

**CITY OF PACIFICA**

**CALIFORNIA**

**COMPREHENSIVE**

**ANNUAL FINANCIAL REPORT**

**For Fiscal Year Ended June 30, 2010**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For Fiscal Year Ended June 30, 2010**



PREPARED BY  
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**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2010**

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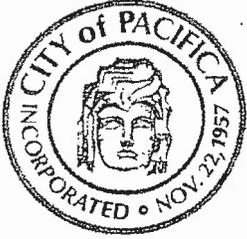
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*Scenic Pacifica*

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March 31, 2011

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

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Pacifica, California, for the fiscal year ended June 30, 2010 as prepared by the City's Finance Department.

State law requires that the accounts and fiscal affairs of each municipal corporation be examined annually by an independent certified public accountant. We have complied with this requirement, and the auditor's report as provided by Moss, Levy & Hartzheim, LLP, along with the basic financial statements of the City, is herein submitted.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Report to the City of Pacifica for its comprehensive annual financial report for the fiscal year ended June 30, 2009. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and effectively organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

This report consists of management's representations concerning the finances of the City of Pacifica. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework 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). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, I assert that, to the best of my knowledge and belief, this financial report is complete and reliable in all material respects. Further, every attempt has been made to conform to the highest standards of public financial reporting as set forth by the following organizations:

- Governmental Accounting Standards Board (GASB);
- American Institute of Certified Public Accountants and its Committee on Governmental Accounting and Auditing;

- Government Finance Officers Association of the United States and Canada; and
- California Society of Municipal Finance Officers.

The City's independent audit was meant to provide reasonable assurance that its financial statements are free of material misstatement. This audit involved 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 auditor has issued an unqualified opinion of the City's financial statements indicating they are fairly presented in conformity with GAAP.

GAAP 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.

In addition to meeting the requirements set forth by State law, the audit was 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.

### **CITY OF PACIFICA PROFILE**

The City of Pacifica is a full service city located on the Pacific Coast in San Mateo County directly south of San Francisco. Located within the Bay Area Peninsula, it is framed by the ridges of the Coast Range on the east, Montara Mountains on the south, and the Pacific Ocean on the west. The City of Pacifica encompasses roughly 12.6 square miles (of which approximately one third is publicly owned open space), is largely built out, and serves a population of approximately 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 City Council members also serve as the governing board members of the Pacifica Redevelopment Agency, and the City Manager serves as its Executive Director. The Council appoints the City Manager and the City Attorney. Key advisory commissions include Planning and Parks, Beaches and Recreation.

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

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

## FACTORS AFFECTING FINANCIAL CONDITION

**Local economy** - 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. The Bay Area continues to be one of the major growth areas of the country. Due to its diverse economic base and geographically contained commerce, the City of Pacifica has weathered, and continues to weather, the economic uncertainties.

While residential development has reached near build out conditions, several new projects are being constructed. Commercial development potential is high in Pacifica as several commercially zoned sites are in various phases of the permit process; other commercial sites remain undeveloped or underdeveloped. The City and the Pacifica Chamber of Commerce are active in encouraging resident and visitor-serving business startups.

The Pacifica Redevelopment Area in West Rockaway Beach is complete within the Phase I area. All infrastructure improvements have been completed including streetscape, underground utilities, public plaza, landscaping and public art. One of the major sites has been fully developed and is now on line as a revenue producing enterprise.

Phase II of the redevelopment area consists of the Rockaway Quarry. With the completion of the new wastewater treatment plant, and rehabilitated wetlands, the City Council is now turning its attention to the commercial development of the quarry land. The wastewater treatment plant is a state-of-the-art sewage treatment facility providing high quality reusable water at a rate of 3.1 million gallons per day. The discharge is being used to nourish a new wetlands area and provide irrigation for public benefit.

**Cash management** - The City adheres to the provisions of the California Government Code section 53601 regarding investment of idle cash. The City Council annually reviews the investment policy and any changes thereto. The City of Pacifica's Investment Policy has received official certification by the Association of Public Treasurers, United States & Canada (APT US & C). The City maximizes its yield on short-term/low risk investments by pooling the cash of all funds. The Investment Policy allows any cash temporarily idle during the year to be invested in U.S. Government Agency securities and the State Local Agency Investment Fund. The portfolio yield at June 30, 2010 fiscal year end was approximately .6%.

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

In September 2008, the City Council established the Financing City Services Task Force comprised of 15 community members and two Councilmembers. Initially, the Task Force focused on short term revenue solutions for the expiration of a fire assessment. In 2009, the mission of the Financing City Service Task Force was revised by the City Council to 1) work with staff to review service levels and expenditures; 2) explore ways to reduce costs and achieve efficiencies in City operations and 3) examine revenues and explore the need for additional or revised methods to finance City services. The Task Force developed and recommended to the City Council a Five Year Financial Plan that incorporates the results of the Task Force's review of expenditures and revenues and establishes a method for resolving the structural deficit. The Five Year Financial Plan was approved by the City Council in 2010.

The City of Pacifica has continued to be fiscally conservative in both financial investments per the City's Investment Policy as well as decisions regarding use of reserves. The City Council's fiscally conservative approach as well as the development of a Five Year Financial Plan continues to provide guidance in this uncertain fiscal crisis.

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

Open encumbrances are reported as reservations of fund balance at June 30, 2010. These encumbrances are re-approved by the Council and added to the budget for the upcoming fiscal year. Unexpended budget appropriations lapse at the end of the fiscal year with the exception of capital improvement projects.

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

**Risk management** - The city is exposed to numerous risks of loss related to tort claims, theft, damage and destruction of City assets and property, errors and omissions, injuries to employees and the public and natural disasters. A combination of self-insurance and commercial coverage is used by the City to manage its risk. During FY 2009-2010, the City maintained a risk management program for Workers' Compensation, employment, general liability and property damage. As part of the comprehensive plan, resources have been accumulated in the self-insurance (Internal Service) fund to meet potential losses. In addition, a safety committee of City employees meets and reviews all accidents and recommends preventive measures to minimize future accident-related losses. Further details on the types and amounts of coverage are addressed in Notes 9 and 10 of the notes to the financial statements.

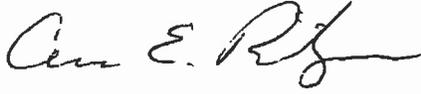
**Pension benefits** - The City provides for retirement benefits to its employees through participation in the California Public Employees Retirement System (PERS), an agent multiple-employer defined benefit pension plan. Each year, an independent actuary is engaged by PERS to calculate the amount of annual contribution the City must make to ensure the plan will meet its obligations to pay retired employees on a timely basis. As a matter of policy, the City fully funds its annual required contribution as determined by the actuary. Due to a combination of enhanced retirement benefits and significant investment losses by PERS early in the last decade, the City will be absorbing a significant ongoing annual unfunded liability contribution for the foreseeable future. The City issued a Pension Obligation Bond in May of 2010. Additional detail and trend information is explained in Note 8 of the notes to the financial statements.

## ACKNOWLEDGEMENTS

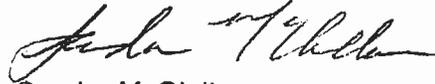
Preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the City of Pacifica Finance Department, including: Sandra McClellan, Assistant Finance Director; Ed Vandehey, Information Technology Manager; Gillian Cadgene, Administrative Assistant;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

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

Respectfully submitted,



Ann E. Ritzma  
Administrative Services Director



Sandra McClellan  
Assistant Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pacifica  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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

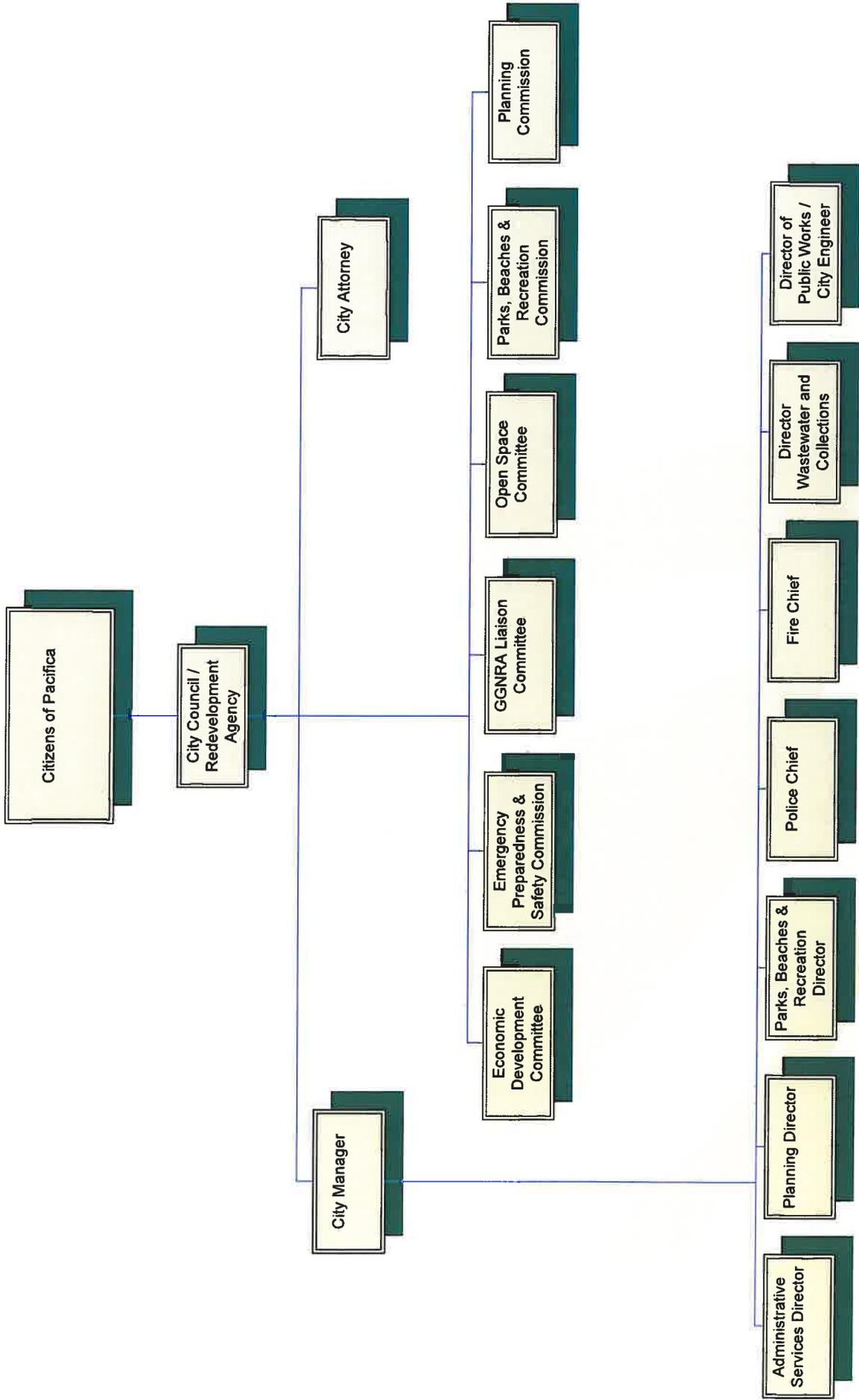


President

Executive Director

# City of Pacifica, California

◀ Fiscal Year 2009-2010 ▶



**CITY OF PACIFICA, CALIFORNIA**

HONORABLE SUE DIGRE  
Mayor

MARY ANN NIHART  
Mayor Pro Tem

PETER DEJARNATT JULIE LANCELLE  
JAMES M. VREELAND, JR.  
Members of City Council

\* \* \* \* \*

STEPHEN RHODES  
City Manager

\* \* \* \* \*

**OTHER ADMINISTRATIVE OFFICERS**

CECILIA QUICK	City Attorney
ANN RITZMA	Administrative Services Director
JAMES SAUNDERS	Police Chief
RON MYERS	Fire Chief
MICHAEL CRABTREE	Director of Planning & Building
VAN OCAMPO	Director of Public Works
MICHAEL PEREZ	Director of Parks, Beaches & Recreation
DAVE GROMM	Director of Wastewater Collection and Plant Operation

\* \* \* \* \*

**OFFICIAL BOARDS AND COMMISSIONS**

DISASTER PREPAREDNESS COMMISSION

PARKS, BEACHES AND RECREATION COMMISSION

PLANNING COMMISSION

OPEN SPACE COMMITTEE

## FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

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**INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Pacifica  
Pacifica, California

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pacifica (City), as of and for the fiscal year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010 and the respective changes in financial position and cash flows where applicable, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 of the notes to basic financial statements effective July 1, 2009, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 58 – *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits - Schedule of Funding Progress, general fund budgetary comparison schedule, and gas tax special revenue fund budgetary comparison schedule on pages 3 through 16, page 65, and pages 66 through 68 respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim LLP  
Beverly Hills, California  
March 31, 2011

**CITY OF PACIFICA, CALIFORNIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

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The following discussion and analysis of the financial performance of the City of Pacifica provides an overview of the City’s financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

**Using the Accompanying Financial Statements**

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**Reporting the City as a Whole**

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

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

These two statements report the City’s net assets and changes in them. You can think of the City’s net assets – the difference between assets and liabilities – as one way to measure the City’s financial health, or *financial position*. Over time, *increases and decreases* in the City’s net assets is one indicator of

**CITY OF PACIFICA, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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whether the City's *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities & Changes in Net Assets, we divide the City's services into two kinds of activities:

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

**Reporting the City's Most Significant Funds**

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

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

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

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

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

- *Fiduciary Funds* – Are used to account for assets held by the City in trustee or custodial capacity for individuals, private organizations, other governments, and/or other funds. Fiduciary funds are not reflected in the City-wide financial statements because the resources of those funds are not available

**CITY OF PACIFICA, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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to support the City's general fund programs. Accordingly, only assets and liabilities and changes in fiduciary net assets are reported for these funds.

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

**Notes to the Financial Statements**

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

The notes to the Financial Statements may be found on pages 33 to 63 of this report.

**Economic Future:**

The State of California continues to be in fiscal crisis and will be, over the coming months, determining how to deal with significant financial shortfalls. The City of Pacifica will continue to be impacted by the State's crisis. There were several actions taken by the State that impacted the City's finances including delay of payments and suspension of SB 90 mandates. State deferrals of the City's share of the Highway Users Tax monies are projected to be delayed until late Spring of 2011. Payment delays essentially result in transfer of interest earnings by the City to the State.

The City also anticipates a continued decrease in revenue from interest earned in the Local Agency Investment Fund (LAIF). The City of Pacifica, as well as many of other cities, deposits funds with LAIF, the State Investment Pool. Not only does the City anticipate reduced interest from investments, but also the probable reduction in property tax revenue as recently acquired properties are assessed at lower property values and non-transferred property reassessments are completed through the County. The "trickle down effect" of the economic slow down will continue to influence the City's revenue from property taxes to permitting for remodeling.

The City began budget reductions in March of 2007 to address the FY 2006/07 deficit and has, on an ongoing basis, continued budget reductions. Even after the cuts, the City has continued a conservative approach to managing revenues and expenditures. The City's "soft hiring freeze" has forced vacant positions to remain open to capture savings in salaries and benefits. Additionally, each department has been meeting quarterly with the City Manager and Administrative Services Director to insure that expenditures do not exceed the budget. The City has adopted a five-year financial plan to address an annual \$2.8 million dollar deficit. The plan includes \$8 million in reductions in personnel and benefit expenditures and \$6 million in new revenue. The plan will be implemented through labor negotiations and three revenue measures presented to voters and property owners.

The City of Pacifica is addressing several new mandated and necessary expenditures. Pacifica, along with all cities, is addressing its liability in regards to Other Post-Employment Benefits (OPEB), which include pension and retiree medical. The City has worked with an actuary to determine the liability, and in an effort to stabilize pension costs issued Pension Obligation Bonds in May of 2010. The City is currently on a "pay as you go" budgeting method of accounting for retiree health costs. The City does not anticipate an unmanageable result of the study because the City, unlike many cities, does not pay the full cost of health insurance for retired employees.

On the horizon is the need to address a major capital project at the Waste Water Treatment Plant for the replacement of the UV disinfection system. The City is working with PGE and the California Energy Commission to determine possible funding strategies for this project. The City must also continue to

**CITY OF PACIFICA, CALIFORNIA**  
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address long-term debt obligations it has for the construction of the sewage treatment plant, police station and other capital projects.

Highlights of the past fiscal year are as follows:

- Total City assets exceeded its liabilities by \$80.2 million. Of this amount, \$12.0 million represents unrestricted net assets.
- Statement of governmental activities show revenues at \$29.2 million (including transfers) compared with total expenses of \$31.4 million resulting in a decrease in total net assets from operations for the current fiscal year of approximately \$2.2 million.
- Total Governmental Fund balances were \$8.5 million at fiscal year-end, a decrease of \$2.5 million from the previous fiscal year.
- General fund revenues were \$25.0 million compared with general fund expenses of \$25.7 million, transfers out of \$1.3 million, resulting in a net decrease in fund balance of \$2.0 million, for an ending fund balance of \$7.1 million, as shown on page 24 of this report.

**Analysis of Net Assets**

Net assets are a measure of a government's financial position and, over time, a trend of increasing or decreasing net assets is an indicator of the financial health of the organization. The City of Pacifica's assets exceeded liabilities by \$80,171,743. A statement of net assets is presented in the following table.

**Statement of Net Assets**  
**June 30, 2009 and 2010**

**Table 1**

	Governmental Activities	Governmental Activities	Business - Type Activities	Business - Type Activities	Primary Government	Primary Government
	2009	2010	2009	2010	2009	2010
Current and other Assets	\$ 23,457,177	\$ 38,804,271	\$ 7,634,645	\$ 11,513,037	\$ 31,091,822	\$ 50,317,308
Capital Assets	68,488,706	69,170,305	47,925,540	46,584,274	116,414,246	115,754,579
Total Assets	<b>91,945,883</b>	<b>107,974,576</b>	<b>55,560,185</b>	<b>58,097,311</b>	<b>147,506,068</b>	<b>166,071,887</b>
Long-term Debt Outstanding	23,849,241	44,280,964	37,348,723	37,911,034	61,197,964	82,191,998
Other Liabilities	3,628,268	2,470,855	949,343	1,237,291	4,577,611	3,708,146
Total Liabilities	<b>27,477,509</b>	<b>46,751,819</b>	<b>38,298,066</b>	<b>39,148,325</b>	<b>65,775,575</b>	<b>85,900,144</b>
Net Assets:						
Invested in Capital, Net of Debt	50,142,311	51,393,206	10,796,034	11,247,270	60,938,345	62,640,476
Restricted	5,597,188	4,962,287	689,514	562,485	6,286,702	5,524,772
Unrestricted	8,728,875	4,867,264	5,776,571	7,139,231	14,505,446	12,006,495
Total Net Assets	<b>\$ 64,468,374</b>	<b>\$ 61,222,757</b>	<b>\$ 17,262,119</b>	<b>\$ 18,948,986</b>	<b>\$ 81,730,493</b>	<b>\$ 80,171,743</b>

Net assets invested in capital assets (e.g., land, buildings, equipment and infrastructure) of \$62,640,476 (page 17) represents the cost of these assets, less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt must be provided for from sources other than the related assets, because the capital assets themselves cannot be used to repay these debts.

Restricted net assets of \$5,524,772 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$12,006,495 may be used to

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finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Total Primary Government net assets decreased by a total of \$1,558,750. This decrease in the City's net assets is made up of a decrease of \$2,188,641 from current year governmental activities, a decrease of \$1,056,976 from the OPEB prior period governmental activities adjustment, plus an increase of \$1,686,866 from business-type activities. The governmental activities net assets decreased 5% from \$64,468,374 at June 30, 2009 to \$61,222,757 at the end of June 2010. The net assets of the City's business-type activities increased 9.8% from \$17,262,119 at June 30, 2009 to \$18,948,986 at June 30, 2010, as shown in Table 2 below. Net assets of Total Primary Government activities, which include both Governmental Activities and Business-Type Activities, decreased 1.9% from \$81,730,493 at June 30, 2009 to \$80,171,743 at June 30, 2010.

The net assets (financial position) of the City changed as a result of the revenue and expense fluctuations by \$1,558,750 (including prior period adjustments), as shown in the table below for the governmental and business-type activities of the City.

A summary of the Government-wide Statement of Activities & Changes in Net Assets follows:

**Activities & Changes in Net Assets – Fiscal Years Ended June 30, 2009 and 2010**

**Table 2**

	Governmental	Governmental	Business-Type	Business-Type	Total Primary	Total Primary	Total
	Activities	Activities	Activities	Activities	Government	Government	%
	2009	2010	2009	2010	2009	2010	Change
<b>Program Revenues:</b>							
Charges for Services	\$ 5,069,491	\$ 3,721,499	\$ 11,885,526	\$ 11,367,645	\$ 16,955,017	\$ 15,089,144	-11%
Operating Grants	4,364,106	1,884,748			4,364,106	1,884,748	-57%
Capital Grants	2,936,150	4,049,601			2,936,150	4,049,601	38%
<b>General Revenues:</b>							
Property Taxes	10,484,389	10,603,749			10,484,389	10,603,749	1%
Sales and Use Taxes	1,365,710	1,306,611			1,365,710	1,306,611	-4%
Franchise Taxes	1,740,754	1,372,885			1,740,754	1,372,885	-21%
Other Taxes	2,787,716	2,604,443			2,787,716	2,604,443	-7%
Use of Money & Property	528,768	211,681	23,667	22,451	552,435	234,132	-58%
Motor Vehicle in Lieu-unrestricted	3,184,538	3,107,767			3,184,538	3,107,767	100%
Other General Revenues	507,569	341,313			507,569	341,313	-33%
Transfers	45,000	45,000	(45,000)	(45,000)	-	-	0%
<b>Total Revenues</b>	<b>33,014,191</b>	<b>29,249,297</b>	<b>11,864,193</b>	<b>11,345,096</b>	<b>44,878,384</b>	<b>40,594,393</b>	<b>-10%</b>
<b>Program Expenses</b>							
General Government	4,083,959	4,625,471			4,083,959	4,625,471	13%
Planning & Development	1,356,494	1,402,574			1,356,494	1,402,574	3%
Public Safety	15,306,306	15,149,459			15,306,306	15,149,459	-1%
Public Works	4,422,332	4,801,291			4,422,332	4,801,291	9%
Parks, Beaches & Recreation	4,035,233	3,681,863			4,035,233	3,681,863	-9%
Sewer Operations			9,084,439	9,658,229	9,084,439	9,658,229	6%
Debt Services	2,225,220	1,777,280			2,225,220	1,777,280	-20%
<b>Total Expenses</b>	<b>31,429,544</b>	<b>31,437,938</b>	<b>9,084,439</b>	<b>9,658,229</b>	<b>40,513,983</b>	<b>41,096,167</b>	<b>1%</b>
Increase (Decrease) Net Assets	1,584,647	(2,188,641)	2,779,754	1,686,867	4,364,401	(501,774)	-111%
Prior period adjustment	-	(1,056,976)	(418,169)	-	(418,169)	(1,056,976)	153%
Beginning Net Assets	62,883,727	64,468,374	14,900,534	17,262,119	77,784,261	81,730,493	5%
Ending Net Assets	\$ 64,468,374	\$ 61,222,757	\$ 17,262,119	\$ 18,948,986	\$ 81,730,493	\$ 80,171,743	-2%

**CITY OF PACIFICA, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Governmental Activities**

Revenues for the City's governmental activities decreased by \$3,764,894 from \$33,014,191 in 2009 to \$29,249,297 in 2010. Total Primary Government revenue decreased by \$4,283,991, from \$44,878,384 in 2009 to \$40,594,393 in 2010. Total governmental program expenses increased by \$8,394 from \$31,429,544 in 2009 to \$31,437,938 in 2010. The cost of all primary *governmental activities* in fiscal year 2008-2009 was \$40.5 million compared to \$41.1 million for the 2009-2010 year. The amount that taxpayers ultimately financed for these activities through City taxes was \$19 million, as some of the costs were paid for by those who directly benefited from the programs (\$15.1 million), or by other governments and organizations that subsidized certain programs with grants and contributions (\$5.9 million). The net changes in assets for both governmental and business type activities amounted to a \$1,558,750 decrease in total net assets.

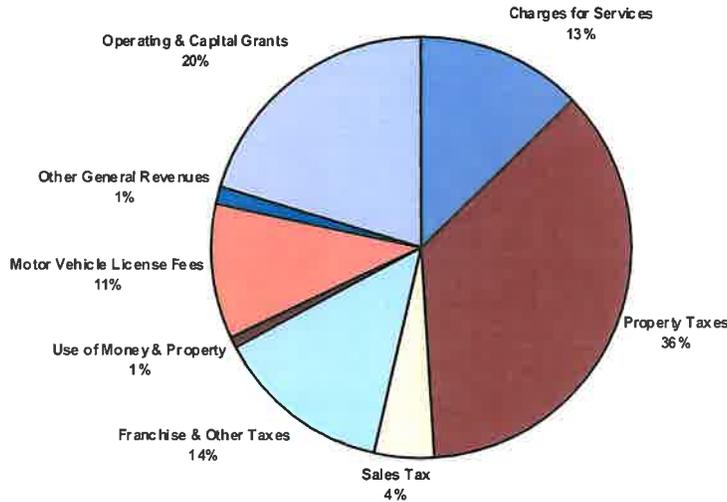
The reasons for significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

- Charges for Services were down by \$1,347,992 from the previous year, \$1,057,233 from the expiration of the 5-year Fire Assessment. OES reimbursements were down by \$189,000 due to decreased Mutual Aid Fire Emergencies, Police DUI and Booking fees were down approximately \$12,000 due to State collection guideline changes, and general Public Safety services were down \$24,000. Community Development services were down \$38,000 due to the slower economy.
- Operating Grant revenues were less by \$2,479,358 from the previous year. \$1.5 million was due to the prior year's transfers in from the Debt Service Fund to cover Capital Projects in the Street Construction Fund and the General Capital Improvement Fund. Due to decreased funding from the State, Parks, Beaches, and Recreation was down \$263,000 and \$700,000 was due to reclassifications from Operating Contributions and Grants to Capital Contributions and Grants.
- Capital Grant revenues were higher than the previous year by \$1,113,451. These funds fluctuate each year as they are directly linked to the level of Capital Projects, their completion dates, and the guidelines of the grant reimbursements; however \$700,000 of the increase was due to reclassifications from Operating Contributions and Grants.
- The City's Property Taxes came in \$119,360 higher. This increase was due to additional ERAF funds of \$323 thousand, a decrease of \$65 thousand of Secured, Unsecured and Property Transfer Taxes, and a decrease of \$139 thousand from Supplemental Property Tax in-lieu of Sales Tax.
- Sales and Use Taxes came in \$59,099 lower than the previous year due to the continued economic slow-down. Non-Public Safety Sales Tax was down \$8,864 from the prior year.
- Franchise Taxes reflected a decrease of \$367,869 over the previous year due to \$325,882 of prior year's deferred revenue and overall lower Franchise Fees.
- Other Taxes came in \$183,273 lower than the previous year due to decreased Transient Occupancy Tax, Business License Tax, and Utility Users Tax—all indicators of a slowed economy.
- Use of Money & Property was down by \$317,087 due to the decline of interest rates by more than 50%.
- Motor Vehicle License Fees came in \$76,771 lower than the previous year, due to the prior year's inclusion of extra loan pay-back from the State and decline in new auto sales. Other General Revenues are down by \$166,256 due to State Spec. Subv. SB-813 revenue down from the prior year.
- General Government expenses, which includes Finance, Central Services and Non-Departmental, was higher in total than the previous year by \$541,512 primarily due to an increased debt service transfer of \$454 thousand and increased MIS costs of \$85 thousand due to computer equipment upgrades and replacement.
- Public safety expenses came in \$156,847 lower than the previous fiscal year, due to cut backs in operating and capital outlay expenditures.
- Public Works expenses came in \$378,959 higher than the previous fiscal year due to increased Capital Projects including much needed street pavement rehabilitation.

**CITY OF PACIFICA, CALIFORNIA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

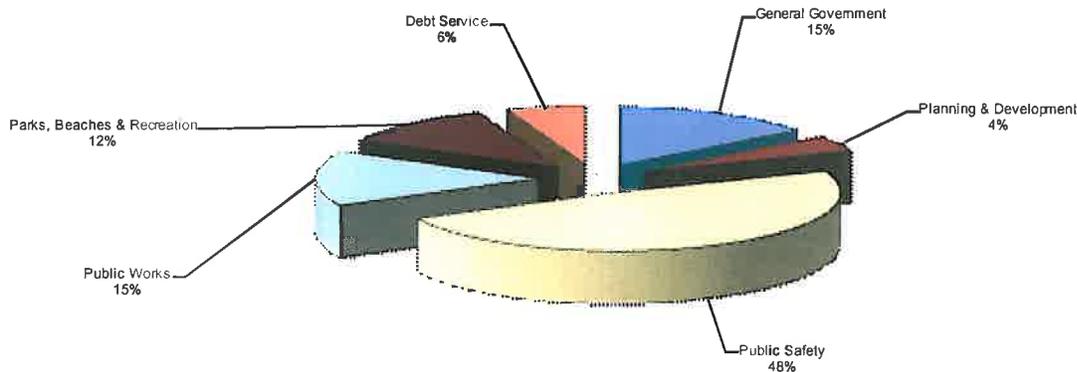
- Parks, Beaches & Recreation program expenses were lower than the previous year by \$353,370 due to decreased spending in personnel hours, operating expenditures, and capital outlay.
- The Sewer Operations expenses came in higher than the previous year by \$573,790 due to higher personnel and operating costs.

**GOVERNMENTAL ACTIVITIES REVENUE SOURCES**



The chart of revenues by source above, illustrates that property taxes at 36% of total governmental activity revenue is the single largest source of operating revenue for the City. It is also one of the most stable and consistent growth revenues. The major components of the governmental activity revenue sources are: Property taxes, vehicle in-lieu, sales and use tax, franchise fees, utility user fees, charges for services, grants and intergovernmental revenues.

**GOVERNMENTAL ACTIVITIES EXPENSES**



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

**CITY OF PACIFICA, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Business-Type Activities**

The increase in business-type activities' net assets is \$1,686,867 and is made up of current year activity in the Sewer Enterprise Fund. The principal source of revenue for this fund is charges for usage, which is assessed on the basis of equivalent residential units (ERU). Revenues from the City's sewer operations (see Table 3) decreased by 4.4 percent (\$517,881) from \$11,885,526 in June 2009 to \$11,367,645 in 2010. There was a 2.53 percent increase in the sewer charge rate approved by Council in June 2009. There is an inverse relationship between the level of consumption of water and the sewer rates. Sewer expenses, including both operating and non-operating expenses, increased \$573,790 from \$9,084,439 in 2009 to \$9,958,229 in 2010. This increase in expenses is primarily attributable to the operating cost including personnel, insurance and utilities. Bond interest expense and major maintenance expenses are also recorded in this fund.

**Enterprise Sewer Fund**

**Table 3**

	2009	2010	Difference
Operating Revenues	\$11,885,526	\$11,367,645	(\$ 517,881)
Operating Expenses	\$ 9,084,439	\$ 9,658,229	\$ 573,790
Income(Loss)	\$ 2,801,087	\$ 1,709,416	\$1,091,671

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

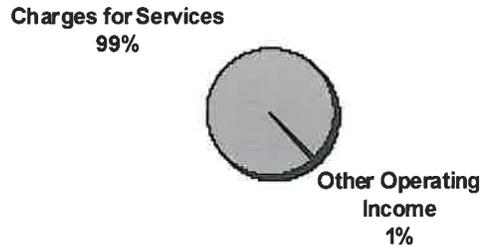
**Internal Service Funds**

**Table 4**

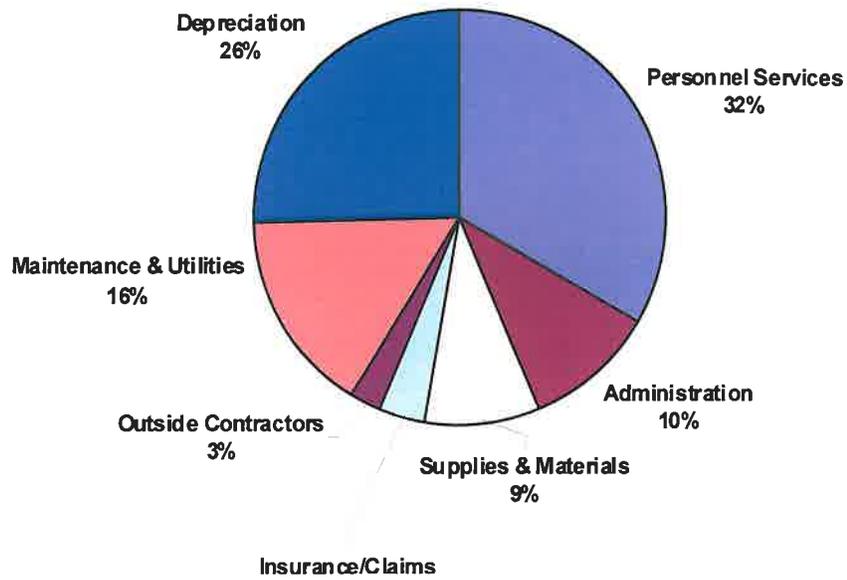
	2009	2010	Difference
Operating Revenues	\$2,892,378	\$2,401,421	(\$490,957)
Operating Expenses	\$2,524,205	\$2,324,821	(\$199,384)
Income(Loss)	\$ 368,173	\$ 76,600	(\$291,573)

**CITY OF PACIFICA, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Revenues for Business-Type Activities**



**Expenses for Business-Type Activities**



**CITY OF PACIFICA, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**MAJOR FUNDS**

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

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

At the end of the fiscal year 2009-2010, the City's governmental funds reported combined ending fund balances of \$8,481,222, including reserved and undesignated funds.

**General Fund**

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the general fund was \$7,078,978, representing a net decrease in general fund balance of \$2,007,042. As a measure of the general fund's liquidity, it is useful to compare undesignated fund balance to total fund expenditure, which shows that undesignated fund balance is 13 percent of general fund expenditures. Total "General Fund" revenue, as shown on page 24, this year was \$24,985,836 compared to \$25,682,126 in the prior year, a \$696,290 decrease/difference. Some contributors to the decrease/differences are described below:

- Property Taxes increased \$119 thousand, a 1.1% increase, which is comprised of a 2.2% decrease in Secured Property Taxes from home sales/reappraisals, an increase of .2% in Unsecured Property Tax and Property Transfer Taxes, and a 3.1% increase in ERAF.
- Sales and Use Taxes, including the ½ cent Public Safety Sales Tax, decreased \$59 thousand, a 4.3% decrease due to the continued economic down turn.
- Motor Vehicle License Fees decreased \$77 thousand, a 2.4% decrease due to a decline in new auto purchases.
- Transient Occupancy Taxes decreased \$135 thousand, a 16% decrease due to a decrease in tourism.
- Utility Users Tax decreased \$24 thousand, a 1.6% decrease due to decreased utility usage.
- Intergovernmental Revenues decreased \$569 thousand, an 11% decrease due to decreases in State funding for Childcare programs and Public Safety programs.
- Other Revenues increased \$229,933 due to increased Miscellaneous Income, Fines and Penalties, Childcare and Senior Services direct fees.
- Use of Money and Property decreased by \$176 thousand due to lower interest earnings and a decline of rental usage fees.
- Charges for Current Services and Recreation Fees decreased \$292,475, due to the pool closure for remodeling and the remainder due to decreased activity in Business Licensing and Planning Application fees in the slower economy.

General Fund expenditures of \$25,683,878 increased by \$360,537 over the previous fiscal year. Differences shown below:

- City Council expenditures decreased by \$14 thousand due to cut backs in operating expenditures and reclassification of City membership dues to Non-Departmental.
- City Manager's expenditures decreased by \$121 thousand due to decreased election costs.
- Human Resources expenditures decreased by \$13 thousand due to decreased overtime and outside services.
- Finance Division expenditures increased by \$84 thousand, \$52 thousand in MIS computer equipment costs, and slight increases in personnel costs and outside services.
- City Attorney expenditures decreased by \$121 thousand due to decreased outside litigation costs.

**CITY OF PACIFICA, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

- 
- Police Department expenditures increased by \$93 thousand due to \$177 thousand of increased personnel costs, \$15 thousand increased County Services charges, \$37 thousand decrease in capital outlay, and decreased departmental expenses and other charges of \$62 thousand.
  - Fire Department expenditures increased by \$658 thousand due to the expiration of the Fire Assessment Tax and the costs from the Fire Assessment Fund reverting back to the General Fund.
  - Planning & Community Development expenditures increased by \$14 thousand due to increased personnel costs of \$57 thousand and decreased departmental and other costs of \$43 thousand.
  - Public Works Department expenditures increased by \$398 thousand due to the reallocation from other funds of personnel costs of \$342 thousand, increased departmental and other costs of \$69 thousand, and decreased capital outlay of \$13 thousand.
  - Parks, Beaches & Recreation expenditures decreased by \$396 thousand, \$224 thousand of decreased personnel costs due to lower program attendance and a one year pool closure, decreased departmental and other costs of \$132 thousand, and decreased capital outlay of \$40 thousand.
  - General Government expenditures increased by \$221 thousand due to increased Animal Control Services of \$18 thousand, increased Library Services of \$18 thousand, increased Employment Risk Insurance of \$31 thousand, addition of City membership dues of \$11 thousand, increased outside services of \$10 thousand, and increased capital outlay expenditures of \$133 thousand.

Total General Fund Expenditures exceeded General Fund Revenues by \$698,042.

**General Capital Improvement Fund**

This fund accounts for construction financed by revenues derived from fees and apportionments from the General Fund. At the end of the current fiscal year, total fund balance of the General Capital Improvement Fund was \$1,227,957. The balance includes \$933,173 reserved for capital projects and \$294,784 unreserved. Total fund balance decreased \$43,900 from the prior fiscal year. Total revenue for this fund was \$328,547, made up of Capital Improvement Fees of \$26,450, Investment Earnings of \$21,746, Intergovernmental Revenues of \$278,233, and Other Revenues of \$2,118. Total project construction cost expenditures were \$372,447.

**Gas Tax Fund**

This fund was established to receive and expand the City's allocation of the State Gasoline Taxes. Funds are allocated on a population basis (per Federal Census) in accordance with Sections 2105, 2106, 2107 and 2107.5 of the California Street and Highway Code. Expenditures of money apportioned under Section 2107 may be made for any street purpose including construction and right of way purchases. The total fund balance was \$3,034,952. Total revenue for this fund was \$2,976,951, primarily from \$2,976,073 of intergovernmental revenue (ARRA stimulus funds). Funds were used for street repair and maintenance, pavement overlays and repaving of the Manor overpass.

**Redevelopment Agency – Rockaway Beach**

This fund accounts for the revenues and expenditures related to redevelopment projects in the RDA project area of Rockaway Beach. The Redevelopment Area consists of 600 square acres. The Quarry is approximately 85 square acres of the RDA. At the end of the current fiscal year, total fund balance of the Redevelopment Agency Fund was \$-5,643,091, representing a negative change of \$210,909 from the prior fiscal year. Total revenues of \$252,165 were made up of \$246,034 of secured property taxes, \$5,366 of unsecured property taxes and \$765 of investment earnings. Total expenditures of \$463,074 included \$326,697 of debt service, \$114,798 of the SERAF payment, \$5,320 of County pass-thru and \$16,259 of operating expenses.

**Debt Service Fund**

All governmental activities debt service costs are budgeted in the fund responsible for the debt and transferred to the Debt Service Fund for payment. Total governmental activities debt is \$39,061,373 with \$1,580,000 of Redevelopment Agency debt, \$19,305,000 of general fund debt, and \$18,176,373 of general fund Pension Obligation Bonds. At the end of the current fiscal year, total fund balance of the

**CITY OF PACIFICA, CALIFORNIA**  
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Debt Service Fund was \$935,814, all reserved for debt service. The total fund balance represents a net decrease of \$4,330 from the prior fiscal year.

**Enterprise Fund**

Total net assets for the Sewer Fund at the end of the fiscal year were \$18,948,986. The total change in net assets for the Sewer Fund was \$1,686,867. Unrestricted net assets of the Enterprise Sewer Fund at the end of the year amounted to \$7,139,231. Restricted assets, which were specific to debt service, were \$562,485. Additional factors relating to the finances of this fund have already been addressed in the discussion of the City's business-type activities.

**General Fund Budget Modifications**

Differences between the original fiscal year 2009-2010 budget and the final amended fiscal year 2009-2010 budget of the General Fund are as follows:

Revenues --

- There were no General Fund Revenue Budget Adjustments.

Expenditures --

- City Attorney – increase of \$93,366 for expenses related to outside legal services.
- Community Development – increase of \$42,000, \$8,000 for professional services in Below Market Rate Unit management and \$34,000 in additional inspection costs with cliff erosion.

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

- General Government, including Non-Departmental Services - Budgeted \$3,960,299, expended \$3,714,741, under budget by \$245,558. City Council came in \$7.5 thousand under budget due to voluntary salary and benefit cuts, the City Manager's Department came in \$25 thousand under budget due to \$17 thousand of voluntary salary and benefit cuts and a decrease of \$8 thousand in operational expenditures, the Finance Department came in \$88 thousand under budget due to a decrease of \$62 thousand of professional services and \$26 thousand of operational expenditures, and Non-Departmental Services came in \$125 thousand under budget due to decreased spending regarding the General Plan Update.
- Public Safety - Budget \$14,521,920, expended \$14,743,448, came in over budget by \$221,528, mainly due to higher personnel costs.
- Community Development - Budgeted \$1,182,311, expended \$1,243,747, over budget by \$61,436, due to higher operational costs.

Total general fund final revenue budget was \$23,781,130 but came in at \$24,985,836, \$1,204,706 over budget. Total general fund final expenditure budget was \$25,639,995 with actual expenditures of \$25,683,878, \$43,883 over budget. Over budget expenditure deviation was \$43,883, for a total deficit of expenditures over revenue of \$1,160,823, before transfers out as shown on page 66 and 64 of this report.

**Transfers**

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

**CITY OF PACIFICA, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS**

	Capital Assets (in thousands)					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Land and Improvements	\$ 39,047	\$39,047	\$ 4,014	\$4,014	\$ 43,061	\$43,061
Buildings and Improvements	15,955	15,993	75,341	75,503	91,296	91,496
Collection System	-	-	4,288	4,966	4,288	4,966
Machinery and Equipment	1,004	1,182	992	992	1,996	2,174
Vehicles and Equipment	4,938	5,115	-	-	4,938	5,115
Infrastructure	19,243	21,191	-	-	19,243	21,191
Construction in Progress	629	668	-	-	629	668
Depreciation	<u>(12,327)</u>	<u>(14,026)</u>	<u>(36,709)</u>	<u>(38,891)</u>	<u>(49,036)</u>	<u>(52,917)</u>
Total	<u>\$ 68,489</u>	<u>\$69,170</u>	<u>\$ 47,926</u>	<u>\$45,584</u>	<u>\$116,415</u>	<u>\$114,754</u>

For more detail information on capital asset activity, please refer to note 5-Capital Assets.

Major additions to capital assets during the year ended June 30, 2010 included:

ARRA-Various Pavement Rehabilitation, San Pedro Terrace Mutipurpose Trail, San Pedro Creek Bridge, and Esplanade RV Park Trail and Beach Access.

**Long-Term Debt**

At the end of the current fiscal year, Governmental Activities had bonded debt outstanding in the amount of \$39,061,373, all backed by the full faith and credit of the government. For more detailed information on long-term debt activity, refer to the Notes to the Financial Statements, Note 6.

**Outstanding Debt**

2008 Certificate of Participation	\$19,305,000
2004 RDA Tax Allocation Bond	1,580,000
2010 Pension Obligation Bond	<u>18,176,373</u>
Total Bonded Debt Outstanding	<u>\$39,061,373</u>

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

The California government code provides for a legal debt limit of 15% of gross assessed valuation based on 25% of market value, or a legal debt limit of 3.75% based on market value. Based on the market valuation of \$4,353,684,332, the current debt limitation for the City is \$163,263,162 (3.75% of \$4,353,684,332), which is significantly more than the City's outstanding general obligation debt of \$39,061,373 at the end of 2010.

**CITY OF PACIFICA, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Economic Factors and Next Year's Budget**

The City has developed a five-year financial plan that protects the core services and meets the community's needs. It reflects an expenditure plan that maintains the City's current level of services to residents and businesses and addresses the \$2.8 million dollar annual deficit. The five-year financial plan also provides for a continuation of the ongoing capital improvement program that will provide and maintain facilities and services for citizen use and enjoyment. One of the major challenges facing the City of Pacifica is to find ways to contain costs while at the same time maintain the current level of services to residents and businesses.

**Contacting the City's Financial Management**

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF PACIFICA**  
**Statement of Net Assets**  
**June 30, 2010**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and investments	\$ 9,582,954	\$ 7,022,095	\$ 16,605,049
Cash and investments with fiscal agents	4,507,183	1,102,253	5,609,436
Taxes receivable	998,638		998,638
Accounts receivable	160,374	1,019	161,393
Interest receivable	193,594		193,594
Grants receivable	2,310,951		2,310,951
Notes receivable, net	600,000		600,000
Prepaid items	389,334	2,269,725	2,659,059
Inventories	32,474	359,245	391,719
Long-term prepaid pension asset	17,337,527		17,337,527
Deferred charges, net of accumulated amortization	1,512,409	758,700	2,271,109
Deferred loss on refunding, net of accumulated amortization	1,178,833		1,178,833
Capital assets, not being depreciated	39,715,394	4,014,412	43,729,806
Capital assets, being depreciated, net of accumulated depreciation	29,454,911	42,569,862	72,024,773
<b>Total Assets</b>	<b>107,974,576</b>	<b>58,097,311</b>	<b>166,071,887</b>
<b>LIABILITIES</b>			
Accounts payable	626,923	629,413	1,256,336
Accrued liabilities	615,160	68,110	683,270
Interest payable	708,665	539,768	1,248,433
Refundable deposits	520,107		520,107
Noncurrent liabilities:			
Due within one year	3,503,059	2,091,077	5,594,136
Due in more than one year	40,777,905	35,819,957	76,597,862
<b>Total Liabilities</b>	<b>46,751,819</b>	<b>39,148,325</b>	<b>85,900,144</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	51,393,206	11,247,270	62,640,476
Restricted for:			
Restricted for construction of capital assets	1,925,656		1,925,656
Restricted for debt service	227,149	562,485	789,634
Restricted for streets, highways, and other related purposes	1,114,896		1,114,896
Restricted for low/mod housing	849,576		849,576
Restricted for public safety	845,010		845,010
Unrestricted	4,867,264	7,139,231	12,006,495
<b>Total Net Assets</b>	<b>\$ 61,222,757</b>	<b>\$ 18,948,986</b>	<b>\$ 80,171,743</b>

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

**CITY OF PACIFICA**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 4,625,471	\$ 69,853	\$ 164,412	\$ -
Public safety	15,149,459	840,467	343,332	
Community development	1,402,574	568,871		148,341
Public works	4,801,291	683,914	214,001	3,901,260
Parks, beaches, and recreation	3,681,863	1,558,394	1,163,003	
Interest on long-term debt	1,777,280			
<b>Total Governmental Activities</b>	<b>31,437,938</b>	<b>3,721,499</b>	<b>1,884,748</b>	<b>4,049,601</b>
Business-type Activities:				
Sewer	9,658,229	11,367,645		
<b>Total Business-type Activities</b>	<b>9,658,229</b>	<b>11,367,645</b>		
<b>Total Government</b>	<b>\$ 41,096,167</b>	<b>\$ 15,089,144</b>	<b>\$ 1,884,748</b>	<b>\$ 4,049,601</b>

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 Transfers

Change in Net Assets

Net Assets, July 1, 2009  
Prior Period Adjustments  
Net Assets, July 1, 2009, Restated

Net Assets, June 30, 2010

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

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Totals
\$ (4,391,206)	\$ -	\$ (4,391,206)
(13,965,660)		(13,965,660)
(685,362)		(685,362)
(2,116)		(2,116)
(960,466)		(960,466)
(1,777,280)		(1,777,280)
(21,782,090)		(21,782,090)
	1,709,416	1,709,416
	1,709,416	1,709,416
(21,782,090)	1,709,416	(20,072,674)
10,603,749		10,603,749
1,306,611		1,306,611
1,372,885		1,372,885
2,604,443		2,604,443
3,107,767		3,107,767
211,681	22,451	234,132
341,313		341,313
45,000	(45,000)	
19,593,449	(22,549)	19,570,900
(2,188,641)	1,686,867	(501,774)
64,468,374	17,262,119	81,730,493
(1,056,976)		(1,056,976)
63,411,398	17,262,119	80,673,517
<u>\$ 61,222,757</u>	<u>\$ 18,948,986</u>	<u>\$ 80,171,743</u>

**CITY OF PACIFICA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	<u>Capital Projects Funds</u>			<u>Special Revenue Fund</u>
	<u>General</u>	<u>General Capital Improvement</u>	<u>Redevelopment Agency Rockaway Beach</u>	<u>Gas Tax</u>
<b>Assets</b>				
Cash and investments	\$ 2,269,546	\$ 1,065,601	\$ -	\$ -
Cash and investments with fiscal agents		2,369,994	213,285	1,400,000
Receivables:				
Taxes receivable	653,376	6,250		339,012
Accounts receivable	157,415			250
Interest receivable	22,135	3,147		
Grants receivable	136,511	87,950		48,874
Notes receivable, net				
Due from other funds	2,730,980			2,218,700
Prepaid items				
Inventories	2,269			
Advances receivable	5,993,040			
<b>Total Assets</b>	<u>\$ 11,965,272</u>	<u>\$ 3,532,942</u>	<u>\$ 213,285</u>	<u>\$ 4,006,836</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 314,085	\$ 44,709	\$ 597	\$ 162,584
Accrued liabilities	575,437	1,928		24,132
Refundable deposits	520,107			
Due to other funds		2,218,700	118,881	785,168
Deferred revenue	3,476,665	39,648		
Advances payable			5,736,898	
<b>Total Liabilities</b>	<u>4,886,294</u>	<u>2,304,985</u>	<u>5,856,376</u>	<u>971,884</u>
<b>Fund Balances:</b>				
Reserved for encumbrances	45,386			
Reserved for prepaid items				
Reserved for medical equipment	5,000			
Reserved for inventories	2,269			
Reserved for notes and loans				
Reserved for advances	2,516,375			
Reserved for general operations	1,022,908			
Reserved for NARC forfeiture	22,803			
Reserved for capital projects		933,173		
Reserved for debt service				
Reserved for equipment				
Reserved for vehicle replacement				
Reserved for community programs and services	87,341			
Unreserved	3,376,896	294,784	(5,643,091)	3,034,952
Unreserved, reported in nonmajor:				
Special revenue funds				
Capital projects funds				
<b>Total Fund Balances</b>	<u>7,078,978</u>	<u>1,227,957</u>	<u>(5,643,091)</u>	<u>3,034,952</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 11,965,272</u>	<u>\$ 3,532,942</u>	<u>\$ 213,285</u>	<u>\$ 4,006,836</u>

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

<b>Debt Service Fund</b>		
<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
\$ 411,910	\$ 2,475,520	\$ 6,222,577
523,904		4,507,183
		998,638
		157,665
	168,312	193,594
	1,696,499	1,969,834
	600,000	600,000
		4,949,680
	389,334	389,334
		2,269
		5,993,040
<u>\$ 935,814</u>	<u>\$ 5,329,665</u>	<u>\$ 25,983,814</u>
\$ -	\$ 47,121	\$ 569,096
	2,892	604,389
		520,107
	1,826,931	4,949,680
	1,349,967	4,866,280
	256,142	5,993,040
	<u>3,483,053</u>	<u>17,502,592</u>
		45,386
	389,334	389,334
		5,000
		2,269
	600,000	600,000
		2,516,375
		1,022,908
		22,803
935,814		933,173
		935,814
	77,484	77,484
	480,084	480,084
		87,341
		1,063,541
	(1,076,041)	(1,076,041)
	<u>1,375,751</u>	<u>1,375,751</u>
<u>935,814</u>	<u>1,846,612</u>	<u>8,481,222</u>
<u>\$ 935,814</u>	<u>\$ 5,329,665</u>	<u>\$ 25,983,814</u>

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**CITY OF PACIFICA**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Assets**  
**June 30, 2010**

Fund Balances - Governmental Funds		\$ 8,481,222
<p>Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the governmental funds because of the following:</p> <p>Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the governmental funds.</p>		
Capital assets	\$ 77,354,907	
Less: accumulated depreciation	<u>(9,666,690)</u>	67,688,217
<p>Interest accrued on notes and advances are not available to pay for current expenditures and, therefore are offset by deferred revenue in the governmental funds.</p>		
		3,644,977
<p>Under the modified accrual basis of accounting used in governmental funds, revenues are not recognized for transactions that do not represent available financial resources. In the statement of net assets and statement of activities, however, revenues and assets are reported regardless of when financial resources are available.</p>		
Deferred revenue, grant receivable		1,221,303
<p>The net pension asset pertaining to governmental fund types is not a current financial resource and therefore is not recorded in the governmental fund statements.</p>		
		17,337,527
<p>Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period which the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds.</p>		
Deferred charges - 2004 Tax Allocation Bond - net of accumulated amortization	75,444	
Deferred charges - 2008 Certificates of Participation - net of accumulated amortization	939,248	
Deferred charges - 2010 Pension Obligation Bonds - net of accumulated amortization	<u>488,113</u>	1,502,805
<p>Deferred loss on refunding, net of accumulated amortization has not been reported in the governmental funds. This was capitalized and amortized over the life of the new debt or old debt whichever is shorter in the Statement of Net Assets.</p>		
		1,178,833
<p>Interest payable on long-term debt is not a required current financial resource. Therefore, interest payable is not reported as a liability in the governmental funds.</p>		
		(707,003)
<p>The liabilities below are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Compensated absences	(1,521,559)	
2001 CHFA Loan	(875,378)	
2004 Tax Allocation Bond	(1,580,000)	
2008 Certificates of Participation	(19,305,000)	
2010 Pension Obligation Bonds	(17,825,652)	
Other Postemployment Benefits	<u>(1,633,932)</u>	(42,741,521)
<p>Internal service funds are used by management to charge costs of certain activities, such as insurance and central garage, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.</p>		
		<u>3,616,397</u>
Net Assets of Governmental Activities		<u>\$ 61,222,757</u>

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

**CITY OF PACIFICA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Capital Projects Funds</u>			<u>Special Revenue Fund</u>
	<u>General</u>	<u>General Capital Improvement</u>	<u>Redevelopment Agency Rockaway Beach</u>	<u>Gas Tax</u>
<b>Revenues</b>				
Taxes	\$ 15,899,319	\$ -	\$ 251,400	\$ -
Licenses and permits	323,731	26,450		
Fines and forfeitures	245,835			
Use of money and property	346,614	21,746	765	21
Intergovernmental	4,564,353	278,233		2,976,073
Charges for current services	1,591,914			
Recreation programs	445,309			
Other	1,568,761	2,118		857
Total Revenues	<u>24,985,836</u>	<u>328,547</u>	<u>252,165</u>	<u>2,976,951</u>
<b>Expenditures</b>				
Current:				
General government	3,714,741		136,377	
Public safety	14,743,448			
Community development	1,243,747	77,541		
Public works	2,199,337			1,650,530
Parks, beaches, and recreation	3,572,766			
Capital outlay	209,839	294,906		903,839
Debt service:				
Principal			40,000	
Interest and fiscal charges			286,697	
Cost of debt issuance				
Total Expenditures	<u>25,683,878</u>	<u>372,447</u>	<u>463,074</u>	<u>2,554,369</u>
Excess (Deficit) of Revenues over Expenditures	<u>(698,042)</u>	<u>(43,900)</u>	<u>(210,909)</u>	<u>422,582</u>
<b>Other Financing Sources (Uses)</b>				
Pension obligation bonds issued				
Pension obligation bonds discount				
Transfers in				
Transfers out	<u>(1,309,000)</u>			<u>(560,000)</u>
Total Other Financing Sources (Uses)	<u>(1,309,000)</u>			<u>(560,000)</u>
Net Changes in Fund Balances	(2,007,042)	(43,900)	(210,909)	(137,418)
Fund Balances, July 1, 2009	<u>9,086,020</u>	<u>1,271,857</u>	<u>(5,432,182)</u>	<u>3,172,370</u>
Fund Balances, June 30, 2010	<u>\$ 7,078,978</u>	<u>\$ 1,227,957</u>	<u>\$ (5,643,091)</u>	<u>\$ 3,034,952</u>

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

<b>Debt Service Fund</b>		
<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
\$ -	\$ 240,342	\$ 16,391,061
		350,181
		245,835
4,376	16,754	390,276
	677,904	8,496,563
		1,591,914
		445,309
	48,461	1,620,197
<u>4,376</u>	<u>983,461</u>	<u>29,531,336</u>
3,578,465		7,429,583
1,829,109	2,500	16,575,057
1,922,732	30,537	3,274,557
4,854,508	183,922	8,888,297
5,152,713		8,725,479
	877,540	2,286,124
510,000		550,000
987,718	17,931	1,292,346
247,467		247,467
<u>19,082,712</u>	<u>1,112,430</u>	<u>49,268,910</u>
<u>(19,078,336)</u>	<u>(128,969)</u>	<u>(19,737,574)</u>
17,825,652		17,825,652
(240,646)		(240,646)
1,489,000		1,489,000
		(1,869,000)
<u>19,074,006</u>		<u>17,205,006</u>
(4,330)	(128,969)	(2,532,568)
<u>940,144</u>	<u>1,975,581</u>	<u>11,013,790</u>
<u>\$ 935,814</u>	<u>\$ 1,846,612</u>	<u>\$ 8,481,222</u>

**CITY OF PACIFICA**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

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

Net change in fund balances	\$ (2,532,568)
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

The long-term prepaid pension asset is reported as an expenditure in the governmental funds, but in the Statement of Net Assets, it is shown as a prepaid and amortized throughout the period during which the related debt is outstanding.	17,337,527
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated lives and reported as depreciation expense.

Capital outlay expenditures are therefore added back to fund balances	\$ 2,204,332	
Depreciation expense not reported in governmental funds	<u>(1,353,744)</u>	850,588

Interest in the statement of activities that does not provide current financial resources are not reported as revenues in the governmental funds.	18,000
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Certain receivables are offset by deferred revenue in the governmental funds because they are not available to pay for current period expenditures. This amount represents the amount by which current deferred revenue exceeded prior year.	(148,444)
--	-----------

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

Issuance of long term debt	(17,825,652)	
Issuance cost and discount incurred during the period	488,113	
Issuance cost and discount amortized during the period	(39,036)	
Repayment of debt principal	<u>550,000</u>	(16,826,575)

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

Deferred loss on refunding amortized during the period	(44,484)	
Interest payable	(618,345)	
Compensated absences	<u>(167,658)</u>	(830,487)

Other postemployment benefits payable is a long-term debt that increases or derecasses each fiscal year, depending on the annual required contribution amount and actual amount funded/paid by the City. This is the amount of the change in the payable in the current period.	(576,956)
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The internal service funds are used by management to charge costs of certain activities such as, insurance and central garage, to individual funds. The net revenues (expenses) of the internal service funds are reported with governmental activities.	<u>520,274</u>
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Change in net assets of governmental activities	<u><u>\$ (2,188,641)</u></u>
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The accompanying notes are an integral part of these basic financial statements.

**CITY OF PACIFICA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
	<b>Sewer Utility</b>	
<b>Assets</b>		
Current Assets:		
Cash and investments	\$ 7,022,095	\$ 3,360,377
Cash and investments with fiscal agents	1,102,253	
Accounts receivable	1,019	2,709
Prepaid items	2,269,725	341,117
Inventories	359,245	30,205
Total Current Assets	10,754,337	3,734,408
Noncurrent Assets:		
Deferred charges, net of accumulated amortization	758,700	9,604
Capital assets, not being depreciated	4,014,412	258,774
Capital assets, being depreciated, net of accumulated depreciation	42,569,862	1,223,314
Total Noncurrent Assets	47,342,974	1,491,692
Total Assets	58,097,311	5,226,100
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	629,413	57,827
Accrued liabilities	68,110	10,771
Interest payable	539,768	1,662
Claims payable		1,007,473
Compensated absences	134,896	
Loans payable	1,667,041	
Bonds payable	289,140	19,321
Total Current Liabilities	3,328,368	1,097,054
Noncurrent Liabilities:		
Claims payable		148,992
Compensated absences	105,507	32,257
Loans payable	20,444,963	
Bonds payable	15,269,487	331,400
Total Noncurrent Liabilities	35,819,957	512,649
Total Liabilities	39,148,325	1,609,703
<b>Net Assets</b>		
Invested in capital assets, net of related debt	11,247,270	1,491,692
Restricted for debt service	562,485	
Unrestricted	7,139,231	2,124,705
Total Net Assets	\$ 18,948,986	\$ 3,616,397

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

**CITY OF PACIFICA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended 30, 2010**

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
	<u>Sewer Utility</u>	
Operating Revenues:		
Charges for services	\$ 11,270,030	\$ 1,413,963
Other operating income	97,615	987,458
	<hr/>	<hr/>
Total Operating Revenues	11,367,645	2,401,421
	<hr/>	<hr/>
Operating Expenses:		
Personnel services	2,858,465	404,981
Administration	878,146	2,787
Supplies and materials	746,075	384,731
Insurance	301,125	717,171
Outside contractors	222,303	84,740
Maintenance	152,799	30,881
Utilities	1,176,570	
Insurance claims	23,817	292,544
Depreciation	2,181,534	406,986
	<hr/>	<hr/>
Total Operating Expenses	8,540,834	2,324,821
	<hr/>	<hr/>
Operating Income (Loss)	2,826,811	76,600
	<hr/>	<hr/>
Non-Operating Revenues (Expenses):		
Investment earnings	22,451	20,336
Interest and fiscal charges	(1,075,428)	(1,662)
Amortization	(41,967)	
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(1,094,944)	18,674
	<hr/>	<hr/>
Income (Loss) Before Transfers	1,731,867	95,274
	<hr/>	<hr/>
Transfers:		
Transfers in	620,000	425,000
Transfers out	(665,000)	
	<hr/>	<hr/>
Changes in Net Assets	1,686,867	520,274
	<hr/>	<hr/>
Net Assets, July 1, 2009	17,262,119	3,096,123
	<hr/>	<hr/>
Net Assets, June 30, 2010	<u>\$ 18,948,986</u>	<u>\$ 3,616,397</u>

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

**CITY OF PACIFICA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2010**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
	<b>Sewer Utility</b>	
Cash Flows from Operating Activities:		
Receipts from customers	\$ 11,501,163	\$ 2,398,712
Payments to suppliers and users	(5,447,353)	(1,564,254)
Payments for claims		(333,957)
Payments to employees	(2,852,282)	(400,185)
	<u>3,201,528</u>	<u>100,316</u>
Cash Flows from Noncapital Financing Activities:		
Transfers in	620,000	425,000
Transfers out	(665,000)	
Proceeds from issuance of long-term debt	2,333,627	350,721
Payment of costs associated with debt issuance	(63,900)	(9,604)
	<u>2,224,727</u>	<u>766,117</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(840,268)	(237,997)
Principal payments on bonds and notes	(1,792,502)	
Interest paid	(1,097,110)	
	<u>(3,729,880)</u>	<u>(237,997)</u>
Cash Flows from Investing Activities:		
Interest received	22,451	20,336
	<u>22,451</u>	<u>20,336</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,718,826	648,772
Cash and Cash Equivalents at the Beginning of the Fiscal Year	<u>6,405,522</u>	<u>2,711,605</u>
Cash and Cash Equivalents at the End of the Fiscal Year	<u>\$ 8,124,348</u>	<u>\$ 3,360,377</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets:		
Cash and investments	\$ 7,022,095	\$ 3,360,377
Cash and investments with fiscal agents	1,102,253	
Total Cash and Cash Equivalents	<u>\$ 8,124,348</u>	<u>\$ 3,360,377</u>

(Continued)

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

**CITY OF PACIFICA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2010**  
**(Continued)**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
	<b>Sewer Utility</b>	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 2,826,811	\$ 76,600
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	2,181,534	406,986
(Increase) Decrease in Operating Assets:		
Accounts receivable	133,518	(2,709)
Prepaid items	(2,269,725)	(341,117)
Inventories	(1,426)	(12,663)
Increase (Decrease) in Operating Liabilities:		
Accounts payable	324,633	9,836
Accrued liabilities	(15,003)	(891)
Settlement payable		
Claims payable		(41,413)
Compensated absences	21,186	5,687
	<u>21,186</u>	<u>5,687</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,201,528</u>	<u>\$ 100,316</u>

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

**CITY OF PACIFICA**  
**Fiduciary Fund**  
**Statement of Net Assets**  
**For the Fiscal Year Ended June 30, 2010**

	<b>Davies Trust Fund</b>
<b>Assets</b>	
Cash and investments	\$ 3,537,948
Total assets	3,537,948
<b>Liabilities</b>	
Accounts payable	3,612
Accrued liabilities	583
Total liabilities	4,195
<b>Net Assets</b>	
Unrestricted	3,533,753
Total net assets	\$ 3,533,753

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

**CITY OF PACIFICA**  
**Fiduciary Fund**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Fiscal Year Ended June 30, 2010**

	<b>Davies Trust Fund</b>
<b>Additions:</b>	
Investment revenue	\$ 19,949
Other revenue	105
Total additions	20,054
<b>Deductions:</b>	
Parks, beaches, and recreation	152,563
Total deductions	152,563
Change in net assets	(132,509)
Net Assets - July 1, 2009	3,666,262
Net Assets - June 30, 2010	\$ 3,533,753

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**CITY OF PACIFICA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 - Summary of Significant Accounting Policies:**

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

**A. Reporting Entity**

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

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

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

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

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

**B. Basis of Presentation**

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

**CITY OF PACIFICA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**C. Government-wide Financial Statements**

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

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

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

**D. Financial Statements**

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

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

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

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

**CITY OF PACIFICA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**D. Financial Statements (Continued)**

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

Fiduciary Fund Financial Statements include a statement of net assets and a statement of changes in fiduciary net assets. Fiduciary funds represent trust funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has only one fiduciary fund, the Davies 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, liabilities, revenues or expenditures/expenses equal to or greater than ten percent of their fund-type total and five percent of the grand total. The general fund is always a major fund. For the fiscal year ended June 30, 2010 the City selected the General Capital Improvement Capital Projects Fund to be presented as a major fund, even though it did not qualify as one. The major funds of the City are:

- **General Fund** – The General Fund is used to account for the resources to carry out basic governmental activities of the City such as general government, public safety, public works, community development, and parks, beaches, and recreation, which are not required to be accounted for in another fund.
- **General Capital Improvement Capital Projects Fund** – This fund is used to account for revenues derived from fees and apportionments from General Fund to be used for the acquisition, construction, and improvement of major capital facilities of the City.
- **Redevelopment Agency Rockaway Beach Capital Project Fund** – This fund is used to account for expenditures and financing of various redevelopment agency projects.
- **Gas Tax Special Revenue Fund** – This fund was established to receive and expend the City's allocation of the State Gasoline Taxes. Each City is allocated funds on a population basis in accordance with Section 2105, 2106, 2107 and 2107.5 of the California Street and Highway Code. Population is determined by the latest Federal Census or survey requested and certified by the Cities and conducted by the State Department of Finance. Expenditures may be made for construction or purchasing of right-of-way on minor streets. Expenditures of money apportioned under Section 2107 may be made for any street purpose. Under Section 2107.5 a flat allocation of \$6000 per year is granted the City for street engineering.
- **Debt Service Fund** – This fund is used to account for the accumulated and the disbursement of account for expenditures and financing of various redevelopment agency projects.

The City reports the following major proprietary fund:

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

**CITY OF PACIFICA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**E. Major Funds (Continued)**

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 Davies Trust Fund** is used to account for a donation by a private individual which is restricted for specific purposes. These funds are not included in the government-wide financial statements. 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.

**F. Basis of Accounting**

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

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

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

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

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

**CITY OF PACIFICA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**F. Basis of Accounting (Continued)**

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

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

**G. Cash and Cash Equivalents**

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

**H. Investments**

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

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

**I. Receivables and Payables**

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

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

**J. Inventories and Prepaid Items**

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

**CITY OF PACIFICA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**J. Inventories and Prepaid Items (Continued)**

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

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

**K. Deferred Charges and Deferred Loss on Refunding**

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

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

**L. Capital Assets**

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

**M. Deferred Revenues**

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

**N. Compensated Absences**

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

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

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

**O. Property Tax Revenues**

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

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

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

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

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

**P. Net Assets**

Government-wide Net Assets consist of the following:

Invested in capital assets, net of related debt – This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that was attributed to the acquisition, construction or improvement of the assets.

Restricted net assets – This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net assets – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

Governmental Fund Balances consist of the following: Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws that require a portion of the fund balance to be segregated or identify the portion of the fund not available for future expenditures.

**CITY OF PACIFICA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**Q. 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.

**R. New Accounting Pronouncements**

The City has implemented the requirements of GASB Statements No. 51, No. 53, No. 57, and No. 58 during the fiscal year ended June 30, 2010.

*GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". This Statement is effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this Statement did not have an effect on these financial statements.

*GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This Statement is effective for financial statements for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The implementation of this Statement did not have an effect on these financial statements.

*GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans". This Statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of this Statement did not have an effect on these financial statements.

*GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies". This Statement is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The implementation of this Statement did not have an effect on these financial statements.

**CITY OF PACIFICA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 2 - Stewardship, Compliance, and Accountability:**

Budgetary information

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

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

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

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

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

Excess of expenditures over appropriations

For the fiscal year ended June 30, 2010, expenditures exceeded the budgeted expenditures in the following funds:

Funds	Expenditures in excess of budget
<b>Major Funds</b>	
<b>General Fund:</b>	
Public safety	\$ 221,528
Community development	61,436
Public works	14,704
Capital outlay	74,439
<b>Gas Tax Fund:</b>	
Public works	351,830
<b>Rockaway Beach Capital Projects Fund:</b>	
General government	92,177
Principal	5,000
Interest and fiscal charges	197,506
<b>Debt Service Fund:</b>	
General government	3,578,465
Public safety	1,829,109
Community development	1,922,732
Public works	4,854,508
Parks, beaches & recreation	5,152,713
Principal	483,500
Cost of debt issuance	247,467
<b>Nonmajor Funds</b>	
<b>Special Revenue Funds</b>	
<b>Fire Assessment:</b>	
Public safety	2,500
<b>NPDES Stormwater:</b>	
Public works	745
<b>Redevelopment Agency Low/Mod Housing:</b>	
Interest and fiscal charges	931
<b>Disaster Accounting:</b>	
Public works	8,337
Capital outlay	207,230
<b>Capital Project Funds</b>	
<b>Aircraft Noise Project:</b>	
Community development	2,475
<b>Parks and Playfield:</b>	
Community development	662

The excess expenditures were funded by available financial resources.

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 3 - Cash and Investments:**

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 16,605,049
Cash and investments with fiscal agents	5,609,436
Statement of fiduciary net assets:	
Cash and investments	<u>3,537,948</u>
 Total cash and investments	 <u>\$ 25,752,433</u>
 Petty cash	 \$ 3,445
Deposits with financial institutions	4,099,461
Investments	<u>21,649,527</u>
 Total cash and investments	 <u>\$ 25,752,433</u>

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

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

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

**Investments Authorized by Debt Agreements**

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

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 3 - Cash and Investments (Continued):**

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

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

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

Investment Type	Totals	Remaining Maturity (in Months)	
		12 Months Or Less	13 Months Or More
State Investment Pool	\$ 18,310,097	\$ 18,310,097	\$ -
Held by Trustees:			
Money Market Funds	3,339,430	3,339,430	
Totals	<u>\$ 21,649,527</u>	<u>\$ 21,649,527</u>	<u>\$ -</u>

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

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

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 3 - Cash and Investments (Continued):**

**Disclosures Relating to Credit Risk**

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End	
				AAA	Not Rated
State Investment Pool Held by Trustees:	\$ 18,310,097	N/A	\$ -	\$ -	\$ 18,310,097
Money Market Funds	<u>3,339,430</u>	N/A		<u>3,339,430</u>	
Totals	<u>\$ 21,649,527</u>		<u>\$ -</u>	<u>\$ 3,339,430</u>	<u>\$ 18,310,097</u>

**Concentration of Credit Risk**

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

**Custodial Credit Risk**

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

As of June 30, 2010, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 3 - Cash and Investments (Continued):**

**Investment in State Investment Pool**

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

**NOTE 4 - Notes Receivable:**

Notes receivable at June 30, 2010 consist of the following:

	Note Receivable Balance	Accrued Interest Balance
Senior note, secured by second deed of trust, due on August 25, 2035	\$ 250,000	\$ 70,130
Junior note, secured by fourth deed of trust, due on August 25, 2035	350,000	98,182
Total, secured	600,000	168,312
Note receivable, unsecured	1,034,348	
Less allowance for doubtful account	(1,034,348)	
Total, unsecured		
Total, net	\$ 600,000	\$ 168,312

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

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

**NOTE 5 - Capital Assets:**

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

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

**CITY OF PACIFICA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 5 - Capital Assets (Continued):**

The City has assigned the useful lives listed below 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, 2010:

	Governmental Activities	Internal Service	Total
Capital assets not being depreciated:			
Land	\$ 38,788,118	\$ 258,774	\$ 39,046,892
Construction in progress	668,502		668,502
	<u>39,456,620</u>	<u>258,774</u>	<u>39,715,394</u>
Depreciable capital assets:			
Buildings and improvements	15,653,044	339,926	15,992,970
Vehicles		5,114,659	5,114,659
Machinery and equipment	1,053,908	128,382	1,182,290
Infrastructure	21,191,335		21,191,335
Total	<u>37,898,287</u>	<u>5,582,967</u>	<u>43,481,254</u>
Less: accumulated depreciation	<u>(9,666,690)</u>	<u>(4,359,653)</u>	<u>(14,026,343)</u>
Depreciable capital assets, net	<u>28,231,597</u>	<u>1,223,314</u>	<u>29,454,911</u>
Total capital assets, net	<u>\$ 67,688,217</u>	<u>\$ 1,482,088</u>	<u>\$ 69,170,305</u>

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

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 39,046,892	\$ -	\$ -	\$ 39,046,892
Construction in progress	628,893	39,609		668,502
	<u>39,675,785</u>	<u>39,609</u>		<u>39,715,394</u>
Depreciable capital assets:				
Buildings and improvements	15,955,441	37,529		15,992,970
Vehicles	4,938,290	237,997	(61,628)	5,114,659
Machinery and equipment	1,003,715	178,575		1,182,290
Infrastructure	19,242,716	1,948,619		21,191,335
Total	<u>41,140,162</u>	<u>2,402,720</u>	<u>(61,628)</u>	<u>43,481,254</u>
Less: accumulated depreciation for				
Buildings and improvements	(5,305,145)	(512,860)		(5,818,005)
Vehicles	(3,762,379)	(386,368)	61,628	(4,087,119)
Machinery and equipment	(576,330)	(110,976)		(687,306)
Infrastructure	(2,683,387)	(750,526)		(3,433,913)
	<u>(12,327,241)</u>	<u>(1,760,730)</u>	<u>61,628</u>	<u>(14,026,343)</u>
Depreciable capital assets, net	<u>28,812,921</u>	<u>641,990</u>		<u>29,454,911</u>
Total capital assets, net	<u>\$ 68,488,706</u>	<u>\$ 681,599</u>	<u>\$ -</u>	<u>\$ 69,170,305</u>

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 5 - Capital Assets (Continued):**

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

Governmental activities:	
General government	\$ 124,632
Public safety	607,004
Community development	50,749
Public works	869,248
Parks, beaches, and recreation	109,097
	<u>\$ 1,760,730</u>

The following is a summary of capital assets for business-type activities as of June 30, 2010:

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 4,014,412	\$ -	\$ -	\$ 4,014,412
	<u>4,014,412</u>			<u>4,014,412</u>
Depreciable capital assets:				
Buildings and improvements	75,340,673	162,006		75,502,679
Collection system	4,287,583	678,262		4,965,845
Machinery and equipment	991,830			991,830
Total	<u>80,620,086</u>	<u>840,268</u>		<u>81,460,354</u>
Less: accumulated depreciation for:				
Buildings and improvements	(34,059,071)	(1,881,859)		(35,940,930)
Collection system	(2,129,157)	(230,814)		(2,359,971)
Machinery and equipment	(520,730)	(68,861)		(589,591)
	<u>(36,708,958)</u>	<u>(2,181,534)</u>		<u>(38,890,492)</u>
Depreciable capital assets, net	<u>43,911,128</u>	<u>(1,341,266)</u>		<u>42,569,862</u>
Total capital assets, net	<u>\$ 47,925,540</u>	<u>\$ (1,341,266)</u>	<u>\$ -</u>	<u>\$ 46,584,274</u>

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 - Long-Term Debt:**

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

**Governmental Activities**

	Balance, June 30, 2009	Additions	Retirements	Prior Period Adjustment	Balance, June 30, 2010	Due in One year
<b><u>Certificates of participation:</u></b>						
2008 COP	\$ 19,815,000	\$ -	\$ 510,000	\$ -	\$ 19,305,000	\$ 455,000
<b><u>Tax allocation bonds:</u></b>						
2004 Tax allocation bonds	1,620,000		40,000		1,580,000	40,000
<b><u>Pension Obligation Bonds</u></b>						
2010 Pension obligation bonds (88.622%)		18,176,373			18,176,373	1,005,860
<b><u>Note payable:</u></b>						
2001 CHFA Loan	875,378				875,378	
<b><u>Other liabilities:</u></b>						
Claims payable	1,197,878	89,077	130,490		1,156,465	1,007,473
Compensated absences	1,380,471	1,168,071	994,726		1,553,816	994,726
Other postemployment benefits payable		576,956		1,056,976	1,633,932	
Total other liabilities	2,578,349	1,834,104	1,125,216	1,056,976	4,344,213	2,002,199
	<u>\$ 24,888,727</u>	<u>\$ 20,010,477</u>	<u>\$ 1,675,216</u>	<u>\$ 1,056,976</u>	<u>\$ 44,280,964</u>	<u>\$ 3,503,059</u>

**Business-type Activities**

	Balance, June 30, 2009	Additions	Retirements	Balance, June 30, 2010	Due in One year
<b><u>Revenue bonds:</u></b>					
2004 Wastewater					
Revenue Refunding	\$ 9,250,000	\$ -	\$ -	\$ 9,250,000	\$ -
2001B Sewer					
Revenue Refunding	4,130,000		155,000	3,975,000	160,000
Total revenue bonds	13,380,000		155,000	13,225,000	160,000
<b><u>Pension Obligation Bonds</u></b>					
2010 Pension obligation bonds (11.378%)		2,333,627		2,333,627	129,140
<b><u>Note payable:</u></b>					
State of California Water					
Resources Control Board	23,749,506		1,637,502	22,112,004	1,667,041
<b><u>Other liabilities:</u></b>					
Compensated absences	219,217	156,082	134,896	240,403	134,896
	<u>\$ 37,348,723</u>	<u>\$ 2,489,709</u>	<u>\$ 1,927,398</u>	<u>\$ 37,911,034</u>	<u>\$ 2,091,077</u>

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 - Long-Term Debt (Continued):**

**2004 Tax Allocation Bonds:** During August 2004, the Redevelopment Agency of the City of Pacifica issued \$1,725,000 in Rockaway Beach Redevelopment Project 2004 Tax Allocation Bonds at interest rates varying from 2.9% to 5.75%. The net proceeds of the bonds were issued to refinance redevelopment activities by repaying a portion of the loan made by the City to the Agency and to establish a reserve fund. Interest on the bonds will be payable semiannually on January 1 and July 1 each year, commencing January 1, 2005. The bonds mature on July 1, 2031. The bonds are payable exclusively from pledged tax revenues to be derived from the project area and from the amounts on deposits in certain funds and accounts, including the reserve account and the revenue account. The balance at June 30, 2010 is \$1,580,000.

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

Fiscal year Ended	Principal	Interest	Total
2011	\$ 40,000	\$ 86,026	\$ 126,026
2012	40,000	84,286	124,286
2013	45,000	82,340	127,340
2014	45,000	80,214	125,214
2015	50,000	77,909	127,909
2016-2020	280,000	348,365	628,365
2021-2025	365,000	259,552	624,552
2026-2030	480,000	140,016	620,016
2031-2032	235,000	13,645	248,645
	<u>\$ 1,580,000</u>	<u>\$ 1,172,353</u>	<u>\$ 2,752,353</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. The outstanding principal balance at June 30, 2010 is \$18,176,373. Approximately 88.622% of the bonds payable has been allocated to governmental activities.

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

Fiscal year Ended	Principal	Interest	Total
2011	\$ 1,005,860	\$ 1,001,261	\$ 2,007,121
2012	970,411	954,629	1,925,040
2013	1,059,033	934,065	1,993,098
2014	1,156,517	903,450	2,059,967
2015	1,271,726	856,576	2,128,302
2016-2020	5,148,938	3,276,486	8,425,424
2021-2025	2,791,594	2,240,942	5,032,536
2026-2030	4,772,294	1,036,942	5,809,236
	<u>\$ 18,176,373</u>	<u>\$ 11,204,351</u>	<u>\$ 29,380,724</u>

**CITY OF PACIFICA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 6 - Long-Term Debt (Continued):**

**2001 CHFA Loan:** During August 2001, the City (along with State and County agencies) entered into an agreement to lend and borrow funds to assist with the purchase of land and buildings suitable for the utilization of low-income senior housing (Oceanview Apartments). The property was purchased by the City and immediately transferred to National Church Residences (NCR), a non-profit organization. The City loaned \$600,000, and also acted as the pass-through agency for a loan totaling \$1,450,000 from the California Housing Financing Agency (CHFA). The loan from CHFA is technically a loan to the City, and will be repaid by the City with payments received from NCR. As of April 28, 2010, the loan maturity date was extended from April 28, 2010 to April 28, 2012. Although all loans associated with this project will be repaid as surplus cash allows, the following reflects the anticipated repayment schedule:

Fiscal year Ended	Principal	Interest	Total
2011	\$ -	\$ -	\$ -
2012	875,378	149,400	1,024,778
	<u>\$ 875,378</u>	<u>\$ 149,400</u>	<u>\$ 1,024,778</u>

**2004 Wastewater Revenue Refunding Bonds:** During July 2004, the City of Pacifica issued \$9,250,000 in 2004 Wastewater Revenue Refunding Bonds at interest rates varying from 5% to 5.25%. The net proceeds of the bonds were issued to refund a portion of the State of California Water Resource Control Board Loan (payments due through July 31, 2007) and to establish a reserve fund. The bonds were issued with an original issue premium which is being amortized over the term of the bonds. Interest on the bonds will be payable semiannually on April 1 and October 1 each year, commencing April 1, 2005. The bonds mature on October 1, 2026. The bonds will be paid from and secured by the net revenues of the wastewater collection system of the City. The balance at June 30, 2010 is \$9,250,000.

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

Fiscal year Ended	Principal	Interest	Total
2011	\$ -	\$ 472,588	\$ 472,588
2012		472,588	472,588
2013		472,588	472,588
2014		472,588	472,588
2015		472,588	472,588
2016-2020		2,362,940	2,362,940
2021-2025	6,215,000	1,887,521	8,102,521
2026-2027	3,035,000	113,367	3,148,367
	<u>\$ 9,250,000</u>	<u>\$ 6,726,768</u>	<u>\$ 15,976,768</u>

**2001B Sewer Revenue Bonds:** The City of Pacifica Financing Authority refinanced \$4,635,000 of outstanding 1996 Sewer Revenue Bonds by issuing \$4,970,000 in new bonds at interest rates varying from 3.00% to 5.125%. The bonds mature on October 1, 2026. The economic gain realized on the refinancing had a net present value of \$342,973 or 7.2664% of par on the prior issue at the time of refinancing. The original bonds were issued to partly finance the City's new Wastewater Treatment Plant. The remaining long term financing was arranged through the State's Revolving Loan Fund. The bonds are callable in full, without premium, on any interest date on or after October 1, 2012. The bonds will be paid from the net revenues (pledged revenue) of the sewer fund operations. The balance at June 30, 2010 is \$3,975,000.

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 - Long-Term Debt (Continued):**

**2001B Sewer Revenue Bonds (Continued):**

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

Fiscal year Ended	Principal	Interest	Total
2011	\$ 160,000	\$ 189,961	\$ 349,961
2012	165,000	183,379	348,379
2013	170,000	176,341	346,341
2014	180,000	168,636	348,636
2015	190,000	160,216	350,216
2016-2020	1,075,000	653,895	1,728,895
2021-2025	1,380,000	344,753	1,724,753
2026-2027	655,000	33,122	688,122
	<u>\$ 3,975,000</u>	<u>\$ 1,910,303</u>	<u>\$ 5,885,303</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. The outstanding principal balance at June 30, 2010 is \$2,333,627. Approximately 11.378% of the bonds payable has been allocated to governmental activities.

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

Fiscal year Ended	Principal	Interest	Total
2011	\$ 129,140	\$ 128,550	\$ 257,690
2012	124,589	122,563	247,152
2013	135,967	119,923	255,890
2014	148,483	115,992	264,475
2015	163,274	109,974	273,248
2016-2020	661,062	420,662	1,081,724
2021-2025	358,407	287,710	646,117
2026-2030	612,705	133,131	745,836
	<u>\$ 2,333,627</u>	<u>\$ 1,438,505</u>	<u>\$ 3,772,132</u>

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

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

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 - Long-Term Debt (Continued):**

**State of California Water Resource Control Board Loan (Continued):**

For financial reporting purposes, the portion of loan payments that are due through July 1, 2007 have been considered defeased and therefore removed as a liability from the City. As of June 30, 2010, the amount of defeased debt outstanding but removed from the long-term debt was \$0.

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

Fiscal year Ended	Principal	Interest	Total
2011	\$ 1,667,041	\$ 398,878	\$ 2,065,919
2012	1,697,111	368,808	2,065,919
2013	1,727,727	338,192	2,065,919
2014	1,758,892	307,026	2,065,918
2015	1,790,621	275,297	2,065,918
2016-2020	9,449,434	880,159	10,329,593
2021-2022	4,021,178	109,118	4,130,296
	<u>\$ 22,112,004</u>	<u>\$ 2,677,478</u>	<u>\$ 24,789,482</u>

**Note 7 - Other Post-Employment Benefits**

**Plan Description**

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

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

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

- Miscellaneous Employees
- Police Management
- Wastewater Treatment Plant

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

**Funding Policy**

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

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 7 - Other Post-Employment Benefits (Continued):**

**Funding Policy (Continued)**

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

The City's policy is to contribute an amount sufficient to pay the current year's minimum employer contribution only. For fiscal year 2009-10, the City contributed \$101,213, which covered the current year's minimum employer contribution, but did not include any additional prefunding of benefits.

**Annual OPEB and Net OPEB Obligation**

The City's annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 678,169
Annual OPEB cost (expense)	678,169
Contributions made	(101,213)
Increase in net OPEB obligation	576,956
Net OPEB obligation - beginning of fiscal year, restated	1,056,976
Net OPEB obligation - end of fiscal year	\$ 1,633,932

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2010 was as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contribution</b>	<b>Net OPEB Obligation (Asset)</b>
6/30/2008	\$ 575,621	11.5%	\$ 509,675
6/30/2009	625,394	12.5%	1,056,976
6/30/2010	678,169	14.9%	1,633,932

**Funded Status and Funding Progress**

As of July 1, 2007, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$5,127,629, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,127,629.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**CITY OF PACIFICA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**Note 7 - Other Post-Employment Benefits (Continued):**

**Actuarial Methods and Assumptions**

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

In the July 1, 2007 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, which is the expected long-term investment returns on plan assets and an annual increase in the minimum employer contribution of 3.25 percent. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at June 30, 2010 was twenty seven years.

**NOTE 8 - Employee Retirement Plans:**

Plan Description:

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

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

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

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 8 - Employee Retirement Plans (Continued):**

Funding Policies:

Active plan members in the Miscellaneous Plan, the Safety Fire Plan and the Safety Police Plan are required to contribute 7%, 9% and 9%, respectively, of their annual covered salary. The City pays the tax deferred contributions required of City employees on their behalf and for their account. The City is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal 2009/10 are as follows: 15.733% for miscellaneous employees; 31.370% for fire employees and 37.518% for police employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost:

For fiscal year 2009-10, the City's combined annual pension cost was \$5,098,407 which includes the City's required contribution amount of \$3,786,044 and the members required contribution amount of \$1,312,363.

**Miscellaneous Plan:**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$ 1,218,778	100%	\$ -
6/30/2009	1,314,532	100%	-
6/30/2010	1,416,451	100%	-

**Fire Safety Plan:**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$ 997,879	100%	\$ -
6/30/2009	903,798	100%	-
6/30/2010	905,620	100%	-

**Police Safety Plan:**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$ 1,348,911	100%	\$ -
6/30/2009	1,390,962	100%	-
6/30/2010	1,463,973	100%	-

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 9 - Public Entity Risk Pool:**

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

ABAG PLAN CORPORATION

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

The City paid premiums of \$551,091 during fiscal year 2009-2010 for general liability and property coverage in excess of the City's self-insured retention as described in Note 9. Members may receive rebates when declared by ABAG or, in the event excess liability claims against ABAG exceed available resources, may be required to make additional contributions.

ABAG is considered a risk-sharing pool whereby all its members share in the cost of losses for other members. Condensed accrual basis audited financial information of PLAN as of and for the fiscal year ended June 30, 2010 is as follows:

Total assets	\$ 48,715,107
Total liabilities	17,360,134
Net assets	\$ 31,354,973
Total revenues	\$ 11,211,127
Total expenses	7,218,603
Net income (loss)	\$ 3,992,524

**NOTE 10 - Self Insurance Fund:**

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

The City paid premiums of \$669,607 during fiscal year 2009-10 for workers' compensation and excess workers' compensation coverage.

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

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

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 - Long-Term Debt (Continued):**

**2008 Certificates of Participation:** On July 28, 2008, the City of Pacifica issued Certificates of Participation (COP) in the amount of \$19,305,000 (par value) payable annually beginning January 1, 2010 and with a variable interest rate of 3.000% to 5.375%, payable each July 1 and January 1, beginning January 1, 2009. The COP matures on January 1, 2037. The purpose of the COP is to (i) fund an escrow to cause the mandatory tender of all outstanding certificates for the 2006 issue, (ii) provide funds relating to the acquisition, construction, and equipping of certain City public street improvement projects, (iii) fund certain costs relating to termination of a swap agreement relating to the 2006 COP, (iv) fund capitalized interest, (v) fund or provide for satisfaction of the Reserve Fund Requirement, and (vi) pay the costs incurred in connection with the execution, delivery, and sale of the 2008 COPs.

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

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

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

Fiscal year Ended	Principal	Interest	Total
2011	\$ 455,000	\$ 962,518	\$ 1,417,518
2012	525,000	947,731	1,472,731
2013	525,000	924,106	1,449,106
2014	505,000	900,482	1,405,482
2015	555,000	877,756	1,432,756
2016-2020	2,915,000	4,017,872	6,932,872
2021-2025	3,325,000	3,293,590	6,618,590
2026-2030	3,900,000	2,396,810	6,296,810
2031-2035	4,570,000	1,299,138	5,869,138
2036-2037	2,030,000	164,209	2,194,209
	<b>\$ 19,305,000</b>	<b>\$ 15,784,212</b>	<b>\$ 35,089,212</b>

**Defeased Debt:**

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

The City defeased the 1999, 2000, and 2003 COPs by placing the proceeds of the new COP in an irrevocable trust to provide for all future debt service payments on the old COPs. Accordingly, the trust account assets and the liability for the defeased COPs are not included in the City's financial statements. At June 30, 2010, the 1999, 2000, and 2003 COPs outstanding balances which are considered defeased were \$0, \$0, and \$2,285,000 respectively.

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 10 - Self Insurance Fund (Continued):**

\* Workers' Compensation coverage is currently pooled with a 30 city Insurance JPA. Settled claims have not exceeded the City's policy limits in any of the past three fiscal years.

The City maintains an internal service fund to account for these insurance programs. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Accrued insurance losses of \$656,465 and \$500,000 were recorded at June 30, 2010 for the workers' compensation and general liability programs respectively.

Changes in the total reported liability resulted from the following:

	Fiscal Year Ended June 30,	
	2009	2010
July 1 Liability	\$ 1,784,588	\$ 1,197,878
Claims & change in estimate	(478,877)	89,077
Payments for claims	(107,833)	(130,490)
June 30 Liability	\$ 1,197,878	\$ 1,156,465

**NOTE 11 - Interfund Transactions:**

Due To/From Other Funds

Current interfund balances arise in the normal course of business, to fund projects until the borrowing fund receives revenues to repay the lending fund and to assist funds with negative cash balance at the fiscal year end. The following is a summary of Interfund balances as of June 30, 2010:

Funds	Due from other funds	Due to other funds
Major Governmental Funds:		
General Fund	\$ 2,730,980	\$ -
Capital Projects Fund:		
General Capital Improvement Fund		2,218,700
Redevelopment Agency Rockaway Beach Fund		118,881
Special Revenue Fund:		
Gas Tax Fund	2,218,700	785,168
Nonmajor Governmental Funds:		
Special Revenue Funds:		
NPDES Stormwater Fund		151,434
Disaster Accounting Fund		1,310,044
Capital Project Fund:		
Highway 1 Improvement Fund		365,453
Total	\$ 4,949,680	\$ 4,949,680

Advances Receivable/Payable

The City of Pacifica loans money to the Redevelopment Agency Rockaway Beach Fund to be used for any expenses necessary or incidental to carrying out the Redevelopment Plan. At June 30, 2010, outstanding loans totaling \$5,736,898 (\$2,341,185 in advances and \$3,395,713 of accrued interest) have been made from the General Fund and are to be repaid as practical to the City from incremental tax revenues of the project area and sales of redevelopment property. Interest accrues on the original advance at 8.5%.

**CITY OF PACIFICA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 11 - Interfund Transactions (Continued):**

Advances Receivable/Payable (Continued)

The City of Pacifica participated in the financing of a low-cost senior apartment complex during fiscal year 2000-2001. The Agency made a \$600,000 long-term loan through the RDA Low/Mod Housing Fund to National Church Residences (see Note 4). Since the Housing Fund did not have the full \$600,000, the City's General Fund loaned the Housing Fund \$258,000 at a variable simple interest rate dependent upon the State of California's investment pool rate. The current loan interest rate between the City's General Fund and the Housing Fund is 7%. The total balance at June 30, 2010 is \$256,142 (\$175,190 in advances and \$80,952 in accrued interest).

Transfers

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

The following is a summary of transfers for the fiscal year ended June 30, 2010:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ -	\$ 1,309,000
Debt Service Fund	1,489,000	
Special Revenue Fund:		
Gas Tax Fund		560,000
Major Enterprise Fund:		
Sewer Utility Fund	620,000	665,000
Internal Service Fund:		
Self Insurance Fund	<u>425,000</u>	
	<u>\$ 2,534,000</u>	<u>\$ 2,534,000</u>

**NOTE 12 - Net Assets and Fund Balances:**

GASB Statement No. 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

The government-wide statement of net assets for governmental activities reports \$51,393,206 of Invested in capital assets, net of debt, \$4,962,287, of restricted net assets and the government-wide statement of net assets for business-type activities reports \$562,485 of restricted net assets.

Fund balances consist of reserved and unreserved amounts. Reserved fund balances represent amounts that are legally restricted to a specific use or are not available for appropriation of expenditure. The remaining portion is unreserved. Portions of the unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures.



**CITY OF PACIFICA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 14 – Prior Period Adjustment:**

A prior period adjustment of (\$1,056,976) was made on the Statement of Activities for Governmental Activities for the understatement of other postemployment benefits payable in the prior fiscal year.

**NOTE 15 – Subsequent Event:**

On October 23, 2009 an Administrative Civil Liability Complaint (Complaint) under Water Code Sections 13385 and 13350 for Unauthorized Discharge Violations and Effluent and Receiving Water Limit Violations from the Sanitary Sewer Collection System and the Wastewater Treatment Plant in the City of Pacifica was issued by the California Regional Water Quality Control Board (Board) in the amount of \$2.3 million.

In March 2011, the Board prepared a settlement agreement in the amount of \$1,700,000. The City is in the final stages of negotiating the settlement agreement, which requires the City to pay a total of \$880,000 to the State Water Resources Control Board Cleanup and Abatement Account and a remaining amount of \$820,000 shall be suspended upon completion of one of the Supplemental Environmental Project(s) options.

**NOTE 16 – Financial Condition:**

For the fiscal year ended June 30, 2010 the General Fund's net change in fund balance was (\$2,007,042). As of June 30, 2010 the unreserved available fund balance in the General Fund was \$3,376,896. With a decrease in revenues expected in fiscal year 10/11, the General Fund unreserved available fund balance could be substantially reduced as of June 30, 2011. The City is currently working on a plan to reduce expenditures in all departments.

**CITY OF PACIFICA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2010**

**BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**CITY OF PACIFICA  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2010**

Other Postemployment Benefits

Schedule of Funding Progress

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

**CITY OF PACIFICA**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes:				
Property	\$ 8,165,942	\$ 8,165,942	\$ 9,979,372	\$ 1,813,430
Sales	1,087,500	1,087,500	1,122,079	34,579
Franchise	1,712,500	1,712,500	1,698,768	(13,732)
Other	3,565,000	3,565,000	3,099,100	(465,900)
Licenses and permits	337,425	337,425	323,731	(13,694)
Fines and forfeitures	300,000	300,000	245,835	(54,165)
Use of money and property	397,000	397,000	346,614	(50,386)
Intergovernmental	4,922,629	4,922,629	4,564,353	(358,276)
Charges for current services	1,568,434	1,568,434	1,591,914	23,480
Recreation programs	429,500	429,500	445,309	15,809
Other	1,295,200	1,295,200	1,568,761	273,561
<b>Total Revenues</b>	<b>23,781,130</b>	<b>23,781,130</b>	<b>24,985,836</b>	<b>1,204,706</b>
Expenditures				
Current:				
General government				
City council	157,500	157,500	149,987	7,513
City manager	491,850	491,850	467,082	24,768
Human resources	444,040	444,040	455,714	(11,674)
City attorney	576,940	670,306	658,651	11,655
Finance	1,162,580	1,162,580	1,074,252	88,328
Non-departmental	1,034,023	1,034,023	909,055	124,968
<b>Total General Government</b>	<b>3,866,933</b>	<b>3,960,299</b>	<b>3,714,741</b>	<b>245,558</b>
Public safety				
Police	8,924,290	8,924,290	9,199,103	(274,813)
Fire	5,597,630	5,597,630	5,544,345	53,285
<b>Total Public Safety</b>	<b>14,521,920</b>	<b>14,521,920</b>	<b>14,743,448</b>	<b>(221,528)</b>
Community development				
Planning	1,019,686	1,061,686	1,122,711	(61,025)
Code enforcement	116,525	116,525	118,009	(1,484)
Economic development	4,100	4,100	3,027	1,073
<b>Total Community Development</b>	<b>1,140,311</b>	<b>1,182,311</b>	<b>1,243,747</b>	<b>(61,436)</b>
Public works				
Engineering services	436,592	436,592	391,993	44,599
Street and traffic maintenance	691,626	691,626	761,934	(70,308)
Building maintenance and improvement	368,760	368,760	357,995	10,765
Fishing pier/rest stop maintenance	132,415	132,415	134,813	(2,398)
City parks and playfields	555,240	555,240	552,602	2,638
<b>Total Public Works</b>	<b>2,184,633</b>	<b>2,184,633</b>	<b>2,199,337</b>	<b>(14,704)</b>

(Continued)

See notes to required supplementary information.

**CITY OF PACIFICA**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2010**  
**Continued**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current:				
Parks, beaches, and recreation				
Parks, beaches, and recreation	\$ 179,850	\$ 179,850	\$ 170,973	\$ 8,877
Community center programs	168,064	168,064	142,874	25,190
Cultural arts	10,000	10,000	10,104	(104)
Elementary age recreation	111,191	111,191	85,767	25,424
Teens and j-teens recreation	70,070	70,070	50,771	19,299
Adult sports	12,380	12,380	8,443	3,937
Senior	166,556	166,556	173,825	(7,269)
Instructional class	146,825	146,825	135,294	11,531
Recreation swimming	181,955	181,955	199,523	(17,568)
Swim team	117,860	117,860	141,333	(23,473)
Special community recreation	79,680	79,680	59,222	20,458
Special projects	2,411,001	2,411,001	2,394,637	16,364
Total Parks, Beaches, and Recreation	3,655,432	3,655,432	3,572,766	82,666
Capital outlay	135,400	135,400	209,839	(74,439)
Total Expenditures	25,504,629	25,639,995	25,683,878	(43,883)
Excess (Deficit) of Revenues over Expenditures	(1,723,499)	(1,858,865)	(698,042)	1,160,823
Other Financing Sources (Uses)				
Transfers out	(1,384,000)	(1,384,000)	(1,309,000)	75,000
Total Other Financing Sources (Uses)	(1,384,000)	(1,384,000)	(1,309,000)	75,000
Net Change in Fund Balance	(3,107,499)	(3,242,865)	(2,007,042)	1,235,823
Fund Balance, July 1, 2009	9,086,020	9,086,020	9,086,020	
Fund Balance, June 30, 2010	<u>\$ 5,978,521</u>	<u>\$ 5,843,155</u>	<u>\$ 7,078,978</u>	<u>\$ 1,235,823</u>

See notes to required supplementary information.

**CITY OF PACIFICA**  
**Budgetary Comparison Schedule**  
**Gas Tax Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Use of money and property	\$ 2,500	\$ 2,500	\$ 21	\$ (2,479)
Intergovernmental	3,131,500	3,131,500	2,976,073	(155,427)
Other	500	500	857	357
Total Revenues	<u>3,134,500</u>	<u>3,134,500</u>	<u>2,976,951</u>	<u>(157,549)</u>
Expenditures				
Current:				
Public works	1,302,200	1,298,700	1,650,530	(351,830)
Capital outlay	1,483,080	1,692,922	903,839	789,083
Total Expenditures	<u>2,785,280</u>	<u>2,991,622</u>	<u>2,554,369</u>	<u>437,253</u>
Excess (Deficit) of Revenues over Expenditures	<u>349,220</u>	<u>142,878</u>	<u>422,582</u>	<u>279,704</u>
Other Financing Sources (Uses)				
Transfers out	<u>(560,000)</u>	<u>(560,000)</u>	<u>(560,000)</u>	
Total Other Financing Sources (Uses)	<u>(560,000)</u>	<u>(560,000)</u>	<u>(560,000)</u>	
Net Change in Fund Balance	(210,780)	(417,122)	(137,418)	279,704
Fund Balance, July 1, 2009	<u>3,172,370</u>	<u>3,172,370</u>	<u>3,172,370</u>	
Fund Balance, June 30, 2010	<u>\$ 2,961,590</u>	<u>\$ 2,755,248</u>	<u>\$ 3,034,952</u>	<u>\$ 279,704</u>

See notes to required supplementary information.

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF PACIFICA**  
**Budgetary Comparison Schedule**  
**General Capital Improvement Capital Projects Fund**  
**For the Fiscal Year Ended June 30, 2010**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Revenues			
Licenses and permits	\$ 90,000	\$ 26,450	\$ (63,550)
Use of money and property	374,872	21,746	(353,126)
Intergovernmental		278,233	278,233
Other	75,000	2,118	(72,882)
Total Revenues	<u>539,872</u>	<u>328,547</u>	<u>(211,325)</u>
Expenditures			
Current:			
Community Development	83,150	77,541	5,609
Capital outlay	644,165	294,906	349,259
Total Expenditures	<u>727,315</u>	<u>372,447</u>	<u>354,868</u>
Net Change in Fund Balance	(187,443)	(43,900)	143,543
Fund Balance, July 1, 2009	<u>1,271,857</u>	<u>1,271,857</u>	
Fund Balance, June 30, 2010	<u><u>\$ 1,084,414</u></u>	<u><u>\$ 1,227,957</u></u>	<u><u>\$ 143,543</u></u>

**CITY OF PACIFICA**  
**Budgetary Comparison Schedule**  
**Redevelopment Agency - Rockaway Beach Capital Projects Fund**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Taxes			
Property taxes	\$ 240,000	\$ 251,400	\$ 11,400
Use of money and property	3,000	765	(2,235)
Intergovernmental	3,500		(3,500)
Total Revenues	<u>246,500</u>	<u>252,165</u>	<u>5,665</u>
Expenditures			
Current:			
General government	44,200	136,377	(92,177)
Debt service:			
Principal	35,000	40,000	(5,000)
Interest and fiscal charges	89,191	286,697	(197,506)
Total Expenditures	<u>168,391</u>	<u>463,074</u>	<u>(294,683)</u>
Net Change in Fund Balance	78,109	(210,909)	(289,018)
Fund Balance (Deficit), July 1, 2009	<u>(5,432,182)</u>	<u>(5,432,182)</u>	
Fund Balance (Deficit), June 30, 2010	<u><u>\$ (5,354,073)</u></u>	<u><u>\$ (5,643,091)</u></u>	<u><u>\$ (289,018)</u></u>

**CITY OF PACIFICA**  
**Budgetary Comparison Schedule**  
**Debt Service Fund**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Use of money and property	\$ 1,000	\$ 4,376	\$ 3,376
Total Revenues	<u>1,000</u>	<u>4,376</u>	<u>3,376</u>
Expenditures			
Current:			
General government		3,578,465	(3,578,465)
Public safety		1,829,109	(1,829,109)
Community development		1,922,732	(1,922,732)
Public works		4,854,508	(4,854,508)
Parks, Beaches, and Recreation		5,152,713	(5,152,713)
Debt service:			
Principal	26,500	510,000	(483,500)
Interest and fiscal charges	1,489,000	987,718	501,282
Cost of debt issuance		247,467	(247,467)
Total Expenditures	<u>1,515,500</u>	<u>19,082,712</u>	<u>(17,567,212)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(1,514,500)</u>	<u>(19,078,336)</u>	<u>(17,563,836)</u>
Other Financing Sources (Uses)			
Pension obligation bonds issued		17,825,652	17,825,652
Pension obligation bonds discount		(240,646)	(240,646)
Transfers in	1,489,000	1,489,000	
Total Other Financing Sources (Uses)	<u>1,489,000</u>	<u>19,074,006</u>	<u>17,585,006</u>
Net Change in Fund Balance	(25,500)	(4,330)	21,170
Fund Balance, July 1, 2009	<u>940,144</u>	<u>940,144</u>	
Fund Balance, June 30, 2010	<u>\$ 914,644</u>	<u>\$ 935,814</u>	<u>\$ 21,170</u>

**CITY OF PACIFICA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2010**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Cash and investments	\$ 1,219,988	\$ 1,255,532	\$ 2,475,520
Receivables:			
Interest	168,312		168,312
Grants	887,374	809,125	1,696,499
Notes, net	600,000		600,000
Prepaid items	389,334		389,334
	<u>389,334</u>	<u>                    </u>	<u>389,334</u>
Total Assets	<u>\$ 3,265,008</u>	<u>\$ 2,064,657</u>	<u>\$ 5,329,665</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 29,345	\$ 17,776	\$ 47,121
Accrued liabilities	1,434	1,458	2,892
Due to other funds	1,461,478	365,453	1,826,931
Deferred revenue	1,045,748	304,219	1,349,967
Advances payable	256,142		256,142
	<u>256,142</u>	<u>                    </u>	<u>256,142</u>
Total Liabilities	<u>2,794,147</u>	<u>688,906</u>	<u>3,483,053</u>
Fund Balances:			
Reserved for prepaid items	389,334		389,334
Reserved for notes and loans	600,000		600,000
Reserved for equipment	77,484		77,484
Reserved for vehicle equipment	480,084		480,084
Unreserved	(1,076,041)	1,375,751	299,710
	<u>(1,076,041)</u>	<u>1,375,751</u>	<u>299,710</u>
Total Fund Balances	<u>470,861</u>	<u>1,375,751</u>	<u>1,846,612</u>
Total Liabilities and Fund Balances	<u>\$ 3,265,008</u>	<u>\$ 2,064,657</u>	<u>\$ 5,329,665</u>

**CITY OF PACIFICA**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Taxes:			
Property taxes	\$ 62,850	\$ -	\$ 62,850
Other taxes	177,492		177,492
Use of money and property	9,070	7,684	16,754
Intergovernmental	134,839	543,065	677,904
Other		48,461	48,461
	<u>384,251</u>	<u>599,210</u>	<u>983,461</u>
Total Revenues			
Expenditures:			
Current:			
Public safety	2,500		2,500
Community development		30,537	30,537
Public works	129,402	54,520	183,922
Capital outlay	207,230	670,310	877,540
Debt service:			
Interest and fiscal charges	17,931		17,931
	<u>357,063</u>	<u>755,367</u>	<u>1,112,430</u>
Total Expenditures			
Net Change in Fund Balances	27,188	(156,157)	(128,969)
Fund Balances, July 1, 2009	<u>443,673</u>	<u>1,531,908</u>	<u>1,975,581</u>
Fund Balances, June 30, 2010	<u>\$ 470,861</u>	<u>\$ 1,375,751</u>	<u>\$ 1,846,612</u>

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## **NONMAJOR SPECIAL REVENUE FUNDS**

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

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

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

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

**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.

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

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

**CITY OF PACIFICA**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2010**

	<b>Supplemental Law Enforcement Services</b>	<b>Fire Assessment</b>	<b>NPDES Stormwater</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and investments	\$ 179,387	\$ 266,351	\$ -
Receivables:			
Interest			
Grants	9,938		
Notes, net			
Prepaid items		389,334	
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 189,325</u>	<u>\$ 655,685</u>	<u>\$ -</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities			1,434
Due to other funds			151,434
Deferred revenue			
Advances payable			
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>          </u>	<u>          </u>	<u>152,868</u>
Fund Balances:			
Reserved for prepaid items		389,334	
Reserved for notes and loans			
Reserved for equipment		77,484	
Reserved for vehicle replacement		480,084	
Unreserved	189,325	(291,217)	(152,868)
	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>189,325</u>	<u>655,685</u>	<u>(152,868)</u>
Total Liabilities and Fund Balances	<u>\$ 189,325</u>	<u>\$ 655,685</u>	<u>\$ -</u>

<b>Planned Local Drainage</b>	<b>Redevelopment Agency Low/Mod Housing</b>	<b>Disaster Accounting</b>	<b>Total</b>
\$ 436,844	\$ 337,406	\$ -	\$ 1,219,988
	168,312		168,312
	600,000	877,436	887,374
			600,000
			389,334
<u>\$ 436,844</u>	<u>\$ 1,105,718</u>	<u>\$ 877,436</u>	<u>\$ 3,265,008</u>
\$ -	\$ -	\$ 29,345	\$ 29,345
			1,434
		1,310,044	1,461,478
	168,312	877,436	1,045,748
	256,142		256,142
	424,454	2,216,825	2,794,147
			389,334
	600,000		600,000
			77,484
			480,084
<u>436,844</u>	<u>81,264</u>	<u>(1,339,389)</u>	<u>(1,076,041)</u>
<u>436,844</u>	<u>681,264</u>	<u>(1,339,389)</u>	<u>470,861</u>
<u>\$ 436,844</u>	<u>\$ 1,105,718</u>	<u>\$ 877,436</u>	<u>\$ 3,265,008</u>

**CITY OF PACIFICA**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2010**

	<b>Supplemental Law Enforcement Services</b>	<b>Fire Assessment</b>	<b>NPDES Stormwater</b>
Revenues:			
Taxes:			
Property taxes	\$ -	\$ -	\$ -
Other taxes			177,492
Use of money and property	804	4,265	(1,042)
Intergovernmental	<u>100,962</u>		<u>33,877</u>
Total Revenues	<u>101,766</u>	<u>4,265</u>	<u>210,327</u>
Expenditures:			
Current:			
Public safety		2,500	
Public works			121,065
Capital outlay			
Debt service:			
Interest and fiscal charges			
Total Expenditures		<u>2,500</u>	<u>121,065</u>
Net Change in Fund Balances	101,766	1,765	89,262
Fund Balances (Deficits), July 1, 2009	<u>87,559</u>	<u>653,920</u>	<u>(242,130)</u>
Fund Balances (Deficits), June 30, 2010	<u><u>\$ 189,325</u></u>	<u><u>\$ 655,685</u></u>	<u><u>\$ (152,868)</u></u>

<b>Planned Local Drainage</b>	<b>Redevelopment Agency Low/Mod Housing</b>	<b>Disaster Accounting</b>	<b>Total</b>
\$ -	\$ 62,850	\$ -	\$ 62,850
			177,492
2,941	2,102		9,070
			134,839
<u>2,941</u>	<u>64,952</u>		<u>384,251</u>
			2,500
		8,337	129,402
		207,230	207,230
	<u>17,931</u>		<u>17,931</u>
	<u>17,931</u>	<u>215,567</u>	<u>357,063</u>
2,941	47,021	(215,567)	27,188
<u>433,903</u>	<u>634,243</u>	<u>(1,123,822)</u>	<u>443,673</u>
<u>\$ 436,844</u>	<u>\$ 681,264</u>	<u>\$ (1,339,389)</u>	<u>\$ 470,861</u>

**CITY OF PACIFICA**  
**Combining Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Budget and Actual - Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2010**

	<b>Supplemental Law Enforcement Services</b>		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes			
Property taxes	\$ -	\$ -	\$ -
Other taxes			
Use of money and property		804	804
Intergovernmental		100,962	100,962
Total Revenues		101,766	101,766
Expenditures:			
Current:			
Public safety			
Public works			
Capital outlay			
Debt service:			
Interest and fiscal charges			
Total Expenditures			
Net Change in Fund Balances		101,766	101,766
Fund Balances (Deficits), July 1, 2009	87,559	87,559	
Fund Balances (Deficits), June 30, 2010	\$ 87,559	\$ 189,325	\$ 101,766

<b>Fire Assessment</b>			<b>NPDES Stormwater</b>		
<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,500	4,265	1,765	176,000	177,492	1,492
			33,000	(1,042)	(1,042)
				33,877	877
<u>2,500</u>	<u>4,265</u>	<u>1,765</u>	<u>209,000</u>	<u>210,327</u>	<u>1,327</u>
	2,500	(2,500)	120,320	121,065	(745)
	<u>2,500</u>	<u>(2,500)</u>	<u>120,320</u>	<u>121,065</u>	<u>(745)</u>
2,500	1,765	(735)	88,680	89,262	582
<u>653,920</u>	<u>653,920</u>		<u>(242,130)</u>	<u>(242,130)</u>	
<u>\$ 656,420</u>	<u>\$ 655,685</u>	<u>\$ (735)</u>	<u>\$ (153,450)</u>	<u>\$ (152,868)</u>	<u>\$ 582</u>

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**CITY OF PACIFICA**  
**Combining Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Budget and Actual - Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2010**  
**(Continued)**

	<b>Planned Local Drainage</b>		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes			
Property taxes	\$ -	\$ -	\$ -
Other taxes			
Use of money and property	4,500	2,941	(1,559)
Intergovernmental	50,000		(50,000)
Total Revenues	<u>54,500</u>	<u>2,941</u>	<u>(51,559)</u>
Expenditures:			
Current:			
Public safety			
Public works	3,000		3,000
Capital outlay	156,000		156,000
Debt service:			
Interest and fiscal charges			
Total Expenditures	<u>159,000</u>		<u>159,000</u>
Net Change in Fund Balances	(104,500)	2,941	107,441
Fund Balances (Deficits), July 1, 2009	<u>433,903</u>	<u>433,903</u>	
Fund Balances (Deficits), June 30, 2010	<u>\$ 329,403</u>	<u>\$ 436,844</u>	<u>\$ 107,441</u>

<u>Redevelopment Agency Low/Mod Housing</u>			<u>Disaster Accounting</u>		
<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ 62,000	\$ 62,850	\$ 850	\$ -	\$ -	\$ -
2,500	2,102	(398)			
1,000		(1,000)			
<u>65,500</u>	<u>64,952</u>	<u>(548)</u>			
				8,337	(8,337)
				207,230	(207,230)
<u>17,000</u>	<u>17,931</u>	<u>(931)</u>			
<u>17,000</u>	<u>17,931</u>	<u>(931)</u>		<u>215,567</u>	<u>(215,567)</u>
48,500	47,021	(1,479)		(215,567)	(215,567)
<u>634,243</u>	<u>634,243</u>		<u>(1,123,822)</u>	<u>(1,123,822)</u>	
<u>\$ 682,743</u>	<u>\$ 681,264</u>	<u>\$ (1,479)</u>	<u>\$ (1,123,822)</u>	<u>\$ (1,339,389)</u>	<u>\$ (215,567)</u>

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**CITY OF PACIFICA**  
**Combining Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Budget and Actual - Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2010**  
**(Continued)**

	<b>Total</b>		Variance Positive (Negative)
	Final Budget	Actual	
Revenues:			
Taxes			
Property taxes	\$ 62,000	\$ 62,850	\$ 850
Other taxes	176,000	177,492	1,492
Use of money and property	9,500	9,070	(430)
Intergovernmental	84,000	134,839	50,839
Total Revenues	<u>331,500</u>	<u>384,251</u>	<u>52,751</u>
Expenditures:			
Current:			
Public safety		2,500	(2,500)
Public works	123,320	129,402	(6,082)
Capital outlay	156,000	207,230	(51,230)
Debt service:			
Interest and fiscal charges	17,000	17,931	(931)
Total Expenditures	<u>296,320</u>	<u>357,063</u>	<u>(60,743)</u>
Net Change in Fund Balances	35,180	27,188	(7,992)
Fund Balances (Deficits), July 1, 2009	<u>443,673</u>	<u>443,673</u>	
Fund Balances (Deficits), June 30, 2010	<u>\$ 478,853</u>	<u>\$ 470,861</u>	<u>\$ (7,992)</u>

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## **NONMAJOR CAPITAL PROJECTS FUNDS**

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

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

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

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

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

**CITY OF PACIFICA**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**June 30, 2010**

	<u>Highway 1 Improvement</u>	<u>Manor Drive Improvement</u>	<u>Aircraft Noise Project</u>	<u>Parks and Playfield</u>
<b>Assets</b>				
Cash and investments	\$ -	\$ 984,955	\$ 673	\$ 269,904
Receivable:				
Grants	<u>809,125</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 809,125</u>	<u>\$ 984,955</u>	<u>\$ 673</u>	<u>\$ 269,904</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 7,909	\$ -	\$ 990	\$ 8,877
Accrued liabilities	667	619		172
Due to other funds	365,453			
Deferred revenue	<u>304,219</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>678,248</u>	<u>619</u>	<u>990</u>	<u>9,049</u>
Fund Balances:				
Unreserved	<u>130,877</u>	<u>984,336</u>	<u>(317)</u>	<u>260,855</u>
Total Fund Balances	<u>130,877</u>	<u>984,336</u>	<u>(317)</u>	<u>260,855</u>
Total Liabilities and Fund Balances	<u>\$ 809,125</u>	<u>\$ 984,955</u>	<u>\$ 673</u>	<u>\$ 269,904</u>

**Total**

\$ 1,255,532

809,125

\$ 2,064,657

\$ 17,776

1,458

365,453

304,219

688,906

1,375,751

1,375,751

\$ 2,064,657

**CITY OF PACIFICA**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Highway 1 Improvement</u>	<u>Manor Drive Improvement</u>	<u>Aircraft Noise Project</u>	<u>Parks and Playfield</u>
Revenues:				
Use of money and property	\$ (810)	\$ 6,660	\$ 8	\$ 1,826
Intergovernmental	529,758	13,307		
Other			120	48,341
Total Revenues	<u>528,948</u>	<u>19,967</u>	<u>128</u>	<u>50,167</u>
Expenditures:				
Current:				
Community development			2,475	28,062
Public works	28,628	25,892		
Capital outlay	646,590			23,720
Total Expenditures	<u>675,218</u>	<u>25,892</u>	<u>2,475</u>	<u>51,782</u>
Net Change in Fund Balances	(146,270)	(5,925)	(2,347)	(1,615)
Fund Balances, July 1, 2009	<u>277,147</u>	<u>990,261</u>	<u>2,030</u>	<u>262,470</u>
Fund Balances, June 30, 2010	<u>\$ 130,877</u>	<u>\$ 984,336</u>	<u>\$ (317)</u>	<u>\$ 260,855</u>

**Total**

\$ 7,684  
543,065  
48,461

599,210

30,537  
54,520  
670,310

755,367

(156,157)

1,531,908

\$ 1,375,751

**CITY OF PACIFICA**  
**Combining Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Budget and Actual - Nonmajor Capital Projects Funds**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Highway 1 Improvement</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 110,000	\$ (810)	\$ (110,810)
Intergovernmental	1,630,000	529,758	(1,100,242)
Other			
Total Revenues	<u>1,740,000</u>	<u>528,948</u>	<u>(1,211,052)</u>
Expenditures:			
Current:			
Community development			
Public works	33,500	28,628	4,872
Capital outlay	<u>1,691,500</u>	<u>646,590</u>	<u>1,044,910</u>
Total Expenditures	<u>1,725,000</u>	<u>675,218</u>	<u>1,049,782</u>
Net Change in Fund Balances	15,000	(146,270)	(161,270)
Fund Balances, July 1, 2009	<u>277,147</u>	<u>277,147</u>	
Fund Balances, June 30, 2010	<u>\$ 292,147</u>	<u>\$ 130,877</u>	<u>\$ (161,270)</u>

Manor Drive Improvement			Aircraft Noise Project		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ 12,500	\$ 6,660	\$ (5,840)	\$ -	\$ 8	\$ 8
5,000	13,307	8,307		120	120
17,500	19,967	2,467		128	128
				2,475	(2,475)
29,200	25,892	3,308			
528,250		528,250			
557,450	25,892	531,558		2,475	(2,475)
(539,950)	(5,925)	534,025		(2,347)	(2,347)
990,261	990,261		2,030	2,030	
\$ 450,311	\$ 984,336	\$ 534,025	\$ 2,030	\$ (317)	\$ (2,347)

(Continued)

**CITY OF PACIFICA**  
**Combining Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Budget and Actual - Nonmajor Capital Projects Funds**  
**For the Fiscal Year Ended June 30, 2010**  
**(Continued)**

	<b>Parks and Playfield</b>		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 3,000	\$ 1,826	\$ (1,174)
Intergovernmental			
Other	20,000	48,341	28,341
Total Revenues	<u>23,000</u>	<u>50,167</u>	<u>27,167</u>
Expenditures:			
Current:			
Community development	27,400	28,062	(662)
Public works			
Capital outlay	40,000	23,720	16,280
Total Expenditures	<u>67,400</u>	<u>51,782</u>	<u>15,618</u>
Net Change in Fund Balances	(44,400)	(1,615)	42,785
Fund Balances, July 1, 2009	<u>262,470</u>	<u>262,470</u>	
Fund Balances, June 30, 2010	<u>\$ 218,070</u>	<u>\$ 260,855</u>	<u>\$ 42,785</u>

<b>Total</b>		
Final Budget	Actual	Variance Positive (Negative)
\$ 125,500	\$ 7,684	\$ (117,816)
1,635,000	543,065	(1,091,935)
<u>20,000</u>	<u>48,461</u>	<u>28,461</u>
<u>1,780,500</u>	<u>599,210</u>	<u>(1,181,290)</u>
27,400	30,537	(3,137)
62,700	54,520	8,180
<u>2,259,750</u>	<u>670,310</u>	<u>1,589,440</u>
<u>2,349,850</u>	<u>755,367</u>	<u>1,594,483</u>
(569,350)	(156,157)	413,193
<u>1,531,908</u>	<u>1,531,908</u>	
<u>\$ 962,558</u>	<u>\$ 1,375,751</u>	<u>\$ 413,193</u>

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## **INTERNAL SERVICE FUNDS**

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

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

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

**CITY OF PACIFICA**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2010**

	<b>Motor Pool</b>	<b>Self Insurance</b>	<b>Total</b>
<b>Assets</b>			
Current Assets:			
Cash and investments	\$ 1,301,221	\$ 2,059,156	\$ 3,360,377
Cash and investments with fiscal agents Receivable:			
Taxes			
Accounts	2,709		2,709
Prepaid items	341,117		341,117
Inventories	30,205		30,205
Total Current Assets	1,675,252	2,059,156	3,734,408
Noncurrent Assets:			
Deferred charges (net of accumulated amortization)	9,604		9,604
Capital assets, not being depreciated	258,774		258,774
Capital assets, being depreciated, net of accumulated depreciation	1,223,314		1,223,314
Total Noncurrent Assets	1,491,692		1,491,692
Total Assets	3,166,944	2,059,156	5,226,100
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	37,737	20,090	57,827
Accrued liabilities	9,871	900	10,771
Accrued interest payable	1,662		1,662
Claims payable		1,007,473	1,007,473
Bonds payable	19,321		19,321
Total Current Liabilities	68,591	1,028,463	1,097,054
Noncurrent Liabilities:			
Claims payable		148,992	148,992
Compensated absences	32,257		32,257
Bonds payable	331,400		331,400
Total Noncurrent Liabilities	363,657	148,992	512,649
Total Liabilities	432,248	1,177,455	1,609,703
<b>Net Assets</b>			
Net Assets:			
Invested in capital assets, net of related debt	1,491,692		1,491,692
Unrestricted	1,243,004	881,701	2,124,705
Total Net Assets	\$ 2,734,696	\$ 881,701	\$ 3,616,397

**CITY OF PACIFICA**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Motor Pool</u>	<u>Self Insurance</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 1,271,183	\$ 142,780	\$ 1,413,963
Other operating income	78,432	909,026	987,458
Total Operating Revenues	<u>1,349,615</u>	<u>1,051,806</u>	<u>2,401,421</u>
Operating Expenses:			
Personnel services	404,981		404,981
Administration	2,787		2,787
Supplies and materials	384,731		384,731
Insurance		717,171	717,171
Outside contractors		84,740	84,740
Maintenance	30,881		30,881
Insurance claims		292,544	292,544
Depreciation	406,986		406,986
Total Operating Expenses	<u>1,230,366</u>	<u>1,094,455</u>	<u>2,324,821</u>
Operating Income (Loss)	<u>119,249</u>	<u>(42,649)</u>	<u>76,600</u>
Non-Operating Revenues (Expenses):			
Investment earnings	8,043	12,293	20,336
Interest and fiscal charges	(1,662)		(1,662)
Total Non-Operating Revenues (Expenses)	<u>6,381</u>	<u>12,293</u>	<u>18,674</u>
Income (Loss) Before Transfers	125,630	(30,356)	95,274
Transfers:			
Transfers in		425,000	425,000
Changes in Net Assets	125,630	394,644	520,274
Net Assets, July 1, 2009	<u>2,609,066</u>	<u>487,057</u>	<u>3,096,123</u>
Net Assets, June 30, 2010	<u>\$ 2,734,696</u>	<u>\$ 881,701</u>	<u>\$ 3,616,397</u>

**CITY OF PACIFICA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Motor Pool</u>	<u>Self Insurance</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 1,346,906	\$ 1,051,806	\$ 2,398,712
Payments to suppliers and users	(766,115)	(798,139)	(1,564,254)
Payments for claims		(333,957)	(333,957)
Payments to employees	(399,821)	(364)	(400,185)
Net Cash Provided (Used) by Operating Activities	<u>180,970</u>	<u>(80,654)</u>	<u>100,316</u>
Cash Flows from Noncapital Financing Activities:			
Transfers in		425,000	425,000
Proceeds from issuance of long-term debt	350,721		350,721
Payment of costs associated with debt issuance	(9,604)		(9,604)
Net Cash Provided by Noncapital Financing Activities	<u>341,117</u>	<u>425,000</u>	<u>766,117</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(237,997)		(237,997)
Net Cash (Used) by Capital and Related Financing Activities	<u>(237,997)</u>		<u>(237,997)</u>
Cash Flows from Investing Activities:			
Interest received	8,043	12,293	20,336
Net Cash Provided by Investing Activities	<u>8,043</u>	<u>12,293</u>	<u>20,336</u>
Net Increase in Cash and Cash Equivalents	292,133	356,639	648,772
Cash and Cash Equivalents at the Beginning of the Fiscal Year	<u>1,009,088</u>	<u>1,702,517</u>	<u>2,711,605</u>
Cash and Cash Equivalents at the End of the Fiscal Year	<u>\$ 1,301,221</u>	<u>\$ 2,059,156</u>	<u>\$ 3,360,377</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets:			
Cash and investments	<u>\$ 1,301,221</u>	<u>\$ 2,059,156</u>	<u>\$ 3,360,377</u>
Total Cash and Cash Equivalents	<u>\$ 1,301,221</u>	<u>\$ 2,059,156</u>	<u>\$ 3,360,377</u>

(Continued)

**CITY OF PACIFICA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2010**  
**(Continued)**

	<b>Motor Pool</b>	<b>Self Insurance</b>	<b>Total</b>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 119,249	\$ (42,649)	\$ 76,600
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	406,986		406,986
(Increase) Decrease in Operating Assets:			
Accounts receivable	(2,709)		(2,709)
Prepaid items	(341,117)		(341,117)
Inventories	(12,663)		(12,663)
Increase (Decrease) in Operating Liabilities:			
Accounts payable	6,064	3,772	9,836
Accrued liabilities	(527)	(364)	(891)
Claims payable		(41,413)	(41,413)
Compensated absences	5,687		5,687
	<u>\$ 180,970</u>	<u>\$ (80,654)</u>	<u>\$ 100,316</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 180,970</u>	<u>\$ (80,654)</u>	<u>\$ 100,316</u>

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## STATISTICAL SECTION

## STATISTICAL SECTION

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

### *Financial Trends*

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

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

### *Revenue Capacity*

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

1. Assessed Value of Taxable Property

### *Debt Capacity*

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

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

### *Demographic and Economic Information*

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

1. Demographic and Economic Statistics
2. Principal Employers

## STATISTICAL SECTION (Continued)

### *Operating Information*

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

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

### *Sources*

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

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 46,962,267	\$ 50,585,199	\$ 50,020,034	\$ 50,142,311	\$ 51,393,206
Restricted	6,738,596	7,370,411	7,064,256	5,597,188	4,962,287
Unrestricted	<u>3,750,966</u>	<u>703,720</u>	<u>5,799,437</u>	<u>8,728,875</u>	<u>4,867,264</u>
<b>Total governmental activities net assets</b>	<u>\$ 57,451,829</u>	<u>\$ 58,659,330</u>	<u>\$ 62,883,727</u>	<u>\$ 64,468,374</u>	<u>\$ 61,222,757</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 14,632,714	\$ 12,423,925	\$ 11,483,688	\$ 10,796,034	\$ 11,247,270
Restricted	946,455	953,800	1,075,760	689,514	562,485
Unrestricted	<u>(1,960,805)</u>	<u>(700,968)</u>	<u>2,341,086</u>	<u>5,776,571</u>	<u>7,139,231</u>
<b>Total business-type activities net assets</b>	<u>\$ 13,618,364</u>	<u>\$ 12,676,757</u>	<u>\$ 14,900,534</u>	<u>\$ 17,262,119</u>	<u>\$ 18,948,986</u>
<b>Primary Government</b>					
Invested in capital assets, net of related debt	\$ 61,594,981	\$ 63,009,124	\$ 61,503,722	\$ 60,938,345	\$ 62,640,476
Restricted	7,685,051	8,324,211	8,140,016	6,286,702	5,524,772
Unrestricted	<u>1,790,161</u>	<u>2,752</u>	<u>8,140,523</u>	<u>14,505,446</u>	<u>12,006,495</u>
<b>Total primary government net assets</b>	<u>\$ 71,070,193</u>	<u>\$ 71,336,087</u>	<u>\$ 77,784,261</u>	<u>\$ 81,730,493</u>	<u>\$ 80,171,743</u>

**Notes:**

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

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

Source: City Comprehensive Annual Financial Report

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Expenses:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 5,923,892	\$ 5,798,391	\$ 4,952,782	\$ 4,083,959	\$ 4,625,471
Public Safety	13,639,116	14,980,984	14,985,013	15,306,306	15,149,459
Community Development	1,799,035	1,178,590	1,343,220	1,356,494	1,402,574
Public Works	3,606,841	4,264,011	4,154,717	4,422,332	4,801,291
Parks, Beaches & Recreation	3,084,327	3,405,149	4,155,877	4,035,233	3,681,863
Interest on Long-term Debt	811,419	846,768	987,156	2,225,220	1,777,280
<b>Total Governmental Activities Expenses</b>	<u>\$ 28,864,630</u>	<u>\$ 30,473,893</u>	<u>\$ 30,578,765</u>	<u>\$ 31,429,544</u>	<u>\$ 31,437,938</u>
<b>Business-Type Activities:</b>					
Sewer	9,453,272	9,084,345	8,095,219	9,084,439	9,658,229
<b>Total Business-Type Activities Expenses</b>	<u>\$ 9,453,272</u>	<u>\$ 9,084,345</u>	<u>\$ 8,095,219</u>	<u>\$ 9,084,439</u>	<u>\$ 9,658,229</u>
<b>Total Primary Government Expenses</b>	<u>\$ 38,317,902</u>	<u>\$ 39,558,238</u>	<u>\$ 38,673,984</u>	<u>\$ 40,513,983</u>	<u>\$ 41,096,167</u>
<b>Program Revenues:</b>					
<b>Governmental Activities:</b>					
<b>Charges for Services:</b>					
General Government	\$ 80,269	\$ 96,106	\$ 110,868	\$ 77,393	\$ 69,853
Public Safety	922,034	1,157,322	1,159,056	1,001,112	840,467
Community Development	599,540	732,372	792,532	606,991	568,871
Public Works	1,529,607	1,376,379	2,522,362	1,741,147	683,914
Parks, Beaches & Recreation	1,506,836	1,543,791	584,724	1,642,848	1,558,394
Operating Grants & Contributions	2,626,473	2,967,049	2,871,766	4,364,106	1,884,748
Capital Grants & Contributions	3,338,214	3,639,686	3,302,650	2,936,150	4,049,601
<b>Total Governmental Activities Program Revenues</b>	<u>\$ 10,602,973</u>	<u>\$ 11,512,705</u>	<u>\$ 11,343,958</u>	<u>\$ 12,369,747</u>	<u>\$ 9,655,848</u>
<b>Business-Type Activities:</b>					
<b>Charges for Services:</b>					
Sewer	\$ 8,721,125	\$ 9,137,785	\$ 10,181,406	\$ 11,885,526	\$ 11,367,645
<b>Total Business-Type Activities Program Revenue</b>	<u>\$ 8,721,125</u>	<u>\$ 9,137,785</u>	<u>\$ 10,181,406</u>	<u>\$ 11,885,526</u>	<u>\$ 11,367,645</u>
<b>Total Primary Government Program Revenues</b>	<u>\$ 19,324,098</u>	<u>\$ 20,650,490</u>	<u>\$ 21,525,364</u>	<u>\$ 24,255,273</u>	<u>\$ 21,023,493</u>
<b>Net Revenues (Expenses):</b>					
Governmental Activities	\$ (18,261,657)	\$ (18,961,188)	\$ (19,234,807)	\$ (19,059,797)	\$ (21,782,090)
Business-Type Activities	(732,147)	53,440	2,086,187	2,801,087	1,709,416
<b>Total Net Revenues (Expenses)</b>	<u>\$ (18,993,804)</u>	<u>\$ (18,907,748)</u>	<u>\$ (17,148,620)</u>	<u>\$ (16,258,710)</u>	<u>\$ (20,072,674)</u>
<b>General Revenues and Other Change in Net Assets</b>					
<b>Governmental Activities:</b>					
<b>Taxes:</b>					
Property Taxes	\$ 8,126,936	\$ 9,016,273	\$ 9,623,522	\$ 10,484,389	\$ 10,603,749
Sales Tax	1,116,191	1,096,165	1,225,279	1,365,710	1,306,611
Franchise Tax	1,458,418	1,539,123	1,558,164	1,740,754	1,372,885
Other Taxes	4,552,287	3,720,047	3,652,373	2,787,716	2,604,443
Motor vehicle in lieu - unrestricted	3,522,799	2,917,076	3,068,643	3,184,538	3,107,767
Use of Money/Property	321,272	568,021	532,887	528,768	211,681
Miscellaneous	868,120	369,309	3,986,507	507,569	341,313
Transfers	290,000	815,000	45,000	45,000	45,000
<b>Total Governmental Activities</b>	<u>\$ 20,256,023</u>	<u>\$ 20,041,014</u>	<u>\$ 23,692,375</u>	<u>\$ 20,644,444</u>	<u>\$ 19,593,449</u>
<b>Business-Type Activities:</b>					
Use of Money/Property	\$ 26,569	\$ 14,881	\$ 41,921	\$ 23,667	\$ 22,451
Miscellaneous	17,116	4,688	-	-	-
Transfers	(290,000)	(815,000)	(45,000)	(45,000)	(45,000)
<b>Total Business-Type Activities</b>	<u>\$ (246,315)</u>	<u>\$ (795,431)</u>	<u>\$ (3,079)</u>	<u>\$ (21,333)</u>	<u>\$ (22,549)</u>
<b>Total Primary Government</b>	<u>\$ 20,009,708</u>	<u>\$ 19,245,583</u>	<u>\$ 23,689,296</u>	<u>\$ 20,623,111</u>	<u>\$ 19,570,900</u>
<b>Changes in Net Assets:</b>					
Governmental Activities	\$ 1,994,366	\$ 1,079,826	\$ 4,457,568	\$ 1,584,647	\$ (2,188,641)
Business-Type Activities	(978,462)	(741,991)	2,083,108	2,779,754	1,686,867
<b>Total Primary Government</b>	<u>\$ 1,015,904</u>	<u>\$ 337,835</u>	<u>\$ 6,540,676</u>	<u>\$ 4,364,401</u>	<u>\$ (501,774)</u>

**Notes:**

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

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

Source: City Financial Reports

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

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

**Notes:**

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

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

Source: City Financial Reports

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>REVENUES</b>					
Taxes	\$ 14,025	\$ 14,913	\$ 16,057	\$ 16,230	\$ 16,391
Licenses and Permits	335	471	558	402	350
Fines and Forfeitures	139	218	187	246	246
Use of Money and Property	317	464	432	679	390
Intergovernmental Revenues	9,194	8,601	8,044	9,320	8,497
Charges for Services	2,630	2,883	3,100	2,777	1,592
Recreation Programs	565	559	612	597	445
Other Revenues	3,328	2,530	6,115	1,455	1,620
<b>Total Revenues</b>	<u>\$ 30,533</u>	<u>\$ 30,639</u>	<u>\$ 35,105</u>	<u>\$ 31,706</u>	<u>\$ 29,531</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
General Government	\$ 5,356	\$ 4,673	\$ 3,961	\$ 4,209	\$ 7,430
Public Safety	13,182	14,567	14,970	14,896	16,575
Community Development	1,751	1,127	1,238	1,306	3,275
Public Works	3,285	3,471	3,726	3,722	8,888
Parks, Beaches & Recreation	3,009	3,318	3,744	3,929	8,725
Non-departmental		1,027	437		
Capital Outlay	3,303	2,595	1,677	3,912	2,286
<b>Debt Service:</b>					
Principal Retirement	375	194	35	35	550
Interest and Other Charges	1,393	989	1,140	2,340	1,540
<b>Total Expenditures</b>	<u>\$ 31,654</u>	<u>\$ 31,961</u>	<u>\$ 30,928</u>	<u>\$ 34,349</u>	<u>\$ 49,269</u>
<b>Excess of Revenues Over/(Under) expenditures</b>	<u>\$ (1,121)</u>	<u>\$ (1,322)</u>	<u>\$ 4,177</u>	<u>\$ (2,643)</u>	<u>\$ (19,738)</u>
<b>Other financing sources (uses):</b>					
Transfers In	\$ 4,631	\$ 3,898	\$ 815	\$ 2,391	\$ 1,489
Transfers (Out)	(4,931)	(3,503)	(1,072)	(2,846)	(1,869)
Other Sources/Uses:					
Issuance of Debt	15,725			19,815	17,826
Issuance Discount	(106)			(596)	(241)
Refunded to debt escrow agent	(13,299)			(15,747)	
Debt Issuance Cost					
Proceeds of long-term debt					
<b>Total other financing sources (uses)</b>	<u>\$ 2,020</u>	<u>\$ 395</u>	<u>\$ (257)</u>	<u>\$ 3,017</u>	<u>\$ 17,205</u>
<b>Net change in fund balances</b>	<u>\$ 899</u>	<u>\$ (927)</u>	<u>\$ 3,920</u>	<u>\$ 374</u>	<u>\$ (2,533)</u>
Debt serviced as a percentage of noncapital expenditures	6.24%	4.03%	4.02%	7.80%	4.45%

**Notes:**

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

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

Source: Annual Financial Statements, City of Pacifica

Fiscal Year 2004-2005, the Redevelopment Agency issued debt in the amount of \$1,725,000 to pay against the loan from the General Fund.

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

<u>CATEGORY</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Apparel Stores	\$ 7,672	\$ 8,063	\$ 7,870	\$ 8,126	\$ 8,370	\$ 7,682	\$ 7,812	\$ 7,809	\$ 7,906	\$ 7,719
General Merchandise	34	58	77	103	53	145	267	1,269	1,606	1,770
Food Stores	24,649	24,089	23,694	23,603	23,381	22,582	25,265	25,284	25,035	24,712
Eating & Drinking Places	23,777	24,282	24,734	25,387	26,469	27,035	28,038	27,801	28,173	29,771
Building Materials	6,668	7,671	7,241	6,972	6,793	6,933	6,604	5,826	4,550	3,416
Auto Dealers and Supplies	2,654	2,537	3,532	3,578	4,282	4,116	4,376	3,998	3,740	3,621
Service Stations	26,178	21,392	24,665	27,470	33,306	37,459	40,024	44,004	34,502	39,690
Other Retail Stores	19,768	19,801	19,563	19,048	21,490	22,943	22,066	21,738	22,699	24,444
All Other Outlets	26,013	24,960	24,346	27,246	28,083	29,170	34,395	34,973	27,946	32,096
<b>Total</b>	<b>\$ 137,413</b>	<b>\$ 132,853</b>	<b>\$ 135,722</b>	<b>\$ 141,533</b>	<b>\$ 152,227</b>	<b>\$ 158,065</b>	<b>\$ 168,847</b>	<b>\$ 172,702</b>	<b>\$ 156,157</b>	<b>\$ 167,239</b>

**Notes:**

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

Source: State of California Board of Equalization and The HdL Companies

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

<u>Annual Year</u>	<u>State Rate</u>	<u>City Direct Rate</u>	<u>San Mateo County Rate</u>	<u>City/County Public Safety</u>	<u>District Rate</u>	<u>Total</u>
2001	5.25%	0.75%	0.75%	0.50%	1.00%	8.25%
2002	5.25%	0.75%	0.75%	0.50%	1.00%	8.25%
2003	5.25%	0.75%	0.75%	0.50%	1.00%	8.25%
2004	5.25%	0.75%	0.75%	0.50%	1.00%	8.25%
2005	5.25%	0.75%	0.75%	0.50%	1.00%	8.25%
2006	5.25%	0.75%	0.75%	0.50%	1.00%	8.25%
2007	5.25%	0.75%	0.75%	0.50%	1.00%	8.25%
2008	5.25%	0.75%	0.75%	0.50%	1.00%	8.25%
2009	6.25%	0.75%	0.75%	0.50%	1.00%	9.25%
2010	6.25%	0.75%	0.75%	0.50%	1.00%	9.25%

**Notes:**

Sales tax in San Mateo County is 9.25%.

Proposition 172 approved by the voters in 1993 provides 1/2 cent sales tax for Public Safety Augmentation.

San Mateo County Transportation Authority District is provided a 1/2 cent sales tax approved by the voters in 1989.

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

Source: State Board of Equalization & HdL

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

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses &amp; Permits</u>	<u>Use of Money &amp; Property</u>	<u>Inter-Governmental</u>	<u>Current Service Chgs.</u>	<u>Fines &amp; Forfeitures</u>	<u>Other Revenues</u>	<u>TOTAL</u>
2000-2001	\$ 10,401,898	\$ 446,571	\$ 1,647,115	\$ 6,539,373	\$ 2,465,226	\$ 142,788	\$ 1,229,183	\$ 22,872,154
2001-2002	10,302,020	563,462	944,882	8,728,620	2,048,225	213,319	3,791,031	26,591,559
2002-2003	10,944,812	400,446	566,880	7,284,231	2,761,520	175,551	1,827,612	23,961,052
2003-2004	11,253,260	319,270	399,500	2,926,988	1,894,700	160,000	1,984,500	18,938,218
2004-2005	12,301,959	338,400	127,000	3,473,559	1,476,774	140,000	2,218,606	20,076,298
2005-2006	13,655,933	308,500	410,000	4,744,585	1,388,600	135,000	3,460,325	24,102,943
2006-2007	14,855,725	470,947	337,904	5,466,565	2,213,594	217,699	2,021,496	25,583,930
2007-2008	16,056,908	558,068	431,880	8,043,733	3,712,339	186,600	6,115,511	35,105,039
2008-2009	16,230,066	402,639	679,477	9,320,112	2,776,779	245,675	2,051,545	31,706,293
2009-2010	16,391,061	350,181	390,276	8,496,563	2,037,223	245,835	1,620,197	29,531,336
% Change								
2001-2010	57.58%	-21.58%	-76.31%	29.93%	-17.36%	72.17%	31.81%	29.11%

**Notes:**  
Above amounts include General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds.  
Above amounts exclude other financing sources.

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

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

Fiscal Year	LOCALLY ASSESSED										TOTALS					
	Secured					Unsecured					Total Before Exemptions			Exemptions/Net Totals		
	Land Value	Personal Property	Improvements	Land Value	Personal Property	Improvements	Land Value	Personal Property	Improvements	Land Value	Personal Property	Grand Total	H.O.P.T.R. (1)	Other	Total Exemptions	Net Subject To Tax
2000-2001	1,010,655	1,496	1,420,407	5,338	18,615	12,973	1,015,993	20,111	1,433,380	20,111	2,469,484	61,254	21,562	82,816	2,386,668	
2001-2002	1,112,535	2,218	1,528,239	4,889	17,313	13,169	1,117,424	19,551	1,541,408	19,551	2,678,363	62,857	21,269	84,126	2,594,237	
2002-2003	1,220,448	2,535	1,631,688	5,057	16,333	12,296	1,225,505	18,868	1,643,983	18,868	2,888,356	60,594	40,812	101,406	2,786,951	
2003-2004	1,326,705	2,126	1,757,984	5,463	29,749	14,228	1,332,169	31,874	1,772,211	31,874	3,136,254	60,723	39,150	99,873	3,036,382	
2004-2005	1,447,923	1,971	1,874,276	5,429	19,159	16,341	1,453,352	21,130	1,890,618	21,130	3,365,099	59,325	40,452	99,778	3,265,322	
2005-2006	1,601,167	1,775	2,018,013	5,641	18,927	17,610	1,606,808	20,702	2,035,623	20,702	3,663,133	58,989	43,835	102,824	3,560,309	
2006-2007	1,798,645	3,106	2,157,278	5,628	19,243	17,463	1,804,274	22,349	2,174,741	22,349	4,001,364	58,740	49,975	108,715	3,892,649	
2007-2008	1,958,815	3,892	2,301,957	5,876	20,134	19,118	1,964,691	24,026	2,321,075	24,026	4,309,792	58,066	52,720	110,786	4,199,006	
2008-2009	2,068,296	3,695	2,434,746	4,876	21,944	17,659	2,073,171	25,639	2,452,405	25,639	4,551,215	57,951	56,485	114,437	4,436,778	
2009-2010	2,017,339	3,578	2,389,859	4,884	34,565	16,833	2,022,223	38,143	2,406,692	38,143	4,467,058	58,584	54,790	113,374	4,353,684	
% Change																
2001-2010	99.61%	139.17%	68.25%	-8.51%	85.68%	29.75%	99.04%	89.66%	67.90%	80.89%		-4.36%	154.10%	36.90%	82.42%	

(1) Homeowner's Property Tax Relief

**Notes:**

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

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

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

Annual Year	City Direct Rate				Overlapping Rates					Total Direct Rate
	City Basic Rate	General			Pacifica School District	Jefferson School District	San Mateo Junior College	San Mateo County as Distributor	Total Direct Rate	
		Obligation Debt Service	Redevelopment Debt Service Rate							
2001	0%	0%	0%	0.0589%	0.0181%	0.0000%	1%	0.0000%	0.0000%	
2002	0%	0%	0.0%	0.0344%	0.0194%	0.0079%	1%	0.0000%	0.0000%	
2003	0%	0%	0.0%	0.0259%	0.0187%	0.0065%	1%	0.0000%	0.0000%	
2004	0%	0%	2.90%	0.0244%	0.0170%	0.0065%	1%	2.9000%	2.9000%	
2005	0%	0%	2.90%	0.0417%	0.0153%	0.0065%	1%	2.9000%	2.9000%	
2006	0%	0%	2.90%	0.0457%	0.0174%	0.0182%	1%	2.9000%	2.9000%	
2007	0%	0%	2.90%	0.0411%	0.0361%	0.0182%	1%	2.9000%	2.9000%	
2008	0%	0%	2.90%	0.0384%	0.0333%	0.0182%	1%	2.9000%	2.9000%	
2009	0%	0%	2.90%	0.0417%	0.0360%	0.0182%	1%	2.9000%	2.9000%	
2010	0%	0%	2.90%	0.0417%	0.0360%	0.0182%	1%	2.9000%	2.9000%	

**Notes:**

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

Source: City Financial Reports

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

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of	Taxable Assessed Value	Rank	Percentage of
			Total City Taxable Assessed Value			Total City Taxable Assessed Value
FPA BAF Lands End Associates	\$ 48,378	1	1.11%	\$ 31,181	1	1.20%
Pan Pacific Realty Corporation				12,430	2	0.48%
Pacifica GSPT, LLC				12,080	3	0.47%
Bay Apartment Communities, Inc.	13,395	8	0.31%	11,474	4	0.44%
Demartini / Linda Mar LLC				11,436	5	0.44%
National Church Residences	13,098	9	0.30%	11,220	6	0.42%
Julia Ng, et al				10,953	7	0.42%
Ocean Hill Apartments, LLC				10,404	8	0.40%
Marymount Gateway Apt., LLC				7,747	9	0.30%
GRC Pacific Ventures Ltd.				5,729	10	0.22%
Linda Mar Shopping Center, LLP	31,392	2	0.72%			
PK III Fairmont Shopping Center	27,254	3	0.63%			
AIMCO Park Pacific Apartments	19,928	4	0.46%			
Marymount Summit ,LLC	18,262	5	0.42%			
AIMCO Horizons West Apartments, LI	15,653	6	0.36%			
Harry B. Lewis, et al	14,151	7	0.33%			
LBN Properties LP	12,786	10	0.29%			
<b>Total</b>	<b>\$ 214,297</b>		<b>4.92%</b>	<b>\$ 124,654</b>		<b>4.80%</b>

**Notes:**

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

**Source:**

City of Pacifica from Tax Rolls provided by County Assessor's Office, County of San Mateo, California; March 1, 2010 and April 1, 2001

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

Fiscal Year Ending June 30	Taxes Levied for the Fiscal Year	Collected within the		Collections in subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy	Percentage of Levy		Amount	Percentage of Levy
2001	4,907	4,816	98.15%	59	4,875	99.35%
2002	5,304	5,226	98.53%	59	5,285	99.64%
2003	5,659	5,513	97.42%	57	5,570	98.43%
2004	6,120	6,090	99.51%	29	6,119	99.98%
2005	6,610	6,540	98.94%	(3)	6,537	98.90%
2006	7,064	6,924	98.02%	(0.5)	6,924	98.01%
2007	7,620	7,620	100.00%	(28.0)	7,592	99.63%
2008	8,180	8,179	99.99%	(3)	8,176	99.95%
2009	8,597	8,597	100.00%	0	8,597	100.00%
2010	8,497	8,497	100.00%	0	8,497	100.00%
<b>% Change 2001-2010</b>	<b>3,590</b>	<b>3,681</b>	<b>0</b>	<b>(59)</b>	<b>3,622</b>	<b>0</b>

**Notes:**

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

Includes Homeowner's Tax Relief (HOPTR).

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

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

Source: City Financial Reports

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

<b>Governmental Activities</b>					
<b>Fiscal Year Ending</b>	<b>Pension Obligation Bond</b>	<b>Notes Payable</b>	<b>Special Assessment</b>	<b>Certificates of Participation</b>	<b>Total Governmental Activities Debt</b>
2001	-	1,450,000	-	10,875,000	12,325,000
2002	-	1,408,000	-	10,710,000	12,118,000
2003	-	1,350,755	-	13,170,000	14,520,755
2004	-	1,271,278	-	12,960,000	14,231,278
2005	-	1,164,416	1,000,000	12,720,000	14,884,416
2006	-	1,034,348	1,000,000	15,725,000	17,759,348
2007	-	875,378	1,000,000	15,725,000	17,600,378
2008	-	875,378	1,000,000	15,725,000	17,600,378
2009	-	875,378	-	19,815,000	20,690,378
2010	18,176,373	875,378	-	19,305,000	38,356,751

**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 Pension Obligation Bond in 2010.

Sources: City's Comprehensive Annual Financial Reports 2001-2010.

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

<u>Business-Type Activities</u>						
<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>Percentage of Personal Income</u>	<u>Debt Per Capita</u>
2001	4,720,000	-	4,720,000	17,045,000	0.92%	444
2002	4,776,000	34,279,000	39,055,000	51,173,000	2.64%	1,311
2003	4,764,000	32,915,605	37,679,605	52,200,360	2.64%	1,352
2004	4,825,000	31,513,886	36,338,886	50,570,164	2.51%	1,324
2005	13,945,000	30,019,447	43,964,447	58,848,863	2.80%	1,522
2006	13,810,000	25,359,240	39,169,240	56,928,588	2.63%	1,470
2007	13,670,000	25,359,240	39,029,240	56,629,618	2.47%	1,443
2008	13,530,000	25,359,240	38,889,240	56,489,618	2.43%	1,426
2009	13,380,000	23,749,506	37,129,506	57,819,884	2.54%	1,446
2010	15,558,627	22,112,004	37,670,631	76,027,382	2.96%	1,880

**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 2001-2010.

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

<u>Fiscal Year</u> <u>Ending</u>	<u>General Bonded Debt Outstanding</u>			<u>Percent of</u> <u>Assessed Value</u>	<u>Per</u> <u>Capita</u>
	<u>Net</u> <u>Bonded</u> <u>Debt</u>	<u>Redevelopment</u> <u>Bonds</u>	<u>Total</u>		
2001	10,206	-	10,206	0.428%	266
2002	10,194	-	10,194	0.393%	261
2003	12,790	-	12,790	0.459%	331
2004	12,400	1,725	14,125	0.465%	370
2005	11,999	1,725	13,724	0.420%	354
2006	15,725	1,725	17,450	0.489%	450
2007	15,725	1,690	17,415	0.446%	443
2008	15,725	1,655	17,380	0.414%	439
2009	19,815	1,620	21,435	0.492%	536
2010	37,481	1,580	39,061	0.897%	966
<b>% Change</b> <b>2001-2010</b>	88.32%		103.72%	2.08%	108.97%

**Notes:**

This statement compares total general bonded debt to estimated actual value of property and population. Details regarding the city's outstanding debt can be found in the notes to the financial statements. See Pages 112 and 115 for property tax data. Population data can be found on Page 123.

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

Source: City Financial Reports

**CITY OF PACIFICA  
PROPERTY TAX RATES - DISTRICT  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
as of June 30, 2010  
(Per \$100 of Assessed Valuation)**

**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>San Mateo County</u>	<u>City of Pacifica</u>	<u>Pacifica School District</u>	<u>Jefferson School District</u>	<u>San Mateo Junior College</u>	<u>County Water District</u>	<u>TOTAL</u>
2000-2001	1.0000	---	0.0607	0.0370	---	---	1.0977
2001-2002	1.0000	---	0.0589	0.0181	---	---	1.0770
2002-2003	1.0000	---	0.0344	0.0194	0.0079	---	1.0617
2003-2004	1.0000	---	0.0259	0.0187	0.0065	---	1.0511
2004-2005	1.0000	---	0.0244	0.0170	0.0065	---	1.0479
2005-2006	1.0000	---	0.0417	0.0153	0.0065	---	1.0635
2006-2007	1.0000	---	0.0457	0.0174	0.0184	---	1.0815
2007-2008	1.0000	---	0.0384	0.0333	0.0182	---	1.0899
2008-2009	1.0000	---	0.0384	0.0333	0.0165	---	1.0882
2009-2010	1.0000	---	0.0417	0.0360	0.0182	---	1.0959

Source: Tax Rolls Code - 16-001, Tax Collector's Office, County of San Mateo

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

	<u>FISCAL YEAR ENDING JUNE 30</u>									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Assessed Valuation</b>	\$ 2,386,668	\$ 2,594,237	\$ 2,786,951	\$ 3,036,382	\$ 3,265,322	\$ 3,560,309	\$ 3,892,648	\$ 4,199,006	\$ 4,436,779	\$ 4,353,684
<b>Debt Limit</b>	89,500	97,284	104,511	113,864	122,450	133,512	145,974	157,463	166,379	163,263
<b>Total Net Debt Applicable to Limit</b>	10,206	10,194	12,790	14,125	13,724	17,415	16,699	16,409	15,725	15,191
<b>Legal Debt Margin</b>	\$ 79,294	\$ 87,090	\$ 91,721	\$ 99,739	\$ 108,726	\$ 116,097	\$ 129,275	\$ 141,054	\$ 150,654	\$ 148,072
<b>Total Net Debt applicable to the limit as a percentage of debt limit</b>	11.40%	10.48%	12.24%	12.41%	11.21%	13.04%	11.44%	10.42%	9.45%	9.30%

**Notes:**  
Debt Limit is 3.75% of Assessed Value.

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

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

**Enterprise Fund Bonds**

<u>Fiscal Year</u>	<u>Basic Rate</u>	<u>Less Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Services</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2001	6,120	5,045	1,075	80	287	2.93
2002	6,228	6,881	(653)	85	283	-1.77
2003	6,328	7,953	(1,625)	1,488	821	-0.70
2004	7,252	6,750	502	125	225	1.43
2005	8,262	6,326	1,936	130	788	2.11
2006	8,898	6,231	2,667	135	1,229	1.96
2007	9,046	7,767	1,279	140	689	1.54
2008	9,727	7,302	2,425	140	684	2.94
2009	11,403	7,946	3,457	1,760	1,135	1.19
2010	11,270	8,541	2,729	1,793	1,097	0.94

**Special Assessment Bonds**

<u>Fiscal Year</u>	<u>Debt Service (000's)</u>	
	<u>Principal</u>	<u>Interest</u>
2001	0	0
2002	0	0
2003	0	0
2004	0	0
2005	0	0
2006	0	0
2007	0	0
2008	0	0
2009	0	0
2010	0	0

**Notes:**

This schedule presents all non-general obligation long-term debt backed by pledged revenues.

The coverage calculations presented in this schedule may differ from those required by specific bond indentures.

Source: City Financial Reports

CITY OF PACIFICA, CALIFORNIA

DIRECT AND ESTIMATED OVERLAPPING BONDED DEBT

June 30, 2010

2010 Population Estimate	40,431
2009-2010 Assessed Valuation	\$4,353,684,332

	<u>Percent Applicable</u>	<u>Date Applicable June 30, 2010</u>
Direct Debt:		
2008 Certificates of Participation	49.15%	\$ 19,815,000
2010 Pension Obligation Bond	50.85%	20,500,000
Total Direct Debt	<u>100.00%</u>	<u>\$ 40,315,000</u>

Overlapping Debt:

Pacifica School District 1997 Series A	\$ 16,538,922
Pacifica School District 2000 Series	1,010,010
Jefferson Union High School Refunding Series A	14,248,188
Jefferson Union High School Refunding Series 05	3,458,298
Jefferson Union High School 2006 Series A	19,879,695
Jefferson Union High School 2006 Series B	2,213,311
San Mateo Community College District Series 02	44,173,979
San Mateo Community College District Series 05 B	28,110,714
San Mateo Community College District Series 2001 C	12,047,449
San Mateo Community College District 2006 Series A	74,961,903
San Mateo Community College District 2005 Series B	81,654,930
Total Overlapping Debt:	<u>\$ 298,297,399</u>
Total Direct and Overlapping Debt:	<u>\$ 338,612,399</u>

Ratios to Assessed Valuation

Per Capita

Direct Debt	0.926%	Assessed Valuation	\$ 107,681.84
		Direct Debt	997.13
Total Debt	7.778%	Total Debt	\$ 8,375.07

Source: County Controller, County of San Mateo, California

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

<b>Calendar Year Ending</b>	<b>Population</b>	<b>Median Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate %</b>
2001	38,638	48,283	32,021	2.9
2002	38,570	49,731	32,982	5.0
2003	38,504	51,223	33,971	5.1
2004	38,523	52,760	34,990	5.0
2005	38,553	54,343	36,040	4.3
2006	38,696	55,973	37,121	4.2
2007	38,988	58,327	37,095	4.8
2008	39,497	58,567	37,298	5.0
2009	39,995	57,014	43,641	9.4
2010	40,431	63,500	48,021	10.1

**Notes:**

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

This information has not been tracked and the information provided here is extrapolated from the Census 2000. Population data is from the State of California Department of Finance.

The unemployment rates are from San Mateo County overall.

Source: U.S. Census Bureau 2000 and the State of California Department of Finance.

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

Employer	2010			2001		
	# of Employees	Rank	Percentage of Total City Employment	# of Employees	Rank	Percentage of Total City Employment
Pacifica School District	306	1	N/A	<b>Not Available</b>		
City of Pacifica	285	2	N/A			
Safeway (2)	212	3	N/A			
Jefferson Union High School District	169	4	N/A			
Lucky (Save Mart Supermarkets)	125	5	N/A			
Rite Aid (2)	52	6	N/A			
Recology of the Coast	49	7	N/A			
Ross Dress for Less	48	8	N/A			
North Coast County Water District	22	9	N/A			

**Notes:**

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

Source: Business Registration Research

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

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>General Government</b>										
Administration	8.2	8.2	8.2	7	7	7	6.5	7	7	7
Finance	8	8	8	7	8	8	7.5	7.5	7	7
Parks	51.75	51.75	54.75	54	38.75	38.75	39.75	39.75	37.75	37.75
Planning & Building	4.8	5.8	4.8	4.8	7.8	8.8	9	9	9	8
Public Works	36	33	34	28.75	29	29	29	24	24	26
Engineering	1	4	4	4	4	4	4	4	4	4
<b>Police</b>										
Officers	40	41	42	37	37	36	38	40	40	36
Civilians	16.5	16.5	16.5	15.5	15.5	15.5	13.5	12.5	11.5	12.5
<b>Fire</b>										
Firefighters	30	30	32	32	31	31	30	28	27	27
Civilians	5	5	5.5	5.5	1.5	1.5	1.5	1	1	1
<b>Redevelopment</b>										
	0	0	0	0	0	0	0	0	0	0
<b>Wastewater Division</b>										
	20.5	20.5	21	21	19.75	19.75	19.75	19.75	19.75	19.75
<b>Total</b>	<b>221.75</b>	<b>223.75</b>	<b>230.75</b>	<b>216.55</b>	<b>199.3</b>	<b>199.3</b>	<b>198.5</b>	<b>192.5</b>	<b>188</b>	<b>186</b>

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

Source: City Financial Reports

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

Function/Program	FISCAL YEAR ENDING JUNE 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Building Permits Issued	1,409	1,408	1,380	1,360	1,219	1,200	1,263	1,220	970	967
Building Inspections Conducted	3,200	3,061	2,838	3,001	2,970	3,000	2,550	3,000	2,745	2,727
Police										
Physical Arrests	925	1,010	1,046	1,328	1,017	1,147	1,071	986	1,102	1,105
Parking Violations	6,680	8,024	5,745	4,955	3,511	3,624	2,998	2,792	3,250	3,427
Traffic Violations	2,679	3,000	4,878	3,846	2,502	2,271	2,531	2,586	3,368	3,472
Fire										
Emergency Responses	NA	NA	NA	NA	3,615	3,465	3,185	4,295	2,852	3,708
Fires Extinguished	NA	NA	NA	NA	85	135	136	175	139	104
Inspections	NA	NA	NA	NA	1,413	1,442	1,453	1,353	1,085	943
Other Public Works										
Street Re-surfacing (miles)	6.1	7.5	4.3	-	-	-	0.6	1.25	3.07	2.02
Potholes Repaired	400	400	400	400	400	400	360	400	414	420
Parks, Beaches & Recreation										
Community Center Admissions	NA	NA	NA	NA	estimated 115,000	estimated 120,000	estimated 130,000	estimated 125,000	estimated 130,000	estimated 130,000
Enterprise Fund WWTP										
New Connections	38.0	39.5	14.5	21.5	106.5	9.0	7.0	6.0	30.0	-
Avg Daily Sewage Treatment (Gallons)	3,668,000	3,604,000	3,630,000	3,507,000	3,830,000	3,920,000	3,500,000	3,008,000	2,674,000	3,117,000

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

Source: Various City Departments

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

Function/Program	FISCAL YEAR ENDING JUNE 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	12	10	10	13	12	12	12	12	12	12
<b>Fire</b>										
Stations	2	2	2	2	2	2	2	2	2	2
<b>Public Works</b>										
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	1770	1770	1770	1770	1770	1770	1775	1775	1775	1775
Traffic Signals	5	5	5	5	5	5	5	5	5	5
<b>Parks, Beaches &amp; Recreation</b>										
Acreage	145.48	142.68	142.68	142.68	142.68	142.68	142.68	142.68	142.68	142.68
Playgrounds	13	13	13	13	13	13	13	13	13	13
Baseball Diamonds	5	5	5	5	5	5	5	5	5	5
Soccer/Football Fields	2	2	2	2	2	2	3	3	3	3
Community Centers	1	1	1	1	1	1	1	1	1	1
<b>Wastewater</b>										
Sanitary Sewers (miles)	130	130	130	165	165	165	165	165	165	165
Storm Sewers (miles)	90	90	90	90	90	90	90	90	90	90
Treatment Capacity (gallons)	3,668,000	3,604,000	3,630,000	3,507,000	3,830,000	3,920,000	4,000,000	4,000,000	4,000,000	4,000,000

**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
2001	205.18	4.27433
2002	224.36	4.67424
2003	225.48	4.69754
2004	258.54	5.38619
2005	310.98	6.47862
2006	333.16	6.94083
2007	352.08	7.33488
2008	384.50	8.01056
2009	456.70	9.51463
2010	468.28	9.75568

**Notes:**

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

Source: City Records