

City of Pacifica, California

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



For Fiscal Year Ended June 30, 2016

CITY OF PACIFICA

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal year ended June 30, 2016

Prepared by
Finance Department

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CITY OF PACIFICA, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

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Scenic Pacifica
Incorporated Nov. 22, 1957

CITY OF PACIFICA

170 Santa Maria Avenue • Pacifica, California 94044-2506
www.cityofpacifica.org

MAYOR
Mike O'Neill

MAYOR PRO TEM
John Keener

COUNCIL
Sue Digre
Sue Vaterlaus
Deirdre Martin

January 17, 2017

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

We are pleased to submit the City of Pacifica's Comprehensive Annual financial Report (CAFR) for the fiscal year ended June 30, 2016.

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.

The City's independent 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, Maze & Associates, has issued an unmodified ("clean") opinion on the City of Pacifica's financial statements for the fiscal year ended June 30, 2016. 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 and the Governmental Accounting Standards Board require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found 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-half is publicly owned open space), is largely built out, and serves a population of approximately 39,000. 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 Council appoints the City Manager, City Attorney, and members of advisory commissions and committees.

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.

Water, garbage, gas and electric utilities are provided directly through private agencies not under City operations.

The City performed certain infrastructure construction and economic development activities through a separate Redevelopment Agency until its dissolution on February 1, 2012. The City of Pacifica accepted the role of Successor Agency to the Redevelopment Agency per Council action on January 23, 2012.

Economic and Financial Outlook

The San Francisco Bay Area economy continues to thrive. Based on unemployment rates, the Bay Area continues to fare better than both the State of California and the United States. Per the Bureau of Labor Statistics, in February 2016, the United States unemployment rate was 5.2 percent, the State of California was 5.7 percent, and San Mateo County was 3.0 percent.¹

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.

¹ Bureau of Labor Statistics, Press Release, February 2016 - [Unemployment in the San Francisco Bay Area by County—February 2016](#)

The City of Pacifica has continued to be fiscally conservative in financial investments, as well as with the development of a Long-Term Financial Plan. The current Long-Term Financial Plan was approved by the City Council in March 2016. The City remains vigilant in its efforts to continue to provide essential City services, while maintaining 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, enterprise funds, debt service fund, and internal service funds are included in the annual appropriated budget. The Capital Improvement 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 tracking expenditures and budget authority. 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 Assistant City Manager, is responsible for monitoring the budget for legal compliance.

Acknowledgements

Our goal is to publish financial information that is helpful to policy leaders. Preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the City of Pacifica Finance and Information Technology Divisions, including: Vivian Penaredondo, Finance Services Manager, Cindy Mosser, former Finance Services Manager; Ying Chen, Accountant, Mario Xuereb, Account Technician, Ed Vandehey, Information Technology Manager; Ken Fong, Systems Specialist, and Manuel Ferrer, Systems Specialist. Every member of each department has our sincere appreciation for the contributions made in the preparation of this report.

We would also like to thank the members of the Pacifica City Council for their 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,



Lorie Tinfow
City Manager

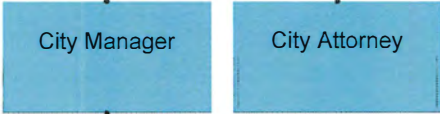
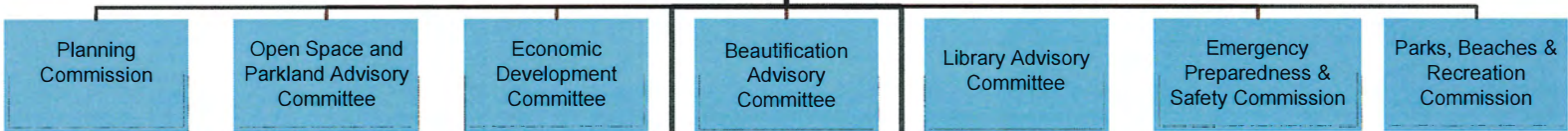


Lorenzo Hines Jr.
Assistant City Manager



Citizens of Pacifica

City Council



W

CITY OF PACIFICA, CALIFORNIA

SUE DIGRE
Mayor

MICHAEL O'NEILL
Mayor Pro Tem

MARY ANN NIHART KAREN ERVIN
JOHN KEENER
Members of City Council

LORIE TINFOW
City Manager

MICHELLE MARCHETTA KENYON
City Attorney

OTHER ADMINISTRATIVE OFFICERS

LORENZO HINES JR.	Assistant City Manager
DAN STEIDLE	Police Chief
RON MYERS	Fire Chief
TINA WEHRMEISTER	Planning Director
VAN OCAMPO	Director of Public Works/City Engineer
MICHAEL PEREZ	Director of Parks, Beaches & Recreation
KATHY O'CONNELL	City Clerk

OFFICIAL COMMISSIONS AND COMMITTEES

BEAUTIFICATION ADVISORY COMMITTEE

ECONOMIC DEVELOPMENT COMMITTEE

EMERGENCY PREPAREDNESS & SAFETY COMMISSION

LIBRARY ADVISORY COMMITTEE

OPEN SPACE AND PARKLAND ADVISORY COMMITTEE

PARKS, BEACHES AND RECREATION COMMISSION

PLANNING COMMISSION

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Pacifica, California

Report on Financial Statements

We have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Pacifica, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statement No. 72 – Fair Value Measurement and Application, which became effective during the year ended June 30, 2016 as discussed in Note 3 to the financial statements. There was no material effect on the financial statements.

The emphasis of this matter does not constitute modifications to our opinion.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplementary Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
January 17, 2017

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

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City of Pacifica Management's Discussion and Analysis For the year ended June 30, 2016

The management staff of the City of Pacifica (City), offers readers of the City's financial statements this narrative overview and analysis of City financial activities for the fiscal year ended June 30, 2016. It has been designed in accordance with standards established by the Governmental Accounting Standards Board. Please read this overview in conjunction with the accompanying financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements, which are comprised of three components:

- **Government-Wide Financial Statements** - These statements provide information about the activities of the City as a whole and about the overall financial condition of the City. The *Statement of Net Position* and *Statement of Activities and Changes in Net Position* statements includes all assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies.
- **Fund Financial Statements** - These statements provide additional information about the City's major funds, how services were financed in the short term and fund balances available for financing future projects.
- **Notes to the Financial Statements** - The notes provide additional detail that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information, including budgetary comparison information on the City's General Fund, which is intended to furnish additional detail to support the basic financial statements themselves.

FINANCIAL HIGHLIGHTS

Financial highlights of the year ended June 30, 2016 include the following:

Government-wide:

- The City's total net position was \$57.2 million at June 30, 2016, of which \$31.6 million was in Governmental Activities and \$25.7 million was in Business-type Activities. Of the total net position, \$72.9 million relates to the City's net investment in capital assets and is not available for future appropriation (see tables 1 and 4 for additional information).
- Total City revenues were \$55.0 million, of which \$41.5 million was derived from Governmental Activities; \$13.5 million was derived from Business-type Activities (see tables 2 and 5 for additional information).
- Total City expenses were \$44.1 million, of which Governmental Activities incurred \$32.8 million and Business-type Activities incurred \$11.3 million (see tables 2 and 5 for additional information).



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

FINANCIAL HIGHLIGHTS, Continued

Fund Level:

Governmental fund balances totaled \$21.2 million, the Enterprise funds had a \$25.7 million net position, and there was a cumulative net position of \$5.2 million in the Internal Service Funds, of which \$1.7 million relates to the City's Internal Service Funds net investment in capital assets.

- Proprietary Fund operating revenues were \$13.5 million in the Enterprise Funds and \$2.2 million in the Internal Service Funds.
- Proprietary Fund operating expenses were \$11 million in the Enterprise funds and \$2.7 million in the Internal Service Funds.
- Net non-operating expenses were approximately \$358,185 in the Enterprise Funds and net non-operating revenues were \$48,821 in the Internal Service Funds.



General Fund:

- General Fund revenues were \$31.0 million and expenditures were \$27.4 million.
- Net transfers out of the General Fund were \$0.6 million.
- The fund balance of the General Fund was \$9.8 million at June 30, 2016, all of which has been classified in accordance with Governmental Accounting Standards Board No. 54.

General Capital Improvement Fund:

- Fund revenues were \$14,000 and expenditures were \$175,000.
- Net transfers out of the Fund were \$143,000.
- The fund deficit of the Fund was approximately \$249,000 deficit at June 30, 2016.

Gas Tax Fund:

- Fund revenues were \$0.8 million and expenditures were \$0.8 million.
- Net transfers out of the Fund were \$144,000.
- The fund balance of the Fund was \$0.6 million at June 30, 2016; the total amount is classified as restricted for allowable street expenditures under the California Street and Highway Code.

Davies Trust Fund:

- Fund revenues were \$1,600 and expenditures were \$0.
- There were no transfers into or out of the Fund.
- The fund balance of the Fund was \$3.5 million at June 30, 2016; the total amount is classified as restricted for use to help acquire, build, remodel, improve, support and maintain the equipment, building, grounds, yard, gardens and landscaped areas of the various parks, beaches, and recreational areas located in Pacifica and to conduct related educational and recreation programs for the benefit of the general public.

Debt Service Fund:

- Fund revenues were \$2.2 million and expenditures were \$3.7 million.
- Net transfers into the Fund were \$1.7 million.
- The fund balance of the Fund was \$1.2 million at June 30, 2015; the total amount is classified as restricted for debt service.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

These government-wide financial statements include all assets and liabilities of the City using the accrual basis of accounting. All current year revenues and expenses are accounted for regardless of when the cash is paid or received.

These statements report the City's net position and how it has changed. Net position, the difference between assets, liabilities and deferred inflows/outflows of resources, is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net position are among indicators used to assess whether the financial condition of the City is improving or deteriorating. It is also important to consider other non-financial factors, such as changes in the City's property tax values and sales tax outlets, and the condition of the City's infrastructure (i.e. parks and streets), to accurately assess the overall health of the City.

The Government-wide statements present information about the City's activities. These include services provided by police, fire, community development, public works and parks, beaches, and recreations. These services are funded from monies received from property, sales and other taxes, direct charges for services provided, grants, contributions from other agencies and impact fees collected from new development. The following analysis focuses on net position and how it has changed, within the City's Governmental Activities (Tables 1, 2 and 3) and Business-Type Activities (Tables 4 and 5) as presented in the Government-wide *Statement of Net Position* and *Statement of Activities and Changes in Net Position*.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Governmental Activities

Net position, representing the difference between total assets and total liabilities, of the City's governmental activities was \$31.6 million at June 30, 2016, an increase of (44.3%) from the total at June 30, 2015. The table below summarizes the City's net position.

The City implemented new pension accounting standards during 2014-15, following guidance from the Government Accounting Standards Board. A new Net Pension Liability of \$27.5 million has been recorded as of June 30, 2015. These new pension accounting standards respond to public interest about government pensions and provide new transparency about the City's considerable pension obligations and their funding progress. Comparative financial information is presented below to provide the reader with highlights of changes from the prior year.

In the following comparative tables, prior fiscal year 2014 balances are presented as originally reported in last year's financial statements. The City implemented the new pension accounting standards in the 2015 fiscal year that have adjusted the beginning balance for the net impact of the newly reported pension obligations at July 1, 2014. Comparative June 30, 2014 balances have not been restated because all information required to restate prior year amounts is not readily available.

Table 1
Governmental Statement of Net Position (In Millions) at June 30, 2016

	2016	2015
Cash and investments	\$ 22.8	\$ 15.1
Other assets	5.1	7.7
Capital assets	73.9	72.1
Total assets	101.8	94.9
Deferred Outflows of Resources	3.8	3.6
Current liabilities	6.7	6.1
Non-current liabilities	61.6	60.1
Total liabilities	68.3	66.2
Deferred Inflows of Resources	5.7	10.4
Net Position		
Net investment in capital assets	56.9	56.4
Restricted	13.8	11.5
Unrestricted	(39.1)	(46.0)
Total net position	\$ 31.6	\$ 21.9



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

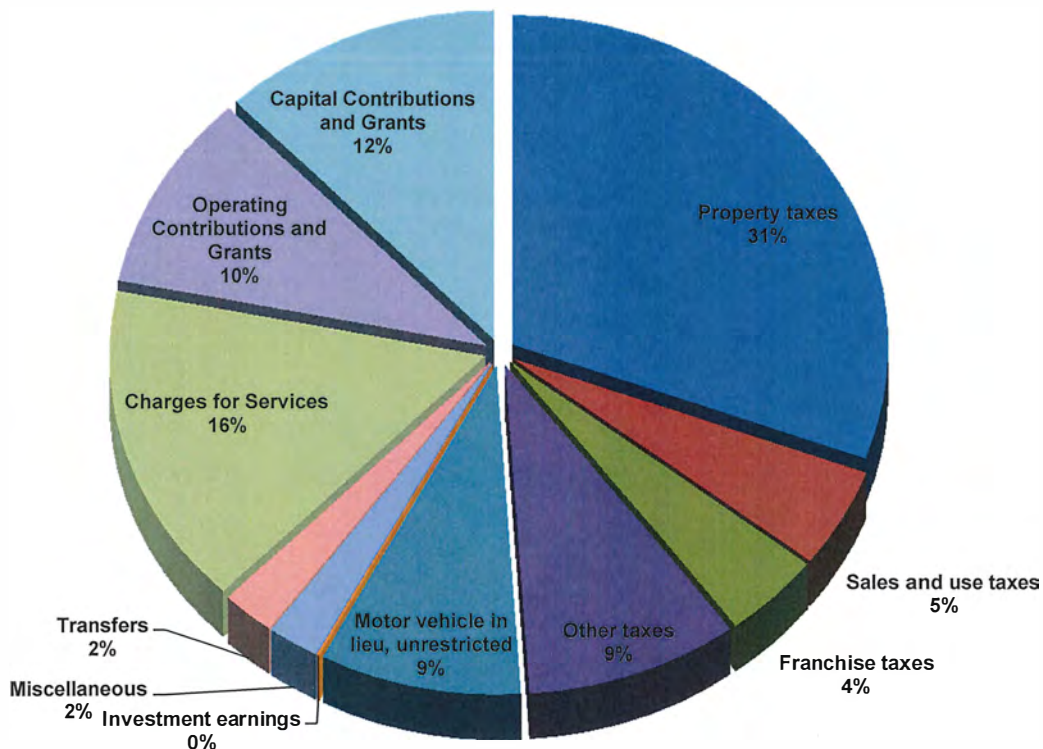
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Of the City's total net position, \$56.9 million reflects its net investment in capital assets (e.g. land, infrastructure, buildings, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The City's total liabilities of \$68 million represent outstanding obligations for operations, capital projects, deposits held for development projects and long-term debt.

Governmental Activities

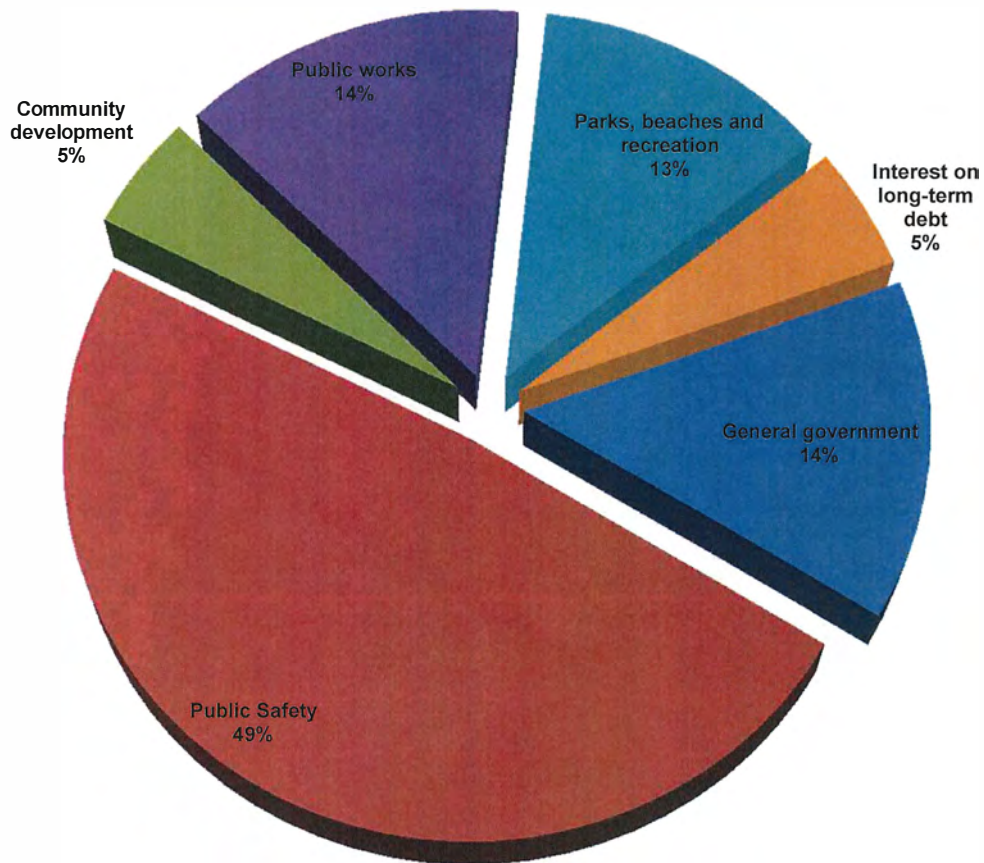
The charts below summarize general City revenues available for funding all City programs and major expenditure program categories, as well as program revenues used to fund specific expenditure programs. For fiscal year 2015-16, total revenues and transfers from all sources relating to governmental activities were \$42.4 million and total expenditures for all City programs relating to governmental activities were \$32.8 million.

Governmental Activities - Sources of Revenues
FY 2015-2016
\$42.4M





Governmental Activities - Sources of Expenses
FY 2015-2016
\$32.8M





City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Table 2
Change in Net Position - Governmental Activities for fiscal year ended June 30,
(In Millions)

Revenues	2016	2015
Program revenues		
Charges for service	\$ 7.8	\$ 5.8
Operating contributions and grants	3.9	4.3
Capital grants	4.9	4.7
Total program revenues	<u>16.6</u>	<u>14.8</u>
General revenues		
Taxes:		
Property	12.4	12.2
Sales and use	2.0	1.8
Franchise	1.7	1.7
Other taxes	3.7	3.5
Miscellaneous	1.4	0.2
Motor Vehicle In Lieu	3.5	3.3
Transfers	1.0	-
Total general revenues and transfers	<u>25.8</u>	<u>22.7</u>
Total revenues	<u>42.4</u>	<u>37.5</u>
Expenses		
Public safety	15.9	14.0
Public works	4.7	5.7
Community development	1.6	1.1
Parks, beaches and recreation	4.3	3.9
General government	4.6	4.3
Interest on long-term debt	1.7	2.1
Total expenses	<u>32.7</u>	<u>31.1</u>
Change in net position - Governmental Activities	<u>9.7</u>	<u>6.4</u>
Net position - beginning, as restated	<u>\$ 21.9</u>	<u>\$ 15.5</u>
Net position - ending	<u><u>\$ 31.6</u></u>	<u><u>\$ 21.9</u></u>



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Table 2, presented on the prior page, shows that governmental expenses, which totaled \$32.8 million, were offset in part by program revenues for governmental activities of \$16.6 million. These program revenues included \$7.8 million in charges for services, \$3.9 million in operating grants and contributions, and \$4.9 million in capital grants and contributions. Charges for services include traffic safety fines, plan check fees, building inspection fees, other charges related to new construction, and fees charged for parks, beaches, and recreational events. Operating grants and contributions include amounts that can only go toward operations-related expenses, while capital grants and contributions are required to go toward capital investments. General revenues, as shown in Table 2 on the previous page, are available to pay for expenses not fully covered by program generated revenues.



Table 3 presents the program revenues and net expense of each of the City's largest programs. Net expense is defined as total program cost less the revenues generated or contributions received by those specific

Table 3
Governmental Activities
Program Revenues and Net (Expense) Revenue From Services for fiscal year ended June 30,
(In Millions)

	Program Revenues		Net (Expense) Revenue	
	2016	2015	2016	2015
General government	3.4	2.2	(1.2)	(2.1)
Public Safety	\$ 1.3	\$ 1.2	\$ (14.5)	\$ (12.8)
Community development	3.6	2.0	2.0	0.8
Public works	5.1	5.9	0.3	0.2
Parks, beaches, and recreation	3.2	3.5	(1.1)	(0.4)
Debt Service	-	-	(1.7)	(2.1)
Totals	\$ 16.6	\$ 14.8	\$ (16.2)	\$ (16.4)

activities.

Business-type Activities

The net position of the City's business-type activities was \$25.7 million at June 30, 2016. Assets included a total of \$10.6 million in cash and investments, \$42.1 million in capital assets, Deferred Outflows of \$448,000, \$1.9 million in other assets. Liabilities include \$25.9 million in long-term liabilities, \$125,000 in Deferred Inflows, and \$3.4 million in current liabilities. Total revenues for business-type activities totaled \$13.5 million for fiscal year 2015-16 while expenses totaled \$11.3 million.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued
Business-type Activities, Continued

Table 4
Business -Type Statement of Net Position at June 30,
(In Millions)

	<u>2016</u>	<u>2015</u>
Cash and investments	\$ 10.6	\$ 11.4
Other assets	1.9	0.9
Capital assets	42.1	43.4
Total assets	54.6	55.6
Total Deferred Outflows of Resources	0.4	0.5
Current Liabilities	3.4	3.1
Non-Current Liabilities	25.9	28.3
Total liabilities	29.3	31.4
Total Deferred Inflows of Resources	0.1	0.4
Net Position		
Net investment in capital assets	16.0	15.3
Unrestricted	9.7	9.2
Total net position	\$ 25.7	\$ 24.4

Table 5
Change in Net Position - Business-type Activities for fiscal year ended June 30,
(In Millions)

	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues		
Charges for service	\$ 13.5	\$ 14.3
Total program revenues	13.5	14.3
Total revenues	13.5	14.3
Expenses		
Sewer Operations	10.8	11.9
Beach Parking	0.5	0.5
Total expenses	11.3	12.4
Excess (deficiency) before transfers	2.2	1.9
Transfers	(0.9)	-
Change in net position - Business-Type Activities	\$ 1.3	\$ 1.9
Net position - beginning	\$ 24.4	\$ 22.5
Net position - ending	\$ 25.7	\$ 24.4



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

These statements provide more detailed information about the City's major funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's or government agency's near-term financing requirements.

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

The City has twenty governmental funds, of which six are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The City's six major funds are - the General Fund, the Gas Tax Fund, the General Capital Improvement Fund, the Davies Trust Fund, the Disaster Accounting Fund, and the Debt Service Fund. The City has classified these funds as major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided in the Required Supplementary Information section for these funds that demonstrates compliance with their budgets.

Proprietary funds

The City maintains two types of proprietary funds, Enterprise Funds and Internal Service Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses two enterprise funds; the Sewer Utility which accounts for the operation and maintenance of the City's wastewater collection system, (this fund is classified as major funds in the City's Statement of Net Position), and the Beach Parking Fund, which accounts for the operation and maintenance of the City's beach parking facilities. The Beach Parking Fund was established during the 2014-15 fiscal year. Internal service funds are used to accumulate and allocate costs internally among the City's various functions and to build up reserves for future replacement of capital assets. The City uses internal service funds to account for its fleet of vehicles and equipment.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Proprietary funds, Continued

Because these services solely benefit the governmental function, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the Supplemental Information section of this report.

Fiduciary Funds

The City is the agent for certain agencies and assessment districts, holding amounts collected which await payment as directed. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and the Agency Funds Statement of Assets and Liabilities. These activities are excluded from the City's other financial statements because the City is acting as a trustee for these funds and cannot use these assets to finance its own operations. The City's fiduciary funds include a private-purpose trust fund to account for the activities of the City of Pacifica Successor Agency.

Summary Analysis of Governmental Funds

At June 30, 2016, the City's governmental fund balances were \$21.2 million. The following describe the specifics related to this variance:

- An increase of \$3.0 million in the General Fund, primarily due to the combination of increased revenues including property tax (\$548,000), sales tax (\$229,000), charges for services (\$609,000), licenses and permits (\$150,000), and intergovernmental revenues (\$234,000), netted against increases in expenditures;
- A decrease of \$0.8 million in the Disaster Accounting Fund due to increased expenditures due to the City's response to the winter storms of 2015-2016. Please note that the Disaster Accounting Fund has been added to the Major Funds group;
- An increase of \$2.4 million in the Other Governmental Funds category primarily due to receipts in the Excess Educational Revenue Augmentation Fund (ERAF) of \$1.4 million and new tax revenues for the Pacifica library.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Summary Analysis of Governmental Funds, Continued

Table 6
Change in Fund Balance- Governmental Funds for the fiscal year ended June 30,
(In Millions)

Revenues	2016	2015
Taxes	\$ 22.3	\$ 21.2
Licenses and permits	0.8	0.7
Fines and forfeitures	0.2	0.2
Use of money and property	1.7	0.5
Intergovernmental	7.4	8.6
Charges for current services	2.8	2.2
Recreation programs	0.9	0.9
Other revenue	3.7	4.2
Total revenues	<u>\$ 39.8</u>	<u>\$ 38.4</u>
Expenditures		
General government	\$ 4.3	\$ 3.9
Public safety*	14.6	14.2
Community development	1.8	1.3
Public works	3.7	4.3
Parks, beaches, and recreation	4.3	4.0
Capital outlay	3.4	3.1
Debt service	3.8	3.7
Transfers (net)	0.3	(0.4)
Total expenditures	<u>\$ 36.2</u>	<u>\$ 34.1</u>



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Detailed Analysis of Major Governmental Funds by Fund

General Fund

The General Fund is the chief operating fund of the City. For the year ending June 30, 2016, the total fund balance was \$9.8 million, just over 49.5% of which is non-spendable or has been committed or assigned to cover contingencies, claims, advances to other funds and other City projects.

Revenues were up \$2.6 million in 2015-16 compared to last fiscal year, a change of 9%. Expenditures increased \$2.0 million in fiscal year 2015-16 compared to last fiscal year, a change of 7.9%. Significant changes in revenues and expenditures that affected the General Fund balances are discussed below:



General Fund Revenues

Property Tax increased by \$548,000 (5.6%) compared to the prior year resulting from increases in property tax from the distribution of residual payments from real property transfer tax revenues generated from the sale of property within the City, and higher assessed property valuations.

Sales and All Other Taxes increased \$289,000 (3.8%) from the prior year primarily due to increases in transient occupancy tax, sales tax, franchise tax, utility users tax, and business license tax from the improvement in the local economy and tourism.

Intergovernmental revenues increased \$234,000 (4.9%) from fiscal year 2014-15 due to the increase in the amounts received for state motor vehicle license revenues and supplemental tax netted and state and county grants for childcare, seniors, and police.

Charges for Services revenues increased \$609,000 (27.5%) more than prior fiscal mainly due to the increase in volume of development and renovation projects for planning, engineering, and building review and processing, and reimbursement for fire services.

Licenses, Permits and Fees revenues increased \$150,000 (22%) compared to the prior fiscal year due to the increase of the volume of permits including building, plumbing and electrical permit fees

Fines, Forfeitures, And Penalties and All Other Revenues increased by \$729,000 (22%) from the prior fiscal year; the majority of this increase is due to the recording of the interest revenue from the Successor Agency to the Former Redevelopment Agency.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Detailed Analysis of Major Governmental Funds by Fund, Continued

General Fund Expenditures

Public Safety expenditures consisting of the Police and Fire departments increased \$319,000 (2.2%).

Public Works expenditures increased \$314,000 (15.3%) compared to the prior year.

Planning Department expenditures increased \$543,000 (44%) from fiscal year 2014-15. This increase is attributable to filling departmental vacancies and increased activities due to the increased volume of development.

Parks, Beaches, And Recreation expenditures were \$345,000 (8.7%) more than the prior year primarily due to the increases in salary and benefits required to run various programs including elementary age programs and senior programs.

General Government expenditures increased \$433,000 (11.1%) due to the increase of contractual services and increased staff cost due to filling vacant positions.

General Capital Improvement Fund

The Capital Improvement Fund accounts for funds used for capital improvements and significant maintenance projects. As of June 30, 2016, its fund deficit was \$-249,000.

Gas Tax Special Revenue Fund

The Gas Tax Special Revenue Fund was established to receive and expend the City's allocation of the State Gasoline Taxes. Expenditures are restricted for street related purposes, including construction or purchasing of right-of-ways on minor streets and street engineering. As of June 30, 2016, its fund balance of \$640,000 is restricted for street related purposes.





City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued
Detailed Analysis of Major Governmental Funds by Fund, Continued

Davies Trust Fund

The Davies Trust Fund accounts 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 and to conduct related educational and recreational programs for the benefit of the general public. As of June 30, 2016, its fund balance was approximately \$3.5 million.

Debt Service Fund

The Debt Service Fund for the accumulation and disbursement of funds from the financing of various long-term debt liabilities. As of June 30, 2016, its fund balance was approximately \$1.2 million. This fund balance is typically restricted or assigned for the payment of long term debt that the City has incurred.

Disaster Accounting Fund

The Disaster Accounting Fund accounts for both revenues (from grants and other reimbursements) and expenditures associated with catastrophic events occurring in the City. As of June 30, 2016, its fund deficit was approximately \$-2.1 million. However, the City does expect some level of reimbursement for Disaster related expenditures from third parties, thus mitigating this deficit in the future.

Summary Analysis of Proprietary Funds

As of June 30, 2016, the Enterprise Fund had a net position balance of \$25.7 million, representing a \$1.2 million (5%) increase. The majority of the net position (62%) is held for the net investment in capital assets.

The net position balance of the Internal Service Funds is \$5.2 million, an increase of approximately \$0.2 million (5%) from the previous fiscal year.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Summary Analysis of Proprietary Funds, Continued

Table 7
Change in Fund Net Position - Proprietary Funds for the year ended June 30,
(In Millions)

	Total Enterprise Funds		Total Internal Service Funds	
	2016	2015	2016	2014
Operating revenues	\$ 13.5	\$ 14.3	\$ 2.2	\$ 2.1
Operating expenses	11.0	10.7	2.7	1.5
Operating income (loss)	2.5	3.6	(0.5)	0.6
Non-operating revenues (expenses)	(0.4)	(1.7)	0.0	0.0
Net income (loss) before contributions and operating transfers	2.1	1.9	(0.4)	0.6
Transfers in (out)	(0.9)	-	0.7	0.4
Change in net position	\$ 1.2	\$ 1.9	\$ 0.2	\$ 1.0

Sewer Utility Enterprise Funds

This fund accounts for the operation and maintenance of the City's wastewater collection system, including the operating costs of the wastewater collection system and water recycling plant. Of the total net position, \$16.0 million was invested in capital assets, net of related debt.

Parking Enterprise Fund

This fund accounts for the operation and maintenance of the City's parking facilities. The fund was established during the 2014-15 fiscal year.

BUDGETARY HIGHLIGHTS OF THE CITY'S GENERAL FUND

Over the course of the year, the City Council revised the City's budget with adjustments for various revenue and expenditure changes. After taking into account these adjustments, General Fund actual revenues were more than the final budget by \$2.3 million (8%), which is primarily attributable to higher revenues from sales taxes, charges for services revenue, and the recording of the interest revenue from the Successor Agency to the Former Redevelopment Agency. General Fund actual expenditures were approximately \$350,000 (1.3%) under the final budget.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

CAPITAL ASSETS AND LONG TERM DEBT

Capital Assets

GASB 34 requires the City to record all of its capital assets, including infrastructure in the Statement of Net Position. Infrastructure includes roads, bridges, signals and similar assets used by the entire population. The City has recorded its capital assets at historical cost or estimated historical cost if actual historical cost was not available. In addition, donated fixed assets have been valued at their estimated fair market value on the date donated.

At June 30, 2016 the cost of infrastructure and other capital assets recorded on the City's financial statements is shown in Table 8 below:

Table 8
Capital Assets at June 30,
(In Millions)

	<u>2016</u>	<u>2015</u>
Governmental activities		
Land	\$ 39.8	\$ 38.4
Construction in progress	0.8	0.3
Building and improvements	16.0	15.9
Machinery and equipment	2.7	2.6
Vehicles	6.6	6.6
Infrastructure	33.7	31.8
Less accumulated depreciation	(25.6)	(23.4)
Totals	<u>\$ 74.0</u>	<u>\$ 72.2</u>
Business-type activities		
Land	\$ 4.0	\$ 4.0
Construction in progress	0.4	-
Buildings	77.2	76.7
Collection Systems	12.4	12.1
Machinery and equipment	1.5	1.5
Less accumulated depreciation	(53.5)	(50.9)
Totals	<u>\$ 42.0</u>	<u>\$ 43.4</u>

At June 30, 2016, the City had \$74.0 million, net of depreciation, invested in a broad range of capital assets used in governmental activities and \$42.0 million, also net of depreciation, invested in Business-type activities assets, as shown in the table above.

The City depreciates all its capital assets on a straight-line basis over their estimated useful lives. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on capital assets may be found in Notes 1 and 5.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

CAPITAL ASSETS AND LONG TERM DEBT, Continued

Long Term Debt

At June 30, 2016 the City's Governmental Activities had debt outstanding in the amount of approximately \$28.3 million, all backed by the full faith and credit of the government. More information on long-term debt activity may be found in Note 6 of the Notes to the Basic Financial Statements.

Table 9
Outstanding Debt at June 30,
(In Millions)

	<u>2016</u>	<u>2015</u>
Governmental activities		
2008 Certificate of Participation	\$ 16.2	\$ 16.7
Capital Lease Payable	0.8	0.9
2010 Pension Obligation Bond	11.3	12.7
Notes Payable	-	0.9
Total Debt Outstanding	<u>\$ 28.3</u>	<u>\$ 31.2</u>

The City has made all required debt service payments on the issues listed above. The City maintains an "AA-" rating from Standard and Poor's on the General Obligation debt.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

As the City looks ahead to fiscal year 2016-2017, management remains encouraged by indicators that a recovery is underway as evidenced by relatively strong growth in our regional economy.

The City has a promising future buoyed by vision, innovation and partnerships. To assist in the development of the 2016-2017 Budget and to improve the City's fiscal health, the City Council has adopted a Long Term Financial Plan for the last three fiscal years. This practice will continue into the FY 2016-17 fiscal year as well.

While revenues are recovering from the impact of the Great Recession, expenditure pressures to maintain existing services are substantial. Increases in employee benefit costs are expected to rise for the existing retirement and health care systems provided as part of overall compensation strategies to attract and retain high performing individuals to serve our community.

The City is able to achieve a balanced budget for fiscal year 2016-17 and maintain adequate reserves for the General Fund through a combination of measures, including the following:

- ❖ **Cost Recovery.** With the completion of the Cost Allocation Plan and Fee Study, the City began to have a better understanding of the true cost of delivering services and has moved toward recovering those costs in appropriate ways.
- ❖ **Budget annual expenses at or below annual revenues** to ensure the City is living within its means.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2016

ECONOMIC OUTLOOK AND MAJOR INITIATIVES (continued)

- ❖ Align one-time money to cover one-time expenses rather than ongoing operations. This is a direction that the City has been moving toward for some time.
- ❖ Increase financial transparency. In recent budget communications, staff has been focused on sharing financial information in such a way as to engender trust in how the City manages the public's money. Sharing the assumptions in the City's financial projections is a key example of this emphasis on transparency, as is translating numbers and spreadsheets into a meaningful, easy to read, document at the conclusion of the budget process.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to Lorenzo Hines Jr., Assistant City Manager at City of Pacifica, City Manager's Office, 170 Santa Maria Avenue, Pacifica, California 94044.

A copy of this financial report is also located at the City's website at <http://www.cityofpacifica.org>, by selecting "Departments/Administrative Services/Finance/2016 Comprehensive Annual Financial Report" and then selecting the "year".

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CITY OF PACIFICA
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$17,386,471	\$10,624,473	\$28,010,944
Cash and investments with fiscal agents (Note 3)	1,971,893		1,971,893
Restricted cash and investments (Note 3)	3,459,330		3,459,330
Taxes receivable	1,352,577		1,352,577
Accounts receivable, net of allowance	656,643	29,927	686,570
Interest receivable	9,680		9,680
Grants receivable	469,578		469,578
Prepaid items	33,423	352,672	386,095
Inventories	36,317	217,073	253,390
Receivable from successor agency (Note 11)	3,838,365		3,838,365
Capital assets, not being depreciated (Note 5)	40,578,579	4,455,701	45,034,280
Capital assets, being depreciated, net of accumulated depreciation (Note 5)	33,320,873	37,595,445	70,916,318
Internal balances	(1,333,638)	1,333,638	
Total assets	<u>101,780,091</u>	<u>54,608,929</u>	<u>156,389,020</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding of debt	913,863	341,362	1,255,225
Related to pension (Note 8)	2,938,674	106,598	3,045,272
Total Deferred Outflows of Resources	<u>3,852,537</u>	<u>447,960</u>	<u>4,300,497</u>
LIABILITIES			
Accounts payable	1,356,186	591,402	1,947,588
Interest payable	624,447	82,690	707,137
Refundable deposits	1,037,572		1,037,572
Unearned revenue	312,238		312,238
Claims payable due within one year (Note 9)	244,776		244,776
Net OPEB obligation, due in more than one year (Note 7)	2,996,136		2,996,136
Compensated absences (Note 1M):			
Due within one year	862,000	154,000	1,016,000
Due in more than one year	582,608	103,596	686,204
Long term debt (Note 6):			
Due within one year	2,246,940	2,513,425	4,760,365
Due in more than one year	26,078,020	24,993,891	51,071,911
Net pension liability, due in more than one year (Note 8)	32,006,157	834,882	32,841,039
Total Liabilities	<u>68,347,080</u>	<u>29,273,886</u>	<u>97,620,966</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 8)	5,725,282	124,782	5,850,064
Total Deferred Inflows of Resources	<u>5,725,282</u>	<u>124,782</u>	<u>5,850,064</u>
NET POSITION			
Net investment in capital assets	56,878,228	15,985,969	72,864,197
Restricted for:			
Construction of capital assets	5,253,142		5,253,142
Streets, highways, and other related purposes	4,158,891		4,158,891
Parks, beaches and recreation	3,588,222		3,588,222
Stormwater operations	678,123		678,123
Public safety	130,195		130,195
Unrestricted	(39,126,535)	9,672,252	(29,454,283)
Total Net Position	<u>\$31,560,266</u>	<u>\$25,658,221</u>	<u>\$57,218,487</u>

See accompanying notes to financial statements

CITY OF PACIFICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$4,604,299	\$126,156	\$2,424,119	\$835,275
Public Safety	15,859,890	1,043,155	302,943	
Community development	1,629,555	3,638,027	5,000	
Public works	4,714,402	786,000	177,618	4,076,870
Parks, beaches and recreation	4,329,044	2,220,263	1,013,446	
Interest on long-term debt	1,667,485			
Total Governmental Activities	32,804,675	7,813,601	3,923,126	4,912,145
Business-type Activities:				
Sewer	10,816,732	12,959,708		
Beach Parking	532,102	533,952		
Total Business-type Activities	11,348,834	13,493,660		
Total	\$44,153,509	\$21,307,261	\$3,923,126	\$4,912,145

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 Position

Net Position at beginning of year

Net Position at end of year

See accompanying notes to financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
(\$1,218,749)		(\$1,218,749)
(14,513,792)		(14,513,792)
2,013,472		2,013,472
326,086		326,086
(1,095,335)		(1,095,335)
(1,667,485)		(1,667,485)
<u>(16,155,803)</u>		<u>(16,155,803)</u>
	\$2,142,976	2,142,976
	1,850	1,850
	<u>2,144,826</u>	<u>2,144,826</u>
<u>(16,155,803)</u>	<u>2,144,826</u>	<u>(14,010,977)</u>
12,445,509		12,445,509
1,983,930		1,983,930
1,736,620		1,736,620
3,710,615		3,710,615
3,543,953		3,543,953
(44,457)	22,337	(22,120)
1,481,757		1,481,757
939,559	(939,559)	
<u>25,797,486</u>	<u>(917,222)</u>	<u>24,880,264</u>
9,641,683	1,227,604	10,869,287
<u>21,918,583</u>	<u>24,430,617</u>	<u>46,349,200</u>
<u>\$31,560,266</u>	<u>\$25,658,221</u>	<u>\$57,218,487</u>

CITY OF PACIFICA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	Special Revenue Funds		
	General	Gas Tax	Davies Trust
Assets			
Cash and investments (Note 3)	\$3,971,592	\$732,905	
Cash and investments with fiscal agents (Note 3)			
Restricted cash and investments (Note 3)			\$3,459,330
Receivables:			
Taxes	1,346,327		
Accounts	654,760		
Interest	9,680		
Grants	172,340		
Due from other funds (Note 10)	3,155,391		
Prepaid items	30,923		
Inventories	3,663		
Receivable from RDA successor agency (Note 10)	3,838,365		
Advance to other funds (Note 10)	75,000		
	\$13,258,041	\$732,905	\$3,459,330
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$1,059,601	\$93,238	
Refundable deposits	1,037,572		
Due to other funds (Note 10)			\$216
Unearned revenue	15,000		
Advance from other funds (Note 10)	1,333,638		
	3,445,811	93,238	216
Fund balances (Note 12):			
Non-spendable	3,947,951		
Restricted		639,667	3,459,114
Assigned	904,240		
Unassigned	4,960,039		
	9,812,230	639,667	3,459,114
Total Fund Balances	9,812,230	639,667	3,459,114
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$13,258,041	\$732,905	\$3,459,330

See accompanying notes to financial statements

Special Revenue Fund	General Capital Improvement Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total
Disaster Accounting				
	\$1,892,082	\$759,030	\$5,998,196	\$13,353,805
	113,415	458,478	1,400,000	1,971,893
				3,459,330
			6,250	1,352,577
				654,760
				9,680
			297,238	469,578
				3,155,391
		2,500		33,423
				3,663
				3,838,365
			2,218,700	2,293,700
	<u>\$2,005,497</u>	<u>\$1,220,008</u>	<u>\$9,920,384</u>	<u>\$30,596,165</u>
\$41,717	\$35,618		\$23,367	\$1,253,541
				1,037,572
2,086,167			1,069,008	3,155,391
			297,238	312,238
	2,218,700		75,000	3,627,338
<u>2,127,884</u>	<u>2,254,318</u>		<u>1,464,613</u>	<u>9,386,080</u>
		\$1,220,008	8,489,784	3,947,951
				13,808,573
				904,240
<u>(2,127,884)</u>	<u>(248,821)</u>		<u>(34,013)</u>	<u>2,549,321</u>
<u>(2,127,884)</u>	<u>(248,821)</u>	<u>1,220,008</u>	<u>8,455,771</u>	<u>21,210,085</u>
	<u>\$2,005,497</u>	<u>\$1,220,008</u>	<u>\$9,920,384</u>	<u>\$30,596,165</u>

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CITY OF PACIFICA
 Reconciliation of the
 GOVERNMENTAL FUNDS - BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2016

Fund Balance - Governmental Funds	\$21,210,085
<p>Amounts reported for Governmental Activities in the Statement of Net Position is 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>	72,215,331
<p>Deferred charge 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 Position.</p>	913,863
<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>	
<p>The items below are not financial resources / (not due and payable) in the current period and therefore are not reported in the governmental funds.</p>	
Compensated Absences	(1,404,097)
Long term debt	(28,131,666)
Interest payable	(623,984)
Net OPEB obligation	(2,996,136)
Net Pension Liability	(32,006,157)
Deferred inflows related to pension	(5,725,282)
Deferred outflows related to pension	2,938,674
<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 Position.</p>	<u>5,169,635</u>
Net Position of Governmental Activities	<u><u>\$31,560,266</u></u>

See accompanying notes to financial statements

CITY OF PACIFICA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Special Revenue Fund</u>		
	<u>General</u>	<u>Gas Tax</u>	<u>Davies Trust</u>
REVENUES			
Taxes	\$18,239,197	\$753,892	
Licenses and permits	821,062		
Fines and forfeitures	149,573		
Use of money and property	1,646,405	1,272	\$1,579
Intergovernmental	4,979,472		
Charges for current services	2,828,678		
Recreation programs	898,197		
Other	1,410,468	84	
	<u>30,973,052</u>	<u>755,248</u>	<u>1,579</u>
Total Revenues			
EXPENDITURES			
Current:			
General government	4,332,310		
Public safety	14,498,573		
Community development	1,768,130		
Public works	2,369,526	781,853	
Parks, beaches, and recreation	4,332,583		
Capital outlay	56,557	26,386	
Debt service:			
Principal			
Interest and fiscal charges			
	<u>27,357,679</u>	<u>808,239</u>	
Total Expenditures			
Excess (Deficit) of Revenues over Expenditures	<u>3,615,373</u>	<u>(52,991)</u>	<u>1,579</u>
Other Financing Sources (Uses):			
Transfers in (Note 10)	805,952		
Transfers out (Note 10)	(1,403,000)	(144,200)	
	<u>(597,048)</u>	<u>(144,200)</u>	
Total Other Financing Sources (Uses)			
Net Changes in Fund Balances	3,018,325	(197,191)	1,579
Fund Balances at beginning of year	<u>6,793,905</u>	<u>836,858</u>	<u>3,457,535</u>
Fund Balances at end of year	<u>\$9,812,230</u>	<u>\$639,667</u>	<u>\$3,459,114</u>

See accompanying notes to financial statements

<u>Special Revenue Fund</u>	<u>General Capital Improvement Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Disaster Accounting				
	\$6,092		\$3,301,328	\$22,294,417
				827,154
				149,573
	3,290	\$2,519	8,094	1,663,159
	5,000		2,454,953	7,439,425
				2,828,678
				898,197
		2,200,706	78,856	3,690,114
	14,382	2,203,225	5,843,231	39,790,717
				4,332,310
			55,986	14,554,559
	41,668		4,072	1,813,870
\$104,308			451,272	3,706,959
				4,332,583
720,640	133,401		2,456,379	3,393,363
		2,046,380		2,046,380
		1,686,075		1,686,075
824,948	175,069	3,732,455	2,967,709	35,866,099
(824,948)	(160,687)	(1,529,230)	2,875,522	3,924,618
		1,678,650	129,000	2,613,602
	(143,000)		(636,650)	(2,326,850)
	(143,000)	1,678,650	(507,650)	286,752
(824,948)	(303,687)	149,420	2,367,872	4,211,370
(1,302,936)	54,866	1,070,588	6,087,899	16,998,715
(\$2,127,884)	(\$248,821)	\$1,220,008	\$8,455,771	\$21,210,085

CITY OF PACIFICA
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

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 asset and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net Change in fund balance	\$4,211,370
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Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:

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

Capital outlay expenditures are therefore added back to fund balances	3,080,391
Depreciation expense	(1,801,628)
Successor Agency transfer of land to City	835,275

Bond proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal	3,001,763
Interest expense	(104,372)

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 revenue or expenditures in governmental funds:

Compensated absences (net change)	(90,536)
Net Pension Liability (net change)	508,749
Net OPEB obligation	(233,823)

The internal services 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.

	<u>234,494</u>
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Changes in net position of governmental activities	<u><u>\$9,641,683</u></u>
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See accompanying notes to financial statements

CITY OF PACIFICA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016

	Business-Type Activities			Governmental Activities
	Major Enterprise Fund Sewer Utility	Non-major Enterprise Fund Beach Parking	Total Enterprise Funds	Internal Service Funds
Assets:				
Current Assets:				
Cash and investments (Note 3)	\$10,575,360	\$49,113	\$10,624,473	\$4,032,666
Cash and investments with fiscal agents (Note 3)				
Accounts receivable	25,579	4,348	29,927	1,883
Prepaid Items	352,672		352,672	
Inventory	217,073		217,073	32,654
Total Current Assets	<u>11,170,684</u>	<u>53,461</u>	<u>11,224,145</u>	<u>4,067,203</u>
Noncurrent Assets:				
Advance to other funds (Note 10)	1,333,638		1,333,638	
Capital assets, not being depreciated (Note 5)	4,455,701		4,455,701	258,774
Capital assets, being depreciated, net of accumulated depreciation (Note 5)	<u>37,595,445</u>		<u>37,595,445</u>	<u>1,425,347</u>
Total Noncurrent assets	<u>43,384,784</u>		<u>43,384,784</u>	<u>1,684,121</u>
Total Assets	<u>54,555,468</u>	<u>53,461</u>	<u>54,608,929</u>	<u>5,751,324</u>
Deferred Outflows of Resources				
Deferred charge on refunding (Note 6)	341,362		341,362	
Related to pension (Note 8)	<u>106,598</u>		<u>106,598</u>	
Total Deferred Outflows of Resources	<u>447,960</u>		<u>447,960</u>	
Liabilities:				
Accounts payable	580,704	10,698	591,402	102,645
Accrued liabilities				
Interest payable	82,690		82,690	463
Claims payable (Note 9):				
Due within one year				244,776
Compensated absences (Note 1M):				
Due within one year	142,000	12,000	154,000	24,000
Due in more than one year	95,960	7,636	103,596	16,511
Long term debt (Note 6):				
Due within one year	2,513,425		2,513,425	26,596
Due in more than one year	24,993,891		24,993,891	166,698
Net pension liability:				
Due in more than one year (Note 8)	<u>834,882</u>		<u>834,882</u>	
Total Liabilities	<u>29,243,552</u>	<u>30,334</u>	<u>29,273,886</u>	<u>581,689</u>
Deferred Inflows of Resources:				
Related to pension (Note 8)	<u>124,782</u>		<u>124,782</u>	
Net Position:				
Net investment in capital assets	15,985,969		15,985,969	1,684,121
Unrestricted	<u>9,649,125</u>	<u>23,127</u>	<u>9,672,252</u>	<u>3,485,514</u>
Total Net Position	<u>\$25,635,094</u>	<u>\$23,127</u>	<u>\$25,658,221</u>	<u>\$5,169,635</u>

See accompanying notes to financial statements

CITY OF PACIFICA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities			Governmental
	Major	Non-major	Total	Internal
	Enterprise Fund Sewer Utility	Enterprise Fund Beach Parking	Enterprise Funds	Service Funds
Operating Revenues:				
Charges for services	\$12,879,458	\$533,952	\$13,413,410	\$1,297,828
Other operating income	80,250		80,250	936,916
Total Operating Revenues	<u>12,959,708</u>	<u>533,952</u>	<u>13,493,660</u>	<u>2,234,744</u>
Operating Expenses:				
Personnel services	3,470,298	447,113	3,917,411	475,668
Administration	980,466	61,407	1,041,873	32,945
Supplies and materials	977,613	7,882	985,495	325,595
Insurance	192,000		192,000	989,408
Outside contractors	280,363		280,363	11,733
Maintenance	475,016	15,700	490,716	39,060
Utilities	1,475,306		1,475,306	
Insurance claims				347,917
Depreciation	2,585,148		2,585,148	479,552
Total Operating Expenses	<u>10,436,210</u>	<u>532,102</u>	<u>10,968,312</u>	<u>2,701,878</u>
Operating Income (Loss)	<u>2,523,498</u>	<u>1,850</u>	<u>2,525,348</u>	<u>(467,134)</u>
Non-operating revenues (Expenses):				
Investment earnings	22,337		22,337	5,429
Gain on sale of capital assets				435
Interest and fiscal charges	(481,227)		(481,227)	42,957
Amortization	100,705		100,705	
Total Non-Operating Revenues (Expenses)	<u>(358,185)</u>		<u>(358,185)</u>	<u>48,821</u>
Income (Loss) Before Transfers	2,165,313	1,850	2,167,163	(418,313)
Transfers:				
Transfers in (Note 10)				652,807
Transfers out (Note 10)	(939,559)		(939,559)	
Changes in Net Position	1,225,754	1,850	1,227,604	234,494
Net Position, Beginning of Year	<u>24,409,340</u>	<u>21,277</u>	<u>24,430,617</u>	<u>4,935,141</u>
Net Position, End of Year	<u><u>\$25,635,094</u></u>	<u><u>\$23,127</u></u>	<u><u>\$25,658,221</u></u>	<u><u>\$5,169,635</u></u>

See accompanying notes to financial statements

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CITY OF PACIFICA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities			Governmental Activities
	Major Enterprise Fund Sewer Utility	Non-major Enterprise Fund Beach Parking	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:				
Receipts from customers	\$12,624,723	\$534,353	\$13,159,076	\$2,240,778
Payments to suppliers	(4,040,760)	(78,369)	(4,119,129)	(1,341,386)
Payments for claims		(1,184)	(1,184)	(228,060)
Payments to employees	(3,446,145)	(447,032)	(3,893,177)	(469,602)
Net Cash Provided (Used) by Operating Activities	<u>5,137,818</u>	<u>7,768</u>	<u>5,145,586</u>	<u>201,730</u>
Cash Flows from Noncapital and Related Financing Activities:				
Interfund (payment)	(1,631,511)		(1,631,511)	
Transfers in				652,807
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(1,631,511)</u>		<u>(1,631,511)</u>	<u>652,807</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(1,235,529)		(1,235,529)	(144,939)
Proceeds from sale of capital assets				435
Principal payments on bonds and notes	(2,604,662)		(2,604,662)	(72,386)
Interest paid	(444,472)		(444,472)	42,957
Net Cash (Used) by Capital and Related Financing Activities	<u>(4,284,663)</u>		<u>(4,284,663)</u>	<u>(173,933)</u>
Cash Flows from Investing Activities:				
Interest received	22,337		22,337	5,429
Net Cash Provided by Investing Activities	<u>22,337</u>		<u>22,337</u>	<u>5,429</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(756,019)	7,768	(748,251)	686,033
Cash and Cash Equivalents at the Beginning of the Fiscal year	11,331,379	41,345	11,372,724	3,346,633
Cash and Cash Equivalents at the End of the Fiscal Year	<u>\$10,575,360</u>	<u>\$49,113</u>	<u>\$10,624,473</u>	<u>\$4,032,666</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position:				
Cash and investments	<u>\$10,575,360</u>	<u>\$49,113</u>	<u>\$10,624,473</u>	<u>\$4,032,666</u>
Total Cash and Cash Equivalents	<u>\$10,575,360</u>	<u>\$49,113</u>	<u>\$10,624,473</u>	<u>\$4,032,666</u>

(Continued)

See accompanying notes to financial statements

CITY OF PACIFICA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities			Governmental Activities
	Major Enterprise Fund Sewer Utility	Non-major Enterprise Fund Beach Parking	Total Enterprise Funds	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (loss)	\$2,523,498	\$1,850	\$2,525,348	(\$467,134)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	2,585,148		2,585,148	479,552
(Increase) Decrease in Operating Assets:				
Accounts Receivable	(24,373)	401	(23,972)	(220)
Prepaid Items	(352,672)		(352,672)	
Inventories	42,060		42,060	6,254
Increase (Decrease) in Operating Liabilities:				
Accounts payable	340,004	6,620	346,624	57,626
Accrued liabilities		(1,184)	(1,184)	(271)
Claims payable				119,857
Net Pension Liability, Deferred Inflows and Deferred Outflows	73,775		73,775	
Compensated Absences	(49,622)	81	(49,541)	6,066
Net Cash Provided (Used) by Operating Activities	<u>\$5,137,818</u>	<u>\$7,768</u>	<u>\$5,145,586</u>	<u>\$201,730</u>
Noncash Transactions				
Amortization of bond premium	<u>\$100,705</u>			

See accompanying notes to financial statements

CITY OF PACIFICA
 SUCCESSOR AGENCY
 PRIVATE PURPOSE TRUST FUND
 STATEMENT OF NET POSITION
 JUNE 30, 2016

Assets:	
Cash and investments (Note 3)	\$525,091
Cash and investments with fiscal agents (Note 3)	<u>221,951</u>
Total Assets	<u>747,042</u>
 Liabilities:	
Interest payable	37,092
Loan payable to the City - due in more than one year (Note 11)	3,838,365
Long-term debt:	
Due within one year (Note 14)	55,000
Due in more than one year (Note 14)	<u>1,255,000</u>
Total liabilities	<u>5,185,457</u>
 Net Position:	
Restricted for debt service	87,092
Unrestricted	<u>(4,525,507)</u>
Total Net Position (deficit)	<u><u>(\$4,438,415)</u></u>

See accompanying notes to financial statements

CITY OF PACIFICA
 SUCCESSOR AGENCY
 PRIVATE PURPOSE TRUST FUND
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

Additions:	
Investment revenue	(\$67,085)
Taxes and assessments	258,011
Other revenue	<u>293,257</u>
 Total additions	 <u>484,183</u>
 Deductions:	
Administration	13,522
Interest expense	1,480,310
Land transferred to the City of Pacifica	<u>835,275</u>
 Total deductions	 <u>2,329,107</u>
 Change in net position before special item	 (1,844,924)
 Net position (deficit)at beginning of year	 <u>(2,593,491)</u>
 Net position (deficit) at end of year	 <u><u>(\$4,438,415)</u></u>

See accompanying notes to financial statements

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**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

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.

The City of Pacifica Financing Authority is a separate government entity whose purpose is to assist with the financing certain public capital facilities for the City through the issuance of bonds or other forms of debt. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The Authority does not issue separate financial statements.

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).

There are no other entities which meet the Governmental Accounting Standards Board Statement No. 14 as amended by GASB Statements No. 39 and No. 61, criteria for blended or 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, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016

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

B. Basis of Presentation (Continued)

The City's government-wide financial statements include a Statement of Net Position, 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.

C. Government-wide and Fund Financial Statements

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 fund balance as presented in these statements to the net position presented in the government-wide financial statements.

The governmental fund financial statements provide information about the City's funds. 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 Position, a Statement of Revenues, Expenses, and Changes in Net Position, 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.

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016

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

D. Financial Statements (Continued)

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 Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liabilities are incurred.

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 Position and a Statement of Changes in Fiduciary Net Position. 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. 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.

- **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 \$6,000 per year is granted the City for street engineering.

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016

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

E. Major Funds (Continued)

- **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.
- **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.

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.

F. Basis of Accounting

The Government-wide, Proprietary funds, and Fiduciary funds financial statements are required by GASB 34 to be 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 Position. The Statement of Activities presents changes in net position.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

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

F. Basis of Accounting (Continued)

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.

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.

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 position 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.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

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

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

All accounts, grants, 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.

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 nonspendable fund balance for noncurrent assets in governmental funds, to indicate that they do not constitute resources available for appropriation.

K. Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost on the government-wide Statement of Net Position 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.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

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

L. Encumbrances

The City uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities, but as restricted, or unassigned fund balance.

M. Compensated Absences

City employees accrue vacation, sick, holiday, and compensatory time off benefits. An employee may accumulate vacation time equal to an amount as stipulated in their contracts. 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 within set limits 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.

Changes in compensated absences for the year ended June 30, 2016, were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$1,348,006	\$307,137	\$1,655,143
Additions	916,003	123,731	1,039,734
Payments	(819,401)	(173,272)	(992,673)
Ending Balance	<u>\$1,444,608</u>	<u>\$257,596</u>	<u>\$1,702,204</u>
Current Portion	<u>\$862,000</u>	<u>\$154,000</u>	<u>\$1,016,000</u>
Non-current Portion	<u>\$582,608</u>	<u>\$103,596</u>	<u>\$686,204</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

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

N. 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.

O. Property Tax Revenues (Continued)

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, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

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

Q. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

R. Expenditures in Excess of Appropriations

The following funds incurred departmental expenditures in excess of appropriations:

Fund/Department	Excess of Expenditures Over
Major Funds:	
General Fund	
Community Development	(\$162,930)
Parks, Beaches and Recreation	(258,383)
General Capital Projects Fund	
Community Development	(41,668)
Capital outlay	(63,101)
Non-Major Funds:	
Parks and Playfield	
Capital Projects Fund	(4,072)

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

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 fiscal 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. The following capital projects funds are not budgeted annually: Aircraft Noise Project Fund, Parking In-lieu Fund, Excess ERAF Fund and Public Library Fund.

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 fiscal 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 fiscal year.

Deficit Fund Balances/Net Position

As of June 30, 2016 the following funds had a deficit net position/fund balance:

Major Special Revenue Fund:	
Disaster Accounting Fund	\$2,127,884
Major Capital Projects Fund:	
General Capital Improvement	248,821
Nonmajor Capital Projects Fund:	
Highway 1 Improvement	34,013

**CITY OF PACIFICA, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2016**

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

The deficits in the governmental funds are due to the City paying expenditures in advance of receiving revenues. The majority of these deficits are going to be repaid once reimbursements are received from the grantor, and if there are any outstanding deficits after the repayments, the General Fund should cover these deficits when the fund is closed out.

NOTE 3 - Cash and Investments:

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$27,967,896
Cash and investments with fiscal agents	1,971,893
Restricted cash and investments	3,459,330

Statement of fiduciary net position:

Cash and investments	568,139
Cash and investments with fiscal agents	221,951

Total cash and investments	\$34,189,209
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**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 - Cash and Investments (Continued):

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	Minimum Credit Quality	Maximum Percentage/ Investment of Portfolio	Maximum Investment in One Issuer
Commercial Paper	180 days	A-1	15%	None
Bankers Acceptances	270 days	A-1+	40%	None
U.S. Treasury Obligations	5 years	None	50%	None
U.S. Government Agency Issues	5 years	None	50%	None
Certificates of Deposit	5 years	None	30%	None
State of California Local Agency Investment Funds (State Pool)	N/A	None	\$50,000,000	\$50,000,000
Banks and Savings and Loan Time Deposits	N/A	A-1+	30%	None
Repurchase Agreements	1 year	None	15%	None
Mutual Funds	5 years	AAAm	15%	None

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.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
Municipal Bonds	None	AAA
Commercial Paper	270 days	A-1
U.S. Treasury Obligations	None	None
U.S. Agency Securities	None	None
Time Deposits (Unsecured)	30 days	A-1
Money Market Funds	None	AAAm
Investment Contracts	None	AA-
Local Agency Investment Fund	None	None
Certificates of Deposit	1 year	A-1+
Bankers Acceptances	1 year	A-1+
Pre-refunding Municipal Bonds	None	AAA
State and Municipal Bonds	None	Two Highest Categories

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 - Cash and Investments (Continued):

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to 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	Remaining Maturity (in Months)	
	12 Months Or Less	Totals
California Local Agency Investment Fund	\$7,121,550	\$7,121,550
Held by Trustees:		
Money Market Fund	2,180,381	2,180,381
Total Investments	<u>\$9,301,931</u>	<u>9,301,931</u>
Cash in Banks		24,883,633
Petty Cash		<u>3,645</u>
Total Cash		<u>24,887,278</u>
Total Cash and Investments		<u><u>\$34,189,209</u></u>

Money market mutual funds are available for withdrawal on demand and at June 30, 2016, have an average maturity of 19-43 days.

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.

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 - Cash and Investments (Continued):

The California Local Agency Investment Fund (LAIF) classified in Level 2 is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as fair value divided by the amortized cost of the investment pool. These prices are obtained from various pricing sources by the custodian bank.

Money market funds are exempt from fair value measurement and are reported at amortized cost.

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	Rating as of Fiscal Year End		
	AAA	Not Rated	Total
California Local Agency Investment Fund Held by Trustees:			
Money Market Fund	\$2,180,381		2,180,381
Total Investments	<u>\$2,180,381</u>	<u>\$7,121,550</u>	<u>\$9,301,931</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, 2016, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

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. At June 30, 2016, these investments have an average maturity of 167 days.

NOTE 4 - Notes Receivable and Note Payable

On October 6, 2015, the City entered into the HELP Loan Release Agreement with a California nonprofit public benefit corporation (nonprofit corporation). Under the release agreement, the city agreed to transfer the note receivable from NCR to the nonprofit corporation. In addition, the nonprofit corporation also agreed to repay in full the \$875,378 loan principal payable and accrued interest directly to CHFA. Lastly, the nonprofit corporation also agreed to repay the City \$292,083 and any accrued interest. As a result, the note receivable from NCR was deemed fully received; and the note payable to CHFA was deemed fully repaid.

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016

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.

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, 2016:

	Balance June 30, 2015	Additions	Deletions	Transfers	Contribution from Successor Agency	Balance June 30, 2016
Capital assets not being depreciated:						
Land	\$38,362,546	\$573,873		\$15,000	\$835,275	\$39,786,694
Construction in progress	301,727	505,158		(15,000)		791,885
Total capital assets not being depreciated	<u>38,664,273</u>	<u>1,079,031</u>			<u>835,275</u>	<u>40,578,579</u>
Capital assets being depreciated:						
Buildings & improvements	15,910,466	47,440				15,957,906
Vehicles	6,563,145	144,939	(\$109,340)			6,598,744
Machinery and equipment	2,659,914	40,820				2,700,734
Infrastructure	31,763,858	1,913,100				33,676,958
Total capital assets being depreciated	<u>56,897,383</u>	<u>2,146,299</u>	<u>(109,340)</u>			<u>58,934,342</u>
Less accumulated depreciation for:						
Buildings & improvements	(8,366,477)	(486,077)				(8,852,554)
Vehicles	(5,029,779)	(456,622)	109,340			(5,377,061)
Machinery & equipment	(2,249,296)	(215,913)				(2,465,209)
Infrastructure	(7,796,077)	(1,122,568)				(8,918,645)
Total accumulated depreciation	<u>(23,441,629)</u>	<u>(2,281,180)</u>	<u>109,340</u>			<u>(25,613,469)</u>
Depreciable capital assets, net	<u>33,455,754</u>	<u>(134,881)</u>				<u>33,320,873</u>
Total capital assets, net	<u>\$72,120,027</u>	<u>\$944,150</u>			<u>\$835,275</u>	<u>\$73,899,452</u>

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 - Capital Assets (Continued):

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

General government	\$131,202
Public safety	430,420
Public works	1,153,145
Parks, beaches, and recreation	86,861
Internal Service Fund	<u>479,552</u>
Total Governmental Activities	<u><u>\$2,281,180</u></u>

The following is a summary of capital assets for business-type activities as of June 30, 2016:

	Balance June 30, 2015	Additions	Balance June 30, 2016
Capital assets not being depreciated:			
Land	\$4,014,412		\$4,014,412
Construction in progress		\$441,289	441,289
Total capital assets not being depreciated	<u>4,014,412</u>	<u>441,289</u>	<u>4,455,701</u>
Depreciable capital assets:			
Buildings & improvements	76,723,148	442,689	77,165,837
Collection system	12,052,794	323,646	12,376,440
Machinery and equipment	1,488,615	27,905	1,516,520
Total capital assets being depreciated	<u>90,264,557</u>	<u>794,240</u>	<u>91,058,797</u>
Less accumulated depreciation for:			
Buildings & improvements	(45,474,839)	(1,916,557)	(47,391,396)
Collection system	(4,298,763)	(560,560)	(4,859,323)
Machinery & equipment	(1,104,602)	(108,031)	(1,212,633)
Total accumulated depreciation	<u>(50,878,204)</u>	<u>(2,585,148)</u>	<u>(53,463,352)</u>
Depreciable capital assets, net	<u>39,386,353</u>	<u>(1,790,908)</u>	<u>37,595,445</u>
Total capital assets, net	<u><u>\$43,400,765</u></u>	<u><u>(\$1,349,619)</u></u>	<u><u>\$42,051,146</u></u>

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016

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 July 1, 2015	Retirements	Balance June 30, 2016	Due in One Year
<u>Certificates of Participation:</u>				
2008 COP	\$16,740,000	(\$530,000)	\$16,210,000	\$580,000
<u>Capital Lease Payable:</u>				
Energy retrofit lease	918,514	(107,290)	811,224	111,624
<u>Pension Obligation Bonds:</u>				
2010 Pension obligation bond (88.622%)	12,712,826	(1,409,090)	11,303,736	1,555,316
<u>Notes payable:</u>				
2001 CHFA Loan	875,378	(875,378)		
	<u>\$31,246,718</u>	<u>(\$2,921,758)</u>	<u>\$28,324,960</u>	<u>\$2,246,940</u>

Business-type Activities:

	Balance July 1, 2015	Retirements	Balance June 30, 2016	Due in One year
<u>Revenue bonds:</u>				
2014 Wastewater Revenue Refunding	\$6,740,000		\$6,740,000	
Net Premium	1,364,160	(\$118,623)	1,245,537	
<u>Pension Obligation bonds:</u>				
2010 Pension obligation bond (11.378%)	1,632,174	(180,910)	1,451,264	\$199,684
<u>Notes payable:</u>				
State of California Water Resources Board	14,461,430	(2,065,919)	12,395,511	2,065,919
Loan and Installment Agreement	5,914,214	(239,210)	5,675,004	247,822
Total notes payable	20,375,644	(2,305,129)	18,070,515	2,313,741
	<u>\$30,111,978</u>	<u>(\$2,604,662)</u>	<u>\$27,507,316</u>	<u>\$2,513,425</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6 - Long-Term Debt (Continued):

6A. Governmental Activities Debt

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 interest rates ranging from 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 bonds are payable from any source of available funds of the City. 25.235% of each debt service is payable from and ratably secured by a pledge of 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.

Accounting gains or losses resulting from advance refunding of long-term debt is deferred and amortized over the shorter of the life of the new debt or refunded debt. The deferred charge on refunding balance at June 30, 2016 was \$913,863 for the 2008 COP.

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

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$580,000	\$828,931	\$1,408,931
2018	555,000	804,281	1,359,281
2019	625,000	780,000	1,405,000
2020	625,000	751,875	1,376,875
2021	600,000	722,969	1,322,969
2022-2026	3,475,000	3,127,344	6,602,344
2027-2031	4,000,000	2,194,844	6,194,844
2032-2036	4,725,000	1,053,500	5,778,500
2037	1,025,000	55,094	1,080,094
Total	<u>\$16,210,000</u>	<u>\$10,318,838</u>	<u>\$26,528,838</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6 - Long-Term Debt (Continued):

Energy Retrofit Lease: On November 1, 2012, the City entered into a lease/purchase agreement with Holman Capital Corporation for energy efficiency measures at various City owned buildings. The effective interest rate on the lease is 4.0% and lease payments are payable semiannually on November 15 and May 15, commencing May 15, 2013. The lease ends on November 15, 2022.

Annual debt service requirements, to maturity, for the Energy Retrofit Lease are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$111,624	\$31,344	\$142,968
2018	116,134	26,834	142,968
2019	120,825	22,142	142,967
2020	125,707	17,261	142,968
2021	130,785	12,183	142,968
2022-2023	206,149	8,301	214,450
Total	<u>\$811,224</u>	<u>\$118,065</u>	<u>\$929,289</u>

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. Approximately 88.622% of the bond proceeds were allocated to governmental activities (including 1.71% to the Motor Pool internal service fund). This portion of the outstanding principal balance at June 30, 2016 is \$11,110,443.

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

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$1,555,316	\$719,639	\$2,274,955
2018	855,202	640,195	1,495,397
2019	957,118	591,002	1,548,120
2020	372,212	534,035	906,247
2021	425,386	510,392	935,778
2022-2026	3,150,513	2,059,793	5,210,306
2027-2031	3,987,989	707,699	4,695,688
Total	<u>\$11,303,736</u>	<u>\$5,762,755</u>	<u>\$17,066,491</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6 - Long-Term Debt (Continued):

6B. Business Type Activities Debt

Loan and Installment Agreement: On August 27, 2012, the City of Pacifica entered into a loan and installment agreement with the City of Pacifica Financing Authority in the amount of \$6,402,594 payable annually beginning July 1, 2013 at an interest rate of 3.6%, payable each July 1 and January 1, beginning January 1, 2013. The agreement matures on July 1, 2032. The purpose of this agreement is to (i) fund an escrow to cause the mandatory tender of the outstanding 2001B Wastewater Revenue Bonds (ii) provide funds relating to the Equalization Basin Project, the Collection System Capacity Improvement Projects, and the Collection System Repair, Rehabilitation, and Replacement Projects, (iii) fund certain costs relating to the defeasance of the 2001B Wastewater Revenue Bonds, (iv) fund or provide for satisfaction of the Reserve Fund Requirement, and (vi) pay the costs incurred in connection with the execution of the Loan and Installment Sale. The outstanding principal balance at June 30, 2016 is \$5,675,004.

\$3,480,000 from the Loan and Installment Sale was placed in an irrevocable trust that was used to pay off the 2001B Wastewater Revenue Bonds. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debts) of \$156,235.

Accounting gains or losses resulting from advance refunding of long-term debt is deferred and amortized over the shorter of the life of the new debt or refunded debt. The deferred charge on refunding balance at June 30, 2016 was \$65,473 for the Loan and Installment Sale.

The defeased 2001B Wastewater Revenue Bonds have been paid off. Annual debt service requirements, to maturity, for the Loan and Installment Agreement are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$247,822	\$199,839	\$447,661
2018	256,744	190,757	447,501
2019	265,986	181,348	447,334
2020	275,562	171,600	447,162
2021	285,482	161,501	446,983
2022-2026	1,589,214	642,831	2,232,045
2027-2031	1,896,576	329,898	2,226,474
2032-2034	857,618	31,148	888,766
Total	<u>\$5,675,004</u>	<u>\$1,908,922</u>	<u>\$7,583,926</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

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. Approximately 11.378% of the bond proceeds were allocated to business-type activities.

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

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$199,684	\$92,393	\$292,077
2018	109,798	82,193	191,991
2019	122,882	75,878	198,760
2020	47,788	68,564	116,352
2021	54,614	65,528	120,142
2022-2026	404,488	264,453	668,941
2027-2030	512,010	90,860	602,870
Total	<u>\$1,451,264</u>	<u>\$739,869</u>	<u>\$2,191,133</u>

State of California Water Resource Control Board Loan: On February 20, 1997, the State of California Water Resource Control Board entered into an agreement to loan to the City \$41,304,818 for the construction of a new wastewater treatment facility.

No interest is charged on the loan. Principal payments are due each July 31, with the final payment due July 31, 2021.

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

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Total</u>
2017	\$2,065,919	\$2,065,919
2018	2,065,919	2,065,919
2019	2,065,919	2,065,919
2020	2,065,919	2,065,919
2021	2,065,919	2,065,919
2022	2,065,916	2,065,916
Total	<u>\$12,395,511</u>	<u>\$12,395,511</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

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 (2004 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. In November 2014, the 2004 bonds were refunded by the 2014 Wastewater Revenue Refunding Bonds as discussed below. The outstanding principal balance of the refunded bonds at June 30, 2016 is \$6,740,000.

2014 Wastewater Revenue Refunding Bonds: In November 2014, the City issued \$6,470,000 in 2014 Wastewater Revenue Refunding Bonds (2014 bonds) with interest rates ranging from 5% to 5.25%. The proceeds were used to advance refund the 2004 Wastewater Revenue Refunding Bonds.

Net proceeds of \$9.3 million (including a \$1.4 million premium and other city funds) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2004 Wastewater Revenue Refunding Bonds are considered defeased and the liability for those bonds has been removed. The reacquisition price totaled to the net carrying amount of the refunded bonds.

The refunding reduced total debt service payments over 12 years by \$3,861,102 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,796,336.

Accounting gains or losses resulting from advance refunding of long-term debt is deferred and amortized over the shorter of the life of the new debt or refunded debt. The deferred charge on refunding balance at June 30, 2016 was \$275,889 for the 2014 Wastewater Revenue Refunding Bonds.

Interests on the 2014 bonds are payable semiannually on April 1 and October 1 each year, commenced April 1, 2015. Principal payments which are due each October 1 will commence on October 1, 2022, with the last payment due on October 1, 2026. The bonds are paid from and secured by the net revenues of the wastewater collection system of the City.

Annual debt service requirements, to maturity, for the 2014 Wastewater Revenue Refunding Bonds are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017		\$337,000	\$337,000
2018		337,000	337,000
2019		337,000	337,000
2020		337,000	337,000
2021		337,000	337,000
2022-2026	\$6,545,000	1,050,125	7,595,125
2027	195,000	4,875	199,875
Total	<u>\$6,740,000</u>	<u>\$2,740,000</u>	<u>\$9,480,000</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

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

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 towards the costs of their (OPEB) coverage:

- Department Directors
- Battalion Chiefs
- Firefighters
- Management Unit
- Police Officers
- Police Supervisors
- Police Management
- Wastewater Treatment Plant
- Miscellaneous Employees

In general, employees in the above groups may choose to receive their medical benefits from Union Trust Plans (except Public Safety – Firefighters and Police) or enroll in any of the CalPERS medical plans. For the retirees who do not participate in the CalPERS medical programs, the City does not make a contribution toward the cost of postemployment healthcare benefits.

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.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

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	\$375,000
Interest on net OPEB obligation	110,493
Adjustment to annual required contribution	<u>(141,000)</u>
Annual OPEB cost (expense)	344,493
Contributions made	<u>(110,670)</u>
Increase in net OPEB obligation	233,823
Net OPEB obligation, beginning of year	<u>2,762,313</u>
Net OPEB obligation, end of year	<u><u>\$2,996,136</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, 2016 and the two preceding fiscal years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$312,757	30.0%	\$2,537,737
6/30/2015	328,509	11.9%	2,762,313
6/30/2016	344,493	11.5%	2,996,136

Funded Status and Funding Progress

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

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

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

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.

In the June 30, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 3.0 percent general inflation rate, a 4.0 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 4.5 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, on a closed basis. The remaining amortization period at June 30, 2016 was 22 years.

Most Recent Actuarial Studies – 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 Percentage of Covered Payroll [(a)-(b)/(c)]
07/01/2007	\$5,127,629	\$0	\$5,127,629	0%	\$15,457,782	33.2%
07/01/2010	\$3,443,589	\$0	\$3,443,589	0%	\$15,929,273	21.6%
06/30/2013	\$3,701,000	\$0	\$3,701,000	0%	\$13,745,000	26.9%

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 8 - Pension Plans:

A. General Information about the Pension Plans

The City has pension plans with the California Public Employees Retirement System (CalPERS) and the California Public Employees Retirement System (PARS). Information about the pension plans follows.

California Public Employees Retirement System (CalPERS)

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s defined benefit pension plans as follows:

- Miscellaneous (agent multiple-employer plan)
- Safety Police (cost-sharing multiple-employer plan)
- Pepra Safety Police (cost-sharing multiple-employer plan)
- Safety Fire (cost-sharing multiple-employer plan)
- Pepra Safety Fire (cost-sharing multiple-employer plan)

These plans are administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

B. Miscellaneous Plan

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

CalPERS	Miscellaneous
Benefit formula	2% @ 55
	2.5% @ 55
	2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	55-67
Monthly benefits, as a % of eligible compensation	2-2.5%
Required employee contribution rates	7.965%
Required employer contribution rates	15.286%

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 8 - Pension Plans (Continued):

B. Miscellaneous Plan (Continued)

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

Net Pension Liability – The City’s net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Changes in the Net Pension Liability – The changes in the Net Pension Liability for the Miscellaneous Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014 Measurement Date	\$83,032,579	\$74,857,522	\$8,175,057
Changes in the year:			
Service cost	1,427,162		1,427,162
Interest on the total pension liability	6,123,624		6,123,624
Contribution - employer		1,081,227	(1,081,227)
Contribution - employee		622,660	(622,660)
Net investment income		1,641,405	(1,641,405)
Changes in assumptions	(1,478,509)		(1,478,509)
Difference between expected and actual experience	(328,078)		(328,078)
Benefit payments, including refunds of employee contributions	(3,784,383)	(3,784,383)	
Administrative expense		(83,654)	83,654
Net changes	1,959,816	(522,745)	2,482,561
Balance at June 30, 2015 Measurement Date	\$84,992,395	\$74,334,777	\$10,657,618

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 8 - Pension Plans (Continued):

B. Miscellaneous Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the Miscellaneous Plan, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	\$21,868,670
Current Discount Rate	7.65%
Net Pension Liability	\$10,657,618
1% Increase	8.65%
Net Pension Liability	\$1,382,114

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For the year ended June 30, 2016, the City recognized pension expense of \$98,112. At June 30, 2016, the City reported deferred outflows of resources related to pensions for the Plan from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$1,256,739	
Differences between actual and expected experience		(\$185,435)
Changes in assumptions		(835,679)
Net differences between projected and actual earnings on plan investments		(677,343)
Total	\$1,256,739	(\$1,698,457)

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 8 - Pension Plans (Continued):

B. *Miscellaneous Plan (Continued)*

\$1,256,739 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2017	(\$1,277,567)
2018	(727,735)
2019	(492,094)
2020	798,939

Contributions, Actuarial assumptions and information regarding the discount rate are discussed in Note 8E below.

C. *Safety Plan*

GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 8 - Pension Plans (Continued):

C. Safety Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Safety Police	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	57
Monthly benefits, as a % of eligible compensation	3%	2.70%
Required employee contribution rates	8.986%	11.500%
Required employer contribution rates	18.524%	11.153%

	Safety Fire	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	57
Monthly benefits, as a % of eligible compensation	3%	2.70%
Required employee contribution rates	8.980%	11.500%
Required employer contribution rates	16.523%	11.153%

**CITY OF PACIFICA, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 8 - Pension Plans (Continued):

C. Safety Plan (Continued)

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Safety Plan as \$20,914,148.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the Miscellaneous Plan, calculated using the discount rate, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Safety
1% Decrease	6.65%
Net Pension Liability	\$34,881,757
Current Discount Rate	7.65%
Net Pension Liability	\$20,914,148
1% Increase	8.65%
Net Pension Liability	\$9,460,965

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For purposes of measuring the net pension liability and deferred outflows/inflows or resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2015 was as follows:

Proportion - June 30, 2014	0.501%
Proportion - June 30, 2015	0.508%
Change - Increase (Decrease)	0.007%

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 8 - Pension Plans (Continued):

C. Safety Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Safety Police	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	57
Monthly benefits, as a % of eligible compensation	3%	2.70%
Required employee contribution rates	8.986%	11.500%
Required employer contribution rates	18.524%	11.153%

	Safety Fire	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	57
Monthly benefits, as a % of eligible compensation	3%	2.70%
Required employee contribution rates	8.980%	11.500%
Required employer contribution rates	16.523%	11.153%

Contributions, Actuarial assumptions and information regarding the discount rate are discussed in Note 8E below.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 8 - Pension Plans (Continued):

D. PARS Plan

Plan Description – The PARS Retirement Enhancement Plan (REP) was implemented July 1, 2003 and closed to new participants hired after January 1, 2012. Eligibility to participate in REP is for the following positions: City Attorney, Administrative Services Director, non-safety Department Director or non-safety management employee of the City on or after July 1, 2003. Participants receiving the benefits are non-safety Management Group Employees. This plan is separate from CalPERS and is established as a 401 (a) Defined Benefit Plan. The REP is administered by PARS.

The REP provides a benefit equal to 0.5% of final average compensation for City management service earned after plan inception (July 1, 2003). In addition, any City employee in a covered management position as of the date of plan inception will receive up to an additional 10 years of service for any City service (management or non-management) prior to July 1, 2003.

Eligibility for an immediate benefit is defined as reaching age 55, completing five years of full-time City management service, and retiring concurrently from both the City and CalPERS after leaving City employment.

Employees Covered – At June 30, 2016 there were 12 active employees covered by the benefit terms of the plan.

Changes in the Net Pension Liability – The net pension liability of the REP is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2013 projected forward to June 30, 2016, is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2015 Measurement Date	\$3,161,548	\$2,055,482	\$1,106,066
Changes in the year:			
Service cost	55,073		55,073
Interest on the total pension liability	228,048		228,048
Contribution - employer		127,848	(127,848)
Net investment income		7,840	(7,840)
Effect of economic/demographic gains or losses	(136,732)		(136,732)
Effect of assumptions changes or inputs	143,356		143,356
Administrative expenses		(9,150)	9,150
Benefit payments, including refunds of employee contributions	(144,782)	(144,782)	
Net changes	144,963	(18,244)	163,207
Balance at June 30, 2016 Measurement Date	\$3,306,511	\$2,037,238	\$1,269,273

CITY OF PACIFICA, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - Pension Plans (Continued):

D. PARS Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the Miscellaneous Plan, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	PARS
1% Decrease	6.25%
Net Pension Liability	\$1,673,949
Current Discount Rate	7.25%
Net Pension Liability	\$1,269,273
1% Increase	8.25%
Net Pension Liability	\$929,032

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For the year ended June 30, 2016, the City recognized pension expense of \$228,393. At June 30, 2016, the City reported deferred outflows of resources related to pensions for the Plan from the following sources:

	PARS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		(\$84,143)
Changes in assumptions	\$88,219	
Net differences between projected and actual earnings on plan investments	177,877	
Total	\$266,096	(\$84,143)

**CITY OF PACIFICA, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 8 - Pension Plans (Continued):

D. PARS Plan (Continued)

\$127,848 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2017	\$52,490
2018	51,470
2019	49,944
2020	28,049

Contributions, Actuarial assumptions and information regarding the discount rate are discussed in Note 9E below.

E. Information Common to the Miscellaneous, Safety and PARS Plans

Beginning in fiscal year 2016, CalPERS collects employer contributions for the cost-sharing plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability and side fund was \$868,425 in fiscal year 2016.

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

PARS Retirement Enhancement Plan (REP) - The City makes all contributions necessary to fund the benefits available under the REP. Employees are not permitted to make any contributions.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 8 - Pension Plans (Continued):

E. Information Common to the Miscellaneous, Safety and PARS Plans (Continued)

For the year ended June 30, 2016, the contributions to all Plans were as follows:

	Employer Contributions
CalPERS:	
Miscellaneous	\$1,256,739
Safety	1,364,845
PARS REP	127,848
Total:	\$2,749,432

Actuarial Assumptions – For the measurement period ended June 30, 2015, the total pension liabilities were determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

	CalPERS	PARS REP
Valuation Date	June 30, 2014	June 30, 2013
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.65%	7.25%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	Not stated
Projected Salary Increase	3.2% - 12.2% (1)	3.40% to 11.60%
Investment Rate of Return	7.65% (2)	7.25%

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

California Public Employees Retirement System Plans (CalPERS)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Change of Assumptions – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 8 - Pension Plans (Continued):

E. Information Common to the Miscellaneous, Safety and PARS Plans (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<u>CalPERS</u>	New	Real Return	Real Return
Asset Class	Strategic Allocation	Years 1 - 10(a)	Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 8 - Pension Plans (Continued):

E. Information Common to the Miscellaneous, Safety and PARS Plans (Continued)

PARS Retirement Enhancement Plan (REP)

The REP's range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation as follows:

PARS REP	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Asset Class		
Cash	4.03%	0.42%
Core Fixed Income	56.90%	2.12%
Broad US Equities	28.81%	5.12%
Developed Foreign Equities	6.13%	5.85%
Emerging Market Equities	2.66%	8.07%
US REITs	1.47%	5.14%
Total	100%	

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position with CalPERS and PARS are available in the separately issued CalPERS financial report with CalPERS and City of Pacifica respectively.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 9 – Risk Management:

Workers' Compensation

The City is a member of the Municipal Pooling Authority of Northern California, which pools risks under the terms of a joint-powers agreement with 31 other cities and governmental agencies. The City has no workers' compensation deductible for claims and the Authority covers claims up to \$500,000. The Authority purchases excess insurance from \$500,000 to the statutory limit. The City paid premiums of \$839,408 during fiscal year end June 30, 2016 for workers' compensation and excess workers' compensation coverage.

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

The City's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements can be obtained from Municipal Pooling Authority, 1911 San Miguel Drive #100, Walnut Creek, CA 94596.

General Liability

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). Complete financial statements for ABAG PLAN may be obtained from their offices at the following address: ABAG PLAN, Finance Department, P.O. Box 2050, Oakland, CA 94604.

The City paid premiums of \$446,315 during fiscal year 2015-2016 for general liability and property coverage in excess of the City's self-insured retention. 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.

The City is self-insured for the first \$50,000 of general and property liability for each occurrence, and the excess (up to \$10,000,000 for each occurrence and annual aggregate) is covered through the City's participation in the ABAG PLAN.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 9 – Risk Management (Continued):

Dental

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 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.

Changes in the total reported liability resulted from the following:

	Fiscal Year ended in June 30,	
	2015	2016
July 1 Liability	\$888,563	\$124,919
Claims & change in estimate	(617,183)	467,774
Payments for claims	(146,461)	(347,917)
June 30 Liability	\$124,919	\$244,776

**CITY OF PACIFICA, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 10 - Interfund Transactions:

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.

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, 2016:

<u>Funds</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
Major Governmental Funds:		
General Fund	\$3,155,391	
Special Revenue Fund:		
Davies Trust Fund		\$216
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Disaster Accounting		2,086,167
Street Construction Fund		1,050,615
Capital Project Fund:		
Highway 1 Improvement		18,393
Total	<u>\$3,155,391</u>	<u>\$3,155,391</u>

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. The principal purpose of the City's interfund transfers as shown below was for operational support to other funds.

Internal Balances

Internal balances are presented in the entity-wide financial statements only. They represent the net interfund receivables and payables after the elimination of all such balances within governmental and business-type activities.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 10 - Interfund Transactions (Continued):

The following is a summary of transfers for the fiscal year ended June 30, 2016:

Funds	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$805,952	\$1,403,000
General Capital Improvement Fund		143,000
Debt Service Fund	1,678,650	
Gas Tax Fund		144,200
Sewer Utility Fund		939,559
Nonmajor Governmental Funds:		
Street Construction Fund		538,650
NPDES Stormwater Fund		60,000
PB&R	129,000	
Excess ERAF Fund		13,000
Parks and Playfield		25,000
Internal Service Fund:		
Motor Pool Fund	272,807	
Self Insurance Fund	380,000	
Total	\$3,266,409	\$3,266,409

Advances

At June 30, 2016 the funds below had made advances that are not expected to be repaid within the next year. These long-term interfund advances are expected to be repaid out of future developer fees.

General Fund/Sewer Utility Fund

- Per the repayment plan approved by the Pacifica City Council on June 23, 2014, repayment of this advance will begin in 2016-17 and conclude in 2020-21.

General Fund/NPDES Fund

- A repayment plan will be finalized by the 2017-18 fiscal year.

Street Construction Fund/General Capital Improvement Fund

- A repayment plan will be finalized by the 2017-18 fiscal year.

Advance From Other Funds	Advance To Other Funds	Amount of Advance
General Fund	Sewer Utility Fund	\$1,333,638
NPDES Stormwater	General Fund	75,000
General Capital Improvement Fund	Street Construction Fund	2,218,700
	Total	\$3,627,338

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 11 – Loan Receivable from Successor Agency Private-purpose Trust Fund:

Prior to the dissolution of the former redevelopment agency, the General Fund had loaned money to the former Redevelopment Agency Rockaway Beach Fund to carry out redevelopment activities. As a result of the dissolution, the loan receivable is now recorded as a loan receivable from the Successor Agency Private-purpose Trust Fund. Interest accrues on the original advance at the current Local Agency Investment Fund (LAIF) rate. At June 30, 2016, outstanding loans totaled \$3,838,365 (\$2,240,283 in principal and \$1,598,082 in accrued interest).

NOTE 12 – Net Position and Fund Balances:

A. Net Position

GASB Statement No. 63 adds the concept of net position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

Net position is divided into three captions under GASB Statement No. 34 and 63. These captions apply only to net position as determined at the government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of net position, 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.

Restricted describes the portion of net position 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 capital projects, revolving loan programs, and other various grant programs.

Unrestricted describes the portion of net position which is not restricted as to use.

When both restricted and unrestricted net position is 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).

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

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

B. Fund Balances (Continued)

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 the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City ordinance (City Manager).

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.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

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

B. Fund Balances (Continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2016 are as follows:

	General Fund	Gas Tax Fund	Davies Trust Fund	Disaster Accounting Fund	General Capital Improvement Fund	Debt Service Fund	Non-Major Governmental Fund	Total Governmental Funds
Nonspendable:								
Prepaid items	\$30,923							\$30,923
Inventory	3,663							3,663
Loan receivable	75,000							75,000
Advances	3,838,365							3,838,365
Subtotal	3,947,951							3,947,951
Restricted for:								
Supplemental law enforcement							\$130,195	130,195
Trust Activities			\$3,459,114					3,459,114
Streets and roads		\$639,667					3,519,224	4,158,891
Housing							3,396,990	3,396,990
Parking							21,086	21,086
Debt services						\$1,220,008		1,220,008
Stormwater operations							37,566	37,566
Capital projects							1,384,723	1,384,723
Subtotal		639,667	3,459,114			1,220,008	8,489,784	13,808,573
Assigned for:								
Administrative	100,000							100,000
Police services	50,751							50,751
Public works								
Parks, beaches and recreation	753,489							753,489
Subtotal	904,240							904,240
Unassigned	4,960,039			(\$2,127,884)	(\$248,821)		(34,013)	2,549,321
Total Fund Balances	\$9,812,230	\$639,667	\$3,459,114	(\$2,127,884)	(\$248,821)	\$1,220,008	\$8,455,771	\$21,210,085

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 13 – Contingencies:

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.

NOTE 14 – Successor Agency to Former Redevelopment Agency Activities:

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. 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.

Long Range Property Management Plan – On December 10, 2015 the Successor Agency received confirmation from the California Department of Finance that it had reviewed and approved the Successor Agency’s Long Range Property Management Plan (LRPMP).

Loan Payable to the City – Please see Note 11.

Capital Assets – The LRPMP authorized the transfer of land in the amount of \$835,275 to the City of Pacifica.

Long-term Debt – Long-term debt of the Successor Agency as of June 30, 2016, consisted of the following:

	Balance July 01, 2015	Retirements	Balance June 30, 2016	Due in One Year
2004 Tax allocation bonds	\$1,360,000	(\$50,000)	\$1,310,000	\$55,000

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 14 – Successor Agency to Former Redevelopment Agency Activities (Continued):

2004 Tax Allocation Bonds: In August 2004, the former Redevelopment Agency (Agency) issued \$1,725,000 in Rockaway Beach Redevelopment Project 2004 Tax Allocation Bonds at interest rates ranging 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.

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

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$55,000	\$72,754	\$127,754
2018	55,000	69,866	124,866
2019	60,000	66,788	126,788
2020	60,000	63,518	123,518
2021	65,000	60,040	125,040
2022-2026	385,000	238,171	623,171
2027-2031	510,000	111,551	621,551
2032	120,000	3,450	123,450
Total	<u>\$1,310,000</u>	<u>\$686,138</u>	<u>\$1,996,138</u>

NOTE 15 – Subsequent Event

2016 Certificates of Participation: On September 22, 2016, the City of Pacifica issued Certificates of Participation (COP) in the amount of \$14,680,000 (par value) payable annually beginning January 1, 2021 and with interest rates ranging from 4.0% to 5.0%, payable each July 1 and January 1, beginning January 1, 2017. 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 2008 issue, (ii) fund capitalized interest, (iii) fund or provide for satisfaction of the Reserve Fund Requirement, and (iv) pay the costs incurred in connection with the execution, delivery, and sale of the 2008 COPs.

Pension Liability: In December 2016, CalPERS' Board of Directors voted to lower the discount rate from 7.5% to 7.0% over the next three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates beginning in fiscal year 2019 and result in increases to the normal costs and unfunded actuarial liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF PACIFICA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*
Schedule of Changes in Net Pension Liability and Related Ratios

	Miscellaneous	
	6/30/2014	6/30/2015
Total Pension Liability		
Service Cost	\$1,445,205	\$1,427,162
Interest	5,862,583	6,123,624
Differences between expected and actual experience		(328,078)
Changes in assumptions		(1,478,509)
Changes in benefits		
Benefit payments, including refunds of employee contributions	(3,440,758)	(3,784,383)
Net change in total pension liability	<u>3,867,030</u>	<u>1,959,816</u>
Total pension liability - beginning	<u>79,165,549</u>	<u>83,032,579</u>
Total pension liability - ending (a)	<u><u>\$83,032,579</u></u>	<u><u>\$84,992,395</u></u>
 Plan fiduciary net position		
Contributions - employer	\$993,077	\$1,081,227
Contributions - employee	622,734	622,660
Net investment income	11,283,773	1,641,405
Administrative expense		(83,654)
Benefit payments, including refunds of employee contributions	(3,440,758)	(3,784,383)
Net change in plan fiduciary net position	<u>9,458,826</u>	<u>(522,745)</u>
Plan fiduciary net position - beginning	<u>65,398,696</u>	<u>74,857,522</u>
Plan fiduciary net position - ending (b)	<u><u>\$74,857,522</u></u>	<u><u>\$74,334,777</u></u>
 Net pension liability - ending (a)-(b)	<u><u>\$8,175,057</u></u>	<u><u>\$10,657,618</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	90.15%	87.46%
Covered - employee payroll	\$7,815,500	\$7,831,182
Net pension liability as percentage of covered-employee payroll	104.60%	136.09%

Notes to Schedule:

Benefit changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions - GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

* - Fiscal year 2015 was the 1st year of implementation.

**CITY OF PACIFICA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

Schedule of Contributions

Fiscal Year Ended June 30	Miscellaneous	
	2015	2016
Actuarially determined contribution	\$1,081,226	\$1,256,739
Contributions in relation to the actuarially determined contributions	(1,081,226)	(1,256,739)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
Covered-employee payroll	\$7,831,182	\$8,289,027
covered-employee payroll	13.81%	15.16%
Notes to Schedule		
Valuation date:	6/30/2013	6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	Actuarial valuation of assets
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%, net of pension plan investment expense and administrative expenses, include inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study for the period 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**CITY OF PACIFICA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

Cost Sharing Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

Measurement Date	Safety Plan	
	6/30/2014	6/30/2015
Plan's proportion of the Net Pension Liability (Asset)	0.50100%	0.50800%
Plan's proportion share of the Net Pension Liability (Asset)	\$18,808,357	\$20,914,148
Plan's Covered Payroll	\$6,196,651	\$6,025,009
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	303.52%	347.12%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.77%	79.47%

* - Fiscal year 2015 was the first year of implementation.

Cost Sharing Multiple-Employer Defined Benefit Pension Plan
Last 10 Fiscal Years*

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30	Safety Plan	
	2015	2016
Actuarially determined contributions	\$1,437,730	\$1,364,845
Contributions in relation to the actuarially determined contributions	(1,437,730)	(1,364,845)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
Covered payroll	<u>\$6,025,009</u>	<u>\$6,162,891</u>
Contributions as a percentage of covered payroll	23.86%	22.15%
Plan's proportionate share of the Fiduciary Net Position as a percentage of the plan's Total Pension Liability	90.15%	87.46%

* - Fiscal year 2015 was the first year of implementation.

**CITY OF PACIFICA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

PARS REP Single Employer Defined Benefit Pension Plan
Last 10 Years*
Schedule of Changes in Net Pension Liability and Related Ratios

	PARS	
	6/30/2014	6/30/2015
Total Pension Liability		
Service Cost	\$97,626	\$55,073
Interest	218,058	228,048
Differences between expected and actual experience		
Effect of economic/demographic gains or losses		(136,732)
Effect of assumptions changes or inputs		143,356
Benefit payments, including refunds of employee contributions	(126,197)	(144,782)
Net change in total pension liability	189,487	144,963
Total pension liability - beginning	2,972,061	3,161,548
Total pension liability - ending (a)	<u>\$3,161,548</u>	<u>\$3,306,511</u>
Plan fiduciary net position		
Contributions - employer	\$159,573	\$127,848
Net investment income	44,261	7,840
Investment expense	(8,227)	
Benefit payments, including refunds of employee contributions	(126,197)	(144,782)
Administrative expenses	(8,448)	(9,150)
Net change in plan fiduciary net position	60,962	(18,244)
Plan fiduciary net position - beginning	1,994,520	2,055,482
Plan fiduciary net position - ending (b)	<u>\$2,055,482</u>	<u>\$2,037,238</u>
Net pension liability - ending (a)-(b)	<u>\$1,106,066</u>	<u>\$1,269,273</u>
Plan fiduciary net position as a percentage of the total pension liability	65.02%	61.61%
Covered - employee payroll	\$508,622	\$548,377
Net pension liability as percentage of covered-employee payroll	217.46%	231.46%

Notes to Schedule:

Benefit changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions - There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation.

**CITY OF PACIFICA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

PARS Retirement Enhance Plan (REP) Defined Benefit Pension Plan
Last 10 Years*

Schedule of Contributions

Fiscal Year Ended June 30	PARS	
	2015	2016
Actuarially determined contribution	\$220,169	\$127,848
Contributions in relation to the actuarially determined contributions	(220,169)	(127,848)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
Covered-employee payroll	\$548,377	\$643,378
Net Pension Liability as a percentage of covered-employee payroll	40.15%	19.87%

Notes to Schedule

Valuation date:	6/30/2013	6/30/2013
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar of payroll, closed
Remaining amortization period	17 years
Asset valuation method	Actuarial valuation of assets
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.25%
Retirement age	Retirement rates of 30% per year starting at age 55 with required years of service.
Mortality	Consistent with the Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plans.

* - Fiscal year 2015 was the 1st year of implementation.

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes:				
Property	\$10,427,445	\$10,796,155	\$10,808,032	\$11,877
Sales	1,750,340	1,750,340	1,983,930	233,590
Franchise	1,643,200	1,643,200	1,736,620	93,420
Other	3,532,940	3,666,578	3,710,615	44,037
Licenses and permits	636,830	636,830	821,062	184,232
Fines and forfeitures	175,000	175,000	149,573	(25,427)
Use of money and property	157,150	157,150	1,646,405	1,489,255
Intergovernmental	4,673,545	4,887,570	4,979,472	91,902
Charges for current services	2,141,225	2,141,225	2,828,678	687,453
Recreation programs	844,190	844,190	898,197	54,007
Other	1,972,445	1,972,445	1,410,468	(561,977)
Total revenues	27,954,310	28,670,683	30,973,052	2,302,369
Expenditures:				
Current				
General Government				
City Council	135,100	135,100	120,116	14,984
City Manager	1,219,200	1,219,200	933,108	286,092
Human Resources	651,100	721,100	627,730	93,370
City Attorney	444,200	604,200	593,711	10,489
Finance	1,407,600	1,407,600	1,402,239	5,361
Non-departmental	717,510	717,510	655,406	62,104
Total General Government	4,574,710	4,804,710	4,332,310	472,400
Public Safety				
Police	8,878,000	8,878,000	8,595,836	282,164
Fire	5,736,700	5,736,700	5,902,737	(166,037)
Total Public Safety	14,614,700	14,614,700	14,498,573	116,127
Community development				
Planning	1,605,200	1,605,200	1,763,989	(158,789)
Code enforcement			4,141	(4,141)
Total Community Development	1,605,200	1,605,200	1,768,130	(162,930)
Public Works				
Engineering Services	619,400	619,400	608,509	10,891
Street and traffic maintenance	464,200	464,200	465,624	(1,424)
Building maintenance and improvement	434,700	434,700	442,092	(7,392)
Fishing pier/rest stop maintenance	103,900	103,900	86,244	17,656
City parks and playfields	847,900	847,900	767,057	80,843
Total Public Works	2,470,100	2,470,100	2,369,526	100,574

(Continued)

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current:				
Parks, Beaches, and Recreation				
Parks, beaches, and recreation	287,400	287,400	257,910	29,490
Community center programs	209,100	209,100	201,781	7,319
Cultural arts	11,600	11,600	11,444	156
Elementary age recreation	143,200	143,200	173,001	(29,801)
Teens and j-teens recreation	75,300	75,300	84,226	(8,926)
Adult sports	500	500	42	458
Senior	194,200	194,200	202,613	(8,413)
Instructional class	134,600	134,600	140,222	(5,622)
Recreation swimming	354,300	354,300	456,283	(101,983)
Swim Team	138,600	138,600	166,714	(28,114)
Special community recreation	75,900	75,900	79,268	(3,368)
Special projects	2,449,500	2,449,500	2,559,079	(109,579)
Total Parks, Beaches and Recreation	<u>4,074,200</u>	<u>4,074,200</u>	<u>4,332,583</u>	<u>(258,383)</u>
Capital Outlay	<u>138,400</u>	<u>138,400</u>	<u>56,557</u>	<u>81,843</u>
Total Expenditures	<u>27,477,310</u>	<u>27,707,310</u>	<u>27,357,679</u>	<u>349,631</u>
Excess (Deficit) of Revenues over Expenditures	<u>477,000</u>	<u>963,373</u>	<u>3,615,373</u>	<u>2,652,000</u>
Other Financing Sources (Uses)				
Transfers in	797,000	797,000	805,952	(8,952)
Transfers (out)	<u>(1,274,000)</u>	<u>(1,274,000)</u>	<u>(1,403,000)</u>	<u>129,000</u>
Total Other Financing Sources (Uses)	<u>(477,000)</u>	<u>(477,000)</u>	<u>(597,048)</u>	<u>120,048</u>
Net Change in Fund Balance	<u><u>\$486,373</u></u>	<u><u>\$486,373</u></u>	<u>3,018,325</u>	<u><u>\$2,772,048</u></u>
Fund Balance at Beginning of Year			<u>6,793,905</u>	
Fund Balance at End of Year			<u><u>\$9,812,230</u></u>	

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 GAS TAX SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$859,825	\$753,892	(\$105,933)
Use of money and property	250	1,272	1,022
Other		84	84
Total revenues	<u>860,075</u>	<u>755,248</u>	<u>(104,827)</u>
Expenditures:			
Current:			
Public works	845,725	781,853	63,872
Capital outlay	<u>15,500</u>	<u>26,386</u>	<u>(10,886)</u>
Total expenditures	<u>861,225</u>	<u>808,239</u>	<u>52,986</u>
Excess of Revenues over Expenditures	<u>(1,150)</u>	<u>(52,991)</u>	<u>(51,841)</u>
Other financing sources (Uses):			
Transfers out	<u>(144,200)</u>	<u>(144,200)</u>	
Total other financing sources (uses)	<u>(144,200)</u>	<u>(144,200)</u>	
Net change in fund balance	<u>(\$145,350)</u>	(197,191)	<u>(\$51,841)</u>
Fund balance at beginning of year		<u>836,858</u>	
Fund balance at end of year		<u><u>\$639,667</u></u>	

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 DAVIES TRUST SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Use of money and property	<u>\$350</u>	<u>\$1,579</u>	<u>\$1,229</u>
Total Revenues	<u>350</u>	<u>1,579</u>	<u>1,229</u>
Net Change in Fund Balance	<u><u>\$350</u></u>	<u>1,579</u>	<u><u>\$1,229</u></u>
Fund Balance at beginning of year		<u>3,457,535</u>	
Fund balance at end of year		<u><u>\$3,459,114</u></u>	

**CITY OF PACIFICA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2016**

1. 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 and Capital Project Funds. The General Fund budget and Special Revenue and Capital Project 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.

OTHER SUPPLEMENTARY INFORMATION

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CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Use of money and property	\$1,300	\$2,519	\$1,219
Other	<u>2,401,550</u>	<u>2,200,706</u>	<u>(200,844)</u>
Total Revenues	<u>2,402,850</u>	<u>2,203,225</u>	<u>(199,625)</u>
Expenditures:			
Debt Service:			
Principal	2,248,123	2,046,380	201,743
Interest and fiscal charges	<u>1,818,852</u>	<u>1,686,075</u>	<u>132,777</u>
Total expenditures	<u>4,066,975</u>	<u>3,732,455</u>	<u>334,520</u>
Excess (Deficit) of Revenues over Expenditures	<u>(1,664,125)</u>	<u>(1,529,230)</u>	<u>134,895</u>
Other Financing Sources (Uses)			
Transfers in	<u>1,678,650</u>	<u>1,678,650</u>	
Total Other Financing Sources (Uses)	<u>1,678,650</u>	<u>1,678,650</u>	
Net change in fund balance	<u>\$14,525</u>	149,420	<u>\$134,895</u>
Fund balance at beginning of year		<u>1,070,588</u>	
Fund balance at end of year		<u>\$1,220,008</u>	

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL CAPITAL IMPROVEMENT
 CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses and permits	\$50,000	\$6,092	(\$43,908)
Use of money and property		3,290	3,290
Intergovernmental	<u>77,500</u>	<u>5,000</u>	<u>(72,500)</u>
Total revenues	<u>127,500</u>	<u>14,382</u>	<u>(113,118)</u>
Expenditures:			
Current:			
Community development		41,668	(41,668)
Capital Outlay	<u>70,300</u>	<u>133,401</u>	<u>(63,101)</u>
Total expenditures	<u>70,300</u>	<u>175,069</u>	<u>(104,769)</u>
Excess (Deficit) of Revenues over Expenditures	<u>57,200</u>	<u>(160,687)</u>	<u>(217,887)</u>
Other Financing sources (Uses)			
Transfers (out)	<u>(143,000)</u>	<u>(143,000)</u>	
Total Other Financing Sources (Uses)	<u>(143,000)</u>	<u>(143,000)</u>	
Net Change in Fund Balance	<u>(\$85,800)</u>	(303,687)	<u>(\$217,887)</u>
Fund balance at beginning of year		<u>54,866</u>	
Fund balance at end of year		<u>(\$248,821)</u>	

CITY OF PACIFICA, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2016

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.

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.

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

HOUSING IN-LIEU FUND - This fund was established to account for receipts from fees imposed on developers to provide for improvements.

PARKING IN-LIEU FUND – This fund was established to account for receipts and expenditures from fees imposed on developers to provide for parking facilities improvements.

CITY OF PACIFICA, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2016

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 funds 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 PLAYFIELD 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.

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CITY OF PACIFICA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	SPECIAL REVENUE FUNDS			
	Supplemental Law Enforcement Services	NPDES Stormwater	Housing In-Lieu	Parking In-Lieu
Assets:				
Cash and investments	\$130,195	\$120,314	\$307,906	\$21,086
Cash and investments with fiscal agents Receivable:				
Taxes				
Grants				
Advance to other funds				
Total assets	\$130,195	\$120,314	\$307,906	\$21,086
Liabilities and Fund Balances				
Liabilities:				
Accounts payable		\$7,748		
Due to other funds				
Unearned revenue				
Advance from other funds		75,000		
Total liabilities		82,748		
Fund Balances:				
Restricted	\$130,195	37,566	\$307,906	\$21,086
Assigned				
Unassigned				
Total fund balances (deficits)	130,195	37,566	307,906	21,086
Total liabilities, Deferred inflows of Resources and fund balances	\$130,195	\$120,314	\$307,906	\$21,086

<u>SPECIAL REVENUE FUNDS (Continued)</u>			<u>CAPITAL PROJECTS FUNDS</u>			
<u>Street Construction</u>	<u>Excess ERAF</u>	<u>Parks, Beaches and Recreation</u>	<u>Highway 1 Improvement</u>	<u>Manor Drive Improvement</u>	<u>Aircraft Noise Project</u>	<u>Parks and Playfield</u>
\$1,400,000	\$3,089,084	\$129,108		\$951,139	\$283	\$39,718
	297,238					
<u>2,218,700</u>						
<u>\$3,618,700</u>	<u>\$3,386,322</u>	<u>\$129,108</u>		<u>\$951,139</u>	<u>\$283</u>	<u>\$39,718</u>
\$1,050,615			\$15,620 18,393			(\$1)
	\$297,238					
<u>1,050,615</u>	<u>297,238</u>		<u>34,013</u>			<u>(1)</u>
2,568,085	3,089,084	\$129,108		\$951,139	\$283	\$39,719
			(34,013)			
<u>2,568,085</u>	<u>3,089,084</u>	<u>129,108</u>	<u>(34,013)</u>	<u>951,139</u>	<u>283</u>	<u>39,719</u>
<u>\$3,618,700</u>	<u>\$3,386,322</u>	<u>\$129,108</u>		<u>\$951,139</u>	<u>\$283</u>	<u>\$39,718</u>

(Continued)

CITY OF PACIFICA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	CAPITAL PROJECTS FUNDS			
	Planned Local Drainage	Pacifica Library	Frontierland Remediation	Total
Assets:				
Cash and investments	\$640,557	\$500,000	\$68,806	\$5,998,196
Cash and investments with fiscal agents				1,400,000
Receivable:				
Taxes			6,250	6,250
Grants				297,238
Advance to other funds				2,218,700
Total assets	\$640,557	\$500,000	\$75,056	\$9,920,384
Liabilities and Fund Balances				
Liabilities:				
Accounts payable				\$23,367
Due to other funds				1,069,008
				297,238
Advance from other funds				75,000
Total liabilities				1,464,613
Fund Balances:				
Restricted	\$640,557	\$500,000	\$75,056	8,489,784
Assigned				
Unassigned				(34,013)
Total fund balances (deficits)	640,557	500,000	75,056	8,455,771
Total liabilities, Deferred inflows of Resources and fund balances	\$640,557	\$500,000	\$75,056	\$9,920,384

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CITY OF PACIFICA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS			
	Supplemental Law Enforcement Services	NPDES Stormwater	Housing In-Lieu	Parking In-Lieu
Revenues:				
Taxes:				
Other taxes		\$177,618		
Use of money and property	\$203	160	\$515	\$35
Intergovernmental	124,300			
Other				
	<u>124,503</u>	<u>177,778</u>	<u>515</u>	<u>35</u>
Expenditures:				
Current:				
Public Safety	55,986			
Community development				
Public works		82,231		
Capital outlay	83,344		12,249	
	<u>139,330</u>	<u>82,231</u>	<u>12,249</u>	
Excess (Deficit) of revenues over expenditures	<u>(14,827)</u>	<u>95,547</u>	<u>(11,734)</u>	<u>35</u>
Other financing sources (Uses)				
Transfers in				
Transfers (out)		(60,000)		
		<u>(60,000)</u>		
Net change in fund balances	(14,827)	35,547	(11,734)	35
Fund balances (deficits) at beginning of year	<u>145,022</u>	<u>2,019</u>	<u>319,640</u>	<u>21,051</u>
Fund balances (deficits) at end of year	<u>\$130,195</u>	<u>\$37,566</u>	<u>\$307,906</u>	<u>\$21,086</u>

SPECIAL REVENUE FUNDS (Continued)

CAPITAL PROJECTS FUNDS

<u>Street Construction</u>	<u>Excess ERAF</u>	<u>Parks, Beaches and Recreation</u>	<u>Highway 1 Improvement</u>	<u>Manor Drive Improvement</u>	<u>Aircraft Noise Project</u>	<u>Parks and Playfields</u>
\$906,233	\$1,717,477					
	4,378	\$108		\$1,579		
148,941	360,000		\$1,821,712			
356						\$78,500
<u>1,055,530</u>	<u>2,081,855</u>	<u>108</u>	<u>1,821,712</u>	<u>1,579</u>		<u>78,500</u>
255,260	88,910		24,871			4,072
	586,173		1,844,870	4,743		
<u>255,260</u>	<u>675,083</u>		<u>1,869,741</u>	<u>4,743</u>		<u>4,072</u>
800,270	1,406,772	108	(48,029)	(3,164)		74,428
(538,650)	(13,000)	129,000				(25,000)
(538,650)	(13,000)	129,000				(25,000)
261,620	1,393,772	129,108	(48,029)	(3,164)		49,428
2,306,465	1,695,312		14,016	954,303	\$283	(9,709)
<u>\$2,568,085</u>	<u>\$3,089,084</u>	<u>\$129,108</u>	<u>(\$34,013)</u>	<u>\$951,139</u>	<u>\$283</u>	<u>\$39,719</u>

(Continued)

CITY OF PACIFICA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	CAPITAL PROJECTS FUNDS			Total
	Planned Local Drainage	Pacifica Library	Frontierland Remediation	
Interest receivable				
Taxes:				
Other taxes		\$500,000		\$3,301,328
Use of money and property	\$1,060		\$56	8,094
Intergovernmental				2,454,953
Other				78,856
Total Revenues	1,060	500,000	56	5,843,231
Expenditures:				
Current:				
Public Safety				55,986
Community development				4,072
Public works				451,272
Capital outlay			(75,000)	2,456,379
Total Expenditures			(75,000)	2,967,709
Excess (Deficit) of revenues over expenditures	1,060	500,000	75,056	2,875,522
Other financing sources (Uses)				
Transfers in				129,000
Transfers (out)				(636,650)
Total Other Financing Sources (Uses)				(507,650)
Net change in fund balances	1,060	500,000	75,056	2,367,872
Fund balances (deficits) at beginning of year	639,497			6,087,899
Fund balances (deficits) at end of year	<u>\$640,557</u>	<u>\$500,000</u>	<u>\$75,056</u>	<u>\$8,455,771</u>

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CITY OF PACIFICA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS					
	Supplemental Law Enforcement Services			NPDES Stormwater		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes						
Other taxes				\$180,500	\$177,618	(\$2,882)
Use of money and property		\$203	\$203		160	160
Intergovernmental	\$100,000	124,300	24,300			
Other						
Total Revenues	<u>100,000</u>	<u>124,503</u>	<u>24,503</u>	<u>180,500</u>	<u>177,778</u>	<u>(2,722)</u>
Expenditures:						
Current:						
Public Safety	64,285	55,986	8,299	111,500	82,231	29,269
Community development						
Public works						
Capital outlay	<u>113,362</u>	<u>83,344</u>	<u>30,018</u>			
Total expenditures	<u>177,647</u>	<u>139,330</u>	<u>38,317</u>	<u>111,500</u>	<u>82,231</u>	<u>29,269</u>
Excess (deficit) of Revenues over Expenditures	<u>(77,647)</u>	<u>(14,827)</u>	<u>62,820</u>	<u>69,000</u>	<u>95,547</u>	<u>26,547</u>
Other financing sources (Uses)						
Transfers in						
Transfers (out)				(60,000)	(60,000)	
Total other financing sources (Uses)				<u>(60,000)</u>	<u>(60,000)</u>	
Net change in fund balance	<u><u>(\$77,647)</u></u>	<u><u>(14,827)</u></u>	<u><u>\$62,820</u></u>	<u><u>\$9,000</u></u>	<u><u>35,547</u></u>	<u><u>\$26,547</u></u>
Fund balance (deficit) at beginning of year		<u>145,022</u>			<u>2,019</u>	
Fund balance (deficit) at end of year		<u><u>\$130,195</u></u>			<u><u>\$37,566</u></u>	

SPECIAL REVENUE FUNDS

CAPITAL PROJECTS FUND

Housing In-Lieu			Street Construction			Highway 1 Improvement		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
	\$515	\$515	\$847,000	\$906,233	\$59,233			
			588,300	148,941	(439,359)	\$7,527,229	\$1,821,712	(5,705,517)
				356	356			
	515	515	1,435,300	1,055,530	(379,770)	7,527,229	1,821,712	(5,705,517)
			794,752	255,260	539,492	2,000	24,871	(22,871)
\$15,000	12,249	2,751	2,600		2,600	7,499,314	1,844,870	5,654,444
15,000	12,249	2,751	797,352	255,260	542,092	7,501,314	1,869,741	5,631,573
(15,000)	(11,734)	3,266	637,948	800,270	162,322	25,915	(48,029)	(73,944)
			(538,650)	(538,650)				
			(538,650)	(538,650)				
(\$15,000)	(11,734)	\$3,266	\$99,298	261,620	\$162,322	\$25,915	(48,029)	(\$73,944)
	319,640			2,306,465			14,016	
	\$307,906			\$2,568,085			(\$34,013)	

CITY OF PACIFICA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	CAPITAL PROJECTS FUNDS					
	Manor Drive Improvement			Parks and Playfields		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes						
Other taxes						
Use of money and property				\$200		(\$200)
Intergovernmental	\$1,000	\$1,579	\$579			
Other				50,000	\$78,500	28,500
Total Revenues	<u>1,000</u>	<u>1,579</u>	<u>579</u>	<u>50,200</u>	<u>78,500</u>	<u>28,300</u>
Expenditures:						
Current:						
Public Safety	1,800					
Community development					4,072	4,072
Public works						
Capital outlay	<u>528,250</u>	<u>4,743</u>	<u>523,507</u>			
Total expenditures	<u>530,050</u>	<u>4,743</u>	<u>523,507</u>		<u>4,072</u>	<u>4,072</u>
Excess (deficit) of Revenues over Expenditures	<u>(529,050)</u>	<u>(3,164)</u>	<u>525,886</u>	<u>50,200</u>	<u>74,428</u>	<u>24,228</u>
Other financing sources (Uses)						
Transfers in						
Transfers (out)				(25,000)	(25,000)	
Total other financing sources (Uses)				<u>(25,000)</u>	<u>(25,000)</u>	
Net change in fund balance	<u>(\$529,050)</u>	<u>(3,164)</u>	<u>\$525,886</u>	<u>\$25,200</u>	<u>49,428</u>	<u>\$24,228</u>
Fund balance (deficit) at beginning of year		<u>954,303</u>			<u>(9,709)</u>	
Fund balance (deficit) at end of year		<u>\$951,139</u>			<u>\$39,719</u>	

CAPITAL PROJECTS FUNDS

Planned Local Drainage			Frontier Remediation		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$1,000	\$1,060	\$60		\$56	\$56
1,000	1,060	60		56	56
			\$35,816		
3,000		3,000	(75,000)	(75,000)	
3,000		3,000	(39,184)	(75,000)	
(2,000)	1,060	3,060	39,184	75,056	35,872
<u>(\$2,000)</u>	1,060	<u>\$3,060</u>	<u>\$39,184</u>	75,056	<u>\$35,872</u>
	639,497				
	<u>\$640,557</u>			<u>\$75,056</u>	

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CITY OF PACIFICA, CALIFORNIA
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 2016

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
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	Motor Pool	Self Insurance	Total
Assets			
Current Assets:			
Cash and investments	\$1,497,255	\$2,535,411	\$4,032,666
Receivable:			
Accounts	1,883		1,883
Inventories	32,654		32,654
Total Current Assets	1,531,792	2,535,411	4,067,203
Non-current assets:			
Capital assets, not being depreciated	258,774		258,774
Capital assets, being depreciated, net of accumulated depreciation	1,425,347		1,425,347
Total Noncurrent Assets	1,684,121		1,684,121
Total Assets	3,215,913	2,535,411	5,751,324
Liabilities			
Current Liabilities:			
Accounts payable	74,120	28,525	102,645
Accrued liabilities			
Accrued interest payable	463		463
Claims payable		244,776	244,776
Compensated absences	24,000		24,000
Bonds payable	26,596		26,596
Total Current Liabilities	125,179	273,301	398,480
Noncurrent Liabilities:			
Compensated absences	16,511		16,511
Bonds payable	166,698		166,698
Total Noncurrent Liabilities	183,209		183,209
Total Liabilities	308,388	273,301	581,689
Net Position			
Net investment in capital assets	1,684,121		1,684,121
Unrestricted	1,223,404	2,262,110	3,485,514
Total net position	\$2,907,525	\$2,262,110	\$5,169,635

CITY OF PACIFICA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Motor Pool	Self Insurance	Total
Operating revenues:			
Charges for services	\$1,070,100	\$227,728	\$1,297,828
Other operating income	12	936,904	936,916
Total operating revenues	1,070,112	1,164,632	2,234,744
Operating expenses:			
Personnel Services	475,668		475,668
Administration	32,945		32,945
Supplies and materials	325,595		325,595
Insurance expense		989,408	989,408
Outside Contractors		11,733	11,733
Maintenance	39,060		39,060
Insurance claims		347,917	347,917
Depreciation	479,552		479,552
Total operating expenses	1,352,820	1,349,058	2,701,878
Operating income (loss)	(282,708)	(184,426)	(467,134)
Non-operating revenues (expenses):			
Investment earnings	1,817	3,612	5,429
Interest and fiscal charges	42,957		42,957
Gain on sale of capital assets	435		435
Total non-operating revenues (expenses)	45,209	3,612	48,821
Income (Loss) Before Transfers	(237,499)	(180,814)	(418,313)
Transfers:			
Transfers in	272,807	380,000	652,807
Change in net position	35,308	199,186	234,494
Net position at beginning of year	2,872,217	2,062,924	4,935,141
Net position at end of year	<u>\$2,907,525</u>	<u>\$2,262,110</u>	<u>\$5,169,635</u>

CITY OF PACIFICA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Motor Pool	Self Insurance	Total
Cash Flows from Operating Activities			
Receipts from customers	\$1,076,146	\$1,164,632	\$2,240,778
Payments to suppliers and users	(359,677)	(981,709)	(1,341,386)
Payments for claims		(228,060)	(228,060)
Payments to employees	(469,602)		(469,602)
Net Cash Provided (Used) by Operating Activities	<u>246,867</u>	<u>(45,137)</u>	<u>201,730</u>
Cash Flows from Noncapital and Related Financing Activities			
Transfers in	<u>272,807</u>	<u>380,000</u>	<u>652,807</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>272,807</u>	<u>380,000</u>	<u>652,807</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(144,939)		(144,939)
Proceeds from sale of capital assets	435		435
Principal payments on bonds and notes	(72,386)		(72,386)
Interest paid	42,957		42,957
Net Cash Used by Capital and Related Financing Activities	<u>(173,933)</u>		<u>(173,933)</u>
Cash Flows from Investing Activities:			
Interest received	<u>1,817</u>	<u>3,612</u>	<u>5,429</u>
Net Cash Provided by Investing Activities	<u>1,817</u>	<u>3,612</u>	<u>5,429</u>
Net Increase (Decrease) in Cash and Cash Equivalents	347,558	338,475	686,033
Cash and Cash Equivalents at the Beginning of Fiscal Year	<u>1,149,697</u>	<u>2,196,936</u>	<u>3,346,633</u>
Cash and Cash Equivalents ate End of Fiscal Year	<u>\$1,497,255</u>	<u>\$2,535,411</u>	<u>\$4,032,666</u>

(Continued)

CITY OF PACIFICA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Motor Pool	Self Insurance	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	(\$282,708)	(\$184,426)	(\$467,134)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	479,552		479,552
(Increase) Decrease in Operating Assets:			
Accounts receivable	(220)		(220)
Inventories	6,254		6,254
Increase (Decrease) in Operating Liabilities:			
Accounts payable	37,794	19,832	57,626
Accrued liabilities	129	(400)	(271)
Claims payable		119,857	119,857
Compensated absences	6,066		6,066
	\$246,867	(\$45,137)	\$201,730
Net Cash Provided (Used) by Operating Activities	\$246,867	(\$45,137)	\$201,730

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STATISTICAL SECTION

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CITY OF PACIFICA, CALIFORNIA
STATISTICAL SECTION
FISCAL YEAR ENDED JUNE 30, 2016

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.

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.

Debt Capacity

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

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources.

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.

Operating Information

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

Property Tax Information

These schedules contain information to help the reader assess the City's property tax sources and changes.

Note: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.

**CITY OF PACIFICA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 50,585,199	\$ 50,020,034	\$ 50,142,311	\$ 51,393,206
Restricted	7,370,411	7,064,256	5,597,188	4,962,287
Unrestricted	<u>703,720</u>	<u>5,799,437</u>	<u>8,728,875</u>	<u>4,867,264</u>
Total governmental activities net position	<u><u>\$ 58,659,330</u></u>	<u><u>\$ 62,883,727</u></u>	<u><u>\$ 64,468,374</u></u>	<u><u>\$ 61,222,757</u></u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 12,423,925	\$ 11,483,688	\$ 10,796,034	\$ 11,247,270
Restricted	953,800	1,075,760	689,514	562,485
Unrestricted	<u>(700,968)</u>	<u>2,341,086</u>	<u>5,776,571</u>	<u>7,139,231</u>
Total business-type activities net position	<u><u>\$ 12,676,757</u></u>	<u><u>\$ 14,900,534</u></u>	<u><u>\$ 17,262,119</u></u>	<u><u>\$ 18,948,986</u></u>
Primary Government				
Invested in capital assets, net of related debt	\$ 63,009,124	\$ 61,503,722	\$ 60,938,345	\$ 62,640,476
Restricted	8,324,211	8,140,016	6,286,702	5,524,772
Unrestricted	<u>2,752</u>	<u>8,140,523</u>	<u>14,505,446</u>	<u>12,006,495</u>
Total primary government net position	<u><u>\$ 71,336,087</u></u>	<u><u>\$ 77,784,261</u></u>	<u><u>\$ 81,730,493</u></u>	<u><u>\$ 80,171,743</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 position includes a prior period adjustment of \$3,429,632.

Source: City Comprehensive Annual Financial Report

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 54,212,344	\$ 54,455,020	\$ 56,461,478	\$ 56,995,945	\$ 56,431,400	\$ 56,878,228
4,825,393	8,216,813	7,944,025	9,049,015	11,517,455	13,808,573
(634,699)	4,681,456	(13,421,330)	(14,105,441)	(46,030,272)	(39,126,535)
<u>\$ 58,403,038</u>	<u>\$ 67,353,289</u>	<u>\$ 50,984,173</u>	<u>\$ 51,939,519</u>	<u>\$ 21,918,583</u>	<u>\$ 31,560,266</u>
\$ 14,179,807	\$ 15,462,599	\$ 15,963,759	\$ 17,679,506	\$ 15,266,626	\$ 15,985,969
-	-	-	-	-	-
5,545,190	5,935,174	5,238,849	5,663,853	9,163,991	9,672,252
<u>\$ 19,724,997</u>	<u>\$ 21,397,773</u>	<u>\$ 21,202,608</u>	<u>\$ 23,343,359</u>	<u>\$ 24,430,617</u>	<u>\$ 25,658,221</u>
\$ 68,392,151	\$ 69,917,619	\$ 72,425,237	\$ 74,675,451	\$ 71,698,026	\$ 72,864,197
4,825,393	8,216,813	7,944,025	9,049,015	11,517,455	13,808,573
4,910,491	10,616,630	(8,182,481)	(8,441,588)	(36,866,281)	(29,454,283)
<u>\$ 78,128,035</u>	<u>\$ 88,751,062</u>	<u>\$ 72,186,781</u>	<u>\$ 75,282,878</u>	<u>\$ 46,349,200</u>	<u>\$ 57,218,487</u>

**CITY OF PACIFICA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses:					
Governmental Activities:					
General Government	\$ 5,798,391	\$ 4,952,782	\$ 4,083,959	\$ 4,625,471	\$ 4,212,498
Public Safety	14,980,984	14,985,013	15,306,306	15,149,459	14,460,040
Community Development	1,178,590	1,343,220	1,356,494	1,402,574	1,549,299
Public Works	4,264,011	4,154,717	4,422,332	4,801,291	4,881,082
Parks, Beaches & Recreation	3,405,149	4,155,877	4,035,233	3,681,863	3,919,199
Interest on Long-term Debt	846,768	987,156	2,225,220	1,777,280	2,174,281
Total Governmental Activities Expenses	<u>\$ 30,473,893</u>	<u>\$ 30,578,765</u>	<u>\$ 31,429,544</u>	<u>\$ 31,437,938</u>	<u>\$ 31,196,399</u>
Business-Type Activities:					
Sewer	9,084,345	8,095,219	9,084,439	9,658,229	10,944,059
Beach Parking					
Total Business-Type Activities Expenses	<u>\$ 9,084,345</u>	<u>\$ 8,095,219</u>	<u>\$ 9,084,439</u>	<u>\$ 9,658,229</u>	<u>\$ 10,944,059</u>
Total Primary Government Expenses	<u>\$ 39,558,238</u>	<u>\$ 38,673,984</u>	<u>\$ 40,513,983</u>	<u>\$ 41,096,167</u>	<u>\$ 42,140,458</u>
Program Revenues:					
Governmental Activities:					
Charges for Services:					
General Government	\$ 96,106	\$ 110,868	\$ 77,393	\$ 69,853	\$ 48,038
Public Safety	1,157,322	1,159,056	1,001,112	840,467	851,020
Community Development	732,372	792,532	606,991	568,871	631,767
Public Works	1,376,379	2,522,362	1,741,147	683,914	683,914
Parks, Beaches & Recreation	1,543,791	584,724	1,642,848	1,558,394	1,843,700
Operating Grants & Contributions	2,967,049	2,871,766	4,364,106	1,884,748	1,980,279
Capital Grants & Contributions	3,639,686	3,302,650	2,936,150	4,049,601	2,348,301
Total Governmental Activities Program Revenues	<u>\$ 11,512,705</u>	<u>\$ 11,343,958</u>	<u>\$ 12,369,747</u>	<u>\$ 9,655,848</u>	<u>\$ 8,387,019</u>
Business-Type Activities:					
Charges for Services:					
Sewer	\$ 9,137,785	\$ 10,181,406	\$ 11,885,526	\$ 11,367,645	\$ 11,694,198
Beach Parking					
Total Business-Type Activities Program Revenue	<u>\$ 9,137,785</u>	<u>\$ 10,181,406</u>	<u>\$ 11,885,526</u>	<u>\$ 11,367,645</u>	<u>\$ 11,694,198</u>
Total Primary Government Program Revenues	<u>\$ 20,650,490</u>	<u>\$ 21,525,364</u>	<u>\$ 24,255,273</u>	<u>\$ 21,023,493</u>	<u>\$ 20,081,217</u>
Net Revenues (Expenses):					
Governmental Activities	\$ (18,961,188)	\$ (19,234,807)	\$ (19,059,797)	\$ (21,782,090)	\$ (22,809,380)
Business-Type Activities	53,440	2,086,187	2,801,087	1,709,416	750,139
Total Net Revenues (Expenses)	<u>\$ (18,907,748)</u>	<u>\$ (17,148,620)</u>	<u>\$ (16,258,710)</u>	<u>\$ (20,072,674)</u>	<u>\$ (22,059,241)</u>
General Revenues and Other Change in Net Position					
Governmental Activities:					
Taxes:					
Property Taxes	\$ 9,016,273	\$ 9,623,522	\$ 10,484,389	\$ 10,603,749	\$ 10,564,253
Sales Tax	1,096,165	1,225,279	1,365,710	1,306,611	1,434,710
Franchise Tax	1,539,123	1,558,164	1,740,754	1,372,885	1,565,634
Other Taxes	3,720,047	3,652,373	2,787,716	2,604,443	2,712,005
Motor vehicle in lieu - unrestricted	2,917,076	3,068,643	3,184,538	3,107,767	3,195,730
Use of Money/Property	568,021	532,887	528,768	211,681	192,620
Miscellaneous	369,309	3,986,507	507,569	341,313	324,709
Transfers	815,000	45,000	45,000	45,000	-
Total Governmental Activities	<u>\$ 20,041,014</u>	<u>\$ 23,692,375</u>	<u>\$ 20,644,444</u>	<u>\$ 19,593,449</u>	<u>\$ 19,989,661</u>
Business-Type Activities:					
Use of Money/Property	\$ 14,881	\$ 41,921	\$ 23,667	\$ 22,451	\$ 25,872
Miscellaneous	4,688	-	-	-	-
Transfers	(815,000)	(45,000)	(45,000)	(45,000)	-
Total Business-Type Activities	<u>\$ (795,431)</u>	<u>\$ (3,079)</u>	<u>\$ (21,333)</u>	<u>\$ (22,549)</u>	<u>\$ 25,872</u>
Total Primary Government	<u>\$ 19,245,583</u>	<u>\$ 23,689,296</u>	<u>\$ 20,623,111</u>	<u>\$ 19,570,900</u>	<u>\$ 20,015,533</u>
Changes in Net Position before Extraordinary Item:					
Governmental Activities	\$ 1,079,826	\$ 4,457,568	\$ 1,584,647	\$ (2,188,641)	\$ (2,819,719)
Business-Type Activities	(741,991)	2,083,108	2,779,754	1,686,867	776,011
Total Primary Government before Extraordinary Item	<u>\$ 337,835</u>	<u>\$ 6,540,676</u>	<u>\$ 4,364,401</u>	<u>\$ (501,774)</u>	<u>\$ (2,043,708)</u>
Extraordinary Item					
Gain on transfer of assets and liabilities to RDA successor trust funds of					
Changes in Net Position After Extraordinary Item:					
Governmental Activities					
Business-Type Activities					
Total Primary Government					

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

Source: City Financial Reports

	2012	2013	2014	2015	2016
\$	4,019,613	\$ 4,294,792	\$ 4,473,909	\$ 4,324,645	4,604,299
	13,568,582	13,572,060	13,935,234	13,997,209	15,859,890
	1,631,678	1,378,014	1,250,419	1,089,881	1,629,555
	4,688,440	4,088,408	4,138,762	5,757,332	4,714,402
	4,005,189	3,880,586	3,921,499	3,894,017	4,329,044
	2,120,772	2,037,476	1,945,156	2,072,272	1,667,485
\$	<u>30,034,274</u>	<u>29,251,336</u>	<u>29,664,979</u>	<u>31,135,356</u>	<u>32,804,675</u>
	10,124,492	10,231,084	10,853,371	11,897,495	10,816,732
				515,915	532,102
\$	<u>10,124,492</u>	<u>10,231,084</u>	<u>10,853,371</u>	<u>12,413,410</u>	<u>11,348,834</u>
\$	<u>40,158,766</u>	<u>39,482,420</u>	<u>40,518,350</u>	<u>43,548,766</u>	<u>44,153,509</u>
\$	12,512	\$ 15,902	\$ 18,796	\$ 29,769	126,156
	681,205	836,279	999,209	938,379	1,043,155
	693,169	688,975	989,356	1,922,976	3,638,027
	701,012	701,012	791,041	743,700	786,000
	2,063,812	2,067,301	2,248,642	2,107,720	2,220,263
	1,726,522	1,817,278	2,153,345	4,321,012	3,923,126
	3,519,266	2,311,468	6,364,781	4,709,960	4,912,145
\$	<u>9,397,498</u>	<u>8,438,215</u>	<u>13,565,170</u>	<u>14,773,516</u>	<u>16,648,872</u>
\$	11,980,789	\$ 12,500,814	\$ 13,331,596	\$ 13,721,346	12,959,708
				537,192	533,952
\$	<u>11,980,789</u>	<u>12,500,814</u>	<u>13,331,596</u>	<u>14,258,538</u>	<u>13,493,660</u>
\$	<u>21,378,287</u>	<u>20,939,029</u>	<u>26,896,766</u>	<u>29,032,054</u>	<u>30,142,532</u>
\$	(20,636,776)	\$ (20,813,121)	\$ (16,099,809)	\$ (16,361,840)	(16,155,803)
	1,856,297	12,500,814	2,478,225	1,845,128	2,144,826
\$	<u>(18,780,479)</u>	<u>(8,312,307)</u>	<u>(13,621,584)</u>	<u>(14,516,712)</u>	<u>(14,010,977)</u>
\$	10,434,510	\$ 10,701,810	\$ 11,275,518	\$ 12,200,335	12,445,509
	1,519,978	1,588,277	1,686,593	1,754,568	1,983,930
	1,595,929	1,617,727	1,668,382	1,697,972	1,736,620
	3,005,388	3,152,723	3,329,647	3,529,485	3,710,615
	3,039,393	2,923,573	3,164,873	3,320,316	3,543,953
	334,475	164,114	184,700	29,979	(44,457)
	469,780	357,630	537,867	259,197	1,481,757
	200,000	410,000	15,715	(150)	939,559
\$	<u>20,599,453</u>	<u>20,915,854</u>	<u>21,863,295</u>	<u>22,791,702</u>	<u>25,797,486</u>
\$	16,479	\$ 21,468	\$ 19,808	\$ 16,123	22,337
		42,047			
	(200,000)	(410,000)		150	(939,559)
\$	<u>(183,521)</u>	<u>(346,485)</u>	<u>19,808</u>	<u>16,273</u>	<u>(917,222)</u>
\$	<u>20,415,932</u>	<u>20,569,369</u>	<u>21,883,103</u>	<u>22,807,975</u>	<u>24,880,264</u>
\$	(37,323)	\$ 102,733	\$ 5,763,486	\$ 6,429,862	9,641,683
	1,672,776	12,154,329	2,498,033	1,861,401	1,227,604
\$	<u>1,635,453</u>	<u>12,257,062</u>	<u>8,261,519</u>	<u>8,291,263</u>	<u>10,869,287</u>
\$	<u>5,557,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	5,520,619	\$ 102,733	\$ 5,763,486	\$ 6,429,862	9,641,683
	1,672,776	12,154,329	2,498,033	1,861,401	1,227,604
\$	<u>7,193,395</u>	<u>12,257,062</u>	<u>8,261,519</u>	<u>8,291,263</u>	<u>10,869,287</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund					
Reserved	\$ 5,103	\$ 4,962	\$ 3,765	\$ 3,951	\$ 3,702
Unreserved	896	704	6,051	5,135	3,377
Total General Fund	<u>\$ 5,999</u>	<u>\$ 5,666</u>	<u>\$ 9,816</u>	<u>\$ 9,086</u>	<u>\$ 7,079</u>
All Other Governmental Funds					
Reserved	\$ 2,182	\$ 2,190	\$ 2,419	\$ 2,881	\$ 3,415
Unreserved			(5,160)	(1,771)	(2,313)
Unreserved, reported in:					
Special revenue funds	3,216	2,359	1,858	(714)	(1,076)
Capital projects funds	(3,583)	(3,371)	1,707	1,532	1,376
Debt service funds	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 1,815</u>	<u>\$ 1,178</u>	<u>\$ 824</u>	<u>\$ 1,928</u>	<u>\$ 1,402</u>
Total Governmental Funds	<u>\$ 7,814</u>	<u>\$ 6,844</u>	<u>\$ 10,640</u>	<u>\$ 11,014</u>	<u>\$ 8,481</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

change in titles

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund						
Non Spendable	\$ 2,518,609	\$ 2,519,544	\$ 2,522,197	\$ 2,540,590	\$ 3,996,158	\$ 3,947,951
Committed	567,465	743,683	899,051	907,519	-	-
Assigned	150,369	130,858	117,873	168,197	904,240	904,240
Unassigned	841,392	227,012	127,980	1,341,251	1,893,507	4,960,039
Total General Fund	<u>\$ 4,077,835</u>	<u>\$ 3,621,097</u>	<u>\$ 3,667,101</u>	<u>\$ 4,957,557</u>	<u>\$ 6,793,905</u>	<u>\$ 9,812,230</u>
All Other Governmental Funds						
Restricted	\$ 8,304,103	\$ 9,042,672	\$ 8,230,761	\$ 10,155,601	\$ 11,501,420	\$ 13,808,573
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	16,035,000	-
Unassigned	(6,590,713)	(979,737)	(818,354)	(1,656,694)	(1,312,645)	(2,410,718)
Total All Other Governmental Funds	<u>\$ 1,713,390</u>	<u>\$ 8,062,935</u>	<u>\$ 7,412,407</u>	<u>\$ 8,498,907</u>	<u>\$ 10,204,810</u>	<u>\$ 11,397,855</u>
Total Governmental Funds	<u>\$ 5,791,225</u>	<u>\$ 11,684,032</u>	<u>\$ 11,079,508</u>	<u>\$ 13,456,464</u>	<u>\$ 16,998,715</u>	<u>\$ 21,210,085</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
REVENUES					
Taxes	\$ 14,025	\$ 14,913	\$ 16,057	\$ 16,230	\$ 16,391
Licenses and Permits	335	471	558	402	350
Fines and Forfeitures	139	218	187	246	246
Use of Money and Property	317	464	432	679	390
Intergovernmental Revenues	9,194	8,601	8,044	9,320	8,497
Charges for Services	2,630	2,883	3,100	2,777	1,592
Recreation Programs	565	559	612	597	445
Other Revenues	3,328	2,530	6,115	1,455	1,620
Total Revenues	<u>\$ 30,533</u>	<u>\$ 30,639</u>	<u>\$ 35,105</u>	<u>\$ 31,706</u>	<u>\$ 29,531</u>
EXPENDITURES					
Current:					
General Government	\$ 5,356	\$ 4,673	\$ 3,961	\$ 4,209	\$ 7,430
Public Safety	13,182	14,567	14,970	14,896	16,575
Community Development	1,751	1,127	1,238	1,306	3,275
Public Works	3,285	3,471	3,726	3,722	8,888
Parks, Beaches & Recreation	3,009	3,318	3,744	3,929	8,725
Non-departmental		1,027	437		
Capital Outlay	3,303	2,595	1,677	3,912	2,286
Debt Service:					
Principal Retirement	375	194	35	35	550
Interest and Other Charges	1,393	989	1,140	2,340	1,540
Total Expenditures	<u>\$ 31,654</u>	<u>\$ 31,961</u>	<u>\$ 30,928</u>	<u>\$ 34,349</u>	<u>\$ 49,269</u>
Excess(Deficiency) of Revenues Over/(Under) expenditures	<u>\$ (1,121)</u>	<u>\$ (1,322)</u>	<u>\$ 4,177</u>	<u>\$ (2,643)</u>	<u>\$ (19,738)</u>
Other financing sources (uses):					
Transfers In	\$ 4,631	\$ 3,898	\$ 815	\$ 2,391	\$ 1,489
Transfers (Out)	(4,931)	(3,503)	(1,072)	(2,846)	(1,869)
Other Sources/Uses:					
Issuance of Debt	15,725			19,815	17,826
Issuance Discount	(106)			(596)	(241)
Refunded to debt escrow agent	(13,299)			(15,747)	-
Debt Issuance Cost					
Proceeds of long-term debt					
Total other financing sources (uses)	<u>\$ 2,020</u>	<u>\$ 395</u>	<u>\$ (257)</u>	<u>\$ 3,017</u>	<u>\$ 17,205</u>
Net change in fund balances	<u>\$ 899</u>	<u>\$ (927)</u>	<u>\$ 3,920</u>	<u>\$ 374</u>	<u>\$ (2,533)</u>
Debt serviced as a percentage of noncapital expenditures	6.24%	4.03%	4.08%	7.82%	4.44%

Notes:

Above amounts include General Fund, Special Revenue Funds, RDA, and Debt Service Fund.
Source: Annual Financial Statements, City of Pacifica

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	16,454	\$ 16,733	\$ 17,238	\$ 18,138	\$ 21,216	\$ 22,294
	341	409	389	515	683	827
	227	174	179	301	153	150
	154	220	155	178	459	1,663
	8,173	8,029	7,233	10,614	8,567	7,439
	1,676	1,515	1,679	1,996	2,219	2,829
	654	786	820	813	897	898
	1,540	1,790	1,531	2,285	4,163	3,690
\$	<u>29,219</u>	<u>\$ 29,656</u>	<u>\$ 29,224</u>	<u>\$ 34,840</u>	<u>\$ 38,357</u>	<u>\$ 39,790</u>
\$	3,884	\$ 3,428	\$ 3,677	\$ 3,866	\$ 3,899	\$ 4,332
	14,096	12,544	12,452	12,940	14,199	14,555
	1,435	1,491	1,331	1,250	1,318	1,814
	4,041	3,583	3,356	3,347	4,259	3,707
	3,581	3,644	3,552	3,585	3,988	4,333
	754	2,843	2,659	3,529	3,077	3,393
	1,482	1,561	1,661	1,791	1,918	2,046
	2,256	2,250	1,912	1,878	1,777	1,686
\$	<u>31,529</u>	<u>\$ 31,344</u>	<u>\$ 30,600</u>	<u>\$ 32,186</u>	<u>\$ 34,435</u>	<u>\$ 35,866</u>
\$	<u>(2,310)</u>	<u>\$ (1,688)</u>	<u>\$ (1,376)</u>	<u>2,654</u>	<u>3,922</u>	<u>3,924</u>
\$	3,387	\$ 3,449	\$ 3,619	\$ 3,766	\$ 1,924	\$ 2,614
	(3,767)	(4,504)	(4,017)	(4,146)	(2,304)	(2,327)
\$	<u>(380)</u>	<u>(1,055)</u>	<u>1,169</u>	<u>(380)</u>	<u>(380)</u>	<u>287</u>
			<u>771</u>			
\$	<u>(2,690)</u>	<u>(2,743)</u>	<u>(605)</u>	<u>2,274</u>	<u>3,542</u>	<u>4,211</u>
	12.11%	13.33%	12.83%	12.46%	11.66%	11.49%

**CITY OF PACIFICA
TAXABLE SALES BY CATEGORY
LAST TEN YEARS (IN \$000's)**

<u>Categories</u>	<u>Annual Years</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Food Stores	\$ 22,609	\$ 25,290	\$ 25,359	\$ 25,033	\$ 24,665	\$ 25,723	\$ 26,201	\$ 26,938	\$ 27,941	\$ 27,953
Eating & Drinking Places	27,740	28,789	28,659	28,999	30,244	30,168	33,666	39,443	45,038	49,449
Building Materials	6,933	6,604	5,838	4,587	3,856	3,737	3,863	3,735	3,805	3,929
Auto Dealers & Supplies	4,119	4,360	3,953	3,655	3,637	3,819	4,095	4,385	4,685	4,534
Service Stations	37,571	40,146	44,064	34,149	39,755	49,578	52,508	54,192	52,293	44,580
Other Retail Stores	30,993	30,686	31,214	32,576	33,749	34,195	34,441	35,602	34,111	35,469
All Other Outlets	28,228	34,151	35,454	28,446	32,277	30,113	33,155	36,638	38,654	40,107
Total	<u>\$ 158,193</u>	<u>\$ 170,026</u>	<u>\$ 174,541</u>	<u>\$ 157,445</u>	<u>\$ 168,183</u>	<u>\$ 177,333</u>	<u>\$ 187,929</u>	<u>\$ 200,933</u>	<u>\$ 206,527</u>	<u>\$ 206,021</u>

Notes:

Due to confidentiality issues, the names of the ten largest sales tax payers are not available.
The categories presented are intended to provide alternative information regarding the sources of the City's sales tax revenue.

Source: State of California Board of Equalization and the 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>
2007	5.25%	0.75%	1.75%	0.50%	0.00%	8.25%
2008	5.25%	0.75%	1.75%	0.50%	0.00%	8.25%
2009	6.25%	0.75%	1.75%	0.50%	0.00%	9.25%
2010	6.25%	0.75%	1.75%	0.50%	0.00%	9.25%
2011	6.25%	0.75%	1.75%	0.50%	0.00%	9.25%
2012	5.25%	0.75%	1.75%	0.50%	0.00%	8.25%
2013	6.00%	0.75%	1.75%	0.50%	0.00%	9.00%
2014	6.00%	0.75%	1.75%	0.50%	0.00%	9.00%
2015	6.00%	0.75%	1.75%	0.50%	0.00%	9.00%
2016	6.00%	0.75%	1.75%	0.50%	0.00%	9.00%

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.

Voters approved a San Mateo County Transactions and Use Tax of a 1/2 cent effective in 2013.

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>
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
2012-2013	17,238,036	389,107	154,513	7,233,370	1,679,210	178,727	2,351,178	29,224,141
2013-2014	18,137,639	514,854	177,610	10,614,499	1,996,318	300,611	3,099,290	34,840,821
2014-2015	21,215,649	683,517	458,823	8,567,028	2,219,356	153,031	5,059,783	38,357,187
2015-2016	22,294,417	827,154	1,663,159	7,439,425	2,828,678	149,573	4,588,311	39,790,717
% Change 2007-2016	50.07%	75.64%	392.20%	36.09%	27.79%	-31.29%	126.98%	55.53%

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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
 (IN \$000's)
 LAST TEN FISCAL YEARS**

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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	(1) H.O.P.T.R.	Other	Total Exemptions	Net Subject To Tax
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
2012-2013	2,074,034	2,426,543	2,423	4,933	19,077	37,361	2,078,967	2,445,620	39,784	4,564,371	57,436	57,796	115,232	4,449,139
2013-2014	2,174,610	2,534,526	2,615	4,906	19,263	19,445	2,179,516	2,553,789	22,060	4,755,365	56,906	58,966	115,872	4,639,493
2014-2015	2,294,249	2,647,779	2,352	5,041	21,781	22,507	2,299,290	2,669,560	24,859	4,993,709	56,151	61,142	117,293	4,876,416
2015-2016	2,460,040	2,815,658	2,172	4,108	22,270	31,051	2,464,148	2,837,928	33,223	5,335,299	55,523	65,832	121,355	5,213,944
% Change 2007-2016	36.77%	30.52%	-30.07%	-27.01%	27.53%	61.36%	36.57%	30.49%	48.66%	33.34%	-5.48%	31.73%	11.63%	33.94%

(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 Obligation Debt Service	Redevelopment Debt Service Rate	Pacifica School District	South San Francisco Unified	Jefferson High School & Elementary School Districts	San Mateo Junior College & High School	Millbrae Elementary	San Mateo County as Distributor	
2007	0%	0%	2.90%	0.0457%	0.0195%	0.0515%	0.0340%	0.0000%	1%	2.9019%
2008	0%	0%	2.90%	0.0411%	0.0189%	0.0701%	0.0321%	0.0000%	1%	2.9019%
2009	0%	0%	2.90%	0.0384%	0.0162%	0.0687%	0.0463%	0.0000%	1%	2.9019%
2010	0%	0%	2.90%	0.0417%	0.0195%	0.0749%	0.0501%	0.0185%	1%	2.9019%
2011	0%	0%	2.90%	0.0412%	0.0196%	0.0815%	0.0515%	0.0254%	1%	2.9019%
2012	0%	0%	0.00%	0.0422%	0.0221%	0.0829%	0.0582%	0.0295%	1%	0.0019%
2013	0%	0%	0.00%	0.0432%	0.0327%	0.0746%	0.0575%	0.0355%	1%	0.0020%
2014	0%	0%	0.00%	0.0403%	0.0328%	0.1287%	0.0549%	0.4280%	1%	0.0019%
2015	0%	0%	0.00%	0.0392%	0.0000%	0.1192%	0.0190%	0.0000%	1%	0.0019%
2016	0%	0%	0.00%	0.0311%	0.0000%	0.0800%	0.0247%	0.0000%	1%	0.0019%

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: San Mateo County Assessor 2004/05 - 2015/16 Tax Rate Table & HdL

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

Taxpayer	2016			2007		
	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	\$ 49,359	1	0.89%	\$ 46,610	1	1.11%
Linda Mar Shopping Center, LLP	34,228	2	0.62%	30,244	2	0.72%
AIMCO Pacifica Park Apartments	21,730	5	0.39%	19,200	3	0.46%
Marymount Summit ,LLC	19,910	6	0.36%	17,595	4	0.42%
Horizons West Apartments, LLC	17,067	7	0.31%	15,081	5	0.36%
PK III Fairmont Shopping Center	29,716	3	0.54%	13,980	6	0.33%
Harry B. Lewis, et al				13,634	7	0.32%
Bay Apartment Communities, Inc.	14,605	9	0.26%	12,905	8	0.31%
National Church Residences				12,619	9	0.30%
LBN Properties LP				12,319	10	0.29%
CRP/PSE Seaside Pacifica Owner	22,250	4	0.40%			
Tajirian Investments LLC	16,800	8	0.30%			
Oceanview Housing Associates LLC	14,281	10	0.26%			
Total	\$ 239,946		4.50%	\$ 194,187		4.62%

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: HdL reports

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

<u>Fiscal Year Ending June 30</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
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	8,499	8,499	100.00%	0	8,499	100.00%
2011	8,532	8,532	100.00%	0	8,532	100.00%
2012	8,678	8,519	98.17%	0	8,519	98.17%
2013	8,688	8,641	99.46%	0	8,641	99.46%
2014	9,010	9,010	100.00%	0	9,010	100.00%
2015	9,738	9,738	100.00%	0	9,738	100.00%
2016	10,068	10,068	100.00%	0	10,068	100.00%
% Change 2007-2016	0.3213	0.3213	-	(1.00)	0.3261	0.0037

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	Capital Lease Payable	Notes Payable	Certificates of Participation	Total Governmental Activities Debt
2007	-	-	875,378	15,725,000	17,600,378
2008	-	-	875,378	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
2013	15,059,702	1,120,756	875,378	16,754,619	33,810,455
2014	13,857,073	1,021,637	875,378	17,295,000	33,049,088
2015	12,712,826	918,514	875,378	16,740,000	31,246,718
2016	11,303,736	811,224	-	16,210,000	28,324,960

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 2007-2016.

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

Business-Type Activities

<u>Fiscal Year Ending</u>	<u>Sewer Bonds</u>	<u>Notes Payable</u>	<u>Total Business-Type Government</u>	<u>Total Primary Government</u>	<u>Estimated Median Personal Income</u>	<u>Population</u>	<u>Debt Per Capita</u>	<u>Estimated Median Personal Income</u>	<u>Debt as a Percentage of Personal Income</u>
2007	13,670,000	25,359,240	39,029,240	56,629,618	58,327	39,251	1,443	40,020	0.07%
2008	13,530,000	25,359,240	38,889,240	56,489,618	58,567	39,616	1,426	42,256	0.07%
2009	13,380,000	23,749,506	37,129,506	57,819,884	57,014	39,984	1,446	42,773	0.07%
2010	15,558,627	22,112,004	37,670,631	76,027,382	63,500	40,431	1,880	41,153	0.05%
2011	15,269,875	20,444,965	35,714,840	72,610,343	62,917	37,658	1,928	36,144	0.05%
2012	15,018,978	18,747,852	33,766,830	69,128,230	n/a	37,948	1,822	39,648	0.06%
2013	11,275,298	23,043,678	34,318,976	68,129,431	n/a	38,292	1,779	41,909	0.06%
2014	11,172,927	21,406,345	32,579,272	65,628,360	n/a	38,315	1,713	42,099	0.06%
2015	9,736,334	20,375,644	30,111,978	61,358,696	n/a	38,315	1,601	43,390	0.07%
2016	9,436,801	18,070,515	27,507,316	55,832,276	n/a	38,896	1,435	44,886	0.08%

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 2007-2016.

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

FISCAL YEAR ENDING JUNE 30

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Assessed Valuation	\$3,892,649	\$4,199,006	\$4,436,778	\$ 4,353,684	\$ 4,353,695	\$ 4,398,866	\$ 4,449,139	\$ 4,696,398	\$ 4,932,567	\$ 5,213,945
Debt Limit	145,974	157,463	166,379	163,263	163,264	164,957	166,843	176,115	184,971	195,523
Total Net Debt Applicable to Limit	15,725	15,725	19,815	37,481	36,020	34,486	32,936	33,049	31,247	28,325
Legal Debt Margin	\$ 130,249	\$ 141,738	\$ 146,564	\$ 125,782	\$ 127,244	\$ 130,471	\$ 133,907	\$ 143,066	\$ 153,724	\$ 167,198
Total Net Debt applicable to the limit as a percentage of debt limit	10.77%	9.99%	11.91%	22.96%	22.06%	20.91%	19.74%	18.77%	16.89%	14.49%

Notes:

Debt Limit is 3.75% of Assessed Value.

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

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

Enterprise Fund Bonds							
Fiscal Year	Operating Revenues	(1) Less Operating Expenses	Pledged Net Revenue	(2) Bonded Debt Service	(3) Other Parity Debt Service	Total Parity Debt Service	(4) Coverage
2007	9,138	5,692	3,446	473	352	825	4.18
2008	10,181	5,216	4,965	473	2,413	2,886	1.72
2009	11,886	5,839	6,047	473	2,418	2,891	2.09
2010	11,367	6,359	5,008	473	2,417	2,890	1.73
2011	11,694	6,389	5,305	473	2,416	2,889	1.84
2012	11,981	6,735	5,246	473	2,414	2,887	1.82
2013	12,501	6,704	5,797	473	2,405	2,878	2.01
2014	13,332	7,281	6,051	473	2,549	3,022	2.00
2015	13,721	7,663	6,058	359	2,514	2,873	2.11
2016	12,960	7,851	5,109	337	2,514	2,851	1.79

Special Assessment Bonds		
Fiscal Year	Debt Service (000's)	
	Principal	Interest
2007	0	0
2008	0	0
2009	0	0
2010	0	0
2011	0	0
2012	0	0
2013	0	0
2014	0	0
2015	0	0
2016	0	0

Notes:

- (1) Operating Expenses excludes depreciation, capital expenditures and debt service
- (2) Include the Series 2004 and the Series 2014 Wastewater Revenue Refunding Bonds
- (3) Includes the SRF Loan, CSCDA 2001 Loan and the 2012 Loan. Debt service on the SRF Loan for FY2006 and FY2007 had been prepaid by the 2004 Wastewater Bonds
- (4) The bond indentures and the 2012 Loan Agreement require minimum annual debt service coverage of 1.25x. The 2001 CSCDA loan requires a minimum annual DS coverage of 1.10x.

Source: City Financial Reports

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

Calendar Year Ending	Population	Median Personal Income	Per Capita Personal Income	Unemployment Rate %
2006	38,679	55,973	40,020	4.2
2007	38,956	58,327	42,256	4.4
2008	39,473	58,567	42,773	5.6
2009	39,984	57,014	41,153	9.8
2010	40,431	63,500	36,144	10.2
2011	37,658	n/a	39,648	9.1
2012	37,948	n/a	41,909	5.8
2013	38,292	n/a	42,099	6.5
2014	38,315	n/a	43,390	3.9
2015	38,896	n/a	44,886	3.0

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

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

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u># of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u># of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pacifica School District	349	1	N/A	307	1	N/A
Safeway (2)	227	2	N/A	214	3	N/A
City of Pacifica	192	3	N/A	287	2	N/A
Jefferson High School	90	4	N/A	170	4	N/A
Recology of the Coast	33	7	N/A			
Rite Aid (2)	37	6	N/A	52	6	N/A
Ross Dress for Less	30	8	N/A	48	8	N/A
North Coast County Water District	20	9	N/A	22	9	N/A
Lucky (Save Mart Supermarkets)				125	5	N/A
Coastside Scavenger				50	7	N/A
Starbucks (3)	50	5	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: City of Pacifica Research

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government										
Administration	6.5	7	7	7	7	6	6	6	6	7
Finance	7.5	7.5	7	7	7	6	6	6	6	6.5
Parks	39.75	39.75	37.75	37.75	58	58	58	53	54	65.5
Planning & Building	9	9	9	8	8	8	8	8	7	7
Public Works	29	24	24	26	26	18	18	20	21	19
Engineering	4	4	4	4	5	5	5	5	5	5
Police										
Officers	38	40	40	36	36	33	33	33	34	29
Civilians	13.5	12.5	11.5	12.5	13	4	4	5	4	3
Fire										
Firefighters	30	28	27	27	27	23	23	25	25	25
Civilians	1.5	1	1	1	1.5	1	1	1	1	1
Wastewater Division	19.75	19.75	19.75	19.75	19.75	24	24	24	26	24
Total	198.5	192.5	188	186	208.25	186	186	186	189	192
Authorized Full-Time Positions										159

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.
 Total includes both Full time and Part-Time (converted to full-time equivalent) Positions excluding City Council.

Source: City Financial Reports

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

FISCAL YEAR ENDING JUNE 30

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Building Permits Issued	1,263	1,220	970	967	1,036	1,279	1,514	1,501	1,587	1,682
Building Inspections Conducted	2,550	3,000	2,745	2,727	2,500	2,770	2,710	2,818	3,018	4,093
Police										
Physical Arrests	1,071	986	1,102	1,105	932	803	812	812	923	864
Parking Violations	2,998	2,792	3,250	3,427	2,635	1,829	3,652	3,652	5,085	4,700
Traffic Violations	2,531	2,586	3,368	3,472	3,074	2,880	2,966	2,966	2,193	1,763
Fire										
Emergency Responses	3,185	4,295	2,852	3,708	2,782	2,862	1,873	3,117	3,147	3,215
Fires Extinguished	136	175	139	104	87	90	101	96	106	88
Inspections	1,453	1,353	1,085	943	954	1,023	1,056	895	951	955
Other Public Works										
Street Re-surfacing (miles)	0.6	1.25	3.07	2.02	1.05	0.00	0.00	0.00	0.90	0.00
Potholes Repaired	360	400	414	420	432	363	379	379	351	1,125
Parks, Beaches & Recreation										
Community Center Admissions	estimated 100,000	estimated 105,000	estimated 105,000	estimated 100,000	estimated 96,000	estimated 94,000	estimated 98,000	estimated 91,000	estimated 95,730	estimated 89,654
Enterprise Fund WWTP										
Residential Sewer Accounts	11,310	11,316	11,319	11,319	11,323	11,330	11,340	11,440	11,455	11,480
Commercial Sewer Accounts	318	318	318	318	318	318	318	316	340	345
Total Accounts	11,628	11,634	11,637	11,637	11,641	11,648	11,658	11,756	11,795	11,825
New Connections	7	6	30	-	3	4	7	1	4	10
Avg Daily Sewage Treatment (Gallons)	3,500,000	3,008,000	2,674,000	3,117,000	3,110,000	2,832,000	2,350,000	2,240,000	2,240,000	2,463,000

Notes:

The City has not tracked some 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	12	12	12	12	12	12	12	12	12	12
Fire										
Stations	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
Highways (miles)	0	0	0	0	0	0	0	0	0	0
Streetlights	1,775	1,775	1,775	1,775	1,775	2,051	2,051	2,051	2,051	2,051
Traffic Signals	5	5	5	5	5	5	5	5	5	5
Parks, Beaches & Recreation										
Acreage	142.68	142.68	142.68	142.68	148.13	148.13	148.13	148.13	148.13	148.13
Playgrounds	13	13	13	13	14	14	14	14	14	14
Baseball Diamonds	5	5	5	5	5	5	5	5	5	5
Soccer/Football Fields	3	3	3	3	2	2	2	2	2	2
Community Centers	1	1	1	1	1	1	1	1	1	1
Wastewater										
Sanitary Sewers (miles)	165	165	165	165	165	165	165	165	165	165
Storm Sewers (miles)	90	90	90	90	90	90	90	90	90	90
Treatment Capacity (gallons)	4,000,000	4,000,000	4,000,000	4,000,000	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
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
2013	567.18	11.81632
2014	567.18	11.81632
2015	583.26	12.15128
2016	600.42	12.50867

Notes:

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

Source: City Records