,338,270</u>
Capital assets, being depreciated				
Buildings and improvements	11,978,627	-	-	11,978,627
Infrastructure	22,837,661	32,508	-	22,870,169
Machinery and equipment	4,136,510	34,178	-	4,170,688
Total capital assets, being depreciated	<u>38,952,798</u>	<u>66,686</u>	<u>-</u>	<u>39,019,484</u>
Less accumulated depreciation for				
Buildings and improvements	(6,396,922)	(149,807)	-	(6,546,729)
Infrastructure	(8,561,915)	(368,572)	-	(8,930,487)
Machinery and equipment	(3,668,447)	(156,617)	-	(3,825,064)
Total accumulated depreciation	<u>(18,627,284)</u>	<u>(674,996)</u>	<u>-</u>	<u>(19,302,280)</u>
Total capital assets, being depreciated, net	<u>20,325,514</u>	<u>(608,310)</u>	<u>-</u>	<u>19,717,204</u>
Governmental activities capital assets, net	<u>\$ 22,663,784</u>	<u>\$ (608,310)</u>	<u>\$ -</u>	<u>\$ 22,055,474</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 362,973	\$ -	\$ -	\$ 362,973
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>362,973</u>	<u>-</u>	<u>-</u>	<u>362,973</u>
Capital assets, being depreciated				
Buildings and improvements	12,509,322	-	-	12,509,322
Infrastructure	6,152,960	2,178,059	-	8,331,019
Machinery and equipment	2,095,183	-	-	2,095,183
Total capital assets, being depreciated	<u>20,757,465</u>	<u>2,178,059</u>	<u>-</u>	<u>22,935,524</u>
Less: accumulated depreciation	<u>(6,864,773)</u>	<u>(503,266)</u>	<u>-</u>	<u>(7,368,039)</u>
Total capital assets, being depreciated, net	<u>13,892,692</u>	<u>1,674,793</u>	<u>-</u>	<u>15,567,485</u>
Business-type activities capital assets, net	<u>\$ 14,255,665</u>	<u>\$ 1,674,793</u>	<u>\$ -</u>	<u>\$ 15,930,458</u>

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 7 – Capital Assets (Continued)

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

Governmental Functions:

General government	\$	80,209
Public works		410,031
Recreation		36,753
Library		5,489
Museum		11,656
Police		64,413
Fire		66,445
	\$	<u>674,996</u>

Business-Type Functions:

Cemetery	\$	28,895
Sewer		256,587
Golf Course		217,784
	\$	<u>503,266</u>

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 8 – Long-Term Debt

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

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Current Portion
<u>Governmental Activity Long Term Debt</u>					
General Obligation Refunding Note					
2003 Refunding Butterfly Habitat Note	\$ 411,120	\$ -	\$ (74,923)	\$ 336,197	\$ 78,758
Capital Lease					
2003 Civic Center Financing Lease	216,521	-	(216,521)	-	-
Pierce Dash 2000 Pumper	139,828	-	(44,844)	94,984	46,587
PNC Equipment Finance Lease	252,295	-	(44,745)	207,550	61,452
Bond Payable					
Taxable Pension Obligation Bond	12,451,649	-	(1,115,470)	11,336,179	1,084,100
Accreted Interest	6,456,761	304,926	-	6,761,687	-
Total Business-Type Activity Debt	<u>\$ 19,928,174</u>	<u>\$ 304,926</u>	<u>\$ (1,496,503)</u>	<u>\$ 18,736,597</u>	<u>\$ 1,270,897</u>
<u>Business-Type Activity Long Term Debt</u>					
Bonds Payable					
2013 Wastewater Revenue Refunding Bond	\$ 1,220,588	\$ -	\$ (68,848)	\$ 1,151,740	\$ 48,644
Loans Payable					
2004 Golf Course Project	3,395,000	-	(85,000)	3,310,000	90,000
Leases Payable					
Vactor Truck	26,737	-	(26,737)	-	-
Total Business-Type Activity Debt	<u>\$ 4,642,325</u>	<u>\$ -</u>	<u>\$ (180,585)</u>	<u>\$ 4,461,740</u>	<u>\$ 138,644</u>
<u>Compensated Absences</u>					
Government Activities	<u>\$ 1,099,850</u>	<u>\$ -</u>	<u>\$ (151,485)</u>	<u>\$ 948,365</u>	
Business-Type Activities	<u>\$ 90,715</u>	<u>\$ -</u>	<u>\$ (43,172)</u>	<u>\$ 47,543</u>	

Long-term debt payable at June 30, 2014 was comprised of the following individual issues:

2003 General Obligation Refunding Note - The City issued the Butterfly Habitat Bonds on the principal amount of \$1,230,000 in 1990 to acquire and improve an ancient wintering site for Monarch Butterflies consisting of a 2.2 acres parcel. On November 1, 2003, the City entered into a \$963,793 General Obligation Refunding Note. This note was issued to refund the remaining principal amount and accrued interest from the 1990 Butterfly Habitat Bonds. Semi-annual principal and interest are due February 1 and August 1. Interest on the Refunding Note is 4.45 percent and matures on August 1, 2017.

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

Note 8 – Long-Term Debt (Continued)

2003 Civic Center Financing Leases - On November 18, 1998, the City entered into a financing lease agreement for \$1,500,000 to fund the Civic Center site improvement project. Included in the project are the construction of a civic plaza, parking lot and new building, rehabilitation of the exiting City hall building, demolition of some existing building and landscaping. On August 1, 2003, the City refinanced the lease by entering into a new Civic Center Financing lease in the amount of \$1,909,387. Semi-annual principal and interest are due on February 8 and August 8. Interest on the lease is 3.85 percent and matured on February 8, 2014.

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

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

Pension Obligation Bond - On June 1, 2006, the City issued Taxable Pension Obligation Bond in the principal amount of \$19,365,355. The bonds were part of the California Statewide Communities Development Authority Taxable Pension Obligation Bonds Program. The purpose of the bond is to provide monies to meet the unfunded accrued actuarial liability ("UAAL") to the California Public Employee's Retirement System ("PERS"). Semi-annual payments are due on June 1 and December 1. Interest on the bonds ranges from 5.67 percent to 6.12 percent and they mature on June 1, 2029.

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

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

2001 Certificates of Participation (Golf Course Project) - On August 1, 2004, the City issued 2004 Certificates of Participation (Golf Course Project) in the principal amount of \$3,960,000. Proceeds were used to finance capital improvements to the City's municipal golf course. Semi-annual interest payments are due on February 1 and August 1 and annual principal payments are due on August 1. Repayments are secured by future revenues from the operation of the City's Golf Course Enterprise fund. Interest rates range from 2.75 percent to 5.75 percent. The Certificates mature on August 1, 2034.

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

Note 8 – Long-Term Debt (Continued)

Compensated Absences – City employees accumulate earned by unused vacation and sick pay benefits which can be converted to cash at termination of employment. Since no means exist to reasonably estimate the amounts that might be liquidated with expendable currently available financial resources, if any, they are reported as long-term debt on the Statement of Net Position. No expenditure is reported for these amounts in the governmental funds statements. However, in the Statement of Activities the expense is allocated to general government. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, at June 30, 2014, totaled \$948,365 for governmental activities and \$47,543 for business-type activities.

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2014 were as follows:

Years ending June 30,	Governmental Activities			Business-Type Activities	
	Principal	Accreted Interest	Interest	Principal	Interest
2015	\$ 1,270,897	\$ 498,925	\$ 754,064	\$ 138,644	\$ 219,012
2016	1,250,398	486,856	834,601	145,912	212,759
2017	1,170,427	475,238	924,034	153,138	206,088
2018	1,097,821	466,780	1,010,287	155,233	199,161
2019	958,325	458,322	1,106,675	167,238	191,757
2020-2024	4,033,951	2,156,610	6,321,049	947,872	830,552
2025-2029	2,193,091	2,218,956	5,546,911	1,199,337	571,960
2030-2034	-	-	-	1,299,367	244,190
2035	-	-	-	255,000	7,204
	<u>\$11,974,910</u>	<u>\$ 6,761,687</u>	<u>\$16,497,621</u>	<u>\$ 4,461,741</u>	<u>\$ 2,682,683</u>

Note 9 – Risk Management

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

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

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

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

Note 9 – Risk Management (Continued)

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

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

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

Contingent Liabilities

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

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

Note 10 – Pension Plans

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

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule (credited service)	5 years	5 years
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	55
Monthly benefit, as a % of annual salary	3%	2%
Required employee contribution rates	9%	7%
Required employer contribution rates	27.35%	11.44%

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 10 – Pension Plans (Continued)

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

CALPERS uses the entry age normal cost method as the actuarial cost method. An investment rate of return of 7.5% (net of administrative expenses) is assumed, including inflation at 2.75%. 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 19 years as of valuation date and asset valuation method is 15 year smoothed market.

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

Actuarially required contributions for fiscal years 2014, 2013, and 2012 were \$843,023, \$913,973, and \$1,104,510, respectively. The current year's required contribution was determined as part of the June 30, 2012 actuarial valuation. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation. The City does not have a net pension obligation since it pays these actuarially required contributions monthly.

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

Public Agency Retirement System

The omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by either Social Security or an alternative plan. Effective May 22, 2006, the City contracted with the Public Agency Retirement System (PARS), a defined contribution plan. This Plan covers part-time, seasonal and temporary employees and all employees not covered by another retirement system. All eligible employees covered by the Plan are fully vested. Employer liabilities are limited to the amount of current contributions. Under PARS, employees contribute 7.5% of their salary each pay period.

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

Note 11 – Post-Employment Health Care Benefits

Post Retirement Benefits

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

Plan Description

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

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

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

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

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

Funding Policy

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

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (OPEB cost)	\$ 204,624
Interest on net OPEB obligation	13,238
Adjustment to annual required contribution	<u>(14,996)</u>
Annual OPEB cost (expense)	202,866
Contributions made	<u>93,379</u>
Increase (decrease) in net OPEB obligation	109,487
Net OPEB obligation, beginning of year	<u>330,940</u>
Net OPEB obligation, end of year	<u>\$ 440,427</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Cumulative Net OPEB Obligation
June 30, 2012	\$ 192,960	92,992	48%	284,087
June 30, 2013	192,830	98,143	50%	330,940
June 30, 2014	192,830	93,379	48%	440,427

Funding Status and Progress

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

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

CITY OF PACIFIC GROVE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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

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

Actuarial Methods and Assumptions

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

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

Note 12 – Subsequent Events

In September 2014 the City refinanced the 2004 Golf Course Certificates of Participation with the issuance of the Series 2014 Taxable Lease Obligation Bonds in the amount of \$3,130,505. The new debt bears an interest rate of 4.35% and requires semi-annual debt service payments of \$136,048.

Note 13 – Prior Period Adjustments

In the Statement of Activities the beginning net position was reduced by \$252,295 as a result of not capitalizing an equipment lease. The lease payable was recorded as long-term debt under governmental activities in the Statement of Net Position.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PACIFIC GROVE

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Budgetary Balances, Beginning	\$ 4,199,040	\$ 4,199,040	\$ 4,199,040	\$ -
Resources (inflows)				
Property tax	5,471,040	5,471,040	5,597,829	126,789
Sales tax	3,001,679	3,001,679	3,325,567	323,888
Franchise tax	840,000	840,000	838,221	(1,779)
Transient lodging taxes	3,304,250	3,304,250	3,731,506	427,256
Utility users	1,579,820	1,579,820	1,580,400	580
Business license	360,000	360,000	318,367	(41,633)
Real estate transfer tax	63,000	63,000	108,985	45,985
Licenses, permits and impact fees	371,000	371,000	424,170	53,170
Intergovernmental	329,900	329,900	118,692	(211,208)
Charges for services	1,106,010	1,106,010	982,813	(123,197)
Fines and forfeitures	86,000	86,000	50,370	(35,630)
Use of money and property	174,100	174,100	270,920	96,820
Donations and other revenue	390,000	390,000	674,157	284,157
Transfers in	1,019,278	1,019,278	1,132,412	113,134
Amounts Available for Appropriation	18,096,077	18,096,077	19,154,409	1,058,332
Charges to appropriations (outflows)				
Current				
General government	2,709,255	2,709,255	2,521,715	187,540
Community development	986,132	986,132	1,060,560	(74,428)
Public works	3,019,828	3,019,828	2,836,780	183,048
Recreation	329,958	329,958	397,248	(67,290)
Library	697,196	697,196	682,335	14,861
Museum	181,829	181,829	188,713	(6,884)
Public safety				
Police	4,666,655	4,666,655	4,160,210	506,445
Fire	2,475,245	2,475,245	2,330,177	145,068
Capital outlay	62,000	62,000	66,686	(4,686)
Debt Service				
Principal	1,264,440	1,264,440	1,421,580	(157,140)
Interest and fiscal charges	660,833	660,833	664,351	(3,518)
Transfers out	890,587	890,587	928,277	(37,690)
Total Charges to Appropriations	17,943,958	17,943,958	17,258,632	685,326
Budgetary Balances, Ending	\$ 4,351,159	\$ 4,351,159	\$ 6,094,817	\$ 1,743,658

CITY OF PACIFIC GROVE

SCHEDULES OF FUNDING PROGRESS

JUNE 30, 2014

	<a>		<a>-	/<a>	<c>	[<a>-]/<c>
Valuation Date	Actuarial Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liability (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL as a % of Payroll
<u>CalPERS Retirement Plan - Miscellaneous (Plan Specific):</u>						
6/30/2011	\$ 46,618,357	\$ 42,469,471	\$ 4,148,886	91.1%	\$ 4,278,107	97.0%
6/30/2012	\$ 47,793,097	\$ 43,483,536	\$ 4,309,561	91.0%	\$ 4,181,915	103.0%
<u>CalPERS Retirement Plan - Safety (Plan Specific):</u>						
6/30/2011	\$ 62,199,112	\$ 54,778,452	\$ 7,420,660	88.1%	\$ 2,348,818	315.9%
6/30/2012	\$ 64,389,977	\$ 56,584,253	\$ 7,805,724	87.9%	\$ 2,105,104	370.7%
<u>Other Postemployment Benefits - Health Benefit:</u>						
7/1/2009	\$ 2,753,014	\$ -	\$ 2,753,014	0.0%	\$ 8,627,274	32.0%
7/1/2012	\$ 2,676,969	\$ -	\$ 2,676,969	0.0%	\$ 7,521,909	36.0%

SUPPLEMENTAL ONLY INFORMATION

CITY OF PACIFIC GROVE

NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF PACIFIC GROVE

NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

SPECIAL REVENUE FUNDS (CONTINUED)

Senior Housing Fund - This fund accounts for senior housing activities.

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

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

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

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

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

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

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

CAPITAL PROJECT FUND

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

DEBT SERVICE FUND

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

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

PERMANENT FUNDS

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

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

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

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

CITY OF PACIFIC GROVE

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2014

	Special Revenue								
	Carillon Acquisition & Maintenance	State Franchise PEG	Library Building & Equipment	Museum Improvement	Downtown Business District	Hospitality Improvement District	Library Book	Fire Dept. Emergency Equipment	Operating Grants
ASSETS									
Cash and investments	\$ 9,309	\$ 321,339	\$ 9,028	\$ 459,197	\$ 15,789	\$ 19,836	\$ 25,366	\$ 125,953	\$ -
Taxes receivable	-	27,035	-	-	-	72,540	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 9,309</u>	<u>\$ 348,374</u>	<u>\$ 9,028</u>	<u>\$ 459,197</u>	<u>\$ 15,789</u>	<u>\$ 92,376</u>	<u>\$ 25,366</u>	<u>\$ 125,953</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts payable and accrued expense	\$ -	\$ -	\$ -	\$ -	\$ 1,728	\$ 128,734	\$ 1,439	\$ 197	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	12,346	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,074</u>	<u>128,734</u>	<u>1,439</u>	<u>197</u>	<u>-</u>
Fund Balance									
Nonspendable									
Permanent funds	-	-	-	-	-	-	-	-	-
Restricted									
Social service programs	-	-	-	-	-	-	23,927	-	-
Debt Service	-	-	-	-	-	-	-	-	-
Community development	9,309	348,374	9,028	459,197	1,715	-	-	-	-
Street improvements	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	125,756	-
Unassigned	-	-	-	-	-	(36,358)	-	-	-
Total fund balance	<u>9,309</u>	<u>348,374</u>	<u>9,028</u>	<u>459,197</u>	<u>1,715</u>	<u>(36,358)</u>	<u>23,927</u>	<u>125,756</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 9,309</u>	<u>\$ 348,374</u>	<u>\$ 9,028</u>	<u>\$ 459,197</u>	<u>\$ 15,789</u>	<u>\$ 92,376</u>	<u>\$ 25,366</u>	<u>\$ 125,953</u>	<u>\$ -</u>

CITY OF PACIFIC GROVE

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2014

	Special Revenue								
	McIndoo Donation	State Gas Tax	Environmental Enhancement	Chautauqua Hall Preservation	Lighthouse Maintenance & Improvement	Senior Housing Fund	Housing Program	Housing Rehabilitation Revolving Loans	CalHOME Reuse
ASSETS									
Cash and investments	\$ 101,369	\$ 252,019	\$ 267,632	\$ 19,629	\$ 68,931	\$ 9,679	\$ 327,353	\$ 21,766	\$ 88,584
Taxes receivable	-	-	-	-	-	-	-	-	-
Due from other governments	-	47,336	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-	614,391	796,757	354,901
Total assets	<u>\$ 101,369</u>	<u>\$ 299,355</u>	<u>\$ 267,632</u>	<u>\$ 19,629</u>	<u>\$ 68,931</u>	<u>\$ 9,679</u>	<u>\$ 941,744</u>	<u>\$ 818,523</u>	<u>\$ 443,485</u>
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts payable and accrued expense	\$ -	\$ 59,624	\$ -	\$ -	\$ 2,389	\$ -	\$ 1,149	\$ 18	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	614,391	796,757	354,901
Total liabilities	<u>-</u>	<u>59,624</u>	<u>-</u>	<u>-</u>	<u>2,389</u>	<u>-</u>	<u>615,540</u>	<u>796,775</u>	<u>354,901</u>
Fund Balance									
Nonspendable									
Permanent funds	-	-	-	-	-	-	-	-	-
Restricted									
Social service programs	-	-	-	-	-	9,679	326,204	21,748	88,584
Debt Service	-	-	-	-	-	-	-	-	-
Community development	101,369	-	267,632	19,629	66,542	-	-	-	-
Street improvements	-	239,731	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balance	<u>101,369</u>	<u>239,731</u>	<u>267,632</u>	<u>19,629</u>	<u>66,542</u>	<u>9,679</u>	<u>326,204</u>	<u>21,748</u>	<u>88,584</u>
Total liabilities and fund balance	<u>\$ 101,369</u>	<u>\$ 299,355</u>	<u>\$ 267,632</u>	<u>\$ 19,629</u>	<u>\$ 68,931</u>	<u>\$ 9,679</u>	<u>\$ 941,744</u>	<u>\$ 818,523</u>	<u>\$ 443,485</u>

CITY OF PACIFIC GROVE

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2014

	Special Revenue				Capital Projects	Debt Service	Permanent		Total Non-major Governmental Funds
	Yount Trust Income	Public Safety Augmentation	Supplemental Law Enforcement	Poetry Promotion	Buildings & Facilities Improvement	Butterfly Habitat Bond	Library Endowment Trust	Cemetery Endowment Trust	Yount Trust
ASSETS									
Cash and investments	\$ 80,836	\$ 419,560	\$ -	\$ 57,853	\$ 561,362	\$ 70,151	\$ 530,790	\$ 1,186,705	\$ 841,004
Taxes receivable	-	8,360	-	-	-	-	-	-	-
Due from other governments	-	-	21,284	-	-	-	-	-	-
Interest receivable	3,141	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 83,977</u>	<u>\$ 427,920</u>	<u>\$ 21,284</u>	<u>\$ 57,853</u>	<u>\$ 561,362</u>	<u>\$ 70,151</u>	<u>\$ 530,790</u>	<u>\$ 1,186,705</u>	<u>\$ 841,004</u>
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts payable and accrued expense	\$ 301	\$ -	\$ 3,256	\$ 2,108	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	37,855	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-
Total liabilities	<u>301</u>	<u>-</u>	<u>41,111</u>	<u>2,108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance									
Nonspendable									
Permanent funds	-	-	-	-	-	-	530,790	1,186,705	841,004
Restricted									
Social service programs	-	-	-	55,745	-	-	-	-	-
Debt Service	-	-	-	-	-	70,151	-	-	-
Community development	83,676	-	-	-	561,362	-	-	-	-
Street improvements	-	-	-	-	-	-	-	-	-
Public Safety	-	427,920	-	-	-	-	-	-	-
Unassigned	-	-	(19,827)	-	-	-	-	-	-
Total fund balance	<u>83,676</u>	<u>427,920</u>	<u>(19,827)</u>	<u>55,745</u>	<u>561,362</u>	<u>70,151</u>	<u>530,790</u>	<u>1,186,705</u>	<u>841,004</u>
Total liabilities and fund balance	<u>\$ 83,977</u>	<u>\$ 427,920</u>	<u>\$ 21,284</u>	<u>\$ 57,853</u>	<u>\$ 561,362</u>	<u>\$ 70,151</u>	<u>\$ 530,790</u>	<u>\$ 1,186,705</u>	<u>\$ 841,004</u>

CITY OF PACIFIC GROVE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2014

	Special Revenue								
	Carillon Acquisition & Maintenance	State Franchise PEG	Library Building & Equipment	Museum Improvement	Downtown Business District	Hospitality Improvement District	Library Book	Fire Dept. Emergency Equipment	Operating Grants
Revenue									
Taxes	\$ -	\$ 99,471	\$ -	\$ -	\$ 28,722	\$ 435,828	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-
Use of money and property	44	1,397	48	2,102	39	180	193	572	-
Donations and other revenue	-	-	3,056	73,187	-	-	34,740	17,018	-
Total revenue	44	100,868	3,104	75,289	28,761	436,008	34,933	17,590	-
Expenditures									
Community development	-	18,863	-	-	28,666	472,790	-	-	17
Public works	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-
Library	-	-	8,176	-	-	-	81,776	-	-
Public safety									
Police	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	1,307	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total expenditures	-	18,863	8,176	-	28,666	472,790	81,776	1,307	17
Revenue over (under) expenditures	44	82,005	(5,072)	75,289	95	(36,782)	(46,843)	16,283	(17)
Other financing sources/(uses)									
Operating transfers in/(out) - net	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Change in Fund Balance	44	82,005	(5,072)	75,289	95	(36,782)	(46,843)	16,283	(17)
Fund Balance									
Beginning of year	9,265	266,369	14,100	383,908	1,620	424	70,770	109,473	17
End of year	\$ 9,309	\$ 348,374	\$ 9,028	\$ 459,197	\$ 1,715	\$ (36,358)	\$ 23,927	\$ 125,756	\$ -

CITY OF PACIFIC GROVE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED) YEAR ENDED JUNE 30, 2014

	Special Revenue								
	McIndoo Donation	State Gas Tax	Environmental Enhancement	Chautauqua Hall Preservation	Lighthouse Maintenance & Improvement	Senior Housing Fund	Housing Program	Housing Rehabilitation Revolving Loans	CalHOME Reuse
Revenue									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	477,507	-	-	-	-	-	-	-
Use of money and property	604	1,746	1,265	94	323	46	6,748	17,938	12,613
Donations and other revenue	-	-	120,226	5,750	36,819	-	27,207	82,989	78,090
Total revenue	604	479,253	121,491	5,844	37,142	46	33,955	100,927	90,703
Expenditures									
Community development	-	-	-	-	-	-	33,280	70,055	-
Public works	-	584,582	-	-	-	-	-	-	-
Recreation	27,083	-	-	2,497	71,068	-	-	-	-
Library	-	-	-	-	-	-	-	-	-
Public safety									
Police	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total expenditures	27,083	584,582	-	2,497	71,068	-	33,280	70,055	-
Revenue over (under) expenditures	(26,479)	(105,329)	121,491	3,347	(33,926)	46	675	30,872	90,703
Other financing sources/(uses)									
Operating transfers in/(out) - net	-	-	-	-	-	-	68,577	(63,255)	(5,322)
	-	-	-	-	-	-	68,577	(63,255)	(5,322)
Change in Fund Balance	(26,479)	(105,329)	121,491	3,347	(33,926)	46	69,252	(32,383)	85,381
Fund Balance									
Beginning of year	127,848	345,060	146,141	16,282	100,468	9,633	256,952	54,131	3,203
End of year	\$ 101,369	\$ 239,731	\$ 267,632	\$ 19,629	\$ 66,542	\$ 9,679	\$ 326,204	\$ 21,748	\$ 88,584

CITY OF PACIFIC GROVE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED) YEAR ENDED JUNE 30, 2014

	Special Revenue				Capital Projects	Debt Service	Permanent			Total Non-major Governmental Funds
	Yount Trust Income	Public Safety Augmentation	Supplemental Law Enforcement	Poetry Promotion	Buildings & Facilities Improvement	Butterfly Habitat Bond	Library Endowment Trust	Cemetery Endowment Trust	Yount Trust	
Revenue										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,428	\$ -	\$ -	\$ -	\$ 645,449
Intergovernmental	-	114,747	135,000	-	-	-	-	-	-	727,254
Use of money and property	12,723	365	-	290	2,653	193	2,508	5,485	(6,287)	63,882
Donations and other revenue	-	-	-	9,250	-	-	5,000	70,177	-	563,509
Total revenue	12,723	115,112	135,000	9,540	2,653	81,621	7,508	75,662	(6,287)	2,000,094
Expenditures										
Community development	-	-	-	-	-	-	-	-	-	623,671
Public works	16,427	-	-	-	-	-	-	-	-	601,009
Recreation	-	-	-	-	-	-	-	-	-	100,648
Library	-	-	-	1,205	-	-	-	-	-	91,157
Public safety										
Police	-	-	160,699	-	-	-	-	-	-	160,699
Fire	-	-	-	-	-	-	-	-	-	1,307
Capital outlay	-	-	-	-	-	-	-	-	-	-
Debt service										
Principal	-	-	-	-	-	74,923	-	-	-	74,923
Interest and fiscal charges	-	-	-	-	-	16,628	-	-	-	16,628
Total expenditures	16,427	-	160,699	1,205	-	91,551	-	-	-	1,670,042
Revenue over (under) expenditures	(3,704)	115,112	(25,699)	8,335	2,653	(9,930)	7,508	75,662	(6,287)	330,052
Other financing sources/(uses)										
Operating transfers in/(out) - net	-	303,000	-	-	-	-	-	-	-	303,000
	-	303,000	-	-	-	-	-	-	-	303,000
Change in Fund Balance	(3,704)	418,112	(25,699)	8,335	2,653	(9,930)	7,508	75,662	(6,287)	633,052
Fund Balance										
Beginning of year	87,380	9,808	5,872	47,410	558,709	80,081	523,282	1,111,043	847,291	5,186,540
End of year	\$ 83,676	\$ 427,920	\$ (19,827)	\$ 55,745	\$ 561,362	\$ 70,151	\$ 530,790	\$ 1,186,705	\$ 841,004	\$ 5,819,592

CITY OF PACIFIC GROVE

COMBINING GENERAL FUND BALANCE SHEET
JUNE 30, 2014

	General Fund Operating	Hyperbaric Chamber	Civic Center	People's Desalination Project	Drug Awareness	Asset Seizure	Lovers Point Pool	Recreation Donation	Operating Donations	Vehicle Replacement	Storm Water	Consolidated Investment	Koo Donation	Total General Funds
ASSETS														
Cash and investments	\$ 4,339,876	\$ 34,263	\$ 120,917	\$ (33,996)	\$ 16,318	\$ 1,672	\$ 57,199	\$ 26,086	\$ 107,420	\$ -	\$ 68,214	\$ (26,513)	\$ 347,217	\$ 5,058,673
Accounts receivable	83,925	-	-	-	-	-	-	-	-	-	-	-	-	83,925
Taxes receivable	1,813,734	-	-	-	-	-	-	-	-	-	-	-	-	1,813,734
Due from other funds	37,855	-	-	-	-	-	-	-	-	-	-	-	-	37,855
Due from other governments	2,238	-	-	-	-	-	-	-	-	-	100,000	-	-	102,238
Interest receivable	15,105	-	-	-	-	-	-	-	-	-	-	-	-	15,105
Total assets	<u>\$ 6,292,733</u>	<u>\$ 34,263</u>	<u>\$ 120,917</u>	<u>\$ (33,996)</u>	<u>\$ 16,318</u>	<u>\$ 1,672</u>	<u>\$ 57,199</u>	<u>\$ 26,086</u>	<u>\$ 107,420</u>	<u>\$ -</u>	<u>\$ 168,214</u>	<u>\$ (26,513)</u>	<u>\$ 347,217</u>	<u>\$ 7,111,530</u>
LIABILITIES AND FUND BALANCE														
Liabilities														
Accounts payable and accrued expense	\$ 756,945	\$ 731	\$ 85	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,950	\$ -	\$ 83,095	\$ -	\$ -	\$ 843,806
Deposits and other liabilities	15,105	-	-	-	-	-	-	-	-	-	-	-	-	15,105
Unearned revenue	157,802	-	-	-	-	-	-	-	-	-	-	-	-	157,802
Total liabilities	<u>929,852</u>	<u>731</u>	<u>85</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,950</u>	<u>-</u>	<u>83,095</u>	<u>-</u>	<u>-</u>	<u>1,016,713</u>
Fund Balance														
Assigned	-	-	120,832	-	16,318	-	57,199	26,086	-	-	85,119	-	-	305,554
Social service programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	<u>5,362,881</u>	<u>33,532</u>	<u>-</u>	<u>(33,996)</u>	<u>-</u>	<u>1,672</u>	<u>-</u>	<u>-</u>	<u>104,470</u>	<u>-</u>	<u>-</u>	<u>(26,513)</u>	<u>347,217</u>	<u>5,789,263</u>
Total fund balance	<u>5,362,881</u>	<u>33,532</u>	<u>120,832</u>	<u>(33,996)</u>	<u>16,318</u>	<u>1,672</u>	<u>57,199</u>	<u>26,086</u>	<u>104,470</u>	<u>-</u>	<u>85,119</u>	<u>(26,513)</u>	<u>347,217</u>	<u>6,094,817</u>
Total liabilities and fund balance	<u>\$ 6,292,733</u>	<u>\$ 34,263</u>	<u>\$ 120,917</u>	<u>\$ (33,996)</u>	<u>\$ 16,318</u>	<u>\$ 1,672</u>	<u>\$ 57,199</u>	<u>\$ 26,086</u>	<u>\$ 107,420</u>	<u>\$ -</u>	<u>\$ 168,214</u>	<u>\$ (26,513)</u>	<u>\$ 347,217</u>	<u>\$ 7,111,530</u>

CITY OF PACIFIC GROVE

COMBINING GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014

	General Fund Operating	Hyperbaric Chamber	Civic Center	People's Desalination Project	Drug Awareness	Asset Seizure	Lovers Point Pool	Recreation Donation	Operating Donations	Vehicle Replacement	Storm Water	Consolidated Investment	Koo Donation	Total General Funds
Revenue														
Taxes	\$ 15,500,875	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,500,875
Licenses, permits and impact fees	424,170	-	-	-	-	-	-	-	-	-	-	-	-	424,170
Intergovernmental	18,692	-	-	-	-	-	-	-	-	-	100,000	-	-	118,692
Charges for services	982,813	-	-	-	-	-	-	-	-	-	-	-	-	982,813
Fines and forfeitures	50,370	-	-	-	-	-	-	-	-	-	-	-	-	50,370
Use of money and property	187,529	130	8	-	77	8	258	122	540	-	7	80,924	1,317	270,920
Donations and other revenue	140,039	12,428	101,798	-	2,000	-	42,469	6,523	23,000	-	-	-	345,900	674,157
Total revenue	17,304,488	12,558	101,806	-	2,077	8	42,727	6,645	23,540	-	100,007	80,924	347,217	18,021,997
Expenditures														
General government	2,511,829	-	511	843	-	-	-	-	8,532	-	-	-	-	2,521,715
Community development	1,060,560	-	-	-	-	-	-	-	-	-	-	-	-	1,060,560
Public works	2,381,144	-	-	-	-	-	-	-	-	-	455,636	-	-	2,836,780
Recreation	390,315	-	-	-	-	-	4,208	2,725	-	-	-	-	-	397,248
Library	682,335	-	-	-	-	-	-	-	-	-	-	-	-	682,335
Museum	188,713	-	-	-	-	-	-	-	-	-	-	-	-	188,713
Public safety														
Police	4,158,850	-	-	-	1,360	-	-	-	-	-	-	-	-	4,160,210
Fire	2,320,618	9,559	-	-	-	-	-	-	-	-	-	-	-	2,330,177
Capital outlay	66,686	-	-	-	-	-	-	-	-	-	-	-	-	66,686
Debt service														
Principal	1,160,215	-	216,521	-	-	-	-	-	-	44,844	-	-	-	1,421,580
Interest and fiscal charges	652,646	-	6,272	-	-	-	-	-	-	5,433	-	-	-	664,351
Total expenditures	15,573,911	9,559	223,304	843	1,360	-	4,208	2,725	8,532	50,277	455,636	-	-	16,330,355
Revenue over (under) expenditures	1,730,577	2,999	(121,498)	(843)	717	8	38,519	3,920	15,008	(50,277)	(355,629)	80,924	347,217	1,691,642
Other financing sources/(uses)														
Operating transfers in/(out) - net	(421,142)	-	175,000	-	-	-	-	-	-	50,277	400,000	-	-	204,135
	(421,142)	-	175,000	-	-	-	-	-	-	50,277	400,000	-	-	204,135
Change in Fund Balance	1,309,435	2,999	53,502	(843)	717	8	38,519	3,920	15,008	-	44,371	80,924	347,217	1,895,777
Fund Balance														
Beginning of year	4,053,446	30,533	67,330	(33,153)	15,601	1,664	18,680	22,166	89,462	-	40,748	(107,437)	-	4,199,040
End of year	\$ 5,362,881	\$ 33,532	\$ 120,832	\$ (33,996)	\$ 16,318	\$ 1,672	\$ 57,199	\$ 26,086	\$ 104,470	\$ -	\$ 85,119	\$ (26,513)	\$ 347,217	\$ 6,094,817

CITY OF PACIFIC GROVE

STATEMENT OF NET POSITION – COMBINING INTERNAL SERVICE FUNDS JUNE 30, 2014

	<u>Employee Benefit</u>	<u>Workers Comp</u>	<u>Liability Insurance</u>	<u>Total Internal Service Funds</u>
ASSETS				
Cash and investments	\$ 254,152	\$ 38,212	\$ 105,071	\$ 397,435
Restricted cash and investments	-	-	450,000	450,000
Total assets	<u>\$ 254,152</u>	<u>\$ 38,212</u>	<u>\$ 555,071</u>	<u>\$ 847,435</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	\$ 9,058	\$ 365	\$ 12,873	\$ 22,296
Total current liabilities	<u>9,058</u>	<u>365</u>	<u>12,873</u>	<u>22,296</u>
Non-current liabilities				
Claims payable	-	1,010,923	-	1,010,923
Compensated absences	-	8,187	8,187	16,374
Total noncurrent liabilities	<u>-</u>	<u>1,019,110</u>	<u>8,187</u>	<u>1,027,297</u>
Total liabilities	<u>9,058</u>	<u>1,019,475</u>	<u>21,060</u>	<u>1,049,593</u>
NET POSITION				
Restricted for insurance reserve	-	-	450,000	450,000
Unrestricted/(deficit)	<u>245,094</u>	<u>(981,263)</u>	<u>84,011</u>	<u>(652,158)</u>
Total net position	<u>\$ 245,094</u>	<u>\$ (981,263)</u>	<u>\$ 534,011</u>	<u>\$ (202,158)</u>

CITY OF PACIFIC GROVE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – COMBINING INTERNAL SERVICE FUNDS YEAR ENDED JUNE 30, 2014

	Employee Benefit	Workers Comp	Liability Insurance	Total Internal Service Funds
Operating Revenue				
Charges for services	\$ 289,226	\$ 717,774	\$ 289,525	\$ 1,296,525
Other	-	-	-	-
Total operating income	<u>289,226</u>	<u>717,774</u>	<u>289,525</u>	<u>1,296,525</u>
Operating Expense				
Contractual services and utilities	197,710	958,996	267,915	1,424,621
Personnel	-	18,070	18,002	36,072
Total operating expense	<u>197,710</u>	<u>977,066</u>	<u>285,917</u>	<u>1,460,693</u>
Operating income/(loss)	<u>91,516</u>	<u>(259,292)</u>	<u>3,608</u>	<u>(164,168)</u>
Nonoperating Revenue/(Expense)				
Interest income	395	119	1,196	1,710
Interest expense	-	-	-	-
Total nonoperating revenue/(expense)	<u>395</u>	<u>119</u>	<u>1,196</u>	<u>1,710</u>
Net income/(loss) before transfers	91,911	(259,173)	4,804	(162,458)
Operating Transfers In/(Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>91,911</u>	<u>(259,173)</u>	<u>4,804</u>	<u>(162,458)</u>
Net Position				
Beginning of year	153,183	(722,090)	529,207	(39,700)
End of year	<u>\$ 245,094</u>	<u>\$ (981,263)</u>	<u>\$ 534,011</u>	<u>\$ (202,158)</u>

CITY OF PACIFIC GROVE

STATEMENT OF FUND BALANCES

JUNE 30, 2014

Type	Fund	Fund #	Balance
General	General Fund Operating	01	5,362,881
General	Hyperbaric Chamber	04	33,532
General	Civic Center	14	120,832
General	People's Desalination Project	19	(33,996)
General	Drug Awareness	21	16,318
General	Asset Seizure	22	1,672
General	Lovers Point Pool	24	57,199
General	Recreation Donation	25	26,086
General	Operating Donations	31	104,470
General	Vehicle Replacement	32	-
General	Storm Water	44	85,119
General	Consolidated Investment	02	(26,513)
General	Koo Donation	93	347,217
	General Fund		<u>6,094,817</u>
Enterprise	Cemetery	75	561,137
Enterprise	Golf Course	77	3,046,950
Enterprise	Sewer Operating	76	13,546,054
Enterprise	Sewer Lateral Loans	78	200,000
	Sewer Fund		<u>13,746,054</u>
Internal Service	Employee Benefits	70	245,094
Internal Service	Workers Compensation	71	(981,263)
Internal Service	Liability Insurance	72	534,011
	Internal Service Fund		<u>(202,158)</u>
Special Revenue	Carillon Acquisition & Maintenance	03	9,309
Special Revenue	State Franchise PEG	06	348,374
Special Revenue	Library Building & Equipment	07	9,028
Special Revenue	Museum Improvement	08	459,197
Special Revenue	Downtown Business District	09	1,715
Special Revenue	Hospitality Improvement District	10	(36,358)
Special Revenue	Library Book	11	23,927
Special Revenue	Fire Dept. Emergency Equipment	12	125,756
Special Revenue	Operating Grants	30	-
Special Revenue	McIndoo Donation	92	101,369
Special Revenue	State Gas Tax	18	239,731
Special Revenue	Environmental Enhancement	05	267,632
Special Revenue	Chautauqua Hall Preservation	26	19,629
Special Revenue	Lighthouse Maintenance & Improvement	27	66,542

CITY OF PACIFIC GROVE

STATEMENT OF FUND BALANCES (CONTINUED)

JUNE 30, 2014

Type	Fund	Fund #	Balance
Special Revenue	Senior Housing Fund	28	9,679
Special Revenue	Housing Program	15	326,204
Special Revenue	Housing Rehabilitation Revolving Loans	34	21,748
Special Revenue	CalHOME Reuse	36	88,584
Special Revenue	Yount Trust Income	41	83,676
Special Revenue	Public Safety Augmentation	42	427,920
Special Revenue	Supplemental Law Enforcement	43	(19,827)
Special Revenue	Poetry Promotion	40	55,745
Capital Projects	Buildings & Facilities Improvement	61	561,362
Debt Service	Butterfly Habitat Bond	54	70,151
Permanent	Library Endowment Trust	85	530,790
Permanent	Cemetery Endowment Trust	86	1,186,705
Permanent	Yount Trust	90	841,004
Total			<u>\$ 29,066,392</u>