

City of Pacifica, California

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



For Fiscal Year Ended June 30, 2018

CITY OF PACIFICA

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal year ended June 30, 2018

Prepared by
Finance Department

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INTRODUCTORY SECTION

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CITY OF PACIFICA, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2018

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
City Council Organizational Chart	iv
City Executive Staff	v
 FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis	7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	27
Statement of Activities	28
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	30
Reconciliation of the Governmental Funds-Balance Sheet with the Statement of Net Position	32
Statement of Revenues, Expenditures and Changes in Fund Balance	34
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statement of Activities	36
Proprietary Funds:	
Statement of Net Position	37
Statement of Revenues, Expenses and Changes in Fund Net Position	38
Statement of Cash Flows	40
Fiduciary Funds:	
Statement of Net Position	42
Statement of Changes in Fiduciary Net Position	43

CITY OF PACIFICA, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2018

Table of Contents

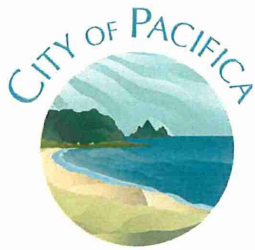
	<u>Page</u>
FINANCIAL SECTION (Continued):	
Notes to the Basic Financial Statements	45
Required Supplementary Information:	
Schedule of Changes in Net Pension Liability and Related Ratios - Miscellaneous.....	96
Schedule of Contributions - Miscellaneous.....	97
Schedule of Proportionate Share of Net Pension Liability and Related Ratios	
As of the Measurement Date – Safety Plan	98
Schedule of Changes in Net Pension Liability and Related Ratios – PARS.....	99
Schedule of Contributions – PARS	100
Schedule of Changes in Total OPEB Liability and Related Ratios	101
Budgetary Comparison Schedule:	
General Fund.....	102
Gas Tax Special Revenue Fund.....	104
Davies Trust Special Revenue Fund	105
Notes to Required Supplementary Information.....	106
Other Supplementary Information:	
Budgetary Comparison Schedule:	
Debt Service Fund	108
General Capital Improvement - Capital Projects Fund	109
Disaster Accounting Special Revenue Fund.....	110
Non-major Governmental Funds:	
Combining Balance Sheet	114
Combining Statement of Revenues, Expenditures and Changes in Fund Balances ..	118
Combining Schedule of Revenues, Expenditures, and Changes in	
Fund Balances – Budget and Actual.....	122
Internal Service Funds:	
Combining Statement of Net Position	128
Combining Statement of Revenues, Expenses and Changes in Fund Net Position..	129
Combining Statement of Cash Flows.....	130

CITY OF PACIFICA, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2018

Table of Contents

	<u>Page</u>
STATISTICAL SECTION:	
Financial Trends:	
Net Position by Component	136
Changes in Net Position	138
Fund Balances of Governmental Funds	140
Changes in Fund Balances of Governmental Funds	142
Revenue Capacity:	
Taxable Sales by Category	144
Direct and Overlapping Sales Tax Rate.....	146
Tax Revenues by Source	147
Assessed Valuation, Tax Rate, and Tax Levies	148
Direct and Overlapping Property Tax Rates	149
Principal Property Taxpayers	150
Property Tax Levies and Collections.....	151
Debt Capacity:	
Outstanding Debt by Type – Governmental.....	152
Ratios of Outstanding Debt by Type – Business-Type	153
Legal Debt Margin Information.....	154
Wastewater Obligations Pledged Revenue Coverage.....	155
Demographic and Economic Information:	
Demographic and Economic Statistics.	156
Principal Employers	157
Operating Information:	
Full Time Equivalent Employees by Function/Program.	158
Operating Indicators by Function/Program.	159
Capital Asset Statistics by Function/Program.	160
Sewer Rates	161

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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
John Keener

MAYOR PRO TEM
Sue Vaterlaus

COUNCIL
Sue Digre
Mike O'Neill
Deirdre Martin

November 30, 2018

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, 2018.

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, 2018. 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

California’s economy is expected to continue to grow faster than the U.S. Economy, but is expected to slow down in 2020 consistent with the slowing of the national economy. The Bay Area’s growth is notable in light of its housing and labor force constraints as unemployment is below 3 percent throughout the region. According to the Bureau of Labor Statistics, in November 2018, the United States unemployment rate was 3.6 percent, the State of California was 4.1 percent, and San Mateo County was 2.1 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, *San Francisco Area Economic Summary – Updated November 30, 2018*

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 presented to the City Council in April 2018. 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

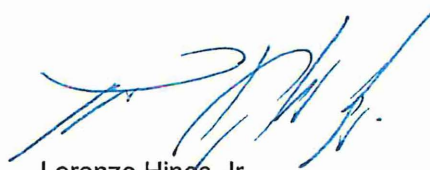
Our goal is to publish financial information that is helpful to policy leaders. Preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the City of Pacifica Finance and Information Technology Divisions, including: Sheila Tioyao, Finance Services Manager, Mario Xuereb, Accountant, Meg Callanan, Accounting Technician, 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,



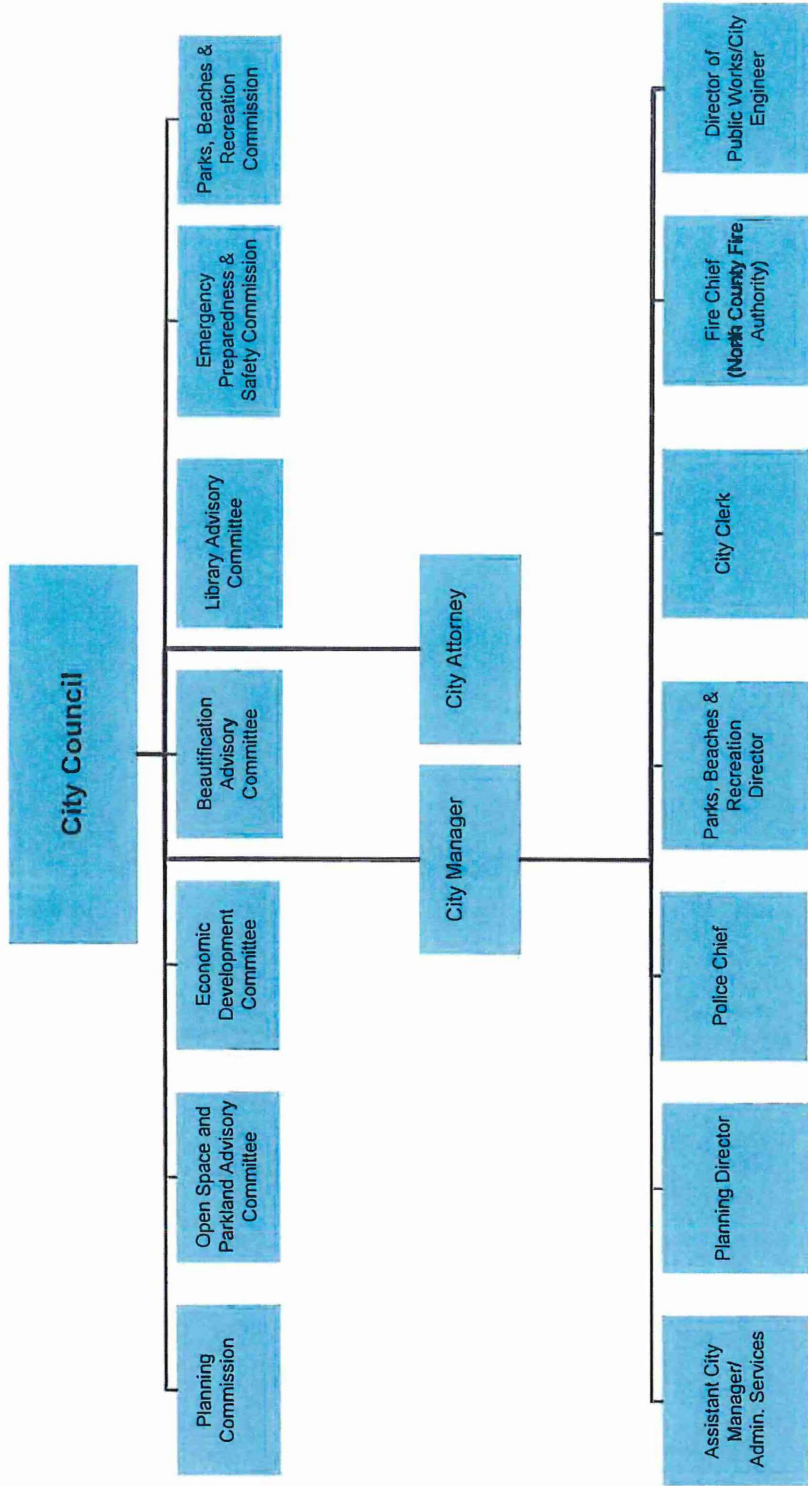
Kevin Woodhouse
City Manager



Lorenzo Hines Jr.
Assistant City Manager



Citizens of Pacific



CITY OF PACIFICA, CALIFORNIA

JOHN KEENER
Mayor

SUE VATERLAUS
Mayor Pro Tem

SUE DIGRE MIKE O'NEILL
DEIRDRE MARTIN
Members of City Council

KEVIN WOODHOUSE
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
SARAH COFFEY	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 (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which became effective during the year ended June 30, 2018 and required the restatement of beginning net position as discussed in Notes 12 and 7 to 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, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Supplementary 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 Supplementary 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 November 30, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
November 30, 2018

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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, 2018

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, 2018. 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, 2018 include the following:

Government-wide:

- The City's total net position was \$60.1 million at June 30, 2018 of which \$34.3 million was in Governmental Activities and \$25.8 million was in Business-type Activities. Of the total net position, \$75.6 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 \$56.1 million, of which \$41.5 million was derived from Governmental Activities; \$14.3 million was derived from Business-type Activities (see tables 2 and 5 for additional information).
- Total City expenses were \$55.1 million, of which Governmental Activities incurred \$41.6 million and Business-type Activities incurred \$13.5 million (see tables 2 and 5 for additional information).



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

FINANCIAL HIGHLIGHTS, Continued

Fund Level:

Governmental fund balances totaled \$24.7 million, the Enterprise funds had a \$25.8 million net position, and there was a cumulative net position of \$6.1 million in the Internal Service Funds, of which \$1.9 million relates to the City's Internal Service Funds net investment in capital assets.

- Proprietary Fund operating revenues were \$14.3 million in the Enterprise Funds and \$2.5 million in the Internal Service Funds.
- Proprietary Fund operating expenses were \$12.0 million in the Enterprise funds and \$2.6 million in the Internal Service Funds.
- Net non-operating expenses were approximately \$1.0 million in the Enterprise Funds and net non-operating revenues were \$50,469 in the Internal Service Funds.



General Fund:

- General Fund revenues were \$32.3 million and expenditures were \$30.0 million.
- Net transfers out of the General Fund were \$1.0 million.
- The fund balance of the General Fund was \$12.6 million at June 30, 2018, all of which has been classified in accordance with Governmental Accounting Standards Board No. 54.

General Capital Improvement Fund:

- Fund revenues were \$0.9 million and expenditures were \$3.4 million.
- Net transfers into the Fund were \$0.7 million.
- The fund balance of the Fund is a deficit of approximately \$2.2 million at June 30, 2018.

Gas Tax Fund:

- Fund revenues were \$1.0 million and expenditures were \$0.6 million.
- Net transfers out of the Fund were \$0.4 million.
- The fund balance of the Fund was \$0.2 million at June 30, 2018; the total amount is classified as restricted for allowable street expenditures under the California Street and Highway Code.

Davies Trust Fund:

- Fund revenues were \$3,740 and expenditures were \$104.
- There were no transfers into or out of the Fund.
- The fund balance of the Fund was \$3.5 million at June 30, 2018; 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 \$1.5 million and expenditures were \$2.3 million.
- Net transfers into the Fund were \$0.8 million.
- The fund balance of the Fund was \$2.0 million at June 30, 2018; 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, 2018

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, 2018

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 \$34.3 million at June 30, 2018, an decrease of 6.3% from the total at June 30, 2017. 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. The Net Pension Liability of \$49.6 million has been recorded as of June 30, 2018. 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.

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

	2018	2017
Cash and investments	\$ 24.1	\$ 23.1
Other assets	8.2	7.7
Capital assets	76.6	73.6
Total assets	108.9	104.4
Deferred Outflows of Resources	16.2	16.7
Current liabilities	5.6	6.2
Non-current liabilities	81.0	73.3
Total liabilities	86.6	79.5
Deferred Inflows of Resources	3.3	4.8
Net Position		
Net investment in capital assets	59.6	56.6
Restricted	18.2	17.0
Unrestricted	(42.6)	(37.0)
Total net position	\$ 35.2	\$ 36.6



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

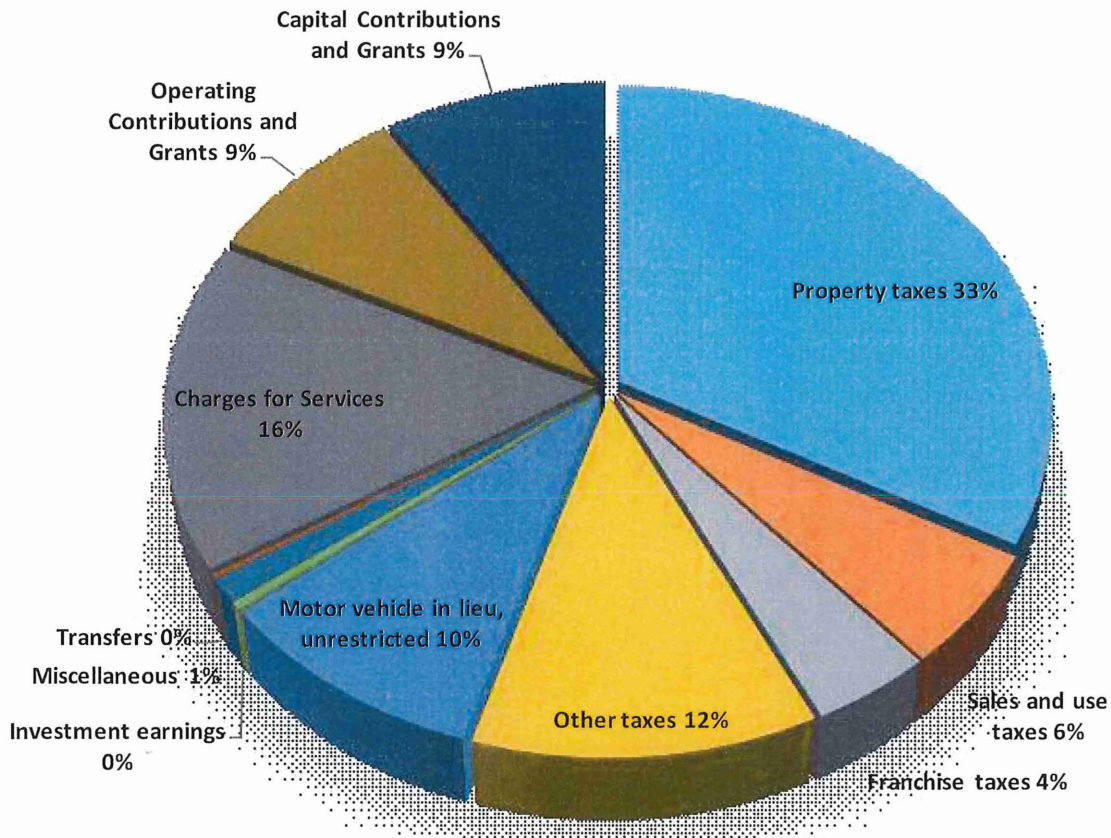
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Of the City's total net position, \$59.6 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 \$86.6 million represent outstanding obligations for operations, capital projects, and 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 2017-18, total revenues and transfers from all sources relating to governmental activities were \$41.3 million and total expenditures for all City programs relating to governmental activities were \$41.6 million.

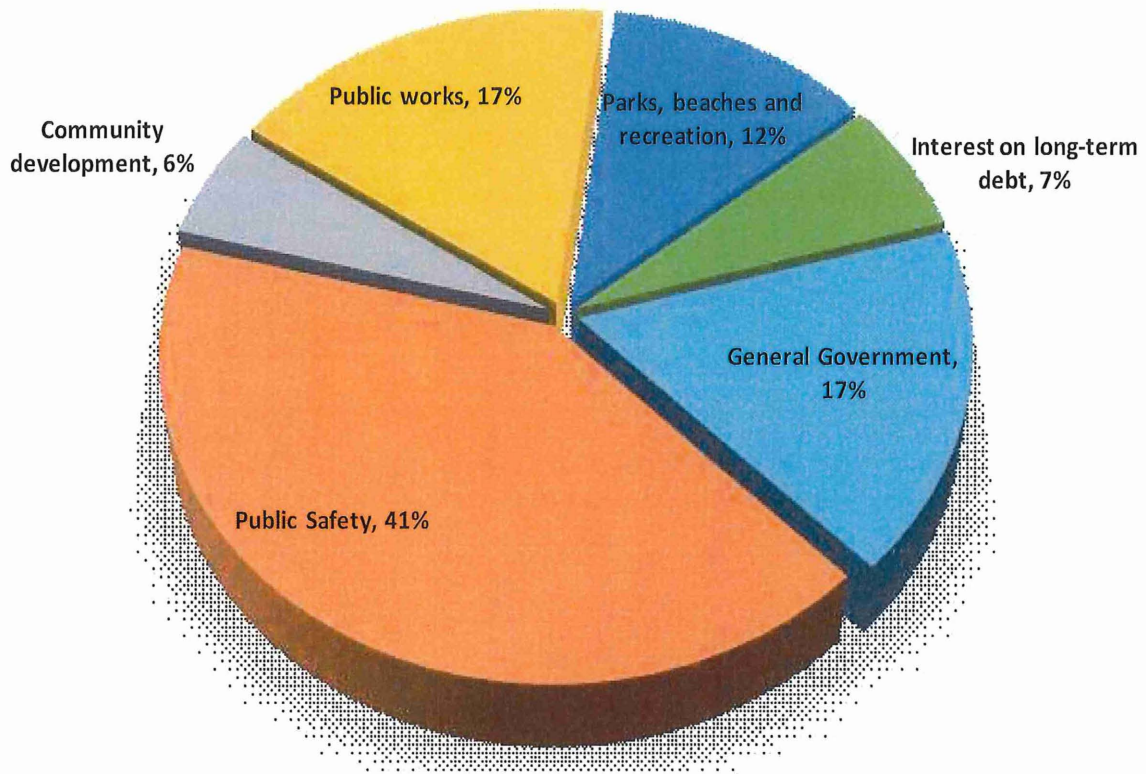
Governmental Activities - Sources of Revenues
FY 2017-2018
\$41.3M

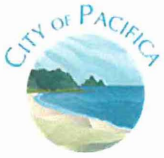




City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

Governmental Activities - Sources of Expenses
FY2017-2018
\$41.6M





City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

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	2018	2017
Program revenues		
Charges for service	\$ 6.7	\$ 6.3
Operating contributions and grants	3.5	4.1
Capital grants	3.8	2.5
Total program revenues	<u>14.0</u>	<u>12.9</u>
General revenues		
Taxes:		
Property	13.8	12.7
Sales and use	2.4	2.4
Franchise	1.7	1.7
Other taxes	4.9	3.8
Miscellaneous	0.6	1.6
Motor Vehicle In Lieu	4.0	3.7
Transfers	0.1	0.8
Total general revenues and transfers	<u>27.5</u>	<u>26.7</u>
Total revenues	<u>41.5</u>	<u>39.6</u>
 Expenses		
Public safety	17.2	14.3
Public works	7.4	5.7
Community development	2.3	2.0
Parks, beaches and recreation	5.0	4.9
General government	7.2	5.1
Interest on long-term debt	1.9	2.5
Total expenses	<u>41.0</u>	<u>34.5</u>
Transfer of capital assets	-	-
Change in net position - Governmental Activities	<u>0.5</u>	<u>5.1</u>
 Net position - beginning (Note 12C)	<u>\$ 34.7</u>	<u>\$ 31.6</u>
 Net position - ending	<u><u>\$ 35.2</u></u>	<u><u>\$ 36.7</u></u>



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Table 2, presented on the prior page, shows that governmental expenses, which totaled \$41.6 million, were offset in part by program revenues for governmental activities of \$14.0 million. These program revenues included \$6.7 million in charges for services, \$3.5 million in operating grants and contributions, and \$3.8 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.



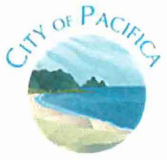
Table 3 presents the program revenues and net expense of each of the City's largest programs. Net expense is defined as total program cost less the revenues generated or contributions received by those specific activities.

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

	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
	2018	2017	2018	2017
General government	\$ 1.7	\$ 2.4	\$ (5.5)	\$ (2.7)
Public Safety	1.6	1.3	(15.6)	(13.0)
Community development	2.2	2.3	(0.1)	0.4
Public works	4.8	3.6	(2.5)	(2.1)
Parks, beaches, and recreation	3.8	3.3	(1.2)	(1.7)
Debt Service	-	-	(2.8)	(2.4)
Interest on long-term debt	-	-	-	-
Totals	\$ 14.0	\$ 12.9	\$ (27.7)	\$ (21.6)

Business-type Activities

The net position of the City's business-type activities was \$25.8 million at June 30, 2018. Assets included a total of \$8.0 million in cash and investments, \$14.2 million in cash and investments with fiscal agents, \$55.8 million in capital assets, Deferred Outflows of \$0.7 million, and \$2.5 million in other assets. Liabilities include \$47.3 million in long-term liabilities, \$0.2 million in Deferred Inflows, and \$8.0 million in current liabilities. Total revenues for business-type activities totaled \$14.3 million for fiscal year 2017-18 while expenses totaled \$13.0 million.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

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)

	2018	2017
Cash and investments	\$ 8.0	\$ 8.9
Other assets	16.7	28.6
Capital assets	55.8	40.9
Total assets	80.5	78.4
Total Deferred Outflows of Resources	0.7	0.1
Current Liabilities	6.9	3.4
Non-Current Liabilities	48.4	49.9
Total liabilities	55.3	53.3
Deferred related to pensions	0.1	0.4
Total Deferred Inflows of Resources	0.1	0.2
Net Position		
Net investment in capital assets	16.0	16.0
Unrestricted	9.8	9.8
Total net position	\$ 25.8	\$ 25.8

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

	2018	2017
Revenues		
Program revenues		
Charges for service	\$ 14.3	\$ 13.2
Capital grants	-	-
Total program revenues	14.3	13.2
Total revenues	14.3	13.2
Expenses		
Sewer Operations	12.5	11.8
Beach Parking	0.6	0.5
Total expenses	13.1	12.3
Excess (deficiency) before transfers	1.2	0.9
Transfers	0.1	(0.8)
Change in net position - Business-Type Activities	\$ 1.3	\$ 0.1
Net position - beginning (Note 11C)	\$ 24.6	\$ 25.7
Net position - ending	\$ 25.8	\$ 25.8



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

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, 2018

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, 2018, the City's governmental fund balances were \$24.7 million. The following describe the specifics related to this variance:

- An increase of \$2.2 million in the General Fund, primarily due to slight increases in revenues including property tax (\$0.7 million), licenses and permits (\$0.2 million), and intergovernmental revenues (\$0.7 million), netted against increases in expenditures;
- An increase of \$1.8 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 \$2.0 million in the Other Governmental Funds category primarily due to receipts in the Excess Educational Revenue Augmentation Fund (ERAF) of \$1.9 million.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

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	2018	2017
Taxes	\$ 23.8	\$ 22.4
Licenses and permits	1.0	0.8
Fines and forfeitures	0.2	0.2
Use of money and property	0.3	1.0
Intergovernmental	7.6	6.6
Charges for current services	2.8	2.7
Recreation programs	1.0	0.9
Other revenue	4.7	4.2
Transfers		
Total revenues	\$ 41.4	\$ 38.8
Expenditures		
General government	\$ 4.5	\$ 4.5
Public safety	16.2	15.5
Community development	2.1	1.9
Public works	4.0	4.6
Parks, beaches, and recreation	4.2	4.4
Capital outlay	6.7	1.9
Debt service	1.0	3.8
Transfers (net)	1.3	0.7
Total expenditures	\$ 40.0	\$ 37.3



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

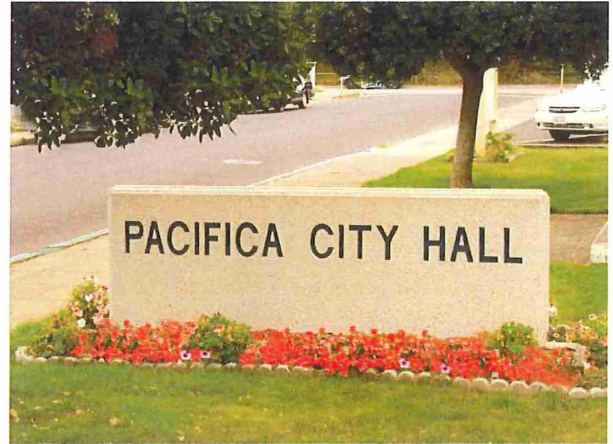
FUND FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS, Continued

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, 2018, the total fund balance was \$12.6 million, just over 43.1% of which is non-spendable or has been committed or assigned to cover contingencies, claims, advances to other funds and other City projects.

Revenues increased by \$1.9 million in 2017-18 compared to last fiscal year, an increase of 6.2%. Expenditures increased \$1.2 million in fiscal year 2017-18 compared to last fiscal year, a change of 4.2%. Significant changes in revenues and expenditures that affected the General Fund balances are discussed below:



General Fund Revenues

Property Tax increased by \$699,686 (6.3%) 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 decreased \$61,931 (0.8%) from the prior year primarily due to slight decreases in, sales tax, franchise tax, transient occupancy tax, and business license tax.

Intergovernmental revenues increased \$683,684 (13.4%) from fiscal year 2016-17 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 by \$44,761 (1.6%) from prior fiscal year mainly due to the increase in reimbursement for fire services offset by slight decrease in volume of development and renovation projects for planning, engineering, and building review and processing.

Licenses, Permits and Fees revenues increased by \$226,559 (28.7%) compared to the prior fiscal year due to the increase of the volume of permits including building, plumbing, electrical and home occupation permit fees.

Fines, Forfeitures, And Penalties and All Other Revenues increased by \$303,369 (10.4%) from the prior fiscal year; the majority of this increase is due to vehicle code fines and recreation program revenues.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

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 \$750,000 (4.9%). More than 50% of the increase is due to salaries and benefits.

Public Works expenditures increased \$560,000 (21.1%) compared to the prior year. The increase is due to salaries and benefits, utilities and departmental expenses.

Planning Department expenditures increased \$142,000 (7.8%) from fiscal year 2016-17. Contractual services is the main reason for the increase along with a slight increase in salaries and benefits.

Parks, Beaches, And Recreation expenditures decreased by \$163,000 (3.8%) from the prior year. Salaries and benefits decreased for child care programs coupled with significant decrease in rental and lease expenses.

General Government expenditures decreased \$94,000 (2.1%) from the prior year. The decrease is due to salaries and benefits, and operating software.

General Capital Improvement Fund

The Capital Improvement Fund accounts for funds used for capital improvements and significant maintenance projects. As of June 30, 2018, its fund deficit was \$2.2 million. The increase in the deficit is due to capital outlay for the Palmetto Streetscape Project. Project reimbursements are expected to be received in fiscal year 2018-19.



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, 2018, its fund balance of \$240,000 is restricted for street related purposes.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

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 equipments, buildings, grounds, yards, 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, 2018, 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, 2018, its fund balance was approximately \$2.0 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, 2018, its fund deficit was approximately \$3.9 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, 2018, the Enterprise Fund had a net position balance of \$25.8 million, representing \$1.2 million (4.7%) 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 \$6.1 million, an increase of approximately \$0.9 million (16.4%) from the previous fiscal year.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

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)

	<u>Total Enterprise Funds</u>		<u>Total Internal Service Funds</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 14.3	\$ 13.2	\$ 2.5	\$ 2.5
Operating expenses	12.0	11.5	2.6	2.7
Operating income (loss)	<u>2.3</u>	<u>1.7</u>	<u>(0.1)</u>	<u>(0.2)</u>
Non-operating revenues (expenses)	(1.0)	(0.7)	0.1	0.0
Net income (loss) before contributions and operating transfers	<u>1.3</u>	<u>1.0</u>	<u>-</u>	<u>(0.2)</u>
Transfers in (out)	(0.1)	(0.8)	0.9	0.3
Change in net position	<u>\$ 1.2</u>	<u>\$ 0.1</u>	<u>\$ 0.9</u>	<u>\$ 0.1</u>

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 \$0.9 million (2.9%). General Fund actual expenditures were approximately \$1.2 million (3.9%) under the final budget.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

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.

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

	<u>2018</u>	<u>2017</u>
Governmental activities		
Land	\$ 40.4	\$ 39.8
Construction in progress	5.3	1.7
Building and improvements	16.0	16.0
Machinery and equipment	2.8	2.7
Vehicles	7.0	6.9
Infrastructure	34.3	34.2
Less accumulated depreciation	(29.2)	(27.6)
Totals	<u><u>\$ 76.6</u></u>	<u><u>\$ 73.7</u></u>
Business-type activities		
Land	\$ 4.0	\$ 4.0
Construction in progress	14.8	1.3
Buildings	77.3	77.2
Collection Systems	16.6	12.7
Machinery and equipment	2.0	1.7
Less accumulated depreciation	(58.8)	(56.0)
Totals	<u><u>\$ 55.9</u></u>	<u><u>\$ 40.9</u></u>

At June 30, 2018 the cost of infrastructure and other capital assets recorded on the City's financial statements is shown in Table 8 above.

At June 30, 2018, the City had \$76.6 million, net of depreciation, invested in a broad range of capital assets used in governmental activities and \$55.8 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, 2018

CAPITAL ASSETS AND LONG TERM DEBT, Continued

Long Term Debt

At June 30, 2018 the City's Governmental Activities had debt outstanding in the amount of approximately \$26.3 million, all backed by the full faith and credit of the government. More information on long-term debt activity may be found in Note 5 of the Notes to the Basic Financial Statements.

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

	<u>2018</u>	<u>2017</u>
Governmental activities		
2008 Certificate of Participation		
2016 Certificate of Participation	\$ 16.9	\$ 17.0
Capital Lease Payable	0.6	0.7
2010 Pension Obligation Bond	8.9	9.7
Notes Payable	-	-
Total Debt Outstanding	<u>\$ 26.3</u>	<u>\$ 27.4</u>
 Total Bonded Debt Outstanding	 <u><u>\$ 26.3</u></u>	 <u><u>\$ 27.4</u></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

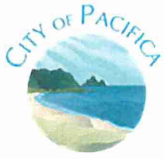
As the City looks ahead to fiscal year 2018-2019, management remains encouraged by the relatively strong growth in our regional economy.

The City has a promising future buoyed by vision, innovation and partnerships. To assist in the development of the 2018-2019 Budget and to improve the City’s fiscal health, the City Council has reviewed the City’s Long Term Financial Plan for the last four fiscal years. This practice will continue into the FY 2018-19 fiscal year as well.

While revenues remain stable, expenditure pressures to maintain existing services, infrastructure and facilities 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 2018-19 and maintain 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.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2018

- ❖ Expand the City's Reserve Policy to address additional reserve designations, and begin funding them.
- ❖ Budget annual expenses at or below annual revenues to ensure the City is living within its means.
- ❖ Align one-time money to cover one-time expenses rather than ongoing operations. This is a direction that the City has implemented.
- ❖ 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/Comprehensive Annual Financial Report" and then selecting the "year".

CITY OF PACIFICA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$24,080,509	\$7,953,075	\$32,033,584
Cash and investments with fiscal agents (Note 3)	349,156	14,193,533	14,542,689
Restricted cash and investments (Note 3)	3,464,691		3,464,691
Taxes receivable	1,104,143		1,104,143
Accounts receivable, net of allowance	1,294,261	33,530	1,327,791
Prepaid items	154,622	359,054	513,676
Inventories	24,871	143,675	168,546
Receivable from successor agency (Note 10)	3,777,419		3,777,419
Capital assets, not being depreciated (Note 4)	45,789,334	18,789,624	64,578,958
Capital assets, being depreciated, net of accumulated depreciation (Note 4)	30,821,004	37,036,759	67,857,763
Internal balances (Note 9)	(1,956,755)	1,956,755	
Total Assets	<u>108,903,255</u>	<u>80,466,005</u>	<u>189,369,260</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding of debt	837,880	292,016	1,129,896
Related to OPEB (Note 6)	143,049	31,401	174,450
Related to pension (Note 7)	15,227,286	400,352	15,627,638
Total Deferred Outflows of Resources	<u>16,208,215</u>	<u>723,769</u>	<u>16,931,984</u>
LIABILITIES			
Accounts payable	1,627,955	4,128,048	5,756,003
Interest payable	893,946	97,318	991,264
Refundable deposits	1,381,821		1,381,821
Unearned revenue			
Claims payable due within one year (Note 8)	137,898		137,898
Compensated absences (Note 1M):			
Due within one year	847,879	201,121	1,049,000
Due in more than one year	639,628	138,161	777,789
Long term debt (Note 5):			
Due within one year	976,027	2,454,787	3,430,814
Due in more than one year	25,363,362	45,865,807	71,229,169
Net OPEB Liabilities, due in more than one year (Note 6)	5,169,314	1,134,727	6,304,041
Net pension liabilities, due in more than one year (Note 7)	49,558,934	1,241,738	50,800,672
Total Liabilities	<u>86,596,764</u>	<u>55,261,707</u>	<u>141,858,471</u>
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB (Note 6)	511,476	112,275	623,751
Related to pension (Note 7)	2,809,894	51,856	2,861,750
Total Deferred Inflows of Resources	<u>3,321,370</u>	<u>164,131</u>	<u>3,485,501</u>
NET POSITION (Note 11)			
Net investment in capital assets	59,589,114	15,985,969	75,575,083
Restricted for:			
Construction of capital assets	9,155,545		9,155,545
Streets, highways, and other related purposes	4,512,896		4,512,896
Parks, beaches and recreation	3,546,702		3,546,702
Stormwater operations	766,479		766,479
Public safety	238,320		238,320
Unrestricted	(42,615,720)	9,777,967	(32,837,753)
Total Net Position	<u>\$35,193,336</u>	<u>\$25,763,936</u>	<u>\$60,957,272</u>

See accompanying notes to financial statements

CITY OF PACIFICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$7,156,065	\$109,145	\$1,588,031	
Public safety	17,194,894	1,141,995	437,787	
Community development	2,329,479	2,216,407		
Public works	7,409,411	743,700	249,266	3,759,417
Parks, beaches and recreation	4,963,552	2,486,816	1,266,819	
Interest on long-term debt	1,896,665			
Total Governmental Activities	40,950,066	6,698,063	3,541,903	3,759,417
Business-type Activities:				
Sewer	12,922,459	13,761,816		
Beach Parking	562,426	543,919		
Total Business-type Activities	13,484,885	14,305,735		
Total	\$54,434,951	\$21,003,798	\$3,541,903	\$3,759,417

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 and Transfer

Change in Net Position

Net Position at beginning of year, as restated (Note 11C)

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
(\$5,458,889)		(\$5,458,889)
(15,615,112)		(15,615,112)
(113,072)		(113,072)
(2,657,028)		(2,657,028)
(1,209,917)		(1,209,917)
(1,896,665)		(1,896,665)
<u>(26,950,683)</u>		<u>(26,950,683)</u>
	\$839,357	839,357
	(18,507)	(18,507)
	<u>820,850</u>	<u>820,850</u>
<u>(26,950,683)</u>	<u>820,850</u>	<u>(26,129,833)</u>
13,780,294		13,780,294
2,350,478		2,350,478
1,722,343		1,722,343
4,904,111		4,904,111
3,973,622		3,973,622
151,887	442,917	594,804
505,076		505,076
98,343	(98,343)	
<u>27,486,154</u>	<u>344,574</u>	<u>27,830,728</u>
535,471	1,165,424	1,700,895
<u>34,657,865</u>	<u>24,598,512</u>	<u>59,256,377</u>
<u>\$35,193,336</u>	<u>\$25,763,936</u>	<u>\$60,957,272</u>

CITY OF PACIFICA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Gas Tax</u>	<u>Davies Trust</u>	<u>Disaster Accounting</u>
Assets				
Cash and investments (Note 3)	\$6,542,655	\$272,279		
Cash and investments with fiscal agents (Note 3)				
Restricted cash and investments (Note 3)			\$3,464,691	
Receivables:				
Taxes	1,097,894			
Accounts	1,159,407	33,152		
Due from other funds (Note 9)	3,851,216			
Prepaid items	149,372			
Inventories	2,056			
Receivable from RDA successor agency (Note 10)	3,777,419			
Advance to other funds (Note 9)	75,000			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$16,655,019</u>	<u>\$305,431</u>	<u>\$3,464,691</u>	<u> </u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$762,212	\$65,713		\$149,169
Refundable deposits	1,381,821			
Due to other funds (Note 9)			\$216	3,744,153
Unearned revenue				
Advance from other funds (Note 10)	1,956,755			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>4,100,788</u>	<u>65,713</u>	<u>216</u>	<u>3,893,322</u>
Fund balances (Note 11):				
Non-spendable	4,003,847			
Restricted		239,718	3,464,475	
Assigned	1,407,541			
Unassigned	7,142,843			(3,893,322)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>12,554,231</u>	<u>239,718</u>	<u>3,464,475</u>	<u>(3,893,322)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$16,655,019</u>	<u>\$305,431</u>	<u>\$3,464,691</u>	<u> </u>

See accompanying notes to financial statements

General Capital Improvement Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
	\$1,708,190	\$10,693,813	\$19,216,937
\$13,415	335,741		349,156
			3,464,691
		6,249	1,104,143
14,346		85,833	1,292,738
			3,851,216
	5,250		154,622
			2,056
			3,777,419
		1,849,619	1,924,619
<u>\$27,761</u>	<u>\$2,049,181</u>	<u>\$12,635,514</u>	<u>\$35,137,597</u>
\$255,717		\$93,946	\$1,326,757
106,847			1,381,821
			3,851,216
<u>1,849,619</u>		<u>75,000</u>	<u>3,881,374</u>
<u>2,212,183</u>		<u>168,946</u>	<u>10,441,168</u>
			4,003,847
	\$2,049,181	12,466,568	18,219,942
(2,184,422)			1,407,541
			1,065,099
<u>(2,184,422)</u>	<u>2,049,181</u>	<u>12,466,568</u>	<u>24,696,429</u>
<u>\$27,761</u>	<u>\$2,049,181</u>	<u>\$12,635,514</u>	<u>\$35,137,597</u>

CITY OF PACIFICA
 Reconciliation of the
 GOVERNMENTAL FUNDS - BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2018

Fund Balance - Governmental Funds	\$24,696,429
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Amounts reported for Governmental Activities in the Statement of Net Position is different from those reported in the governmental funds because of the following:

Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the governmental funds.	74,743,765
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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.	837,880
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The items below are not financial resources / (not due and payable) in the current period and, therefore are not reported in the governmental funds.

Compensated Absences	(1,461,011)
Long term debt	(26,187,315)
Interest payable	(893,380)
Net OPEB liabilities	(5,169,314)
Net Pension Liabilities	(49,558,934)
Deferred inflows related to pension and OPEB	(3,321,370)
Deferred outflows related to pension and OPEB	15,370,335

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.	6,136,251
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Net Position of Governmental Activities	<u><u>\$35,193,336</u></u>
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See accompanying notes to financial statements

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CITY OF PACIFICA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Gas Tax</u>	<u>Davies Trust</u>	<u>Disaster Accounting</u>
REVENUES				
Taxes	\$19,540,697	\$958,616		
Licenses and permits	1,015,105			
Fines and forfeitures	190,202			
Use of money and property	260,800	1,339	\$3,740	
Intergovernmental	5,784,679			\$302,177
Charges for current services	2,766,967			
Recreation programs	988,832			
Other	1,785,040	14		1,114,452
Total Revenues	<u>32,332,322</u>	<u>959,969</u>	<u>3,740</u>	<u>1,416,629</u>
EXPENDITURES				
Current:				
General government	4,444,200		104	
Public safety	16,146,468			
Community development	1,968,828			
Public works	3,211,739	612,750		
Parks, beaches, and recreation	4,158,150			
Capital outlay	61,888	10,759		3,167,388
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures	<u>29,991,273</u>	<u>623,509</u>	<u>104</u>	<u>3,167,388</u>
Excess (Deficit) of Revenues over Expenditures	<u>2,341,049</u>	<u>336,460</u>	<u>3,636</u>	<u>(1,750,759)</u>
Other Financing Sources (Uses):				
Transfers in (Note 9)	876,225			
Transfers out (Note 9)	(993,164)	(408,493)		
Total Other Financing Sources (Uses)	<u>(116,939)</u>	<u>(408,493)</u>		
Net Changes in Fund Balances	2,224,110	(72,033)	3,636	(1,750,759)
Fund Balances (Deficits) at beginning of year	<u>10,330,121</u>	<u>311,751</u>	<u>3,460,839</u>	<u>(2,142,563)</u>
Fund Balances (Deficits) at end of year	<u>\$12,554,231</u>	<u>\$239,718</u>	<u>\$3,464,475</u>	<u>(\$3,893,322)</u>

See accompanying notes to financial statements

General Capital Improvement Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
		\$3,268,346	\$23,767,659
\$20,677			1,035,782
			190,202
1,046	\$9,238	35,262	311,425
922,438		627,479	7,636,773
		11,681	2,778,648
			988,832
	1,495,394	266,942	4,661,842
<u>944,161</u>	<u>1,504,632</u>	<u>4,209,710</u>	<u>41,371,163</u>
			4,444,304
		45,510	16,191,978
61,397		80,096	2,110,321
		216,976	4,041,465
		95	4,158,245
3,358,599		102,125	6,700,759
	971,335		971,335
	1,334,728		1,334,728
<u>3,419,996</u>	<u>2,306,063</u>	<u>444,802</u>	<u>39,953,135</u>
<u>(2,475,835)</u>	<u>(801,431)</u>	<u>3,764,908</u>	<u>1,418,028</u>
725,000	811,000		2,412,225
		(1,801,005)	(3,202,662)
<u>725,000</u>	<u>811,000</u>	<u>(1,801,005)</u>	<u>(790,437)</u>
(1,750,835)	9,569	1,963,903	627,591
(433,587)	2,039,612	10,502,665	24,068,838
<u>(\$2,184,422)</u>	<u>\$2,049,181</u>	<u>\$12,466,568</u>	<u>\$24,696,429</u>

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, 2018

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	\$627,591
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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	4,553,939
Depreciation expense	(1,687,534)

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	971,335
Interest expense	(520,444)
Amortization of loss on refunding	(32,466)

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)	34,390
Net pension liabilities (net change)	(4,202,591)
Net OPEB liabilities	(72,586)

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>863,837</u>
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Changes in net position of governmental activities	<u><u>\$535,471</u></u>
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See accompanying notes to financial statements

CITY OF PACIFICA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	Business-Type Activities			Governmental
	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)	\$7,953,075		\$7,953,075	\$4,863,572
Cash and investments with fiscal agents (Note 3)	14,193,533		14,193,533	
Accounts receivable	9,507	\$24,023	33,530	1,523
Due from other funds (Note 9)	7,562			
Prepaid items	359,054		359,054	
Inventory	143,675		143,675	22,815
Total Current Assets	<u>22,666,406</u>	<u>24,023</u>	<u>22,682,867</u>	<u>4,887,910</u>
Noncurrent Assets:				
Advance to other funds (Note 9)	1,956,755		1,956,755	
Capital assets, not being depreciated (Note 4)	18,789,624		18,789,624	258,774
Capital assets, being depreciated, net of accumulated depreciation (Note 4)	<u>37,018,459</u>	<u>18,300</u>	<u>37,036,759</u>	<u>1,607,799</u>
Total Noncurrent assets	<u>57,764,838</u>	<u>18,300</u>	<u>57,783,138</u>	<u>1,866,573</u>
Total Assets	<u>80,431,244</u>	<u>42,323</u>	<u>80,466,005</u>	<u>6,754,483</u>
Deferred Outflows of Resources				
Deferred charge on refunding (Note 5)	292,016		292,016	
Related to OPEB (Note 6)	31,401		31,401	
Related to pension (Note 7)	<u>400,352</u>		<u>400,352</u>	
Total Deferred Outflows of Resources	<u>723,769</u>		<u>723,769</u>	
Liabilities:				
Accounts payable	4,108,265	19,783	4,128,048	301,198
Due to other funds (Note 9)		7,562		
Interest payable	97,318		97,318	566
Claims payable (Note 8):				
Due within one year				137,898
Compensated absences (Note 1M):				
Due within one year	189,037	12,084	201,121	15,103
Due in more than one year	131,364	6,797	138,161	11,393
Long term debt (Note 5):				
Due within one year	2,454,787		2,454,787	16,367
Due in more than one year	45,865,807		45,865,807	135,707
Net OPEB Liabilities, due in more than one year (Note 6)	1,134,727		1,134,727	
Net pension liabilities:				
Due in more than one year (Note 7)	<u>1,241,738</u>		<u>1,241,738</u>	
Total Liabilities	<u>55,223,043</u>	<u>46,226</u>	<u>55,261,707</u>	<u>618,232</u>
Deferred Inflows of Resources:				
Related to OPEB (Note 6)	112,275		112,275	
Related to pension (Note 7)	<u>51,856</u>		<u>51,856</u>	
Total Deferred inflows of Resources	<u>164,131</u>		<u>164,131</u>	
Net Position:				
Net investment in capital assets	15,985,969		15,985,969	1,866,573
Unrestricted	<u>9,781,870</u>	<u>(3,903)</u>	<u>9,777,967</u>	<u>4,269,678</u>
Total Net Position	<u>\$25,767,839</u>	<u>(\$3,903)</u>	<u>\$25,763,936</u>	<u>\$6,136,251</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, 2018

	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	\$13,623,033	\$543,919	\$14,166,952	\$1,512,339
Other operating income	138,783		138,783	994,170
Total Operating Revenues	13,761,816	543,919	14,305,735	2,506,509
Operating Expenses:				
Personnel services	4,005,488	470,552	4,476,040	508,246
Administration	976,907	59,783	1,036,690	34,866
Supplies and materials	1,080,978	14,078	1,095,056	349,137
Insurance	365,252		365,252	905,813
Outside contractors	81,542		81,542	7,940
Maintenance	466,597	15,700	482,297	58,161
Utilities	1,682,791		1,682,791	
Insurance claims				227,318
Depreciation (Note 4)	2,775,873	2,313	2,778,186	490,440
Total Operating Expenses	11,435,428	562,426	11,997,854	2,581,921
Operating Income (Loss)	2,326,388	(18,507)	2,307,881	(75,412)
Non-operating revenues (Expenses):				
Investment earnings	442,917		442,917	16,031
Intergovernmental revenues				31,546
Gain on sale of capital assets				11,919
Interest and fiscal charges	(1,469,113)		(1,469,113)	(9,027)
Amortization	(17,918)		(17,918)	
Total Non-Operating Revenues (Expenses)	(1,044,114)		(1,044,114)	50,469
Income (Loss) Before Transfers	1,282,274	(18,507)	1,263,767	(24,943)
Transfers:				
Transfers in (Note 9)	26,272		26,272	1,177,779
Transfers out (Note 9)	(124,615)		(124,615)	(288,999)
Changes in Net Position	1,183,931	(18,507)	1,165,424	863,837
Net Position, Beginning of Year, as restated (Note 11)	24,583,908	14,604	24,598,512	5,272,414
Net Position, End of Year	\$25,767,839	(\$3,903)	\$25,763,936	\$6,136,251

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, 2018

	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	\$13,867,774	\$522,509	\$14,390,283	\$2,512,780
Receipts from other funds		7,562	7,562	
Payments to suppliers	(1,248,960)	(73,574)	(1,322,534)	(1,165,733)
Payments for claims				(250,012)
Payments to and on behalf of employees	(3,845,935)	(470,996)	(4,316,931)	(524,254)
Payments to other funds	(7,562)		(7,562)	
Net Cash Provided (Used) by Operating Activities	<u>8,765,317</u>	<u>(14,499)</u>	<u>8,750,818</u>	<u>572,781</u>
Cash Flows from Noncapital and Related Financing Activities:				
Intergovernmental revenues				31,546
Interfund payment				(288,999)
Interfund receipts	72,339		72,339	1,177,779
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>72,339</u>		<u>72,339</u>	<u>920,326</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(17,660,486)	(20,613)	(17,681,099)	(611,162)
Proceeds from sale of capital assets				11,919
Principal payments on bonds and notes	(2,734,029)		(2,734,029)	(14,624)
Interest paid	(1,466,059)		(1,466,059)	(9,027)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(21,860,574)</u>	<u>(20,613)</u>	<u>(21,881,187)</u>	<u>(622,894)</u>
Cash Flows from Investing Activities:				
Interest received	442,917		442,917	16,031
Net Cash Provided by Investing Activities	<u>442,917</u>		<u>442,917</u>	<u>16,031</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(12,580,001)	(35,112)	(12,615,113)	886,244
Cash and Cash Equivalents at the Beginning of the Fiscal year	34,726,609	35,112	34,761,721	3,977,328
Cash and Cash Equivalents at the End of the Fiscal Year	<u>\$22,146,608</u>	<u>35,112</u>	<u>\$22,146,608</u>	<u>\$4,863,572</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position:				
Cash and investments	\$7,953,075		\$7,953,075	
Cash and investments with fiscal agents	14,193,533		14,193,533	\$4,863,572
Total Cash and Cash Equivalents	<u>\$22,146,608</u>		<u>\$22,146,608</u>	<u>\$4,863,572</u>

(Continued)

See accompanying notes to financial statements

CITY OF PACIFICA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

	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)	\$2,326,388	(\$18,507)	\$2,307,881	(\$75,412)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	2,775,873	2,313	2,778,186	490,440
(Increase) Decrease in Operating Assets:				
Accounts Receivable	18,810	(21,410)	(2,600)	
Due from other funds	(7,562)		(7,562)	
Prepaid Items	2,272		2,272	
Inventories	84,876		84,876	6,271
Increase (Decrease) in Operating Liabilities:				
Accounts payable	3,405,107	15,987	3,421,094	190,131
Due to other funds		7,562	7,562	
Accrued liabilities				53
Claims payable				(22,694)
Net Pension/OPEB Liability, Deferred Inflows and Deferred Outflows	161,107		161,107	
Compensated Absences	(1,554)	(444)	(1,998)	(16,008)
Net Cash Provided (Used) by Operating Activities	<u>\$8,765,317</u>	<u>(\$14,499)</u>	<u>\$8,750,818</u>	<u>\$572,781</u>
Noncash Transactions				
Amortization of bond premium	<u>(\$17,918)</u>			

See accompanying notes to financial statements

CITY OF PACIFICA
 SUCCESSOR AGENCY
 PRIVATE PURPOSE TRUST FUND
 STATEMENT OF NET POSITION
 JUNE 30, 2018

Assets:	
Cash and investments (Note 3)	\$501,546
Cash and investments with fiscal agents (Note 3)	<u>224,801</u>
Total Assets	<u>726,347</u>
Liabilities:	
Accounts payable	1,198
Interest payable	34,204
Loan payable to the City - due in more than one year (Note 10)	3,777,419
Long-term debt:	
Due within one year (Note 13)	60,000
Due in more than one year (Note 13)	<u>1,140,000</u>
Total Liabilities	<u>5,012,821</u>
Net Position:	
Restricted for debt service	50,000
Unrestricted	<u>(4,336,474)</u>
Total Net Position (Deficit)	<u><u>(\$4,286,474)</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, 2018

Additions:	
Investment revenue	\$3,160
Taxes and assessments	<u>216,814</u>
Total Additions	<u>219,974</u>
Deductions:	
Interest expense	126,065
Community development expense	<u>4,134</u>
Total Deductions	<u>130,199</u>
Change in Net Position	89,775
Net Position (Deficit) at Beginning of Year	<u>(4,376,249)</u>
Net Position (Deficit) at End of Year	<u><u>(\$4,286,474)</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, 2018**

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 8).

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, 2018**

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, 2018

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 one RDA Successor Agency private-purpose trust 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 and deferred outflows, liabilities and deferred inflows, 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, 2018

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

E. Major Funds (Continued)

- **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.
- **Disaster Accounting Special Revenue Fund** – This fund is used to account for all revenues received and expenditures incurred due to natural and man-made disasters.
- **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.
- **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 enterprise 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 Fund** accounts for the former Redevelopment Agency activities.

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

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

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 deferred outflows, liabilities and deferred inflows, 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.

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.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

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

G. Cash and Cash Equivalents

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

H. Investments

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

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

I. Receivables and Payables

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, 2018**

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, 2018, were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$1,537,905	\$341,280	\$1,879,185
Additions	1,251,648	187,373	1,439,021
Payments	(1,302,046)	(189,371)	(1,491,417)
Ending Balance	<u>\$1,487,507</u>	<u>\$339,282</u>	<u>\$1,826,789</u>
Current Portion	<u>\$847,879</u>	<u>\$201,121</u>	<u>\$1,049,000</u>
Non-current Portion	<u>\$639,628</u>	<u>\$138,161</u>	<u>\$777,789</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

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.

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.

O. 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, 2018

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

P. 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.

Q. Expenditures in Excess of Appropriations

The following funds incurred departmental expenditures in excess of appropriations:

Fund/Department	Excess of Expenditures Over Appropriations
Major Funds:	
Capital Projects Fund:	
General Capital Improvement	\$126,396
Davies Trust Special Revenue Fund	104
Disaster Accounting Special Revenue Fund	3,167,388
Non-Major Funds:	
Housing In-Lieu Special Revenue Fund	12,249
Park, Beaches and Recreation Special Revenue Fund	13,245
Parks and Playfields Capital Projects Fund	80,096

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018, the following funds had a deficit net position/fund balance:

Disaster Accounting Special Revenue Fund	(\$3,893,322)
General Capital Improvement Capital Projects Fund	(2,184,422)
Beach Parking Enterprise Fund	(3,903)
Successor Agency Private Purpose Trust Fund	(4,286,474)

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

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 would cover these deficits when the fund is closed out.

NOTE 3 - Cash and Investments:

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$32,033,584
Cash and investments with fiscal agents	14,542,689
Restricted cash and investments	3,464,691

Statement of fiduciary net position:

Cash and investments	501,546
Cash and investments with fiscal agents	<u>224,801</u>

Total cash and investments	<u><u>\$50,767,311</u></u>
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**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

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	270 days	A	25%	None
Bankers Acceptances	180 days	A	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	\$65,000,000	\$65,000,000
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, 2018**

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	\$7,233,473	\$7,233,473
Held by Trustees:		
Money Market Fund	16,300,030	16,300,030
Total Investments	<u>\$23,533,503</u>	<u>23,533,503</u>
Cash in Banks		27,229,863
Petty Cash		<u>3,945</u>
Total Cash		<u>27,233,808</u>
Total Cash and Investments		<u><u>\$50,767,311</u></u>

Money market mutual funds are available for withdrawal on demand at June 30, 2018, and have an average maturity of 20 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 are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

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.

Investment in the California Local Agency Investment Fund and money market mutual funds are classified as exempt in the fair value hierarchy, as it is valued at amortized cost, which is exempt from being classified under GASB 72.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 - Cash and Investments (Continued):

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Rating as of Fiscal Year End		Total
	AAAm	Not Rated	
California Local Agency Investment Fund Held by Trustees:		\$7,233,473	\$7,233,473
Money Market Fund	\$16,300,030		16,300,030
Total Investments	<u>\$16,300,030</u>	<u>\$7,233,473</u>	<u>23,533,503</u>
Cash in Banks			27,229,863
Petty Cash			3,945
Total Cash			<u>27,233,808</u>
Total Cash and Investments			<u>\$50,767,311</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.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 - Cash and Investments (Continued):

As of June 30, 2018, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

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, 2018, these investments have an average maturity of 193 days.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 - 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, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$39,792,409	\$653,171		\$40,445,580
Construction in progress	1,695,829	3,647,925		5,343,754
Total capital assets not being depreciated	<u>41,488,238</u>	<u>4,301,096</u>		<u>45,789,334</u>
Capital assets being depreciated:				
Buildings & improvements	15,957,906	5,200		15,963,106
Vehicles	6,884,208	611,162	(\$518,339)	6,977,031
Machinery and equipment	2,715,093	81,752		2,796,845
Infrastructure	34,166,365	165,890		34,332,255
Total capital assets being depreciated	<u>59,723,572</u>	<u>864,004</u>	<u>(518,339)</u>	<u>60,069,237</u>
Less accumulated depreciation for:				
Buildings & improvements	(9,338,631)	(486,250)		(9,824,881)
Vehicles	(5,577,865)	(472,642)	518,339	(5,532,168)
Machinery & equipment	(2,614,575)	(74,667)		(2,689,242)
Infrastructure	(10,057,527)	(1,144,415)		(11,201,942)
Total accumulated depreciation	<u>(27,588,598)</u>	<u>(2,177,974)</u>	<u>518,339</u>	<u>(29,248,233)</u>
Depreciable capital assets, net	<u>32,134,974</u>	<u>(1,313,970)</u>		<u>30,821,004</u>
Total capital assets, net	<u>\$73,623,212</u>	<u>\$2,987,126</u>		<u>\$76,610,338</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 - Capital Assets (Continued):

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

General government	\$47,656
Public safety	374,714
Public works	962,852
Parks, beaches, and recreation	302,312
Internal Service Fund	490,440
	<u>490,440</u>
Total Governmental Activities	<u><u>\$2,177,974</u></u>

The following is a summary of capital assets for business-type activities as of June 30, 2018:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets not being depreciated:			
Land	\$4,014,412		\$4,014,412
Construction in progress	1,318,905	\$13,456,307	14,775,212
	<u>5,333,317</u>	<u>13,456,307</u>	<u>18,789,624</u>
Total capital assets not being depreciated			
Depreciable capital assets:			
Buildings & improvements	77,224,714	66,238	77,290,952
Collection system	12,678,205	3,933,058	16,611,263
Machinery and equipment	1,734,484	225,496	1,959,980
	<u>91,637,403</u>	<u>4,224,792</u>	<u>95,862,195</u>
Total capital assets being depreciated			
Less accumulated depreciation for:			
Buildings & improvements	(49,308,980)	(1,919,985)	(51,228,965)
Collection system	(5,433,509)	(759,388)	(6,192,897)
Machinery & equipment	(1,304,761)	(98,813)	(1,403,574)
	<u>(56,047,250)</u>	<u>(2,778,186)</u>	<u>(58,825,436)</u>
Total accumulated depreciation			
Depreciable capital assets, net	<u>35,590,153</u>	<u>1,446,606</u>	<u>37,036,759</u>
Total capital assets, net	<u><u>\$40,923,470</u></u>	<u><u>\$14,902,913</u></u>	<u><u>\$55,826,383</u></u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 - 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:

	<u>Balance July 1, 2017</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due within One Year</u>
Certificates of Participation:				
2016 COP	\$14,680,000		\$14,680,000	
Premium	2,297,583	(\$114,879)	2,182,704	
Sub-total COP	<u>16,977,583</u>	<u>(114,879)</u>	<u>16,862,704</u>	
Capital Lease Payable:				
Energy retrofit lease	699,600	(116,134)	583,466	\$120,825
Pension Obligation Bonds:				
2010 Pension obligation bond (88.622%)	9,748,420	(855,201)	8,893,219	855,202
Total Governmental Activities	<u>\$27,425,603</u>	<u>(\$1,086,214)</u>	<u>\$26,339,389</u>	<u>\$976,027</u>

Business-type Activities:

	<u>Balance July 1, 2017</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due within One Year</u>
Revenue bonds:				
2014 Wastewater Revenue Refunding	\$6,740,000		\$6,740,000	
Net Premium	1,126,914	(\$138,393)	988,521	
2017 Wastewater Revenue Bonds	22,100,000		22,100,000	
Net Premium	4,079,353	(163,175)	3,916,178	
Sub-total Revenue bonds:	<u>34,046,267</u>	<u>(301,568)</u>	<u>33,744,699</u>	
Pension Obligation bonds:				
2010 Pension obligation bond (11.378%)	1,251,580	(109,798)	1,141,782	\$122,882
Notes payable:				
State of California Water Resources Board	10,329,594	(2,065,919)	8,263,675	2,065,919
Loan and Installment Agreement	5,427,182	(256,744)	5,170,438	265,986
Total notes payable	<u>15,756,776</u>	<u>(2,322,663)</u>	<u>13,434,113</u>	<u>2,331,905</u>
Total Business-Type Activities:	<u>\$51,054,623</u>	<u>(\$2,734,029)</u>	<u>\$48,320,594</u>	<u>\$2,454,787</u>

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - Long-Term Debt (Continued):

A. Governmental Activities Debt

2016 Certificates of Participation: On October 5, 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 3.000% to 5.000%, 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) prepay and defease certain outstanding certificates of participation which were executed and delivered in 2008 for the purpose of financing and refinancing various municipal improvements of the City, and (ii) pay certain costs of executing and delivering the Certificates

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, 2018 was \$551,926 for the 2016 COP.

Annual debt service requirements, to maturity, for the 2016 Certificates of Participation are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019		\$661,850	\$661,850
2020		661,850	661,850
2021	\$480,000	661,850	1,141,850
2022	725,000	637,850	1,362,850
2023	705,000	601,600	1,306,600
2024 - 2028	3,995,000	2,444,750	6,439,750
2029 - 2033	4,655,000	1,382,500	6,037,500
2034 - 2037	4,120,000	341,900	4,461,900
Total	<u>\$14,680,000</u>	<u>\$7,394,150</u>	<u>\$22,074,150</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 - Long-Term Debt (Continued):

A. Governmental Activities 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>
2019	\$120,825	\$22,142	\$142,967
2020	125,707	17,261	142,968
2021	130,785	12,183	142,968
2022	136,069	6,899	142,968
2023	70,080	1,402	71,482
Total	<u>\$583,466</u>	<u>\$59,887</u>	<u>\$643,353</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).

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>
2019	\$957,118	\$591,002	\$1,548,120
2020	372,212	534,035	906,247
2021	425,386	510,392	935,778
2022	487,421	483,372	970,793
2023	553,888	452,411	1,006,299
2024 - 2028	3,970,266	1,613,439	5,583,705
2029 - 2030	2,126,928	218,271	2,345,199
Total	<u>\$8,893,219</u>	<u>\$4,402,922</u>	<u>\$13,296,141</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 - Long-Term Debt (Continued):

B. 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 (v) pay the costs incurred in connection with the execution of the Loan and Installment Sale.

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, 2018 was \$51,963 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>
2019	\$265,986	\$181,348	\$447,334
2020	275,562	171,600	447,162
2021	285,482	161,501	446,983
2022	295,759	151,039	446,798
2023	306,407	140,200	446,607
2024 - 2028	1,705,695	524,255	2,229,950
2029 - 2033	2,035,547	188,383	2,223,930
Total	<u>\$5,170,438</u>	<u>\$1,518,326</u>	<u>\$6,688,764</u>

CITY OF PACIFICA, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - Long-Term Debt (Continued):

B. Business Type Activities 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>
2019	\$122,882	\$75,878	\$198,760
2020	47,788	68,564	116,352
2021	54,614	65,528	120,142
2022	62,579	62,059	124,638
2023	71,113	58,084	129,197
2024 - 2028	509,734	207,146	716,880
2029 - 2030	273,072	28,023	301,095
Total	<u>\$1,141,782</u>	<u>\$565,282</u>	<u>\$1,707,064</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>
2019	\$2,065,919	\$2,065,919
2020	2,065,919	2,065,919
2021	2,065,919	2,065,919
2022	2,065,918	2,065,918
Total	<u>\$8,263,675</u>	<u>\$8,263,675</u>

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - Long-Term Debt (Continued):

B. Business Type Activities Debt (Continued)

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.

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>
2019		\$337,000	\$337,000
2020		337,000	337,000
2021		337,000	337,000
2022		337,000	337,000
2023	\$1,520,000	299,000	1,819,000
2024 - 2028	5,220,000	419,000	5,639,000
Total	<u>\$6,740,000</u>	<u>\$2,066,000</u>	<u>\$8,806,000</u>

CITY OF PACIFICA, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - Long-Term Debt (Continued):

B. Business Type Activities Debt (Continued)

2017 Wastewater Revenue Bonds: In June 2017, the City issued \$22,100,000 in 2017 Wastewater Revenue Refunding Bonds (2017 bonds) at an interest rate of 5%. The proceeds were used to fund the acquisition, construction, and installation of certain improvements to the Wastewater system.

Net proceeds of \$26.2 million (including a \$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.

Interests on the 2017 bonds are payable semiannually on April 1 and October 1 each year, commenced October 1, 2017. Principal payments which are due each October 1 will commence on October 1, 2022, with the last payment due on October 1, 2042. 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 2017 Wastewater Revenue Refunding Bonds are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019		\$1,061,600	\$1,061,600
2020		1,061,600	1,061,600
2021		1,061,600	1,061,600
2022		1,061,600	1,061,600
2023	\$625,000	1,045,975	1,670,975
2024 - 2028	3,630,000	4,716,000	8,346,000
2029 - 2033	4,665,000	3,684,875	8,349,875
2034 - 2038	5,790,000	2,552,800	8,342,800
2039 - 2043	7,390,000	960,750	8,350,750
Total	<u>\$22,100,000</u>	<u>\$17,206,800</u>	<u>\$39,306,800</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 6 - 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statements No. 75.

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.

Employees Covered

Membership in the plan consisted of the following at June 30, 2018:

Active employees	155
Inactive employees receiving benefit payments	51
Inactive employees entitled to but not yet receiving benefit payments	89
Total	<u>295</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 6 - Other Post-Employment Benefits (Continued):

Total OPEB Liability

Actuarial Methods and Assumptions: The City's total OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation that was rolled forward to determine the total OPEB liability as of June 30, 2017, based on the following actuarial methods and assumptions:

Actuarial Assumption	June 30, 2018 Measurement Date
Actuarial Valuation Date	June 30, 2016
Contribution Policy	No pre-funding
Discount Rate	*3.58% at June 30, 2017 *2.85% at June 30, 2016
General Inflation	2.75% per annum
Aggregate Payroll Increase	3.00% per annum
Mortality, Retirement, Disability, Termination	CalPERS 1997-2011 Experience Study Post-retirement mortality projected fully generational with Scale MP-16
Mortality Improvement	

Discount Rate: The discount rate used to measure the total OPEB liability was 3.58%.

Changes in Total OPEB Liability

The changes in the total OPEB Liability follows:

	Total OPEB Liability
Balance as of June 30, 2017: (Measurement date 6/30/16)	<u>\$6,664,823</u>
Changes Recognized for the Measurement Period:	
Service cost	351,865
Interest	197,539
Benefit changes	-
Differences between expected and actual experience	-
Changes of assumptions	(739,260)
Contributions from the employer	-
Benefit payments	<u>(170,926)</u>
Net changes	<u>(360,782)</u>
Balance as of June 30, 2018: (Measurement date 6/30/17)	<u><u>\$6,304,041</u></u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 6 - Other Post-Employment Benefits (Continued):

Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City's total OPEB 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 discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
(2.58 %)	(3.58%)	(4.58%)
\$7,350,942	\$6,304,041	\$5,471,580

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

Total OPEB Liability/(Asset)		
1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
(5.25% Pre-Med/ 5.45% Post-Med decreasing to 3.75% in 2021)	(6.25% Pre-Med/ 6.45% Post-Med decreasing to 4.75% in 2021)	(7.25% Pre-Med/ 7.45% Post-Med decreasing to 5.75% in 2021)
\$5,325,184	\$6,304,041	\$7,560,692

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 6 - Other Post-Employment Benefits (Continued):

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB Expense of \$434,895. As of fiscal year ended June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions made subsequent to the measurement date	\$174,450 *	
Differences between actual and expected experience		
Changes of assumptions		\$623,751
Total	<u>\$174,450</u>	<u>\$623,751</u>

* Include \$118,450 cash benefit payments, \$1,000 administrative costs and \$55,000 implied subsidy benefit payments.

\$174,450 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2019	(\$115,509)
2020	(115,509)
2021	(115,509)
2022	(115,509)
2023	(115,509)
Thereafter	<u>(46,206)</u>
Total	<u>(\$623,751)</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - 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.

At June 30, 2018, the City reported the following amounts related to the pension plans:

	<u>Deferred Outflows of Resources</u>	<u>Net Pension Liability</u>	<u>Deferred Inflows of Resources</u>
Miscellaneous	\$5,719,309	(\$17,739,118)	(\$740,803)
Safety	9,836,781	(31,620,401)	(2,086,202)
PARS REP	71,548	(1,441,153)	(34,745)
Total	<u>\$15,627,638</u>	<u>(\$50,800,672)</u>	<u>(\$2,861,750)</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

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, 2018, are summarized as follows:

	<u>Miscellaneous</u>
Benefit formula	2% @ 55 2.5% @ 55 2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	55-62
Monthly benefits, as a % of eligible compensation	2-2.5%
Required employee contribution rates	7.816%
Required employer contribution rates	17.934%

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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

B. Miscellaneous Plan (Continued)

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, 2016 Measurement Date	<u>\$88,031,539</u>	<u>\$72,566,637</u>	<u>\$15,464,902</u>
Changes in the year:			
Service cost	1,631,204		1,631,204
Interest on the total pension liability	6,501,283		6,501,283
Contribution - employer		1,459,527	(1,459,527)
Contribution - employee		711,067	(711,067)
Net investment income		7,967,324	(7,967,324)
Changes in assumptions	5,308,829		5,308,829
Difference between expected and actual experience	(1,136,322)		(1,136,322)
Benefit payments, including refunds of employee contributions	(4,185,238)	(4,185,238)	
Administrative expense		(107,140)	107,140
Net changes	<u>8,119,756</u>	<u>5,845,540</u>	<u>2,274,216</u>
Balance at June 30, 2017 Measurement Date	<u>\$96,151,295</u>	<u>\$78,412,177</u>	<u>\$17,739,118</u>

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:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$30,552,336
Current Discount Rate	7.15%
Net Pension Liability	\$17,739,118
1% Increase	8.15%
Net Pension Liability	\$7,161,413

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

B. Miscellaneous Plan (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions –
For the year ended June 30, 2018, the City recognized pension expense of \$1,034,684. At June 30, 2018, 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	\$1,571,900	
Differences between actual and expected experience		(\$740,803)
Changes in assumptions	3,000,642	
Net differences between projected and actual earnings on plan investments	1,146,767	
Total	\$5,719,309	(\$740,803)

\$1,571,900 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, 2018. 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
2019	\$1,694,212
2020	1,813,884
2021	470,708
2022	(572,198)
	\$3,406,606

Contributions, Actuarial assumptions and information regarding the discount rate are discussed in Note 7E below.

C. Safety Plan

GASB 68, paragraph 68 states that the 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 7.15% used for the June 30, 2017 measurement date is without reduction of pension plan administrative expense.

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, 2018**

NOTE 7 - Pension Plans (Continued):

C. Safety Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2018, 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%	2-2.7%
Required employee contribution rates	8.988%	11.500%
Required employer contribution rates	19.723%	11.990%

	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	2.4-3%	2-2.7%
Required employee contribution rates	8.982%	11.500%
Required employer contribution rates	17.875%	11.990%

Contributions, actuarial assumptions and information regarding the discount rate are discussed in Note 7E below.

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Safety Plan as \$31,620,401.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the Safety 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	6.15%
Net Pension Liability	\$47,938,405
Current Discount Rate	7.15%
Net Pension Liability	\$31,620,401
1% Increase	8.15%
Net Pension Liability	\$18,281,246

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

C. Safety Plan (Continued)

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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension 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, 2017 and 2016 was as follows:

Proportion - June 30, 2016	0.530%
Proportion - June 30, 2017	0.529%
Change - Increase (Decrease)	-0.001%

For the year ended June 30, 2018, the City recognized pension expense of \$3,463,494. At June 30, 2018, the City reported deferred outflows of resources related to pensions for the Plan from the following sources:

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$2,398,015	
Differences between actual and expected experience	340,595	(\$88,802)
Changes in assumptions	4,939,483	(378,970)
Net differences between projected and actual earnings on plan investments	1,077,001	
Differences between actual contributions and proportionate share of contributions	277,176	(995,606)
Change in proportion	804,511	(622,824)
Total	\$9,836,781	(\$2,086,202)

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

C. Safety Plan (Continued)

\$2,398,015 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, 2018. 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
2019	\$1,580,517
2020	2,718,687
2021	1,683,551
2022	(630,191)
	<u>\$5,352,564</u>

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, 2018 there were 10 active employees covered by the benefit terms of the plan.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

D. PARS Plan (Continued)

Changes in the Net Pension Liability – The net pension liability of the REP is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 projected forward to June 30, 2017, is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017 Measurement Date	\$3,649,086	\$2,175,050	\$1,474,036
Changes in the year:			
Service cost	47,461		47,461
Interest on the total pension liability	244,298		244,298
Contribution - employer		121,576	(121,576)
Net investment income		133,898	(133,898)
Effect of economic/demographic gains or losses	(78,177)		(78,177)
Effect of assumptions changes or inputs			
Administrative expenses		(9,009)	9,009
Benefit payments, including refunds of employee contributions	(157,202)	(157,202)	
Net changes	56,380	89,263	(32,883)
Balance at June 30, 2018 Measurement Date	<u>\$3,705,466</u>	<u>\$2,264,313</u>	<u>\$1,441,153</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the PARS 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:

	REP
1% Decrease	5.75%
Net Pension Liability	\$1,884,791
Current Discount Rate	6.75%
Net Pension Liability	\$1,441,153
1% Increase	7.75%
Net Pension Liability	\$1,067,870

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

D. PARS Plan (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions –
For the year ended June 30, 2018, the City recognized pension expense of \$317,030. At June 30, 2018, the City reported deferred outflows of resources related to pensions for the Plan from the following sources:

	REP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		(\$34,745)
Changes in assumptions		
Net differences between projected and actual earnings on plan investments	\$71,548	
Total	\$71,548	(\$34,745)

The REP Measurement Date is the same as the fiscal year end date, therefore, the fiscal year 2018 contribution of \$121,576 was recognized as part of the pension expense during the year. 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
2019	\$12,288
2020	25,138
2021	(2,911)
2022	2,288
	\$36,803

Contributions, Actuarial assumptions and information regarding the discount rate are discussed in Note 7E below.

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

Beginning in fiscal year 2017, 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 \$1,969,988 in fiscal year 2018.

CITY OF PACIFICA, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7 - Pension Plans (Continued):

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

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.

For the year ended June 30, 2018, the contributions to all Plans were as follows:

	Employer Contributions
CalPERS:	
Miscellaneous	\$1,571,900
Safety	2,398,015
PARS REP	121,576
Total:	\$4,091,491

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - Pension Plans (Continued):

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

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

	CalPERS	PARS REP
Valuation Date	June 30, 2016	June 30, 2017
Measurement Date	June 30, 2017	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	6.75%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	Varied by Entry Age and Service	Consistent with the rates used to value the Miscellaneous Agency CalPERS Pension Plans (Entry Age 30).
Investment Rate of Return	7.5% (1)	6.75%
		Pre-retirement: Consistent with the Non-Industrial rates used to value Miscellaneous Agency CalPERS Pension Plans.
		Post-retirement: CalPERS 1997-2011 Healthy Retiree Tables (sex-distinct) with an assumed base year of 2008 and full generational projections using Scale AA.
Mortality	Derived using CalPERS' Membership Data for all Funds	Retirement rates of 30% per year starting at age 55 with required years of service.
	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	
Post Retirement Benefit Increase		

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

(2) The mortality table used was developed based on CalPERS' specific data.

The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

California Public Employees Retirement System Plans (CalPERS)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 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 be found on the CalPERS website.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - 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 7.65% 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.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100%		

(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, 2018**

NOTE 7 - Pension Plans (Continued):

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

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.

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:

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Cash	2.66%	0.31%
Core Fixed Income	45.83%	2.14%
Broad US Equities	37.82%	4.59%
Developed Foreign Equities	8.65%	5.52%
Emerging Market Equities	3.60%	7.82%
US REITs	1.44%	5.04%
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, 2018**

NOTE 8 – 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 \$780,155 during fiscal year end June 30, 2018 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 Corporation, Finance Department, 375 Beale Street, Ste 700, San Francisco, CA 94105-2066.

The City paid premiums of \$553,096 during fiscal year end June 30, 2018 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, 2018**

NOTE 8 – 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 Preferred Benefit Insurance 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,	
	2017	2018
July 1 Liability	\$244,776	\$160,592
Claims & change in estimate	188,227	365,215
Payments for claims	(272,411)	(387,909)
June 30 Liability	<u>\$160,592</u>	<u>\$137,898</u>

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 9 - 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, 2018:

<u>Funds</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
Major Governmental Funds:		
General Fund	\$3,851,216	
Special Revenue Funds:		
Davies Trust Fund		\$216
Disaster Accounting		3,744,153
Capital Project Funds:		
General Capital Improvement		106,847
Major Enterprise Funds:		
Sewer Fund	7,562	
Non-major Enterprise Funds:		7,562
Beach Parking Fund		
Total	<u>\$3,858,778</u>	<u>\$3,858,778</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, 2018**

NOTE 9 - Interfund Transactions (Continued):

The following is a summary of transfers for the fiscal year ended June 30, 2018:

Funds	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$876,225	\$993,164
Gas Tax Fund		408,493
General Capital Improvement Fund	725,000	
Debt Service Fund	811,000	
Major Enterprise Funds:		
Sewer Utility Fund	26,272	124,615
Nonmajor Governmental Funds:		
NPDES Stormwater Speical Revenue Fund		62,100
Street Construction Speical Revenue Fund		540,905
Excess ERAF Speical Revenue Fund		848,000
Frontierland Remediation Capital Projects Fund		350,000
Internal Service Funds:		
Motor Pool Fund	797,779	
Self Insurance Fund	380,000	288,999
Total	\$3,616,276	\$3,616,276

Advances

At June 30, 2018, 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 Enterprise Fund

- Per the repayment plan approved by the Pacifica City Council on June 23, 2014, repayment of this advance began in 2017-18 and conclude in 2020-21.

General Fund/NPDES Special Revenue Fund

- A repayment plan will be finalized by the 2018-19 fiscal year.

Street Construction Special Revenue Fund/General Capital Improvement Capital Projects Fund

- A repayment plan will be finalized by the 2018-19 fiscal year.

	REP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		(\$34,745)
Changes in assumptions		
Net differences between projected and actual earnings on plan investments	\$71,548	
Total	\$71,548	(\$34,745)

CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – 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 and effective September 22, 2015, calculated at a simple interest rate of 3%. At June 30, 2018, outstanding loans totaled \$3,777,419 (\$2,056,836 in principal and \$1,720,583 in accrued interest).

NOTE 11 – 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, 2018

NOTE 11 – 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, 2018**

NOTE 11 – 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, 2018 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	\$149,372							\$149,372
Inventory	2,056							2,056
Loan receivable	3,777,419							3,777,419
Advances	75,000							75,000
Subtotal	<u>4,003,847</u>							<u>4,003,847</u>
Restricted for:								
Supplemental law enforcement							\$238,320	238,320
Trust Activities			\$3,464,475					3,464,475
Streets and roads		\$239,718					4,712,405	4,952,123
Housing							4,639,844	4,639,844
Parking							123,788	123,788
Debt services						\$2,049,181		2,049,181
Stormwater operations							114,314	114,314
Capital projects							2,637,897	2,637,897
Subtotal		<u>239,718</u>	<u>3,464,475</u>			<u>2,049,181</u>	<u>12,466,568</u>	<u>18,219,942</u>
Assigned for:								
Administrative	100,000							100,000
Police services	156,232							156,232
Parks, beaches and recreation	1,151,309							1,151,309
Subtotal	<u>1,407,541</u>							<u>1,407,541</u>
Unassigned	<u>7,142,843</u>			<u>(\$3,893,322)</u>	<u>(\$2,184,422)</u>			<u>1,065,099</u>
Total	<u>\$12,554,231</u>	<u>\$239,718</u>	<u>\$3,464,475</u>	<u>(\$3,893,322)</u>	<u>(\$2,184,422)</u>	<u>\$2,049,181</u>	<u>\$12,466,568</u>	<u>\$24,696,429</u>

C. Restatement

Management adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No.75 and the intention of this Statement is to improve the usefulness of information for decisions made by various users of the financial reports of governments whose employees, both active employees and inactive employees, are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of GASB 75 required the City to make prior period adjustments. As a result, the beginning net positions of the Governmental Activities were restated and reduced by \$1,996,591 and Enterprise Funds were restated and reduced by \$1,199,668.

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 12 – 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 13 – 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 10.

Long-term Debt – Long-term debt of the Successor Agency as of June 30, 2018, consisted of the following:

	<u>Balance July 01, 2017</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due in One Year</u>
2004 Tax allocation bonds	\$1,255,000	(\$55,000)	\$1,200,000	\$60,000

**CITY OF PACIFICA, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 13 – 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>
2019	\$60,000	\$66,788	\$126,788
2020	60,000	63,518	123,518
2021	65,000	60,040	125,040
2022	70,000	56,217	126,217
2023	75,000	52,084	127,084
2024 - 2028	425,000	191,827	616,827
2029 - 2032	445,000	53,044	498,044
Total	<u>\$1,200,000</u>	<u>\$543,518</u>	<u>\$1,743,518</u>

REQUIRED SUPPLEMENTARY INFORMATION

**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	6/30/2016	6/30/2017
Total Pension Liability				
Service Cost	\$1,445,205	\$1,427,162	\$1,495,380	\$1,631,204
Interest	5,862,583	6,123,624	6,346,516	6,501,283
Differences between expected and actual experience		(328,078)	(755,420)	(1,136,322)
Changes in assumptions		(1,478,509)		5,308,829
Changes in benefits				
Benefit payments, including refunds of employee contributions	(3,440,758)	(3,784,383)	(4,047,332)	(4,185,238)
Net change in total pension liability	3,867,030	1,959,816	3,039,144	8,119,756
Total pension liability - beginning	79,165,549	83,032,579	84,992,395	88,031,539
Total pension liability - ending (a)	<u>\$83,032,579</u>	<u>\$84,992,395</u>	<u>\$88,031,539</u>	<u>\$96,151,295</u>
Plan fiduciary net position				
Contributions - employer	\$993,077	\$1,081,227	\$1,256,738	\$1,459,527
Contributions - employee	622,734	622,660	685,119	711,067
Net investment income	11,283,773	1,641,405	382,638	7,967,324
Administrative expense		(83,654)	(45,303)	(107,140)
Benefit payments, including refunds of employee contributions	(3,440,758)	(3,784,383)	(4,047,332)	(4,185,238)
Net change in plan fiduciary net position	9,458,826	(522,745)	(1,768,140)	5,845,540
Plan fiduciary net position - beginning	65,398,696	74,857,522	74,334,777	72,566,637
Plan fiduciary net position - ending (b)	<u>\$74,857,522</u>	<u>\$74,334,777</u>	<u>\$72,566,637</u>	<u>\$78,412,177</u>
Net pension liability - ending (a)-(b)	<u>\$8,175,057</u>	<u>\$10,657,618</u>	<u>\$15,464,902</u>	<u>\$17,739,118</u>
Plan fiduciary net position as a percentage of the total pension liability	90.15%	87.46%	82.43%	81.55%
Covered payroll	\$7,982,929	\$8,049,221	\$8,463,442	\$9,007,097
Net pension liability as percentage of covered-employee payroll	102.41%	132.41%	182.73%	196.95%

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 June 30, 2016 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 - In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

**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	2017	2018
Actuarially determined contribution	\$1,081,226	\$1,256,739	\$1,454,468	\$1,571,900
Contributions in relation to the actuarially determined contributions	(1,081,226)	(1,256,739)	(1,454,468)	(1,571,900)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$8,049,221	\$8,463,442	\$9,007,097	\$9,138,180
Contributions as a % of covered	13.43%	14.85%	16.15%	17.20%
Notes to Schedule				
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Asset valuation method	Market Value of Assets
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment expense and administrative expenses, includes 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 three years are shown.

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

Safety 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	6/30/2016	6/30/2017
Plan's proportion of the Net Pension Liability (Asset)	0.50100%	0.53000%	0.00000%	0.52919%
Plan's proportion share of the Net Pension Liability (Asset)	\$18,808,357	\$20,914,148	\$27,461,120	\$31,620,401
Plan's Covered Payroll	\$6,019,600	\$5,843,663	\$5,928,087	\$6,058,030
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	312.45%	357.89%	463.24%	521.96%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	79.82%	78.40%	74.06%	73.31%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**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			
	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Total Pension Liability				
Service Cost	\$97,626	\$55,073	\$56,725	\$47,461
Interest	218,058	228,048	238,515	244,298
Differences between expected and actual experience				
Effect of economic/demographic gains or losses		(136,732)		(78,177)
Effect of assumptions changes or inputs		143,356	196,706	
Benefit payments, including refunds of employee contributions	(126,197)	(144,782)	(149,371)	(157,202)
Net change in total pension liability	<u>189,487</u>	<u>144,963</u>	<u>342,575</u>	<u>56,380</u>
Total pension liability - beginning	<u>2,972,061</u>	<u>3,161,548</u>	<u>3,306,511</u>	<u>3,649,086</u>
Total pension liability - ending (a)	<u><u>\$3,161,548</u></u>	<u><u>\$3,306,511</u></u>	<u><u>\$3,649,086</u></u>	<u><u>\$3,705,466</u></u>
Plan fiduciary net position				
Contributions - employer	\$159,573	\$127,848	\$123,391	\$121,576
Net investment income	44,261	7,840	172,456	133,898
Investment expense	(8,227)			
Benefit payments, including refunds of employee contributions	(126,197)	(144,782)	(149,371)	(157,202)
Administrative expenses	(8,448)	(9,150)	(8,664)	(9,009)
Net change in plan fiduciary net position	<u>60,962</u>	<u>(18,244)</u>	<u>137,812</u>	<u>89,263</u>
Plan fiduciary net position - beginning	<u>1,994,520</u>	<u>2,055,482</u>	<u>2,037,238</u>	<u>2,175,050</u>
Plan fiduciary net position - ending (b)	<u><u>\$2,055,482</u></u>	<u><u>\$2,037,238</u></u>	<u><u>\$2,175,050</u></u>	<u><u>\$2,264,313</u></u>
Net pension liability - ending (a)-(b)	<u><u>\$1,106,066</u></u>	<u><u>\$1,269,273</u></u>	<u><u>\$1,474,036</u></u>	<u><u>\$1,441,153</u></u>
Plan fiduciary net position as a percentage of the total pension liability	65.02%	61.61%	59.61%	61.11%
Covered payroll	\$1,485,442	\$1,530,005	\$1,303,994	\$1,351,614
Net pension liability as percentage of covered payroll	74.46%	82.96%	113.04%	106.62%

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, therefore only four years are shown.

**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	2017	2018
Actuarially determined contribution	\$220,169	\$127,848	\$127,848	\$121,576
Contributions in relation to the actuarially determined contributions	(220,169)	(127,848)	(127,848)	(121,576)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$1,485,442	\$1,530,005	\$1,303,994	\$1,351,614
Net Pension Liability as a percentage of covered payroll	14.82%	8.36%	9.80%	8.99%
Notes to Schedule				
Valuation date:	6/30/2014	6/30/2015	6/30/2016	6/30/2017

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	None
Inflation	2.75%
Salary increases	Consistent with the rates used to value the Miscellaneous Agency CalPERS Pension Plans (Entry Age 30)
Investment rate of return	7.25%
Retirement	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, therefore only four years are shown.

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

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
Single Employer Other Post-Employment Benefits Plan (OPEB)
Last 10 fiscal years***

Measurement Date	6/30/18
Total OPEB Liability (1)	
Service Cost	\$351,865
Interest	197,539
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions	(739,260)
Benefit payments	(170,926)
Net change in total OPEB liability	(360,782)
Total OPEB liability - beginning	6,664,823
Total OPEB liability - ending (a)	\$6,304,041
Covered payroll	\$18,704,543
Total OPEB liability as a percentage of covered-employee payroll	33.7%

Notes to Schedule:

* Fiscal year 2018 was the first year of implementation.

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$11,259,545	\$11,562,182	\$11,730,698	\$168,516
Sales	2,372,275	2,476,435	2,350,478	(125,957)
Franchise	1,714,402	1,714,402	1,722,343	7,941
Other	3,590,236	3,590,236	3,737,178	146,942
Licenses and permits	674,139	864,139	1,015,105	150,966
Fines and forfeitures	156,936	156,936	190,202	33,266
Use of money and property	195,218	195,218	260,800	65,582
Intergovernmental	5,115,962	5,139,862	5,784,679	644,817
Charges for current services	2,902,367	3,214,367	2,766,967	(447,400)
Recreation programs	921,200	921,200	988,832	67,632
Other	1,595,222	1,595,222	1,785,040	189,818
Total revenues	<u>30,497,502</u>	<u>31,430,199</u>	<u>32,332,322</u>	<u>902,123</u>
Expenditures:				
Current				
General Government:				
City Council	144,302	144,302	197,114	(52,812)
City Manager	1,008,401	1,008,401	918,522	89,879
Human Resources	546,002	546,002	416,685	129,317
City Attorney	499,999	499,999	635,929	(135,930)
Finance	1,596,601	1,617,113	1,537,434	79,679
Non-departmental	700,002	700,002	738,516	(38,514)
Total General Government	<u>4,495,307</u>	<u>4,515,819</u>	<u>4,444,200</u>	<u>71,619</u>
Public Safety:				
Police	9,219,001	9,669,001	9,511,814	157,187
Fire	6,090,968	6,571,968	6,634,654	(62,686)
Total Public Safety	<u>15,309,969</u>	<u>16,240,969</u>	<u>16,146,468</u>	<u>94,501</u>
Community development:				
Planning	2,464,999	2,514,999	1,964,511	550,488
Code enforcement			4,317	(4,317)
Total Community Development	<u>2,464,999</u>	<u>2,514,999</u>	<u>1,968,828</u>	<u>546,171</u>
Public Works:				
Engineering Services	836,652	836,652	832,288	4,364
Street and traffic maintenance	879,586	879,586	921,285	(41,699)
Building maintenance and improvement	479,579	479,579	429,753	49,826
Fishing pier/rest stop maintenance	160,073	160,073	130,555	29,518
City parks and playfields	994,023	1,033,023	897,858	135,165
Total Public Works	<u>3,349,913</u>	<u>3,388,913</u>	<u>3,211,739</u>	<u>177,174</u>

(Continued)

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks, Beaches, and Recreation:				
Parks, beaches, and recreation	\$285,000	\$285,000	\$324,105	(\$39,105)
Community center programs	205,000	205,000	199,334	5,666
Cultural arts	12,300	12,300	8,103	4,197
Elementary age recreation	170,300	170,300	215,102	(44,802)
Teens and j-teens recreation	88,000	88,000	74,674	13,326
Adult sports	500	500	342	158
Senior	208,400	208,400	213,780	(5,380)
Instructional class	148,000	148,000	154,281	(6,281)
Recreation swimming	400,000	400,000	276,698	123,302
Swim Team	147,000	147,000	116,605	30,395
Special community recreation	81,000	81,000	79,137	1,863
Special projects	2,680,602	2,680,602	2,495,989	184,613
Total Parks, Beaches and Recreation	<u>4,426,102</u>	<u>4,426,102</u>	<u>4,158,150</u>	<u>267,952</u>
Capital Outlay	<u>118,725</u>	<u>118,725</u>	<u>61,888</u>	<u>56,837</u>
Total Expenditures	<u>30,165,015</u>	<u>31,205,527</u>	<u>29,991,273</u>	<u>1,214,254</u>
Excess (Deficit) of Revenues over Expenditures	<u>332,487</u>	<u>224,672</u>	<u>2,341,049</u>	<u>2,116,377</u>
Other Financing Sources (Uses)				
Transfers in	631,398	631,398	876,225	(244,827)
Transfers (out)	(964,000)	(964,000)	(993,164)	(29,164)
Total Other Financing Sources (Uses)	<u>(332,602)</u>	<u>(332,602)</u>	<u>(116,939)</u>	<u>215,663</u>
Net Change in Fund Balance	<u>(\$115)</u>	<u>(\$107,930)</u>	<u>2,224,110</u>	<u>\$2,332,040</u>
Fund Balance at Beginning of Year			<u>10,330,121</u>	
Fund Balance at End of Year			<u>\$12,554,231</u>	

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 GAS TAX SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$1,017,000	\$958,616	(\$58,384)
Use of money and property		1,339	1,339
Other		14	14
	<u>1,017,000</u>	<u>959,969</u>	<u>(57,031)</u>
Total revenues			
	1,017,000	959,969	(57,031)
Expenditures:			
Current:			
Public works	624,958	612,750	12,208
Capital outlay	22,553	10,759	11,794
	<u>647,511</u>	<u>623,509</u>	<u>24,002</u>
Total expenditures			
	647,511	623,509	24,002
Excess (Deficiency) of Revenues over Expenditures	<u>369,489</u>	<u>336,460</u>	<u>(33,029)</u>
Other financing sources (Uses):			
Transfers out	<u>(408,493)</u>	<u>(408,493)</u>	
Total other financing sources (uses)	<u>(408,493)</u>	<u>(408,493)</u>	
Net change in fund balance	<u><u>(\$39,004)</u></u>	<u>(72,033)</u>	<u><u>(\$33,029)</u></u>
Fund balance at beginning of year		<u>311,751</u>	
Fund balance at end of year		<u><u>\$239,718</u></u>	

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 DAVIES TRUST SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Use of money and property	<u>\$1,500</u>	<u>\$3,740</u>	<u>\$2,240</u>
Total Revenues	<u>1,500</u>	<u>3,740</u>	<u>2,240</u>
Expenditures:			
Interest and fiscal charges	<u></u>	<u>104</u>	<u>(104)</u>
Net Change in Fund Balance	<u>\$1,500</u>	<u>3,636</u>	<u>\$2,136</u>
Fund Balance at beginning of year		<u>3,460,839</u>	
Fund balance at end of year		<u>\$3,464,475</u>	

**CITY OF PACIFICA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2018**

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

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Use of money and property	\$1,300	\$9,238	\$7,938
Other	<u>1,714,050</u>	<u>1,495,394</u>	<u>(218,656)</u>
Total Revenues	<u>1,715,350</u>	<u>1,504,632</u>	<u>(210,718)</u>
Expenditures:			
Debt Service:			
Principal	1,081,133	971,335	109,798
Interest and fiscal charges	<u>1,418,866</u>	<u>1,334,728</u>	<u>84,138</u>
Total expenditures	<u>2,499,999</u>	<u>2,306,063</u>	<u>193,936</u>
Excess (Deficit) of Revenues over Expenditures	<u>(784,649)</u>	<u>(801,431)</u>	<u>(16,782)</u>
Other Financing Sources (Uses)			
Transfers in	<u>641,650</u>	<u>811,000</u>	<u>169,350</u>
Total Other Financing Sources (Uses)	<u>641,650</u>	<u>811,000</u>	<u>169,350</u>
Net change in fund balance	<u><u>(\$142,999)</u></u>	9,569	<u><u>\$152,568</u></u>
Fund balance at beginning of year		<u>2,039,612</u>	
Fund balance at end of year		<u><u>\$2,049,181</u></u>	

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL CAPITAL IMPROVEMENT
 CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses and permits	\$50,000	\$20,677	(\$29,323)
Use of money and property		1,046	1,046
Intergovernmental	<u>2,500,000</u>	<u>922,438</u>	<u>(1,577,562)</u>
Total revenues	<u>2,550,000</u>	<u>944,161</u>	<u>(1,605,839)</u>
Expenditures:			
Current:			
Community development	68,600	61,397	7,203
Capital Outlay	<u>3,225,000</u>	<u>3,358,599</u>	<u>(133,599)</u>
Total expenditures	<u>3,293,600</u>	<u>3,419,996</u>	<u>(126,396)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(743,600)</u>	<u>(2,475,835)</u>	<u>(1,732,235)</u>
Other Financing sources (Uses)			
Transfers in	<u>725,000</u>	<u>725,000</u>	
Total Other Financing Sources (Uses)	<u>725,000</u>	<u>725,000</u>	
Net Change in Fund Balance	<u><u>(\$18,600)</u></u>	(1,750,835)	<u><u>(\$1,732,235)</u></u>
Fund balance (deficit) at beginning of year		<u>(433,587)</u>	
Fund balance (deficit) at end of year		<u><u>(\$2,184,422)</u></u>	

CITY OF PACIFICA
 BUDGETARY COMPARISON SCHEDULE
 DISASTER ACCOUNTING SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental		\$302,177	\$302,177
Other		1,114,452	1,114,452
Total revenues		<u>1,416,629</u>	<u>1,416,629</u>
Expenditures:			
Capital outlay		<u>3,167,388</u>	<u>(3,167,388)</u>
Total expenditures		<u>3,167,388</u>	<u>(3,167,388)</u>
Excess (Deficiency) of Revenues over Expenditures		<u>(1,750,759)</u>	<u>4,584,017</u>
Net change in fund balance		<u><u>(1,750,759)</u></u>	<u><u>(\$1,750,759)</u></u>
Fund balance (deficit) at beginning of year		<u>(2,142,563)</u>	
Fund balance (deficit) at end of year		<u><u>(\$3,893,322)</u></u>	

CITY OF PACIFICA, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2018

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.

EXCESS ERAF FUND – This fund was established to account for excess education augmentation revenue that the City receives from the County.

PARKS, BEACHES AND RECREATION FUND – This fund was established to account for various donations specifically designated for Park, Beaches and Recreation activities.

**CITY OF PACIFICA, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018

	SPECIAL REVENUE FUNDS			
	Supplemental Law Enforcement Services	NPDES Stormwater	Housing In-Lieu	Parking In-Lieu
Assets:				
Cash and investments	\$239,885	\$204,083	\$285,149	\$123,788
Receivable:				
Taxes				
Accounts		3,333		
Advance to other funds				
Total Assets	<u><u>\$239,885</u></u>	<u><u>\$207,416</u></u>	<u><u>\$285,149</u></u>	<u><u>\$123,788</u></u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$1,565	\$18,102		
Advance from other funds		75,000		
Total Liabilities	<u>1,565</u>	<u>93,102</u>		
Fund Balances:				
Restricted	<u>238,320</u>	<u>114,314</u>	<u>\$285,149</u>	<u>\$123,788</u>
Total Fund Balances (Deficits)	<u>238,320</u>	<u>114,314</u>	<u>285,149</u>	<u>123,788</u>
Total Liabilities and Fund Balances	<u><u>\$239,885</u></u>	<u><u>\$207,416</u></u>	<u><u>\$285,149</u></u>	<u><u>\$123,788</u></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 Playfield</u>
\$1,390,903	\$4,396,787	\$82,227	\$434,276	\$984,848	\$405	\$248,228
76,856			5,644			
<u>1,849,619</u>						
<u>\$3,317,378</u>	<u>\$4,396,787</u>	<u>\$82,227</u>	<u>\$439,920</u>	<u>\$984,848</u>	<u>\$405</u>	<u>\$248,228</u>
\$15,829	\$42,092		\$693	\$13,219		\$2,446
<u>15,829</u>	<u>42,092</u>		<u>693</u>	<u>13,219</u>		<u>2,446</u>
<u>3,301,549</u>	<u>4,354,695</u>	<u>\$82,227</u>	<u>439,227</u>	<u>\$971,629</u>	<u>\$405</u>	<u>245,782</u>
<u>3,301,549</u>	<u>4,354,695</u>	<u>82,227</u>	<u>439,227</u>	<u>971,629</u>	<u>405</u>	<u>245,782</u>
<u>\$3,317,378</u>	<u>\$4,396,787</u>	<u>\$82,227</u>	<u>\$439,920</u>	<u>\$984,848</u>	<u>\$405</u>	<u>\$248,228</u>

(Continued)

CITY OF PACIFICA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	CAPITAL PROJECTS FUNDS			
	Planned Local Drainage	Pacifica Library	Frontierland Remediation	Total
Assets:				
Cash and investments	\$652,165	\$503,004	\$1,148,065	\$10,693,813
Receivable:				
Taxes			6,249	6,249
Accounts				85,833
Advance to other funds				1,849,619
Total Assets	\$652,165	\$503,004	\$1,154,314	\$12,635,514
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable				\$93,946
Advance from other funds				75,000
Total Liabilities				168,946
Fund Balances:				
Restricted	\$652,165	\$503,004	\$1,154,314	12,466,568
Total Fund Balances (Deficits)	652,165	503,004	1,154,314	12,466,568
Total Liabilities and Fund Balances	\$652,165	\$503,004	\$1,154,314	\$12,635,514

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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, 2018

	SPECIAL REVENUE FUNDS			
	Supplemental Law Enforcement Services	NPDES Stormwater	Housing In-Lieu	Parking In-Lieu
Revenues:				
Taxes:				
Other taxes		\$186,046		
Charges for services		3,939		
Use of money and property	\$898	755	\$1,136	\$488
Intergovernmental	139,416			
Other				
	140,314	190,740	1,136	488
Expenditures:				
Current:				
Public Safety	45,510			
Community development				
Public works		94,019		
Recreation				
Capital outlay	60,926		12,249	
	106,436	94,019	12,249	
Excess (Deficit) of revenues over expenditures	33,878	96,721	(11,113)	488
Other financing sources (Uses)				
Transfers (out)		(62,100)		
Total Other Financing Sources (Uses)		(62,100)		
Net change in fund balances	33,878	34,621	(11,113)	488
Fund Balances (Deficits) at beginning of year	204,442	79,693	296,262	123,300
Fund Balances at end of year	\$238,320	\$114,314	\$285,149	\$123,788

SPECIAL REVENUE FUNDS (Continued)			CAPITAL PROJECTS FUNDS			
Street Construction	Excess ERAF	Parks, Beaches and Recreation	Highway 1 Improvement	Manor Drive Improvement	Aircraft Noise Project	Parks and Playfields
\$1,032,704	\$2,049,596					
	15,457	\$330	\$1,457	\$3,852	\$2	\$808
249,266			238,797			
7,093		250		361		184,238
1,289,063	2,065,053	580	240,254	4,213	2	185,046
						80,096
101,364			21,593			
		95				
		13,150	15,800			
101,364		13,245	37,393			80,096
1,187,699	2,065,053	(12,665)	202,861	4,213	2	104,950
(540,905)	(848,000)					
(540,905)	(848,000)					
646,794	1,217,053	(12,665)	202,861	4,213	2	104,950
2,654,755	3,137,642	94,892	236,366	967,416	403	140,832
<u>\$3,301,549</u>	<u>\$4,354,695</u>	<u>\$82,227</u>	<u>\$439,227</u>	<u>\$971,629</u>	<u>\$405</u>	<u>\$245,782</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, 2018

	CAPITAL PROJECTS FUNDS			
	Planned Local Drainage	Pacifica Library	Frontierland Remediation	Total
Revenues:				
Taxes:				
Other taxes				\$3,268,346
Charges for services	\$7,742			11,681
Use of money and property	2,560	\$1,982	\$5,537	35,262
Intergovernmental				627,479
Other			75,000	266,942
Total Revenues	10,302	1,982	80,537	4,209,710
Expenditures:				
Current:				
Public Safety				45,510
Community development				80,096
Public works				216,976
Recreation				95
Capital outlay				102,125
Total Expenditures				444,802
Excess (Deficit) of revenues over expenditures	10,302	1,982	80,537	3,764,908
Other financing sources (Uses)				
Transfers (out)			(350,000)	(1,801,005)
Total Other Financing Sources (Uses)			(350,000)	(1,801,005)
Net change in fund balances	10,302	1,982	(269,463)	1,963,903
Fund Balances (Deficits) at beginning of year	641,863	501,022	1,423,777	10,502,665
Fund Balances at end of year	\$652,165	\$503,004	\$1,154,314	\$12,466,568

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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, 2018

	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	\$186,046	\$5,546
Charges for services					3,939	3,939
Use of money and property		\$898	\$898		755	755
Intergovernmental	\$100,000	139,416	39,416			
Other						
Total Revenues	<u>100,000</u>	<u>140,314</u>	<u>40,314</u>	<u>180,500</u>	<u>190,740</u>	<u>10,240</u>
Expenditures:						
Current:						
Public Safety	67,500	45,510	21,990	117,400	94,019	23,381
Community development						
Public works						
Recreation						
Capital outlay	<u>135,546</u>	<u>60,926</u>	<u>74,620</u>			
Total Expenditures	<u>203,046</u>	<u>106,436</u>	<u>96,610</u>	<u>117,400</u>	<u>94,019</u>	<u>23,381</u>
Excess (Deficit) of Revenues over Expenditures	<u>(103,046)</u>	<u>33,878</u>	<u>136,924</u>	<u>63,100</u>	<u>96,721</u>	<u>33,621</u>
Other financing sources (Uses):						
Transfers (out)				(62,100)	(62,100)	
Total Other Financing Sources (Uses)				<u>(62,100)</u>	<u>(62,100)</u>	
Net change in fund balance	<u><u>(\$103,046)</u></u>	<u>33,878</u>	<u><u>\$136,924</u></u>	<u><u>\$1,000</u></u>	<u>34,621</u>	<u><u>\$33,621</u></u>
Fund Balance (Deficit) at beginning of year		<u>204,442</u>			<u>79,693</u>	
Fund Balance at end of year		<u><u>\$238,320</u></u>			<u><u>\$114,314</u></u>	

SPECIAL REVENUE FUNDS

Housing In-Lieu			Street Construction			Excess ERAF		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
			\$795,000	\$1,032,704	\$237,704		\$2,049,596	\$2,049,596
	\$1,136	\$1,136					15,457	15,457
			200,000	249,266	49,266			
			187	7,093	6,906			
	1,136	1,136	995,187	1,289,063	293,876		2,065,053	2,065,053
			1,165,651	101,364	1,165,651			
	12,249	(12,249)	2,795		2,795			
	12,249	(12,249)	1,168,446	101,364	1,168,446			
	(11,113)	(11,113)	(173,259)	1,187,699	1,360,958		2,065,053	2,065,053
			(784,555)	(540,905)	243,650		(848,000)	(848,000)
			(784,555)	(540,905)	243,650		(848,000)	(848,000)
	(11,113)	(\$11,113)	(\$957,814)	646,794	\$1,604,608		1,217,053	\$1,217,053
	296,262			2,654,755			3,137,642	
	\$285,149			\$3,301,549			\$4,354,695	

(Continued)

CITY OF PACIFICA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUND			CAPITAL PROJECTS FUND		
	Parks, Beaches and Recreation			Highway 1 Improvement		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes						
Other taxes						
Charges for services						
Use of money and property		\$330	\$330		\$1,457	\$1,457
Intergovernmental		250	250	\$774,000	238,797	(535,203)
Other						
Total Revenues		<u>580</u>	<u>580</u>	<u>774,000</u>	<u>240,254</u>	<u>(533,746)</u>
Expenditures:						
Current:						
Public Safety						
Community development						
Public works				27,729	21,593	6,136
Capital outlay		95	(95)			
		13,150	(13,150)	721,271	15,800	705,471
Total Expenditures		<u>13,245</u>	<u>(13,245)</u>	<u>749,000</u>	<u>37,393</u>	<u>711,607</u>
Excess (Deficit) of Revenues over Expenditures		<u>(12,665)</u>	<u>(12,665)</u>	<u>25,000</u>	<u>202,861</u>	<u>177,861</u>
Other financing sources (Uses)						
Transfers (out)						
Total Other Financing Sources (Uses)						
Net change in fund balance		<u>(12,665)</u>	<u>(\$12,665)</u>	<u>\$25,000</u>	<u>202,861</u>	<u>\$177,861</u>
Fund Balance (Deficit) at Beginning of Year		<u>94,892</u>			<u>236,366</u>	
Fund Balance at End of Year		<u>\$82,227</u>			<u>\$439,227</u>	

CAPITAL PROJECTS FUNDS

Manor Drive Improvement			Parks and Playfields			Planned Local Drainage		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
				\$808	\$808	\$1,000	\$7,742	\$7,742
\$1,000	\$3,852	\$2,852		184,238	184,238		2,560	1,560
	361	361						
1,000	4,213	3,213		185,046	185,046	1,000	10,302	9,302
1,800		1,800		80,096	(80,096)	1,000		1,000
528,250		528,250						
				80,096	(80,096)	1,000		1,000
530,050		530,050						
(529,050)	4,213	533,263		104,950	104,950		10,302	10,302
<u>(\$529,050)</u>	4,213	<u>\$533,263</u>		104,950	<u>\$104,950</u>		10,302	<u>\$10,302</u>
	<u>967,416</u>			<u>140,832</u>			<u>641,863</u>	
	<u>\$971,629</u>			<u>\$245,782</u>			<u>\$652,165</u>	

CITY OF PACIFICA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	CAPITAL PROJECTS FUND		
	Frontier Remediation		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes			
Other taxes			
Charges for services			
Use of money and property		\$5,537	\$5,537
Intergovernmental			
Other		75,000	75,000
Total Revenues	80,537	80,537	80,537
Expenditures:			
Current:			
Public Safety			
Community development	\$35,320		35,320
Public works			
Capital outlay			
Total Expenditures	35,320	35,320	35,320
Excess (Deficit) of Revenues over Expenditures	(35,320)	80,537	115,857
Other financing sources (Uses):			
Transfers (out)	(350,000)	(350,000)	
Total Other Financing Sources (Uses)	(350,000)	(350,000)	
Net change in fund balance	(\$385,320)	(269,463)	\$115,857
Fund Balance (Deficit) at beginning of year		1,423,777	
Fund Balance at end of year		\$1,154,314	

CITY OF PACIFICA, CALIFORNIA
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 2018

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, 2018

	Motor Pool	Self Insurance	Total
Assets			
Current Assets:			
Cash and investments	\$2,058,001	\$2,805,571	\$4,863,572
Receivable:			
Accounts	1,523		1,523
Inventories	22,815		22,815
Total Current Assets	2,082,339	2,805,571	4,887,910
Non-current assets:			
Capital assets, not being depreciated	258,774		258,774
Capital assets, being depreciated, net of accumulated depreciation	1,607,799		1,607,799
Total Noncurrent Assets	1,866,573		1,866,573
Total Assets	3,948,912	2,805,571	6,754,483
Liabilities			
Current Liabilities:			
Accounts payable	300,749	449	301,198
Accrued interest payable	566		566
Claims payable		137,898	137,898
Compensated absences	15,103		15,103
Bonds payable	16,367		16,367
Total Current Liabilities	332,785	138,347	471,132
Noncurrent Liabilities:			
Compensated absences	11,393		11,393
Bonds payable	135,707		135,707
Total Noncurrent Liabilities	147,100		147,100
Total Liabilities	479,885	138,347	618,232
Net Position			
Net investment in capital assets	1,866,573		1,866,573
Unrestricted	1,602,454	2,667,224	4,269,678
Total Net Position	\$3,469,027	\$2,667,224	\$6,136,251

CITY OF PACIFICA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Motor Pool	Self Insurance	Total
Operating revenues:			
Charges for services	\$1,290,207	\$222,132	\$1,512,339
Other operating income		994,170	994,170
Total operating revenues	1,290,207	1,216,302	2,506,509
Operating expenses:			
Personnel services	508,246		508,246
Administration	34,866		34,866
Supplies and materials	349,137		349,137
Insurance expense		905,813	905,813
Outside contractors		7,940	7,940
Maintenance	58,161		58,161
Insurance claims		227,318	227,318
Depreciation	490,440		490,440
Total operating expenses	1,440,850	1,141,071	2,581,921
Operating income (loss)	(150,643)	75,231	(75,412)
Non-operating revenues (expenses):			
Investment earnings	5,609	10,422	16,031
Intergovernmental revenues	31,546		31,546
Interest and fiscal charges	(9,027)		(9,027)
Gain on sale of capital assets	11,919		11,919
Total non-operating revenues (expenses)	40,047	10,422	50,469
Income (Loss) Before Transfers	(110,596)	85,653	(24,943)
Transfers:			
Transfers in	797,779	380,000	1,177,779
Transfers out		(288,999)	(288,999)
Change in net position	687,183	176,654	863,837
Net position at beginning of year	2,781,844	2,490,570	5,272,414
Net position at end of year	<u>\$3,469,027</u>	<u>\$2,667,224</u>	<u>\$6,136,251</u>

CITY OF PACIFICA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Motor Pool</u>	<u>Self Insurance</u>	<u>Total</u>
Cash Flows from Operating Activities			
Receipts from customers	\$1,296,478	\$1,216,302	\$2,512,780
Payments to suppliers and users	(218,525)	(947,208)	(1,165,733)
Payments for claims		(250,012)	(250,012)
Payments to employees	(524,254)		(524,254)
Net Cash Provided (Used) by Operating Activities	<u>553,699</u>	<u>19,082</u>	<u>572,781</u>
Cash Flows from Noncapital and Related Financing Activities			
Intergovernmental revenues	31,546		31,546
Transfers out		(288,999)	(288,999)
Transfers in	797,779	380,000	1,177,779
Net Cash Provided by Noncapital and Related Financing Activities	<u>829,325</u>	<u>91,001</u>	<u>920,326</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(611,162)		(611,162)
Proceeds from sale of capital assets	11,919		11,919
Principal payments on bonds and notes	(14,624)		(14,624)
Interest paid	(9,027)		(9,027)
Net Cash Used by Capital and Related Financing Activities	<u>(622,894)</u>		<u>(622,894)</u>
Cash Flows from Investing Activities:			
Interest received	5,609	10,422	16,031
Net Cash Provided by Investing Activities	<u>5,609</u>	<u>10,422</u>	<u>16,031</u>
Net Increase (Decrease) in Cash and Cash Equivalents	765,739	120,505	886,244
Cash and Cash Equivalents at the Beginning of Fiscal Year	<u>1,292,262</u>	<u>2,685,066</u>	<u>3,977,328</u>
Cash and Cash Equivalents at End of Fiscal Year	<u>\$2,058,001</u>	<u>\$2,805,571</u>	<u>\$4,863,572</u>

(Continued)

CITY OF PACIFICA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Motor Pool	Self Insurance	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	(\$150,643)	\$75,231	(\$75,412)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	490,440		490,440
(Increase) Decrease in Operating Assets:			
Accounts receivable			
Inventories	6,271		6,271
Increase (Decrease) in Operating Liabilities:			
Accounts payable	223,586	(33,455)	190,131
Accrued liabilities	53		53
Claims payable		(22,694)	(22,694)
Compensated absences	(16,008)		(16,008)
	<u>\$553,699</u>	<u>\$19,082</u>	<u>\$572,781</u>
Net Cash Provided (Used) by Operating Activities	<u>\$553,699</u>	<u>\$19,082</u>	<u>\$572,781</u>

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STATISTICAL SECTION

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CITY OF PACIFICA, CALIFORNIA
STATISTICAL SECTION
FISCAL YEAR ENDED JUNE 30, 2018

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 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<i>Governmental activities</i>				
Net investment in capital assets	\$ 50,142,311	\$ 51,393,206	\$ 54,212,344	\$ 54,455,020
Restricted	5,597,188	4,962,287	4,825,393	8,216,813
Unrestricted	8,728,875	4,867,264	(634,699)	4,681,456
Total governmental activities net position	<u>\$ 64,468,374</u>	<u>\$ 61,222,757</u>	<u>\$ 58,403,038</u>	<u>\$ 67,353,289</u>
<i>Business-type activities</i>				
Net investments in capital assets	\$ 10,796,034	\$ 11,247,270	\$ 14,179,807	\$ 15,462,599
Restricted	689,514	562,485		
Unrestricted	5,776,571	7,139,231	5,545,190	5,935,174
Total business-type activities net position	<u>\$ 17,262,119</u>	<u>\$ 18,948,986</u>	<u>\$ 19,724,997</u>	<u>\$ 21,397,773</u>
<i>Primary government</i>				
Net investment in capital assets	\$ 60,938,345	\$ 62,640,476	\$ 68,392,151	\$ 69,917,619
Restricted	6,286,702	5,524,772	4,825,393	8,216,813
Unrestricted	14,505,446	12,006,495	4,910,491	10,616,630
Total primary government net position	<u>\$ 81,730,493</u>	<u>\$ 80,171,743</u>	<u>\$ 78,128,035</u>	<u>\$ 88,751,062</u>

2013	2014	2015	2016	2017	2018
\$ 56,461,478	\$ 56,995,945	\$ 56,431,400	\$ 56,878,228	\$ 56,601,988	\$ 59,589,114
7,944,025	9,049,015	11,517,455	13,808,573	17,256,904	18,219,942
(13,421,330)	(14,105,441)	(46,030,272)	(39,126,535)	(37,204,436)	(42,615,720)
<u>\$ 50,984,173</u>	<u>\$ 51,939,519</u>	<u>\$ 21,918,583</u>	<u>\$ 31,560,266</u>	<u>\$ 36,654,456</u>	<u>\$ 35,193,336</u>
\$ 15,963,759	\$ 17,679,506	\$ 15,266,626	\$ 15,985,969	\$ 15,985,969	\$ 15,985,969
5,238,849	5,663,853	9,163,991	9,672,252	9,812,211	9,777,967
<u>\$ 21,202,608</u>	<u>\$ 23,343,359</u>	<u>\$ 24,430,617</u>	<u>\$ 25,658,221</u>	<u>\$ 25,798,180</u>	<u>\$ 25,763,936</u>
\$ 72,425,237	\$ 74,675,451	\$ 71,698,026	\$ 72,864,197	\$ 72,587,957	\$ 75,575,083
7,944,025	9,049,015	11,517,455	13,808,573	17,256,904	18,219,942
(8,182,481)	(8,441,588)	(36,866,281)	(29,454,283)	(27,392,225)	(32,837,753)
<u>\$ 72,186,781</u>	<u>\$ 75,282,878</u>	<u>\$ 46,349,200</u>	<u>\$ 57,218,487</u>	<u>\$ 62,452,636</u>	<u>\$ 60,957,272</u>

CITY OF PACIFICA
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2009	2010	2011	2012	2013
Expenses					
Governmental activities:					
General government	\$ 4,083,959	\$ 4,625,471	\$ 4,212,498	\$ 4,019,613	\$ 4,294,792
Public safety	15,306,306	15,149,459	14,460,040	13,568,582	13,572,060
Community Development	1,356,494	1,402,574	1,549,299	1,631,678	1,378,014
Public Works	4,422,332	4,801,291	4,881,082	4,688,440	4,088,408
Parks, Beaches & Recreation	4,035,233	3,681,863	3,919,199	4,005,189	3,880,586
Interest on Long-term Debt	2,225,220	1,777,280	2,174,281	2,120,772	2,037,476
Total Governmental Activities Expenses	<u>\$ 31,429,544</u>	<u>\$ 31,437,938</u>	<u>\$ 31,196,399</u>	<u>\$ 30,034,274</u>	<u>\$ 29,251,336</u>
Business-type activities:					
Sewer	\$ 9,084,439	\$ 9,658,229	\$ 10,944,059	\$ 10,124,492	\$ 10,231,084
Beach Parking					
Total Business-Type Activities Expenses	<u>\$ 9,084,439</u>	<u>\$ 9,658,229</u>	<u>\$ 10,944,059</u>	<u>\$ 10,124,492</u>	<u>\$ 10,231,084</u>
Total Primary Government Expenses	<u>\$ 40,513,983</u>	<u>\$ 41,096,167</u>	<u>\$ 42,140,458</u>	<u>\$ 40,158,766</u>	<u>\$ 39,482,420</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 77,393	\$ 69,853	\$ 48,038	\$ 12,512	\$ 15,902
Public Safety	1,001,112	840,467	851,020	681,205	836,279
Community Development	606,991	568,871	631,767	693,169	688,975
Public Works	1,741,147	683,914	683,914	701,012	701,012
Parks, Beaches & Recreation	1,642,848	1,558,394	1,843,700	2,063,812	2,067,301
Operating Grants and Contributions	4,364,106	1,884,748	1,980,279	1,726,522	1,817,278
Capital Grants and Contributions	2,936,150	4,049,601	2,348,301	3,519,266	2,311,468
Total Governmental Activities Program Revenues	<u>\$ 12,369,747</u>	<u>\$ 9,655,848</u>	<u>\$ 8,387,019</u>	<u>\$ 9,397,498</u>	<u>\$ 8,438,215</u>
Business-Type Activities:					
Charges for services:					
Sewer	\$ 11,885,526	\$ 11,367,645	\$ 11,694,198	\$ 11,980,789	\$ 12,500,814
Beach Parking					
Total Business-Type Activities Program Revenues	<u>11,885,526</u>	<u>11,367,645</u>	<u>11,694,198</u>	<u>11,980,789</u>	<u>12,500,814</u>
Total Primary Government Program Revenues	<u>\$ 24,255,273</u>	<u>\$ 21,023,493</u>	<u>\$ 20,081,217</u>	<u>\$ 21,378,287</u>	<u>\$ 20,939,029</u>
Net Revenues (Expenses)					
Governmental activities	\$ (19,059,797)	\$ (21,782,090)	\$ (22,809,380)	\$ (20,636,776)	\$ (20,813,121)
Business-type activities	2,801,087	1,709,416	750,139	1,856,297	2,269,730
Total Net Revenues (Expenses)	<u>\$ (16,258,710)</u>	<u>\$ (20,072,674)</u>	<u>\$ (22,059,241)</u>	<u>\$ (18,780,479)</u>	<u>\$ (18,543,391)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Property taxes	\$ 10,484,389	\$ 10,603,749	\$ 10,564,253	\$ 10,434,510	\$ 10,701,810
Sales Taxes	1,365,710	1,306,611	1,434,710	1,519,978	1,588,277
Franchise Tax	1,740,754	1,372,885	1,565,634	1,595,929	1,617,727
Other Taxes	2,787,716	2,604,443	2,712,005	3,005,388	3,152,723
Motor vehicle in lieu - unrestricted	3,184,538	3,107,767	3,195,730	3,039,393	2,923,573
Investment earnings	528,768	211,681	192,620	334,475	164,114
Miscellaneous	507,569	341,313	324,709	469,780	357,630
Transfers	45,000	45,000	-	200,000	410,000
Total Governmental Activities	<u>\$ 20,644,444</u>	<u>\$ 19,593,449</u>	<u>\$ 19,989,661</u>	<u>\$ 20,599,453</u>	<u>\$ 20,915,854</u>
Business-type activities:					
Investment Earnings	\$ 23,667	\$ 22,451	\$ 25,872	\$ 16,479	\$ 21,468
Miscellaneous					42,047
Transfers	(45,000)	(45,000)	-	(200,000)	(410,000)
Total Business-Type Activities	<u>\$ (21,333)</u>	<u>\$ (22,549)</u>	<u>\$ 25,872</u>	<u>\$ (183,521)</u>	<u>\$ (346,485)</u>
Total Primary Government	<u>\$ 20,623,111</u>	<u>\$ 19,570,900</u>	<u>\$ 20,015,533</u>	<u>\$ 20,415,932</u>	<u>\$ 20,569,369</u>
Changes in Net Position before Extraordinary Item:					
Governmental Activities	\$ 1,584,647	\$ (2,188,641)	\$ (2,819,719)	\$ (37,323)	\$ 102,733
Business-type Activities	2,779,754	1,686,867	776,011	1,672,776	1,923,245
Total Primary Government before Extraordinary Item:	<u>\$ 4,364,401</u>	<u>\$ (501,774)</u>	<u>\$ (2,043,708)</u>	<u>\$ 1,635,453</u>	<u>\$ 2,025,978</u>
Extraordinary Item					
Gain on transfer of assets and liabilities to successor agency				\$ 5,557,942	\$ -
Changes in Net Assets After Extraordinary Item:					
Governmental Activities				5,520,619	102,733
Business-Type Activities				1,672,776	1,923,245
Total Primary Government				<u>\$ 7,193,395</u>	<u>\$ 2,025,978</u>

Notes:
The City began reporting in the GASB 34 format in 2003

2014	2015	2016	2017	2018
\$ 4,473,909	\$ 4,324,645	\$ 4,604,299	\$ 5,196,272	\$7,156,065
13,935,234	13,997,209	15,859,890	14,310,434	17,194,894
1,250,419	1,089,881	1,629,555	1,964,355	2,329,479
4,138,762	5,757,332	4,714,402	5,698,841	7,409,411
3,921,499	3,894,017	4,329,044	4,938,859	4,963,552
1,945,156	2,072,272	1,667,485	2,442,966	1,896,665
<u>\$ 29,664,979</u>	<u>\$ 31,135,356</u>	<u>\$ 32,804,675</u>	<u>\$ 34,551,727</u>	<u>\$ 40,950,066</u>
\$ 10,853,371	\$ 11,897,495	\$ 10,816,732	\$ 11,893,663	\$ 12,922,459
	515,915	532,102	502,373	562,426
<u>\$ 10,853,371</u>	<u>\$ 11,897,495</u>	<u>\$ 11,348,834</u>	<u>\$ 12,396,036</u>	<u>\$ 13,484,885</u>
<u>\$ 40,518,350</u>	<u>\$ 43,032,851</u>	<u>\$ 44,153,509</u>	<u>\$ 46,947,763</u>	<u>\$ 54,434,951</u>
\$ 18,796	\$ 29,769	\$ 126,156	\$ 74,899	\$109,145
999,209	938,379	1,043,155	987,163	1,141,995
989,356	1,922,976	3,638,027	2,333,796	2,216,407
791,041	743,700	786,000	743,700	743,700
2,248,642	2,107,720	2,220,263	2,231,797	2,486,816
2,153,345	4,321,012	3,923,126	4,124,499	3,541,903
6,364,781	4,709,960	4,912,145	2,458,959	3,759,417
<u>\$ 13,565,170</u>	<u>\$ 14,773,516</u>	<u>\$ 16,648,872</u>	<u>\$ 12,954,813</u>	<u>\$ 13,999,383</u>
\$ 13,331,596	\$ 13,721,346	\$ 12,959,708	\$ 12,715,024	\$ 13,761,816
	537,192	533,952	493,850	543,919
<u>13,331,596</u>	<u>13,721,346</u>	<u>13,493,660</u>	<u>13,208,874</u>	<u>14,305,735</u>
<u>\$ 26,896,766</u>	<u>\$ 28,494,862</u>	<u>\$ 30,142,532</u>	<u>\$ 26,163,687</u>	<u>\$ 28,305,118</u>
\$ (16,099,809)	\$ (16,361,840)	\$ (16,155,803)	\$ (21,596,914)	\$ (26,950,683)
2,478,225	1,845,128	2,144,826	812,838	820,850
<u>\$ (13,621,584)</u>	<u>\$ (14,516,712)</u>	<u>\$ (14,010,977)</u>	<u>\$ (20,784,076)</u>	<u>\$ (26,129,833)</u>
\$ 11,275,518	\$ 12,200,335	\$ 12,445,509	\$ 12,679,059	\$ 13,780,294
1,686,593	1,754,568	1,983,930	2,374,505	2,350,478
1,668,382	1,697,972	1,736,620	1,748,266	1,722,343
3,329,647	3,529,485	3,710,615	3,749,159	4,904,111
3,164,873	3,320,316	3,543,953	3,731,337	3,973,622
184,700	29,979	(44,457)	743,630	151,887
537,867	259,197	1,481,757	846,648	505,076
15,715	(150)	939,559	818,500	98,343
<u>\$ 21,863,295</u>	<u>\$ 22,791,702</u>	<u>\$ 25,797,486</u>	<u>\$ 26,691,104</u>	<u>\$ 27,486,154</u>
\$ 19,808	\$ 16,123	\$ 22,337	\$ 145,621	\$ 442,917
	150	(939,559)	(818,500)	(98,343)
<u>\$ 19,808</u>	<u>\$ 16,273</u>	<u>\$ (917,222)</u>	<u>\$ (672,879)</u>	<u>344,574</u>
<u>\$ 21,883,103</u>	<u>\$ 22,807,975</u>	<u>\$ 24,880,264</u>	<u>\$ 26,018,225</u>	<u>\$ 27,830,728</u>
\$ 5,763,486	\$ 6,429,862	\$ 9,641,683	\$ 5,094,190	\$ 535,471
2,498,033	1,861,401	1,227,604	139,959	1,165,424
<u>\$ 8,261,519</u>	<u>\$ 8,291,263</u>	<u>\$ 10,869,287</u>	<u>\$ 5,234,149</u>	<u>\$ 1,700,895</u>
\$ -	\$ -	\$ -	\$ -	\$ -
5,763,486	6,429,862	9,641,683	5,094,190	535,471
2,498,033	1,861,401	1,227,604	139,959	1,165,424
<u>\$ 8,261,519</u>	<u>\$ 8,291,263</u>	<u>\$ 10,869,287</u>	<u>\$ 5,234,149</u>	<u>\$ 1,700,895</u>

CITY OF PACIFICA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal year June 30,			
	2009	2010	2011	2012
General Fund				
Reserved	\$ 3,951	\$ 3,702		
Unreserved	5,135	3,377		
Non Spendable			\$ 2,518,609	\$ 2,519,544
Committed			567,465	743,683
Assigned			150,369	130,858
Unassigned			841,392	227,012
Total General Fund	<u>\$ 9,086</u>	<u>\$ 7,079</u>	<u>\$ 4,077,835</u>	<u>\$ 3,621,097</u>
Interest receivable				
All Other Governmental Funds				
Reserved	\$ 2,881	\$ 3,415		
Unreserved	(1,771)	(2,313)		
Unreserved, reported in:				
Special revenue fund	(714)	(1,076)		
Capital projects fund	1,532	1,376		
Debt service funds	-	-		
Restricted			\$ 8,304,103	\$ 9,042,672
Committed			-	-
Assigned			-	-
Unassigned			(6,590,713)	(979,737)
Total All Other Governmental Funds	<u>\$ 1,928</u>	<u>\$ 1,402</u>	<u>\$ 1,713,390</u>	<u>\$ 8,062,935</u>
Total Governmental Funds	<u>\$ 11,014</u>	<u>\$ 8,481</u>	<u>\$ 5,791,225</u>	<u>\$ 11,684,032</u>

	Fiscal year June 30,					
	2013	2014	2015	2016	2017	2018
General Fund						
Non Spendable	\$ 2,522,197	\$ 2,540,590	\$ 3,996,158	\$ 3,947,951	\$ 4,021,024	\$4,003,847
Committed	899,051	907,519				
Assigned	117,873	168,197	904,240	904,240	904,240	1,407,541
Unassigned	127,980	1,341,251	1,893,507	4,960,039	5,404,857	7,142,843
Total General Fund	<u>\$ 3,667,101</u>	<u>\$ 4,957,557</u>	<u>\$ 6,793,905</u>	<u>\$ 9,812,230</u>	<u>\$ 10,330,121</u>	<u>\$ 12,554,231</u>
All Other Governmental Funds:						
Restricted	\$ 8,230,761	\$ 10,155,601	\$ 11,503,439	\$ 13,808,573	\$ 17,256,904	\$ 18,219,942
Committed	-	-	-	-	-	-
Assigned	-	-	14,016			
Unassigned	(818,354)	(1,656,694)	(1,312,645)	(2,410,718)	(3,518,187)	(6,077,744)
Total All Other Governmental Funds	<u>7,412,407</u>	<u>8,498,907</u>	<u>10,204,810</u>	<u>11,397,855</u>	<u>13,738,717</u>	<u>12,142,198</u>
Total Governmental Funds	<u>\$ 11,079,508</u>	<u>\$ 13,456,464</u>	<u>\$ 16,998,715</u>	<u>\$ 21,210,085</u>	<u>\$ 24,068,838</u>	<u>\$ 24,696,429</u>

CITY OF PACIFICA
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2009	2010	2011	2012
Revenues				
Taxes	\$ 16,230	\$ 16,391	\$ 16,454	\$ 16,733
Licenses and permits	402	350	341	409
Fines and forfeitures	246	246	227	174
Use of money and property	679	390	154	220
Intergovernmental revenues	9,320	8,497	8,173	8,029
Charges for Services	2,777	1,592	1,676	1,515
Recreation Programs	597	445	654	786
Other Revenues	1,455	1,620	1,540	1,790
Total Revenues:	<u>31,706</u>	<u>29,531</u>	<u>29,219</u>	<u>29,656</u>
Expenditures				
Current:				
General government	4,209	7,430	3,884	3,428
Public safety	14,896	16,575	14,096	12,544
Community Development	1,306	3,275	1,435	1,491
Public Works	3,722	8,888	4,041	3,583
Parks, Beaches & Recreation	3,929	8,725	3,581	3,644
Non-departmental				
Capital outlay	3,912	2,286	754	2,843
Debt service:				
Principal retirement	35	550	1,482	1,561
Interest and Other Chares	2,340	1,540	2,256	2,250
Bond issuance cost				
Total Expenditures	<u>34,349</u>	<u>49,269</u>	<u>31,529</u>	<u>31,344</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,643)</u>	<u>(19,738)</u>	<u>(2,310)</u>	<u>(1,688)</u>
Other Financing Sources (Uses)				
Transfers in	2,391	1,489	3,387	3,449
Transfers out	(2,846)	(1,869)	(3,767)	(4,504)
Other Sources/Uses:				
Issuance of Debt	19,815	17,826		
Issuance of Discount	(596)	(241)		
Refunded to debt escrow agent	(15,747)	-		
Proceeds of long-term debt				
Total other financing sources (uses)	<u>3,017</u>	<u>17,205</u>	<u>(380)</u>	<u>(1,055)</u>
Net change in fund balances	<u>\$ 374</u>	<u>\$ (2,533)</u>	<u>\$ (2,690)</u>	<u>\$ (2,743)</u>
Debt service as a percentage of noncapital expenditures	7.4%	4.4%	13.5%	13.8%

	2013	2014	2015	2016	2017	2018
\$	17,238	\$ 18,138	\$ 21,216	\$22,294	\$22,411	\$23,768
	389	515	683	827	812	1,036
	179	301	153	150	161	190
	155	178	459	1,663	980	311
	7,233	10,614	8,567	7,439	6,605	7,637
	1,679	1,996	2,219	2,829	2,722	2,779
	820	813	897	898	845	989
	1,531	2,285	4,163	3,690	4,283	4,662
	29,224	34,840	38,357	39,790	38,819	41,372
	3,677	3,866	3,899	4,332	4,538	4,444
	12,452	12,940	14,199	14,555	15,452	16,192
	1,331	1,250	1,318	1,814	1,907	2,110
	3,356	3,347	4,259	3,707	4,597	4,041
	3,552	3,585	3,988	4,333	4,419	4,158
	2,659	3,529	3,077	3,393	1,952	6,701
	1,661	1,791	1,918	2,046	1,667	971
	1,912	1,878	1,777	1,686	1,957	1,335
					293	
	30,600	32,186	34,435	35,866	36,782	39,953
	(1,376)	2,654	3,922	3,924	2,037	1,419
	3,619	3,766	1,924	2,614	6,191	2,412
	(4,017)	(4,146)	(2,304)	(2,327)	(5,665)	(3,203)
					(16,794)	
	1,169				17,092	
	771	(380)	(380)	287	824	(790)
\$	(605)	\$ 2,274	\$ 3,542	\$ 4,211	\$ 2,861	\$ 628
	13.2%	12.87%	11.66%	11.49%	11.00%	6.1%

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

<u>Categories</u>	<u>Annual Years</u>			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Food Stores	\$ 25,359	\$ 25,033	\$ 24,665	\$ 25,723
Eating & Drinking Places	28,659	28,999	30,244	30,168
Building Materials	5,838	4,587	3,856	3,737
Auto Dealers & Supplies	3,953	3,655	3,637	3,819
Service Stations	44,064	34,149	39,755	49,578
Other Retail Stores	31,214	32,576	33,749	34,195
All Other Outlets	35,454	28,446	32,277	30,113
Total	<u>\$ 174,541</u>	<u>\$ 157,445</u>	<u>\$ 168,183</u>	<u>\$ 177,333</u>

Notes:

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

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

Source: State Board of Equalization, California Department of Taxes and Fees Administration, State Controller's Office and the HdL Companies

Annual Years					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 *</u>
\$ 26,201	\$ 26,938	\$ 27,941	\$ 27,953	\$ 24,570	\$ 27,139
33,666	39,443	45,038	49,449	50,501	52,742
3,863	3,735	3,805	3,929	3,839	4,173
4,095	4,385	4,685	4,534	4,520	4,804
52,508	54,192	52,293	44,580	38,839	41,061
34,441	35,602	34,111	35,469	42,975	43,231
33,155	36,638	38,654	40,107	47,816	50,044
\$ 187,929	\$ 200,933	\$ 206,527	\$ 206,021	\$ 213,060	\$ 223,194

**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>
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%
2017	5.75%	0.75%	1.75%	0.50%	0.00%	8.75%
2018	5.75%	0.75%	1.75%	0.50%	0.00%	8.75%

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 Companies

CITY OF PACIFICA
TAX REVENUES BY SOURCE (GOVERNMENTAL FUNDS)
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>
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
2016-2017	22,411,007	811,803	980,024	6,604,617	2,722,206	161,023	5,037,010	38,727,690
2017-2018	23,596,985	1,035,782	311,425	7,636,773	2,778,648	190,202	5,650,674	41,200,489
% Change 2009-2018	45.39%	157.25%	-54.17%	-18.06%	0.07%	-22.58%	175.44%	29.94%

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

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
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
2016-2017	2,622,536	2,952,932	2,132	4,041	18,948	21,509	2,626,577	2,971,880	23,641	5,622,098	54,992	52,206	107,198	5,514,900
2017-2018	2,836,115	3,100,809	2,089	4,385	14,214	21,638	2,840,500	3,115,023	23,727	5,979,250	54,419	56,353	110,772	5,868,478
% Change 2009-2018	37.12%	27.36%	-43.46%	-10.07%	-19.51%	-1.39%	37.01%	27.02%	-7.46%	31.38%	-6.09%	-0.23%	-3.20%	32.27%

(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 a 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.

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	
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%	0.0428%	1%	0.0019%
2015	0%	0%	0.00%	0.0392%	0.0513%	0.1192%	0.0665%	0.0464%	1%	0.0019%
2016	0%	0%	0.00%	0.0250%	0.0457%	0.1257%	0.0716%	0.0461%	1%	0.0019%
2017	0%	0%	0.00%	0.0311%	0.0467%	0.1480%	0.0662%	0.0430%	1%	0.0019%
2018	0%	0%	0.00%	0.0281%	0.0366%	0.1479%	0.0695%	0.0343%	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 the tax rate only for general obligation bonds, or in excess of 1% if two-thirds of the voters in the area authorize such a rate increase. All tax levies include Homeowner's Property Tax Relief and Business Inventory Property Tax Relief.

Source: County of San Mateo Controller's Office - 2008-2009 thru 2017-2018 Property Tax Rate Book & HdL Companies

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

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
FPA WD Lands End LLC	\$85,633	1	1.44%	\$48,493	1	1.11%
AIMCO Pacifica Park Apartments	53,542	2	0.90%	19,975	4	0.46%
Linda Mar Shopping Center, LLP	34,914	3	0.59%	31,466	2	0.72%
PK III Fairmont Shopping Center	30,313	4	0.51%	27,319	3	0.63%
CRP/PSE Seaside Pacifica Owner	24,617	5	0.41%			
Oceanview Housing Associates LLC	21,482	6	0.36%			
Marymount Summit ,LLC	20,312	7	0.34%	18,306	5	0.42%
Tajirian Investments LLC	17,136	8	0.29%			
Bay Apartment Communities, Inc.	15,248	9	0.26%	13,426	8	0.31%
Upsky Lighthouse Hotel LLC	15,190	10	0.26%			
Horizon West Apartments, LLC				15,690	6	0.36%
Harry B. Lewis, et al				14,184	7	0.33%
National Church Residences				13,129	9	0.30%
LBN Properties LP				12,817	10	0.29%
Total	<u>\$318,387</u>		<u>5.36%</u>	<u>\$214,805</u>		<u>4.93%</u>

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.

Source: HdL Companies report and 2009 CAFR-Source: Tax Rolls provided by County Assessor's Office, County of San Mateo, California, March 1, 2009

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

Fiscal Year Ending June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2017	10,795	10,810	100.14%	0	10,810	100.14%
2018	11,530	11,530	100.00%	0	11,530	100.00%
% Change 2009-2018	0.3412	0.3479			0.3479	0.0050

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 the tax rate only 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 Office of the Controller, County of San Mateo

**CITY OF PACIFICA
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
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
2017	9,748,420	699,600	-	16,977,583	27,425,603
2018	8,893,219	583,466	-	16,862,704	26,339,389

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.
The City issued \$14,680,000 (par value) of new COP's in 2016, refunding the 2008 COP's

Sources: City's Comprehensive Annual Financial Reports 2009-2018.

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>Per Capita Personal Income</u>	<u>Debt as a Percentage of Personal Income</u>
2009	13,380,000	23,749,506	37,129,506	57,819,884	57,014	39,984	1,446	41,153	0.07%
2010	15,558,627	22,112,004	37,670,631	76,027,382	63,500	40,431	1,880	36,144	0.05%
2011	15,269,875	20,444,965	35,714,840	72,610,343	62,917	37,658	1,928	39,648	0.05%
2012	15,018,978	18,747,852	33,766,830	69,128,230	n/a	37,948	1,822	41,909	0.06%
2013	11,275,298	23,043,678	34,318,976	68,129,431	n/a	38,292	1,779	42,099	0.06%
2014	11,172,927	21,406,345	32,579,272	65,628,360	n/a	38,315	1,713	43,390	0.07%
2015	9,736,334	20,375,644	30,111,978	61,358,696	n/a	37,806	1,623	45,452	0.07%
2016	9,436,801	18,070,515	27,507,316	55,832,276	n/a	38,124	1,464	45,591	0.08%
2017	35,297,847	15,756,776	51,054,623	78,480,226	n/a	38,418	2,043	46,553	0.06%
2018	34,886,481	13,434,113	48,320,594	74,659,983	n/a	39,087	1,910	46,043	0.06%

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 2009-2018.

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

FISCAL YEAR ENDING JUNE 30

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assessed Valuation	\$4,436,778	\$4,353,684	\$4,353,695	\$4,398,866	\$4,449,139	\$4,696,398	\$4,932,567	\$5,213,945	\$5,514,900	\$5,934,385
Debt Limit	166,379	163,263	163,264	164,957	166,843	176,115	184,971	195,523	206,809	222,539
Total Net Debt Applicable to Limit	19,815	37,481	36,020	34,486	32,936	33,049	31,247	28,325	27,426	26,339
Legal Debt Margin	\$146,564	\$125,782	\$127,244	\$130,471	\$133,907	\$143,066	\$153,724	\$167,198	\$179,383	\$196,200
Total Net Debt applicable to the limit as a percentage of debt limit	11.91%	22.96%	22.06%	20.91%	19.74%	18.77%	16.89%	14.49%	13.26%	11.84%

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
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
2017	12,715	8,444	4,271	1,163	2,514	3,677	1.16
2018	13,762	8,660	5,102	1,399	2,513	3,912	1.30

Special Assessment Bonds

Fiscal Year	Debt Service (000's)	
	Principal	Interest
2009	0	0
2010	0	0
2011	0	0
2012	0	0
2013	0	0
2014	0	0
2015	0	0
2016	0	0
2017	0	0
2018	0	0

Notes:

- (1) Operating Expenses excludes depreciation, capital expenditures and debt service
- (2) Include the Series 2014 and the Series 2017 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 %
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	4.9
2014	38,315	n/a	43,390	3.9
2015	37,806	n/a	45,452	3.1
2016	38,124	n/a	45,591	2.8
2017	38,418	n/a	46,553	2.0
2018	39,087	n/a	46,043	2.5

Notes and Data Sources:

The City of Pacifica is not a Standard Metropolitan Statistical Area (SMSA).

Population: California State Department of Finance, Unemployment Data: California Employment Development Department
2000-2009 Income: ESRI - Demographic Estimates are based on the last available census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries

2010 and later - Income - US Census Bureau, most recent American Community Survey

Source: HdL Companies via U.S. Census Bureau, California State Department of Finance and California Employment Development Department

CITY OF PACIFICA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO

Employer	2017*			2009		
	# of Employees	Rank	Percentage of Total City Employment	# of Employees	Rank	Percentage of Total City Employment
Pacifica School District	349	1	N/A	307	1	N/A
Safeway (3)	274	2	N/A	214	3	N/A
City of Pacifica	192	3	N/A	287	2	N/A
Jefferson High School	100	4	N/A	170	4	N/A
Oceana Market	55	5	N/A			
Starbucks (3)	50	6	N/A			
Rite Aid (2)	43	7	N/A	52	6	N/A
Recology of the Coast	33	8	N/A			
Ross Dress for Less	30	9	N/A	48	8	N/A
North Coast County Water District	21	10	N/A	22	9	N/A
Lucky (Save Mart Supermarkets)				125	5	N/A
Coastside Scavenger				50	7	N/A

Notes:

The City does not track this information. Our business license tax is based on gross receipts.

The City of Pacifica is not a Standard Metropolitan Statistical Area (SMSA) so this information is not readily available.

Source: City of Pacifica Research

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

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government											
Administration	7	7	7	7	6	6	6	6	7	7	7
Finance	7.5	7	7	7	6	6	6	6	6.5	7.5	6.5
Parks	39.75	37.75	37.75	58	58	58	53	54	65.5	53	51
Planning & Building	9	9	8	8	8	8	8	7	7	7	7
Public Works	24	24	26	26	18	18	20	21	19	22	23
Engineering	4	4	4	5	5	5	5	5	5	6	6
Police											
Officers	40	40	36	36	33	33	33	34	29	33	37
Civilians	12.5	11.5	12.5	13	4	4	5	4	3	4	4
Fire											
Firefighters	28	27	27	27	23	23	25	25	25	25	23
Civilians	1	1	1	1.5	1	1	1	1	1	1	1
Wastewater Division	19.75	19.75	19.75	19.75	24	24	24	26	24	26	27
Total	192.5	188	186	208.25	186	186	186	189	192	191.5	192.5
Authorized Full-Time Positions									159	161	161

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Building Permits Issued	970	967	1,036	1,279	1,514	1,501	1,587	1,682	1,921	1,811
Building Inspections Conducted	2,745	2,727	2,500	2,770	2,710	2,818	3,018	4,093	4,610	4,630
Police										
Physical Arrests	1,102	1,105	932	803	812	812	923	864	702	816
Parking Violations	3,250	3,427	2,635	1,829	3,652	3,652	5,085	4,700	5,099	6,257
Traffic Violations	3,368	3,472	3,074	2,880	2,966	2,966	2,193	1,763	2,090	2,718
Fire										
Emergency Responses	2,852	3,708	2,782	2,862	1,873	3,117	3,147	3,215	2,977	3,142
Fires Extinguished	139	104	87	90	101	96	106	88	77	66
Inspections	1,085	943	954	1,023	1,056	895	951	955	730	783
Other Public Works										
Street Re-surfacing (miles)	3.07	2.02	1.05	0.00	0.00	0.00	0.90	0.00	0.00	0.51
Potholes Repaired	414	420	432	363	379	379	351	1,125	1,200	1,200
Parks, Beaches & Recreation	estimated	estimated	estimated	estimated	estimated	estimated	estimated	estimated	estimated	estimated
Community Center Admissions	105,000	100,000	96,000	94,000	98,000	91,000	95,730	89,654	98,480	92,000
Enterprise Fund WWTP										
Residential Sewer Accounts	11,319	11,319	11,323	11,330	11,340	11,440	11,455	11,480	11,470	11,479
Commercial Sewer Accounts	318	318	318	318	318	316	340	345	342	343
Total Accounts	11,637	11,637	11,641	11,648	11,658	11,756	11,795	11,825	11,812	11,822
New Connections	30	-	3	4	7	1	4	10	17	10
Avg Daily Sewage Treatment (Gallons)	2,674,000	3,117,000	3,110,000	2,832,000	2,350,000	2,240,000	2,240,000	2,463,000	3,230,000	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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	2,051	2,051	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	148.13	148.13	148.13	148.13	148.13	148.13	148.13	148.13
Playgrounds	13	13	14	14	14	14	14	14	14	14
Baseball Diamonds	5	5	5	5	5	5	5	5	5	5
Soccer/Football Fields	3	3	2	2	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	104	104
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
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
2017	626.14	13.04476
2018	676.24	14.08834

Notes:

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

Source: City Records

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