

CITY OF PACIFICA

CALIFORNIA

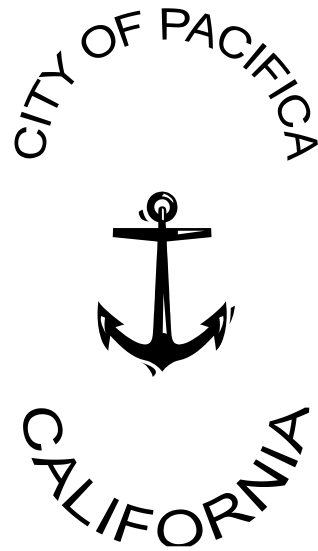
COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2012

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For Fiscal Year Ended June 30, 2012



PREPARED BY
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CITY OF PACIFICA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

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Scenic Pacifica

CITY OF PACIFICA

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www.cityofpacifica.org

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Len Stone

MAYOR PRO TEM
Mary Ann Nihart

COUNCIL
Sue Digre
Karen Erwin
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• **Code Enforcement**

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FAX (650) 738-9747

March 26, 2013

Honorable Mayor, Members of the City Council,
City Manager and Citizens of the City of Pacifica, California

California government Code sections 25250 and 25253 require that every general-purpose local government publish with the close of each fiscal year a complete set of audited financial statements. The Comprehensive Annual Financial Report (CAFR) of the City of Pacifica, California, for the fiscal year ended June 30, 2012, is hereby published to fulfill this requirement.

Management assumes full responsibility for the completeness and reliability of the information contained in the CAFR. To provide a reasonable basis for making these representations, management has established a comprehensive framework of internal control that is designed both to protect the government'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 generally accepted accounting principles (GAAP). As the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

This report consists of management's representations concerning the finances of the City of Pacifica. As management, I assert that, to the best of my knowledge and belief, this financial report is complete and reliable in all material respects. Further, every attempt has been made to conform to the highest standards of public financial reporting as set forth by the following organizations:

- Governmental Accounting Standards Board (GASB);
- American Institute of Certified Public Accountants and its Committee on Governmental Accounting and Auditing;
- Government Finance Officers Association of the United States and Canada; and
- California Society of Municipal Finance Officers.

The City's independent audit is meant to provide reasonable assurance that its financial statements are free of material misstatement. The audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The City's independent auditor, Moss, Levy & Hartzheim, LLP, has issued an unqualified ("clean") opinion on the

City of Pacifica's financial statements for the fiscal year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

In addition to meeting the requirements set forth by State law, the audit is also designed to meet the requirements of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133. The standards governing Single Audit engagements require the auditor to report on the City's internal controls and compliance with certain legal requirements with special emphasis on the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

City of Pacifica Profile

The City of Pacifica is a full service city located on the Pacific Coast in San Mateo County directly south of San Francisco. Located within the Bay Area Peninsula, it is framed by the ridges of the Coast Range on the east, Montara Mountains on the south, and the Pacific Ocean on the west. The City of Pacifica encompasses roughly 12.6 square miles (of which approximately one third is publicly owned open space), is largely built out, and serves a population of approximately 38,000. A combination of residential, office and commercial retail businesses, and natural open space, comprise the makeup of the City. The City of Pacifica, while located in the midst of a major metropolitan region, is a unique family-oriented coastal community that prides itself on fostering a "small town" feel. The City's geographic setting, its proximity to San Francisco and the San Francisco International Airport, along with its natural open space and coastal beauty, make it a desirable place to live and work.

The City of Pacifica is a General Law City incorporated in 1957 and operates under the Council-Manager form of government. Legislative authority is vested in a five-member City Council elected at large for four-year overlapping terms. The Mayor is selected each year by a majority vote of the other Council members. The City Council members also serve as the governing board members of the Pacifica Redevelopment Agency, and the City Manager serves as its Executive Director. The Council appoints the City Manager and the City Attorney. Key advisory commissions include Planning and Parks, Beaches and Recreation.

The City provides the following services to its residents: public safety (police and fire), highways and streets, sanitation, parks, beaches, and recreation, social services, planning and zoning, and leadership through general administrative services.

The City is part of a countywide paramedic program that became fully operational during Fiscal Year 1998-99. Water, garbage, gas and electric utilities are provided directly through private agencies not under City operations.

Economic and Financial Outlook

During the 2011-2012 fiscal year global economies have struggled. Europe continues to struggle with the economic instability caused by overwhelming financial institutions' debt defaults. The United States continues to battle a stagnant job market with unemployment rates around 8%. Consumer spending, new home construction and other consumer dependent industries have continued to be depressed within this recession. California ranks second highest in the country for unemployment with rates at 10.7%. San Mateo County's unemployment rate fares better at 8.6% and indicates growth continuance due to the Bay Area's diverse economic base and

geographically contained commerce. Silicon Valley tech continues to drive improvements in the overall Bay Area economy and conversely push housing prices and consumer goods.

Pacifica's coastal location on the Bay Area Peninsula with its natural open space and coastal beauty, along with its proximity to the San Francisco International Airport and its visitor-serving resources, continues to be an asset for development in the City.

While residential development has reached near build out conditions, commercial development potential is high in Pacifica as several commercially zoned sites are in various phases of the permit process and other commercial sites remain undeveloped or underdeveloped. The City and the Pacifica Chamber of Commerce are active in encouraging resident and visitor-serving business startups. The City and City Council have been working with an Economic Development Committee made up of citizens and business leaders to implement short and long-term economic development strategies to improve the business climate. The Committee successfully hosted a series of events that highlighted opportunities in vacant storefronts, provided forums for the development of entrepreneur/start-up activities and has provided support for the Palmetto Streetscape improvement project and the Beach Boulevard Development.

The City continues to look to the possible commercial development of the quarry area adjacent to the former Rockaway Beach Redevelopment Area and the City's state of the art water recycling facility. The area is commercially zoned and privately owned. The City has made significant improvements to the area with recreational trails and the recycled water from the treatment plant nourishes a beautiful wetlands and creek that also provides irrigation water for public areas.

The City of Pacifica has continued to be fiscally conservative in both financial investments per the City's Investment Policy as well as decisions regarding use of reserves. The City Council's fiscally conservative approach as well as the development of a Five Year Financial Plan and creation of a Financing City Services Task Force continues to provide guidance in these uncertain, and at times, volatile economic times. The FY 2012-13 budget was adopted in June 2012 as a balanced budget using no reserves. The balanced budget was due in part to the ongoing efforts of the City Council's Financing City Services Task Force 5 year Financial Plan that carefully outlined strategies that reduced expenditures through negotiated labor agreements and explored options for increased revenues.

The City remains vigilant in its efforts to continue to provide essential City services while continuing to grapple with fluctuations in revenues, reserves and resources. The City continues to maintain sufficient levels of fiscal control and accountability,

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the general fund, special revenue funds, debt service fund, and internal service funds are included in the annual appropriated budget. The Capital Projects budget reflects existing projects that do not lapse at year-end, but are carried forward until completion of the project.

The City Council conducts public hearings before adopting the budget, thus giving the public an opportunity to be heard. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the department level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of department balances are not released until additional appropriations are made available. Unexpended budget appropriations lapse at the end of the fiscal year with the exception of capital improvement projects.

The City Manager is responsible for the preparation of the budget, and along with the Director of Administrative Services, is responsible for monitoring the budget for legal compliance.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Report to the City of Pacifica for its comprehensive annual financial report for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and effectively organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Our goal is to publish financial information that is helpful to policy leaders and City managers. Preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the City of Pacifica Finance Department, including: Sandra McClellan, Assistant Finance Director; Ed Vandehey, Information Technology Manager; Gillian Cadgene, Administrative Assistant; Carol Luebben, Account Technician III, Vivian Penaredondo, Account Technician III, and Manuel Ferrer, Systems Specialist. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report.

I would also like to thank the members of the Pacifica City Council and the City Manager for their interest and support in planning and conducting the financial operations of the City in a responsible and conservative manner in the best interests of the Citizens of Pacifica.

Respectfully submitted,



Ann E. Ritzma
Administrative Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pacifica
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

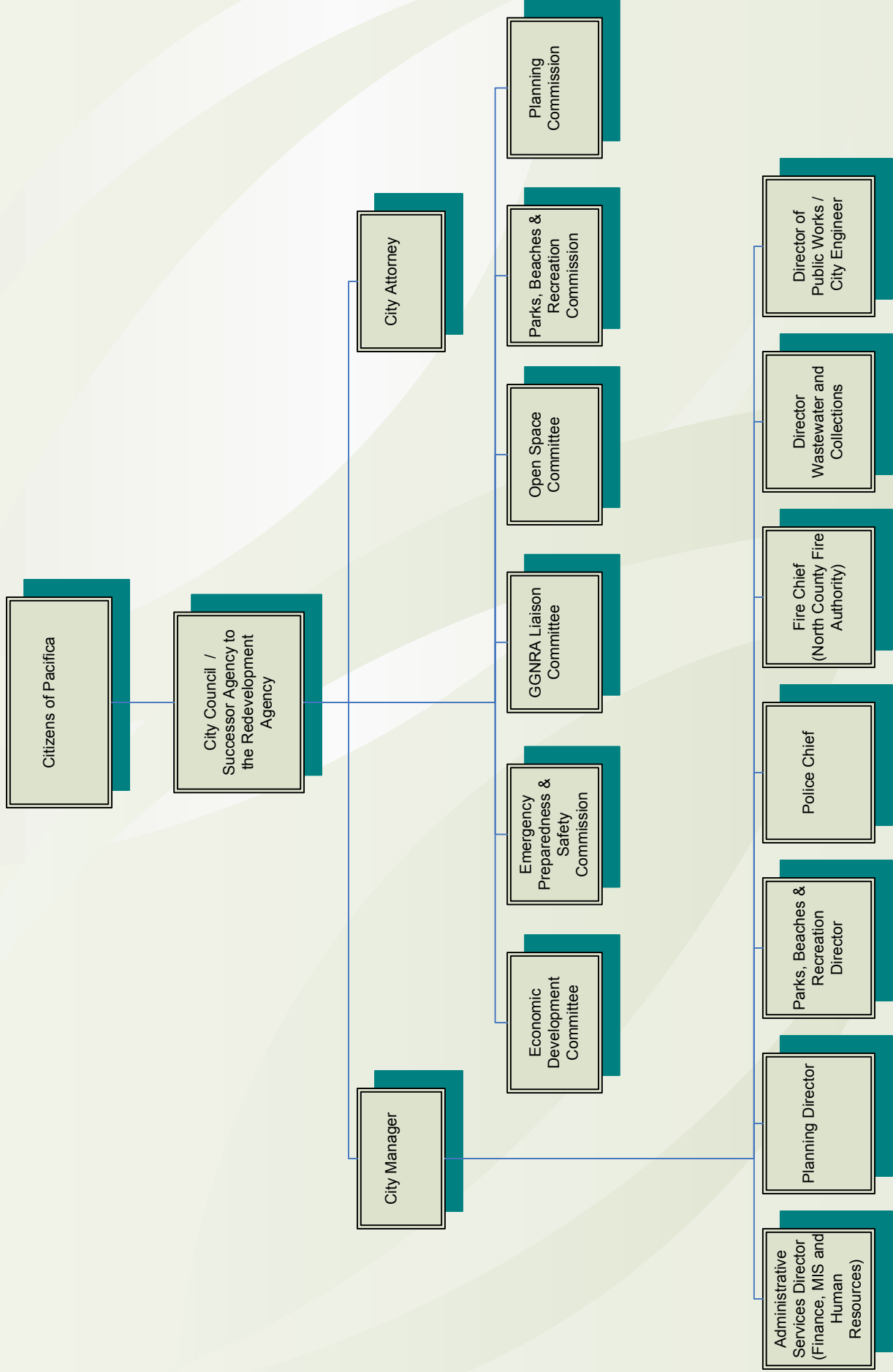
President

Jeffrey R. Emsw

Executive Director

City of Pacifica, California

◀ Fiscal Year 2011-2012 ▶



CITY OF PACIFICA, CALIFORNIA

HONORABLE PETE DE JARNATT
Mayor

LEN STONE
Mayor Pro Tem

SUE DIGRE MARY ANN NIHART
JAMES M. VREELAND, JR.
Members of City Council

* * * * *

STEPHEN RHODES
City Manager

* * * * *

OTHER ADMINISTRATIVE OFFICERS

ANN RITZMA	Administrative Services Director
JAMES TASA	Police Chief
RON MYERS	Fire Chief
GEORGE WHITE	Director of Planning & Building
VAN OCAMPO	Director of Public Works/City Engineer
MICHAEL PEREZ	Director of Parks, Beaches & Recreation
DAVE GROMM	Director of Wastewater Collection & Plant Operation

* * * * *

OFFICIAL BOARDS AND COMMISSIONS

EMERGENCY PREPAREDNESS & SAFETY COMMISSION

PARKS, BEACHES AND RECREATION COMMISSION

PLANNING COMMISSION

OPEN SPACE COMMITTEE

GGNRA LIASON COMMITTEE

ECONOMIC DEVELOPMENT COMMITTEE

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FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Pacifica
Pacifica, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pacifica (City), as of and for the fiscal year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012 and the respective changes in financial position and cash flows where applicable, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements effective July 1, 2011, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits - Schedule of Funding Progress, general fund budgetary comparison schedule, gas tax special revenue fund budgetary comparison schedule, and davies trust special revenue fund budgetary comparison schedule on pages 3 through 16, page 68, and pages 69 through 72 respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The general capital improvement capital projects fund budgetary comparison schedule, redevelopment agency - Rockaway Beach capital projects fund budgetary comparison schedule, debt service fund budgetary comparison schedule, combining and individual nonmajor governmental fund financial statements and schedules, internal service fund financial statements, introductory section, and the statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The general capital improvement capital projects fund budgetary comparison schedule, redevelopment agency - Rockaway Beach capital projects fund budgetary comparison schedule, debt service fund budgetary comparison schedule, combining and individual nonmajor governmental fund financial statements and schedules, and the internal service fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim LLP
Culver City, California
March 26, 2013

CITY OF PACIFICA, CALIFORNIA MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of Pacifica provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual Comprehensive Annual Financial Report (CAFR) consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

After the introductory section, the annual report consists of five parts – *the independent auditor's report and management's discussion and analysis* (this section), *basic financial statements including notes, required supplementary information*, an optional section that presents *combining statements* for non-major governmental funds and internal service funds, and a *statistical information section*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.
 - The *governmental fund* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates like businesses, such as the sewer system.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provides additional financial and budgetary information.

Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the year's fiscal activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole, and about its activities in a way that helps answer this question.

These statements include *all* assets and liabilities using the *full accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current fiscal year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases and decreases* in the City's net assets is one indicator of whether the City's *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

CITY OF PACIFICA, CALIFORNIA
MANAGEMENT’S DISCUSSION AND ANALYSIS

In the Statement of Net Assets and the Statement of Activities, we divide the City’s services into two kinds of activities:

- Governmental activities – Most of the City’s basic services are reported here. Sales taxes, property taxes, state subventions, and other revenues, which finance most of the governmental activities.
- Business-type activities – The City charges a user fee to customers to help it cover all or most of the cost of the services accounted for in these funds.

Reporting the City’s Most Significant Funds

The **fund financial statements** provide detailed information about the City’s most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. City Council establishes many other funds to help control and manage money for particular purposes, or to show that administrative responsibilities are being met for using certain taxes, grants, or other money. The City’s funds can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

- *Governmental funds* – Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at fiscal year-end that are available for spending. These funds are reported using the *modified accrual* basis of accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City’s general government operations and the basic services provided. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship or differences between *governmental activities* as reported in the Statement of Net Assets and Statement of Activities, and *governmental funds* as reported in the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances, in two reconciliations.

The governmental funds financial statements and reconciliations may be found on pages 20 to 26 of this report.

- *Proprietary funds* – When the City charges customers for services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide additional information such as cash flows for the proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide services and supplies exclusively to the City’s other programs and activities. These revenues are eliminated in the City-wide financial statements, and any related profits or losses are returned to the activities which created them, along with any residual net assets of the internal service funds.

The proprietary fund financial statements may be found on pages 27 to 30 of this report.

- *Fiduciary Funds* – Are used to account for assets held by the City in trustee or custodial capacity for individuals, private organizations, other governments, and/or other funds. Fiduciary funds are not reflected in the City-wide financial statements because the resources of those funds are not available to support the City’s programs. Only assets, liabilities, net assets, and changes in fiduciary net assets are reported for these funds.

The fiduciary fund financial statements may be found on pages 31 to 32 of this report.

Notes to the Financial Statements

Notes to the Financial Statements provide additional information that is essential to the full understanding of the information provided in the government-wide and fund financial statements.

The notes to the Financial Statements may be found on pages 33 to 65 of this report.

CITY OF PACIFICA, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Future:

The State of California continues to be in fiscal crisis and will be, over the coming months, determining how to deal with significant financial shortfalls. The City of Pacifica will continue to be impacted by the State's crisis. There were several actions taken by the State that impacted the City's finances including delay of payments and suspension of SB 90 mandates, and the dissolution of Redevelopment Agencies. The dissolution of Redevelopment Agencies greatly impacted cities throughout the State of California. The City now has two private-purpose trust funds for the Redevelopment Agency's Successor Agency activities. See pages 31, 32, 105 and 106 for more information on these two new funds. Payment delays essentially result in transfer of interest earnings by the City to the State.

The City anticipates flat revenue from interest earned in the Local Agency Investment Fund (LAIF). The City of Pacifica, as well as many of other cities, deposits funds with LAIF, the State Investment Pool. The City also anticipates flat property tax revenue as recently acquired properties are assessed at lower property values and non-transferred property reassessments are completed through the County. The "trickle down effect" of the economic slow down continues to influence the City's revenue from property taxes to permitting for remodeling. Unique to cities in San Mateo, Napa and Marin counties, the City of Pacifica has been the recipient of excess Educational Revenue Augmentation Funds (ERAF) for the past five years. These funds are excess property tax revenue that was collected by the county for school funding and when the amount exceeds the need, the excess is returned to the taxing entities. The one-time distribution of excess ERAF has contributed to increased property tax revenues.

The City began budget reductions in March of 2007 to address an ongoing annual structural deficit of \$2.8 million. In January 2010, a citizen taskforce developed and recommended to the City Council a five-year financial plan that addressed the structural deficit through a combination of reductions or caps in personnel expenditures, three new revenue measures and use of general reserves to bridge the first three years of the deficit. The City Council adopted the five-year financial plan and began implementation of the plan with labor negotiations and measures presented to voters and property owners. The City successfully negotiated six new labor contracts that significantly reduced or capped personnel related expenditures through salary reductions, pension cost sharing and benefit plan restructuring in accordance with the five-year plan. In November 2010, voters approved an increase to the Transient Occupancy Tax (TOT), the first of the three revenue measures. In April 2011, property owners did not support a Fire Suppression Assessment and the City Council, per the Financial Plan, reduced the FY 2011/12 Budget by \$1.5 million. The FY 2012/13 Budget was adopted as a balanced budget implementing additional reductions in expenditures and a series of increases in revenues.

The City has formed an Economic Development Committee comprised of Council, citizens and business owners to develop strategies to improve the business climate of the City and provide the City Council with an Economic Development Plan. The Economic Development Committee hosted several business events that promoted available retail space, encouraged entrepreneur opportunities and supported the City's two economic development projects – the Beach Boulevard property and the Palmetto Streetscape Improvement project.

Highlights of the past fiscal year are as follows:

- Total City assets exceeded its liabilities by \$88.8 million. Of this amount, \$10.6 million represents unrestricted net assets.
- The Statement of Activities for governmental activities shows revenues of \$30.0 million (including transfers), compared with total expenses of \$30.0 million, resulting in no decrease/increase in total net assets. One extraordinary item shows as an increase in total net assets for the current fiscal year of approximately \$5.6 million—the Gain on transfer of assets and liabilities to RDA successor trust funds. This was due to the dissolution of the Redevelopment Agency.
- Total Governmental Fund balances were \$11.7 million at fiscal year-end, an increase of \$2.4 million from the previous fiscal years restated balance of \$9.3 million. The prior period adjustment of \$3.5 million is from the reclassification of the Roy Davies Trust Fund from a trust fund to a Special Revenue Fund.
- General fund revenues were \$25.6 million compared with general fund expenses of \$22.9 million, and transfers out of \$3.2 million, resulting in a net decrease in fund balance of \$.5 million, for an ending fund balance of \$3.6 million, as shown on page 24 of this report.

CITY OF PACIFICA, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Net Assets

Net assets are a measure of a government's financial position and, over time, a trend of increasing or decreasing net assets is an indicator of the financial health of the organization. The City of Pacifica's assets exceeded liabilities by \$88,751,062. A statement of net assets is presented in the following table.

Statement of Net Assets
June 30, 2011 and 2012

Table 1

	Governmental Activities	Governmental Activities	Business - Type Activities	Business - Type Activities	Primary Government	Primary Government
	2011	2012	2011	2012	2011	2012
Current and other Assets	\$ 35,422,530	\$ 40,410,252	\$ 11,582,463	\$ 11,453,131	\$ 47,004,993	\$ 51,863,383
Capital Assets	68,384,214	69,244,187	45,934,687	45,397,335	114,318,901	114,641,522
Total Assets	103,806,744	109,654,439	57,517,150	56,850,466	161,323,894	166,504,905
Long-term Debt Outstanding	42,811,807	39,846,280	36,566,306	34,308,824	79,378,113	74,155,104
Other Liabilities	2,591,899	2,454,870	1,225,847	1,143,869	3,817,746	3,598,739
Total Liabilities	45,403,706	42,301,150	37,792,153	35,452,693	83,195,859	77,753,843
Net Assets:						
Invested in Capital , Net of Debt	53,739,513	54,455,020	14,179,807	15,462,599	67,919,320	69,917,619
Restricted	7,557,974	8,216,813			7,557,974	8,216,813
Unrestricted	(2,894,449)	4,681,456	5,545,190	5,935,174	2,650,741	10,616,630
Total Net Assets	\$ 58,403,038	\$ 67,353,289	\$ 19,724,997	\$ 21,397,773	\$ 78,128,035	\$ 88,751,062

Net assets invested in capital assets (e.g., land, buildings, equipment and infrastructure) of \$69,917,619 (page 17) represents the cost of these assets, less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt must be provided for from sources other than the related assets, because the capital assets themselves cannot be used to repay these debts.

Restricted net assets of \$8,216,813 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$10,616,630 may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Total Primary Government net assets increased by \$10,623,027. This increase in the City's net assets is made up of an increase of \$8,950,251 from current year governmental activities (including a prior period adjustment of \$3,429,632) plus an increase of \$1,672,776 from business-type activities. The governmental activities net assets increased 15.3% from \$58,403,038 at June 30, 2011 to \$67,353,289 at June 30, 2012. The net assets of the City's business-type activities increased 8.5% from \$19,724,997 at June 30, 2011 to \$21,397,773 at June 30, 2012, as shown in Table 2 below. Net assets of Total Primary Government activities, which include both Governmental Activities and Business-Type Activities, increased 13.6% from \$78,128,035 at June 30, 2011 to \$88,751,062 at June 30, 2012.

The net assets (financial position) of the City changed as a result of the revenue and expense fluctuations by \$10,623,027 as shown in the table below for the governmental and business-type activities of the City.

CITY OF PACIFICA, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

A summary of the Government-wide Statement of Activities follows:

Activities & Changes in Net Assets – Fiscal Years Ended June 30, 2011 and 2012

Table 2

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total Primary Government	Total Primary Government	Total %
	2011	2012	2011	2012	2011	2012	Change
Program Revenues:							
Charges for Services	\$ 4,058,439	\$ 4,151,710	\$ 11,694,198	\$ 11,980,789	\$ 15,752,637	\$ 16,132,499	2%
Operating Grants	1,980,279	1,726,522			1,980,279	1,726,522	-13%
Capital Grants	2,348,301	3,519,266			2,348,301	3,519,266	50%
General Revenues:							
Property Taxes	10,564,253	10,434,510			10,564,253	10,434,510	-1%
Sales and Use Taxes	1,434,710	1,519,978			1,434,710	1,519,978	6%
Franchise Taxes	1,565,634	1,595,929			1,565,634	1,595,929	2%
Other Taxes	2,712,005	3,005,388			2,712,005	3,005,388	11%
Investment Earnings	192,620	334,475	25,872	16,479	218,492	350,954	61%
Motor Vehicle in Lieu-unrestricted	3,195,730	3,039,393			3,195,730	3,039,393	-5%
Other General Revenues	324,709	469,780			324,709	469,780	45%
Extraordinary Item-Gain on transfer of assets and liabilities to RDA successor trust funds		5,557,942				5,557,942	100%
Transfers		200,000		(200,000)			0%
Total Revenues	28,376,680	35,554,893	11,720,070	11,797,268	40,096,750	47,352,161	18%
Program Expenses:							
General Government	4,212,498	4,019,613			4,212,498	4,019,613	-5%
Community Development	1,549,299	1,631,678			1,549,299	1,631,678	5%
Public Safety	14,460,040	13,568,582			14,460,040	13,568,582	-6%
Public Works	4,881,082	4,688,440			4,881,082	4,688,440	-4%
Parks, Beaches & Recreation	3,919,199	4,005,189			3,919,199	4,005,189	2%
Sewer			10,944,059	10,124,492	10,944,059	10,124,492	-7%
Interest on long-term debt	2,174,281	2,120,772			2,174,281	2,120,772	-2%
Total Expenses	31,196,399	30,034,274	10,944,059	10,124,492	42,140,458	40,158,766	-5%
Increase(Decrease) Net Assets	(2,819,719)	5,520,619	776,011	1,672,776	(2,043,708)	7,193,395	-452%
Prior period adjustment		3,429,632				3,429,632	100%
Beginning Net Assets	61,222,757	58,403,038	18,948,986	19,724,997	80,171,743	78,128,035	-3%
Ending Net Assets	\$ 58,403,038	\$ 67,353,289	\$ 19,724,997	\$ 21,397,773	\$ 78,128,035	\$ 88,751,062	14%

Governmental Activities

Revenues for the City's governmental activities (including extraordinary item) increased by \$7,178,213 from \$28,376,680 in 2011 to \$35,554,893 in 2012. Total Primary Government revenue increased by \$7,255,411, from \$40,096,750 in 2011 to \$47,352,161 in 2012. Total governmental program expenses decreased by \$1,162,125 from \$31,196,399 in 2011 to \$30,034,274 in 2012. The cost of all primary *governmental activities* in fiscal year 2010-2011 was \$42.1 million compared to \$40.2 million for the 2011-2012 year. The amount that taxpayers ultimately financed for these activities through City taxes was \$19.6 million, as some of the costs were paid for by those who directly benefited from the programs (\$16.1 million), by other governments and organizations that subsidized certain programs with grants and contributions (\$5.2 million), investment earnings (\$0.4 million), other revenues (\$0.5 million), and an extraordinary item (\$5.6 million). The net changes in assets for both governmental and business type activities amounted to a \$10,623,027 increase in total net assets.

CITY OF PACIFICA, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

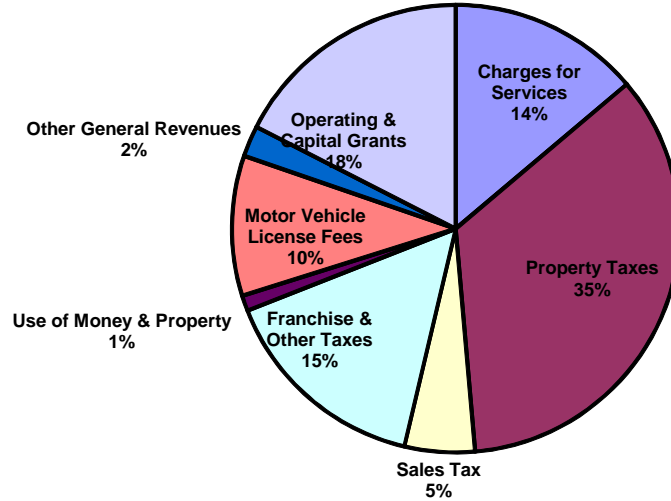
The reasons for significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

- One Extraordinary Item, labeled as *Gain on transfer of assets and liabilities to RDA successor trust funds*, shows a one-time revenue amount of \$5,557,942 due to the State's dissolution of Redevelopment Agencies.
- Charges for Services in total were up by \$93,271 from the previous fiscal year. This increase in part was due to the following: a decrease of \$56,535 from a full year's elimination of Business License processing fees. An increase of \$220,112 in Recreation fees from increased activity. Public Safety Fire OES reimbursements were down by \$11,547 and Police OES reimbursements were down by \$55,800 due to decreased Mutual Aid Emergencies. Fire Safety Inspections were up by \$74,748 due to the implementation of an annual business fire inspection fee. Vehicle Code Fines were down by \$52,706 due to lower incidents. Special Police services were down by \$26,790 due to elimination of State funding. Community Development services were up by \$61,402 due to increased permit fees activity. Engineering and Inspection Fees were up by \$17,098 due to increased activities.
- Operating Contributions and Grants revenue in total was down by \$253,757 from the previous fiscal year. General Government was up by \$18,372 mainly due to an increase of \$2,161 in Fines and Penalties, an increase of \$10,840 in ABAG funds, a decrease of \$9,167 due to a change in Garbage Franchise agreement, and an increase of \$15,000 in Legal Reimbursements. Public Safety was down \$38,336 due to a decrease in State and Local grants. Public Works was up by \$2,761. Parks, Beaches, and Recreation was down by \$236,554 mainly due to a decrease of \$222,469 in Childcare funding and a \$15,855 decrease in Senior Services funding.
- Capital Grant revenues were more than the previous fiscal year by \$1,170,965. These funds fluctuate each year as they are directly linked to the level of Capital Projects, their completion dates, and the guidelines of the grant reimbursements.
- Property Taxes came in \$129,743 lower overall in this recovering economy. Current Year Secured Taxes came in \$16,218 lower, Current Year Unsecured came in \$25,474 higher, Property Transfer Taxes came in \$20,569 higher, ERAF funds were up by \$31,196, Supplemental Property Taxes were down by \$20,690, RDA Secured Taxes were down by \$164,786 and RDA Unsecured down by \$5,288.
- Sales and Use Taxes came in \$85,268 higher than the previous fiscal year due to increased fuel prices.
- Franchise Taxes reflect an increase of \$30,295 over the previous fiscal year due to changes in the garbage Franchise Fee agreement.
- Other Taxes came in \$293,383 higher than the previous fiscal year. Transient Occupancy Tax increased \$341,785 due to a 2% ballot approved increase in Transient Occupancy Tax and increased hotel occupancy. Utility Users Tax decreased by \$29,517 due to decreased activity. Business License Tax decreased by \$18,885 due to decreased activity.
- Use of Money & Property was up by \$141,855 due to increase of interest earned with higher levels of funds held in LAIF, and increased activity in Property Rentals.
- Motor Vehicle License Fees came in \$156,337 lower than the previous fiscal year due in part to the elimination of the prior years' "cash for clunkers" program.
- Other General Revenues were up by \$145,071, mainly due to new Recycling Revenue Share of \$134,680 from changes in the garbage Franchise agreement, H.O.P.T.R. down by \$21,845, State Spec. Subv. SB-813 revenue up by \$23,334, Police Auction Sales up \$1,051, Police Officer Training Reimbursement down by \$2,255, SB 90-Mandated Costs Reimbursement down by \$7,066, Donations up by \$14,118, and Fines and Penalties up by \$2,161.
- General Government expenses, which includes Finance, Central Services and Non-Departmental, was lower in total than the previous fiscal year by \$192,885 primarily due to decreased operational expenses.
- Public Safety expenses came in \$891,458 lower than the previous fiscal year, due to full year realization of reductions in personnel which included outsourcing Police Dispatch, expansion of shared Fire services, and lower incidents of mutual aid responses.
- Community Development expenses came in \$82,379 higher, mainly due to additional outside service costs in relation to FEMA audit work.
- Public Works expenses came in \$192,642 lower than the previous fiscal year primarily due to full year realization of cost savings in outsourcing Tree, Lights and Street Sweeping services.

CITY OF PACIFICA, CALIFORNIA
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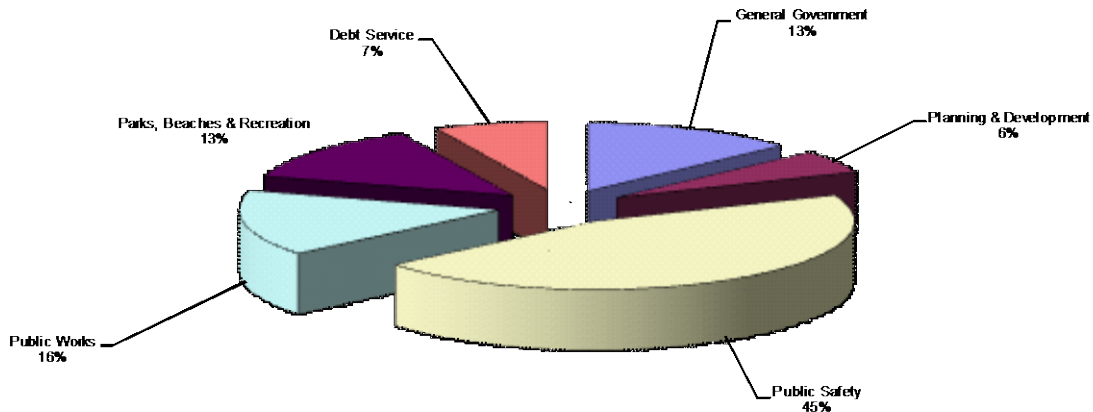
- Parks, Beaches & Recreation program expenses came in \$85,990 higher than the previous fiscal year due to increased spending in personnel hours and operating expenses in relationship to increased program activities.
- Sewer Operation expenses in total came in lower than the previous fiscal year by \$819,567. Operating costs increased by \$840,361 due to \$507,396 in personnel increases related to State mandated reporting, monitoring and capital improvements, a 2.7% overall increase in non-salary expenses, and depreciation increase of \$99,909. The transfer to Sewer Facility Construction Fund for Construction Projects decreased by \$1,264,666.

GOVERNMENTAL ACTIVITIES REVENUE SOURCES



The chart of revenues by source above, illustrates that property taxes at 35% of total governmental activity revenue is the single largest source of revenue for the City. It is also one of the most stable and consistent growth revenues. The major components of the governmental activity revenue sources are: Property taxes, motor vehicle license fees, sales and use tax, franchise fees, utility user fees, charges for services, grants, and intergovernmental revenues.

GOVERNMENTAL ACTIVITIES EXPENSES



The chart of expenses graphically portrayed above shows the relative proportion of expenses by function, as listed in the Statement of Activities and Changes in Net Assets on page 8 of the MD&A.

CITY OF PACIFICA, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities

The increase in business-type activities' net assets is \$1,672,776 and is made up of current year activity in the Sewer Enterprise Fund. The principal source of revenue for this fund is charges for usage, which is assessed on the basis of equivalent residential units (ERU). Revenues from the City's sewer operations (see Table 3) increased by 2.45 percent (\$286,591) from \$11,694,198 for fiscal year 2011 to \$11,980,789 for fiscal year 2012. There was a 3.40 percent increase in the sewer charge rate approved by Council in June 2011. There is an inverse relationship between the level of consumption of water and sewer rates. Sewer expenses, including both operating and non-operating expenses, increased \$295,652 from \$9,828,840 in 2011 to \$10,124,492 in 2012. This increase in expenses is due to Operating Expenses increase of \$375,992 and Non-Operating Expenses decrease of \$80,340. Bond interest expense and major maintenance expenses are also recorded in this fund.

Enterprise Sewer Fund

Table 3

	2011	2012	Difference
Operating Revenues	\$11,694,198	\$11,980,789	\$ 286,591
Operating Expenses	\$ 8,619,479	\$ 8,995,471	\$ 375,992
Operating Income(Loss)	\$ 3,074,719	\$ 2,985,318	\$ (89,401)

The internal service funds consist of motor pool and self-insurance general government costs.

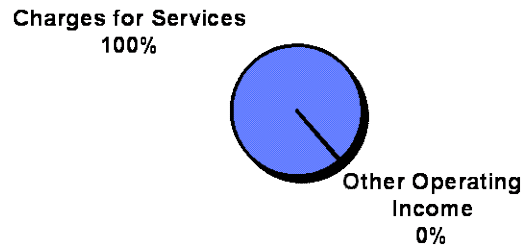
Internal Service Funds

Table 4

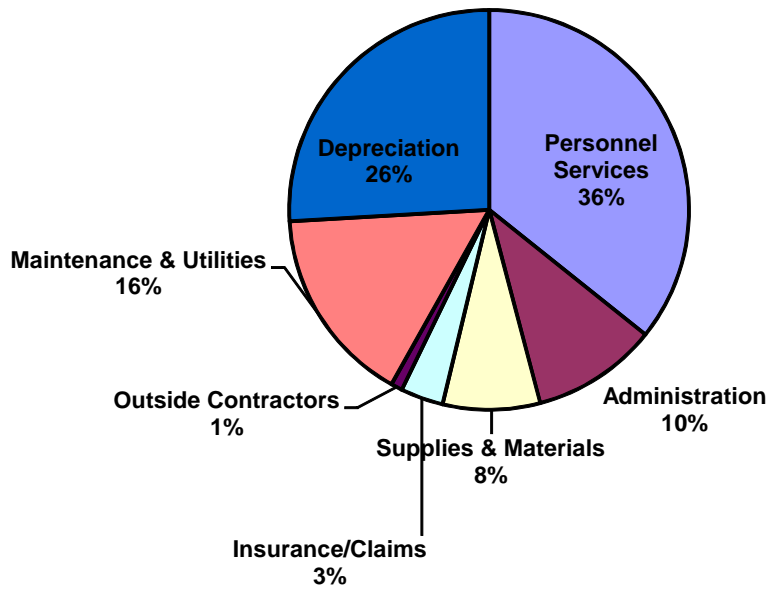
	2011	2012	Difference
Operating Revenues	\$2,588,062	\$1,321,245	\$1,266,817
Operating Expenses	\$2,378,637	\$2,000,194	\$378,443
Operating Income(Loss)	\$ 209,425	\$ -678,949	\$-888,374

CITY OF PACIFICA, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Revenues for Business-Type Activities



Operating Expenses for Business-Type Activities



CITY OF PACIFICA, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

MAJOR FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year 2011-2012, the City's governmental funds reported combined ending fund balances of \$11,684,032.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the general fund was \$3,621,097, representing a net decrease in general fund balance of \$456,738. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total fund expenditure, which shows that unassigned fund balance is 1% of general fund expenditures. Total "General Fund" revenue, as shown on page 24, this fiscal year was \$25,632,484 compared to \$25,316,218 in the prior fiscal year, a \$316,266 increase/difference. Some contributors to the increase/difference are described below:

- Property Taxes decreased \$130 thousand or 1.2%. Secured Property Taxes decreased by \$181 thousand from decline in the values of home sales/reappraisals, Unsecured Property Tax increased \$20 thousand, Property Transfer Tax increased by \$21 thousand, Supplemental Property Tax in-Lieu of Sales Tax decreased \$21 thousand, and the City's ERAF Refund increased by \$31 thousand.
- Sales and Use Taxes, including the ½ cent Public Safety Sales Tax, increased by \$85 thousand or 5.9% due to increased fuel costs.
- Transient Occupancy Taxes increased \$342 thousand or 44% due to a 2% ballot approved increase of the TOT rate and increased tourism.
- Utility Users Tax decreased \$30 thousand or 1.9% due to decreased activity.
- Franchise Tax increased \$30 thousand or 1.9% due to increased utility and cable fees.
- Business License Tax decreased \$19 thousand or 4.7% due to decreased activity.
- Licenses and Permits increased \$87 thousand due to increased activity and Fines and Forfeitures decreased \$53 thousand due to decreased activity.
- Use of Money and Property increased by \$72 thousand or 59.5% due to increased interest earned on higher LAIF balances retained and increased activity in property rentals.
- Intergovernmental Revenues decreased \$445 thousand or 9.1% due to decreases over the prior fiscal year in State funding for Childcare programs at \$223 thousand, Senior Services at \$16 thousand, Public Safety programs at \$47 thousand and Motor Vehicle License Fees at \$156 thousand.
- Other Revenues increased \$234 thousand or 15.8% due to \$135 thousand in the new Recycling Revenue Share, \$15 thousand in Legal Expense Reimbursements, \$60 thousand of RDA long-term debt payment, increased Miscellaneous Income of \$12 thousand, and increased Fines and Penalties of \$2 thousand.
- Charges for Current Services and Recreation Fees decreased \$29 thousand or 1.2%.

General Fund expenditures of \$22,891,265 decreased by \$2,272,820 over the previous fiscal year. Differences shown below:

- City Council expenditures decreased by \$30.6 thousand mostly due to cut backs of \$25 thousand in Council member's salary and benefits, \$2 thousand of departmental expenses, and \$3 thousand of advertising expense.
- City Manager's expenditures decreased by \$21.8 thousand due to decreased election costs of \$29 thousand, and net operating expenses increase of \$7.2 thousand.
- City Attorney expenditures decreased by \$153 thousand due to outsourcing city attorney legal costs.

CITY OF PACIFICA, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Human Resources expenditures decreased by \$19 thousand due to decreased contract legal services.
- Finance Division expenditures decreased by \$65 thousand due to decreased personnel and operating expenses.
- Non-Departmental expenditures decreased by \$136 thousand due to a \$132 thousand reallocation of annual employment risk insurance to Internal Service Fund, \$17 thousand from the elimination of salary and benefits expenses, \$50 thousand from operating expense reductions, and increase of \$63 thousand in retire health costs.
- Police Department expenditures decreased by \$1 million due to reductions in personnel and operational costs which included outsourcing Police Dispatch.
- Fire Department expenditures decreased by \$514 thousand due to decreased personnel costs with less mutual aid responses and continued savings with participation in shared administrative services.
- Planning & Community Development expenditures decreased by \$10 thousand due to decreased personnel and operating costs.
- Public Works Department expenditures decreased by \$248 thousand due to outsourcing Tree, Light and Street Sweeping services.
- Parks, Beaches & Recreation expenditures increased by \$33 thousand due to increased costs related to increased program activity.
- Capital Outlay decreased by \$109 thousand due to decreased fixed asset acquisitions.

Total General Fund Revenues exceeded General Fund Expenditures by \$2,741,219.

General Capital Improvement Fund

This fund accounts for construction financed by revenues derived from fees and apportionments from the General Fund. At the end of the current fiscal year, total fund balance of the General Capital Improvement Fund was \$675,018 of which all is restricted for capital projects. Total fund balance decreased \$449,302 from the prior fiscal year. Total revenue for this fund was \$207,655, made up of Capital Improvement Fees of \$10,194, Investment Earnings of \$11,511, and Intergovernmental Revenues of \$185,950. Total operating and project construction cost expenditures were \$548,920.

Former Redevelopment Agency – Rockaway Beach

This fund accounts for the revenues and expenditures related to the former redevelopment area projects in Rockaway Beach. The Redevelopment Area consists of 600 square acres. The Quarry is approximately 85 square acres of the area. At the end of the current fiscal year, total fund balance of the Redevelopment Agency Fund was zero representing a State take away of \$5,760,258. Total revenues of \$116,450 were made up of \$105,718 of Secured Property Taxes, \$10,802 of Unsecured Property Taxes, and \$-70 of Investment Earnings. Total expenditures of \$256,613 included \$242,793 of debt service, \$2,912 of County pass-thru and \$10,908 of operating expenses.

Gas Tax Fund

This fund was established to receive and expand the City's allocation of the State Gasoline Taxes. Funds are allocated on a population basis (per Federal Census) in accordance with Sections 2103, 2105, 2106, 2107 and 2107.5 of the California Street and Highway Code. Expenditures of money apportioned under Section 2107 may be made for any street purpose including construction and right of way purchases. At the end of the current fiscal year, total fund balance was \$2,517,472, all of which is restricted. Total revenue for this fund was \$2,470,700 made up of Intergovernmental Revenue at \$2,461,091, \$9,172 of Miscellaneous Revenue and \$437 from Investment Earnings. Funds were used for street repair and maintenance, pavement overlays, and repaving of the Manor overpass.

Davies Trust

The Davies Trust, as established, allows the City to utilize interest income for recreational programs. At the end of the current fiscal year, total fund balance of the Davies Trust Fund was \$3,458,734, all of which is restricted. Total fund balance decreased \$23,715 from the prior fiscal year. Total revenue for this fund was \$5,907, made up of Investment Earnings of \$5,795 and Miscellaneous Income of \$112. Expenditures total \$29,622, all of which were from Parks & Recreation costs.

CITY OF PACIFICA, CALIFORNIA
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Debt Service Fund

All governmental activities debt service costs are budgeted in the fund responsible for the debt and transferred to the Debt Service Fund for payment. Total governmental activities debt is \$34,486,022, \$18,325,000 of general fund debt, and \$16,161,022 of general fund Pension Obligation Bonds. At the end of the current fiscal year, total fund balance of the Debt Service Fund was \$825,859, all restricted for debt service. The total fund balance represents a net decrease of \$106,582 from the prior fiscal year.

Enterprise Fund

Total net assets for the Sewer Fund at the end of the fiscal year were \$21,397,773. The total change in net assets for the Sewer Fund was \$1,672,776. Unrestricted net assets of the Enterprise Sewer Fund at the end of the fiscal year amounted to \$5,935,174. Net Assets invested in capital assets, net of related debt, was \$15,462,599. Additional factors relating to the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budget Modifications

Differences between the original fiscal year 2011-2012 budget and the final amended fiscal year 2011-2012 budget of the General Fund are as follows:

Revenues --

- Intergovernmental – decrease of \$46,125 due to a \$67,000 decrease in Childcare grants and a \$20,875 increase of Senior Services revenue.
- Other – increase of \$285,680 due to \$151,000 increase of Childcare fees and a new revenue of \$134,680 of garbage recycling revenue share.

Expenditures --

- City Attorney – increase of \$60,000 for increased expenses related to outside legal services.
- Public Safety – increase of \$231,300 in Police for increased expenses related to Communications Division.
- Public Works – decrease of \$16,534 due to transfer out of Engineering Services of \$2,534 and a \$14,000 out of Parks and Playfields for capital improvements.
- Parks, Beaches and Recreation – decrease of \$33,774 due to decreased expenditures in Special Projects.
- Capital Outlay – increase of \$16,534 for capital improvements.

Major deviations between the final expenditure budget of the General Fund and its actual operating results were as follows:

- General Government, including Non-Departmental Services - Budgeted \$3,628,542, expended \$3,414,457; under budget by \$214,085. City Council came in \$485 over budget; City Manager's Department came in \$7.7 thousand over budget due to salary and benefits; Human Resources Department came in \$69.7 thousand under budget due to lower departmental, contractual and recruitment expenses, City Attorney Department came in \$31.6 thousand under budget due to lower salary and benefits and outside legal fees; Finance Department came in \$88.8 thousand under budget due to lower departmental and contract service expenses; Non-Departmental Services came in \$32.1 thousand under budget due to decreased contractual services.
- Public Safety - Budget \$12,967,409, expended \$12,521,995; under budget by \$445,414 due to overall decreased operating costs with lower mutual aid responses called for.
- Community Development - Budgeted \$1,187,610, expended \$1,299,904, over budget by \$112,294, due to higher outside contractual services and legal fees.
- Public Works – Budget \$2,039,281, expended \$1,998,977; under budget by \$40,304 due to lower operational costs in relationship to repairs and improvements.
- Park, Beaches, and Recreation – Budget \$3,526,048, expended \$3,614,260; over budget by \$88,212 due to higher cost on special projects.

Total general fund final revenue budget was \$25,993,976 but came in at \$25,632,484, \$361,492 under budget. Total general fund final expenditure budget was \$23,371,728 with actual expenditures of \$22,891,265, \$480,463 under budget. Under budget expenditure deviation was \$480,463, for a total excess of revenues over expenditures of \$118,971, before transfers out as shown on page 69 and 70 of this report.

CITY OF PACIFICA, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Transfers

Transfers are generally made to match restricted revenue with related costs that have been recorded in the General Fund. An example of this type of transfer is transfers-out of the General Fund to the Internal Service Fund for insurance costs or to the Debt Service Fund for debt service payments.

CAPITAL ASSETS

	Capital Assets (in thousands)					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Land and Improvements	\$ 39,047	\$38,363	\$ 4,014	\$4,014	\$ 43,061	\$42,377
Buildings and Improvements	15,949	16,052	75,630	76,097	91,579	92,149
Collection System	-	-	6,383	7,330	6,383	7,330
Machinery and Equipment	1,260	1,403	1,028	1,407	2,288	2,810
Vehicles and Equipment	4,893	5,524	-	-	4,893	5,524
Infrastructure	21,459	23,429	-	-	21,459	23,429
Construction in Progress	969	1,377	-	-	969	1,377
Depreciation	<u>(15,193)</u>	<u>(16,904)</u>	<u>(41,121)</u>	<u>(43,451)</u>	<u>(56,314)</u>	<u>(60,355)</u>
Total	<u>\$ 68,384</u>	<u>\$69,244</u>	<u>\$ 45,934</u>	<u>\$45,397</u>	<u>\$114,318</u>	<u>\$114,641</u>

For more detail information on capital asset activity, please refer to Note 5-Capital Assets. Major additions to capital assets during the fiscal year ended June 30, 2012 included:

FY2010 State Transportation Improvement Program Cycle 1LSR Various, SMCTA San Pedro Creek Bridge, Beach Blvd Project, Palmetto Streetscape, Sanchez Dog Park, and Headlands Trail Project.

Long-Term Debt

At the end of the current fiscal year, Governmental Activities had bonded debt outstanding in the amount of \$34,486,022, all backed by the full faith and credit of the government. For more detailed information on long-term debt activity, refer to the Notes to the Financial Statements, Note 6.

Outstanding Debt

2008 Certificate of Participation	\$ 18,325,000
2010 Pension Obligation Bond	<u>16,161,022</u>
 Total Bonded Debt Outstanding	 <u>\$ 34,486,022</u>

The City maintains an "AA" rating from Standard & Poor's on the General Obligation debt.

The California government code provides for a legal debt limit of 15% of gross assessed valuation based on 25% of market value, or a legal debt limit of 3.75% based on market value. Based on the market valuation of \$4,398,866,001, the current debt limitation for the City is \$164,957,475 (3.75% of \$4,398,866,001), which is significantly more than the City's outstanding general obligation debt of \$34,486,022 at June 30, 2012.

CITY OF PACIFICA, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budget

The City has developed a five-year financial plan that protects the core services and meets the community's needs. It reflects an expenditure plan that maintains the City's current level of services to residents and businesses and provides for a balance budget without utilizing reserves. The five-year financial plan also provides for a continuation of the ongoing capital improvement program that will provide and maintain facilities and services for citizen use and enjoyment. One of the major challenges facing the City of Pacifica is to find ways to build a general fund reserve while maintaining the City's infrastructure and providing the current level of services to residents and businesses.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administrative Services Department @ City of Pacifica, 170 Santa Maria Avenue, Pacifica, CA 94044, (650) 738-7396.

BASIC FINANCIAL STATEMENTS

CITY OF PACIFICA
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 10,823,144	\$ 7,190,427	\$ 18,013,571
Cash and investments with fiscal agents	2,005,039	1,102,251	3,107,290
Taxes receivable	1,082,165		1,082,165
Accounts receivable	487,494	1,094	488,588
Interest receivable	13,049		13,049
Grants receivable	622,630		622,630
Prepaid items		2,118,410	2,118,410
Inventories	42,335	372,573	414,908
Receivable from successor agency private-purpose trust funds	6,428,157		6,428,157
Long-term prepaid pension asset	16,500,067		16,500,067
Deferred charges, net of accumulated amortization	1,316,307	668,376	1,984,683
Deferred loss on refunding, net of accumulated amortization	1,089,865		1,089,865
Capital assets, not being depreciated	39,740,059	4,014,412	43,754,471
Capital assets, being depreciated, net of accumulated depreciation	29,504,128	41,382,923	70,887,051
Total Assets	109,654,439	56,850,466	166,504,905
LIABILITIES			
Accounts payable	773,026	543,232	1,316,258
Accrued liabilities	579,434	120,438	699,872
Interest payable	588,421	480,199	1,068,620
Unearned revenue			
Refundable deposits	513,989		513,989
Noncurrent liabilities:			
Due within one year	4,057,966	2,561,687	6,619,653
Due in more than one year	35,788,314	31,747,137	67,535,451
Total Liabilities	42,301,150	35,452,693	77,753,843
NET ASSETS			
Invested in capital assets, net of related debt	54,455,020	15,462,599	69,917,619
Restricted for:			
Restricted for construction of capital assets	992,593		992,593
Restricted for streets, highways, and other related purposes	3,583,858		3,583,858
Restricted for parks, beaches, and recreation	3,458,734		3,458,734
Restricted for stormwater operations	71,503		71,503
Restricted for public safety	110,125		110,125
Unrestricted	4,681,456	5,935,174	10,616,630
Total Net Assets	\$ 67,353,289	\$ 21,397,773	\$ 88,751,062

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

CITY OF PACIFICA
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 4,019,613	\$ 12,512	\$ 79,788	\$ 56,221
Public safety	13,568,582	681,205	317,459	
Community development	1,631,678	693,169		
Public works	4,688,440	701,012	214,035	3,438,820
Parks, beaches, and recreation	4,005,189	2,063,812	1,115,240	24,225
Interest on long-term debt	2,120,772			
Total Governmental Activities	30,034,274	4,151,710	1,726,522	3,519,266
Business-type Activities:				
Sewer	10,124,492	11,980,789		
Total Business-type Activities	10,124,492	11,980,789		
Total Government	\$ 40,158,766	\$ 16,132,499	\$ 1,726,522	\$ 3,519,266

General Revenues:
Taxes:
 Property taxes
 Sales and use taxes
 Franchise taxes
 Other taxes
Motor vehicle in lieu, unrestricted
Investment earnings
Miscellaneous
Transfers

Total General Revenues

Change in Net Assets before Extraordinary Item

Extraordinary Item
Gain on transfer of assets and liabilities
to RDA successor trust funds

Change in Net Assets

Net Assets, July 1, 2011

Prior Period Adjustments

Net Assets, July 1, 2011, Restated

Net Assets, June 30, 2012

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Totals
\$ (3,871,092)	\$ -	\$ (3,871,092)
(12,569,918)		(12,569,918)
(938,509)		(938,509)
(334,573)		(334,573)
(801,912)		(801,912)
(2,120,772)		(2,120,772)
(20,636,776)		(20,636,776)
	1,856,297	1,856,297
	1,856,297	1,856,297
(20,636,776)	1,856,297	(18,780,479)
10,434,510		10,434,510
1,519,978		1,519,978
1,595,929		1,595,929
3,005,388		3,005,388
3,039,393		3,039,393
334,475	16,479	350,954
469,780		469,780
200,000	(200,000)	
20,599,453	(183,521)	20,415,932
(37,323)	1,672,776	1,635,453
5,557,942		5,557,942
5,520,619	1,672,776	7,193,395
58,403,038	19,724,997	78,128,035
3,429,632		3,429,632
61,832,670	19,724,997	81,557,667
<u>\$ 67,353,289</u>	<u>\$ 21,397,773</u>	<u>\$ 88,751,062</u>

CITY OF PACIFICA
Balance Sheet
Governmental Funds
June 30, 2012

	Capital Projects Funds			Special Revenue Fund
	General	Redevelopment Agency Rockaway Beach		Gas Tax
		Capital Improvement		
Assets				
Cash and investments	\$ 241,760	\$ 2,824,913	\$ -	\$ -
Cash and investments with fiscal agents		100,000		1,400,000
Receivables:				
Taxes	753,747	6,250		322,168
Accounts	335,142			2,250
Interest	13,049			
Grants	292,348	39,648		
Due from other funds	1,063,297			2,218,700
Inventories	3,169			
Receivable due from RDA successor agency	6,428,157			
Total Assets	\$ 9,130,669	\$ 2,970,811	\$ -	\$ 3,943,118
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 553,990	\$ 34,272	\$ -	\$ 43,971
Accrued liabilities	529,811	3,173		22,762
Refundable deposits	513,989			
Due to other funds		2,218,700		1,358,913
Deferred revenue	3,911,782	39,648		
Total Liabilities	5,509,572	2,295,793		1,425,646
Fund Balances:				
Nonspendable	2,519,544			
Restricted		675,018		2,517,472
Committed	743,683			
Assigned	130,858			
Unassigned	227,012			
Total Fund Balances (Deficits)	3,621,097	675,018		2,517,472
Total Liabilities and Fund Balances	\$ 9,130,669	\$ 2,970,811	\$ -	\$ 3,943,118

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

<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>			
<u>Davies Trust</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Totals</u>	
\$ 3,485,786	\$ 320,820 505,039	\$ 1,702,525	\$ 8,575,804	2,005,039
			1,082,165	337,392
			13,049	622,630
		290,634	3,281,997	3,169
			6,428,157	
<u>\$ 3,485,786</u>	<u>\$ 825,859</u>	<u>\$ 1,993,159</u>	<u>\$ 22,349,402</u>	
\$ 2,156 2,155	\$ -	\$ 91,012 4,892	\$ 725,401	562,793
22,741		1,040,556	513,989	4,640,910
		270,847	4,222,277	
<u>27,052</u>		<u>1,407,307</u>	<u>10,665,370</u>	
3,458,734	825,859	1,565,589	2,519,544	9,042,672
			743,683	130,858
		(979,737)	(752,725)	
<u>3,458,734</u>	<u>825,859</u>	<u>585,852</u>	<u>11,684,032</u>	
<u>\$ 3,485,786</u>	<u>\$ 825,859</u>	<u>\$ 1,993,159</u>	<u>\$ 22,349,402</u>	

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CITY OF PACIFICA
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2012

Fund Balances - Governmental Funds		\$ 11,684,032
<p>Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the governmental funds because of the following:</p>		
<p>Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the governmental funds.</p>		
Capital assets	\$ 79,768,882	
Less: accumulated depreciation	<u>(12,614,644)</u>	67,154,238
<p>Interest accrued on notes and advances are not available to pay for current expenditures and, therefore are offset by deferred revenue in the governmental funds.</p>		
		3,911,782
<p>Under the modified accrual basis of accounting used in governmental funds, revenues are not recognized for transactions that do not represent available financial resources. In the statement of net assets and statement of activities, however, revenues and assets are reported regardless of when financial resources are available.</p>		
Deferred revenue, grant receivable		310,495
<p>The net pension asset pertaining to governmental fund types is not a current financial resource and therefore is not recorded in the governmental fund statements.</p>		
		16,181,691
<p>Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period which the debt is outstanding. The costs are reported as expenditures in the period of issuance in the governmental funds.</p>		
Deferred charges - 2008 Certificates of Participation - net of accumulated amortization	868,362	
Deferred charges - 2010 Pension Obligation Bonds - net of accumulated amortization	<u>439,301</u>	1,307,663
<p>Deferred loss on refunding, net of accumulated amortization has not been reported in the governmental funds. This was capitalized and amortized over the life of the new debt or old debt whichever is shorter in the Statement of Net Assets.</p>		
		1,089,865
<p>Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds.</p>		
		(586,893)
<p>The liabilities below are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Compensated absences	(1,363,172)	
2001 CHFA Loan	(875,378)	
2008 Certificates of Participation	(18,325,000)	
2010 Pension Obligation Bonds	(15,842,639)	
Other Postemployment Benefits	<u>(2,073,901)</u>	(38,480,090)
<p>Internal service funds are used by management to charge costs of certain activities, such as insurance and central garage, to individual funds. The assets and liabilities of the internal service funds are included in Governmental Activities in the Statement of Net Assets.</p>		
		<u>4,780,506</u>
Net Assets of Governmental Activities		<u><u>\$ 67,353,289</u></u>

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

CITY OF PACIFICA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	<u>Capital Projects Funds</u>			<u>Special Revenue Fund</u>
	<u>General</u>	<u>Redevelopment</u>		<u>Gas Tax</u>
		<u>Capital Improvement</u>	<u>Agency Rockaway Beach</u>	
Revenues				
Taxes	\$ 16,410,155	\$ -	\$ 116,520	\$ -
Licenses and permits	398,904	10,194		
Fines and forfeitures	173,944			
Use of money and property	193,147	11,511	(70)	437
Intergovernmental	4,438,966	185,950		2,461,091
Charges for current services	1,515,050			
Recreation programs	785,891			
Other	1,716,427			9,172
Total Revenues	<u>25,632,484</u>	<u>207,655</u>	<u>116,450</u>	<u>2,470,700</u>
Expenditures				
Current:				
General government	3,414,457		13,820	
Public safety	12,521,995			
Community development	1,299,904	102,631		
Public works	1,998,977			1,357,743
Parks, beaches, and recreation	3,614,260			
Capital outlay	41,672	446,289		712,646
Debt service:				
Principal			40,000	
Interest and fiscal charges			202,793	
Total Expenditures	<u>22,891,265</u>	<u>548,920</u>	<u>256,613</u>	<u>2,070,389</u>
Excess (Deficit) of Revenues over Expenditures	<u>2,741,219</u>	<u>(341,265)</u>	<u>(140,163)</u>	<u>400,311</u>
Other Financing Sources (Uses)				
Transfers in				
Transfers out	<u>(3,197,957)</u>	<u>(108,037)</u>		<u>(615,420)</u>
Total Other Financing Sources (Uses)	<u>(3,197,957)</u>	<u>(108,037)</u>		<u>(615,420)</u>
Net Changes in Fund Balances Before Extraordinary Item	(456,738)	(449,302)	(140,163)	(215,109)
Extraordinary Item				
Gain (loss) on transfer of net assets to RDA successor agency private-purpose trust fund			5,900,421	
Net Changes in Fund Balances	<u>(456,738)</u>	<u>(449,302)</u>	<u>5,760,258</u>	<u>(215,109)</u>
Fund Balances (Deficits), July 1, 2011	4,077,835	1,124,320	(5,760,258)	2,732,581
Prior Period Adjustments				
Fund Balances (Deficits), July 1, 2011, restated	<u>4,077,835</u>	<u>1,124,320</u>	<u>(5,760,258)</u>	<u>2,732,581</u>
Fund Balances (Deficits), June 30, 2012	<u>\$ 3,621,097</u>	<u>\$ 675,018</u>	<u>\$ -</u>	<u>\$ 2,517,472</u>

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

<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>		
<u>Davies Trust</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ -	\$ -	\$ 206,692	\$ 16,733,367
			409,098
			173,944
5,795	1,682	7,455	219,957
		942,693	8,028,700
			1,515,050
			785,891
112		64,407	1,790,118
<u>5,907</u>	<u>1,682</u>	<u>1,221,247</u>	<u>29,656,125</u>
			3,428,277
		22,037	12,544,032
		88,369	1,490,904
		225,839	3,582,559
29,622			3,643,882
		1,642,227	2,842,834
	1,521,174		1,561,174
	<u>2,036,237</u>	<u>11,190</u>	<u>2,250,220</u>
<u>29,622</u>	<u>3,557,411</u>	<u>1,989,662</u>	<u>31,343,882</u>
<u>(23,715)</u>	<u>(3,555,729)</u>	<u>(768,415)</u>	<u>(1,687,757)</u>
	3,449,147		3,449,147
		(582,530)	(4,503,944)
	<u>3,449,147</u>	<u>(582,530)</u>	<u>(1,054,797)</u>
(23,715)	(106,582)	(1,350,945)	(2,742,554)
		(747,509)	5,152,912
<u>(23,715)</u>	<u>(106,582)</u>	<u>(2,098,454)</u>	<u>2,410,358</u>
	932,441	2,684,306	5,791,225
<u>3,482,449</u>			<u>3,482,449</u>
<u>3,482,449</u>	<u>932,441</u>	<u>2,684,306</u>	<u>9,273,674</u>
<u>\$ 3,458,734</u>	<u>\$ 825,859</u>	<u>\$ 585,852</u>	<u>\$ 11,684,032</u>

CITY OF PACIFICA
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2012

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measure only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net change in fund balances \$ 2,410,358

Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:

The long-term prepaid pension costs were reported as expenditures in the governmental funds when they were paid, but in the Statement of Net Assets, they are shown as a prepaid and amortized throughout the period during which the related debt is outstanding. This is the current period's amortization. (577,918)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated lives and reported as depreciation expense.

Capital outlay expenditures are therefore added back to fund balances	\$ 2,749,279	
Depreciation expense not reported in governmental funds	<u>(1,676,369)</u>	
		1,072,910

Interest in the statement of activities that does not provide current financial resources are not reported as revenues in the governmental funds. 18,000

Certain receivables are offset by deferred revenue in the governmental funds because they are not available to pay for current period expenditures. This amount represents the amount by which prior year deferred revenue exceeded current year. 180,773

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Assets, the costs are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Issuance cost and discount amortized during the period	(61,945)	
Repayment of debt principal	<u>1,561,174</u>	
		1,499,229

The amounts below included in the Statement of Activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds:

Deferred loss on refunding amortized during the period	(44,484)	
Interest payable (net change)	121,388	
Compensated absences (net change)	<u>97,607</u>	
		174,511

Other postemployment benefits payable is a long-term debt that increases or decreases each fiscal year, depending on the annual required contribution amount and actual amount funded/paid by the City. This is the amount of the change in the payable in the current period. (227,764)

Difference in the extraordinary gain/loss on transfer of assets and liabilities to RDA successor agency trust funds between the governmental activities \$5,557,942 and the fund financial statements \$5,152,912. 405,030

The internal service funds are used by management to charge costs of certain activities such as, insurance and central garage, to individual funds. The net revenues (expenses) of the internal service funds are reported with governmental activities. 565,490

Change in net assets of governmental activities \$ 5,520,619

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

CITY OF PACIFICA
Statement of Net Assets
Proprietary Funds
June 30, 2012

	<u>Business-type Activities Enterprise Fund Sewer Utility</u>	<u>Governmental Activities Internal Service Funds</u>
Assets		
Current Assets:		
Cash and investments	\$ 7,190,427	\$ 2,247,340
Cash and investments with fiscal agents	1,102,251	
Accounts receivable	1,094	150,102
Due from other funds		1,358,913
Prepaid items	2,118,410	318,376
Inventories	<u>372,573</u>	<u>39,166</u>
Total Current Assets	<u>10,784,755</u>	<u>4,113,897</u>
Noncurrent Assets:		
Deferred charges, net of accumulated amortization	668,376	8,644
Capital assets, not being depreciated	4,014,412	284,437
Capital assets, being depreciated, net of accumulated depreciation	<u>41,382,923</u>	<u>1,805,512</u>
Total Noncurrent Assets	<u>46,065,711</u>	<u>2,098,593</u>
Total Assets	<u>56,850,466</u>	<u>6,212,490</u>
Liabilities		
Current Liabilities:		
Accounts payable	543,232	47,625
Accrued liabilities	120,438	16,641
Interest payable	480,199	1,528
Claims payable		902,265
Compensated absences	255,994	22,429
Settlement payable	272,000	
Loans payable	1,727,726	
Bonds payable	<u>305,967</u>	<u>20,813</u>
Total Current Liabilities	<u>3,705,556</u>	<u>1,011,301</u>
Noncurrent Liabilities:		
Claims payable		118,104
Compensated absences		5,009
Settlement payable	14,000	
Loans payable	17,020,126	
Bonds payable	<u>14,713,011</u>	<u>297,570</u>
Total Noncurrent Liabilities	<u>31,747,137</u>	<u>420,683</u>
Total Liabilities	<u>35,452,693</u>	<u>1,431,984</u>
Net Assets		
Invested in capital assets, net of related debt	15,462,599	2,089,949
Unrestricted	<u>5,935,174</u>	<u>2,690,557</u>
Total Net Assets	<u>\$ 21,397,773</u>	<u>\$ 4,780,506</u>

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

CITY OF PACIFICA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
	Sewer Utility	
Operating Revenues:		
Charges for services	\$ 11,937,379	\$ 1,259,597
Other operating income	43,410	61,648
Total Operating Revenues	11,980,789	1,321,245
Operating Expenses:		
Personnel services	3,212,884	409,664
Administration	915,000	3,941
Supplies and materials	706,803	457,359
Insurance	310,000	407,010
Outside contractors	84,211	70,637
Maintenance	209,073	25,294
Utilities	1,226,841	
Insurance claims	519	244,474
Depreciation	2,330,140	381,815
Total Operating Expenses	8,995,471	2,000,194
Operating Income (Loss)	2,985,318	(678,949)
Non-Operating Revenues (Expenses):		
Investment earnings	16,479	13,107
Intergovernmental revenues		56,221
Recoveries and settlements		(480)
Loss on sale of capital assets		(66,420)
Interest and fiscal charges	(1,083,859)	(12,786)
Amortization	(45,162)	
Total Non-Operating Revenues (Expenses)	(1,112,542)	(10,358)
Income (Loss) Before Transfers	1,872,776	(689,307)
Transfers:		
Transfers in		1,254,797
Transfers out	(200,000)	
Changes in Net Assets	1,672,776	565,490
Net Assets, July 1, 2011	19,724,997	4,215,016
Net Assets, June 30, 2012	\$ 21,397,773	\$ 4,780,506

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

CITY OF PACIFICA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Business-type Activities Enterprise Fund Sewer Utility</u>	<u>Governmental Activities Internal Service Funds</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 12,003,465	\$ 1,172,277
Payments to suppliers and users	(3,456,720)	(1,033,675)
Payments for claims	(519)	(260,861)
Interfund loans		(274,268)
Payments to employees	(3,164,739)	(409,806)
	<u>5,381,487</u>	<u>(806,333)</u>
Cash Flows from Noncapital and Related Financing Activities:		
Settlement expense	(328,250)	
Intergovernmental revenues		56,221
Transfers in		1,254,797
Transfers out	(200,000)	
	<u>(528,250)</u>	<u>1,311,018</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(1,792,789)	(1,177,356)
Proceeds from sale of capital assets		53,966
Principal payments on bonds and notes	(1,948,009)	(12,929)
Interest paid	(1,113,505)	(12,718)
	<u>(4,854,303)</u>	<u>(1,149,037)</u>
Cash Flows from Investing Activities:		
Interest received	16,479	13,107
	<u>16,479</u>	<u>13,107</u>
Net Increase (Decrease) in Cash and Cash Equivalents	15,413	(631,245)
Cash and Cash Equivalents at the Beginning of the Fiscal Year	<u>8,277,265</u>	<u>2,878,585</u>
Cash and Cash Equivalents at the End of the Fiscal Year	<u>\$ 8,292,678</u>	<u>\$ 2,247,340</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets:		
Cash and investments	\$ 7,190,427	\$ 2,247,340
Cash and investments with fiscal agents	1,102,251	
	<u>\$ 8,292,678</u>	<u>\$ 2,247,340</u>

(Continued)

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

CITY OF PACIFICA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(Continued)

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
	Sewer Utility	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 2,985,318	\$ (678,949)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,330,140	381,815
(Increase) Decrease in Operating Assets:		
Accounts receivable	22,676	(148,968)
Due from other funds		(274,268)
Prepaid items	75,658	11,370
Inventories	1,249	4,622
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(81,699)	(85,426)
Accrued liabilities	29,367	5,052
Claims payable		(16,387)
Compensated absences	18,778	(5,194)
	\$ 5,381,487	\$ (806,333)

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

CITY OF PACIFICA
Fiduciary Funds
Statement of Net Assets
June 30, 2012

	Davies Trust Fund	Private-Purpose Trust Funds
	<u> </u>	<u> </u>
Assets		
Cash and investments	\$ -	\$ 400,127
Cash and investments with fiscal agents		216,545
Interest receivable		204,312
Deferred charges, net of accumulated amortization		68,258
Notes receivable		600,000
Capital assets, not being depreciated		835,275
	<u> </u>	<u> </u>
Total assets		<u>2,324,517</u>
Liabilities		
Accounts payable		1,665
Interest payable		41,464
Unearned revenue		141,589
Long-term debt, due within one year		45,000
Long-term debt, due in more than one year		7,883,157
	<u> </u>	<u> </u>
Total liabilities		<u>8,112,875</u>
Net Assets		
Restricted for debt service		175,081
Unrestricted		(5,963,439)
	<u> </u>	<u> </u>
Total net assets (deficit)	<u>\$ -</u>	<u>\$ (5,788,358)</u>

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

CITY OF PACIFICA
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2012

	<u>Davies Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Investment revenue	\$ -	\$ 8,188
Net assets received upon dissolution of redevelopment agency		(5,557,942)
Total additions		(5,549,754)
Deductions:		
Administration		51,603
Interest expense		185,504
Amortization expense		1,497
Total deductions		238,604
Change in net assets		(5,788,358)
Net Assets - July 1, 2011	3,482,449	
Prior Period Adjustment	(3,482,449)	
Net Assets - July 1, 2011, Restated		
Net Assets (Deficit) - June 30, 2012	<u>\$ -</u>	<u>\$ (5,788,358)</u>

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

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - Summary of Significant Accounting Policies:

The basic financial statements of the City of Pacifica (City) have been prepared in conformity with accounting principles generally accepted in the United States of America ("USGAAP") as applied to governmental agencies. The Governmental Accounting Standards Boards ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles are described below.

A. Reporting Entity

The City of Pacifica was incorporated November 22, 1957 under the general laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. The City operates under a Council-Manager form of government. There are five Council Members who serve overlapping terms of four years, and the Council, in turn, elects one of the Council Members to serve as Mayor for one year. This legislative body selects a City Manager to administer the affairs of the City. The City provides the following services: public safety (police, fire, and civil defense), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

As required by accounting principles generally accepted in the United States of America, the accompanying financial statements include the financial activities of the City and its blended component unit, the Redevelopment Agency of the City of Pacifica (Redevelopment Agency). The City Council served in separate session as the governing body of the Redevelopment Agency and was financially accountable, although the Agency was a legal entity apart from the City. The financial activities of the Redevelopment Agency are, in substance, a part of the City's operations and are included in the accompanying financial statements utilizing the "blending method".

The Redevelopment Agency was established September 24, 1979 pursuant to Ordinance Number 267-C.S. Its purpose is to prepare and carry out plans for the improvement, rehabilitation, and development of blighted areas within the territorial limits of the City of Pacifica. The Redevelopment Agency is reported as Capital Projects and Special Revenue Funds. Individual component unit financial statements can be obtained for the City's Redevelopment Agency from the City's Finance Department located in City Hall. As of February 1, 2012 the Redevelopment Agency was dissolved as a result of AB1x26.

The City participates in the ABAG Plan Corporation, a public entity risk pool, whose financial activities are not included in the basic financial statements as it is administered by a board, separate from and independent, of the City (See Note 9).

Discretely Presented Component Units. There are no entities which meet the *Governmental Accounting Standards Board Statement No. 14* as amended by GASB Statement No. 39, criteria for discrete disclosure within these financial statements.

B. Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued):

C. Government-wide Financial Statements

The City's government-wide financial statements include a Statement of Net Assets, and a Statement of Activities. These statements present summaries of governmental activities and business-type activities for the City, accompanied by a total column. These financial statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed generally through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities (Sewer Utility Enterprise Fund) are financed generally through user fees.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Interfund services provided and used are not eliminated in the process of consolidation on the Statement of Activities.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* ("GASB No. 34") in regards to interfund activities, payables and receivables.

D. Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements.

The governmental fund financial statements provide information about the City's funds, including blended component units. Separate statements for each fund category—*governmental, proprietary, and fiduciary*—are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Change in Net Assets, and a Statement of Cash Flows for all proprietary funds. The internal service funds are also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Change in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liabilities are incurred.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued):

D. Financial Statements (Continued)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Fiduciary Fund Financial Statements include a statement of net assets and a statement of changes in fiduciary net assets. Fiduciary funds represent private-purpose trust funds, which the City serves as a trustee for the Successor Agency. Trust funds are accounted for on an *economic resources* measurement focus and full accrual basis of accounting. The City has two private-purpose trust funds, the RDA Low/Mod Successor Agency fund and RDA Successor Agency fund.

E. Major Funds

GASB 34 defines major funds and requires that the City's major governmental funds be identified and presented separately in the Fund financial statements. All other governmental funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type. Major funds are defined as funds which have either assets, liabilities, revenues or expenditures/expenses equal to or greater than ten percent of their fund-type total and five percent of the grand total of all fund types, excluding fiduciary. The general fund is always a major fund. For the fiscal year ended June 30, 2012 the City selected the General Capital Improvement Capital Projects Fund to be presented as a major fund, even though it did not qualify as one. The major funds of the City are:

- **General Fund** – The General Fund is used to account for the resources to carry out basic governmental activities of the City such as general government, public safety, public works, community development, and parks, beaches, and recreation, which are not required to be accounted for in another fund.
- **General Capital Improvement Capital Projects Fund** – This fund is used to account for revenues derived from fees and apportionments from General Fund to be used for the acquisition, construction, and improvement of major capital facilities of the City.
- **Redevelopment Agency Rockaway Beach Capital Project Fund** – This fund is used to account for expenditures and financing of various redevelopment agency projects.
- **Gas Tax Special Revenue Fund** – This fund was established to receive and expend the City's allocation of the State Gasoline Taxes. Each City is allocated funds on a population basis in accordance with Section 2103, 2105, 2106, 2107 and 2107.5 of the California Street and Highway Code. Population is determined by the latest Federal Census or survey requested and certified by the Cities and conducted by the State Department of Finance. Expenditures may be made for construction or purchasing of right-of-way on minor streets. Expenditures of money apportioned under Section 2107 may be made for any street purpose. Under Section 2107.5 a flat allocation of \$6000 per year is granted the City for street engineering.
- **Davies Trust Special Revenue Fund** – This fund was established to account for a donation by a private individual which is restricted for specific purposes. The funds are to be used to help acquire, build, remodel, improve, support, and maintain the equipment, buildings, grounds, yard, gardens, and landscaped areas of the various parks, beaches, and recreational area located in Pacifica, to conduct related educational and recreational programs for the benefit of the general public.
- **Debt Service Fund** – This fund is used to account for the accumulated and the disbursement of account for expenditures and financing of various long-term debt liabilities.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued):

E. Major Funds (Continued)

The City reports the following major proprietary fund:

- **The Sewer Utility Enterprise Fund** – This fund accounts for the operation and maintenance of the City's wastewater collection system including operating costs of the wastewater collection system and water recycling plant.

Additionally, the City reports the following fund types:

- **The Internal Service Funds** account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units on a cost reimbursement basis. The City has two internal service funds, the Motor Pool Fund and the Self Insurance Fund. The Motor Pool Fund accounts for the City's central garage, and the Self Insurance Fund accounts for the employee dental, workers' compensation, general liability, property, and automobile liability insurance.
- **The RDA Successor Agency Private-Purpose Trust Funds** account for the former Redevelopment Agency activities beginning February 1, 2012.

F. Basis of Accounting

The Government-wide, Proprietary funds, and Fiduciary funds financial statements required by GASB 34 are reported using the *economic resources* measurement focus and the *accrual basis* of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred regardless of when the related cash flows take place.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary funds 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 government has elected not to follow subsequent private-sector guidance.

The Governmental funds financial statements are reported using the *current financial resources* measurement focus, and the *modified accrual basis* of accounting. Accordingly, only current assets and liabilities (except for long-term advances from the City) are included in the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

The City considers all revenues reported in the governmental funds to be available if the revenue are collected within ninety days after fiscal year end. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, intergovernmental revenues, other taxes and investment earnings. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on long-term debt and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued):

F. Basis of Accounting (Continued)

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

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

G. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considered cash and cash equivalents (investments with maturities of three months or less at the time of purchase) as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling the cash of all funds, including the City's Enterprise and Internal Service Funds.

H. Investments

Investments are reported at fair value, except for investments that are not transferable and have terms that are not affected by change in market rates are reported at cost.

Changes in fair value that occur during a fiscal year are recognized as revenues from use of money reported for that fiscal year. Revenues from use of money include interest earnings, change in fair value, gains or losses realized upon the liquidation, maturity, or sale of investment and rental income. Changes in the fair value of investments during this fiscal year were calculated and booked.

I. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

All trade, tax, and note receivables are shown net of an allowance for uncollectible accounts if applicable, and estimated refunds due.

J. Inventories and Prepaid Items

General fund inventories are recorded as expenditures when consumed, rather than when purchased. These inventories are stated at cost, using the first-in, first-out (FIFO) method. Inventories in the proprietary funds are stated at the lower of cost or market, and consist of expendable materials and supplies.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued):

J. Inventories and Prepaid Items (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventories and prepaid items, as reported in the fund financial statements, are offset by a reservation of fund balance for noncurrent assets in governmental funds, to indicate that they do not constitute resources available for appropriation.

K. Deferred Charges and Deferred Loss on Refunding

The costs of issuance of debt and discounts are being amortized on the straight line method over the life of the debt on the government-wide statements.

The City had incurred a loss on the refunding of its debt. The deferred loss is being amortized on the straight line method over the lesser of the remaining period of the old debt or the remaining period of the new debt on the government-wide statements.

L. Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost on the government-wide Statement of Net Assets and the proprietary fund financial statements. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair value on the date donated. Depreciation of capital assets is charged as an expense each year, and the total amount of accumulated depreciation taken over the years, is reported on the respective statements as a reduction in the book value of capital assets.

M. Deferred Revenues

Deferred revenues in governmental funds arise when potential revenue does not meet the "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the City before it has a legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

N. Compensated Absences

City employees accrue vacation, sick, holiday, and compensatory time off benefits. An employee may accumulate vacation time equal to an amount that can be earned in a two and a half year period. No cash compensation is payable for accrued vacation until the employee terminates employment. Sick leave is compensated in cash only upon an employee's retirement. Maximum limit per employee is \$3,000 or one quarter of employee's sick leave credit, whichever is lower. Two employee groups have elected to participate in a retirement health savings program and have directed vacation and limited sick leave cash out to separation of this program. It is the City's policy to allow employees to accumulate compensatory time instead of drawing overtime. This accumulation may subsequently be exchanged into cash or time taken.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured (such as vacation time, estimated to be paid upon retirement by the end of the fiscal year with expendable available financial resources). Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 - Summary of Significant Accounting Policies (Continued):

O. Property Tax Revenues

California Constitution Article XIII A limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The County of San Mateo collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to adjustments for voter-approved debt. The City receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan," whereby the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the City. The City recognizes property tax revenues (including tax increment revenues) to the extent of each year's tax allocation received or to be received within 60 days after the end of each fiscal year.

Incremental property tax revenues represent property taxes in a project area arising from increased assessed valuations over base valuations established at the inception of a project. Incremental property taxes from a project area accrue to the Agency until all liabilities of the project have been repaid (including cumulative funds provided by the City of Pacifica). After all such indebtedness has been repaid, all property taxes from a project area accrue to the various taxing authorities.

The County assesses properties, bills for, collects, and distributes property taxes per the following schedule:

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	January 1	January 1
Lien/Levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 April 10	August 31

The term "Unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on property being taxed.

P. 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, liabilities, revenues and expenses. Actual results could differ from those estimates.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued):

Q. New Accounting Pronouncements

The City has implemented the requirements of GASB Statements No. 64 during the fiscal year ended June 30, 2012.

GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions

This Statement is effective for periods beginning after June 15, 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this Statement did not have an effect on these financial statements.

NOTE 2 - Stewardship, Compliance, and Accountability:

Budgetary information

The City operates under the general law of the State of California, and annually adopts a budget to be effective July 1 for the ensuing fiscal year. The City Manager submits a Preliminary Budget to the City Council on or about May 15 each year. This Preliminary Budget is the fiscal plan for the ensuing twelve months starting July 1, and includes proposals for expenditures for operations and capital improvement, and the resources to meet them. City Council conducts public hearings at Council Chambers before adopting the budget. The Council approves total appropriations at the department level in the General Fund, and at the fund level in other funds. The Budget is adopted by City resolution prior to June 30.

The appropriated budget is prepared by fund, function, and department. The City Manager is authorized to transfer budget appropriations within departments in conformance with the adopted policies set by the City Council. All other transfers must be approved by the City Council. Any revisions that alter the total expenditures of any department must be approved by the City Council. Expenditures are budgeted at, and may not legally exceed, the department level for the General Fund and the fund level for Special Revenue, Debt Service, Capital Projects and Internal Service Funds. Budgeted amounts shown are as originally adopted, or as amended by the City Council during the year. During the fiscal year, several supplementary appropriations were necessary.

Budgets for General, Special Revenue, Debt Service, Capital Projects, and Internal Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (USGAAP). Except for Capital Project Funds, appropriations lapse at fiscal year-end and are rebudgeted for the coming year. Capital Projects are budgeted for on a project basis rather than an annual basis; unexpended project authority is carried forward until the project is completed.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are recorded as restricted, committed, or assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 - Stewardship, Compliance, and Accountability (Continued):

Excess of expenditures over appropriations

For the fiscal year ended June 30, 2012, expenditures exceeded the budgeted expenditures in the following funds:

Funds	Expenditures in excess of budget
Major Funds	
General Fund:	
Community development	\$ 112,294
Parks, beaches and recreation	88,212
Capital outlay	18,834
General Capital Improvement Capital Projects Fund:	
Community development	7,306
Rockaway Beach Capital Projects Fund:	
Interest and fiscal charges	56,332
Debt Service Fund:	
Interest and fiscal charges	1,200
Nonmajor Funds	
Special Revenue Funds	
Supplemental Law Enforcement Services:	
Public safety	5,260
Capital outlay	116,141
Fire Assessment:	
Public safety	16,777
Redevelopment Agency Low/Mod Housing:	
Interest and fiscal charges	11,190
Disaster Accounting:	
Public works	88,388
Capital Projects Funds	
Manor Drive Improvement:	
Public works	1,300
Parks and Playfield:	
Capital outlay	180,057

The excess expenditures were funded by available financial resources.

Deficit Fund Balances/Net Assets

As of June 30, 2012 the following funds had a deficit net assets/fund balance:

Private-Purpose Trust Fund:	
RDA Successor Agency Fund	\$ 6,732,944
Nonmajor Special Revenue Fund:	
Disaster Accounting Fund	843,736
Nonmajor Capital Project Funds:	
Aircraft Noise Project Fund	77
Parks and Playfield Fund	135,924

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 - Cash and Investments:

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 18,013,571
Cash and investments with fiscal agents	3,107,290
Statement of fiduciary net assets:	
Cash and investments	400,127
Cash and investments with fiscal agents	<u>216,545</u>
Total cash and investments	<u>\$ 21,737,533</u>
Petty cash	\$ 3,145
Deposits with financial institutions	4,231,382
Investments	<u>17,503,006</u>
Total cash and investments	<u>\$ 21,737,533</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. 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage/ Investment of Portfolio	Maximum Investment in One Issuer
Commercial Paper	270 days	25%	15%
Bankers Acceptances	180 days	30%	15%
U.S. Treasury Obligations	5 years	Unlimited	None
U.S. Government Agency Issues	5 years	Unlimited	None
Negotiable Certificates of Deposit	5 years	30%	15%
Medium Term Corporate Notes	5 years	30%	15%
Money Market Fund (U.S. Treasury)	N/A	Unlimited	None
San Mateo County Pooled Investment Funds	N/A	Unlimited	None
State of California Local Agency Investment Funds (State Pool)	N/A	\$ 50,000,000	\$ 50,000,000
Banks and Savings and Loan Time Deposits	N/A	25%	15%

Investments Authorized by Debt Agreements

Investment of debt proceeds held by trustees is 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 trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 - Cash and Investments (Continued):

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issue
Municipal Bonds (AAA or AA)	None	None	None
Commercial Paper (A or better)	270 days	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Time Deposits	None	None	None
Time Deposits (Unsecured)	30 days	None	None
Money Market Funds (AAA or AA)	None	None	None
Investment Contracts (AAA or AA)	None	None	None
Local Agency Investment Fund	None	None	None
Certificates of Deposit (A or better)	1 year	None	None
Bankers Acceptances (A or better)	1 year	None	None

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 change in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

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

Investment Type	Totals	Remaining Maturity (in Months)	
		12 Months Or Less	13 Months Or More
State Investment Pool	\$ 14,179,171	\$ 14,179,171	\$ -
Held by Trustees:			
Money Market Funds	3,323,835	3,323,835	
Totals	\$ 17,503,006	\$ 17,503,006	\$ -

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments (including investments held by trustees) include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above). The City does not hold any specific investments that need to be reported here.

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 - Cash and Investments (Continued):

Disclosures Relating to Credit Risk

Generally, 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 required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End	
				AAA	Not Rated
State Investment Pool Held by Trustees:	\$ 14,179,171	N/A	\$ -	\$ -	\$ 14,179,171
Money Market Funds	<u>3,323,835</u>	N/A		<u>3,323,835</u>	
Totals	<u>\$ 17,503,006</u>		<u>\$ -</u>	<u>\$ 3,323,835</u>	<u>\$ 14,179,171</u>

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. The City has no investments in any one issuer (other than money market funds and an external investment pool) that represent 5% or more of total City investments.

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 custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) 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 deposits or investments, 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 fair 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.

As of June 30, 2012, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 - Cash and Investments (Continued):

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.

NOTE 4 - Notes Receivable:

Notes receivable at June 30, 2012 consist of the following:

	Note Receivable Balance
Note receivable, unsecured	\$ 1,034,348
Less allowance for uncollectible note	(1,034,348)
Total, unsecured	
Total, net	\$ -

The City has a note due from NCR totaling \$1,034,348. This note is unsecured, bears annual interest at 3% simple, and is repayable in annual installments which commenced on August 1, 2001 and ended on August 1, 2010. Repayments vary from \$85,000 to \$260,000. The City received \$0 during the current fiscal year. The City has recorded an allowance for the total amount of this note as of June 30, 2012. NCR continues to explore options to restructure their existing loan to make the payment to the City.

NOTE 5 - Capital Assets:

All capital assets are valued at historical cost or estimated cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

GASB Statement No.34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. The purpose of the depreciation is to spread the cost of the capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro-rata share of the cost of the capital assets. Depreciation is provided using the straight-line method over its expected useful life. Capital assets with a value of \$5,000 or more are capitalized.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - Capital Assets (Continued):

The City has assigned the following useful lives to capital assets: Buildings and improvements (25-30 years); Police Vehicles (4 years); Other Vehicles (5-25 years); Machinery and Equipment (5-15 years); Collection System (20 years); and Infrastructure (15-30 years).

The following is a summary of capital assets for governmental activities as of June 30, 2012:

	Governmental Activities	Internal Service	Total
Capital assets not being depreciated:			
Land	\$ 38,103,772	\$ 258,774	\$ 38,362,546
Construction in progress	1,351,850	25,663	1,377,513
	<u>39,455,622</u>	<u>284,437</u>	<u>39,740,059</u>
Depreciable capital assets:			
Buildings and improvements	15,608,887	442,651	16,051,538
Vehicles		5,523,924	5,523,924
Machinery and equipment	1,275,113	128,383	1,403,496
Infrastructure	23,429,260		23,429,260
Total	<u>40,313,260</u>	<u>6,094,958</u>	<u>46,408,218</u>
Less: accumulated depreciation	<u>(12,614,644)</u>	<u>(4,289,446)</u>	<u>(16,904,090)</u>
Depreciable capital assets, net	<u>27,698,616</u>	<u>1,805,512</u>	<u>29,504,128</u>
Total capital assets, net	<u>\$ 67,154,238</u>	<u>\$ 2,089,949</u>	<u>\$ 69,244,187</u>

Combined Governmental capital asset activity for the fiscal year was as follows:

	Balance June 30, 2011	Increases	Decreases	Transfers	Transfers to Successor Agency	Prior Period Adjustments	Balance June 30, 2012
Capital assets not being depreciated:							
Land	\$ 39,046,892	\$ 151,915	\$ -	\$ -	\$ (835,275)	\$ (986)	\$ 38,362,546
Construction in progress	968,731	598,471		(189,689)			1,377,513
	<u>40,015,623</u>	<u>750,386</u>		<u>(189,689)</u>	<u>(835,275)</u>	<u>(986)</u>	<u>39,740,059</u>
Depreciable capital assets:							
Buildings and improvements	15,948,813	102,725					16,051,538
Vehicles	4,893,277	1,067,492	(436,845)				5,523,924
Machinery and equipment	1,259,980	239,953		(18,524)		(77,913)	1,403,496
Infrastructure	21,459,618	1,766,079		208,213		(4,650)	23,429,260
Total	<u>43,561,688</u>	<u>3,176,249</u>	<u>(436,845)</u>	<u>189,689</u>		<u>(82,563)</u>	<u>46,408,218</u>
Less: accumulated depreciation for							
Buildings and improvements	(6,292,435)	(705,562)					(6,997,997)
Vehicles	(4,382,723)	(360,198)	316,459	451,302			(3,975,160)
Machinery and equipment	(368,704)	(211,446)		(451,302)		30,368	(1,001,084)
Infrastructure	(4,149,235)	(780,978)				364	(4,929,849)
Total	<u>(15,193,097)</u>	<u>(2,058,184)</u>	<u>316,459</u>			<u>30,732</u>	<u>(16,904,090)</u>
Depreciable capital assets, net	<u>28,368,591</u>	<u>1,118,065</u>	<u>(120,386)</u>	<u>189,689</u>		<u>(51,831)</u>	<u>29,504,128</u>
Total capital assets, net	<u>\$ 68,384,214</u>	<u>\$ 1,868,451</u>	<u>\$ (120,386)</u>	<u>\$ -</u>	<u>\$ (835,275)</u>	<u>\$ (52,817)</u>	<u>\$ 69,244,187</u>

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - Capital Assets (Continued):

Depreciation expense for governmental activities was charged to functions as follows:

Governmental activities:	
General government	\$ 173,938
Public safety	725,729
Community development	76,683
Public works	892,284
Parks, beaches, and recreation	<u>189,550</u>
	<u>\$ 2,058,184</u>

The following is a summary of capital assets for business-type activities as of June 30, 2012:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 4,014,412	\$ -	\$ -	\$ 4,014,412
	<u>4,014,412</u>			<u>4,014,412</u>
Depreciable capital assets:				
Buildings and improvements	75,630,546	466,421		76,096,967
Collection system	6,382,725	947,481		7,330,206
Machinery and equipment	1,027,726	378,887		1,406,613
Total	<u>83,040,997</u>	<u>1,792,789</u>		<u>84,833,786</u>
Less: accumulated depreciation for:				
Buildings and improvements	(37,827,050)	(1,901,668)		(39,728,718)
Collection system	(2,629,778)	(318,478)		(2,948,256)
Machinery and equipment	(663,895)	(109,994)		(773,889)
Total	<u>(41,120,723)</u>	<u>(2,330,140)</u>		<u>(43,450,863)</u>
Depreciable capital assets, net	<u>41,920,274</u>	<u>(537,351)</u>		<u>41,382,923</u>
Total capital assets, net	<u>\$ 45,934,686</u>	<u>\$ (537,351)</u>	<u>\$ -</u>	<u>\$ 45,397,335</u>

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 - Long-Term Debt:

The City generally incurs debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The City's debt issues and transactions related to both governmental and business-type activities are summarized below and discussed in detail subsequently.

Governmental Activities

	Balance, June 30, 2011	Additions	Retirements	Transfer to Successor Agency	Balance, June 30, 2012	Due in One year
<u>Certificates of participation:</u>						
2008 COP	\$ 18,850,000	\$ -	\$ 525,000	\$ -	\$ 18,325,000	\$ 525,000
<u>Tax allocation bonds:</u>						
2004 Tax allocation bonds	1,540,000		40,000	1,500,000		
<u>Pension Obligation Bonds</u>						
2010 Pension obligation bonds (88.622%)	17,170,125		1,009,103		16,161,022	1,059,033
<u>Note payable:</u>						
2001 CHFA Loan	875,378				875,378	
<u>Other liabilities:</u>						
Claims payable	1,036,756	87,902	104,289		1,020,369	902,265
Compensated absences	1,493,411	1,130,699	1,233,500		1,390,610	1,233,500
Other postemployment benefits payable	1,846,137	312,000	84,236		2,073,901	338,168
Total other liabilities	4,376,304	1,530,601	1,422,025		4,484,880	2,473,933
	<u>\$ 42,811,807</u>	<u>\$ 1,530,601</u>	<u>\$ 2,996,128</u>	<u>\$ 1,500,000</u>	<u>\$ 39,846,280</u>	<u>\$ 4,057,966</u>

Business-type Activities

	Balance, June 30, 2011	Additions	Retirements	Balance, June 30, 2012	Due in One year
<u>Revenue bonds:</u>					
2004 Wastewater Revenue Refunding	\$ 9,250,000	\$ -	\$ -	\$ 9,250,000	\$ -
2001B Wastewater Revenue Refunding	3,815,000		165,000	3,650,000	170,000
Total revenue bonds	13,065,000		165,000	12,900,000	170,000
<u>Pension Obligation Bonds</u>					
2010 Pension obligation bonds (11.378%)	2,204,875		85,897	2,118,978	135,967
<u>Note payable:</u>					
State of California Water Resources Control Board	20,444,964		1,697,112	18,747,852	1,727,726
<u>Other liabilities:</u>					
Settlement payable	614,250		328,250	286,000	272,000
Compensated absences	237,216	343,791	325,013	255,994	255,994
Total other liabilities	851,466	343,791	653,263	541,994	527,994
	<u>\$ 36,566,305</u>	<u>\$ 343,791</u>	<u>\$ 2,601,272</u>	<u>\$ 34,308,824</u>	<u>\$ 2,561,687</u>

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 - Long-Term Debt (Continued):

2008 Certificates of Participation:

On July 28, 2008, the City of Pacifica issued Certificates of Participation (COP) in the amount of \$19,815,000 (par value) payable annually beginning January 1, 2010 and with a variable interest rate of 3.000% to 5.375%, payable each July 1 and January 1, beginning January 1, 2009. The COP matures on January 1, 2037. The purpose of the COP is to (i) fund an escrow to cause the mandatory tender of all outstanding certificates for the 2006 issue, (ii) provide funds relating to the acquisition, construction, and equipping of certain City public street improvement projects, (iii) fund certain costs relating to termination of a swap agreement relating to the 2006 COP, (iv) fund capitalized interest, (v) fund or provide for satisfaction of the Reserve Fund Requirement, and (vi) pay the costs incurred in connection with the execution, delivery, and sale of the 2008 COPs.

The lease payments, swap payments and additional payments due under the lease agreement are payable from any source of available funds of the City and the City has determined that 25.235% of each lease payment is allocable to the refinancing of the City's obligations under the 2006 COP. The portion of lease payments and the corresponding portion of the swap payments which are allocable to the 2006 COP are payable from and are ratably secured by a pledge of and lien on the Gas Tax revenues.

\$15,882,250 from the 2008 COP was placed in an irrevocable trust that was used to pay off the 2006 COP. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debts) of \$1,497,410.

Annual debt service requirements, to maturity, for the 2008 Certificates of Participation are as follows:

Fiscal year Ended	Principal	Interest	Total
2013	\$ 525,000	\$ 924,106	\$ 1,449,106
2014	505,000	900,482	1,405,482
2015	555,000	877,756	1,432,756
2016	530,000	852,782	1,382,782
2017	580,000	828,932	1,408,932
2018-2022	3,080,000	3,752,094	6,832,094
2023-2027	3,525,000	2,953,590	6,478,590
2028-2032	4,155,000	1,984,686	6,139,686
2033-2037	4,870,000	799,535	5,669,535
	<u>\$ 18,325,000</u>	<u>\$ 13,873,963</u>	<u>\$ 32,198,963</u>

Defeased Debt:

\$13,298,931 from the 2006 COP was placed in an irrevocable trust that is to be used to service the future debt requirements of the 1999, 2000, and 2003 COPs. The refunding resulted in an increase of the total debt service by \$3,232,710 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debts) of \$1,070,200.

The City defeased the 1999, 2000, and 2003 COPs by placing the proceeds of the new COP in an irrevocable trust to provide for all future debt service payments on the old COPs. Accordingly, the trust account assets and the liability for the defeased COPs are not included in the City's financial statements. At June 30, 2012, the 1999, 2000, and 2003 COPs are considered defeased. Only the 2003 COPs had an outstanding balance of \$2,170,000.

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 - Long-Term Debt (Continued):

2010 Taxable Pension Obligation Bonds: During May 2010, the City of Pacifica issued \$20,510,000 of Pension Obligation Bonds bearing interest between 1.425% and 6.899% and payable semiannually on June 1 and December 1 each year, commencing December 1, 2010. The bonds mature on June 1, 2030. These bonds were used to advance pay miscellaneous and safety employee pension obligations. The outstanding principal balance at June 30, 2012 is \$16,161,022. Approximately 88.622% of the bonds payable has been allocated to governmental activities (including 1.71% to the Motor Pool internal service fund).

Annual debt service requirements, to maturity, for the 2010 Pension Obligation Bonds (governmental portion) are as follows:

Fiscal year Ended	Principal	Interest	Total
2013	\$ 1,059,033	\$ 934,065	\$ 1,993,098
2014	1,156,517	903,450	2,059,967
2015	1,271,726	856,576	2,128,302
2016	1,409,090	791,616	2,200,706
2017	1,555,316	719,639	2,274,955
2018-2022	3,097,339	2,758,994	5,856,333
2023-2027	3,544,880	1,851,553	5,396,433
2028-2030	3,067,121	432,568	3,499,689
	<u>\$ 16,161,022</u>	<u>\$ 9,248,461</u>	<u>\$ 25,409,483</u>

2001 CHFA Loan: During August 2001, the City (along with State and County agencies) entered into an agreement to lend and borrow funds to assist with the purchase of land and buildings suitable for the utilization of low-income senior housing (Oceanview Apartments). The property was purchased by the City and immediately transferred to National Church Residences (NCR), a non-profit organization. The City loaned \$600,000, and also acted as the pass-through agency for a loan totaling \$1,450,000 from the California Housing Financing Agency (CHFA). The loan from CHFA is technically a loan to the City, and will be repaid by the City with payments received from NCR. As of March 23, 2012, the loan maturity date was extended from April 28, 2012 to April 28, 2014. Although all loans associated with this project will be repaid as surplus cash allows, the following reflects the anticipated repayment schedule:

Fiscal year Ended	Principal	Interest	Total
2013	\$ -	\$ -	\$ -
2014	875,378	99,912	975,290
	<u>\$ 875,378</u>	<u>\$ 99,912</u>	<u>\$ 975,290</u>

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 - Long-Term Debt (Continued):

2004 Wastewater Revenue Refunding Bonds: During July 2004, the City of Pacifica issued \$9,250,000 in 2004 Wastewater Revenue Refunding Bonds at interest rates varying from 5% to 5.25%. The net proceeds of the bonds were issued to refund a portion of the State of California Water Resource Control Board Loan (payments due through July 31, 2007) and to establish a reserve fund. The bonds were issued with an original issue premium which is being amortized over the term of the bonds. Interest on the bonds will be payable semiannually on April 1 and October 1 each year, commencing April 1, 2005. The bonds mature on October 1, 2026. The bonds will be paid from and are secured by the net revenues of the wastewater collection system of the City. The balance at June 30, 2012 is \$9,250,000.

Annual debt service requirements, to maturity, for the 2004 Wastewater Revenue Refunding Bonds are as follows:

Fiscal year Ended	Principal	Interest	Total
2013	\$ -	\$ 472,588	\$ 472,588
2014		472,588	472,588
2015		472,588	472,588
2016		472,588	472,588
2017		472,588	472,588
2018-2022		2,362,940	2,362,940
2023-2027	9,250,000	1,055,709	10,305,709
	<u>\$ 9,250,000</u>	<u>\$ 5,781,589</u>	<u>\$ 15,031,589</u>

2001B Wastewater Revenue Bonds: The City of Pacifica Financing Authority refinanced \$4,635,000 of outstanding 1996 Wastewater Revenue Bonds by issuing \$4,970,000 in new bonds at interest rates varying from 3.00% to 5.125%. The bonds mature on October 1, 2026. The economic gain realized on the refinancing had a net present value of \$342,973 or 7.2664% of par on the prior issue at the time of refinancing. The original bonds were issued to partly finance the City's new Wastewater Treatment Plant. The remaining long term financing was arranged through the State's Revolving Loan Fund. The bonds are callable in full, without premium, on any interest date on or after October 1, 2012. The bonds will be paid from the net revenues (pledged revenue) of the wastewater fund operations. The balance at June 30, 2012 is \$3,650,000.

Annual debt service requirements, to maturity, for the 2001B Wastewater Revenue Bonds are as follows:

Fiscal year Ended	Principal	Interest	Total
2013	\$ 170,000	\$ 176,341	\$ 346,341
2014	180,000	168,636	348,636
2015	190,000	160,216	350,216
2016	195,000	151,264	346,264
2017	205,000	141,762	346,762
2018-2022	1,185,000	540,450	1,725,450
2023-2027	1,525,000	198,294	1,723,294
	<u>\$ 3,650,000</u>	<u>\$ 1,536,963</u>	<u>\$ 5,186,963</u>

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 - Long-Term Debt (Continued):

2010 Taxable Pension Obligation Bonds: During May 2010, the City of Pacifica issued \$20,510,000 of Pension Obligation Bonds bearing interest between 1.425% and 6.899% and payable semiannually on June 1 and December 1 each year, commencing December 1, 2010. The bonds mature on June 1, 2030. These bonds were used to advance pay miscellaneous and safety employee pension obligations. The outstanding principal balance at June 30, 2012 is \$2,118,978. Approximately 11.378% of the bonds payable has been allocated to business-type activities.

Annual debt service requirements, to maturity, for the 2010 Pension Obligation Bonds (business-type portion) are as follows:

Fiscal year Ended	Principal	Interest	Total
2013	\$ 135,967	\$ 119,923	\$ 255,890
2014	148,483	115,992	264,475
2015	163,274	109,974	273,248
2016	180,910	101,634	282,544
2017	199,684	92,393	292,077
2018-2022	397,661	354,222	751,883
2023-2027	455,120	237,717	692,837
2028-2030	437,879	55,537	493,416
	<u>\$ 2,118,978</u>	<u>\$ 1,187,392</u>	<u>\$ 3,306,370</u>

State of California Water Resource Control Board Loan: On February 20, 1997, the State of California Water Resource Control Board allocated to the City of Pacifica Sewer Enterprise Fund a State Revolving Loan Fund commitment totaling \$41,304,818 for design and construction of a new wastewater treatment facility. Repayment of the loan began one year after completion of the project and will be repaid over a period of 20 years. This is a stated zero interest loan, with 83.333% of expenses reimbursed under the revolving loan fund and the remaining 16.667% paid by the City of Pacifica. Interest did not accrue during the construction phase.

During July 2004, the City issued \$9,250,000 in 2004 Wastewater Revenue Refunding Bonds to advance refund a portion of the State of California Water Resource Control Board Loan (payments due through July 1, 2007). The net proceeds were deposited in an irrevocable trust with an escrow agent to provide debt service payments.

For financial reporting purposes, the portion of loan payments that are due through July 1, 2007 have been considered defeased and therefore removed as a liability from the City. As of June 30, 2012, the amount of defeased debt outstanding but removed from the long-term debt was \$0.

Annual debt service requirements, to maturity, for the State of California Water Resource Control Board Loan are as follows:

Fiscal year Ended	Principal	Interest	Total
2013	\$ 1,727,726	\$ 338,192	\$ 2,065,918
2014	1,758,892	307,026	2,065,918
2015	1,790,621	275,297	2,065,918
2016	1,822,922	242,996	2,065,918
2017	1,855,805	210,113	2,065,918
2018-2022	9,791,886	536,168	10,328,054
	<u>\$ 18,747,852</u>	<u>\$ 1,909,792</u>	<u>\$ 20,657,644</u>

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 - Long-Term Debt (Continued):

Settlement payable: On June 29, 2011, the City entered into settlement agreements with Our Children's Earth Foundation and the California Regional Water Quality Control Board for \$147,500 and \$880,000, respectively.

Annual debt service requirements, to maturity, for the settlement agreements are as follows:

Fiscal year Ended	Total
2013	\$ 272,000
2014	7,000
2015	7,000
	\$ 286,000
	\$ 286,000

NOTE 7 - Other Post-Employment Benefits:

Plan Description

The City participates in the CalPERS medical program. Employees in the following bargaining groups who retire from the City and receive a CalPERS pension are eligible to receive City contributions toward the costs of their postemployment coverage:

- Department Directors
- Battalion Chiefs
- Firefighters
- Management Unit
- Police Officers and Dispatchers
- Police Supervisors
- Wastewater Treatment Plant

In general, employees in the following groups receive their medical benefits from Union Trust plans (although Miscellaneous employees may enroll in a City sponsored Kaiser plan and Wastewater Treatment Plant employees may enroll in any of the CalPERS medical plans):

- Miscellaneous Employees
- Police Management
- Wastewater Treatment Plant

Miscellaneous and Police Management retirees do not participate in the CalPERS medical programs and the City does not make a contribution toward the cost of postemployment healthcare benefits for these employees.

Funding Policy

Under its arrangement with the CalPERS medical program, the City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. Retirees must contribute any premium amounts in excess of the City contribution.

Retired Department Directors, retired Management Unit employees, unrepresented managers, and confidential employees receive an additional \$100 monthly benefit.

The City's policy is to contribute an amount sufficient to pay the current year's minimum employer contribution only. For fiscal year 2011-12, the City contributed \$84,236, which covered the current year's minimum employer contribution, but did not include any additional prefunding of benefits.

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7 - Other Post-Employment Benefits (Continued):

Annual OPEB and Net OPEB Obligation

The City's annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 not to exceed thirty years, on a closed basis. The following table shows the components of the City's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution (ARC)	\$ 314,810
Interest on net OPEB obligation	82,815
Adjustment to ARC	<u>(85,625)</u>
Annual OPEB cost (expense)	312,000
Contributions made	<u>(84,236)</u>
Increase in net OPEB obligation	227,764
Net OPEB obligation - beginning of fiscal year	<u>1,846,137</u>
Net OPEB obligation - end of fiscal year	<u><u>\$ 2,073,901</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2012 and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2010	\$ 678,169	14.9%	\$ 1,633,932
6/30/2011	293,243	27.6%	1,846,137
6/30/2012	312,000	27.0%	2,073,901

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$3,443,589, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,443,589. The annual covered payroll was \$15,929,273, and the ratio of the UAAL to the covered payroll was 21.6%.

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.

Actuarial Methods and Assumptions

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

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 - Other Post-Employment Benefits (Continued):

In the July 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, which is the expected long-term investment returns on plan assets, an annual increase in the minimum monthly benefit (healthcare cost trend rate) of 5.0 percent, and a 3.25 percent annual rate of increase in payroll. The actuarial value of assets is not applicable (no assets as of the valuation date). The UAAL is being amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at July 1, 2010 was twenty seven years.

NOTE 8 - Employee Retirement Plans:

Plan Description:

The City of Pacifica has three defined benefit pension plans (Miscellaneous Plan, Safety Fire Plan and the Safety Police Plan, (the "Plans")). The Plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The Plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer deferred benefit pension plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California.

A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policies:

Active plan members in the Miscellaneous Plan, the Safety Fire Plan and the Safety Police Plan are required to contribute 8%, 9% and 9%, respectively, of their annual covered salary. The City pays the tax deferred contributions required of City employees on their behalf and for their account. The City is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal 2011/12 are as follows: 12.329% for miscellaneous employees; 21.252% for fire employees and 24.112% for police employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost:

For fiscal year 2011-12, the City's combined annual pension cost was \$3,722,815 which includes the City's required contribution amount of \$2,480,616 and the members required contribution amount of \$1,242,199.

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8 - Employee Retirement Plans (Continued):

Miscellaneous Plan:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 1,416,451	100%	-
6/30/2011	857,128	100%	-
6/30/2012	1,018,275	100%	-

Fire Safety Plan:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 905,620	100%	\$ -
6/30/2011	477,700	100%	-
6/30/2012	573,202	100%	-

Police Safety Plan:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 1,463,973	100%	\$ -
6/30/2011	751,363	100%	-
6/30/2012	889,139	100%	-

NOTE 9 - Public Entity Risk Pool:

The City participates in one public entity risk pool through a formally organized and separate entity. As a separate legal entity, this entity exercises full power and authority within the scope of the related agreement including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the separate entity are not those of the City.

ABAG PLAN CORPORATION

On July 1, 1986, the City became a member of the Association of Bay Area Governments (ABAG) Pooled Liability Assurance Network (PLAN). PLAN is a not-for-profit organization established to provide certain levels of liability insurance coverage, claims and risk management services, and legal defense to thirty-one San Francisco Bay Area cities. PLAN is governed by a Board of Directors comprised of officials appointed by each participating member and is administered by the Association of Bay Area Governments (ABAG).

The City paid premiums of \$411,353 during fiscal year 2011-2012 for general liability and property coverage in excess of the City's self-insured retention as described in Note 9. Members may receive rebates when declared by ABAG or, in the event excess liability claims against ABAG exceed available resources, may be required to make additional contributions.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9 - Public Entity Risk Pool (Continued):

ABAG is considered a risk-sharing pool whereby all its members share in the cost of losses for other members. Condensed accrual basis audited financial information of PLAN as of and for the fiscal year ended June 30, 2011 (most recent available) is as follows:

Total assets	\$ 47,150,382
Total liabilities	<u>20,617,172</u>
Net assets	<u><u>\$ 26,533,210</u></u>
Total revenues	\$ 9,672,545
Total expenses	<u>14,935,442</u>
Net income (loss)	<u><u>\$ (5,262,897)</u></u>

NOTE 10 – Self-Insurance Fund:

On July 1, 1988, the City established a program of self-insurance with respect to Employee's Dental Insurance, in accordance with the provisions of a Memorandum of Understanding between the City and all full-time employees. This program is administered by TLC Administrators and provides claims review and processing. The maximum benefit per employee per plan year varies between \$1,500 and \$2,000; the maximum benefit per dependent per plan year is also between \$1,500 and \$2,000.

The City paid premiums of \$407,010 during fiscal year 2011-12 for workers' compensation and excess workers' compensation coverage.

The City's general liability, property damage, employment, and workers' compensation claims are insured by participation in public risk-sharing pools (ABAG PLAN Corporation, Note 8, and Municipal Pooling Authority), both of which are subject to the City's self-insurance retention which varies by type of coverage. The coverages are as follows:

<u>Self-Insured Coverage</u>	<u>Policy Limit</u>	<u>Retention</u>
General Liability & Property Damage	\$ 10,000,000	\$ 50,000
Workers Compensation	\$ 500,000 *	\$4.5 million excess of \$500,000 per occurrence *
Employment	\$ 1,000,000	

* Workers' Compensation coverage is currently pooled with a 31 city Insurance JPA. Settled claims have not exceeded the City's policy limits in any of the past three fiscal years.

The City maintains an internal service fund to account for these insurance programs. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Accrued insurance losses of \$520,369 and \$500,000 were recorded at June 30, 2012 for the workers' compensation and general liability programs respectively.

Changes in the total reported liability resulted from the following:

	Fiscal Year Ended June 30,	
	<u>2011</u>	<u>2012</u>
July 1 Liability	\$ 1,156,465	\$ 1,036,756
Claims & change in estimate	435,877	87,902
Payments for claims	<u>(555,586)</u>	<u>(104,289)</u>
June 30 Liability	<u><u>\$ 1,036,756</u></u>	<u><u>\$ 1,020,369</u></u>

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 11 - Interfund Transactions:

Due To/From Other Funds

Current interfund balances arise in the normal course of business, to fund projects until the borrowing fund receives revenues to repay the lending fund and to assist funds with negative cash balance at the fiscal year end. The following is a summary of Interfund balances as of June 30, 2012:

<u>Funds</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
Major Governmental Funds:		
General Fund	\$ 1,063,297	\$ -
Capital Projects Fund:		
General Capital Improvement Fund		2,218,700
Special Revenue Funds:		
Gas Tax Fund	2,218,700	1,358,913
Davies Trust Fund		22,741
Nonmajor Governmental Funds:		
Special Revenue Funds:		
NPDES Stormwater Fund		75,000
Disaster Accounting Fund		831,773
Capital Project Funds:		
Aircraft Noise Project Fund		77
Parks and Playfield Fund		133,706
Internal Service Fund:		
Self Insurance Fund	<u>1,358,913</u>	
Total	<u>\$ 4,640,910</u>	<u>\$ 4,640,910</u>

Receivable from Successor Agency

The City of Pacifica loaned money to the former Redevelopment Agency Rockaway Beach Fund (Successor Agency Private-purpose Trust Fund) to be used for any expenses necessary or incidental in carrying out the Redevelopment Plan. At June 30, 2012, outstanding loans totaling \$6,134,900 (\$2,341,185 in advances and \$3,793,715 of accrued interest) have been made from the General Fund and are to be repaid as practical to the City from incremental tax revenues of the project area and sales of redevelopment property. Interest accrues on the original advance at 8.5%.

The City of Pacifica participated in the financing of a low-cost senior apartment complex during fiscal year 2000-2001. The former Redevelopment Agency made a \$600,000 long-term loan through the former RDA Low/Mod Housing Fund to National Church Residences (see Note 4). Since the Housing Fund did not have the full \$600,000, the City's General Fund loaned the Housing Fund \$258,000 at a variable simple interest rate. The current loan interest rate between the City's General Fund and the Housing Fund is 7%. The total balance at June 30, 2012 is \$293,257 (\$175,190 in advances and \$118,067 in accrued interest).

Transfers

Transfers report the nonreciprocal contribution of resources from one fund to another. The purpose of the majority of transfers is to reimburse a fund which has made expenditures on behalf of another fund. Less often a transfer may be made to open or close a fund.

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 11 - Interfund Transactions (Continued):

The following is a summary of transfers for the fiscal year ended June 30, 2012:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ -	\$ 3,197,957
General Capital Improvement Fund		108,037
Debt Service Fund	3,449,147	
Gas Tax Fund		615,420
Nonmajor Governmental Funds:		
Fire Assessment Fund		572,072
NPDES Stormwater Fund		3,652
Highway 1 Improvement Fund		1,826
Manor Drive Improvement Fund		1,660
Parks and Playfield Fund		3,320
Major Enterprise Fund:		
Sewer Utility Fund		200,000
Internal Service Fund:		
Motor Pool Fund	874,797	
Self Insurance Fund	380,000	
	<u>\$ 4,703,944</u>	<u>\$ 4,703,944</u>

NOTE 12 - Net Assets and Fund Balances:

A. Net Assets

Net assets are the excess of all the City's assets over all its liabilities, regardless of fund. Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets, which are determined at the government-wide, proprietary fund, and fiduciary fund level and are described below.

Invested in capital assets, net of related debt describes the portion of net assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets. As of June 30, 2012, the governmental activities reported a balance of \$54,455,020 and the business-type activities reported a balance of \$15,462,599.

Restricted describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes. Total restricted net assets as of June 30, 2012 are \$9,042,672 as reported in the governmental activities.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 12 – Net Assets and Fund Balances (Continued):

A. Net Assets (Continued)

Included in restricted net assets at June 30, 2012 are net assets restricted by enabling legislation of \$324,978.

Unrestricted describes the portion of net assets which is not restricted as to use. As of June 30, 2012, the governmental activities reported a balance of \$4,681,456 and the business-type activities reported a balance of \$5,935,174.

When both restricted and unrestricted net assets are available, restricted resources are depleted first before the unrestricted resources are used.

B. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City ordinance (City Manager).

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 12 – Net Assets and Fund Balances (Continued):

B. Fund Balances (Continued)

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2012 are as follows:

Fund Balances	General Fund	General Capital Improvement Fund	Gas Tax Fund	Davies Trust Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>							
Inventory	\$ 3,169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,169
Advances	2,516,375						2,516,375
<i>Total Nonspendable</i>	<u>2,519,544</u>						<u>2,519,544</u>
<u>Restricted for:</u>							
Public safety						110,125	110,125
Stormwater operations						71,503	71,503
Parks, beaches, and recreation				3,458,734			3,458,734
Streets and roads			2,517,472			1,066,386	3,583,858
Debt service					825,859		825,859
Capital projects		675,018				317,575	992,593
<i>Total Restricted</i>		<u>675,018</u>	<u>2,517,472</u>	<u>3,458,734</u>	<u>825,859</u>	<u>1,565,589</u>	<u>9,042,672</u>
<u>Committed for:</u>							
Childcare programs	743,683						743,683
<i>Total Committed</i>	<u>743,683</u>						<u>743,683</u>
<u>Assigned for:</u>							
Fire services	5,559						5,559
Police services	48,044						48,044
Recycling	17,527						17,527
Public works	4,187						4,187
Capital projects	7,037						7,037
Parks, beaches, and recreation	48,504						48,504
<i>Total Assigned</i>	<u>130,858</u>						<u>130,858</u>
Unassigned	227,012					(979,737)	(752,725)
<i>Total Fund Balances</i>	<u>\$ 3,621,097</u>	<u>\$ 675,018</u>	<u>\$ 2,517,472</u>	<u>\$ 3,458,734</u>	<u>\$ 825,859</u>	<u>\$ 585,852</u>	<u>\$ 11,684,032</u>

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 13 – Contingencies:

The City is a defendant in one lawsuit which does not represent significant financial exposure to the City. In *North Pacifica LLC v. City of Pacifica*, San Mateo Superior Court Case No. CIV 419325, plaintiff challenges the City's processing and imposition of conditions on a development project. While this case has not been dismissed, it is currently inactive.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

As part of the settlement agreement between the City and the California Regional Water Quality Control Board, the City has agreed to complete supplemental environmental projects as set forth in the agreement in the amount of \$820,000. If the City does not complete these projects the City will have to pay \$820,000 to the California Regional Water Quality Control Board.

NOTE 14 – Successor Agency Trust for Assets of Former Redevelopment Agency:

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Pacifica that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 23, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City resolution number 01-2012.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs State Controller of the State of California review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the state Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 14 – Successor Agency Trust for Assets of Former Redevelopment Agency (Continued):

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss(gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary (gain)/loss reported in governmental funds – (decrease)/increase to net assets of the Successor Agency Trust Funds	\$(5,152,912)
Capital assets recorded in the fiduciary fund financial statements – increase of net assets of the Successor Agency Trust Funds	835,275
Deferred notes receivable recorded in the fund financial statements – increase of net assets of the Successor Agency Trust Funds	196,812
Accrued bond interest reported in the fiduciary fund financial statements – decrease to net assets of the Successor Agency Trust Funds	(6,872)
Deferred charges reported in the fiduciary fund financial statements – increase of net assets of the Successor Agency Trust Funds	69,755
Long-term debt reported in the fiduciary fund financial statements – decrease to net assets of the Successor Agency Trust Funds	<u>(1,500,000)</u>
Net decrease to net assets of the Successor Agency Trust Funds as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$(5,557,942)</u>

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 14 – Successor Agency Trust for Assets of Former Redevelopment Agency (Continued):

Notes receivable of the Successor Agency as of June 30, 2012 consisted of the following:

	Note Receivable Balance	Accrued Interest Balance
Senior note, secured by second deed of trust, due on August 25, 2035	\$ 250,000	\$ 85,130
Junior note, secured by fourth deed of trust, due on August 25, 2035	350,000	119,182
Total, secured	\$ 600,000	\$ 204,312

The Successor Agency has two notes due from National Church Residences of Pacifica Ca., an Ohio nonprofit corporation (“NCR”). The notes totaling \$600,000 are secured by Deeds of Trust and an assignment of rents, bear annual interest at 3% simple, and are repayable from “available surplus cash” as defined in the promissory notes.

Capital assets of the Successor Agency as of June 30, 2012 consisted of the following:

	Balance June 30, 2011	Transfers from RDA	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:					
Land	\$ -	\$ 835,275	\$ -	\$ -	\$ 835,275
Total capital assets, net	\$ -	\$ 835,275	\$ -	\$ -	\$ 835,275

Long-term debt of the Successor Agency as of June 30, 2012, consisted of the following:

	Balance, July 1, 2011	Transfers from RDA	Additions	Retirements	Balance, June 30, 2012	Due in One year
<u>Tax allocation bonds:</u>						
2004 Tax allocation bonds	\$ -	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000	\$ 45,000
<u>Payable to General Fund:</u>						
Advance from General Fund	-	6,277,246	150,911	-	6,428,157	-
	\$ -	\$ 7,777,246	\$ 150,911	\$ -	\$ 7,928,157	\$ 45,000

Tax Allocation Bonds

Former Community Development Agency Tax Allocation Bonds

2004 Tax Allocation Bonds: During August 2004, the former Redevelopment Agency of the City of Pacifica issued \$1,725,000 in Rockaway Beach Redevelopment Project 2004 Tax Allocation Bonds at interest rates varying from 2.9% to 5.75%. The net proceeds of the bonds were issued to refinance redevelopment activities by repaying a portion of the loan made by the City to the Agency and to establish a reserve fund. Interest on the bonds will be payable semiannually on January 1 and July 1 each year, commencing January 1, 2005. The bonds mature on July 1, 2031. The bonds are payable exclusively from pledged tax revenues to be derived from the project area and from the amounts on deposits in certain funds and accounts, including the reserve account and the revenue account. The balance at June 30, 2012 is \$1,500,000.

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 14 – Successor Agency Trust for Assets of Former Redevelopment Agency (Continued):

Tax Allocation Bonds (Continued)

Former Community Development Agency Tax Allocation Bonds (Continued)

Annual debt service requirements, to maturity, for the 2004 Tax Allocation Bonds are as follows:

Fiscal year Ended	Principal	Interest	Total
2013	\$ 45,000	\$ 82,340	\$ 127,340
2014	45,000	80,214	125,214
2015	50,000	77,909	127,909
2016	50,000	75,434	125,434
2017	55,000	72,754	127,754
2018-2022	310,000	316,438	626,438
2023-2027	405,000	215,599	620,599
2028-2032	540,000	81,351	621,351
	<u>\$ 1,500,000</u>	<u>\$ 1,002,039</u>	<u>\$ 2,502,039</u>

NOTE 15 – Prior Period Adjustments:

A prior period adjustment of \$3,429,632 was made on the Statement of Activities in the governmental activities due to an overstatement of capital assets (\$52,817), an understatement of cash and investments \$3,484,010, and understatement of accounts payable (\$222), and an understatement of accrued liabilities (\$1,339) in the prior fiscal year.

A prior period adjustment of \$3,482,449 was made in the Davies Trust Special Revenue fund due to an understatement of cash and investments \$3,484,010, and understatement of accounts payable (\$222), and an understatement of accrued liabilities (\$1,339) in the prior fiscal year.

NOTE 16 – Subsequent Event:

On September 10, 2012, the City Council approved the purchase of a Vac-Con truck from Municipal Maintenance Equipment Company in the amount of \$351,069 and approved a contract with the San Mateo County Office of Education in the amount of \$277,469 for the purpose of providing state preschool classes for fiscal year 2012-13.

On October 8, 2012, the City Council approved the fiscal year 2012-13 contract with the California Department of Education in the amount of \$310,565 for providing subsidized child care services.

On October 22, 2012, the City Council approved amendment number nine to the Consultant Services Agreement with Wilsey Ham for the Route 1 San Pedro Creek Bridge Replacement Project for an additional amount of \$214,894.

In preparing the accompanying financial statements, the City management has reviewed all known events that have occurred after June 30, 2012, and through March 26, 2013, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.

NOTE 17 – Financial Condition:

For the fiscal year ended June 30, 2012 the General Fund's net change in fund balance was (\$456,738). As of June 30, 2012 the unassigned available fund balance in the General Fund was \$227,012. With revenues expected to be flat in fiscal year 12/13, the General Fund unassigned available fund balance could be substantially reduced to a negative amount as of June 30, 2013. The City is currently working on a plan to control expenditures in all departments.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PACIFICA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012

BUDGETARY BASIS OF ACCOUNTING

The City prepares a budget for each fiscal year on or before June 30. Budgeted expenditures are enacted into law through the passage of an Appropriation Resolution. This resolution mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the City Council.

From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The legal level of control is the department. The City Council may amend the budget by resolution during the fiscal year.

Formal budgetary integration is employed as a management control device during the fiscal year for the General fund and special revenue funds. Special Revenue Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP) and are consistent with the basis used for financial reporting. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any reconciliation. The General Fund budget is adopted on the budgetary basis, which is not consistent with accounting principles generally accepted in the United States of America. The debt service funds budgets are adopted when the debt issuances are authorized, therefore budgetary schedules for debt service funds are not presented.

The City uses an encumbrance system as an extension of normal budgetary accounting for the other governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriation lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

**CITY OF PACIFICA
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

Other Postemployment Benefits

Schedule of Funding Progress

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/(c)
7/1/2007	\$ 5,127,629	\$ -	\$ 5,127,629	0.0%	\$ 15,457,782	33.2%
7/1/2010	\$ 3,443,589	\$ -	\$ 3,443,589	0.0%	\$ 15,929,273	21.6%

CITY OF PACIFICA
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues				
Taxes:				
Property	\$ 10,655,000	\$ 10,655,000	\$ 10,288,860	\$ (366,140)
Sales	1,407,350	1,407,350	1,519,978	112,628
Franchise	1,645,000	1,645,000	1,595,929	(49,071)
Other	3,040,000	3,040,000	3,005,388	(34,612)
Licenses and permits	309,350	309,350	398,904	89,554
Fines and forfeitures	250,000	250,000	173,944	(76,056)
Use of money and property	229,780	229,780	193,147	(36,633)
Intergovernmental	4,451,000	4,404,875	4,438,966	34,091
Charges for current services	1,709,922	1,709,922	1,515,050	(194,872)
Recreation programs	717,819	717,819	785,891	68,072
Other	1,339,200	1,624,880	1,716,427	91,547
Total Revenues	25,754,421	25,993,976	25,632,484	(361,492)
Expenditures				
Current:				
General government				
City council	100,715	100,715	101,200	(485)
City manager	459,370	459,370	467,042	(7,672)
Human resources	459,150	469,150	399,435	69,715
City attorney	556,026	616,026	584,467	31,559
Finance	1,128,857	1,128,857	1,040,027	88,830
Non-departmental	854,424	854,424	822,286	32,138
Total General Government	3,558,542	3,628,542	3,414,457	214,085
Public safety				
Police	7,863,023	8,094,323	7,906,428	187,895
Fire	4,873,086	4,873,086	4,615,567	257,519
Total Public Safety	12,736,109	12,967,409	12,521,995	445,414
Community development				
Planning	1,025,909	1,025,909	1,133,830	(107,921)
Code enforcement	155,351	155,351	161,331	(5,980)
Economic development	6,350	6,350	4,743	1,607
Total Community Development	1,187,610	1,187,610	1,299,904	(112,294)
Public works				
Engineering services	434,221	431,687	438,811	(7,124)
Street and traffic maintenance	407,212	407,212	414,409	(7,197)
Building maintenance and improvement	435,519	435,519	386,683	48,836
Fishing pier/rest stop maintenance	144,737	144,737	143,853	884
City parks and playfields	634,126	620,126	615,221	4,905
Total Public Works	2,055,815	2,039,281	1,998,977	40,304

(Continued)

See notes to required supplementary information.

CITY OF PACIFICA
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012
Continued

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current:				
Parks, beaches, and recreation				
Parks, beaches, and recreation	\$ 235,532	\$ 235,532	\$ 227,660	\$ 7,872
Community center programs	175,288	175,288	161,256	14,032
Cultural arts	9,750	9,750	10,123	(373)
Elementary age recreation	100,802	100,802	136,164	(35,362)
Teens and j-teens recreation	69,620	69,620	65,230	4,390
Adult sports	4,400	4,400	4,489	(89)
Senior	168,608	168,608	163,335	5,273
Instructional class	130,120	130,120	112,783	17,337
Recreation swimming	275,380	275,380	267,667	7,713
Swim team	154,890	154,890	147,696	7,194
Special community recreation	57,000	57,000	55,249	1,751
Special projects	2,178,432	2,144,658	2,262,608	(117,950)
Total Parks, Beaches, and Recreation	<u>3,559,822</u>	<u>3,526,048</u>	<u>3,614,260</u>	<u>(88,212)</u>
Capital outlay	<u>6,304</u>	<u>22,838</u>	<u>41,672</u>	<u>(18,834)</u>
Total Expenditures	<u>23,104,202</u>	<u>23,371,728</u>	<u>22,891,265</u>	<u>480,463</u>
Excess (Deficit) of Revenues over Expenditures	<u>2,650,219</u>	<u>2,622,248</u>	<u>2,741,219</u>	<u>118,971</u>
Other Financing Sources (Uses)				
Transfers out	<u>(3,197,957)</u>	<u>(3,197,957)</u>	<u>(3,197,957)</u>	
Total Other Financing Sources (Uses)	<u>(3,197,957)</u>	<u>(3,197,957)</u>	<u>(3,197,957)</u>	
Net Change in Fund Balance	(547,738)	(575,709)	(456,738)	118,971
Fund Balance, July 1, 2011	<u>4,077,835</u>	<u>4,077,835</u>	<u>4,077,835</u>	
Fund Balance, June 30, 2012	<u>\$ 3,530,097</u>	<u>\$ 3,502,126</u>	<u>\$ 3,621,097</u>	<u>\$ 118,971</u>

See notes to required supplementary information.

CITY OF PACIFICA
Budgetary Comparison Schedule
Gas Tax Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Use of money and property	\$ -	\$ -	\$ 437	\$ 437
Intergovernmental	2,426,837	2,426,837	2,461,091	34,254
Other			9,172	9,172
Total Revenues	<u>2,426,837</u>	<u>2,426,837</u>	<u>2,470,700</u>	<u>43,863</u>
Expenditures				
Current:				
Public works	1,826,906	1,826,906	1,357,743	469,163
Capital outlay	790,600	790,600	712,646	77,954
Total Expenditures	<u>2,617,506</u>	<u>2,617,506</u>	<u>2,070,389</u>	<u>547,117</u>
Excess (Deficit) of Revenues over Expenditures	<u>(190,669)</u>	<u>(190,669)</u>	<u>400,311</u>	<u>590,980</u>
Other Financing Sources (Uses)				
Transfers out	<u>(615,420)</u>	<u>(615,420)</u>	<u>(615,420)</u>	
Total Other Financing Sources (Uses)	<u>(615,420)</u>	<u>(615,420)</u>	<u>(615,420)</u>	
Net Change in Fund Balance	(806,089)	(806,089)	(215,109)	590,980
Fund Balance, July 1, 2011	<u>2,732,581</u>	<u>2,732,581</u>	<u>2,732,581</u>	
Fund Balance, June 30, 2012	<u>\$ 1,926,492</u>	<u>\$ 1,926,492</u>	<u>\$ 2,517,472</u>	<u>\$ 590,980</u>

See notes to required supplementary information.

OTHER SUPPLEMENTARY INFORMATION

CITY OF PACIFICA
Budgetary Comparison Schedule
Davies Trust Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Use of money and property	\$ 20,000	\$ 20,000	\$ 5,795	\$ (14,205)
Other			112	112
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>5,907</u>	<u>(14,093)</u>
Expenditures				
Current:				
Parks, Beaches, and Recreation	<u>75,334</u>	<u>75,334</u>	<u>29,622</u>	<u>45,712</u>
Total Expenditures	<u>75,334</u>	<u>75,334</u>	<u>29,622</u>	<u>45,712</u>
Net Change in Fund Balance	(55,334)	(55,334)	(23,715)	31,619
Fund Balance, July 1, 2011	<u>3,482,449</u>	<u>3,482,449</u>	<u>3,482,449</u>	
Fund Balance, June 30, 2012	<u><u>\$ 3,427,115</u></u>	<u><u>\$ 3,427,115</u></u>	<u><u>\$ 3,458,734</u></u>	<u><u>\$ 31,619</u></u>

See notes to required supplementary information.

CITY OF PACIFICA
Budgetary Comparison Schedule
General Capital Improvement Capital Projects Fund
For the Fiscal Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Licenses and permits	\$ 59,229	\$ 10,194	\$ (49,035)
Use of money and property	20,000	11,511	(8,489)
Intergovernmental	172,872	185,950	13,078
Total Revenues	<u>252,101</u>	<u>207,655</u>	<u>(44,446)</u>
Expenditures			
Current:			
Community development	95,325	102,631	(7,306)
Capital outlay	2,235,000	446,289	1,788,711
Total Expenditures	<u>2,330,325</u>	<u>548,920</u>	<u>1,781,405</u>
Excess (Deficit) of Revenues over Expenditures	<u>(2,078,224)</u>	<u>(341,265)</u>	<u>1,736,959</u>
Other Financing Sources (Uses)			
Transfers out	<u>(119,312)</u>	<u>(108,037)</u>	<u>11,275</u>
Total Other Financing Sources (Uses)	<u>(119,312)</u>	<u>(108,037)</u>	<u>11,275</u>
Net Change in Fund Balance	(2,197,536)	(449,302)	1,748,234
Fund Balance, July 1, 2011	<u>1,124,320</u>	<u>1,124,320</u>	
Fund Balance, June 30, 2012	<u>\$ (1,073,216)</u>	<u>\$ 675,018</u>	<u>\$ 1,748,234</u>

CITY OF PACIFICA
Budgetary Comparison Schedule
Redevelopment Agency - Rockaway Beach Capital Projects Fund
For the Fiscal Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Taxes:			
Property taxes	\$ 250,400	\$ 116,520	\$ (133,880)
Use of money and property		(70)	(70)
Total Revenues	<u>250,400</u>	<u>116,450</u>	<u>(133,950)</u>
Expenditures			
Current:			
General government	29,750	13,820	15,930
Debt service:			
Principal	40,000	40,000	
Interest and fiscal charges	146,461	202,793	(56,332)
Total Expenditures	<u>216,211</u>	<u>256,613</u>	<u>(40,402)</u>
Net Change in Fund Balance Before Extraordinary Item	34,189	(140,163)	(174,352)
Extraordinary Item			
Gain (loss) on transfer of net assets to RDA successor agency private-purpose trust fund		5,900,421	(5,900,421)
Net Change in Fund Balance	34,189	5,760,258	5,726,069
Fund Balance (Deficit), July 1, 2011	<u>(5,760,258)</u>	<u>(5,760,258)</u>	
Fund Balance (Deficit), June 30, 2012	<u>\$ (5,726,069)</u>	<u>\$ -</u>	<u>\$ 5,726,069</u>

CITY OF PACIFICA
Budgetary Comparison Schedule
Debt Service Fund
For the Fiscal Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Use of money and property	\$ 500	\$ 1,682	\$ 1,182
Total Revenues	<u>500</u>	<u>1,682</u>	<u>1,182</u>
Expenditures			
Debt service:			
Principal	1,521,174	1,521,174	
Interest and fiscal charges	2,035,037	2,036,237	(1,200)
Total Expenditures	<u>3,556,211</u>	<u>3,557,411</u>	<u>(1,200)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(3,555,711)</u>	<u>(3,555,729)</u>	<u>(18)</u>
Other Financing Sources (Uses)			
Transfers in	3,449,149	3,449,147	(2)
Total Other Financing Sources (Uses)	<u>3,449,149</u>	<u>3,449,147</u>	<u>(2)</u>
Net Change in Fund Balance	(106,562)	(106,582)	(20)
Fund Balance, July 1, 2011	<u>932,441</u>	<u>932,441</u>	
Fund Balance, June 30, 2012	<u>\$ 825,879</u>	<u>\$ 825,859</u>	<u>\$ (20)</u>

CITY OF PACIFICA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 256,944	\$ 1,445,581	\$ 1,702,525
Receivables:			
Grants	290,634		290,634
Total Assets	\$ 547,578	\$ 1,445,581	\$ 1,993,159
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 31,750	\$ 59,262	\$ 91,012
Accrued liabilities	316	4,576	4,892
Due to other funds	906,773	133,783	1,040,556
Deferred revenue	270,847		270,847
Total Liabilities	1,209,686	197,621	1,407,307
Fund Balances:			
Restricted	181,628	1,383,961	1,565,589
Unassigned	(843,736)	(136,001)	(979,737)
Total Fund Balances	(662,108)	1,247,960	585,852
Total Liabilities and Fund Balances	\$ 547,578	\$ 1,445,581	\$ 1,993,159

CITY OF PACIFICA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Taxes:			
Property taxes	\$ 29,130	\$ -	\$ 29,130
Other taxes	177,562		177,562
Use of money and property	1,834	5,621	7,455
Intergovernmental	162,670	780,023	942,693
Other		64,407	64,407
	<u>371,196</u>	<u>850,051</u>	<u>1,221,247</u>
Expenditures:			
Current:			
Public safety	22,037		22,037
Community development		88,369	88,369
Public works	169,514	56,325	225,839
Capital outlay	216,141	1,426,086	1,642,227
Debt service:			
Interest and fiscal charges	11,190		11,190
	<u>418,882</u>	<u>1,570,780</u>	<u>1,989,662</u>
Excess (Deficit) of Revenues over Expenditures	<u>(47,686)</u>	<u>(720,729)</u>	<u>(768,415)</u>
Other Financing Sources (Uses):			
Transfers out	<u>(575,724)</u>	<u>(6,806)</u>	<u>(582,530)</u>
Total Other Financing Sources (Uses)	<u>(575,724)</u>	<u>(6,806)</u>	<u>(582,530)</u>
Net Change in Fund Balances Before Extraordinary Item	(623,410)	(727,535)	(1,350,945)
Extraordinary Item			
Gain (loss) on transfer of net assets to RDA successor agency private-purpose trust fund	<u>(747,509)</u>		<u>(747,509)</u>
Net Change in Fund Balances	(1,370,919)	(727,535)	(2,098,454)
Fund Balances, July 1, 2011	<u>708,811</u>	<u>1,975,495</u>	<u>2,684,306</u>
Fund Balances, June 30, 2012	<u>\$ (662,108)</u>	<u>\$ 1,247,960</u>	<u>\$ 585,852</u>

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NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are created in accordance with Federal, State, or City regulations which require that monies apportioned from these specific funds be spent only for certain designated purposes. Funds included in this fund category are:

SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND - This fund was created to account for revenues and expenditures associated with money allocated by the legislature to all cities and counties throughout the state to supplement front line law enforcement services.

FIRE ASSESSMENT FUND - This fund was created to account for revenues and expenditures associated with money collected through the special fire assessment to supplement costs associated with the Fire Department.

NPDES STORMWATER FUND - The NPDES (National Pollution Discharge Elimination System) Stormwater Fund was established in fiscal year 1994-95 to account for revenues and expenditures associated with Federal and State mandated stormwater operations.

REDEVELOPMENT AGENCY LOW/MOD HOUSING FUND - This fund was established to comply with Section 33334.6 of the California Health and Safety Code and accounts for the twenty percent (20%) set aside from the West Rockaway Beach Redevelopment Project Area tax increment revenue for Low and Moderate Income Housing.

DISASTER ACCOUNTING FUND - This fund was established to account for all revenues received and expenditures incurred due to natural and man-made disasters.

CITY OF PACIFICA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	Supplemental Law Enforcement Services	Fire Assessment	NPDES Stormwater
Assets			
Cash and investments	\$ 102,722	\$ 7,403	\$ 146,819
Receivables:			
Grants			
Total Assets	\$ 102,722	\$ 7,403	\$ 146,819
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities			316
Due to other funds			75,000
Deferred revenue			
Total Liabilities			75,316
Fund Balances:			
Restricted	102,722	7,403	71,503
Unassigned			
Total Fund Balances (Deficits)	102,722	7,403	71,503
Total Liabilities and Fund Balances	\$ 102,722	\$ 7,403	\$ 146,819

Redevelopment Agency Low/Mod Housing	Disaster Accounting	Total
\$ -	\$ -	\$ 256,944
	290,634	290,634
<u>\$ -</u>	<u>\$ 290,634</u>	<u>\$ 547,578</u>
\$ -	\$ 31,750	\$ 31,750
	831,773	316
	270,847	906,773
	270,847	270,847
	1,134,370	1,209,686
	(843,736)	181,628
	(843,736)	(843,736)
	(843,736)	(662,108)
<u>\$ -</u>	<u>\$ 290,634</u>	<u>\$ 547,578</u>

CITY OF PACIFICA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Supplemental Law Enforcement Services	Fire Assessment	NPDES Stormwater
Revenues:			
Taxes:			
Property taxes	\$ -	\$ -	\$ -
Other taxes			177,562
Use of money and property	812	44	223
Intergovernmental	109,264		33,619
Total Revenues	<u>110,076</u>	<u>44</u>	<u>211,404</u>
Expenditures:			
Current:			
Public safety	5,260	16,777	
Public works			81,126
Capital outlay	216,141		
Debt service:			
Interest and fiscal charges			
Total Expenditures	<u>221,401</u>	<u>16,777</u>	<u>81,126</u>
Excess (Deficit) of Revenues over Expenditures	<u>(111,325)</u>	<u>(16,733)</u>	<u>130,278</u>
Other Financing Sources (Uses)			
Transfers out		(572,072)	(3,652)
Total Other Financing Sources (Uses)		<u>(572,072)</u>	<u>(3,652)</u>
Net Change in Fund Balances Before Extraordinary Item	(111,325)	(588,805)	126,626
Extraordinary Item			
Gain (loss) on transfer of net assets to RDA successor agency private-purpose trust fund			
Net Change in Fund Balances	(111,325)	(588,805)	126,626
Fund Balances (Deficits), July 1, 2011	<u>214,047</u>	<u>596,208</u>	<u>(55,123)</u>
Fund Balances (Deficits), June 30, 2012	<u>\$ 102,722</u>	<u>\$ 7,403</u>	<u>\$ 71,503</u>

Redevelopment Agency Low/Mod Housing	Disaster Accounting	Total
\$ 29,130	\$ -	\$ 29,130
755		177,562
	19,787	1,834
<u>29,885</u>	<u>19,787</u>	<u>162,670</u>
		22,037
	88,388	169,514
11,190		216,141
<u>11,190</u>		<u>11,190</u>
11,190	88,388	418,882
<u>18,695</u>	<u>(68,601)</u>	<u>(47,686)</u>
		(575,724)
		(575,724)
18,695	(68,601)	(623,410)
<u>(747,509)</u>		<u>(747,509)</u>
(728,814)	(68,601)	(1,370,919)
<u>728,814</u>	<u>(775,135)</u>	<u>708,811</u>
<u>\$ -</u>	<u>\$ (843,736)</u>	<u>\$ (662,108)</u>

CITY OF PACIFICA
Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Supplemental Law Enforcement Services		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes			
Property taxes	\$ -	\$ -	\$ -
Other taxes			
Use of money and property		812	812
Intergovernmental		109,264	109,264
Total Revenues		110,076	110,076
Expenditures:			
Current:			
Public safety		5,260	(5,260)
Public works			
Capital outlay	100,000	216,141	(116,141)
Debt service:			
Interest and fiscal charges			
Total Expenditures	100,000	221,401	(121,401)
Excess (Deficit) of Revenues over Expenditures	(100,000)	(111,325)	(11,325)
Other Financing Sources (Uses):			
Transfers out			
Total Other Financing Sources (Uses)			
Net Change in Fund Balances Before Extraordinary Item	(100,000)	(111,325)	(11,325)
Extraordinary Item			
Gain (loss) on transfer of net assets to RDA successor agency private-purpose trust fund			
Net Change in Fund Balances	(100,000)	(111,325)	(11,325)
Fund Balances (Deficits), July 1, 2011	214,047	214,047	
Fund Balances (Deficits), June 30, 2012	\$ 114,047	\$ 102,722	\$ (11,325)

Fire Assessment			NPDES Stormwater		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	44	44	180,000	177,562	(2,438)
			64,142	33,619	(30,523)
	44	44	244,142	211,404	(32,738)
	16,777	(16,777)	89,741	81,126	8,615
			30,300		30,300
	16,777	(16,777)	120,041	81,126	38,915
	(16,733)	(16,733)	124,101	130,278	6,177
	(572,072)	(572,072)	(3,652)	(3,652)	
	(572,072)	(572,072)	(3,652)	(3,652)	
	(588,805)	(588,805)	120,449	126,626	6,177
	(588,805)	(588,805)	120,449	126,626	6,177
596,208	596,208		(55,123)	(55,123)	
<u>\$ 596,208</u>	<u>\$ 7,403</u>	<u>\$ (588,805)</u>	<u>\$ 65,326</u>	<u>\$ 71,503</u>	<u>\$ 6,177</u>

(Continued)

CITY OF PACIFICA
Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
Budget and Actual - Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012
(Continued)

	Redevelopment Agency Low/Mod Housing		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes			
Property taxes	\$ 63,500	\$ 29,130	\$ (34,370)
Other taxes			
Use of money and property	2,500	755	(1,745)
Intergovernmental	300		(300)
Total Revenues	<u>66,300</u>	<u>29,885</u>	<u>(36,415)</u>
Expenditures:			
Current:			
Public safety			
Public works			
Capital outlay			
Debt service:			
Interest and fiscal charges		11,190	(11,190)
Total Expenditures		<u>11,190</u>	<u>(11,190)</u>
Excess (Deficit) of Revenues over Expenditures	<u>66,300</u>	<u>18,695</u>	<u>(47,605)</u>
Other Financing Sources (Uses):			
Transfers out			
Total Other Financing Sources (Uses)			
Net Change in Fund Balances Before Extraordinary Item	66,300	18,695	(47,605)
Extraordinary Item			
Gain (loss) on transfer of net assets to RDA successor agency private-purpose trust fund		(747,509)	(747,509)
Net Change in Fund Balances	66,300	(728,814)	(795,114)
Fund Balances (Deficits), July 1, 2011	<u>728,814</u>	<u>728,814</u>	
Fund Balances (Deficits), June 30, 2012	<u>\$ 795,114</u>	<u>\$ -</u>	<u>\$ (795,114)</u>

(continued)

Disaster Accounting			Total		
<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ 63,500	\$ 29,130	\$ (34,370)
			180,000	177,562	(2,438)
			2,500	1,834	(666)
	19,787	19,787	64,442	162,670	98,228
	19,787	19,787	310,442	371,196	60,754
				22,037	(22,037)
	88,388	(88,388)	89,741	169,514	(79,773)
			130,300	216,141	(85,841)
				11,190	(11,190)
	88,388	(88,388)	220,041	418,882	(198,841)
	(68,601)	(68,601)	90,401	(47,686)	(138,087)
			(3,652)	(575,724)	(572,072)
			(3,652)	(575,724)	(572,072)
	(68,601)	(68,601)	86,749	(623,410)	(710,159)
				(747,509)	(747,509)
	(68,601)	(68,601)	86,749	(1,370,919)	(1,457,668)
(775,135)	(775,135)		708,811	708,811	
<u>\$ (775,135)</u>	<u>\$ (843,736)</u>	<u>\$ (68,601)</u>	<u>\$ 795,560</u>	<u>\$ (662,108)</u>	<u>\$ (1,457,668)</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds are established to account for financial resources to be used for the acquisition, construction, and improvement of major capital facilities of the City. Appropriations are made from the fund annually.

HIGHWAY 1 IMPROVEMENT FUND - This fund is financed by traffic impact mitigation fees as outlined in the Pacifica Municipal Code (Section 8-15.01 to Section 8-15.06).

MANOR DRIVE IMPROVEMENT FUND - This fund was established to account for the Manor Drive/Palmetto Avenue/Oceana Boulevard intersection construction and is financed by traffic impact mitigation fees as outlined in the Pacifica Municipal Code (Section 8-18.01 to Section 8-18.06).

AIRCRAFT NOISE PROJECT FUND - This fund was established to record the financial transactions of an Aircraft Noise Abatement Project funded with Federal and San Francisco Airport grants.

PARKS AND PLAYFIELDS FUND - This fund was financed by Parkland Dedication Fees as outlined in the Pacifica Municipal Code (Section 8-19.01 to Section 8-19.03).

PLANNED LOCAL DRAINAGE FUND - Revenues are derived from fees levied on new construction in local districts. Funds can be utilized only for the drainage system in those particular districts.

CITY OF PACIFICA
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2012

	<u>Highway 1 Improvement</u>	<u>Manor Drive Improvement</u>	<u>Aircraft Noise Project</u>	<u>Parks and Playfield</u>
Assets				
Cash and investments	\$ 173,521	\$ 950,625	\$ -	\$ -
Total Assets	<u>\$ 173,521</u>	<u>\$ 950,625</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 55,402	\$ -	\$ -	\$ -
Accrued liabilities	1,248	1,110		2,218
Due to other funds			77	133,706
Total Liabilities	<u>56,650</u>	<u>1,110</u>	<u>77</u>	<u>135,924</u>
Fund Balances:				
Restricted	116,871	949,515		
Unassigned			(77)	(135,924)
Total Fund Balances (Deficit)	<u>116,871</u>	<u>949,515</u>	<u>(77)</u>	<u>(135,924)</u>
Total Liabilities and Fund Balances	<u>\$ 173,521</u>	<u>\$ 950,625</u>	<u>\$ -</u>	<u>\$ -</u>

Planned Local Drainage	Total
<u>\$ 321,435</u>	<u>\$ 1,445,581</u>
<u><u>\$ 321,435</u></u>	<u><u>\$ 1,445,581</u></u>
\$ 3,860	\$ 59,262
 	4,576
 	<u>133,783</u>
<u>3,860</u>	<u>197,621</u>
317,575	1,383,961
 	<u>(136,001)</u>
<u>317,575</u>	<u>1,247,960</u>
<u><u>\$ 321,435</u></u>	<u><u>\$ 1,445,581</u></u>

CITY OF PACIFICA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2012

	<u>Highway 1 Improvement</u>	<u>Manor Drive Improvement</u>	<u>Aircraft Noise Project</u>	<u>Parks and Playfield</u>
Revenues:				
Use of money and property	\$ 642	\$ 3,465	\$ -	\$ 211
Intergovernmental	780,023			
Other	<u>7,529</u>	<u>7,013</u>	<u>120</u>	<u>49,745</u>
Total Revenues	<u>788,194</u>	<u>10,478</u>	<u>120</u>	<u>49,956</u>
Expenditures:				
Current:				
Community development				88,369
Public works	30,075	26,250		
Capital outlay	<u>1,012,474</u>			<u>320,057</u>
Total Expenditures	<u>1,042,549</u>	<u>26,250</u>		<u>408,426</u>
Excess (Deficit) of Revenues over Expenditures	<u>(254,355)</u>	<u>(15,772)</u>	<u>120</u>	<u>(358,470)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(1,826)</u>	<u>(1,660)</u>		<u>(3,320)</u>
Total Other Financing Sources (Uses)	<u>(1,826)</u>	<u>(1,660)</u>		<u>(3,320)</u>
Net Change in Fund Balances	(256,181)	(17,432)	120	(361,790)
Fund Balances (Deficits), July 1, 2011	<u>373,052</u>	<u>966,947</u>	<u>(197)</u>	<u>225,866</u>
Fund Balances (Deficits), June 30, 2012	<u>\$ 116,871</u>	<u>\$ 949,515</u>	<u>\$ (77)</u>	<u>\$ (135,924)</u>

Planned Local Drainage	Total
\$ 1,303	\$ 5,621
	780,023
	64,407
<u>1,303</u>	<u>850,051</u>
	88,369
	56,325
<u>93,555</u>	<u>1,426,086</u>
<u>93,555</u>	<u>1,570,780</u>
<u>(92,252)</u>	<u>(720,729)</u>
	<u>(6,806)</u>
	<u>(6,806)</u>
(92,252)	(727,535)
<u>409,827</u>	<u>1,975,495</u>
<u>\$ 317,575</u>	<u>\$ 1,247,960</u>

CITY OF PACIFICA
Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
Budget and Actual - Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2012

	Highway 1 Improvement		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 642	\$ 642
Intergovernmental	450,000	780,023	330,023
Other	30,000	7,529	(22,471)
Total Revenues	<u>480,000</u>	<u>788,194</u>	<u>308,194</u>
Expenditures:			
Current:			
Community development			
Public works	43,175	30,075	13,100
Capital outlay	1,509,660	1,012,474	497,186
Total Expenditures	<u>1,552,835</u>	<u>1,042,549</u>	<u>510,286</u>
Excess (Deficit) of Revenues over Expenditures	<u>(1,072,835)</u>	<u>(254,355)</u>	<u>818,480</u>
Other Financing Sources (Uses):			
Transfers out	<u>(1,826)</u>	<u>(1,826)</u>	
Total Other Financing Sources (Uses)	<u>(1,826)</u>	<u>(1,826)</u>	
Net Change in Fund Balances	(1,074,661)	(256,181)	818,480
Fund Balances (Deficits), July 1, 2011	<u>373,052</u>	<u>373,052</u>	
Fund Balances (Deficits), June 30, 2012	<u><u>\$ (701,609)</u></u>	<u><u>\$ 116,871</u></u>	<u><u>\$ 818,480</u></u>

Manor Drive Improvement			Aircraft Noise Project		
<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ 1,500	\$ 3,465	\$ 1,965	\$ -	\$ -	\$ -
20,000	7,013	(12,987)		120	120
21,500	10,478	(11,022)		120	120
24,950	26,250	(1,300)			
528,250		528,250			
553,200	26,250	526,950			
(531,700)	(15,772)	515,928		120	120
(1,660)	(1,660)				
(1,660)	(1,660)				
(533,360)	(17,432)	515,928		120	120
966,947	966,947		(197)	(197)	
<u>\$ 433,587</u>	<u>\$ 949,515</u>	<u>\$ 515,928</u>	<u>\$ (197)</u>	<u>\$ (77)</u>	<u>\$ 120</u>

(Continued)

CITY OF PACIFICA
Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
Budget and Actual - Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2012
(Continued)

	Parks and Playfield		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 2,000	\$ 211	\$ (1,789)
Intergovernmental			
Other	40,000	49,745	9,745
Total Revenues	<u>42,000</u>	<u>49,956</u>	<u>7,956</u>
Expenditures:			
Current:			
Community development	100,700	88,369	12,331
Public works			
Capital outlay	140,000	320,057	(180,057)
Total Expenditures	<u>240,700</u>	<u>408,426</u>	<u>(167,726)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(198,700)</u>	<u>(358,470)</u>	<u>(159,770)</u>
Other Financing Sources (Uses):			
Transfers out	<u>(3,320)</u>	<u>(3,320)</u>	
Total Other Financing Sources (Uses)	<u>(3,320)</u>	<u>(3,320)</u>	
Net Change in Fund Balances	(202,020)	(361,790)	(159,770)
Fund Balances (Deficits), July 1, 2011	<u>225,866</u>	<u>225,866</u>	
Fund Balances (Deficits), June 30, 2012	<u><u>\$ 23,846</u></u>	<u><u>\$ (135,924)</u></u>	<u><u>\$ (159,770)</u></u>

Planned Local Drainage			Total		
<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ 1,000	\$ 1,303	\$ 303	\$ 4,500	\$ 5,621	\$ 1,121
			450,000	780,023	330,023
			90,000	64,407	(25,593)
<u>1,000</u>	<u>1,303</u>	<u>303</u>	<u>544,500</u>	<u>850,051</u>	<u>305,551</u>
			100,700	88,369	12,331
9,225		9,225	77,350	56,325	21,025
<u>130,000</u>	<u>93,555</u>	<u>36,445</u>	<u>2,307,910</u>	<u>1,426,086</u>	<u>881,824</u>
<u>139,225</u>	<u>93,555</u>	<u>45,670</u>	<u>2,485,960</u>	<u>1,570,780</u>	<u>915,180</u>
<u>(138,225)</u>	<u>(92,252)</u>	<u>45,973</u>	<u>(1,941,460)</u>	<u>(720,729)</u>	<u>1,220,731</u>
			<u>(6,806)</u>	<u>(6,806)</u>	
			<u>(6,806)</u>	<u>(6,806)</u>	
<u>(138,225)</u>	<u>(92,252)</u>	<u>45,973</u>	<u>(1,948,266)</u>	<u>(727,535)</u>	<u>1,220,731</u>
<u>409,827</u>	<u>409,827</u>		<u>1,975,495</u>	<u>1,975,495</u>	
<u>\$ 271,602</u>	<u>\$ 317,575</u>	<u>\$ 45,973</u>	<u>\$ 27,229</u>	<u>\$ 1,247,960</u>	<u>\$ 1,220,731</u>

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

MOTOR POOL FUND - City of Pacifica operates a central garage, which provides services to various City departments on a cost reimbursement basis. Revenues for the fund are derived from rentals to the departments for usage of the equipment. The fund can be used only for the operation and replacement of the equipment.

SELF INSURANCE FUND - City of Pacifica established Self Insurance Funds to cover Employee Dental Insurance, Workers' Compensation, General Liability, Property, and Automobile Liability Insurance. Expenses are restricted to payments of claims, the premium for umbrella insurance, administration costs, and expenditures relating to the Safety Committee.

CITY OF PACIFICA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012

	Motor Pool	Self Insurance	Total
Assets			
Current Assets:			
Cash and investments	\$ 1,550,026	\$ 697,314	\$ 2,247,340
Receivable:			
Accounts	4,068	146,034	150,102
Due from other funds		1,358,913	1,358,913
Prepaid items	318,376		318,376
Inventories	39,166		39,166
Total Current Assets	1,911,636	2,202,261	4,113,897
Noncurrent Assets:			
Deferred charges (net of accumulated amortization)	8,644		8,644
Capital assets, not being depreciated	284,437		284,437
Capital assets, being depreciated, net of accumulated depreciation	1,805,512		1,805,512
Total Noncurrent Assets	2,098,593		2,098,593
Total Assets	4,010,229	2,202,261	6,212,490
Liabilities			
Current Liabilities:			
Accounts payable	30,930	16,695	47,625
Accrued liabilities	16,641		16,641
Accrued interest payable	1,528		1,528
Claims payable		902,265	902,265
Compensated absences	22,429		22,429
Bonds payable	20,813		20,813
Total Current Liabilities	92,341	918,960	1,011,301
Noncurrent Liabilities:			
Claims payable		118,104	118,104
Compensated absences	5,009		5,009
Bonds payable	297,570		297,570
Total Noncurrent Liabilities	302,579	118,104	420,683
Total Liabilities	394,920	1,037,064	1,431,984
Net Assets			
Invested in capital assets, net of related debt	2,089,949		2,089,949
Unrestricted	1,525,360	1,165,197	2,690,557
Total Net Assets	\$ 3,615,309	\$ 1,165,197	\$ 4,780,506

CITY OF PACIFICA
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2012

	<u>Motor Pool</u>	<u>Self Insurance</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 1,108,617	\$ 150,980	\$ 1,259,597
Other operating income	21,764	39,884	61,648
	<u>1,130,381</u>	<u>190,864</u>	<u>1,321,245</u>
Total Operating Revenues			
Operating Expenses:			
Personnel services	409,664		409,664
Administration	3,941		3,941
Supplies and materials	457,359		457,359
Insurance		407,010	407,010
Outside contractors		70,637	70,637
Maintenance	25,294		25,294
Insurance claims		244,474	244,474
Depreciation	381,815		381,815
	<u>1,278,073</u>	<u>722,121</u>	<u>2,000,194</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(147,692)</u>	<u>(531,257)</u>	<u>(678,949)</u>
Non-Operating Revenues (Expenses):			
Investment earnings	5,403	7,704	13,107
Intergovernmental revenues	56,221		56,221
Amortization expense	(480)		(480)
Interest and fiscal charges	(12,786)		(12,786)
Loss on sale of capital assets	(66,420)		(66,420)
	<u>(18,062)</u>	<u>7,704</u>	<u>(10,358)</u>
Total Non-Operating Revenues (Expenses)			
Income (Loss) Before Transfers	(165,754)	(523,553)	(689,307)
Transfers:			
Transfers in	<u>874,797</u>	<u>380,000</u>	<u>1,254,797</u>
Changes in Net Assets	709,043	(143,553)	565,490
Net Assets, July 1, 2011	<u>2,906,266</u>	<u>1,308,750</u>	<u>4,215,016</u>
Net Assets, June 30, 2012	<u>\$ 3,615,309</u>	<u>\$ 1,165,197</u>	<u>\$ 4,780,506</u>

CITY OF PACIFICA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2012

	Motor Pool	Self Insurance	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 1,127,447	\$ 44,830	\$ 1,172,277
Payments to suppliers and users	(553,317)	(480,358)	(1,033,675)
Payments for claims		(260,861)	(260,861)
Interfund loans		(274,268)	(274,268)
Payments to employees	(409,466)	(340)	(409,806)
	164,664	(970,997)	(806,333)
Net Cash Provided (Used) by Operating Activities			
Cash Flows from Noncapital and Related Financing Activities:			
Intergovernmental revenues	56,221		56,221
Transfers in	874,797	380,000	1,254,797
	931,018	380,000	1,311,018
Net Cash Provided by Noncapital and Related Financing Activities			
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(1,177,356)		(1,177,356)
Proceeds from sale of capital assets	53,966		53,966
Principal payments on bonds and notes	(12,929)		(12,929)
Interest paid	(12,718)		(12,718)
	(1,149,037)		(1,149,037)
Net Cash Used by Capital and Related Financing Activities			
Cash Flows from Investing Activities:			
Interest received	5,403	7,704	13,107
	5,403	7,704	13,107
Net Cash Provided by Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	(47,952)	(583,293)	(631,245)
Cash and Cash Equivalents at the Beginning of the Fiscal Year	1,597,978	1,280,607	2,878,585
Cash and Cash Equivalents at the End of the Fiscal Year	\$ 1,550,026	\$ 697,314	\$ 2,247,340
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets:			
Cash and investments	\$ 1,550,026	\$ 697,314	\$ 2,247,340
Total Cash and Cash Equivalents	\$ 1,550,026	\$ 697,314	\$ 2,247,340

(Continued)

CITY OF PACIFICA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2012
(Continued)

	<u>Motor Pool</u>	<u>Self Insurance</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (147,692)	\$ (531,257)	\$ (678,949)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	381,815		381,815
(Increase) Decrease in Operating Assets:			
Accounts receivable	(2,934)	(146,034)	(148,968)
Due from other funds		(274,268)	(274,268)
Prepaid items	11,370		11,370
Inventories	4,622		4,622
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(82,715)	(2,711)	(85,426)
Accrued liabilities	5,392	(340)	5,052
Claims payable		(16,387)	(16,387)
Compensated absences	(5,194)		(5,194)
	<u>\$ 164,664</u>	<u>\$ (970,997)</u>	<u>\$ (806,333)</u>
Net Cash Provided (Used) by Operating Activities			

PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose Trust Funds are used to account for the funds held by the City as a trustee.

RDA LOW/MOD SUCCESSOR AGENCY FUND – This fund is used to account for the former Redevelopment Agency's low and moderate income housing fund.

RDA SUCCESSOR AGENCY FUND – This fund is used to account for the former Redevelopment Agency's capital project fund.

CITY OF PACIFICA
Private-Purpose Trust Funds
Combining Statement of Net Assets
June 30, 2012

	RDA Low/Mod Successor Agency Fund	RDA Successor Agency Fund	Totals
Assets			
Cash and investments	\$ 400,127	\$ -	\$ 400,127
Cash and investments with fiscal agents		216,545	216,545
Interest receivable	204,312		204,312
Deferred charges		68,258	68,258
Notes receivable	600,000		600,000
Due from private-purpose trust fund	33,404		33,404
Capital assets, not being depreciated		835,275	835,275
	<u>1,237,843</u>	<u>1,120,078</u>	<u>2,357,921</u>
Liabilities			
Accounts payable		1,665	1,665
Interest payable		41,464	41,464
Due to private-purpose trust fund		33,404	33,404
Unearned revenue		141,589	141,589
Long-term debt, due within one year		45,000	45,000
Long-term debt, due in more than one year	293,257	7,589,900	7,883,157
	<u>293,257</u>	<u>7,853,022</u>	<u>8,146,279</u>
Net Assets			
Restricted for debt service		175,081	175,081
Unrestricted	944,586	(6,908,025)	(5,963,439)
Total net assets (deficits)	<u>\$ 944,586</u>	<u>\$ (6,732,944)</u>	<u>\$ (5,788,358)</u>

CITY OF PACIFICA
Private-Purpose Trust Funds
Combining Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2012

	RDA Low/Mod Successor Agency Fund	RDA Successor Agency Fund	Totals
Additions:			
Investment revenue	\$ 8,260	\$ (72)	\$ 8,188
Net assets received upon dissolution of redevelopment agency	<u>944,321</u>	<u>(6,502,263)</u>	<u>(5,557,942)</u>
Total additions	<u>952,581</u>	<u>(6,502,335)</u>	<u>(5,549,754)</u>
Deductions:			
Administration		51,603	51,603
Interest expense	7,995	177,509	185,504
Amortization expense		<u>1,497</u>	<u>1,497</u>
Total deductions	<u>7,995</u>	<u>230,609</u>	<u>238,604</u>
Change in net assets	944,586	(6,732,944)	(5,788,358)
Net Assets - July 1, 2011	<u> </u>	<u> </u>	<u> </u>
Net Assets (Deficit) - June 30, 2012	<u>\$ 944,586</u>	<u>\$ (6,732,944)</u>	<u>\$ (5,788,358)</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds
5. Taxable Sales by Category
6. Direct and Overlapping Sales Tax Rates
7. Tax Revenues by Source

Revenue Capacity

This schedule contains information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed Value of Taxable Property

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Direct and Overlapping Property Tax Rates
2. Principal Property Taxpayers
3. Property Tax Levies and Collections
4. Ratio of Outstanding Debt by Type
5. Ratio of General Bonded Debt Outstanding
6. Computation of Direct and Overlapping Governmental Activities Debt
7. Computation of Legal Bonded Debt Margin
8. Bonded Debt Pledged Revenue Coverage:
 - a. Sewer Revenue Bonds
9. Direct and Estimated Overlapping Debt

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

STATISTICAL SECTION (Continued)
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Operating Information

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

1. Full-Time Equivalent City Government Employees by Function/Program
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program
4. Sewer Rates

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

**CITY OF PACIFICA
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 50,020,034	\$ 50,142,311	\$ 51,393,206	\$ 53,739,513	\$ 54,455,020
Restricted	7,064,256	5,597,188	4,962,287	7,557,974	8,216,813
Unrestricted	<u>5,799,437</u>	<u>8,728,875</u>	<u>4,867,264</u>	<u>(2,894,449)</u>	<u>4,681,456</u>
Total governmental activities net assets	<u><u>\$ 62,883,727</u></u>	<u><u>\$ 64,468,374</u></u>	<u><u>\$ 61,222,757</u></u>	<u><u>\$ 58,403,038</u></u>	<u><u>\$ 67,353,289</u></u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 11,483,688	\$ 10,796,034	\$ 11,247,270	\$ 14,179,807	\$ 15,462,599
Restricted	1,075,760	689,514	562,485	-	-
Unrestricted	<u>2,341,086</u>	<u>5,776,571</u>	<u>7,139,231</u>	<u>5,545,190</u>	<u>5,935,174</u>
Total business-type activities net assets	<u><u>\$ 14,900,534</u></u>	<u><u>\$ 17,262,119</u></u>	<u><u>\$ 18,948,986</u></u>	<u><u>\$ 19,724,997</u></u>	<u><u>\$ 21,397,773</u></u>
Primary Government					
Invested in capital assets, net of related debt	\$ 61,503,722	\$ 60,938,345	\$ 62,640,476	\$ 68,392,151	\$ 69,917,619
Restricted	8,140,016	6,286,702	5,524,772	4,825,393	8,216,813
Unrestricted	<u>8,140,523</u>	<u>14,505,446</u>	<u>12,006,495</u>	<u>4,910,491</u>	<u>10,616,630</u>
Total primary government net assets	<u><u>\$ 77,784,261</u></u>	<u><u>\$ 81,730,493</u></u>	<u><u>\$ 80,171,743</u></u>	<u><u>\$ 78,128,035</u></u>	<u><u>\$ 88,751,062</u></u>

Notes:

The City began reporting in the GASB 34 format in 2003.

For the purpose of compliance with GASB 44 Statistical Section, cities are not required to re-format financial information prior to GASB34 implementation.

Total primary Government net assets includes a prior period adjustment of \$3,429,632.

Source: City Comprehensive Annual Financial Report

**CITY OF PACIFICA
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses:					
Governmental Activities:					
General Government	\$ 4,952,782	\$ 4,083,959	\$ 4,625,471	\$ 4,212,498	\$ 4,019,613
Public Safety	14,985,013	15,306,306	15,149,459	14,460,040	13,568,582
Community Development	1,343,220	1,356,494	1,402,574	1,549,299	1,631,678
Public Works	4,154,717	4,422,332	4,801,291	4,881,082	4,688,440
Parks, Beaches & Recreation	4,155,877	4,035,233	3,681,863	3,919,199	4,005,189
Interest on Long-term Debt	987,156	2,225,220	1,777,280	2,174,281	2,120,772
Total Governmental Activities Expenses	<u>\$ 30,578,765</u>	<u>\$ 31,429,544</u>	<u>\$ 31,437,938</u>	<u>\$ 31,196,399</u>	<u>\$ 30,034,274</u>
Business-Type Activities:					
Sewer	8,095,219	9,084,439	9,658,229	10,944,059	10,124,492
Total Business-Type Activities Expenses	<u>\$ 8,095,219</u>	<u>\$ 9,084,439</u>	<u>\$ 9,658,229</u>	<u>\$ 10,944,059</u>	<u>\$ 10,124,492</u>
Total Primary Government Expenses	<u>\$ 38,673,984</u>	<u>\$ 40,513,983</u>	<u>\$ 41,096,167</u>	<u>\$ 42,140,458</u>	<u>\$ 40,158,766</u>
Program Revenues:					
Governmental Activities:					
Charges for Services:					
General Government	\$ 110,868	\$ 77,393	\$ 69,853	\$ 48,038	\$ 12,512
Public Safety	1,159,056	1,001,112	840,467	851,020	681,205
Community Development	792,532	606,991	568,871	631,767	693,169
Public Works	2,522,362	1,741,147	683,914	683,914	701,012
Parks, Beaches & Recreation	584,724	1,642,848	1,558,394	1,843,700	2,063,812
Operating Grants & Contributions	2,871,766	4,364,106	1,884,748	1,980,279	1,726,522
Capital Grants & Contributions	3,302,650	2,936,150	4,049,601	2,348,301	3,519,266
Total Governmental Activities Program Revenues	<u>\$ 11,343,958</u>	<u>\$ 12,369,747</u>	<u>\$ 9,655,848</u>	<u>\$ 8,387,019</u>	<u>\$ 9,397,498</u>
Business-Type Activities:					
Charges for Services:					
Sewer	\$ 10,181,406	\$ 11,885,526	\$ 11,367,645	\$ 11,694,198	\$ 11,980,789
Total Business-Type Activities Program Revenue	<u>\$ 10,181,406</u>	<u>\$ 11,885,526</u>	<u>\$ 11,367,645</u>	<u>\$ 11,694,198</u>	<u>\$ 11,980,789</u>
Total Primary Government Program Revenues	<u>\$ 21,525,364</u>	<u>\$ 24,255,273</u>	<u>\$ 21,023,493</u>	<u>\$ 20,081,217</u>	<u>\$ 21,378,287</u>
Net Revenues (Expenses):					
Governmental Activities	\$ (19,234,807)	\$ (19,059,797)	\$ (21,782,090)	\$ (22,809,380)	\$ (20,636,776)
Business-Type Activities	2,086,187	2,801,087	1,709,416	750,139	1,856,297
Total Net Revenues (Expenses)	<u>\$ (17,148,620)</u>	<u>\$ (16,258,710)</u>	<u>\$ (20,072,674)</u>	<u>\$ (22,059,241)</u>	<u>\$ (18,780,479)</u>
General Revenues and Other Change in Net Assets					
Governmental Activities:					
Taxes:					
Property Taxes	\$ 9,623,522	\$ 10,484,389	\$ 10,603,749	\$ 10,564,253	\$ 10,434,510
Sales Tax	1,225,279	1,365,710	1,306,611	1,434,710	1,519,978
Franchise Tax	1,558,164	1,740,754	1,372,885	1,565,634	1,595,929
Other Taxes	3,652,373	2,787,716	2,604,443	2,712,005	3,005,388
Motor vehicle in lieu - unrestricted	3,068,643	3,184,538	3,107,767	3,195,730	3,039,393
Use of Money/Property	532,887	528,768	211,681	192,620	334,475
Miscellaneous	3,986,507	507,569	341,313	324,709	469,780
Transfers	45,000	45,000	45,000	-	200,000
Total Governmental Activities	<u>\$ 23,692,375</u>	<u>\$ 20,644,444</u>	<u>\$ 19,593,449</u>	<u>\$ 19,989,661</u>	<u>\$ 20,599,453</u>
Business-Type Activities:					
Use of Money/Property	\$ 41,921	\$ 23,667	\$ 22,451	\$ 25,872	\$ 16,479
Miscellaneous	-	-	-	-	-
Transfers	(45,000)	(45,000)	(45,000)	-	(200,000)
Total Business-Type Activities	<u>\$ (3,079)</u>	<u>\$ (21,333)</u>	<u>\$ (22,549)</u>	<u>\$ 25,872</u>	<u>\$ (183,521)</u>
Total Primary Government	<u>\$ 23,689,296</u>	<u>\$ 20,623,111</u>	<u>\$ 19,570,900</u>	<u>\$ 20,015,533</u>	<u>\$ 20,415,932</u>
Changes in Net Assets before Extraordinary Item:					
Governmental Activities	\$ 4,457,568	\$ 1,584,647	\$ (2,188,641)	\$ (2,819,719)	\$ (37,323)
Business-Type Activities	2,083,108	2,779,754	1,686,867	776,011	1,672,776
Total Primary Government before Extraordinary Item	<u>\$ 6,540,676</u>	<u>\$ 4,364,401</u>	<u>\$ (501,774)</u>	<u>\$ (2,043,708)</u>	<u>\$ 1,635,453</u>
Extraordinary Item					
Gain on transfer of assets and liabilities to RDA successor trust funds of					<u>\$ 5,557,942</u>
Changes in Net Assets After Extraordinary Item:					
Governmental Activities					\$ 5,520,619
Business-Type Activities					1,672,776
Total Primary Government					<u>\$ 7,193,395</u>

Notes:

The City began reporting in the GASB 34 format in 2003.

For the purpose of compliance with GASB 44 Statistical Section, cities are not required to re-format financial information prior to GASB 34.

Prior period adjustment - \$3,429,632 reclassification of Davies Trust fund to Special Revenue Fund

**CITY OF PACIFICA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS (IN \$000's)
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund			
Reserved	\$ 3,765	\$ 3,951	\$ 3,702
Unreserved	6,051	5,135	3,377
	<hr/>	<hr/>	<hr/>
Total General Fund	<u>\$ 9,816</u>	<u>\$ 9,086</u>	<u>\$ 7,079</u>
All Other Governmental Funds			
Reserved	\$ 2,419	\$ 2,881	\$ 3,415
Unreserved	(5,160)	(1,771)	(2,313)
Unreserved, reported in:			
Special revenue funds	1,858	(714)	(1,076)
Capital projects funds	1,707	1,532	1,376
Debt service funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total All Other Governmental Funds	<u>\$ 824</u>	<u>\$ 1,928</u>	<u>\$ 1,402</u>
Total Governmental Funds	<u>\$ 10,640</u>	<u>\$ 11,014</u>	<u>\$ 8,481</u>

<u>General Fund</u>	<u>2011</u>	<u>2012</u>
Non Spendable	\$ 2,518,609	\$ 2,519,544
Committed	567,465	743,683
Assigned	150,369	130,858
Unassigned	841,392	227,012
	<hr/>	<hr/>
Total General Fund	<u>\$ 4,077,835</u>	<u>\$ 3,621,097</u>
<u>All Other Governmental Funds</u>	<u>2011</u>	<u>2012</u>
Restricted	\$ 8,304,103	\$ 9,042,672
Committed	-	-
Assigned	-	-
Unassigned	(6,590,713)	(979,737)
	<hr/>	<hr/>
Total All Other Governmental Funds	<u>\$ 1,713,390</u>	<u>\$ 8,062,935</u>
Total Governmental Funds	<u>\$ 5,791,225</u>	<u>\$ 11,684,032</u>

Notes:

The increase/decrease of fund balance of the General Fund and the reserved fund balance of the Debt Service fund are explained in the Management Discussion and Analysis.

Source: City Financial Reports

CITY OF PACIFICA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS (IN \$000's)
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
REVENUES					
Taxes	\$ 16,057	\$ 16,230	\$ 16,391	\$ 16,454	\$ 16,733
Licenses and Permits	558	402	350	341	409
Fines and Forfeitures	187	246	246	227	174
Use of Money and Property	432	679	390	154	220
Intergovernmental Revenues	8,044	9,320	8,497	8,173	8,029
Charges for Services	3,100	2,777	1,592	1,676	1,515
Recreation Programs	612	597	445	654	786
Other Revenues	6,115	1,455	1,620	1,540	1,790
Total Revenues	\$ 35,105	\$ 31,706	\$ 29,531	\$ 29,219	\$ 29,656
EXPENDITURES					
Current:					
General Government	\$ 3,961	\$ 4,209	\$ 7,430	\$ 3,884	\$ 3,428
Public Safety	14,970	14,896	16,575	14,096	12,544
Community Development	1,238	1,306	3,275	1,435	1,491
Public Works	3,726	3,722	8,888	4,041	3,583
Parks, Beaches & Recreation	3,744	3,929	8,725	3,581	3,644
Non-departmental	437				
Capital Outlay	1,677	3,912	2,286	754	2,843
Debt Service:					
Principal Retirement	35	35	550	1,482	1,561
Interest and Other Charges	1,140	2,340	1,540	2,256	2,250
Total Expenditures	\$ 30,928	\$ 34,349	\$ 49,269	\$ 31,529	\$ 31,344
Excess of Revenues Over/(Under) expenditures	\$ 4,177	\$ (2,643)	\$ (19,738)	\$ (2,310)	\$ (1,688)
Other financing sources (uses):					
Transfers In	\$ 815	\$ 2,391	\$ 1,489	\$ 3,387	\$ 3,449
Transfers (Out)	(1,072)	(2,846)	(1,869)	(3,767)	(4,504)
Other Sources/Uses:					
Issuance of Debt		19,815	17,826		
Issuance Discount		(596)	(241)		
Refunded to debt escrow agent		(15,747)	-		
Debt Issuance Cost					
Proceeds of long-term debt					
Total other financing sources (uses)	\$ (257)	\$ 3,017	\$ 17,205	\$ (380)	\$ (1,055)
Net change in fund balances	\$ 3,920	\$ 374	\$ (2,533)	\$ (2,690)	\$ (2,743)
Debt serviced as a percentage of noncapital expenditures	4.08%	7.82%	4.44%	12.11%	13.33%

Notes:

Above amounts include General Fund, Special Revenue Funds, RDA, and Debt Service Fund.

The City of Pacifica has elected to show only five years of data for this schedule.

Source: Annual Financial Statements, City of Pacifica

**CITY OF PACIFICA
TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS**

<u>CATEGORY</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Apparel Stores	\$ 78,733	\$ 81,336	\$ 83,709	\$ 76,634	\$ 78,158	\$ 78,237	\$ 78,673	\$ 77,277	\$ 76,480	\$ 75,972
General Merchandise	748	1,006	252	1,739	2,671	12,728	16,064	17,704	17,047	17,902
Food Stores	237,469	234,256	238,353	226,122	248,835	253,144	251,346	248,728	257,864	264,338
Eating & Drinking Places	246,845	265,717	266,716	279,309	285,064	277,035	278,444	310,652	299,409	338,349
Building Materials	78,330	82,602	63,661	62,985	63,471	70,472	38,022	41,917	37,921	36,968
Auto Dealers and Supplies	39,606	35,771	39,149	41,164	43,437	40,181	37,123	36,119	40,035	41,198
Service Stations	220,328	308,078	331,328	364,109	426,278	437,137	344,404	400,481	495,835	527,251
Other Retail Stores	98,246	88,115	105,212	109,929	110,408	97,063	107,711	100,360	94,308	101,818
All Other Outlets	194,010	205,391	219,178	213,563	254,606	297,641	246,382	278,100	266,684	258,763
Total	\$ 1,194,315	\$ 1,302,272	\$ 1,347,558	\$ 1,375,554	\$ 1,512,928	\$ 1,563,638	\$ 1,398,169	\$ 1,511,338	\$ 1,585,583	\$ 1,662,559

Notes:

Due to confidentiality issues, the names of the revenue payers are not available for disclosure. The Categories presented are intended to provide alternative information regarding the sources of the City's tax revenues.

Source: HdL Companies

**CITY OF PACIFICA
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN YEARS**

<u>Annual Year</u>	<u>State Rate</u>	<u>City Direct Rate</u>	<u>San Mateo County Rate</u>	<u>City/County Public Safety</u>	<u>District Rate</u>	<u>Total</u>
2003	5.25%	0.75%	0.75%	0.50%	1.00%	8.25%
2004	5.25%	0.75%	0.75%	0.50%	1.00%	8.25%
2005	5.25%	0.75%	0.75%	0.50%	1.00%	8.25%
2006	5.25%	0.75%	0.75%	0.50%	1.00%	8.25%
2007	5.25%	0.75%	0.75%	0.50%	1.00%	8.25%
2008	5.25%	0.75%	0.75%	0.50%	1.00%	8.25%
2009	6.25%	0.75%	0.75%	0.50%	1.00%	9.25%
2010	6.25%	0.75%	0.75%	0.50%	1.00%	9.25%
2011	6.25%	0.75%	0.75%	0.50%	1.00%	9.25%
2012	5.00%	1.00%	0.75%	0.50%	1.00%	8.25%

Notes:

Proposition 172 approved by the voters in 1993 provides 1/2 cent sales tax for Public Safety Augmentation. San Mateo County Transportation Authority District is provided a 1/2 cent sales tax approved by the voters in 1989.

San Mateo County Transit District is provided a 1/2 cent sales tax approved by the voters in 1982.

Source: State Board of Equalization & HdL

**CITY OF PACIFICA
TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(IN \$000's)**

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses & Permits</u>	<u>Use of Money & Property</u>	<u>Inter-Governmental</u>	<u>Current Service Chgs.</u>	<u>Fines & Forfeitures</u>	<u>Other Revenues</u>	<u>TOTAL</u>
2002-2003	10,944,812	400,446	566,880	7,284,231	2,761,520	175,551	1,827,612	23,961,052
2003-2004	11,253,260	319,270	399,500	2,926,988	1,894,700	160,000	1,984,500	18,938,218
2004-2005	12,301,959	338,400	127,000	3,473,559	1,476,774	140,000	2,218,606	20,076,298
2005-2006	13,655,933	308,500	410,000	4,744,585	1,388,600	135,000	3,460,325	24,102,943
2006-2007	14,855,725	470,947	337,904	5,466,565	2,213,594	217,699	2,021,496	25,583,930
2007-2008	16,056,908	558,068	431,880	8,043,733	3,712,339	186,600	6,115,511	35,105,039
2008-2009	16,230,066	402,639	679,477	9,320,112	2,776,779	245,675	2,051,545	31,706,293
2009-2010	16,391,061	350,181	390,276	8,496,563	2,037,223	245,835	1,620,197	29,531,336
2010-2011	16,454,504	340,779	154,429	8,173,354	1,676,210	226,650	2,193,458	29,219,384
2011-2012	16,733,367	409,098	219,957	8,028,700	1,515,050	173,944	2,576,009	29,656,125
% Change 2003-2012	52.89%	2.16%	-61.20%	10.22%	-45.14%	-0.92%	40.95%	23.77%

Notes:

Above amounts include General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Other Governmental Funds..
Above amounts exclude other financing sources.

Source: Annual Financial Statements, City of Pacifica and City's Comprehensive Annual Financial Reports

CITY OF PACIFICA, CALIFORNIA
ASSESSED VALUATION, TAX RATE, AND TAX LEVIES
 (Amounts Expressed in Thousands)
LAST TEN FISCAL YEARS

Fiscal Year	LOCALLY ASSESSED						TOTALS							
	Secured			Unsecured			Total Before Exemptions			Exemptions/Net Totals				
	Land Value	Improvements	Personal Property	Land Value	Improvements	Personal Property	Land Value	Improvements	Personal Property	Grand Total	H.O.P.T.R. (1)	Other	Total Exemptions	Net Subject To Tax
2002-2003	1,220,448	1,631,688	2,535	5,057	12,296	16,333	1,225,505	1,643,983	18,868	2,888,356	60,594	40,812	101,406	2,786,951
2003-2004	1,326,705	1,757,984	2,126	5,463	14,228	29,749	1,332,169	1,772,211	31,874	3,136,254	60,723	39,150	99,873	3,036,382
2004-2005	1,447,923	1,874,276	1,971	5,429	16,341	19,159	1,453,352	1,890,618	21,130	3,365,099	59,325	40,452	99,778	3,265,322
2005-2006	1,601,167	2,018,013	1,775	5,641	17,610	18,927	1,606,808	2,035,623	20,702	3,663,133	58,989	43,835	102,824	3,560,309
2006-2007	1,798,645	2,157,278	3,106	5,628	17,463	19,243	1,804,274	2,174,741	22,349	4,001,364	58,740	49,975	108,715	3,892,649
2007-2008	1,958,815	2,301,957	3,892	5,876	19,118	20,134	1,964,691	2,321,075	24,026	4,309,792	58,066	52,720	110,786	4,199,006
2008-2009	2,068,296	2,434,746	3,695	4,876	17,659	21,944	2,073,171	2,452,405	25,639	4,551,215	57,951	56,485	114,437	4,436,778
2009-2010	2,017,339	2,389,859	3,578	4,884	16,833	34,565	2,022,223	2,406,692	38,143	4,467,058	58,584	54,790	113,374	4,353,684
2010-2011	2,019,330	2,387,399	2,710	6,572	17,123	34,100	2,025,902	2,404,522	36,810	4,467,234	58,844	54,695	113,539	4,353,695
2011-2012	2,049,170	2,404,036	2,415	4,917	21,139	31,638	2,054,087	2,425,175	34,053	4,513,315	58,411	56,038	114,449	4,398,866
% Change 2003-2012	67.90%	47.33%	-4.73%	-2.77%	71.92%	93.71%	67.61%	47.52%	80.48%	56.26%	-3.60%	37.31%	12.86%	57.84%

(1) Homeowner's Property Tax Relief

Notes:

* California property tax assessments are "acquisition" based, rather than cyclical based. In California, the property tax system is acquisition based, meaning that all real property is assessed upon acquisition or when newly constructed, and assessed at a ratio of 100% of fair market value as of the event date. After the acquisition or new construction basis is determined, year to year increases in assessed value are limited to no more than 2%. In the event of an economic downturn, real property is assessed at the lower of its acquisition basis, increased by the maximum of 2% per year or the fair market value as of January 2, whichever is lower.

Source: County Tax Rolls - The County has never provided a breakdown between Residential, Commercial and Industrial Property. The Residential Property figures include all property in the City.

**CITY OF PACIFICA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

Annual Year	City Direct Rate				Overlapping Rates					Total Direct Rate
	City Basic Rate	General		Redevelopment Debt Service Rate	Pacifica School District	Jefferson School District	San Mateo Junior College	San Mateo County as Distributor		
		Obligation Debt Service								
2003	0%	0%	0%	0.0259%	0.0187%	0.0065%	1%	0.0000%		
2004	0%	0%	2.90%	0.0244%	0.0170%	0.0065%	1%	2.9000%		
2005	0%	0%	2.90%	0.0417%	0.0153%	0.0065%	1%	2.9000%		
2006	0%	0%	2.90%	0.0457%	0.0174%	0.0182%	1%	2.9000%		
2007	0%	0%	2.90%	0.0411%	0.0361%	0.0182%	1%	2.9000%		
2008	0%	0%	2.90%	0.0384%	0.0333%	0.0182%	1%	2.9000%		
2009	0%	0%	2.90%	0.0417%	0.0360%	0.0182%	1%	2.9000%		
2010	0%	0%	2.90%	0.0417%	0.0360%	0.0182%	1%	2.9000%		
2011	0%	0%	2.90%	0.0412%	0.0416%	0.0193%	1%	2.9000%		
2012	0%	0%	2.90%	0.0422%	0.0422%	0.0199%	1%	2.9000%		

Notes:

Under constitutional Amendment (Proposition 13) passed by voters in the State of California in June 1978, the tax rate (excluding bonded debt) is frozen at 1% of the full market value of property. This tax is collected by the County Tax Collector and distributed on a formula determined by the State Legislature. Local agencies levy only the tax rate for general obligation bonds, or in excess of 1% if two-thirds of the voters in the area authorize such a rate increase. All tax levies include Homeowner's Property Tax Relief and Business Inventory Property Tax Relief.

Source: County Controller Tax Rate Book-2011

CITY OF PACIFICA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO
(in \$'000's)

	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
FPA BAF Lands End Associates	\$ 46,521	1	1.06%	\$ 32,440	1	1.07%
ITW Mortgage Investments III, Inc.				22,299	2	0.73%
Jack & Michela Teresi, Trust				19,390	3	0.64%
Pacifica GSPT, LLC				18,200	4	0.60%
Pan Pacific Realty Corporation				12,932	5	0.43%
Bay Apartment Communities, Inc.	13,765	8	0.31%	11,938	6	0.39%
National Church Residences	13,460	9	0.31%	11,673	7	0.38%
LBN Properties LP	13,140	10	0.30%	11,396	8	0.38%
Marymount Gateway Apt., LLC				9,896	9	0.33%
Onterra-Pacifica, LP				8,841	10	0.29%
Linda Mar Shopping Center, LLP	32,261	2	0.74%			
PK III Fairmont Shopping Center	28,009	3	0.64%			
AIMCO Pacifica Park Apartments	20,480	4	0.47%			
Marymount Summit, LLC	18,768	5	0.43%			
AIMCO Horizons West Apartments, LI	16,086	6	0.37%			
Harry B. Lewis, et al	14,542	7	0.33%			
Total	\$ 217,032		4.96%	\$ 159,005		5.24%

Notes:

This schedule serves a dual purpose of providing basic information about our jurisdiction's most significant revenue payers and highlighting the degree to which a government is dependent on a small number of payers. This schedule includes the ten largest taxpayers up to 50% of the revenue base.

Source:

City of Pacifica from Tax Rolls provided by County Assessor's Office, County of San Mateo, California; March 1, 2012 and April 1, 2003

CITY OF PACIFICA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (IN \$000's)

Fiscal Year Ending June 30	Taxes Levied for the Fiscal Year	Collected within the		Collections in subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy	Percentage of Levy		Amount	Percentage of Levy
2003	5,659	5,513	97.42%	57	5,570	98.43%
2004	6,120	6,090	99.51%	29	6,119	99.98%
2005	6,610	6,540	98.94%	(3)	6,537	98.90%
2006	7,064	6,924	98.02%	(0.5)	6,924	98.01%
2007	7,620	7,620	100.00%	(28.0)	7,592	99.63%
2008	8,180	8,179	99.99%	(3)	8,176	99.95%
2009	8,597	8,554	99.50%	0	8,554	99.50%
2010	8,497	8,499	100.02%	0	8,499	100.02%
2011	8,508	8,532	100.28%	0	8,532	100.28%
2012	8,678	8,519	98.17%	0	8,519	98.17%
% Change 2003-2012	53.35%	54.53%	0.77%	-100.00%	52.94%	-0.26%

Notes:

This Statement shows the period for which the tax is levied.

Includes Homeowner's Tax Relief (HOPTR).

Under constitutional Amendment (Proposition 13) passed by voters in the State of California in June 1978, the tax rate (excluding bonded debt) is frozen at 1% of the full market value of property. This tax is collected by the County Tax Collector and distributed on a formula determined by the State Legislature. Local agencies levy only the tax rate for general obligation bonds, or in excess of 1% if two-thirds of the voters in the area authorize such a rate increase. All tax levies include Homeowner's Property Tax Relief and Business Inventory Property Tax Relief.

* Information presented is most current at the time of preparation.

Sources: City Financial Reports and San Mateo County

**CITY OF PACIFICA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Governmental Activities					
Fiscal Year Ending	Pension Obligation Bond	Notes Payable	Special Assessment	Certificates of Participation	Total Governmental Activities Debt
2003	-	1,350,755	-	13,170,000	14,520,755
2004	-	1,271,278	-	12,960,000	14,231,278
2005	-	1,164,416	1,000,000	12,720,000	14,884,416
2006	-	1,034,348	1,000,000	15,725,000	17,759,348
2007	-	875,378	1,000,000	15,725,000	17,600,378
2008	-	875,378	1,000,000	15,725,000	17,600,378
2009	-	875,378	-	19,815,000	20,690,378
2010	18,176,373	875,378	-	19,305,000	38,356,751
2011	17,170,125	875,378	-	18,850,000	36,895,503
2012	16,161,022	875,378	-	18,325,000	35,361,400

Notes:

Details regarding the city's debt can be found in the notes to the financial statements.

The City issued a total of \$13,630,000 of new certificates of participation in 1999, 2000 and 2003.

The City issued \$19,815,000 of new COP's in 2008, refunding the 1999, 2000 and 2003 COP's.

The City issued \$20,500,000 in Pension Obligation Bonds in 2010.

Sources: City's Comprehensive Annual Financial Reports 2003-2012.

**CITY OF PACIFICA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Business-Type Activities

Fiscal Year Ending	Sewer Bonds	Notes Payable	Total Business-Type Government	Total Primary Government	Percentage of Personal Income	Debt Per Capita
2003	4,764,238	32,915,605	37,679,843	52,200,598	2.64%	1,352
2004	4,647,315	31,513,886	36,161,201	50,392,479	2.50%	1,320
2005	13,978,831	30,019,447	43,998,278	58,882,694	2.80%	1,522
2006	13,810,000	25,359,240	39,169,240	56,928,588	2.63%	1,470
2007	13,670,000	25,359,240	39,029,240	56,629,618	2.47%	1,443
2008	13,530,000	25,359,240	38,889,240	56,489,618	2.43%	1,426
2009	13,380,000	23,749,506	37,129,506	57,819,884	2.54%	1,446
2010	15,558,627	22,112,004	37,670,631	76,027,382	3.22%	2,042
2011	15,269,875	20,444,965	35,714,840	72,610,343	3.08%	1,935
2012	15,018,978	18,747,852	33,766,830	69,128,230	2.92%	1,836

Notes:

This schedule displays the Enterprise Fund debt of the Wastewater Treatment Plant. Details regarding the city's debt can be found in the notes to the financial statements.

Sources:

The City's Comprehensive Annual Financial Reports 2003-2012.

CITY OF PACIFICA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING - including RDA
LAST TEN FISCAL YEARS (in \$000's except per capita)

<u>Fiscal Year</u> <u>Ending</u>	<u>General Bonded Debt Outstanding</u>			<u>Percent of</u> <u>Assessed Value</u>	<u>Per</u> <u>Capita</u>
	<u>Net</u> <u>Bonded</u> <u>Debt</u>	<u>Redevelopment</u> <u>Bonds</u>	<u>Total</u>		
2003	17,934	-	17,934	0.459%	331
2004	17,607	1,725	19,332	0.589%	370
2005	26,699	1,725	28,424	0.870%	354
2006	29,535	1,725	31,260	0.878%	450
2007	29,395	1,690	31,085	0.787%	443
2008	29,255	1,655	30,910	0.736%	439
2009	33,195	1,620	34,815	0.785%	870
2010	34,864	1,580	36,444	0.837%	901
2011	34,120	1,540	35,660	0.819%	882
2012	33,344	-	33,344	0.766%	825
% Change 2003-2012	85.93%	0.00%	85.93%	66.89%	148.96%

Notes:

This statement compares total general bonded debt to estimated actual value of property and population. Details regarding the city's outstanding debt can be found in the notes to the financial statements. See Pages 107 and 110 for property tax data. Population data can be found on Page 118.

Assesed value has been used because the actual value of taxable property is not readily available in the State of California.

Source: City Financial Reports

**CITY OF PACIFICA
PROPERTY TAX RATES - DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
as of June 30, 2011
(Per \$100 of Assessed Valuation)**

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>San Mateo County</u>	<u>City of Pacifica</u>	<u>Pacifica School District</u>	<u>Jefferson School District</u>	<u>San Mateo Junior College</u>	<u>County Water District</u>	<u>TOTAL</u>
2002-2003	1.0000	---	0.0344	0.0194	0.0079	---	1.0617
2003-2004	1.0000	---	0.0259	0.0187	0.0065	---	1.0511
2004-2005	1.0000	---	0.0244	0.0170	0.0065	---	1.0479
2005-2006	1.0000	---	0.0417	0.0153	0.0065	---	1.0635
2006-2007	1.0000	---	0.0457	0.0174	0.0184	---	1.0815
2007-2008	1.0000	---	0.0384	0.0333	0.0182	---	1.0899
2008-2009	1.0000	---	0.0384	0.0333	0.0165	---	1.0882
2009-2010	1.0000	---	0.0417	0.0360	0.0182	---	1.0959
2010-2011	1.0000	---	0.0412	0.0416	0.0193	---	1.1021
2011-2012	1.0000	---	0.0422	0.0422	0.0199	---	1.1043

Source: County Controller Tax Rate Book-2011

**CITY OF PACIFICA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS (IN \$000's)**

	<u>FISCAL YEAR ENDING JUNE 30</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Assessed Valuation	\$ 2,786,951	\$ 3,036,382	\$ 3,265,322	\$ 3,560,309	\$ 3,892,649	\$ 4,199,006	\$ 4,436,778	\$ 4,353,684	\$ 4,353,695	\$ 4,398,866
Debt Limit	104,511	113,864	122,450	133,512	145,974	157,463	166,379	163,263	163,264	164,957
Total Net Debt Applicable to Limit	12,790	12,581	12,365	15,725	15,725	15,725	19,815	37,481	36,020	34,486
Legal Debt Margin	\$ 91,721	\$ 101,283	\$ 110,085	\$ 117,787	\$ 130,249	\$ 141,738	\$ 146,564	\$ 125,782	\$ 127,244	\$ 130,471
Total Net Debt applicable to the limit as a percentage of debt limit	12.24%	11.05%	10.10%	11.78%	10.77%	9.99%	11.91%	22.96%	22.06%	20.91%

Notes:
Debt Limit is 3.75% of Assessed Value.

Source: City of Pacifica and San Mateo County Assessor's records

**CITY OF PACIFICA
PLEGDED REVENUE COVERAGE
LAST TEN YEARS (IN \$000's)**

Enterprise Fund Bonds

<u>Fiscal Year</u>	<u>Basic Rate</u>	<u>Less Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Services</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2003	6,328	7,953	(1,625)	1,488	821	-0.70
2004	7,252	6,750	502	125	225	1.43
2005	8,262	6,326	1,936	130	788	2.11
2006	8,898	6,231	2,667	135	1,229	1.96
2007	9,046	7,767	1,279	140	689	1.54
2008	9,727	7,302	2,425	140	684	2.94
2009	11,403	7,946	3,457	1,760	1,135	1.19
2010	11,270	8,541	2,729	1,793	1,097	0.94
2011	11,599	8,619	2,980	1,827	1,061	1.03
2012	11,937	8,995	2,942	1,987	1,148	0.94

Special Assessment Bonds

<u>Fiscal Year</u>	<u>Debt Service (000's)</u>	
	<u>Principal</u>	<u>Interest</u>
2003	0	0
2004	0	0
2005	0	0
2006	0	0
2007	0	0
2008	0	0
2009	0	0
2010	0	0
2011	0	0
2012	0	0

Notes:

This schedule presents all non-general obligation long-term debt backed by pledged revenues.
The coverage calculations presented in this schedule may differ from those required by specific bond indentures.

Source: City Financial Reports

CITY OF PACIFICA, CALIFORNIA

DIRECT AND ESTIMATED OVERLAPPING DEBT (in \$000's)

June 30, 2012

2011-2012 Assessed Valuation	\$4,398,866
------------------------------	-------------

	<u>Percent Applicable</u>	<u>Date Applicable June 30, 2012</u>
Direct Debt:		
2008 Certificates of Participation	50.06%	\$ 18,325
2010 Pension Obligation Bond	49.94%	18,280
Total Direct Debt	100.00%	\$ 36,605
Overlapping Debt:		
Pacifica School District		\$ 20,830
Jefferson Union High School District		117,104
San Mateo Community College District		595,570
Total Overlapping Debt:		\$ 733,504
Total Direct and Overlapping Debt:		\$ 770,109

Ratios to Assessed Valuation

Direct Debt	0.832%
Total Debt	17.507%

Source: County Controller, County of San Mateo, California

**CITY OF PACIFICA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year Ending	Population	Median Personal Income	Per Capita Personal Income	Unemployment Rate %
2002	38,570	49,731	32,982	5.0
2003	38,504	51,223	33,971	5.1
2004	38,523	52,760	34,990	5.0
2005	38,553	54,343	36,040	4.3
2006	38,696	55,973	37,121	4.2
2007	38,988	58,327	37,095	4.8
2008	39,497	58,567	37,298	5.0
2009	39,995	57,014	43,641	9.4
2010	37,234	63,500	48,021	10.1
2011	37,526	62,917	50,014	8.6
2012	37,658	n/a	n/a	7.1

Notes:

The City of Pacifica is not a Standard Metropolitan Statistical Area (SMSA).
This information has not been tracked and the information provided here is extrapolated from the
Census 2000. Population data is from the State of California Department of Finance or Census 2010.
The unemployment rates are from San Mateo County overall.
The 2010 population has been changed to reflect the 2010 Census figure.

Source: U.S. Census Bureau 2010 and the State of California Department of Finance.

**CITY OF PACIFICA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO**

Employer	2012			2003		
	# of Employees	Rank	Percentage of Total City Employment	# of Employees	Rank	Percentage of Total City Employment
Pacifica School District	301	1	N/A	Not Available		
City of Pacifica	245	2	N/A			
Safeway (2)	210	3	N/A			
Jefferson Union High School District	90	4	N/A			
Lucky (Save Mart Supermarkets)	90	4	N/A			
Recology of the Coast	49	5	N/A			
Rite Aid (2)	40	6	N/A			
Ross Dress for Less	40	6	N/A			
North Coast County Water District	22	7	N/A			

Notes:
 The City does not track this information. Our business license tax is based on gross receipts.
 The City of Pacifica is not a Standard Metropolitan Statistical Area (SMSA) so this information is not readily available.

Source: Business Registration Research

CITY OF PACIFICA
FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government										
Administration	8.2	7	7	7	6.5	7	7	7	7	6
Finance	8	7	8	8	7.5	7.5	7	7	7	6
Parks	54.75	54	38.75	38.75	39.75	39.75	37.75	37.75	58	58
Planning & Building	4.8	4.8	7.8	8.8	9	9	9	8	8	8
Public Works	34	28.75	29	29	29	24	24	26	26	18
Engineering	4	4	4	4	4	4	4	4	5	5
Police										
Officers	42	37	37	36	38	40	40	36	36	33
Civilians	16.5	15.5	15.5	15.5	13.5	12.5	11.5	12.5	13	4
Fire										
Firefighters	32	32	31	31	30	28	27	27	27	23
Civilians	5.5	5.5	1.5	1.5	1.5	1	1	1	1.5	1
Redevelopment	0	0	0	0	0	0	0	0	0	0
Wastewater Division	21	21	19.75	19.75	19.75	19.75	19.75	19.75	19.75	24
Total	230.75	216.55	199.3	199.3	198.5	192.5	188	186	208.25	186

Notes:
A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave).
Full-time equivalent employment is calculated by dividing total labor hours by 2080.

Source: City Financial Reports

CITY OF PACIFICA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

FISCAL YEAR ENDING JUNE 30

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Building Permits Issued	1,380	1,360	1,219	1,200	1,263	1,220	970	967	1,036	1,279
Building Inspections Conducted	2,838	3,001	2,970	3,000	2,550	3,000	2,745	2,727	2,500	2,770
Police										
Physical Arrests	1,046	1,328	1,017	1,147	1,071	986	1,102	1,105	932	803
Parking Violations	5,745	4,955	3,511	3,624	2,998	2,792	3,250	3,427	2,635	1,829
Traffic Violations	4,878	3,846	2,502	2,271	2,531	2,586	3,368	3,472	3,074	2,880
Fire										
Emergency Responses	NA	NA	3,615	3,465	3,185	4,295	2,852	3,708	2,782	2,862
Fires Extinguished	NA	NA	85	135	136	175	139	104	87	90
Inspections	NA	NA	1,413	1,442	1,453	1,353	1,085	943	954	1,023
Other Public Works										
Street Re-surfacing (miles)	4.3	-	-	-	0.6	1.25	3.07	2.02	1.05	0.00
Potholes Repaired	400	400	400	400	360	400	414	420	432	363
Parks, Beaches & Recreation										
Community Center Admissions	NA	NA	estimated 115,000	estimated 120,000	estimated 130,000	estimated 125,000	estimated 130,000	estimated 130,000	estimated 110,000	estimated 115,000
Enterprise Fund WWTP										
New Connections	14.5	21.5	106.5	9.0	7.0	6.0	30.0	-	3.0	4.0
Avg Daily Sewage Treatment (Gallons)	3,630,000	3,507,000	3,830,000	3,920,000	3,500,000	3,008,000	2,674,000	3,117,000	3,110,000	2,832,000

Notes:

The City has not tracked much of this information in past years

Source: Various City Departments

CITY OF PACIFICA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Function/Program	FISCAL YEAR ENDING JUNE 30										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police											
Stations	1	1	1	1	1	1	1	1	1	1	1
Patrol Units	10	10	13	12	12	12	12	12	12	12	12
Fire											
Stations	2	2	2	2	2	2	2	2	2	2	2
Public Works											
Streets (miles)	88.9	88.9	88.9	88.9	88.9	88.9	88.9	88.9	88.9	88.9	88.9
Highways (miles)	0	0	0	0	0	0	0	0	0	0	0
Streetlights	1,770	1,770	1,770	1,770	1,770	1,775	1,775	1,775	1,775	1,775	2,051
Traffic Signals	5	5	5	5	5	5	5	5	5	5	5
Parks, Beaches & Recreation											
Acreage	142.68	142.68	142.68	142.68	142.68	142.68	142.68	142.68	142.68	148.13	148.13
Playgrounds	13	13	13	13	13	13	13	13	13	14	14
Baseball Diamonds	5	5	5	5	5	5	5	5	5	5	5
Soccer/Football Fields	2	2	2	2	2	3	3	3	3	2	2
Community Centers	1	1	1	1	1	1	1	1	1	1	1
Wastewater											
Sanitary Sewers (miles)	130	130	165	165	165	165	165	165	165	165	165
Storm Sewers (miles)	90	90	90	90	90	90	90	90	90	90	90
Treatment Capacity (gallons)	3,604,000	3,630,000	3,507,000	3,830,000	3,920,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

Notes:
 No capital asset indicators are available for the general government function.

Source: Various City Departments

**CITY OF PACIFICA
SEWER RATES
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Minimum Annual Charge	Rate per 100 Cubic Feet
2003	225.48	4.69754
2004	258.54	5.38619
2005	310.98	6.47862
2006	333.16	6.94083
2007	352.08	7.33488
2008	384.50	8.01056
2009	456.70	9.51463
2010	468.28	9.75568
2011	493.54	10.28208
2012	510.34	10.63211

Notes:

Sewer rates are based on water usage. The North Coast County Water District invoices customers directly for water usage.

Source: City Records