

# City of Morro Bay

## Citizens Oversight Committee Agenda, Acting as Citizens Finance Advisory Committee

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### *Mission Statement*

*The City of Morro Bay is dedicated to the preservation and enhancement of the quality of life. The City shall be committed to this purpose, and will provide a level of municipal service and safety consistent with, and responsive to, the needs of the public.*

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**NOTICE OF  
SPECIAL MEETING  
TUESDAY, MARCH 8, 2016  
VETERANS MEMORIAL HALL – 3:30 PM  
209 SURF STREET, MORRO BAY, CA**

ESTABLISH QUORUM AND CALL TO ORDER

COMMITTEE MEMBERS ANNOUNCEMENTS & PRESENTATIONS – WELCOME  
NEW MEMBERS

PUBLIC COMMENT PERIOD - Members of the audience wishing to address the Committee on business matters may do so at this time.

To increase the effectiveness of the Public Comment Period, the following rules shall be followed:

- When recognized by the Chairperson, please come forward to the podium, and state your name and address for the record. Comments are to be limited to three minutes.
- All remarks shall be addressed to the Committee, as a whole, and not to any individual member thereof.
- The Committee respectfully requests that you refrain from making slanderous, profane or personal remarks against any elected official, commissioner, committee member and/or staff.
- Please refrain from public displays or outbursts such as unsolicited applause, comments or cheering.
- Any disruptive activities that substantially interfere with the ability of the Committee to carry out its meeting will not be permitted, and offenders will be requested to leave the meeting.
- Your participation in Committee meetings is welcome, and your courtesy will be appreciated.

A. CONSENT CALENDAR

1. APPROVAL OF MINUTES FOR THE DECEMBER 15, 2015, REGULAR CITIZENS OVERSIGHT/FINANCE ADVISORY COMMITTEE MEETING
2. APPROVAL OF MINUTES FOR THE JANUARY 19, 2016, REGULAR CITIZENS OVERSIGHT/FINANCE ADVISORY COMMITTEE MEETING

B. BUSINESS ITEMS

1. REVIEW OF THE 2014/15 DRAFT CITY AUDIT
2. DISCUSSION ON INVESTMENT PORTFOLIO
3. DISCUSSION ON CREATING A SUBCOMMITTEE TO CRAFT PUBLIC-FRIENDLY BUDGET DOCUMENTS
4. JOINT MEETING WITH CITY COUNCIL
5. FUTURE AGENDA ITEMS

C. SCHEDULE NEXT MEETING

The next meeting is tentatively scheduled for Tuesday, April 19, 2016. The date of the Joint Meeting with the City Council is to be determined.

D. ADJOURNMENT

DATED: March 4, 2016

//s//

Barbara Spagnola, Chairperson

**THIS AGENDA IS SUBJECT TO AMENDMENT UP TO 24 HOURS PRIOR TO THE DATE AND TIME SET FOR THE MEETING. PLEASE REFER TO THE AGENDA POSTED AT CITY HALL FOR ANY REVISIONS, OR CALL CITY HALL AT 772-6201 FOR FURTHER INFORMATION.**

**MATERIALS RELATED TO AN ITEM ON THIS AGENDA SUBMITTED TO THE COMMITTEE AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC INSPECTION AT CITY HALL LOCATED AT 595 HARBOR STREET DURING NORMAL BUSINESS HOURS.**

**IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN A CITY MEETING, PLEASE CONTACT THE CITY CLERK'S OFFICE AT LEAST 24 HOURS PRIOR TO THE MEETING TO INSURE THAT REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.**

Chairwoman Barbara Spagnola called the meeting to order at 3:33 p.m.

MEMBERS PRESENT:      Barbara Spagnola      Chairwoman  
                                 Greg Head              Member  
                                 Betty Forsythe        Member  
                                 Susan Schneider      Member

MEMBERS ABSENT:      Marlys McPherson    Member

STAFF PRESENT:        Susan Slayton        Administrative Services Director

### **PUBLIC COMMENT**

Chairwoman Spagnola opened the meeting for public comment. Seeing none, public comment was closed.

#### A.    CONSENT CALENDAR

1. APPROVAL OF MINUTES FOR THE REGULAR CITIZENS FINANCE ADVISORY COMMITTEE MEETING HELD ON NOVEMBER 4, 2015.  
[https://youtu.be/b2AbYYKHA\\_Y?t=39s](https://youtu.be/b2AbYYKHA_Y?t=39s)

#### B.    NEW BUSINESS

1. REVIEW OF F/Y 2014/15 UNAUDITED TRANSACTIONS FROM THE COLLECTION OF THE GENERAL PURPOSE LOCAL SALES TAX, COMMONLY KNOWN AS "MEASURE Q"  
[https://youtu.be/b2AbYYKHA\\_Y?t=3m46s](https://youtu.be/b2AbYYKHA_Y?t=3m46s)

Motion to accept this report was made by Member Spagnola, seconded by Member Forsythe, and carried 4/0.

[https://youtu.be/b2AbYYKHA\\_Y?t=10m32s](https://youtu.be/b2AbYYKHA_Y?t=10m32s)

2. REVIEW OF F/Y 2014/15 CARRYOVER AND UNALLOCATED CASH FROM THE COLLECTION OF THE GENERAL PURPOSE LOCAL SALES TAX, COMMONLY KNOWN AS "MEASURE Q"  
[https://youtu.be/b2AbYYKHA\\_Y?t=10m56s](https://youtu.be/b2AbYYKHA_Y?t=10m56s)

Motion to accept this report was made by Member Schneider, seconded by Member Forsythe, and carried 4/0.

[https://youtu.be/b2AbYYKHA\\_Y?t=14m12s](https://youtu.be/b2AbYYKHA_Y?t=14m12s)

CITIZENS OVERSIGHT/FINANCE ADVISORY COMMITTEE  
SYNOPSIS MINUTES  
DECEMBER 15, 2015  
VETERANS MEMORIAL HALL

3. REVIEW OF F/Y-T-D 2015/16 TRANSACTIONS FROM THE COLLECTION OF THE GENERAL PURPOSE LOCAL SALES TAX, COMMONLY KNOWN AS "MEASURE Q"  
[https://youtu.be/b2AbYYKHA\\_Y?t=14m37s](https://youtu.be/b2AbYYKHA_Y?t=14m37s)

Motion to accept this report was made by Chairwoman Spagnola, seconded by Member Schneider, and carried 4/0.

[https://youtu.be/b2AbYYKHA\\_Y?t=26m39s](https://youtu.be/b2AbYYKHA_Y?t=26m39s)

4. DISCUSSION OF PRESENTATION OF COMMITTEE RECOMMENDATIONS TO CITY COUNCIL  
[https://youtu.be/b2AbYYKHA\\_Y?t=26m59s](https://youtu.be/b2AbYYKHA_Y?t=26m59s)

There was no motion made for this item.

5. DISCUSSION OF THE CONCEPTS RELATED TO STREETS FINANCING  
[https://youtu.be/b2AbYYKHA\\_Y?t=38m43s](https://youtu.be/b2AbYYKHA_Y?t=38m43s)

Motion #1: Committee to not recommend option #1. The motion was made by Member Schneider, seconded by Member Forsythe, and carried 4/0.

[https://youtu.be/b2AbYYKHA\\_Y?t=1h10m](https://youtu.be/b2AbYYKHA_Y?t=1h10m)

Motion #2: Committee to not recommend adopting with of the two suggestions at this time. The motion was made by Member Schneider, seconded by Member Forsythe, and carried 4/0.

[https://youtu.be/b2AbYYKHA\\_Y?t=1h8m10s](https://youtu.be/b2AbYYKHA_Y?t=1h8m10s)

C. ADJOURNMENT

The meeting adjourned at 4:55 pm.

Chairwoman Barbara Spagnola called the meeting to order at 3:30 p.m.

MEMBERS PRESENT:      Barbara Spagnola      Chairwoman  
                                 Greg Head              Member  
                                 Marlys McPherson      Member  
                                 Susan Schneider      Member

MEMBERS ABSENT:      Betty Forsythe      Member

STAFF PRESENT:      Susan Slayton      Administrative Services Director

### **PUBLIC COMMENT**

Chairwoman Spagnola opened the meeting for public comment. Seeing none, public comment was closed.

#### A. CONSENT CALENDAR

There are no consent items to present.

#### B. NEW BUSINESS

1. DISCUSSION ON THE 2<sup>ND</sup> QUARTER FINANCIAL STATUS REPORTS AND INVESTMENT PORTFOLIO  
<https://youtu.be/UTOrsSCscg0?t=2m39s>

Motion to accept this report was made by Chairwoman Spagnola, seconded by Member McPherson, and carried 4/0.

<https://youtu.be/UTOrsSCscg0?t=31m50s>

2. DISCUSSION OF PRESENTATION OF COMMITTEE RECOMMENDATIONS TO CITY COUNCIL  
<https://youtu.be/UTOrsSCscg0?t=32m10s>

There was no motion made for this item.

3. INFORMATION ITEM: UPDATE ON CITY'S ANNUAL AUDIT  
<https://youtu.be/UTOrsSCscg0?t=34m32s>

There was no made for this item.

4. DISCUSSION ON PRESENTATION OF CITY'S BUDGET TO THE PUBLIC

CITIZENS OVERSIGHT/FINANCE ADVISORY COMMITTEE  
SYNOPSIS MINUTES  
JANUARY 19, 2016  
VETERANS MEMORIAL HALL

<https://youtu.be/UTOrsSCscg0?t=38m37s>

There was no motion made for this item.

5. NEXT MEETING: FEBRUARY 16, 2016  
<https://youtu.be/UTOrsSCscg0?t=1h21m32s>

C. ADJOURNMENT

The meeting adjourned at 4:57 pm.



<b>AGENDA NO:</b>	<b>B - 1</b>
<b>MEETING DATE:</b>	<b>March 8, 2016</b>

## Staff Report

**TO:** Chairwoman Spagnola and Committee Members      **DATE:** March 3, 2016  
**FROM:** Susan Slayton, Administrative Services Director  
**SUBJECT:** Review of the 2014/15 draft City Audit

### **DISCUSSION**

The draft 2014/15 City Audit is presented to the Committee for its review and comments.

The newest Governmental Accounting Standards Board (GASB) pronouncement, Statement No. 68, requires the City's pension liability to be part of the balance sheet, presented as deferred outflows and inflows of resources, and a current year expense in employee wages and benefits. This is an actuarial computation, provided by the audit firm, The Pun Group, who also prepared the statements.

Staff will be present to respond to member questions.

# **City of Morro Bay**

Morro Bay, California

## **Independent Auditors' Reports and Basic Financial Statements**

*For the fiscal Year Ended June 30, 2015*





DRAFT 02-22-16

**City of Morro Bay  
Basic Financial Statements  
For the year ended June 30, 2015**

**Table of Contents**

	<u>Page</u>
<b><u>INTRODUCTORY SECTION (UNAUDITED)</u></b>	
List of elected and Appointed Officials .....	v
Administrative Organizational Chart .....	xii
<b><u>FINANCIAL SECTION</u></b>	
<b>Independent Auditors' Report</b> .....	1
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> .....	5
<b>Basic Financial Statements:</b>	
<b>Government – Wide Financial Statements:</b>	
Statement of Net Position .....	10
Statement of Activities .....	12
<b>Fund Financial Statements:</b>	
<b><i>Governmental Fund Financial Statements:</i></b>	
Balance Sheet .....	18
Reconciliation of the Governmental Funds Balance Sheet to the Government–Wide Statement of Net Position .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances .....	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government–Wide Statement of Activities .....	21
<b><i>Proprietary Fund Financial Statements:</i></b>	
Statement of Net Position .....	24
Statement of Revenues, Expenses and Changes in Net Position .....	28
Statement of Cash Flows .....	30
<b><i>Fiduciary Fund Financial Statements:</i></b>	
Statement of Fiduciary Net Position .....	33
<b>Notes to Basic Financial Statements</b> .....	37

**City of Morro Bay  
Basic Financial Statements  
For the year ended June 30, 2015**

**Table of Contents (Continued)**

	<u>Page</u>
<b><u>FINANCIAL SECTION (Continued)</u></b>	
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedules:	
General Fund .....	76
Schedule of Proportionate Share of the Net Pension Liability	
And related Ratios .....	79
Schedule of Plan Contributions .....	79
Schedule of Other Postemployment Benefits Funding Progress .....	86
<b>Supplementary Information:</b>	
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet .....	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	92
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
<i>Nonmajor Special Revenue Funds:</i>	
Morro Bay Tourism Business Improvement District Fund .....	96
Special Gas Tax Fund .....	97
Lower Cost Visitor Accommodations Fund .....	98
Traffic Safety Tax Fund .....	99
Special Safety Grants Fund .....	100
Parking In-Lieu Fund .....	101
Non-Transit Local Transportation Funds - Bike Pathways Fund .....	102
Special Assessments Fund .....	103
Governmental Impact Fees Fund .....	104
State Park Marina Fund .....	105
Affordable Housing In-Lieu Fund .....	106
Cloister Reserve Fund .....	107
LTF Roads Fund .....	108
Park In-Lieu Fee Special Revenue Fund .....	111
District Transaction Tax Fund .....	112
<i>Fiduciary Fund Financial Statements:</i>	
Combining Statement of Fiduciary Net Position .....	115
Combining Statement of Changes in Assets and Liabilities .....	116

DRAFT 02-22-16

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
of the City of Morro Bay  
Morro Bay, California

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Morro Bay, California (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

*Implementation of GASB Statement No. 68 and 71*

As discussed in Note 1 to the basic financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The adoption of these standards required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2014 as described in Note 11 to the basic financial statements. In addition, net pension liability is reported in the Statement of Net Position in the amount of \$15,038,903 as of the measurement date. Net pension liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of Jun 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date for California Public Employee Retirement System (“CalPERS”) plans. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule-General Fund, on page 74, schedule of Proportionate Share of the Net Pension Liability and Related Ratios and Schedule of Contributions on page 76 to 82, and the Schedules of Funding Progress-Other Postemployment Benefits on page 83, 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.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section and Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated (date to be inserted), 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* in considering the City's internal control over financial reporting and compliance.

Walnut Creek, California  
xx

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

***Independent Auditors' Report***

To the Honorable Mayor and Members of the City Council  
of the City of Morro Bay  
Morro Bay, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Morro Bay, California (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated xx.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the separately issued AU-C Section 265–*Communicating Internal Control Related Matters Identified in an Audit* letter to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the separately issued AU-C Section 265–*Communicating Internal Control Related Matters Identified in an Audit* letter to be significant deficiencies.

To the Honorable Mayor and Members of the City Council  
of the City of Morro Bay  
Morro Bay, California  
Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the separately issued AU-C Section 265–*Communicating Internal Control Related Matters Identified in an Audit* letter.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Walnut Creek, California  
xx

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**BASIC FINANCIAL STATEMENTS**

DRAFT 2.26.16

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

DRAFT 2.26.16

**City of Morro Bay**  
**Statement of Net Position**  
**June 30, 2015**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 6,187,852	\$ 7,827,181	\$ 14,015,033	\$ 160,667
Receivables, net of an allowance for doubtful accounts:				-
Utility billings		1,447,588	1,447,588	9,400
Intergovernmental	2,124,728	116,574	2,241,302	-
Notes	2,095,286			
Due from primary government	-	-	-	3,012
Due from component unit	-	4,766	4,766	-
Internal balances	(64,395)	64,395	-	-
Prepaid items & inventories	1,229,407	907,179	2,136,586	11,655
Land held for resale	1,340,000	-	1,340,000	-
<b>Total Current Assets</b>	<b>12,912,878</b>	<b>10,367,683</b>	<b>23,280,561</b>	<b>184,734</b>
Noncurrent Assets:				
Capital assets - nondepreciable	97,379,792	1,705,035	99,084,827	899,133
Capital assets - depreciable, net	25,907,707	16,926,153	42,833,860	27,333
<b>Total Noncurrent Assets</b>	<b>123,287,499</b>	<b>18,631,188</b>	<b>141,918,687</b>	<b>926,466</b>
<b>Total Assets</b>	<b>136,200,377</b>	<b>28,998,871</b>	<b>165,199,248</b>	<b>1,111,200</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contribution after measurement date	1,318,092	367,878	1,685,970	-
Employer's actual contribution of contribution in excess of employer's proportionate share	118,098	32,961	151,059	-
Positive adjustment due to difference in proportion	210,850	58,848	269,698	-
<b>Total deferred outflows of resources</b>	<b>1,647,040</b>	<b>459,687</b>	<b>2,106,727</b>	<b>-</b>

**CITY OF MORRO BAY**  
**Statement of Net Position (Continued)**  
**June 30, 2015**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES</b>				
Accounts payable	1,282,527	141,592	1,424,119	95,187
Accrued payroll and benefits	733,279	162,537	895,816	63,454
Due to primary government	-	-	-	4,766
Due to component unit	-	3,012	3,012	-
Deposits	-	89,749	89,749	-
Unearned revenues	197,633	272,786	470,419	-
Long-term liabilities:				
Due within one year	622,485	99,099	721,584	-
Due in more than one year	2,775,844	775,610	3,551,454	15,338
Aggregate net pension liabilities	11,757,415	3,281,488	15,038,903	-
<b>Total Liabilities</b>	<u>17,369,183</u>	<u>4,825,873</u>	<u>22,195,056</u>	<u>178,745</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Difference in projected and actual earnings on pension investments	3,151,139	879,481	4,030,620	-
Employer's proportionate share of contribution in excess of employer's actual contribution	112,217	31,319	143,536	-
Negative adjustment due to difference in proportion	55,651	15,533	71,184	-
<b>Total deferred inflows of resources</b>	<u>3,319,007</u>	<u>926,333</u>	<u>4,245,340</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	121,279,014	17,836,522	139,115,536	926,466
Restricted for:				
Housing	955,897	-	955,897	-
Unrestricted	(5,075,684)	5,869,830	794,146	5,989
<b>Total Net Position</b>	<u>\$ 117,159,227</u>	<u>\$ 23,706,352</u>	<u>\$ 140,865,579</u>	<u>\$ 932,455</u>

**City of Morro Bay  
Statement of Activities  
For the Year Ended June 30, 2015**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Administration	\$ 2,772,727	\$ 1,919,455	\$ -	\$ -
Community promotion	1,166,533	471,039	-	-
Finance	630,241	344,220	-	-
Fire	2,657,615	212,280	10,085	-
Housing	53,518	40,040	1,920	-
Police	3,392,394	-	143,744	-
Public works	2,984,847	493,886	286,394	1,602,492
Rec/parks/maintenance	1,819,370	535,198	-	-
<b>Total Governmental Activities</b>	<b>15,477,245</b>	<b>4,016,118</b>	<b>442,143</b>	<b>1,602,492</b>
<b>Business-Type Activities:</b>				
Water	4,112,628	3,311,970	-	-
Sewer	4,167,340	4,330,253	-	-
Harbor	2,234,035	1,910,962	147,262	-
Local Transportation	270,198	42,160	274,751	-
<b>Total Business-Type Activities</b>	<b>10,784,201</b>	<b>9,595,345</b>	<b>422,013</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 26,261,446</b>	<b>\$ 13,611,463</b>	<b>\$ 864,156</b>	<b>\$ 1,602,492</b>
<b>Discretely Presented Component Unit:</b>				
Waste Water Treatment Plant	\$ 3,466,004	\$ 3,271,709	\$ 4,540	\$ -



**City of Morro Bay**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2015**

	Net (Expense) Revenue and Changes in Net Positions			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>Functions/Programs</b>				
<b>Governmental Activities:</b>				
Administration	\$ (853,272)	\$ -	\$ (853,272)	\$ -
Community promotion	(695,494)	-	(695,494)	-
Finance	(286,021)	-	(286,021)	-
Fire	(2,435,250)	-	(2,435,250)	-
Housing	(11,558)	-	(11,558)	-
Police	(3,248,650)	-	(3,248,650)	-
Public services	(602,075)	-	(602,075)	-
Rec/parks/maintenance	(1,284,172)	-	(1,284,172)	-
<b>Total Governmental Activities</b>	<b>(9,416,492)</b>	<b>-</b>	<b>(9,416,492)</b>	<b>-</b>
<b>Business-Type Activities:</b>				
Water	-	(800,658)	(800,658)	-
Sewer	-	162,913	162,913	-
Harbor	-	(175,811)	(175,811)	-
Local Transportation	-	46,713	46,713	-
<b>Total Business-Type Activities</b>	<b>-</b>	<b>(766,843)</b>	<b>(766,843)</b>	<b>-</b>
<b>Total Primary Government</b>	<b>(9,416,492)</b>	<b>(766,843)</b>	<b>(10,183,335)</b>	<b>-</b>
<b>Component Units:</b>				
Waste Water Treatment Plant	-	-	-	(189,755)
<b>General Revenues:</b>				
<b>Taxes:</b>				
Property taxes	3,940,250	-	3,940,250	-
Sales tax	2,317,779	-	2,317,779	-
Transient occupancy tax	3,630,074	-	3,630,074	-
Franchise taxes	492,572	-	492,572	-
Other taxes	80,484	-	80,484	-
Investment earnings	375,298	91,489	466,787	-
Gain on disposition of capital assets	42,286	9,500	51,786	-
Miscellaneous	82,799	-	82,799	-
Transfers	807,213	(807,213)	-	-
<b>Total General Revenues</b>	<b>11,768,755</b>	<b>(706,224)</b>	<b>11,062,531</b>	<b>-</b>
<b>Changes in Net Position</b>	<b>2,352,263</b>	<b>(1,473,067)</b>	<b>879,196</b>	<b>(189,755)</b>
<b>Net Position - beginning of year, restated</b>	<b>114,806,964</b>	<b>25,179,419</b>	<b>139,986,383</b>	<b>1,122,210</b>
<b>Net Position - end of year</b>	<b>\$ 117,159,227</b>	<b>\$ 23,706,352</b>	<b>\$ 140,865,579</b>	<b>\$ 932,455</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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**City of Morro Bay**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	Special Revenue Funds				Total
	General Fund	Community Development Grant Funds	Capital Improvement Grants Fund	Nonmajor Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,501,059	\$ 116,947	\$ -	\$ 1,461,759	\$ 5,079,765
Receivables:					
Intergovernmental	152,879	1,144	1,267,704	77,411	1,499,138
Accounts	535,703	-	-	86,553	622,256
Notes	1,178,101	885,871	-	31,314	2,095,286
Other	-	-	-	-	-
Due from other funds	540,125	-	-	12,580	552,705
Prepaid items	140,335	288	872	1,575	143,070
Inventories	10,424	-	-	-	10,424
Land held for resale	1,340,000	-	-	-	1,340,000
<b>Total Assets</b>	<b>\$ 7,398,626</b>	<b>\$ 1,004,250</b>	<b>\$ 1,268,576</b>	<b>\$ 1,671,192</b>	<b>\$ 11,342,644</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 269,032	\$ 46,840	\$ 781,120	\$ 178,577	\$ 1,275,569
Accrued payroll and benefits	723,823	1,225	2,432	5,799	733,279
Due to other funds	109,576	-	484,998	32,506	627,080
Unearned revenue	194,466	-	-	3,167	197,633
<b>Total Liabilities</b>	<b>1,296,897</b>	<b>48,065</b>	<b>1,268,550</b>	<b>220,049</b>	<b>2,833,561</b>
<b>Fund Balances:</b>					
Nonspendable	2,668,860	288	872	1,575	2,671,595
Restricted	-	955,897	-	993,390	1,949,287
Committed	1,276,529	-	-	481,473	1,758,002
Unassigned	2,156,340	-	(846)	(25,295)	2,130,199
<b>Total Fund Balances</b>	<b>6,101,729</b>	<b>956,185</b>	<b>26</b>	<b>1,451,143</b>	<b>8,509,083</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 7,398,626</b>	<b>\$ 1,004,250</b>	<b>\$ 1,268,576</b>	<b>\$ 1,671,192</b>	<b>\$ 11,342,644</b>

**City of Morro Bay**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Statement of Net Position of Governmental Activities**  
**June 30, 2015**

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**Total Fund Balances - Total Governmental Funds** \$ 8,509,083

Amounts reported for governmental activities in the Statement of Net Position were reported differently because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Nondepreciable	\$ 97,379,792	
Depreciable, net	25,907,707	123,287,499

Internal Service Funds were used by management to charge the costs of certain activities, such as insurance and equipment replacement to individual funds. The assets and liabilities of the Internal Service Funds were included in the governmental activities in the Government-Wide Statement of Net Position.

2,190,356

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position:

Certificates payable	\$ (1,416,000)	
Claims payable	(229,549)	
Compensated absences	(290,150)	
Other postemployment benefits	(206,396)	
Pension related debt	(1,256,234)	(3,398,329)

Pension contributions made during the year after the measurement date are reported as pension expense in governmental funds and as deferred outflow of resources in the government-wide financial statements.

1,318,092

Deferred amounts relates to pension net available for current expenditures and are not reported in the governmental fund financial statements:

Actual earnings in excess of projected earning on pension plan investments. (3,151,139)

Deferred amounts relates to pension net available for current expenditures and are not reported in the governmental fund financial statements:

Employer's actual contributions in excess of employer's proportionate contributions 118,098

Employer's proportionate contributions in excess of employer's actual contributions (112,217)

Adjustments due to difference in proportions. 155,199

Aggregate net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.

(11,757,415)

**Net Position of Governmental Activities** **\$ 117,159,227**

**City of Morro Bay**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue Funds				Total
	General Fund	Community Development Grants Fund	Capital Improvement Grants Fund	Nonmajor Governmental Funds	
<b>Revenues:</b>					
Taxes & special assessments	\$ 8,768,929	\$ -	\$ -	\$ 1,845,304	\$ 10,614,233
Intergovernmental revenue	36,322	-	1,601,042	432,129	2,069,493
Charges for services	1,537,444	2,200	1,450	224,653	1,765,747
Revenues from use of money and property	418,119	600	-	95,922	514,641
Fines & forfeits	8,562	-	-	15,624	24,186
Other revenues	603,344	4,202	-	33,314	640,860
<b>Total Revenues</b>	<u>11,372,720</u>	<u>7,002</u>	<u>1,602,492</u>	<u>2,646,946</u>	<u>15,629,160</u>
<b>Expenditures:</b>					
Current:					
Administration	1,320,110	-	-	-	1,320,110
Community promotion	279,225	-	-	872,552	1,151,777
Finance	630,241	-	-	-	630,241
Fire	2,280,930	-	-	107,857	2,388,787
Housing	-	60,914	-	-	60,914
Police	3,305,060	-	-	299,944	3,605,004
Public works	1,444,781	-	-	972,060	2,416,841
Recreation/parks/maintenance	1,710,790	-	-	134,650	1,845,440
Capital outlay	382,964	-	2,044,386	-	2,427,350
Debt service:					
Principal	-	-	-	70,000	70,000
Interest	-	-	-	54,809	54,809
<b>Total Expenditures</b>	<u>11,354,101</u>	<u>60,914</u>	<u>2,044,386</u>	<u>2,511,872</u>	<u>15,971,273</u>
Excess (deficiency) of revenues over expenditures	18,619	(53,912)	(441,894)	135,074	(342,113)
<b>Other Financing Sources (Uses):</b>					
Transfers in	1,824,177	-	743,107	381,051	2,948,335
Transfers out	(432,943)	-	(301,187)	(1,141,096)	(1,875,226)
<b>Total Other Financing Sources (Uses):</b>	<u>1,391,234</u>	<u>-</u>	<u>441,920</u>	<u>(760,045)</u>	<u>1,073,109</u>
<b>Net change in Fund Balance</b>	1,409,853	(53,912)	26	(624,971)	730,996
<b>Fund Balances:</b>					
Beginning of year, as restated	4,691,876	1,010,097	-	2,076,114	7,778,087
Fund Balances, June 30	<u>\$ 6,101,729</u>	<u>\$ 956,185</u>	<u>\$ 26</u>	<u>\$ 1,451,143</u>	<u>\$ 8,509,083</u>



**City of Morro Bay**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances to the Government-Wide Statement of Activities**  
**For the Year Ended June 30, 2015**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 730,996</b>
Governmental activities in the Statement of Activities were reported differently because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	
Capital outlay	2,427,350
Depreciation	(1,065,260)
Net effect on disposal of capital assets	(77,024)
Total	1,285,066
The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes the current financial resources of governmental funds. Neither transaction, however; has any effect on net position.	
Change in compensated absences	(30,674)
Change in aggregate net pension liabilities	375,453
Change in pension related liabilities	252,207
Change in other postemployment benefits	(96,559)
Change in claims payable	(229,549)
Payment of certificates payable	70,838
Total	341,716
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment replacement, to individual funds. The net revenue of the Internal Service Funds is reported in governmental activities.	(5,515)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 2,352,263</b>

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**PROPRIETARY FUND FINANCIAL STATEMENTS**

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**City of Morro Bay**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business-Type Activities		
	Water Fund	Sewer Fund	Harbor Fund
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 2,411,466	\$ 4,564,661	\$ 507,112
Accounts receivable, net of an allowance for doubtful accounts	423,479	538,389	479,850
Other receivables	2,147	1,925	-
Intergovernmental receivables	-	-	112,502
Due from other funds	20,039	35,866	6,472
Due from component unit	-	4,766	-
Prepaid items	891,259	6,636	9,284
<b>Total Current Assets</b>	<b>3,748,390</b>	<b>5,152,243</b>	<b>1,115,220</b>
<b>Noncurrent Assets:</b>			
Capital assets, nondepreciable	460,080	1,202,155	2,800
Capital assets, depreciable	7,236,995	8,581,452	964,109
<b>Total Noncurrent Assets</b>	<b>7,697,075</b>	<b>9,783,607</b>	<b>966,909</b>
<b>Total Assets</b>	<b>11,445,465</b>	<b>14,935,850</b>	<b>2,082,129</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contribution after measurement date	63,898	166,068	137,912
Employer's proportionate share of contribution in excess of employer's actual contribution	5,725	14,879	12,357
Positive adjustment due to difference in proportion	10,222	26,565	22,061
<b>Total deferred outflows of resources</b>	<b>79,845</b>	<b>207,512</b>	<b>172,330</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	57,186	15,420	30,722
Accrued payroll and benefits	53,934	39,272	69,331
Due to component unit	-	3,012	-
Deposits payable	79,142	-	10,607
Unearned revenues	-	-	107,831
Compensated absences, due within one year	-	-	99,099
Notes payable, due within one year	-	-	-
<b>Total Current Liabilities</b>	<b>190,262</b>	<b>57,704</b>	<b>317,590</b>
<b>Non-Current Liabilities</b>			
Compensated absences, due more than one year	30,830	13,908	35,305
Note payable, due more than one year	-	-	695,567
Aggregate net pension liabilities	569,974	1,481,332	1,230,182
<b>Total Noncurrent Liabilities</b>	<b>600,804</b>	<b>1,495,240</b>	<b>1,961,054</b>
<b>Total Liabilities</b>	<b>791,066</b>	<b>1,552,944</b>	<b>2,278,644</b>

**City of Morro Bay**  
**Statement of Net Position**  
**Proprietary Funds (Continued)**  
**June 30, 2015**

	Business-Type Activities		
	Water Fund	Sewer Fund	Harbor Fund
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Difference in projected and actual earnings on pension investments	152,760	397,016	329,705
Employer's proportionate share of contribution in excess of employer's actual contribution	5,440	14,138	11,741
Negative adjustment due to difference in proportion	2,698	7,012	5,823
<b>Total deferred inflows of resources</b>	<b>160,898</b>	<b>418,166</b>	<b>347,269</b>
<b>NET POSITION</b>			
Net investment in capital assets	7,697,075	9,783,607	172,243
Unrestricted	2,876,271	3,388,645	(543,697)
<b>Total Net Position</b>	<b>\$ 10,573,346</b>	<b>\$ 13,172,252</b>	<b>\$ (371,454)</b>

DRAFT 2.26.16

**City of Morro Bay**  
**Statement of Net Position**  
**Proprietary Funds (Continued)**  
**June 30, 2015**

ASSETS	Business-Type Activities		Governmental Activites
	Nonmajor - Local Transportation Fund	Total	Internal Service
	Fund	Total	Service
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 343,942	\$ 7,827,181	\$ 1,108,087
Accounts receivable, net of an allowance for doubtful accounts	5,870	1,447,588	3,334
Other receivables	-	4,072	-
Intergovernmental receivables	-	112,502	-
Due from other funds	2,018	64,395	9,980
Due from component unit	-	4,766	-
Prepaid items	-	907,179	1,075,913
Total Current Assets	351,830	10,367,683	2,197,314
<b>Noncurrent Assets:</b>			
Capital assets, nondepreciable	40,000	1,705,035	-
Capital assets, depreciable	143,597	16,926,153	-
Total Noncurrent Assets	183,597	18,631,188	-
<b>Total Assets</b>	535,427	28,998,871	2,197,314
	<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension contribution after measurement date	-	367,878	-
Employer's proportionate share of contribution in excess of employer's actual contribution	-	32,961	-
Positive adjustment due to difference in proportion	-	58,848	-
Total deferred outflows of resources	-	459,687	-
	<b>LIABILITIES</b>		
<b>Current Liabilities:</b>			
Accounts payable	38,264	141,592	6,958
Accrued payroll and benefits	-	162,537	-
Due to component unit	-	3,012	-
Deposits payable	-	89,749	-
Unearned revenues	164,955	272,786	-
Compensated absences, due within one year	-	99,099	-
Notes payable, due within one year	-	-	-
Total Current Liabilities	203,219	768,775	6,958
<b>Non-Current Liabilities</b>			
Compensated absences, due more than one year	-	80,043	-
Note payable, due more than one year	-	695,567	-
Aggregate net pension liabilities	-	3,281,488	-
Total Noncurrent Liabilities	-	4,057,098	-
<b>Total Liabilities</b>	203,219	4,825,873	6,958

**City of Morro Bay**  
**Statement of Net Position**  
**Proprietary Funds (Continued)**  
**June 30, 2015**

	Business-Type Activities		Governmental Activites
	Nonmajor - Local Transportation Fund	Total	Internal Service
	Fund	Total	Service
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Difference in projected and actual earnings on pension investments	-	879,481	-
Employer's proportionate share of contribution in excess of employer's actual contribution	-	31,319	-
Negative adjustment due to difference in proportion	-	15,533	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>926,333</b>	<b>-</b>
<b>NET POSITION</b>			
Net investment in capital assets	183,597	17,836,522	-
Unrestricted	148,611	5,869,830	2,190,356
<b>Total Net Position</b>	<b>\$ 332,208</b>	<b>\$ 23,706,352</b>	<b>\$ 2,190,356</b>

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**City of Morro Bay**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2015**

	Business-Type Activities		
	Water Fund	Sewer Fund	Harbor Fund
<b>Operating Revenues:</b>			
Charges for services	\$ 3,311,970	\$ 4,323,986	\$ 1,894,203
Other revenues	-	6,267	16,759
<b>Total operating revenues</b>	<u>3,311,970</u>	<u>4,330,253</u>	<u>1,910,962</u>
<b>Operating Expenses:</b>			
Employee wages and benefits	727,156	500,329	931,222
Insurance costs	73,394	38,980	80,783
Transportation services	-	-	-
Public works	-	2,643,944	-
Depreciation	273,878	497,122	202,219
Maintenance	138,451	65,907	122,692
Administration	2,841,432	265,191	780,903
Supplies	58,317	155,867	76,189
<b>Total operating expenses</b>	<u>4,112,628</u>	<u>4,167,340</u>	<u>2,194,008</u>
<b>Operating income (loss)</b>	<u>(800,658)</u>	<u>162,913</u>	<u>(283,046)</u>
<b>Nonoperating Income (loss):</b>			
Intergovernmental	-	-	147,262
Rental income	-	23,370	-
Investment earnings	20,388	36,007	9,823
Gain on sale of capital assets	-	-	9,500
Interest expense	-	-	(40,027)
<b>Total nonoperating income (loss)</b>	<u>20,388</u>	<u>59,377</u>	<u>126,558</u>
<b>Net income (loss) before transfers</b>	<u>(780,270)</u>	<u>222,290</u>	<u>(156,488)</u>
<b>Transfers:</b>			
Transfers in	28,410	-	-
Transfers out	(279,105)	(194,757)	(281,986)
<b>Total transfers</b>	<u>(250,695)</u>	<u>(194,757)</u>	<u>(281,986)</u>
	(1,030,965)	27,533	(438,474)
<b>Net Position:</b>			
Beginning of the Year	11,604,311	13,144,719	67,020
End of the Year	<u>\$ 10,573,346</u>	<u>\$ 13,172,252</u>	<u>\$ (371,454)</u>



**City of Morro Bay**  
**Statement of Revenues, Expenses and Changes in Net Position (Continued)**  
**For the Year Ended June 30, 2015**

	Business-Type Activities		Governmental
	Nonmajor - Local		Activites
	Transportation Fund	Total	Internal Service
<b>Operating Revenues:</b>			
Charges for services	\$ 39,932	\$ 9,570,091	\$ 1,369,469
Other revenues	2,228	25,254	13,550
<b>Total operating revenues</b>	<u>42,160</u>	<u>9,595,345</u>	<u>1,383,019</u>
<b>Operating Expenses:</b>			
Employee wages and benefits	-	2,158,707	-
Insurance costs	-	193,157	1,076,505
Transportation services	180,690	180,690	-
Public works	-	2,643,944	-
Depreciation	38,932	1,012,151	-
Maintenance	1,073	328,123	15,000
Administration	7,245	3,894,771	41,249
Supplies	42,258	332,631	-
<b>Total operating expenses</b>	<u>270,198</u>	<u>10,744,174</u>	<u>1,132,754</u>
<b>Operating income (loss)</b>	<u>(228,038)</u>	<u>(1,148,829)</u>	<u>250,265</u>
<b>Nonoperating Income (loss):</b>			
Intergovernmental	274,751	422,013	-
Rental income	-	23,370	-
Investment earnings	1,901	68,119	10,116
Gain on sale of capital assets	-	9,500	-
Interest expense	-	(40,027)	-
<b>Total nonoperating income (loss)</b>	<u>276,652</u>	<u>482,975</u>	<u>10,116</u>
<b>Net income (loss) before transfers</b>	<u>48,614</u>	<u>(665,854)</u>	<u>260,381</u>
<b>Transfers:</b>			
Transfers in	-	28,410	-
Transfers out	(79,775)	(835,623)	(265,896)
<b>Total transfers</b>	<u>(79,775)</u>	<u>(807,213)</u>	<u>(265,896)</u>
	(31,161)	(1,473,067)	(5,515)
<b>Net Position:</b>			
Beginning of the Year	363,369	25,179,419	2,195,871
End of the Year	<u>\$ 332,208</u>	<u>\$ 23,706,352</u>	<u>\$ 2,190,356</u>

**City of Morro Bay**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business-Type Activities		
	Water Operating Fund	Sewer Fund	Harbor Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from services provided	\$ 3,362,113	\$ 4,324,954	\$ 1,937,094
Cash paid to suppliers for goods and services	(2,583,182)	(3,252,994)	(1,245,139)
Cash paid to employees	(745,334)	(538,744)	(957,469)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>33,597</u>	<u>533,216</u>	<u>(265,514)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in (out)	(250,695)	(194,757)	(281,986)
Intergovernmental	(14,279)	33,889	46,187
Interest expense	-	-	(40,027)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<u>(264,974)</u>	<u>(160,868)</u>	<u>(275,826)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Payment on long-term debt	-	-	(94,832)
Proceeds from sale of capital assets	-	-	9,500
Acquisition of capital assets	(11,157)	(3,600)	-
<b>Net Cash (Used In) Capital and Related Financing Activities</b>	<u>(11,157)</u>	<u>(3,600)</u>	<u>(85,332)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	20,388	59,377	9,823
<b>Net Cash Provided by Investing Activities</b>	<u>20,388</u>	<u>59,377</u>	<u>9,823</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<u>(222,146)</u>	<u>428,125</u>	<u>(616,849)</u>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of Year	2,633,612	4,136,536	1,123,961
End of Year	<u>\$ 2,411,466</u>	<u>\$ 4,564,661</u>	<u>\$ 507,112</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (loss)	\$ (800,658)	\$ 162,913	\$ (283,046)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	273,878	497,122	202,219
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivables	50,153	(5,299)	(53,275)
(Increase)/decrease in other receivables	(10)	-	-
(Increase)/decrease in prepaid items	524,155	500	758
(Increase)/decrease in deferred outflows of resources related to pension	(10,317)	(6,620)	(5,498)
Increase/(decrease) in accounts payable	1,282	(83,605)	(184,718)
Increase/(decrease) in accrued payroll and benefits	217	6,578	3,755
Increase/(decrease) in deposits payable	2,975	-	(612)
Increase/(decrease) in unearned revenue	-	-	79,407
Increase/(decrease) in compensated absences	(193)	2,309	9,280
Increase/(decrease) in net pension liabilities	(160,891)	(418,145)	(347,251)
Increase/(decrease) in deferred inflows of resources related to pension	153,006	377,463	313,467
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 33,597</u>	<u>\$ 533,216</u>	<u>\$ (265,514)</u>

**City of Morro Bay**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business-Type Activities		Governmental Activities
	Nonmajor - Local Transportation	Total	Internal Service
	Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from services provided	\$ 36,290	\$ 9,660,451	\$ 1,380,130
Cash paid to suppliers for goods and services	(241,137)	(7,322,452)	(1,410,870)
Cash paid to employees	-	(2,241,547)	-
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(204,847)</u>	<u>96,452</u>	<u>(30,740)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in (out)	(79,775)	(807,213)	(265,896)
Intergovernmental	491,365	557,162	(9,980)
Interest expense	-	(40,027)	-
<b>Net Cash Provided by (Used in)     Noncapital Financing Activities</b>	<u>411,590</u>	<u>(290,078)</u>	<u>(275,876)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Payment on long-term debt	-	(94,832)	-
Proceeds from sale of capital assets	-	9,500	-
Acquisition of capital assets	-	(14,757)	-
<b>Net Cash (Used In) Capital and Related     Financing Activities</b>	<u>-</u>	<u>(100,089)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	1,901	91,489	10,116
<b>Net Cash Provided by Investing Activities</b>	<u>1,901</u>	<u>91,489</u>	<u>10,116</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<u>208,644</u>	<u>(202,226)</u>	<u>(296,500)</u>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of Year	135,298	8,029,407	1,404,587
End of Year	<u>\$ 343,942</u>	<u>\$ 7,827,181</u>	<u>\$ 1,108,087</u>
<b>Reconciliation of Operating Income (Loss) to to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (loss)	\$ (228,038)	\$ (1,148,829)	\$ 250,265
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	38,932	1,012,151	-
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivables	(5,870)	(14,291)	(2,889)
(Increase)/decrease in other receivables	-	(10)	-
(Increase)/decrease in prepaid items	79	525,492	(267,955)
(Increase)/decrease in deferred outflows of resources related to pension	-	(22,435)	-
Increase/(decrease) in accounts payable	(9,950)	(276,991)	(10,161)
Increase/(decrease) in accrued payroll and benefits	-	10,550	-
Increase/(decrease) in deposits payable	-	2,363	-
Increase/(decrease) in unearned revenue	-	79,407	-
Increase/(decrease) in compensated absences	-	11,396	-
Increase/(decrease) in net pension liabilities	-	(926,287)	-
Increase/(decrease) in deferred inflows of resources related to pension	-	843,936	-
<b>Net Cash Provided by (Used in)     Operating Activities</b>	<u>\$ (204,847)</u>	<u>\$ 96,452</u>	<u>\$ (30,740)</u>

**FIDUCIARY FUND FINANCIAL STATEMENTS**

DRAFT 2.26.16

**City of Morro Bay**  
**Statement of Fiduciary Net Position**  
**June 30, 2015**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,736,472
Miscellaneous receivable	486
Prepays	<u>1,456</u>
<b>Total assets</b>	<u><u>1,738,414</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 34,281
Agency funds held for others	<u>1,704,133</u>
<b>Total liabilities</b>	<u><u>1,738,414</u></u>

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**City of Morro Bay**  
**Index to the Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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	<u>Page</u>
<b>Note 1 – Summary of Significant Accounting Policies .....</b>	<b>37</b>
A. Financial Reporting Entity .....	37
B. Basis of Accounting and Measurement Focus .....	38
C. Measurement Focus and Basis of Accounting .....	40
D. Non-Current Governmental Assets/Liabilities .....	40
E. Cash and Investments .....	41
F. Prepaid Items .....	41
G. Inventories .....	41
H. Land Held for Resale .....	41
I. Property Taxes Revenue .....	41
J. Capital Assets .....	41
K. Other Assets .....	42
L. Interfund Transactions .....	42
M. Claims Payable .....	42
N. Compensated Absences Payable .....	42
O. Pension .....	43
P. Unearned and Unavailable Revenue .....	43
Q. Net Position .....	44
R. Fund Balances .....	44
S. Use of Estimates .....	45
T. Accounting Changes .....	45
<b>Note 2 – Cash and Investments .....</b>	<b>45</b>
A. Deposits .....	46
B. Investments .....	47
C. Risk Disclosures .....	47
<b>Note 3 – Interfund Transactions .....</b>	<b>49</b>
<b>Note 4 – Capital Assets .....</b>	<b>50</b>
<b>Note 5 – Long-term Liabilities .....</b>	<b>51</b>
<b>Note 6 – Joint Venture .....</b>	<b>53</b>
A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement .....	53
B. Self-Insurance Programs of the CJPIA .....	53
C. Purchased Insurance .....	54
D. Adequacy of Protection .....	55
<b>Note 7 – Defined Benefit Pension Plans .....</b>	<b>56</b>
<b>Note 8 – Other Postemployment Benefits Plan .....</b>	<b>70</b>
<b>Note 9 – Classification of Fund Balances .....</b>	<b>72</b>

**City of Morro Bay**  
**Index to the Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

---

<b>Note 10 – Commitments and Contingencies.....</b>	<b>73</b>
A. Commitments.....	73
B. Contingencies.....	73
C. Grants.....	73
<b>Note 11 – Prior Period Adjustments.....</b>	<b>73</b>
<b>Note 12 – Subsequent Events.....</b>	<b>74</b>

DRAFT 2.26.16



**City of Morro Bay**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies**

The basic financial statements of the City of Morro Bay, California, (the “City”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City’s significant policies:

**A. Financial Reporting Entity**

The City of Morro Bay is a general law city incorporated in 1964. The City operates under a Council-Manager form of government. The mayor and four council members are elected at large. A full range of services is provided, including general government, parks and recreation, police and fire and emergency services, streets and storm drain maintenance, water and sanitary, and transportation. The City also maintains the Morro Bay harbor and manages state-granted tidelands and harbor fee lands within the City limits.

The basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization’s governing body and either the City is able to impose its will on that organization or there is a potential for the organization to provide financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City’s financial statement to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the City’s operations and data from these units are combined with data of the City.

Management determined that the following entities should be reported discretely presented component units based on the criteria above.

Discretely Presented Component Unit - The Morro Bay/Cayucos Sanitary District Wastewater Treatment Plant Joint Powers Agreement (JPA) provides for the treatment of wastewater for the benefit of the government's residents and those of Cayucos, an unincorporated community in San Luis Obispo County. The JPA's governing board consists of the Morro Bay City Council and the Cayucos Sanitary District Board. The governing board sets user charges and establishes budgets. Additionally, the contribution to the JPA was made by the Sewer Enterprise Fund. The component unit has a June 30 year-end. The separately issued financial statement can be obtained from the finance department of the JPA.

There are no component units for the City that meet the criteria for blended presentation.

The City participates in the California Joint Powers Insurance Authority (the “CJPIA”) for its general liability, workers' compensation, property, vehicle and crime insurance. This organization is financed through premium charges to each member. The CJPIA does not meet the aforementioned reporting criteria, and is therefore, not included in the accompanying financial statements.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**B. Basis of Accounting and Measurement Focus**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the statement of net position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

*Deferred Outflows of Resources* represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

*Deferred Inflows of Resources* represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

*Government-Wide Financial Statements*

The government-wide financial statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

The government-wide financial statements consist of the statement of net position and the statement of activities that report information on all of the non-fiduciary activities of the primary government and its component unit. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities generally rely, to a significant extent, on fees and charges for services.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus (Continued)***

*Government-Wide Financial Statements (Continued)*

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's activities. Direct expenses are (1) expenses that are specifically associated with a program or function, and (2) allocated indirect expenses. Program revenues include (1) fees, fines and charges paid by the recipients of goods or services offered by the programs, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net position are available, restricted resources are used only after the unrestricted resources are depleted.

*Fund Financial Statements*

The fund financial statements report detailed information about the City's funds. Separate statements are provided for each fund category- governmental, proprietary and fiduciary- even though the latter are excluded from the government-wide financial statements. The emphasis of the Governmental and Proprietary Fund financial statements is on major individual funds. Each major fund is presented in a single column. All remaining governmental funds are separately aggregated and reported as nonmajor funds.

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 Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents 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.

Revenues are recognized as soon as they are both "measurable" and "available". Revenues are considered to be available when they are collectible within the current period as soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**B. Basis of Accounting and Measurement Focus (Continued)**

Fund Financial Statements (Continued)

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The City reports the following major governmental funds:

General Fund - The City's primary operating fund. The General Fund is used to account for all revenues and expenditures necessary to carry out the basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as public protection, public ways and facilities, health and sanitation, public assistance, education and recreational services.

Community Development Grants Special Revenue Fund - Used to account for financial resources to be used for offering low or no interest-bearing loans to income-qualified homeowners for the acquisition or rehabilitation of owner-occupied site-built or manufactured homes.

Capital Improvement Grants Special Revenue Fund - Used to account for financial resources to be used for the construction of capital assets.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

A separate column representing internal service funds is 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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

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

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus (Continued)***

*Fund Financial Statements (Continued)*

The City reports the following major proprietary funds:

Water Enterprise Fund - Accounts for revenues received primarily from water service charges, which are expended for maintenance, operations and improvements to the water system.

Sewer Enterprise Fund - Accounts for revenues received primarily from sewer service charges, which are expended for maintenance, operations and improvements to the sanitary sewer system.

Harbor Enterprise Fund - Accounts for revenues received from harbor leases, rentals, moorings and other sources, which are expended for maintenance, operation, patrolling, and improvements of the harbor.

Internal Service Funds - Accounts for revenues received primarily from charges to City departments on an estimated basis for insurance coverage, and which are expended for insurance purchase, valid claims and related costs. These funds were opened in 1980-81 to account for workers unemployment compensation and fire insurance costs. They now account for all insurance coverage including health, dental, general liability, and vehicle insurance.

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds represent agency funds and private purpose trust funds. Both agency funds and the private purpose trust funds are accounted for on the full accrual basis of accounting.

The City reports the following fiduciary fund:

Agency Fund - Used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

***C. Cash and Investments***

The City's cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. All cash and investments of proprietary funds are held in the City's investment pool. These cash pools have the general characteristics of a demand deposit account; therefore, all cash and investments in the proprietary funds are considered cash and cash equivalents for statement of cash flows purposes.

Investments are stated at fair value (quoted market price or best available estimate thereof).

***D. Prepaid Items***

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***D. Prepaid Items***

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items.

***E. Inventories***

The City maintains an inventory account for fuel. Fuel is valued at June 30 based on the amount of fuel in the storage tanks and the most recent invoices' purchase price.

***F. Land Held for Resale***

Land held for resale is carried at the lower of cost or estimated net realizable value.

***G. Property Tax Revenue***

Property taxes attach as an enforceable lien at March 1. Taxes are levied on July 1 and payable in two installments, December 10 and April 10. All general property taxes are then allocated by the County Auditor's Office to the various taxing entities per the legislation implementing Proposition 13. The method of allocation used by the County is subject to review by the State of California. City property tax revenues are recognized when levied and received within 60 days of the year end.

***H. Capital Assets***

Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds. The estimated useful lives are as follows:

Structures & improvements	15-30 years
Equipment	4-10 years

***I. Interfund Transactions***

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables, as appropriate, are subject to elimination upon consolidation, and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**J. Claims Payable**

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

**K. Compensated Absences Payable**

City employees have vested interest in varying levels of vacation, sick leave and compensatory time based on their length of employment. It is the policy of the City to pay all accumulated vacation pay and all or a portion of sick pay when an employee retires or terminates. The long-term amount is included as a liability in the governmental activities of the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All of the liability for compensated absences applicable to proprietary funds is reported in those funds.

**L. Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 9). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**M. *Unearned Revenue***

In the government-wide financial statements, unearned revenue is reported for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the government-wide financial statements are cell phone site license lease payments received in advance, prepaid charges for services and facility rentals paid in advance.

In the fund financial statements, unearned revenue is recorded when transactions have not yet met the revenue recognition criteria. The City records unearned revenue for transactions for which revenues have not been earned. Typical transactions for which unearned revenue is recorded are lease payments, quarterly encroachment fees and advance registration for recreation classes which were not yet earned.

**N. *Net Position***

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

*Net Investment in Capital Assets* - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

*Unrestricted* - This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**O. *Fund Balances***

In the governmental fund financial statements, fund balances are classified as follows:

*Nonspendable* – Nonspendable fund balances include amounts that cannot be spent because they are not in a spendable form, such as inventory, prepaid items, land held for resale and long-term receivable or because resources legally or contractually must remain intact.

*Restricted* – Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantor, laws and regulations of other governments or enabling legislation.

*Committed* – Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely the City Council, prior to the end of the reporting period. City Council adoption of a resolution is required to commit resources or to rescind the commitment.



**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**O. Fund Balances (Continued)**

*Assigned* – Assigned fund balances are limitations imposed by management based on the intended use of the funds. Modifications or rescissions of the constraints can be removed by the same type of action that limited the use of the funds. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the Finance Director for that purpose.

*Unassigned* – Unassigned fund balances represent the residual net resources in excess of the other classifications. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental fund other than general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

**P. Use of Estimates**

The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Q. Accounting Changes**

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*). This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement became effective for periods beginning after June 15, 2014. See Note 11 for prior period adjustment as a result of implementation.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operation*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the City's financial statements for year ended June 30, 2015.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement establishes standards relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement became effective for periods beginning after June 15, 2014. See Note 11 for prior period adjustment as a result of implementation.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 2 – Cash and Investments**

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds.

The City had the following cash and investments at June 30, 2015:

	Primary Government				Discretely Presented Component Unit	Total
	Government-Wide Statement of Net Position			Fiduciary Fund		
	Governmental Activities	Business-type Activities				
Cash and investments	\$ 6,187,852	\$ 7,827,181	\$ 1,736,472	\$ 160,667	\$ 15,912,172	

The City's cash and investments at June 30, 2015 in more detail:

Cash and cash equivalents:	
Petty Cash	\$ 1,900
Deposits with financial institutions	7,564,319
Total cash and cash equivalents	<u>7,566,219</u>
Investments:	
Local Agency Investment Fund	3,127,955
Mutual Funds	515,813
Certificates of Deposit	3,705,515
U.S. Government Sponsored Enterprise Securities	996,670
Total investments	<u>8,345,953</u>
Total cash and investments	<u>\$ 15,912,172</u>

**A. Deposits**

The carrying amounts of the City's demand deposits were \$7,564,319 at June 30, 2015. Bank balances at that date were \$7,514,478, the total amount of which was collateralized or insured with accounts held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures, if applicable. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances, however, interest is not allocated to funds created to advance costs for utility undergrounding districts, reimbursable grant funds or internal service funds.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 2 – Cash and Investments (Continued)**

**B. Investments**

Under the provisions of the City’s investment policy, the City’s investments are limited to those authorized by the California Government Code, except as follows:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
Securities Issued by U.S. Government, or its agencies	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Certificates of Deposit	5 years	None	\$250,000
Bankers Acceptances	180 days	40%	None
Mutual Funds and Money Market Mutual Funds	5 years	None	None
Collateralized Deposit	N/A	None	None
Passbook Savings Accounts	5 years	None	None
Repurchase Agreements	5 years	25%	None

The City is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments with LAIF at June 30, 2015 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities, which included the following:

*Structured Notes:* debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

*Asset-Backed Securities:* generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, collateralized mortgage obligations), or credit card receivables.

As of June 30, 2015, the City had \$3,127,955 invested in LAIF, which had invested 2.08% of the pool investment funds in Structured Notes and Asset-Backed Securities.

**C. Risk Disclosures**

*Interest Rate Risk* - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy limits investments to a maximum maturity of five years.

At June 30, 2015, the City had the following investment maturities:

Investment Type	Fair value	Investment Maturities (in Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	4 to 5
Local Agency Investment Fund	\$ 3,127,955	\$ 3,127,955	\$ -	\$ -	\$ -	\$ -
Mutual Funds	515,813	515,813	-	-	-	-
Certificates of deposit	3,705,515	1,182,394	1,002,828	-	1,270,293	250,000
U.S. Government Sponsored Enterprise Securities	996,670	-	-	996,670	-	-
<b>Total</b>	<b>\$ 8,345,953</b>	<b>\$ 4,826,162</b>	<b>\$ 1,002,828</b>	<b>\$ 996,670</b>	<b>\$ 1,270,293</b>	<b>\$ 250,000</b>

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 2 – Cash and Investments (Continued)**

**C. Risk Disclosures (Continued)**

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. It is the City’s policy to limit its investments in these investment types to the top rating issued by Standard & Poor’s and Moody’s Investor Service. At June 30, 2015, the City’s credit risks, expressed on a percentage basis, were as follows:

Credit Quality Distribution for Securities  
with Credit Exposure as a Percentage of Total Investments

Investment Type	Moody's Credit Rating	S&P's Credit Rating	% of Investments with Interest Rate Risk
Local Agency Investment Fund (LAIF)	Not Rated	Not Rated	37.48%
Mutual Funds	Not Rated	Not Rated	6.18%
Certificates of Deposits	Not Rated	Not Rated	44.40%
U.S. Government Securities			
Federal Farm Credit Banks	AAA	AA+	5.99%
Federal National Mortgage Association	AAA	AA+	5.95%
Total			<u>100.00%</u>

Custodial Risk – For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City 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. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of credit risk – The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There was no investments in any one issuer (other than mutual funds and external investment pools) that represent 5% or more of the City's investments.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 3 – Interfund Transactions**

**Due From/To Other Funds** – At June 30, 2015, the City had the following due from/to other funds:

Due To Other Funds	Due From Other Funds							Component	Total
	General Fund	Nonmajor Governmental Funds	Water Fund	Sewer Fund	Harbor Fund	Local Transit Fund	Internal Service Fund	Unit MB/CSD WWT	
Governmental Funds:									
General Fund	\$ 22,621	\$ 12,580	\$ 20,039	\$ 35,866	\$ 6,472	\$ 2,018	\$ 9,980	\$ -	\$ 109,576
Capital Improvement Fund	484,998	-	-	-	-	-	-	-	484,998
Nonmajor Funds	32,506	-	-	-	-	-	-	-	32,506
Enterprise Funds:									
Sewer Fund	-	-	-	-	-	-	-	3,012	3,012
Component Unit:									
MB/CSD WWT	-	-	-	4,766	-	-	-	-	4,766
<b>Total</b>	<b>\$ 540,125</b>	<b>\$ 12,580</b>	<b>\$ 20,039</b>	<b>\$ 40,632</b>	<b>\$ 6,472</b>	<b>\$ 2,018</b>	<b>\$ 9,980</b>	<b>\$ 3,012</b>	<b>\$ 634,858</b>

The above amount resulted from the time lag between the dates that reimbursable expenditures occur and payments are received from other agencies.

**Transfers**

At June 30, 2015, the City had the following transfers:

Transfers out	Transfers in				Total
	General Fund	Capital Improvement fund	Nonmajor Governmental Funds	Water Fund	
Governmental Funds:					
General Fund	\$ -	\$ 191,888	\$ 241,055	\$ -	\$ 432,943
Capital Improvement Fund	301,187	-	-	-	301,187
Nonmajor Funds	589,877	551,219	-	-	1,141,096
Enterprise Funds:					
Water Fund	279,105	-	-	-	279,105
Sewer Fund	166,347	-	-	28,410	194,757
Harbor Fund	281,986	-	-	-	281,986
LTF Fund	79,775	-	-	-	79,775
Internal Service Fund:					
Risk Management Fund	125,900	-	139,996	-	265,896
<b>Total</b>	<b>\$ 1,824,177</b>	<b>\$ 743,107</b>	<b>\$ 381,051</b>	<b>\$ 28,410</b>	<b>\$ 2,976,745</b>

In general, transfers are used to 1) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 2) to reimburse the General Fund for administration services provided to other funds.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 4 – Capital Assets**

The following is a summary of changes in capital assets for the governmental activities for the year ended June 30, 2015:

	Balance June 30, 2014	Addition	Deletion	Reclassification	Balance June 30, 2015
<b>Governmental Activities:</b>					
<b>Nondepreciable capital assets:</b>					
Artwork	\$ 63,000	\$ -	\$ -	\$ -	\$ 63,000
Land	95,465,028	-	-	-	95,465,028
Construction in progress	1,667,446	2,032,555	(77,024)	(1,771,213)	1,851,764
<b>Total nondepreciable capital assets</b>	<b>97,195,474</b>	<b>2,032,555</b>	<b>(77,024)</b>	<b>(1,771,213)</b>	<b>97,379,792</b>
<b>Depreciable capital assets:</b>					
Machinery & equipment	3,760,082	394,795	(625,123)	750,998	4,280,752
Buildings & structures	14,876,262	-	-	592,106	15,468,368
Infrastructure	25,287,737	-	-	428,109	25,715,846
<b>Total depreciable capital assets</b>	<b>43,924,081</b>	<b>394,795</b>	<b>(625,123)</b>	<b>1,771,213</b>	<b>45,464,966</b>
Less accumulated depreciation	(19,117,122)	(1,065,260)	625,123	-	(19,557,259)
<b>Total depreciable assets, net</b>	<b>24,806,959</b>	<b>(670,465)</b>	<b>-</b>	<b>1,771,213</b>	<b>25,907,707</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 122,002,433</b>	<b>\$ 1,362,090</b>	<b>\$ (77,024)</b>	<b>\$ -</b>	<b>\$ 123,287,499</b>

The following is a summary of changes in capital assets for the business-type activities for the year ended June 30, 2015:

	Balance June 30, 2014	Addition	Deletion	Reclassification	Balance June 30, 2015
<b>Business-Type Activities:</b>					
<b>Nondepreciable capital assets:</b>					
Artwork	\$ 2,800	\$ -	\$ -	\$ -	\$ 2,800
Land	1,495,855	-	-	-	1,495,855
Construction in progress	201,574	4,806	-	-	206,380
<b>Total nondepreciable capital assets</b>	<b>1,700,229</b>	<b>4,806</b>	<b>-</b>	<b>-</b>	<b>1,705,035</b>
<b>Depreciable capital assets:</b>					
Machinery & equipment	9,872,005	9,950	(140,898)	-	9,741,057
Buildings & structures	5,315,603	-	-	-	5,315,603
Infrastructure	30,207,253	-	-	-	30,207,253
<b>Total depreciable capital assets</b>	<b>45,394,861</b>	<b>9,950</b>	<b>(140,898)</b>	<b>-</b>	<b>45,263,913</b>
Less accumulated depreciation	(27,466,507)	(1,012,151)	140,898	-	(28,337,760)
<b>Total depreciable assets, net</b>	<b>17,928,354</b>	<b>(1,002,201)</b>	<b>-</b>	<b>-</b>	<b>16,926,153</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 19,628,583</b>	<b>\$ (997,395)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,631,188</b>

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 4 – Capital Assets (Continued)**

The following is a summary of changes in capital assets for the discretely presented component unit for the year ended June 30, 2015:

	Balance July 1, 2014	Additions & Transfers	Dispositions & Transfers	Balance June 30, 2015
Nondepreciable capital assets:				
Construction in progress	\$ 721,626	\$ 1,289,330	\$ (1,111,823)	\$ 899,133
Depreciable capital assets:				
Machinery & equipment	1,564,257	-	-	1,564,257
Buildings & structures	12,764,471	-	-	12,764,471
Total depreciable capital assets	14,328,728	-	-	14,328,728
Less accumulated depreciation	(13,928,144)	(373,251)	-	(14,301,395)
Total depreciable assets, net	400,584	(373,251)	-	27,333
Component unit capital assets, net	<u>\$ 1,122,210</u>	<u>\$ 916,079</u>	<u>\$ (1,111,823)</u>	<u>\$ 926,466</u>

Depreciation expense was charged to governmental activities as follow:

Administration	\$ 5,237
Community Development	5,505
Police	83,926
Fire	391,913
Public Works	543,172
Recreation & Parks	35,507
Total depreciation expense, governmental activities	<u>\$ 1,065,260</u>

Depreciation expense was charged to business-type activities as follows:

Water	\$ 273,878
Sewer	497,122
Harbor	202,219
Transit	38,932
Total depreciation expense, business-type activities	<u>1,012,151</u>

Depreciation expense was charged to discretely presented component unit as follows:

Waste Water Treatment Plant	\$ 373,251
Total depreciation expense, discretely presented component unit	<u>\$ 373,251</u>

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 5 – Long-term Liabilities**

Summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance July 1, 2015, As Restated	Additions	Deletion	Balance June 30, 2015	Amounts due within one Year
<b>Governmental Activities:</b>					
Certificates payable	\$ 1,486,838	\$ -	\$ (70,838)	\$ 1,416,000	\$ 30,000
Claims payable	-	292,253	(62,704)	229,549	229,549
Compensated absences	259,476	410,821	(380,147)	290,150	-
Other postemployment benefits	109,837	146,217	(49,658)	206,396	-
Pension related debt	1,508,441	100,159	(352,366)	1,256,234	362,936
	<u>\$ 3,364,592</u>	<u>\$ 949,450</u>	<u>\$ (915,713)</u>	<u>\$ 3,398,329</u>	<u>\$ 622,485</u>
<b>Business-Type Activities:</b>					
Notes Payable	\$ 889,497	\$ -	\$ (94,832)	\$ 794,665	\$ 99,099
Compensated absences	68,647	77,684	(66,288)	80,043	-
	<u>\$ 958,144</u>	<u>\$ 77,684</u>	<u>\$ (161,120)</u>	<u>\$ 874,708</u>	<u>\$ 99,099</u>
<b>Component Unit:</b>					
Compensated absences	\$ 17,042	\$ 23,882	\$ (25,586)	\$ 15,338	\$ -

**Pension-Related Debt**

As of June 30, 2003, the California Public Employees' Retirement System ("CalPERS") implemented a risk pool for the City's multiple-employer public employee defined benefit pension plan. The City's Miscellaneous and Safety Plans converted from agent multiple-employer plans to cost-sharing multiple employer plans. In addition to the annual required contributions (see Note 7), the City is also required to make annual payments on a Side Fund, which was created when the City entered the risk pool to account for the difference between the funded status of the pool and the funded status of the City's plans. The responsibility for funding the Side Fund is specific to the City and is not shared by all employers in the risk pool. The annual payments on the Side Fund represent principal and interest payments on the pension-related debt, which are included in the retirement expenditures in the City's various functions.

The amount of pension-related debt outstanding at June 30, 2015 totaled \$1,256,234, which includes \$665,974 for the Safety Fire Plan and \$590,260 for the Safety Police Plan.



**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 5 – Long-term Liabilities (Continued)**

**Certificates of Participation**

On October 12, 2011, the City entered into an installment sale agreement with the Public Property Financing Corporation of California 2011 Fire Station Financing Project, Series A and B, Certificates of Participation (the “COP”) for \$1,500,000 and \$300,000, respectively. The principal balance of Series B matures commencing from September 2012 to September 1, 2041, interest rates at 3.75%, payable on March 1 and September 1 of each year. Series A was fully paid as of June 30, 2015. Series B had an outstanding balance of \$1,416,000 at June 30, 2015.

Year Ending June 30,	Certificate of participation		Total
	Principal	Interest	
2016	\$ 30,000	\$ 52,538	\$ 82,538
2017	31,000	51,393	82,393
2018	33,000	50,194	83,194
2019	34,000	48,937	82,937
2020	35,000	47,644	82,644
2021-2025	199,000	216,844	415,844
2026-2030	241,000	175,707	416,707
2031-2035	293,000	125,830	418,830
2036-2040	357,000	65,045	422,045
2041-2042	163,000	6,587	169,587
	<u>\$ 1,416,000</u>	<u>\$ 840,719</u>	<u>\$ 2,256,719</u>

**Notes payable**

Note Payable to the Department of Boating and Waterways for the construction of the T-Pier and other harbor improvements. Payable annually, beginning August 1, 1997, in the amount of \$134,121, including interest at 4.7% annum.

Year Ending June 30,	Notes Payable		Total
	Principal	Interest	
2016	\$ 99,099	\$ 35,760	\$ 134,859
2017	103,558	31,300	134,858
2018	108,219	26,640	134,859
2019	113,088	21,771	134,859
2020	118,177	252,523	370,700
2021-2025	252,524	129,028	381,552
	<u>\$ 794,665</u>	<u>\$ 497,022</u>	<u>\$ 1,291,687</u>

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 6 – Liability, Workers’ Compensation, and Purchased Insurance**

**A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement**

The City of Morro Bay is a member of the California Joint Powers Insurance Authority (CJPIA). The CJPIA is composed of 118 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the CJPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The CJPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

**B. Self-Insurance Programs of the CJPIA**

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years are closed, on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. At June 30, 2015, the amount of this liability was \$229,549.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability

In the liability program claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2014-15 the CJPIA’s pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The CJPIA’s reinsurance contracts are subject to the following additional pooled retentions: (a) 50% of the \$2.5 million annual aggregate deductible in the \$3 million excess \$2 million layer, (b) 50% quota share of the \$3 million excess \$2 million layer, and (c) \$3 million annual aggregate deductible in the \$5 million excess \$10 million layer.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 6 – Liability, Workers’ Compensation, and Purchased Insurance (Continued)**

Workers’ Compensation

In the workers’ compensation program claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2014-15 the CJPIA’s pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers’ Compensation Law.

Employer’s Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer’s Liability losses from \$5 million to \$10 million are pooled among members.

C. Purchased Insurance

Property Insurance

The City of Morro Bay participates in the all-risk property protection program of the CJPIA. This insurance protection is underwritten by several insurance companies. City of Morro Bay property is currently insured according to a schedule of covered property submitted by the City of Morro Bay to the CJPIA. City of Morro Bay property currently has all-risk property insurance protection in the amount of \$91,123,400. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance

The City of Morro Bay purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the CJPIA. City of Morro Bay property currently has earthquake protection in the amount of \$49,309,584. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

The City of Morro Bay purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the CJPIA. Premiums are paid annually and are not subject to retrospective adjustments.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 6 – Liability, Workers’ Compensation, and Purchased Insurance (Continued)**

Special Event Tenant User Liability Insurance

The City of Morro Bay further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of Morro Bay according to a schedule. The City of Morro Bay then pays for the insurance. The insurance is arranged by the CJPIA.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2014-15.

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**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plans**

The following is a summary of changes in and the related net pension liability, deferred outflows and inflows of resources for the year ended June 30, 2015:

	Balance July 1, 2014 (As Restated)	Additions	Deletions	Balance June 30, 2015
<b>Deferred outflows of resources:</b>				
Pension contribution after measurement date:				
Fire Tier 1	\$ 284,171	\$ 325,631	\$ (284,171)	\$ 325,631
Fire Tier 2	26,535	30,122	(26,535)	30,122
Fire Tier PEPR A	-	9,435	-	9,435
Police Tier 1	428,502	398,627	(428,502)	398,627
Police Tier 2	111,079	133,057	(111,079)	133,057
Police PEPR A	-	17,908	-	17,908
Miscellaneous Tier 1	720,548	696,786	(720,548)	696,786
Miscellaneous Tier 2	49,154	54,189	(49,154)	54,189
Miscellaneous PEPR A	6,281	20,216	(6,281)	20,216
Total pension contribution after measurement date	<u>1,626,270</u>	<u>1,685,971</u>	<u>(1,626,270)</u>	<u>1,685,971</u>
Employer actual contributions in excess of employer's proportionate share of contribution:				
Fire Tier 1	-	15,491	(4,077)	11,414
Fire Tier 2	-	25,055	(6,593)	18,462
Police Tier 1	-	1,788	(471)	1,317
Police Tier 2	-	107,848	(28,381)	79,467
Miscellaneous Tier 2	-	48,562	(12,779)	35,783
Miscellaneous PEPR A	-	6,265	(1,649)	4,616
Total employer actual contributions in excess of employer's proportionate share of contribution	<u>-</u>	<u>205,009</u>	<u>(53,950)</u>	<u>151,059</u>
Positive adjustment due to difference in proportion:				
Fire Tier 1	-	24,892	(6,551)	18,341
Police Tier 1	-	66,126	(17,402)	48,724
Miscellaneous Tier 1	-	275,002	(72,369)	202,633
Total positive adjustment due to difference in proportion	<u>-</u>	<u>366,020</u>	<u>(96,322)</u>	<u>269,698</u>
<b>Total deferred outflows of resources</b>	<u><u>\$ 1,626,270</u></u>	<u><u>\$ 2,257,000</u></u>	<u><u>\$ (1,776,542)</u></u>	<u><u>\$ 2,106,728</u></u>

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plans (Continued)**

	Balance July 1, 2014 (As Restated)	Additions	Deletions	Balance June 30, 2015
<b>Net pension liabilities:</b>				
Fire Tier 1	\$ 3,711,549	\$ 1,072,195	\$ (1,733,366)	\$ 3,050,378
Fire Tier 2	15,796	32,104	(35,972)	11,928
Police Tier 1	5,444,418	1,700,325	(2,772,231)	4,372,512
Police Tier 2	34,486	136,468	(144,911)	26,043
Miscellaneous Tier 1	10,071,499	3,551,374	(6,049,426)	7,573,447
Miscellaneous Tier 2	6,116	45,659	(47,299)	4,476
Miscellaneous PEPRA	164	11,987	(12,031)	120
<b>Total net pension liabilities</b>	<u>\$ 19,284,028</u>	<u>\$ 6,550,112</u>	<u>\$ (10,795,236)</u>	<u>\$ 15,038,904</u>
<b>Deferred inflows of Resources:</b>				
Difference in projected and actual earnings on pension investments:				
Fire Tier 1	\$ -	\$ 817,430	\$ (163,486)	\$ 653,944
Fire Tier 2	-	4,502	(900)	3,602
Police Tier 1	-	1,298,235	(459,647)	1,038,588
Police Tier 2	-	9,829	(1,966)	7,863
Miscellaneous Tier 1	-	2,906,349	(581,270)	2,325,079
Miscellaneous Tier 2	-	1,880	(376)	1,504
Miscellaneous PEPRA	-	50	(10)	40
<b>Total difference in projected and actual earnings on pension investments:</b>	<u>-</u>	<u>5,038,275</u>	<u>(1,207,655)</u>	<u>4,030,620</u>
Employer's proportionate share of contribution in excess of employer's actual contribution:				
Miscellaneous Tier 1	-	194,800	(51,263)	143,537
<b>Total employer's proportionate share of contribution in excess of employer's actual contribution</b>	<u>-</u>	<u>194,800</u>	<u>(51,263)</u>	<u>143,537</u>
Total adjustment due to difference in proportion in pension investments:				
Fire Tier 2	-	14,976	(3,941)	11,035
Police Tier 2	-	75,740	(19,932)	55,808
Miscellaneous Tier 2	-	295	(78)	217
Miscellaneous PEPRA	-	5,595	(1,472)	4,123
<b>Total adjustment due to difference in proportion in actual earnings on pension investments</b>	<u>-</u>	<u>96,606</u>	<u>(25,423)</u>	<u>71,183</u>
<b>Total deferred inflows of resources</b>	<u>\$ -</u>	<u>\$ 5,329,681</u>	<u>\$ (1,284,341)</u>	<u>\$ 4,245,340</u>

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plans (Continued)**

*General Information about the Pension Plan*

Plan Description

The City contributes to the California Public Employees’ Retirement System (“CalPERS”), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Employees Covered by Benefit Terms

At June 30, 2013, the following employees were covered by the benefit terms:

	Plans			
	Fire Tier 1	Fire Tier 2	Police Tier 1	Police Tier 2
Active employees	8	2	14	7
Transferred and terminated employees	6	1	14	1
Separated	1	-	8	-
Retired Employees and Beneficiaries	19	-	38	-
Total	34	3	74	8
	Plans			
	Misc. Tier 1	Misc. Tier 2	Misc. PEPPA	
Active employees	48	7	2	
Transferred and terminated employees	30	-	-	
Separated	29	1	-	
Retired Employees and Beneficiaries	114	-	-	
Total	221	8	2	

There were no employees covered by Fire PEPPA and Police PEPPA plan at June 30, 2013.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 7 – Defined Benefit Pension Plans (Continued)**

*General Information about the Pension Plan*

Benefit Provided

CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Following are the benefit provisions for each plan:

- Fire Tier 1: 3% (at age 50) of the highest average final 12 months compensation
- Fire Tier 2: 3% (at age 55) of the highest average final 36 months compensation
- Police Tier 1: 3% (at age 50) of the highest average final 12 months compensation
- Police Tier 2: 3% (at age 55) of the highest average final 36 months compensation
- Miscellaneous Tier 1: 2-2.7% (at age 55) of the highest average final 12 months compensation
- Miscellaneous Tier 2 : 2% (at age 60) of the highest average final 36 months compensation
- PEPRA Miscellaneous : 2% (at age 62) of the highest average final 36 months compensation

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The Public agency cost-sharing plans covered by either the Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.



**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plans (Continued)**

*General Information about the Pension Plan (Continued)*

For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate were as follows:

<u>Plans</u>	<u>Active Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Fire Tier 1	8.986%	41.225%
Fire Tier 2	8.980%	20.774%
Police Tier 1	8.986%	37.729%
Police Tier 2	8.980%	20.774%
Miscellaneous Tier 1	7.947%	23.217%
Miscellaneous Tier 2	6.880%	8.049%
Miscellaneous PEPRA	6.308%	6.250%

There were no employees covered by Fire PEPRA and Police PEPRA plan at June 30, 2013.

*Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension*

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plans (Continued)**

*Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)*

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent, which is net of administrative expenses. An investment return excluding administrative expenses would have been 7.65 percent. Management has determined that using the lower discount rate has resulted in a slightly higher total pension liability and net pension liability and the difference was deemed immaterial to the financial statement. The long-term expected rate of return on pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	-0.55	-1.05

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plans (Continued)**

*Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)*

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Fire Tier 1	\$ 4,730,162	\$ 3,050,378	\$ 1,666,309
Fire Tier 2	\$ 20,527	\$ 11,928	\$ 4,843
Police Tier 1	\$ 6,977,093	\$ 4,372,512	\$ 2,226,449
Police Tier 2	\$ 44,817	\$ 26,043	\$ 10,574
Miscellaneous Tier 1	\$ 13,068,736	\$ 7,573,447	\$ 3,012,878
Miscellaneous Tier 2	\$ 7,975	\$ 4,476	\$ 1,573
Miscellaneous PEPPRA	\$ 214	\$ 120	\$ 42

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Pension Plan Fiduciary Net Position*

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plans (Continued)**

*Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)*

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
<b>Fire Tier 1</b>			
Balance at: 6/30/13 (Valuation date)	\$ 11,960,359	\$ 8,248,810	\$ 3,711,549
Balance at: 6/30/14 (Measurement date)	\$ 12,540,608	\$ 9,490,230	\$ 3,050,378
Net Changes during 2013-2014	\$ 580,249	\$ 1,241,420	\$ (661,171)
<b>Fire Tier 2</b>			
Balance at: 6/30/13 (Valuation date)	\$ 61,227	\$ 45,431	\$ 15,796
Balance at: 6/30/14 (Measurement date)	\$ 64,197	\$ 52,269	\$ 11,928
Net Changes during 2013-2014	\$ 2,970	\$ 6,838	\$ (3,868)
<b>Police Tier 1</b>			
Balance at: 6/30/13 (Valuation date)	\$ 18,545,088	\$ 13,100,670	\$ 5,444,418
Balance at: 6/30/14 (Measurement date)	\$ 19,444,792	\$ 15,072,280	\$ 4,372,512
Net Changes during 2013-2014	\$ 899,704	\$ 1,971,610	\$ (1,071,906)
<b>Police Tier 2</b>			
Balance at: 6/30/13 (Valuation date)	\$ 133,673	\$ 99,187	\$ 34,486
Balance at: 6/30/14 (Measurement date)	\$ 140,158	\$ 114,115	\$ 26,043
Net Changes during 2013-2014	\$ 6,485	\$ 14,928	\$ (8,443)

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plans (Continued)**

*Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)*

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
<b>Miscellaneous Tier 1</b>			
Balance at: 6/30/13 (Valuation date)	\$ 39,096,398	\$ 29,024,899	\$ 10,071,499
Balance at: 6/30/14 (Measurement date)	\$ 41,423,011	\$ 33,849,564	\$ 7,573,447
Net Changes during 2013-2014	\$ 2,326,613	\$ 4,824,665	\$ (2,498,052)
<b>Miscellaneous Tier 2</b>			
Balance at: 6/30/13 (Valuation date)	\$ 24,892	\$ 18,776	\$ 6,116
Balance at: 6/30/14 (Measurement date)	\$ 26,373	\$ 21,897	\$ 4,476
Net Changes during 2013-2014	\$ 1,481	\$ 3,121	\$ (1,640)
<b>Miscellaneous PEPRA</b>			
Balance at: 6/30/13 (Valuation date)	\$ 668	\$ 504	\$ 164
Balance at: 6/30/14 (Measurement date)	\$ 708	\$ 588	\$ 120
Net Changes during 2013-2014	\$ 40	\$ 84	\$ (44)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plans (Continued)**

*Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)*

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool (Continued).

- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The City's proportionate share of the net pension liability was as follows:

	Plans			
	Fire Tier 1	Fire Tier 2	Police Tier 1	Police Tier 2
June 30, 2013	0.07758%	0.00033%	0.11380%	0.00072%
June 30, 2014	0.08132%	0.00032%	0.11657%	0.00069%
Change - Increase (Decrease)	0.00374%	-0.00001%	0.00277%	-0.00003%
	Plans			
	Misc. Tier 1	Misc. Tier 2	Misc. PEPRA	
June 30, 2013	0.30737%	0.00019%	0.00001%	
June 30, 2014	0.30643%	0.00018%	0.00000%	
Change - Increase (Decrease)	-0.00094%	-0.00001%	-0.00001%	

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plans (Continued)**

*Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)*

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

For the year ended June 30, 2015, the City recognized pension expense as follows:

Plans	Pension Expense
Fire Tier 1	\$ 247,189
Fire Tier 2	18,842
Police Tier 1	345,143
Police Tier 2	86,840
Miscellaneous Tier 1	488,479
Miscellaneous Tier 2	13,452
Miscellaneous PEPRA	5,784
Total	\$ 1,205,729

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fire Tier 1		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between projected and actual earning on pension plan investments	\$ -	\$ (653,944)
Adjustment due to differences in proportions	18,341	-
Difference between District contributions and proportionate share of contributions	11,414	-
Total	\$ 29,755	\$ (653,944)

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plans (Continued)**

*Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)*

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

<b>Fire Tier 2</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (3,602)
Adjustment due to differences in proportions	-	(11,035)
Difference between District contributions and proportionate share of contributions	18,462	-
<b>Total</b>	<b>\$ 18,462</b>	<b>\$ (14,637)</b>
<b>Police Tier 1</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (1,038,588)
Adjustment due to differences in proportions	48,724	-
Difference between District contributions and proportionate share of contributions	1,317	-
<b>Total</b>	<b>\$ 50,041</b>	<b>\$ (1,038,588)</b>
<b>Police Tier 2</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (7,863)
Adjustment due to differences in proportions		(55,808)
Difference between District contributions and proportionate share of contributions	79,467	-
<b>Total</b>	<b>\$ 79,467</b>	<b>\$ (63,671)</b>



**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plans (Continued)**

*Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)*

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

<b>Miscellaneous Tier 1</b>		
	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (2,325,079)
Adjustment due to differences in proportions	202,633	-
Difference between District contributions and proportionate share of contributions	-	(143,537)
Total	<u>\$ 202,633</u>	<u>\$ (2,468,616)</u>
<b>Miscellaneous Tier 2</b>		
	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (1,504)
Adjustment due to differences in proportions	-	(217)
Difference between District contributions and proportionate share of contributions	35,783	-
Total	<u>\$ 35,783</u>	<u>\$ (1,721)</u>
<b>Miscellaneous PEPRA</b>		
	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Difference between projected and actual earning on pension plan investments	\$ -	\$ (40)
Adjustment due to differences in proportions	-	(4,123)
Difference between District contributions and proportionate share of contributions	4,616	-
Total	<u>\$ 4,616</u>	<u>\$ (4,163)</u>

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plans (Continued)**

*Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)*

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

Reported deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources			
	Fire Tier 1	Fire Tier 2	Police Tier 1	Police Tier 2
2016	\$ (152,858)	\$ 1,752	\$ (241,774)	\$ 6,483
2017	(152,858)	1,752	(241,774)	6,483
2018	(154,987)	1,223	(245,352)	4,795
2019	(163,486)	(902)	(259,647)	(1,965)
2020	-	-	-	-
Thereafter	-	-	-	-
	<u>\$ (624,189)</u>	<u>\$ 3,825</u>	<u>\$ (988,547)</u>	<u>\$ 15,796</u>

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources		
	Misc. Tier 1	Misc. Tier 2	Misc. PEPRA
2016	\$ (560,164)	\$ 12,325	\$ 167
2017	(560,164)	12,325	167
2018	(564,386)	9,788	129
2019	(581,269)	(376)	(10)
2020	-	-	-
Thereafter	-	-	-
	<u>\$ (2,265,983)</u>	<u>\$ 34,062</u>	<u>\$ 453</u>

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 –Other Postemployment Benefits Plan**

*Plan Description*

The City contributes to a multi-employer defined benefit plan to provide post-employment medical benefits. Specifically, the City provides postretirement medical benefits to all employees who retire from the City after attaining age 50 with at least 5 years of service. The plan does not provide a publicly available financial report.

*Funding Policy*

The contribution requirements of plan members and the City are established and may be amended by the City's City Council, and/or the employee associations. The required employer contribution was \$119 per person for months in 2014 and \$122 per person per month in 2015. Retirees pay the differential monthly amount of the premium, which varies depending on the health benefits they select. The City implemented GASB 45 for the fiscal year ended June 30, 2010, establishing a liability in its Risk Management Fund for the value of the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 over a closed period not to exceed thirty years. The ARC and contribution total for year ended June 30, 2015 was \$151,709.

*Annual OPEB Cost and Net OPEB Asset*

The City's annual OPEB cost is calculated based on the ARC. 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 excesses) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB Obligation:

Annual Required Contribution	\$	149,704
Adjustment to Annual Required Contribution		2,005
Interest Adjustment		(5,492)
Annual OPEB Cost		146,217
Contribution made		(49,658)
Change in Net OPEB Obligation		96,559
Net OPEB Obligation, Beginning of Year		109,837
Net OPEB Obligation, End of Year	\$	206,396

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 –Other Postemployment Benefits Plan (Continued)**

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the year ended June 30, 2015 and the two preceding years were as follows:

<u>Year Ended</u>	<u>OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>Percentage of Annual OPEB cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2013	\$ 145,950	\$ 47,445	32.51%	\$ (4,175)
June 30, 2014	149,704	50,425	33.68%	109,837
June 30, 2015	146,217	49,658	33.96%	206,396

***Funded Status and Funding Progress***

As of August 1, 2012, the latest actuarial valuation date, there were no plan assets on the valuation date. The actuarial accrued liability for benefits was \$326,933, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$326,933. The covered payroll (annual payroll of active employees covered by the plan) was \$6,154,925 and the ratio of the UAAL to the covered payroll was negative 0.24%.

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 City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

In January 2013, the City adopted ICMA-RC’s Vantagecare RHS Employer Investment Program for pre-funding of OPEB liability and established an account. The balance as of June 30, 2015 was \$515,813.

***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 the plan members at 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.

The required contribution for the year ended June 30, 2015 was determined as part of the August 1, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses), payroll increase of 3% per annum, and inflation rate of 3% per annum, and the City’s share of premium cost will increase at rates of 4% per annum. The level percentage of payroll method is used to allocate amortization cost by year, closed 30 year amortization period is used for the initial UAAL, and open 30 year amortization period is used for any residual UAAL.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 9 – Classification of Fund Balances**

At June 30, 2015, fund balances are classified in the governmental funds as follows:

	General Fund	Community Development Grant Funds	Capital Improvement Fund	Nonmajor Governmental Funds	Total
<b>Nonspendable:</b>					
Prepaid Items	\$ 140,335	\$ 288	\$ 872	\$ 1,575	\$ 143,070
Inventories	10,424	-	-	-	10,424
Notes Receivable	1,178,101	-	-	-	1,178,101
Land Held for Resale	1,340,000	-	-	-	1,340,000
	<u>2,668,860</u>	<u>288</u>	<u>872</u>	<u>1,575</u>	<u>2,671,595</u>
<b>Restricted:</b>					
Community Development Grants	-	955,897	-	-	955,897
Morro Bay TBID	-	-	-	79,664	79,664
Lower Cost Visitor Accommodations	-	-	-	52,797	52,797
Traffic Safety Grant	-	-	-	-	-
Special Safety Grants	-	-	-	29,031	29,031
Parking In-lieu	-	-	-	405,811	405,811
Non-Transit LTF - Bike Paths	-	-	-	113	113
Special Assessment Districts	-	-	-	59,092	59,092
State Park Marina Grants	-	-	-	154,139	154,139
Cloister Reserves	-	-	-	76,357	76,357
LTF Roads	-	-	-	29,127	29,127
District Transaction Tax	-	-	-	97,053	97,053
Park In-lieu (Quimby) Fees	-	-	-	10,206	10,206
	<u>-</u>	<u>955,897</u>	<u>-</u>	<u>993,390</u>	<u>1,949,287</u>
<b>Committed:</b>					
Facility Maintenance Fund	1,276,529	-	-	-	1,276,529
Government Impact Fees	-	-	-	318,197	318,197
Housing In-lieu	-	-	-	163,276	163,276
	<u>1,276,529</u>	<u>-</u>	<u>-</u>	<u>481,473</u>	<u>1,758,002</u>
Unassigned	<u>2,156,340</u>	<u>-</u>	<u>(846)</u>	<u>(25,295)</u>	<u>2,130,199</u>
	<u>\$ 6,101,729</u>	<u>\$ 956,185</u>	<u>\$ 26</u>	<u>\$ 1,451,143</u>	<u>\$ 8,509,083</u>

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – State Water**

The City has contracted with the San Luis Obispo County Flood Control and Water Conservation District to provide water from the state water project. The City has contracted to obtain 1,313 acre feet of water per year with an initial estimated cost of \$750 per acre foot, not including the fixed operating and management costs allocated to the City on a pro rata share basis. The City is obligated to make payments even if the City fails or refuses to accept water deliveries. The City paid a total of \$2,119,397 during the year ended June 30, 2015 for its share of the construction and operating costs.

For the fiscal year ending June 30, 2015, the city had 0.74 in bond coverage ratio which required to be at minimum ratio of greater than, or equal to 1.25. The City entered into a contract with Bartle Wells for water and sewer rate study services, and after many public meetings and a Prop 218 protest vote and public hearing, the new rates were adopted on May 26, 2015.

**Note 11 – Prior Period Adjustments**

Following net positions as of July 1, 2014 was restated as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
<b>Net Position at July 1, 2014</b>	\$ 129,348,688	\$ 29,107,573
Report pension contribution made during the measurement period as deferred outflows of resources due to implementation of GASB 71	1,271,418	354,852
Report net pension liability due to the implementation of GASB 68	(15,076,253)	(4,207,774)
(Over) Understatement of unearned revenue as of June 30, 2014	881,389	(75,232)
Understatement of other postemployment benefits as of June 30, 2014	(109,837)	-
Understatement of pension related debt as of June 30, 2014	(1,508,441)	-
<b>Subtotal</b>	(14,541,724)	(3,928,154)
<b>Net Position at July 1, 2014, as Restated</b>	\$ 114,806,964	\$ 25,179,419

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 11 – Prior Period Adjustments (Continued)**

Following net positions as of July 1, 2014 was restated as follows (Continued):

	Enterprise Funds			Nonmajor Local Transportation Fund	Total
	Water	Sewer	Harbor		
Net Position at July 1, 2014	\$ 12,273,540	\$ 14,884,008	\$ 1,511,424	\$ 438,601	\$ 29,107,573
Report pension contribution made during the measurement period as deferred outflows of resources due to implementation of GASB 71	61,636	160,187	133,029	-	354,852
Report net pension liability due to the implementation of GASB 68	(730,865)	(1,899,476)	(1,577,433)	-	(4,207,774)
Understatement of unearned revenue as of June 30, 2014	-	-	-	(75,232)	(75,232)
Subtotal	(669,229)	(1,739,289)	(1,444,404)	(75,232)	(3,928,154)
Net Position at July 1, 2014, as Restated	<u>\$ 11,604,311</u>	<u>\$ 13,144,719</u>	<u>\$ 67,020</u>	<u>\$ 363,369</u>	<u>\$ 25,179,419</u>

	Special Revenue Fund Community Development
Net Position at July 1, 2014	\$ 128,708
Understatement of unearned revenue as of June 30, 2014	881,389
Subtotal	881,389
Net Position at July 1, 2014, as Restated	<u>\$ 1,010,097</u>

**Note 12 – Commitments and Contingencies**

**A. Commitments**

The City had several outstanding or planned constructions as of June 30, 2015. However, those constructions neither were contractual nor carried over in a budget. Open constructions are re-budgeted and adopted in a new fiscal year.

**B. Contingencies**

The City is subject to various legal matters incidental to the ordinary course of City operations. At this time, the outcome of these matters and the potential loss, if any, that might result are uncertain. No provision for any liability that may result has been made in the financial statements for these matters.

**C. Grants**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of noncompliance were disclosed by the audit of the financial statements or single audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

**City of Morro Bay**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 13 – Subsequent Events**

Beginning in 2015/16, CalPERS changed its methodology for collecting contributions from employers to cover not only the normal cost of pensions, but to repay the side funds that developed as a result of contracting for enhanced pension benefits. These side funds were created as a result of enhanced benefits, retroactively covering all existing employees without requiring a cash deposit to cover the retroactive cost difference between the enhanced benefit plans and the former plans. Contributions are now based on the normal cost percentage rate by Tier for each payroll plus a flat amount every month for each segment (Miscellaneous plan, Safety Police plan, and Safety Fire plan) to repay these side funds.

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**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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**City of Morro Bay**  
**Required Supplementary Information (Unaudited)**  
**For the Year Ended June 30, 2015**

**Note 1 – Budgetary Control and Accounting Policy**

*Budgetary Comparison Schedule - General Fund*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes & special assessments	\$ 7,821,976	\$ 7,932,106	\$ 8,768,929	\$ 836,823
Intergovernmental revenue	22,000	22,000	36,322	14,322
Charges for services	1,155,609	1,413,156	1,537,444	124,288
Revenues from use of money and property	432,298	432,298	418,119	(14,179)
Fines & forfeits	11,000	11,000	8,562	(2,438)
Other revenues	13,650	13,650	603,344	589,694
<b>Total Revenues</b>	9,456,533	9,824,210	11,372,720	1,548,510
<b>Expenditures:</b>				
Current:				
Administration	1,055,161	1,214,673	1,320,110	(105,437)
Community promotion	-	-	279,225	(279,225)
Finance	645,329	662,145	630,241	31,904
Fire	2,045,618	2,189,761	2,280,930	(91,169)
Police	3,479,825	3,561,289	3,305,060	256,229
Public works	1,424,476	1,901,351	1,444,781	456,570
Recreation/parks/maintenance	2,103,490	1,715,913	1,710,790	5,123
<b>Total Expenditures</b>	10,753,899	11,245,132	10,971,137	273,995
<b>Excess (deficiency) of revenues over expenditures</b>	(1,297,366)	(1,420,922)	401,583	1,822,505
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,324,755	1,450,655	1,824,177	373,522
Transfers out	-	(200,000)	(432,943)	(232,943)
<b>Total Other Financing Sources (Uses):</b>	1,324,755	1,250,655	1,391,234	140,579
<b>Net change in Fund Balance</b>	27,389	(170,267)	1,792,817	1,963,084
<b>Fund Balances, July 1</b>	4,691,876	4,691,876	4,691,876	-
<b>Fund Balances, June 30</b>	\$ 4,719,265	\$ 4,521,609	\$ 6,484,693	\$ 1,963,084

**City of Morro Bay**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Funding Progress**  
**For the Year Ended June 30, 2015**

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**Note 1 – Budgetary Control and Accounting Policy (Continued)**

Budgets are annually adopted for all governmental and proprietary fund types on a basis consistent with generally accepted accounting principles. The City is required by its municipal code to adopt an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts become the “*annual appropriated budget*.”

The appropriated budget is prepared by fund, department and division. The City Council may amend the budget by motion during the fiscal year. Expenditures may not legally exceed appropriations at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within the same fund; however, any transfers between funds or revisions that alter total appropriations of any fund require City Council approval. The legal level of control is therefore at the fund level.

Supplemental appropriations, which increase appropriations, were made during the fiscal year, therefore, “final” budgeted revenue and appropriation amounts shown in the financial statements represent the original budget, modified for adjustments during the year. Appropriations lapse at the end of the fiscal year.

Encumbrances - Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Unexpended appropriations lapse at year-end.

**City of Morro Bay**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Funding Progress**  
**For the Year Ended June 30, 2015**

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**Other Postemployment Benefits Plan**

The schedule of funding progress for the past two available actuarial valuations is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) [(b) - (a)]	Funded Ratio [(a) / (b)]	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b) - (a)] / (c)
August 1, 2010	\$ -	\$ 1,272,897	\$ 1,272,897	0.00%	\$ 6,609,575	19.26%
August 1, 2012	326,933	1,616,609	1,289,676	20.2%	\$ 6,154,925	20.95%

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**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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**City of Morro Bay**  
**Required Supplementary Information (Unaudited)**  
**For the Year Ended June 30, 2015**

**Note 1 – Budgetary Control and Accounting Policy**

Budgetary Comparison Schedule - General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes & special assessments	\$ 7,821,976	\$ 7,932,106	\$ 8,768,929	\$ 836,823
Intergovernmental revenue	22,000	22,000	36,322	14,322
Charges for services	1,155,609	1,413,156	1,537,444	124,288
Revenues from use of money and property	432,298	432,298	418,119	(14,179)
Fines & forfeits	11,000	11,000	8,562	(2,438)
Other revenues	13,650	13,650	603,344	589,694
<b>Total Revenues</b>	<u>9,456,533</u>	<u>9,824,210</u>	<u>11,372,720</u>	<u>1,548,510</u>
<b>Expenditures:</b>				
Current:				
Administration	1,055,161	1,214,673	1,320,110	(105,437)
Community promotion	-	-	279,225	(279,225)
Finance	645,329	662,145	630,241	31,904
Fire	2,045,618	2,189,761	2,280,930	(91,169)
Police	3,479,825	3,561,289	3,305,060	256,229
Public works	1,424,476	1,901,351	1,444,781	456,570
Recreation/parks/maintenance	2,103,490	1,715,913	1,710,790	5,123
<b>Total Expenditures</b>	<u>10,753,899</u>	<u>11,245,132</u>	<u>10,971,137</u>	<u>273,995</u>
<b>Excess(deficiency) of revenues over expenditures</b>	<u>(1,297,366)</u>	<u>(1,420,922)</u>	<u>401,583</u>	<u>1,822,505</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,324,755	1,450,655	1,824,177	373,522
Transfers out	-	(200,000)	(432,943)	(232,943)
<b>Total Other Financing Sources (Uses):</b>	<u>1,324,755</u>	<u>1,250,655</u>	<u>1,391,234</u>	<u>140,579</u>
<b>Net change in Fund Balance</b>	<u>27,389</u>	<u>(170,267)</u>	<u>1,792,817</u>	<u>1,963,084</u>
<b>Fund Balances, July 1</b>	<u>4,691,876</u>	<u>4,691,876</u>	<u>4,691,876</u>	<u>-</u>
<b>Fund Balances, June 30</b>	<u>\$ 4,719,265</u>	<u>\$ 4,521,609</u>	<u>\$ 6,484,693</u>	<u>\$ 1,963,084</u>



**City of Morro Bay**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Funding Progress**  
**For the Year Ended June 30, 2015**

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**Note 1 – Budgetary Control and Accounting Policy (Continued)**

Budgets are annually adopted for all governmental and proprietary fund types on a basis consistent with generally accepted accounting principles. The City is required by its municipal code to adopt an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts become the “*annual appropriated budget*.”

The appropriated budget is prepared by fund, department and division. The City Council may amend the budget by motion during the fiscal year. Expenditures may not legally exceed appropriations at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within the same fund; however, any transfers between funds or revisions that alter total appropriations of any fund require City Council approval. The legal level of control is therefore at the fund level.

Supplemental appropriations, which increase appropriations, were made during the fiscal year, therefore, “final” budgeted revenue and appropriation amounts shown in the financial statements represent the original budget, modified for adjustments during the year. Appropriations lapse at the end of the fiscal year.

Encumbrances - Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Unexpended appropriations lapse at year-end.

**City of Morro Bay**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2015**

Last Ten Fiscal Years

**California Public Employees' Retirement System ("CalPERS") Fire Tier I Plan**

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.04902%
City's Proportionate Share of the Net Pension Liability/(Asset)	\$ 3,050,378
City's Covered-Employee Payroll	\$ 657,222
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	464.13%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	75.68%

**California Public Employees' Retirement System ("CalPERS") Fire Tier II Plan**

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.00019%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 11,928
City's Covered-Employee Payroll	\$ 108,177
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	11.03%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	81.42%

**California Public Employees' Retirement System ("CalPERS") Fire PEPRA Plan**

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.00000%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ -
City's Covered-Employee Payroll	\$ -
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	0.00%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	0.00%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year 2015 was the first year of

**City of Morro Bay**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)**  
**For the Year Ended June 30, 2015**

Last Ten Fiscal Years

**California Public Employees' Retirement System ("CalPERS") Police Tier I Plan**

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.07027%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 4,372,512
City's Covered-Employee Payroll	\$ 1,152,305
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	379.46%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	77.51%

**California Public Employees' Retirement System ("CalPERS") Police Tier II Plan**

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.00042%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 26,043
City's Covered-Employee Payroll	\$ 496,607
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	5.24%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	81.42%

**California Public Employees' Retirement System ("CalPERS") Police PEPRA Plan**

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.00000%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ -
City's Covered-Employee Payroll	\$ -
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	0.00%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	0.00%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year 2015 was the first year of

**City of Morro Bay**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)**  
**For the Year Ended June 30, 2015**

Last Ten Fiscal Years

**California Public Employees' Retirement System ("CalPERS") Miscellaneous Tier I Plan**

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.12171%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 7,573,447
City's Covered-Employee Payroll	\$ 3,299,199
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	229.55%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	81.72%

**California Public Employees' Retirement System ("CalPERS") Miscellaneous Tier II Plan**

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.00007%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 4,476
City's Covered-Employee Payroll	\$ 307,456
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	1.46%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	83.03%

**California Public Employees' Retirement System ("CalPERS") Miscellaneous PEPRA Plan**

	June 30, 2014 <sup>1</sup>
City's Proportion of the Net Pension Liability/(Asset)	0.00000%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 120
City's Covered-Employee Payroll	\$ 89,322
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	0.13%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	83.05%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year 2015 was the first year of

**City of Morro Bay**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Contributions**  
**For the Year Ended June 30, 2015**

Last Ten Fiscal Years

**California Public Employees' Retirement System ("CalPERS") Fire Tier I Plan**

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 325,631	\$ 284,171
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(325,631)	(284,171)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 676,939	\$ 657,222
Contributions as a Percentage of Covered-Employee Payroll	48.10%	43.24%

**California Public Employees' Retirement System ("CalPERS") Fire Tier II Plan**

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 30,122	\$ 26,535
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(30,122)	(26,535)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 111,422	\$ 108,177
Contributions as a Percentage of Covered-Employee Payroll	27.03%	24.53%

**California Public Employees' Retirement System ("CalPERS") Fire PEPRA Plan**

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 9,435	\$ -
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(9,435)	-
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,5</sup>	\$ -	\$ -
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%

**City of Morro Bay**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Contributions (Continued)**  
**For the Year Ended June 30, 2015**

Last Ten Fiscal Years

**California Public Employees' Retirement System ("CalPERS") Police Tier I Plan**

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 398,627	\$ 428,502
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(398,627)	(428,502)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 1,186,874	\$ 1,152,305
Contributions as a Percentage of Covered-Employee Payroll	33.59%	37.19%

**California Public Employees' Retirement System ("CalPERS") Police Tier II Plan**

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 133,057	\$ 111,079
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(133,057)	(111,079)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 511,505	\$ 496,607
Contributions as a Percentage of Covered-Employee Payroll	26.01%	22.37%

**California Public Employees' Retirement System ("CalPERS") Police PEPRA Plan**

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 17,908	\$ -
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(17,908)	-
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ -	\$ -
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%

**City of Morro Bay**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Contributions (Continued)**  
**For the Year Ended June 30, 2015**

Last Ten Fiscal Years

**California Public Employees' Retirement System ("CalPERS") Miscellaneous Tier I Plan**

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 696,786	\$ 720,548
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(696,786)	(720,548)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 3,398,175	\$ 3,299,199
Contributions as a Percentage of Covered-Employee Payroll	20.50%	21.84%

**California Public Employees' Retirement System ("CalPERS") Miscellaneous Tier II Plan**

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 54,189	\$ 49,154
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(54,189)	(49,154)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 316,680	\$ 307,456
Contributions as a Percentage of Covered-Employee Payroll	17.11%	15.99%

**California Public Employees' Retirement System ("CalPERS") Miscellaneous PEPRA Plan**

	2014-15	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 20,216	\$ 6,281
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(20,216)	(6,281)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 92,002	\$ 89,322
Contributions as a Percentage of Covered-Employee Payroll	21.97%	7.03%

**City of Morro Bay**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Contributions (Continued)**  
**For the Year Ended June 30, 2015**

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<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year 2015 was the first year of

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution).

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-

<sup>4</sup> Payroll from 2012-13 was assumed to increase by the 3.00% payroll growth assumption

<u>Plans</u>	<u>2012-13 Covered- Employee Payroll</u>
Fire Tier 1	\$ 638,080
Fire Tier 2	105,026
Police Tier 1	1,118,743
Police Tier 2	482,143
Miscellaneous Tier 1	3,203,106
Miscellaneous Tier 2	298,501
Miscellaneous PEPR A	86,720

<sup>5</sup> Payroll amounts for Fire and Police PEPR A plan are from payroll record of the City. No valuation reports were available due to having no covered employee for June 30, 2013 valuation period.

**Notes to Schedule**

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June

Changes of Assumptions: There were no changes in assumptions.



**City of Morro Bay**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Funding Progress**  
**For the Year Ended June 30, 2015**

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**Other Postemployment Benefits Plan**

The schedule of funding progress for the past two available actuarial valuations is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) [(b) - (a)]	Funded Ratio [(a) / (b)]	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b) - (a)] / (c)
August 1, 2010	\$ -	\$ 1,272,897	\$ 1,272,897	0.00%	\$ 6,609,575	19.26%
August 1, 2012	326,933	1,616,609	1,289,676	20.2%	\$ 6,154,925	20.95%

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## SUPPLEMENTARY INFORMATION

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**City of Morro Bay**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2015**

	Special Revenue			
	MB Tourism Business Improvement District	Gas Tax	Lower Cost Visitor Accommodation	Traffic Safety Grant
<b>ASSETS</b>				
Cash and cash equivalents	\$ 71,865	\$ -	\$ 36,770	\$ -
Receivables:				
Intergovernmental	-	4,552	-	2,659
Accounts	78,999	-	-	-
Notes	-	-	15,735	-
Due from other funds	678	-	292	-
Prepaid items	-	-	-	-
<b>Total Assets</b>	<u>\$ 151,542</u>	<u>\$ 4,552</u>	<u>\$ 52,797</u>	<u>\$ 2,659</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 71,878	\$ -	\$ -	\$ -
Accrued payroll and benefits	-	-	-	-
Due to other funds	-	29,847	-	2,659
Unearned revenue	-	-	-	-
<b>Total Liabilities</b>	<u>71,878</u>	<u>29,847</u>	<u>-</u>	<u>2,659</u>
<b>Fund Balances:</b>				
Nonspendable	-	-	-	-
Restricted	79,664	-	52,797	-
Committed	-	-	-	-
Assigned	-	(25,295)	-	-
<b>Total Fund Balances</b>	<u>79,664</u>	<u>(25,295)</u>	<u>52,797</u>	<u>-</u>
<b>Total Liabilities &amp;     Fund Balances</b>	<u>\$ 151,542</u>	<u>\$ 4,552</u>	<u>\$ 52,797</u>	<u>\$ 2,659</u>

**City of Morro Bay**  
**Combining Balance Sheet - Nonmajor Governmental Funds (Continued)**  
**June 30, 2015**

	Special Revenue			
	Special Safety Grant	Parking In- Lieu	Bike Path	Special Assessments
<b>ASSETS</b>				
Cash and cash equivalents	\$ 49,307	\$ 390,218	\$ 3	\$ 59,593
Receivables:				
Intergovernmental	-	-	-	-
Accounts	-	-	-	-
Notes	-	15,579	-	-
Due from other funds	507	3,181	110	-
Prepaid items	-	-	-	9
<b>Total Assets</b>	<u>\$ 49,814</u>	<u>\$ 408,978</u>	<u>\$ 113</u>	<u>\$ 59,602</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 20,783	\$ -	\$ -	\$ 492
Accrued payroll and benefits	-	-	-	9
Due to other funds	-	-	-	-
Unearned revenue	-	3,167	-	-
<b>Total Liabilities</b>	<u>20,783</u>	<u>3,167</u>	<u>-</u>	<u>501</u>
<b>Fund Balances:</b>				
Nonspendable	-	-	-	9
Restricted	29,031	405,811	113	59,092
Committed	-	-	-	-
Assigned	-	-	-	-
<b>Total Fund Balances</b>	<u>29,031</u>	<u>405,811</u>	<u>113</u>	<u>59,101</u>
<b>Total Liabilities &amp;     Fund Balances</b>	<u>\$ 49,814</u>	<u>\$ 408,978</u>	<u>\$ 113</u>	<u>\$ 59,602</u>

**City of Morro Bay**  
**Combining Balance Sheet - Nonmajor Governmental Funds (Continued)**  
**June 30, 2015**

	Special Revenue			
	Governmental Impact Fees	State Park Marina	Affordable Housing In-Lieu	Cloister Reserve
<b>ASSETS</b>				
Cash and cash equivalents	\$ 314,353	\$ 146,585	\$ 161,996	\$ 85,909
Receivables:				
Intergovernmental	-	-	-	-
Accounts	-	7,554	-	-
Notes	-	-	-	-
Due from other funds	3,844	-	1,280	543
Prepaid items	-	-	-	276
<b>Total Assets</b>	<u>\$ 318,197</u>	<u>\$ 154,139</u>	<u>\$ 163,276</u>	<u>\$ 86,728</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 9,689
Accrued payroll and benefits	-	-	-	406
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,095</u>
<b>Fund Balances:</b>				
Nonspendable	-	-	-	276
Restricted	-	154,139	-	76,357
Committed	318,197	-	163,276	-
Assigned	-	-	-	-
<b>Total Fund Balances</b>	<u>318,197</u>	<u>154,139</u>	<u>163,276</u>	<u>76,633</u>
<b>Total Liabilities &amp;     Fund Balances</b>	<u>\$ 318,197</u>	<u>\$ 154,139</u>	<u>\$ 163,276</u>	<u>\$ 86,728</u>

**City of Morro Bay**  
**Combining Balance Sheet - Nonmajor Governmental Funds (Continued)**  
**June 30, 2015**

	Special Revenue			Total Nonmajor Governmental Funds
	LTF Roads	Park In- Lieu Fee	District Transaction Tax	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 28,997	\$ 9,784	\$ 106,379	\$ 1,461,759
Receivables:				
Intergovernmental	-	-	70,200	77,411
Accounts	-	-	-	86,553
Notes	-	-	-	31,314
Due from other funds	130	422	1,593	12,580
Prepaid items	-	-	1,290	1,575
<b>Total Assets</b>	<b>\$ 29,127</b>	<b>\$ 10,206</b>	<b>\$ 179,462</b>	<b>\$ 1,671,192</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 75,735	\$ 178,577
Accrued payroll and benefits	-	-	5,384	5,799
Due to other funds	-	-	-	32,506
Unearned revenue	-	-	-	3,167
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>81,119</b>	<b>220,049</b>
<b>Fund Balances:</b>				
Nonspendable	-	-	1,290	1,575
Restricted	29,127	10,206	97,053	993,390
Committed	-	-	-	481,473
Assigned	-	-	-	(25,295)
<b>Total Fund Balances</b>	<b>29,127</b>	<b>10,206</b>	<b>98,343</b>	<b>1,451,143</b>
<b>Total Liabilities &amp;     Fund Balances</b>	<b>\$ 29,127</b>	<b>\$ 10,206</b>	<b>\$ 179,462</b>	<b>\$ 1,671,192</b>

**City of Morro Bay**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2015**

	Special Revenue Funds			
	MB Tourism Business Improvement District	Gas Tax	Lower Cost Visitor Accommodation	Traffic Safety Grant
<b>REVENUES:</b>				
Taxes and special assessments	\$ 741,435	\$ -	\$ -	\$ -
Intergovernmental revenues	-	286,393	-	-
Charges for services	-	-	-	-
Revenue from use of money and property	681	-	294	-
Fines and forfeitures	-	-	-	15,624
Other revenues	-	-	15,735	-
<b>Total revenues</b>	<b>\$ 742,116</b>	<b>\$ 286,393</b>	<b>\$ 16,029</b>	<b>\$ 15,624</b>
<b>EXPENDITURES:</b>				
Current:				
Community promotion	872,552	-	-	-
Fire	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Recreation and parks	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>872,552</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(130,436)</b>	<b>286,393</b>	<b>16,029</b>	<b>15,624</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	139,996	34,400	-	3,147
Transfers out	-	(346,088)	-	(18,771)
<b>Total Other Financing Sources (Uses)</b>	<b>139,996</b>	<b>(311,688)</b>	<b>-</b>	<b>(15,624)</b>
<b>NET CHANGE IN FUND BALANCES FUND BALANCES (DEFICIT)</b>	<b>9,560</b>	<b>(25,295)</b>	<b>16,029</b>	<b>-</b>
Beginning of Year	70,104	-	36,768	-
End of Year	<b>\$ 79,664</b>	<b>\$ (25,295)</b>	<b>\$ 52,797</b>	<b>\$ -</b>



**City of Morro Bay**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds (Continued)**  
**Year Ended June 30, 2015**

	Special Revenue Funds			
	Special Safety Grant	Parking In- Lieu	Bike Path	Special Assessments
<b>REVENUES:</b>				
Taxes and special assessments	\$ -	\$ -	\$ -	\$ 9,099
Intergovernmental revenues	106,230	-	10,721	-
Charges for services	-	-	-	-
Revenue from use of money and property	505	4,840	113	-
Fines & forfeits	-	-	-	-
Other revenues	-	15,579	-	-
<b>Total revenues</b>	<b>\$ 106,735</b>	<b>\$ 20,419</b>	<b>\$ 10,834</b>	<b>\$ 9,099</b>
<b>EXPENDITURES:</b>				
Current:				
Community promotion	-	-	-	-
Fire	-	-	-	-
Police	170,698	25,229	-	-
Public works	-	-	-	-
Recreation and parks	-	-	-	7,550
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>170,698</b>	<b>25,229</b>	<b>-</b>	<b>7,550</b>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(63,963)</b>	<b>(4,810)</b>	<b>10,834</b>	<b>1,549</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(40,969)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(40,969)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES FUND BALANCES (DEFICIT)</b>	<b>(63,963)</b>	<b>(4,810)</b>	<b>(30,135)</b>	<b>1,549</b>
Beginning of Year	92,994	410,621	30,248	57,552
End of Year	<b>\$ 29,031</b>	<b>\$ 405,811</b>	<b>\$ 113</b>	<b>\$ 59,101</b>

**City of Morro Bay**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds (Continued)**  
**Year Ended June 30, 2015**

	Special Revenue Funds			
	Governmental Impact Fees	State Park Marina	Affordable Housing In-Lieu	Cloister Reserve
<b>REVENUES:</b>				
Taxes and special assessments	\$ -	\$ -	\$ -	\$ 148,322
Intergovernmental revenues	-	-	-	-
Charges for services	195,327	-	12,044	-
Revenue from use of money and property	3,895	81,430	1,290	537
Fines & forfeits	-	-	-	-
Other revenues	-	-	-	-
<b>Total revenues</b>	<b>\$ 199,222</b>	<b>\$ 81,430</b>	<b>\$ 13,334</b>	<b>\$ 148,859</b>
<b>EXPENDITURES:</b>				
Current:				
Community promotion	-	-	-	-
Fire	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Recreation and parks	-	-	-	122,420
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122,420</b>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<b>199,222</b>	<b>81,430</b>	<b>13,334</b>	<b>26,439</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	(534,590)	-	(10,410)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(534,590)</b>	<b>-</b>	<b>(10,410)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES FUND BALANCES (DEFICIT)</b>	<b>(335,368)</b>	<b>81,430</b>	<b>2,924</b>	<b>26,439</b>
Beginning of Year	653,565	72,709	160,352	50,194
End of Year	<b>\$ 318,197</b>	<b>\$ 154,139</b>	<b>\$ 163,276</b>	<b>\$ 76,633</b>

**City of Morro Bay**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds (Continued)**  
**Year Ended June 30, 2015**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	LTF Roads	Park In- Lieu Fee	District Transaction Tax	
<b>REVENUES:</b>				
Taxes and special assessments	\$ -	\$ -	\$ 946,448	\$ 1,845,304
Intergovernmental revenues	28,785	-	-	432,129
Charges for services	-	17,282	-	224,653
Revenue from use of money and property	242	431	1,664	95,922
Fines & forfeits	-	-	-	15,624
Other revenues	-	2,000	-	33,314
<b>Total revenues</b>	<b>\$ 29,027</b>	<b>\$ 19,713</b>	<b>\$ 948,112</b>	<b>\$ 2,646,946</b>
<b>EXPENDITURES:</b>				
Current:				
Community promotion	-	-	-	872,552
Fire	-	-	107,857	107,857
Police	-	-	104,017	299,944
Public works	-	-	972,060	972,060
Recreation and parks	-	4,680	-	134,650
Debt service:				
Principal	-	-	70,000	70,000
Interest	-	-	54,809	54,809
<b>Total expenditures</b>	<b>-</b>	<b>4,680</b>	<b>1,308,743</b>	<b>2,511,872</b>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<b>29,027</b>	<b>15,033</b>	<b>(360,631)</b>	<b>135,074</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	203,508	381,051
Transfers out	-	(90,660)	(99,608)	(1,141,096)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(90,660)</b>	<b>103,900</b>	<b>(760,045)</b>
<b>NET CHANGE IN FUND BALANCES FUND BALANCES (DEFICIT)</b>	<b>29,027</b>	<b>(75,627)</b>	<b>(256,731)</b>	<b>(624,971)</b>
Beginning of Year	100	85,833	355,074	2,076,114
End of Year	<b>\$ 29,127</b>	<b>\$ 10,206</b>	<b>\$ 98,343</b>	<b>\$ 1,451,143</b>

**City of Morro Bay**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**MB Tourism Business Improvement District Special Revenue Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes and special assessments	\$ 575,000	\$ 575,000	\$ 741,435	\$ 166,435
Revenues from use of money and property	-	-	681	681
<b>Total revenues</b>	<u>575,000</u>	<u>575,000</u>	<u>742,116</u>	<u>167,116</u>
<b>Expenditures:</b>				
Current:				
Community Promotion	715,000	715,000	872,552	(157,552)
<b>Total expenditures</b>	<u>715,000</u>	<u>715,000</u>	<u>872,552</u>	<u>(157,552)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(140,000)</u>	<u>(140,000)</u>	<u>(130,436)</u>	<u>9,564</u>
<b>Other Financing Sources :</b>				
Transfers in	140,000	140,000	139,996	(4)
<b>Total Other Financing Sources</b>	<u>140,000</u>	<u>140,000</u>	<u>139,996</u>	<u>(4)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>9,560</u>	<u>\$ 9,560</u>
<b>FUND BALANCES</b>				
Beginning of Year			<u>70,104</u>	
End of Year			<u>\$ 79,664</u>	

**City of Morro Bay**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Gas Tax Special Revenue Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental revenues	\$ 271,934	\$ 271,934	\$ 286,393	\$ 14,459
<b>Total revenues</b>	<u>271,934</u>	<u>271,934</u>	<u>286,393</u>	<u>14,459</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>271,934</u>	<u>271,934</u>	<u>286,393</u>	<u>14,459</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	34,400	34,400
Transfers out	(271,934)	(271,934)	(346,088)	(74,154)
<b>Total Other Financing Sources (Uses)</b>	<u>(271,934)</u>	<u>(271,934)</u>	<u>(311,688)</u>	<u>(39,754)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(25,295)</u>	<u>\$ (25,295)</u>
<b>FUND BALANCES (DEFICIT)</b>				
Beginning of Year			-	
End of Year			<u>\$ (25,295)</u>	

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**City of Morro Bay**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Lower Cost Visitor Accommodation Special Revenue Fund**  
**Year Ended June 30, 2015**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenues from use of money and property	\$ -	\$ -	\$ 294	\$ 294
Other revenue	-	-	15,735	15,735
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>16,029</u>	<u>16,029</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>16,029</u>	<u>\$ 16,029</u>
<b>FUND BALANCES</b>				
Beginning of Year			36,768	
End of Year			<u>\$ 52,797</u>	

DRAFT 2.26.16

**City of Morro Bay**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Traffic Safety Grant Special Revenue Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and forfeitures	\$ 30,000	\$ 30,000	\$ 15,624	\$ (14,376)
<b>Total revenues</b>	<u>30,000</u>	<u>30,000</u>	<u>15,624</u>	<u>(14,376)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>30,000</u>	<u>30,000</u>	<u>15,624</u>	<u>(14,376)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	3,147	3,147
Transfers out	-	-	(18,771)	(18,771)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(15,624)</u>	<u>(15,624)</u>
<b>Net change in fund balances</b>	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>-</u>	<u>\$ (30,000)</u>
<b>FUND BALANCES</b>				
Beginning of Year			-	
End of Year			<u>\$ -</u>	

DRAFT 2.26.16

**City of Morro Bay**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Special Safety Grant Special Revenue Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental revenues	\$ 100,000	\$ 100,000	\$ 106,230	\$ 6,230
Revenues from use of money and property	-	-	505	505
<b>Total revenues</b>	<u>100,000</u>	<u>100,000</u>	<u>106,735</u>	<u>6,735</u>
<b>Expenditures:</b>				
Current:				
Police	100,000	100,000	170,698	(70,698)
<b>Total expenditures</b>	<u>100,000</u>	<u>100,000</u>	<u>170,698</u>	<u>(70,698)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(63,963)</u>	<u>\$ (63,963)</u>
<b>FUND BALANCES</b>				
Beginning of Year			92,994	
End of Year			<u>\$ 29,031</u>	

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**City of Morro Bay**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Parking In-lieu Special Revenue Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes and special assessments	\$ 1,400	\$ 1,400	\$ -	\$ (1,400)
Revenues from use of money and property	-	-	4,840	4,840
Other	-	-	15,579	15,579
<b>Total revenues</b>	<u>1,400</u>	<u>1,400</u>	<u>20,419</u>	<u>19,019</u>
<b>Expenditures:</b>				
Current:				
Police	-	-	25,229	(25,229)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>25,229</u>	<u>(25,229)</u>
<b>Net change in fund balances</b>	<u>\$ 1,400</u>	<u>\$ 1,400</u>	(4,810)	<u>\$ (6,210)</u>
<b>FUND BALANCES</b>				
Beginning of Year			410,621	
End of Year			<u>\$ 405,811</u>	

DRAFT 2.26.16

**City of Morro Bay**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Bike Path Special Revenue Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental revenues	\$ 10,721	\$ 10,721	\$ 10,721	\$ -
Revenues from use of money and property	-	-	113	113
<b>Total revenues</b>	<u>10,721</u>	<u>10,721</u>	<u>10,834</u>	<u>113</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>10,721</u>	<u>10,721</u>	<u>10,834</u>	<u>113</u>
<b>Other Financing Uses:</b>				
Transfers out	-	(35,205)	(40,969)	(5,764)
<b>Total Other Financing Uses</b>	<u>-</u>	<u>(35,205)</u>	<u>(40,969)</u>	<u>(5,764)</u>
<b>Net change in fund balances</b>	<u>\$ 10,721</u>	<u>\$ (24,484)</u>	<u>(30,135)</u>	<u>\$ (5,651)</u>
<b>FUND BALANCES</b>				
Beginning of Year			<u>30,248</u>	
End of Year			<u>\$ 113</u>	

**City of Morro Bay**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Special Assessments Special Revenue Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes and special assessments	\$ 157,421	\$ 8,477	\$ 9,099	\$ 622
<b>Total revenues</b>	<u>157,421</u>	<u>8,477</u>	<u>9,099</u>	<u>622</u>
<b>Expenditures:</b>				
Current:				
Recreation and parks	132,145	5,645	7,550	(1,905)
<b>Total expenditures</b>	<u>132,145</u>	<u>5,645</u>	<u>7,550</u>	<u>(1,905)</u>
<b>Net change in fund balances</b>	<u>\$ 25,276</u>	<u>\$ 2,832</u>	1,549	<u>\$ (1,283)</u>
<b>FUND BALANCES</b>				
Beginning of Year			57,552	
End of Year			<u>\$ 59,101</u>	

DRAFT 2.26.16

**City of Morro Bay**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Governmental Impact Fees Special Revenue Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 40,000	\$ 40,000	\$ 195,327	\$ 155,327
Revenues from use of money and property	-	-	3,895	3,895
<b>Total revenues</b>	<u>40,000</u>	<u>40,000</u>	<u>199,222</u>	<u>159,222</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>40,000</u>	<u>40,000</u>	<u>199,222</u>	<u>159,222</u>
<b>Other Financing Uses:</b>				
Transfers out	(115,000)	(115,000)	(534,590)	(419,590)
<b>Total Other Financing Uses</b>	<u>(115,000)</u>	<u>(115,000)</u>	<u>(534,590)</u>	<u>(419,590)</u>
<b>Net change in fund balances</b>	<u>\$ (75,000)</u>	<u>\$ (75,000)</u>	<u>(335,368)</u>	<u>\$ (260,368)</u>
<b>FUND BALANCES</b>				
Beginning of Year			<u>653,565</u>	
End of Year			<u>\$ 318,197</u>	

**City of Morro Bay**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**State Park Marina Special Revenue Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenues from use of money and property	\$ 65,000	\$ 65,000	\$ 81,430	\$ 16,430
<b>Total revenues</b>	<u>65,000</u>	<u>65,000</u>	<u>81,430</u>	<u>16,430</u>
<b>Expenditures:</b>				
Current:				
Marina	65,000	65,000	-	65,000
<b>Total expenditures</b>	<u>65,000</u>	<u>65,000</u>	<u>-</u>	<u>65,000</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	81,430	<u>\$ 81,430</u>
<b>FUND BALANCES</b>				
Beginning of Year			72,709	
End of Year			<u>\$ 154,139</u>	

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**City of Morro Bay**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Affordable Housing In-lieu Special Revenue Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ 12,044	\$ 12,044
Revenues from use of money and property	-	-	1,290	1,290
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>13,334</u>	<u>13,334</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>13,334</u>	<u>13,334</u>
<b>Other Financing Uses:</b>				
Transfers out	(1,000)	(1,000)	(10,410)	(9,410)
<b>Total Other Financing Uses</b>	<u>(1,000)</u>	<u>(1,000)</u>	<u>(10,410)</u>	<u>(9,410)</u>
<b>Net change in fund balances</b>	<u>\$ (1,000)</u>	<u>\$ (1,000)</u>	2,924	<u>\$ 3,924</u>
<b>FUND BALANCES</b>				
Beginning of Year			160,352	
End of Year			<u>\$ 163,276</u>	

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**City of Morro Bay**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Cloister Reserve Special Revenue Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes and special assessments	\$ -	\$ 148,944	\$ 148,322	\$ (622)
Revenues from use of money and property	-	-	537	537
<b>Total revenues</b>	<u>-</u>	<u>148,944</u>	<u>148,859</u>	<u>(85)</u>
<b>Expenditures:</b>				
Current:				
Recreation and parks	-	129,000	122,420	6,580
<b>Total expenditures</b>	<u>-</u>	<u>129,000</u>	<u>122,420</u>	<u>6,580</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ 19,944</u>	26,439	<u>\$ 6,495</u>
<b>FUND BALANCES</b>				
Beginning of Year			50,194	
End of Year			<u>\$ 76,633</u>	

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**City of Morro Bay**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**LTF Roads Special Revenue Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental revenues	\$ -	\$ -	\$ 28,785	\$ 28,785
Revenues from use of money and property	-	-	242	242
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>29,027</u>	<u>29,027</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>29,027</u>	<u>29,027</u>
<b>Other Financing Uses:</b>				
Transfers out	-	(32,590)	-	32,590
<b>Total Other Financing Uses</b>	<u>-</u>	<u>(32,590)</u>	<u>-</u>	<u>32,590</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ (32,590)</u>	<u>29,027</u>	<u>\$ 61,617</u>
<b>FUND BALANCES</b>				
Beginning of Year			100	
End of Year			<u>\$ 29,127</u>	

DRAFT 2.26.16



**City of Morro Bay**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Park In-lieu Fee Special Revenue Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ 17,282	\$ 17,282
Revenues from use of money and property	-	-	431	431
Other revenues	-	-	2,000	2,000
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>19,713</u>	<u>19,713</u>
<b>Expenditures:</b>				
Current:				
Recreation and parks	-	-	4,680	(4,680)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>4,680</u>	<u>(4,680)</u>
<b>Excess of Revenues Over     (Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>15,033</u>	<u>15,033</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	-	(90,660)	(90,660)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(90,660)</u>	<u>(90,660)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(75,627)</u>	<u>\$ (75,627)</u>
<b>FUND BALANCES</b>				
Beginning of Year			85,833	
End of Year			<u>\$ 10,206</u>	

**City of Morro Bay**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**District Transaction Tax Special Revenue Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes and special assessments	\$ 930,000	\$ 930,000	\$ 946,448	\$ 16,448
Revenues from use of money and property	-	-	1,664	1,664
<b>Total revenues</b>	<u>930,000</u>	<u>930,000</u>	<u>948,112</u>	<u>18,112</u>
<b>Expenditures:</b>				
Current:				
Fire	93,142	95,312	107,857	(12,545)
Police	115,100	116,135	104,017	12,118
Public works	530,850	755,521	972,060	(216,539)
Debt service				
Principal	25,000	25,000	70,000	(45,000)
Interest	66,300	66,300	54,809	11,491
<b>Total expenditures</b>	<u>830,392</u>	<u>1,058,268</u>	<u>1,308,743</u>	<u>(250,475)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>99,608</u>	<u>(128,268)</u>	<u>(360,631)</u>	<u>(232,363)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	232,590	203,508	(29,082)
Transfers out	(99,608)	(99,608)	(99,608)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(99,608)</u>	<u>132,982</u>	<u>103,900</u>	<u>(29,082)</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ 4,714</u>	<u>(256,731)</u>	<u>\$ (261,445)</u>
<b>FUND BALANCES</b>				
Beginning of Year			355,074	
End of Year			<u>\$ 98,343</u>	

**FIDICIARY FUND FINANCIAL STATEMENTS**

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**CITY OF MORRO BAY**  
**Statement of Fiduciary Net Position**  
**June 30, 2015**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,736,472
Miscellaneous receivables	486
Prepays	1,456
<b>Total assets</b>	<u><u>1,738,414</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 34,281
Agency funds held for others	1,704,133
<b>Total liabilities</b>	<u><u>1,738,414</u></u>

DRAFT 2.26.16

**City of Morro Bay**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2015**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b><u>Community Services Fund</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 1,698,166	\$ 282,966	\$ (244,660)	\$ 1,736,472
Miscellaneous receivables	-	486	-	486
Prepaid items	721	1,456	(721)	1,456
<b>Total assets</b>	<b>\$ 1,698,887</b>	<b>\$ 284,908</b>	<b>\$ (245,381)</b>	<b>\$ 1,738,414</b>
<b>Liabilities:</b>				
Accounts payable	\$ 16,530	\$ 236,964	\$ (219,213)	\$ 34,281
Agency funds held for others	1,682,357	379,579	(357,803)	1,704,133
<b>Total liabilities</b>	<b>\$ 1,698,887</b>	<b>\$ 616,543</b>	<b>\$ (577,016)</b>	<b>\$ 1,738,414</b>

DRAFT 2.26.16



<b>AGENDA NO:</b>	<b>B - 2</b>
<b>MEETING DATE:</b>	<b>March 8, 2016</b>

## Staff Report

**TO:** Chairwoman Spagnola and Committee Members      **DATE:** March 3, 2016  
**FROM:** Susan Slayton, Administrative Services Director  
**SUBJECT:** Discussion on Investment Portfolio

This is an information item only; no action required.

The City's investment portfolio (attached) is poorly performing, mostly due to the interest rates offered. Staff has been, and will continue, adding Certificates of Deposit and institutional fixed income (federal home loans, federal farm credit) notes to improve the rate of return. The longest investment term, allowed by the City Investment Policy, is five years; at this time, staff is choosing three to five year products, to retain liquidity for gap funding of the Water Reclamation Facility project.

**CITY OF MORRO BAY**  
**QUARTERLY PORTFOLIO PERFORMANCE**  
**12/31/2015**

<b>INVESTMENT OR CUSIP NUMBER</b>	<b>INSTITUTION</b>	<b>PURCHASE PRICE</b>	<b>MARKET VALUE</b>	<b>COUPON INTEREST RATE</b>	<b>PURCHASE DATE</b>	<b>MATURITY DATE</b>	<b>DAYS TO MATURITY</b>
LAIF	LOCAL AGENCY INVESTMENT FUND	\$ 4,633,531	\$ 4,633,531	0.374%	DAILY	DAILY	1
<b>MONEY MARKET ACCOUNT:</b>							
MM	RABOBANK - MONEY MARKET	6,016,018	6,016,018	0.200%	DAILY	DAILY	1
SWEEP	RABOBANK - SWEEP	1,832,098	1,832,098	0.005%	DAILY	DAILY	1
MM	FOOTHILL SECURITIES	-	-	0.010%	DAILY	DAILY	1
<b>AGENCY INVESTMENTS HELD BY SUTTER SECURITIES:</b>							
3133ECGC2	FEDERAL FARM CREDIT BANK	500,000	497,255	1.080%	2/26/2013	2/26/2018	788
3136G1KD0	FEDERAL NATIONAL MORTGAGE ASSN	493,254	495,670	1.000%	6/13/2013	4/30/2018	851
<b>CERTIFICATES OF DEPOSIT:</b>							
4975900855	STERLING BANK & TRUST	200,000	200,000	1.100%	1/22/2013	1/22/2016	22
38143AXT7	FOOTHILL SECURITIES - GOLDMAN SACHS BANK	250,000	250,000	1.400%	8/1/2012	8/1/2016	214
02587DVF2	FOOTHILL SECURITIES - AMERICAN EXPRESS	250,000	250,000	1.100%	10/24/2013	10/24/2016	298
814602 - 814604	TRIUMPH SAVINGS BANK (3)	250,000	250,000	1.916%	1/11/2012	1/11/2017	377
800004110	HANMI BANK - CD #50007651	249,000	249,000	1.923%	1/11/2012	1/11/2017	377
20451PPL4	FOOTHILL SECURITIES - COMPASS BANK	250,000	250,000	1.250%	12/16/2015	12/16/2017	716
34387ABU2	FOOTHILL SECURITIES - FLUSHING BANK	250,000	250,000	1.250%	12/17/2015	12/17/2017	717
254671VW7	FOOTHILL BANK - DISCOVER BANK	250,000	250,000	2.000%	9/11/2013	9/11/2018	985
3090683803	STATE FARM BANK	250,000	250,000	1.980%	10/21/2013	10/21/2018	1,025
05568P5Y9	FOOTHILL SECURITIES - BMW BANK	250,000	250,000	2.100%	10/25/2013	10/25/2018	1,029
36160NYZ6	FOOTHILL SECURITIES - GE CAPITAL RETAIL	250,000	250,000	2.150%	10/25/2013	10/25/2018	1,029
4100093030	LEADER BANK	250,000	250,000	2.050%	1/6/2014	1/6/2019	1,102
4923509568	PENTAGON FEDERAL CREDIT UNION	250,000	250,000	3.000%	2/5/2014	2/5/2019	1,132
		<u>\$ 16,673,901</u>	<u>\$ 16,673,572</u>				

<b>% OF LIQUID PORTFOLIO HOLDINGS</b>	<b>WEIGHTED AVERAGE RATE OF EARNINGS</b>	<b>WEIGHTED AVERAGE MATURITY</b>
<u>74.857%</u>	<u>0.583%</u>	<u>185</u>

**QUARTERLY PERFORMANCE COMPARISON - PORTFOLIO VS LAIF**

	<u>12/31/2014</u>	<u>3/31/2015</u>	<u>6/30/2015</u>	<u>9/30/2015</u>	<u>12/31/2015</u>
Portfolio - weighted average rate of earnings	0.596%	0.534%	0.581%	0.633%	0.583%
LAIF - quarterly earnings rate	<u>0.267%</u>	<u>0.278%</u>	<u>0.299%</u>	<u>0.337%</u>	<u>0.374%</u>
Portfolio over (under) LAIF	0.329%	0.256%	0.282%	0.296%	0.209%

Portfolio holdings as of the second quarter ended December 31, 2015, are in compliance with the current Investment Policy. With 74.857% of the portfolio held in liquid instruments, the cash needs of the City will be met.



# CITY OF MORRO BAY INVESTMENT POLICY JULY 2015

## **PURPOSE**

This investment policy establishes the practices and procedures to be used in managing the City of Morro Bay's (City) portfolio in accordance with the requirements of the State of California Government Code and the guidelines provided by the California Debt and Investment Advisory Commission (CDIAC) and the Government Finance Officers Association (GFOA).

## **SCOPE OF THE POLICY**

This policy governs the investment of money that is not required to meet the immediate needs of the City.

## **LEGAL AUTHORITY**

*Government Code Sections:* California Government Code Sections 53600 to 53609, 53635, and 16429.1 govern the investment of local agency funds.

*Legislative Changes:* Any applicable legislative actions will be acted on as of their effective dates and will be incorporated into the policy annually, specifying the California Government Code sections that have been added, deleted or amended.

## **OBJECTIVES**

The City Treasurer will consider the following factors in priority order when assessing investment opportunities:

*Safety:* The primary objective is the preservation of principal. Capital losses will be avoided, whether from default or erosion of market value, meaning that the City will not sell or trade an investment because of market fluctuation. The two types of risk to be minimized are:

1. Credit risk – the risk that an issuer or other counterparty to an investment will not fulfill its obligations; and
2. Interest rate or market risk – the risk that changes in interest rates will adversely affect the fair value of an investment.

*Liquidity:* The second objective is the liquidity of the portfolio. The portfolio should remain sufficiently flexible to enable the City to meet the operating requirements that are reasonably anticipated. In order to ensure liquidity, the investment policy must recognize that calculating cash flows are the basis of any good investment strategy. Meeting the daily cash flow demand goes hand-in-hand with meeting the City's liquidity needs.

*Yield:* The third objective, behind safety and liquidity, is attaining a market rate of return throughout the budgetary and economic cycles.

While managing the portfolio, the Treasurer, and designated staff, will strive to maintain public trust by avoiding any transactions that might impair public confidence in the City. When selecting investment instruments, the Treasurer, and designated staff, will remain cognizant of any social and policy considerations that have been established and defined in this policy.

## **GENERAL STRATEGY**

The Treasurer, and designated staff, may follow a passive or active investment strategy. Passive investment policies adhere to the investment goal of holding investments to maturity. Active investment strategy is the buying and selling of investments to achieve a certain benchmark objective. Great care, coupled with the advice of a fiscal agent, should be followed with an active investment policy.

The City, as stated above in the Objectives section under Safety, follows the passive investment strategy of holding investments to maturity.

## **STANDARD OF CARE**

*Prudent Investor Standard:* The prudence standard for trust investing traces back to Harvard College v. Amory, 26 Mass. (9 Pick.) 446 (1830). Judge Samuel Putnam stated that trustees should "observe how men of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety, of the capital to be invested."

This standard will be followed by the Treasurer, and designated staff.

*Ethics and Conflict of Interest:* The Treasurer, and designated staff, shall refrain from personal business activities that could conflict with the proper execution of the investment program or which could impair their ability to make impartial decisions.

*Delegation of Authority:* The following positions and corresponding City personnel are delegated the power to invest the funds of the City:

City Manager:	David Buckingham
Admin Services Dir/Treasurer:	Susan Slayton
Human Resources Analyst:	Laurie Goforth
Senior Accounting Technician:	Cristie Brazzi

These designations may change with the annual affirmation of this policy. Each delegate is required to adhere to the requirements set forth in the investment policy.

## **SAFEKEEPING AND CUSTODY**

*Third-party Safekeeping:* Ownership of the City's investment securities will be protected through third-party custodial safekeeping. The custodian will provide the City with a safekeeping receipt or monthly, itemized statement. Exceptions to this requirement are made for certificates of deposit, money market funds and investment pools.

*Internal Controls:* These are designed to ensure that the assets of the City are protected from theft, loss, or misuse. Such internal controls that are in place include:

1. Control of collusion;
2. Separation of duties;
3. Safekeeping of securities; and
4. Written confirmation of telephone transactions and wire transfers.

The City will separate the person who authorizes or performs the transaction from the person or people who ultimately record or otherwise account for the transaction to achieve separation of duties.

*Delivery vs. Payment:* All investment transactions should be conducted using standard delivery vs. payment procedures. In delivery vs. payment, the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian, and ensures that securities are deposited in an eligible financial institution prior to the release of funds.

## **AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The City will only conduct business with approved banks, savings and loans, credit unions, and securities brokers/dealers. A list of financial dealers and institutions is to be maintained. Broker/dealers and institutions must meet all requirements established by federal and state law.

## **SUITABLE AND AUTHORIZED INVESTMENTS**

*Authorized Investment Types:* The City, by virtue of California Government Code Sections 53600 – 09, has the ability to invest in numerous types of instruments. The City has looked

at its goals, objectives, and standards of care in establishing a list of authorized investment types that also meet statutory requirements. Those types of investment instruments that meet the criteria for the City are:

1. Securities of the U. S. Government, or its agencies;
2. California's Local Agency Investment Fund (LAIF) pool;
3. FDIC Insured Certificates of Deposit up to \$250,000;
4. Bankers' Acceptances (not exceeding 40% of the City's portfolio/max maturity 180 days);
5. Money Market funds;
6. Collateralized deposits ;
7. Passbook savings accounts; and
8. Repurchase agreements and reverse repurchase agreements (no more than 25% of the City's portfolio).

*Prohibited Investment Types:* In addition to a listing of authorized investments, California Government Code Section 53601.6 prohibits local agencies from investing in the following instruments:

1. Inverse floaters;
2. Range notes or mortgage-derived, interest-only strips;
3. Any security that could result in zero interest accrual if held to maturity;
4. Stock; and
5. Futures or options.

There may be additional investment instruments in which the City does not want the Treasurer to invest, and those will be defined in future investment policies.

## **INVESTMENT PARAMETERS**

*Diversification of Investments:* The City may choose to impose more stringent restrictions or further restrictions on other investment instruments, depending on its investment goals and risk tolerances, than those proposed in the California Government Code Sections 53600 - 09. The City has indicated those authorized investments as follows:

1. Money market funds;
2. Collateralized deposits;
3. Securities of any one issuer, not to exceed 5% of the City's portfolio, except those obligations of the U.S. government, U.S. governmental agencies, and U.S. government-sponsored enterprises;
4. Mutual funds; and
5. FDIC insured certificates of deposits.

*Maximum Maturity:* California Government Code Section 53601 lists the maximum maturity for any instrument as five (5) years. The exception to this time frame is made for investments with LAIF or collateralized deposits.

*Minimum Credit Requirements:* The City has chosen to follow the California Government Code Section 53601 that sets the minimum credit rating required for certain investment instruments as follows:

1. Short-term debt shall be rated at least "A-1" by Standard & Poor's Corporation, "P-1" by Moody's Investors Service, Inc., or "F-1" by Fitch Ratings. If the issuer of short-term debt has also issued long-term debt, this long-term debt rating shall be rated at least "A," without regard to +/- or 1, 2, 3 modifiers, by Standard & Poor's Corporation, Moody's Investors Service, Inc., or Fitch Ratings.
2. Long-term debt shall be rated at least "A," without regard to +/- or 1, 2, 3 modifiers, by Standard & Poor's Corporation, Moody's Investors Service, Inc., or Fitch Ratings.

*Maximum Weighted Average Maturity of a Portfolio:* As part of the monthly portfolio performance report that is provided to the City Council, a weighted average maturity (WAM) of the portfolio is calculated. While there are no requirements under state law for a maximum WAM of a portfolio, CDIAC's Local Agency Investment Guidelines suggest that local agencies include and monitor WAM to arrive at an acceptable range for future implementation of a maximum benchmark.

## **PORTFOLIO MANAGEMENT ACTIVITY**

*Active or Passive Portfolio Management:* In active portfolio management, treasurers buy and sell securities based on how to maximize portfolio values over a given timeframe. In passive portfolio management, the goal is to match a market rate of return (usually a benchmark). Weighing the pros and cons of each strategy in light of staff resources and investment, the City has chosen to follow a passive portfolio management strategy.

*Competitive Bidding:* Investments are purchased in the most cost effective and efficient manner utilizing approved brokers/dealers on all investment transactions.

*Reviewing and Monitoring of the Portfolio:* The portfolio is to be reviewed on a monthly basis to ensure that the investments are being properly tracked and reported.

*Portfolio Adjustments:* If the portfolio demonstrates non-compliance with the investment policy, the Treasurer, and designated staff, may hold the affected securities to maturity to avoid losses; however, the Treasurer may choose to rebalance the portfolio earlier to bring it back into compliance **only** if the portfolio will not suffer any losses for selling the investment prior to maturity.

*Performance Standards:* The objective of investing is to obtain a rate of return throughout budgetary and economic cycles, commensurate with investment risk constraints and cash flow needs.

## REPORTING

*Reporting Methods:* On a quarterly basis, the investment portfolio will be presented at a City Council meeting along with the quarterly financial reports, and will list the following components:

1. Types of investment;
2. Issuer names;
3. Dates of maturity;
4. Par amounts;
5. Dollar amounts;
6. Market values;
7. Descriptions of programs under the management of contracted parties;
8. A statement of compliance with the investment policy; and
9. A statement of the ability to meet cash flow needs for six months.

*Governmental Accountings Standards Board (GASB) Statement No. 31 - Marking to Market:* The City's portfolio is to be marked-to-market for the monthly investment report provided to the City Council and at minimum, annually for the financial statements. Market values are to be obtained from a reputable and independent source and disclosed to the City Council in the monthly written report. The independent source of pricing should not be one of the parties to the transaction being valued. Such an independent source could include a broker or other financial institution that was not counterparty to the transaction, the custodial bank if the bank was not a counterparty to the transaction, publicly available publications such as *The Wall Street Journal*, or other pricing services for which a separate fee would be paid.

This is consistent with GASB Statement No. 31, which requires that governmental entities report investments at fair value, and with the California Governmental Code, which also requires market values of investments be reported.

*Calculation of Yield and Costs:* All yield rates on investments will be presented at book value.

*Investment Policy Adoption, Review, and Amendment:* The investment policy will be reviewed, amended, and presented to the City Council annually at the beginning of the calendar year. The review should ensure that the policy is consistent with the overall objectives of preservation of principal, liquidity, and return, and is in conformance with the law, financial and economic trends, and the cash flow needs of the local agency.

*Definitions or Glossary of Terms:* This investment policy includes a definition section (Appendix A) in order to establish a common vocabulary between the Treasurer, and designated staff, the City Council, and the public.

## APPENDIX A – INVESTMENT POLICY TERMINOLOGY

The following are examples of terminology commonly found in California City investment policies. The inclusion of these sections provides clarity to investment policies and better enables readers to understand important concepts.

**Authorized Financial Dealers and Institutions:** A list of financial institutions authorized to provide investment services. May also include a list of approved security broker/dealers with which the City can do business. These institutions and broker/dealers are usually selected by their ability to add value to the investment process. Some criteria to consider when choosing an approved broker/dealer include creditworthiness, expertise, and the products in which the financial dealer or institution is familiar. GFOA suggests that all entities qualifying for investment transactions provide audited financial statements; proof of industry group (National Association of Securities Dealers [NASD]) certification; proof of state registration; completed broker/dealer questionnaire; and certification of having read, understood, and agreeing to comply with the investment policy.

**Bankers' Acceptance:** A draft, bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**Certificate of Deposit:** A time deposit with a specific maturity evidenced by a certificate.

**Collateralization:** Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security. California Government Code Section 53601 requires that all repurchase agreements be secured by eligible securities with a market value of 102 percent or greater of the funds borrowed. California Government Code requires public deposits to be collateralized at 110%.

**Delegation of Authority:** The granting of authority to manage the investment program to designated officials. Such authority is usually derived from code sections, ordinance, charters, or statutes. Government Code Section 53607, for example, allows the City Council to delegate, for a one-year period, its authority to invest or reinvest funds or to sell or exchange securities held by the local government.

**Delivery vs. Payment:** A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian. It ensures that securities are deposited in an eligible financial institution prior to the release of funds. A third-party custodian as evidenced by safekeeping receipts should hold securities.

**Diversification:** A process of investing assets among a range of security types by sector, maturity, credit rating, and call type or structure. This reduces exposure to risk by combining a variety of investments, which are unlikely to all move in the same direction. GFOA suggests diversifying a city's investment portfolio by limiting investments to avoid exposure to a specific sector, limiting investment in securities with higher credit risks, investing in instruments with varying maturities, and continuously investing a portion of the portfolio in readily available funds such as a local government investment pool, money market funds, or

overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

**Ethics and Conflicts of Interest:** The California Political Reform Act of 1974 requires certain designated public officials at all levels of government to publicly disclose their private economic interests and requires all public officials to disqualify themselves from participating in decisions in which they have a financial interest. As part of this requirement, local agencies are required to adopt and promulgate a Conflict of Interest Code, with certain required sections. To further promulgate this Code, investment policies sometimes include language requiring the ethical conduct of investment officers and statements regarding refraining from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. To avoid conflicts, GFOA recommends that investment officers disclose material interests in financial institutions with which they do business, disclose personal financial interests that could be related to the performance of the investment portfolio, and refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the local government.

**Exemption:** Language that grandfathers prohibited investments into the investment policy because they may have been held in the portfolio prior to the prohibition. When these investments mature or are liquidated, the money should be reinvested as provided by the policy and the exemption language should be removed from the policy.

**FDIC:** Federal Deposit Insurance Corporation is a federal agency that insures bank deposits up to \$250,000 per deposit.

**General Objectives:** The section of an investment policy that illustrates the three main objectives (safety, liquidity, and yield), in order of priority, of a good investment policy. In addition to these commonly included objectives, there are a myriad of other objectives for which an investment policy can strive. Safety is the preservation of principal. Liquidity is how easily an investment may be redeemed for cash. Yield is the current rate of return on a security generally expressed as a percentage of its current price. As per California Government Code Section 53600.5, safeguarding the principal of the funds under its control should be the primary objective of local agencies. Liquidity also should be a principal objective of a portfolio. The portfolio should maintain sufficient liquidity to meet operating requirements. To accomplish this, a local agency can structure a portfolio so that investments mature when cash is needed and also by investing in liquid securities with an active secondary market. Yield should be the last objective an investment portfolio should strive for, behind safety and liquidity. Since there are many different ways for yield to be calculated, the investment policy should specify how it is to be calculated.

**Internal Controls:** The system used to ensure that the local government assets are protected from loss, theft, or misuse. Such a system should provide a reasonable assurance that such loss, theft, or misuse can be prevented. Examples include separation of duties, delegation of authority, and documentation. GFOA suggests that an internal control system address the following points: control of collusion, separation of transaction authority from



accounting and recordkeeping, custodial safekeeping, avoidance of physical delivery of securities, clear delegation of authority to subordinate staff, written confirmation of transactions for investments and wire transfers, and development of a wire transfer agreement with the lead bank and third-party custodian.

**Investment Parameters:** Specified restrictions on investments to limit the amount of risk in a portfolio. These parameters may be specified in the California Government Code; however, the local agency may choose to further restrict investment options depending on its risk tolerance. Such parameters may include diversification of investments types, percentages, or dollar limits per issuer and setting maximum maturities.

**Investment Types:** A recitation of the investment types the local agency has been given authority in which to invest. This may be a list of securities allowable under California Government Code Section 53601 et seq., and may be further restricted by the agency itself. For a description of the allowable California local agency investment instruments, please see CDIAC's latest version of its Local Agency Investment Guidelines, available on its website at [www.treasurer.ca.gov/cdiac](http://www.treasurer.ca.gov/cdiac). GFOA recommends the investment in the following types of securities: U.S. government securities and agency obligations; highly-rated certificates of deposit, bankers' acceptances, commercial paper; investment-grade state and local government obligations; repurchase agreements securitized by the previously-mentioned securities; SEC-regulated, dollar-denominated money market mutual funds; and local government investment pools.

**LAIF:** Local Agency Investment Fund, the State of California's investment pool in which cities, counties and special districts may participate.

**Liquidity:** A liquid asset is one that can be quickly and easily converted into cash without loss in value.

**Market Value:** The price at which a security is trading at a point in time. Selling an investment at market value can result in a gain (\$500,000 investment sold for \$515,000 = \$15,000 gain) or loss (\$500,000 investment sold for \$498,000 = \$2,000 loss). Gains and losses are dependent on changes in the current rate of interest as compared to the interest rate of the investment that is being considered for sale.

**Marking-to-Market:** The act of recording the price or value of a security to reflect its current market value rather than its book value.

**Maximum Maturities:** Maturity is the date on which the security or obligation is redeemed by the issuer in exchange for cash. California law states that local governments cannot invest in instruments with terms remaining to maturity in excess of five years unless they receive express authority from their legislative bodies to do so. Local governments should attempt to match investment maturities with anticipated cash flow requirements. There is no requirement under California law for local governments to have a weighted average maturity (WAM) restriction for their portfolio, although CDIAC's Local Agency Investment Guidelines suggests that local agencies consider adopting a WAM restriction.

**Performance Standards:** The criteria by which a stated goal is measured. An investment portfolio's performance and risk exposure should be evaluated against appropriate benchmarks on a regular basis. One standard that should be strived for should be a market rate of return in a given interest rate environment.

**Policy Considerations:** The local ordinances or other requirements that place restrictions on the policy. Local governments should consider what should be exempted from the policy and also when, or under what circumstances, the policy should be amended.

**Pooling of Funds:** A statement in the investment policy that except for certain restricted or special funds, cash balances should be consolidated from all funds to maximize investment earnings.

**Portfolio:** The collection of investment instruments held.

**Prudent Investor Standard:** Legal maxim that all investments should be made with care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the professional management of their business affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

**Reporting:** Presentation of evaluation data or other information to communicate processes, roles, and results. Investment policies should include reporting requirements such as methods of reporting investments, the standards against which investments should be reported, and the requirement for calculating market value.

**Reporting Methods:** Ways in which investment outcomes are reported including listing of instrument values, dollar value returns, percentage yields, etc. GFOA suggests that local governments prepare investment reports at least quarterly. In California, investment reports are no longer required to be submitted to legislative bodies. This requirement is now permissive. If a local government chooses to submit an investment report in accordance with California Government Code Section 53646 to their legislative bodies, they are still required to submit copies to CDIAC for the second and fourth quarter of every calendar year until January 1, 2007. GFOA goes on to list some suggested components of investment reports including listing of securities, gains and losses, average weighted yield to maturity as compared to benchmarks, listing of investment by maturity date, and percentage of the total portfolio which each type of investment represents.

**Repurchase Agreements:** A repurchase agreement is a form of short-term borrowing for dealers in government securities, which are highly valued and thus considered a good source of collateral. The dealer sells the government securities to investors, usually on an overnight basis, and buys them back the following day. Investments in repurchase agreements may be made when the term of the agreement does not exceed one year.

**Risk:** Two of the most common risks associated with local government portfolio investing are credit risk and interest rate risk. Credit risk is the risk to an investor that an issuer will default in the timely payment of interest and/or principal on a security. Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Limiting investment to the safest types of securities, pre-qualifying financial institutions, broker/dealers, and others with which the local agency will do business, and diversifying the number of issuers in an investment portfolio can minimize credit risk. Interest rate risk can be minimized by structuring the portfolio so that investments mature at the same time that cash is required or investing operating funds in highly liquid, shorter-term securities (e.g., U.S. Treasury bills or notes).

**Safekeeping and Custody:** Rules derived to ensure the safety of an investment and within whose control the investment resides. Some examples include third-party safekeeping, developing lists of authorized financial dealers and institutions, developing internal controls, and using a delivery vs. payment standard for transactions. Local agencies should consider requiring securities to be held by third-party custodians, evidenced by timely statements illustrating the balance held by these custodians.

**Scope:** The types of funds that the policy covers (e.g., operating funds, bond proceeds, etc.). In general, investment policies cover short-term operating funds. Longer-term funds such as retirement funds are covered by other policies. The investment of bond funds usually is governed by the bond documents such as the trust indenture.

**Standards of Care:** The degree of care that a reasonably prudent person would exercise in the investment of local agency funds.



<b>AGENDA NO:</b>	<b>B - 3</b>
<b>MEETING DATE:</b>	<b>March 8, 2016</b>

## Staff Report

**TO:** Chairwoman Spagnola and Committee Members      **DATE:** March 3, 2016  
**FROM:** Susan Slayton, Administrative Services Director  
**SUBJECT:** Discussion on Creating a Subcommittee to Craft Public-Friendly Budget Documents

### **DISCUSSION**

The Committee is to discuss creating a subcommittee for developing a public-friendly budget document. Staff has provided information, which is attached again, on creating a better budget. Also attached is a sample of a quick flyer, prepared in 2013/14, and budget graphs from the same timeframe.



# 2013/2014 CITY OF MORRO BAY BUDGET IN BRIEF

## INTRODUCTION TO THE ANNUAL BUDGET

Morro Bay's annual budget is a key communication tool, illustrating to the public the City's strategic direction, sources of funding, and types of expenditures. This document seeks to condense the budget into information, tables and charts for the use of the general public.

The City's total combined annual budget for the Fiscal Year 2013/14 is \$30,155,339.



ADOPTED ANNUAL BUDGET  
2013/14

## CITY COUNCIL STRATEGIC GOALS

The City Council's Strategic Goals were developed and adopted in 2013. These goals are at the heart of what our community expects from its local government, and are captured in our 2013/14 Adopted Annual Budget, which allocates the needed resources to achieve our shared vision.

The City Council's Strategic Goals are:

### ESSENTIAL:

- Develop a new Water Reclamation Facility

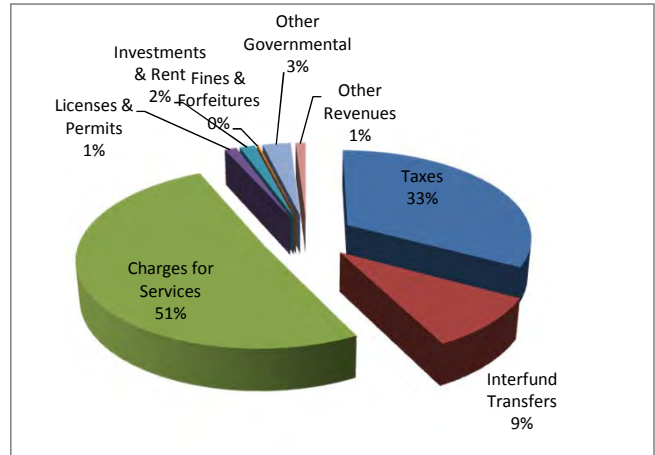
### MAJOR:

- Update plans for current and future land use
- Maintain core public safety services
- Ensure fiscal sustainability
- Support Economic Development
- Improve City Infrastructure

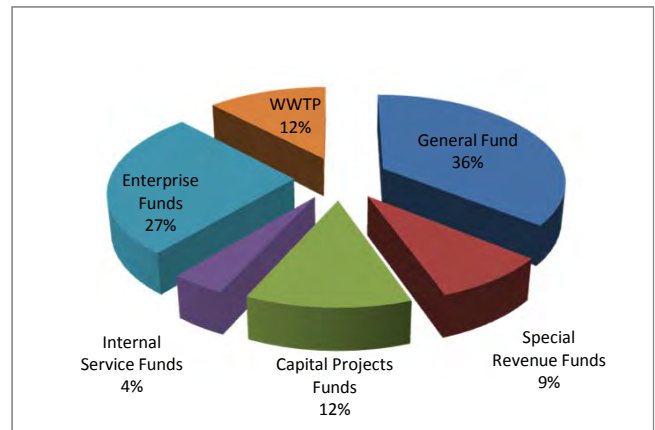
### IMPORTANT OBJECTIVES:

- Enhance quality of life
- Boost community disaster awareness
- Leverage outside resources to support City's goals

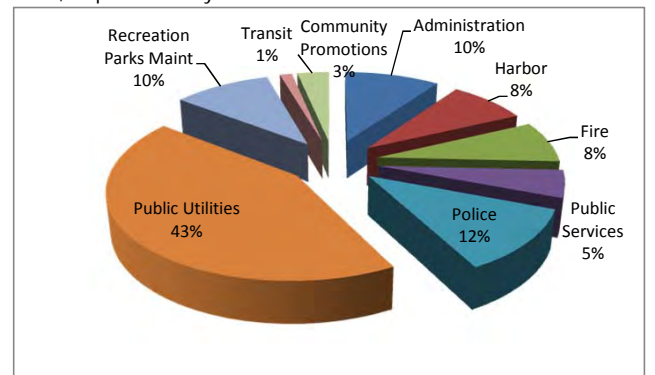
## HOW IS THE BUDGET FUNDED?



## HOW IS THE BUDGET SPENT?



It may be helpful to think of the different City funds as multiple "business enterprises." Just as businesses vary by size and revenue, so too do the various City funds. There is a tendency to equate the City's General Fund with the City's financial status as a whole, but it is important to remember that the General Fund is just one of the many funds, or places of City business.





# 2013/2014 CITY OF MORRO BAY BUDGET IN BRIEF

## WHAT IS THE GENERAL FUND?

The General Fund provides core City services, including Police, Fire, Parks, Recreation, Administration, Legal, Finance, HR, IT, Public Services (Planning & Engineering), and Street, Storm Drain and Street Trees Maintenance. The General Fund is primarily supported by tax revenues (property, sales, transient occupancy, business license, franchises), fees, and charges that are collected within the City. The General Fund is where you see the greatest impact that your tax dollars and fees paid to the City have on providing services to the Citizens of Morro Bay.

The total General Fund budget is \$10,676,608, and is broken down into revenue categories and expenditures here

The City's Cost Allocation plan was updated in 2009. This plan captures General Fund activities that are paid for by the General Fund, but performed for Enterprise Funds. An example of this is payroll. The Finance Department pays the cost of processing payroll for all of the City's employees. Some of those employees work for Enterprise, or Business-type, Funds, like the Harbor Department. The cost allocation plan captures the cost of processing their payroll, and "bills" the Harbor Department for that service.

The City Attorney's office charges a portion of its salaries and benefits to each of the Enterprise Funds (20% each to Water, Sewer, Harbor). This amount is not a component of the cost allocation plan.

Cost allocation plan transfers for 2013/14 are:

Transit	\$79,775
Water	\$276,341
Sewer	\$164,701
Harbor	\$276,986

## ADOPTED 2013-14 BUDGET - GENERAL FUND

### Projected Revenues

Property taxes	\$3,670,659
Sales tax	1,200,000
Transient Occupancy Tax	2,000,000
Other taxes	656,600
Business licenses	289,000
Other licenses	47,887
State and Federal money	23,000
Investments (interest & rent)	275,200
Parking & Vehicle Code fines	24,500
Charges for services	869,609
Other revenues and Transfers in	1,620,153
<b>Total revenues</b>	<b>\$10,676,608</b>

### Projected Expenditures

City Council	\$197,714
City Manager & Administration	707,586
City Attorney (40% salaries/benefits)	147,244
Finance, Human Resources, IT	840,296
Police and Dispatch	3,297,198
Fire and EOC	1,998,395
Public Services	1,004,112
Rec & Parks, Maintenance	2,445,868
Transfers out	38,195
<b>Total expenditures</b>	<b>\$10,676,608</b>

General Fund Vehicle Replacement	\$20,000
General Fund Facility Maintenance	\$88,012
<b>Total all General Fund</b>	<b>\$10,784,620</b>

Components of the City Manager's budget include:

Administration	\$433,597
Contract services for animal control	\$35,017
Elections	\$19,954
Community promotion and Visitors Center	\$160,593
Economic Development	\$58,425

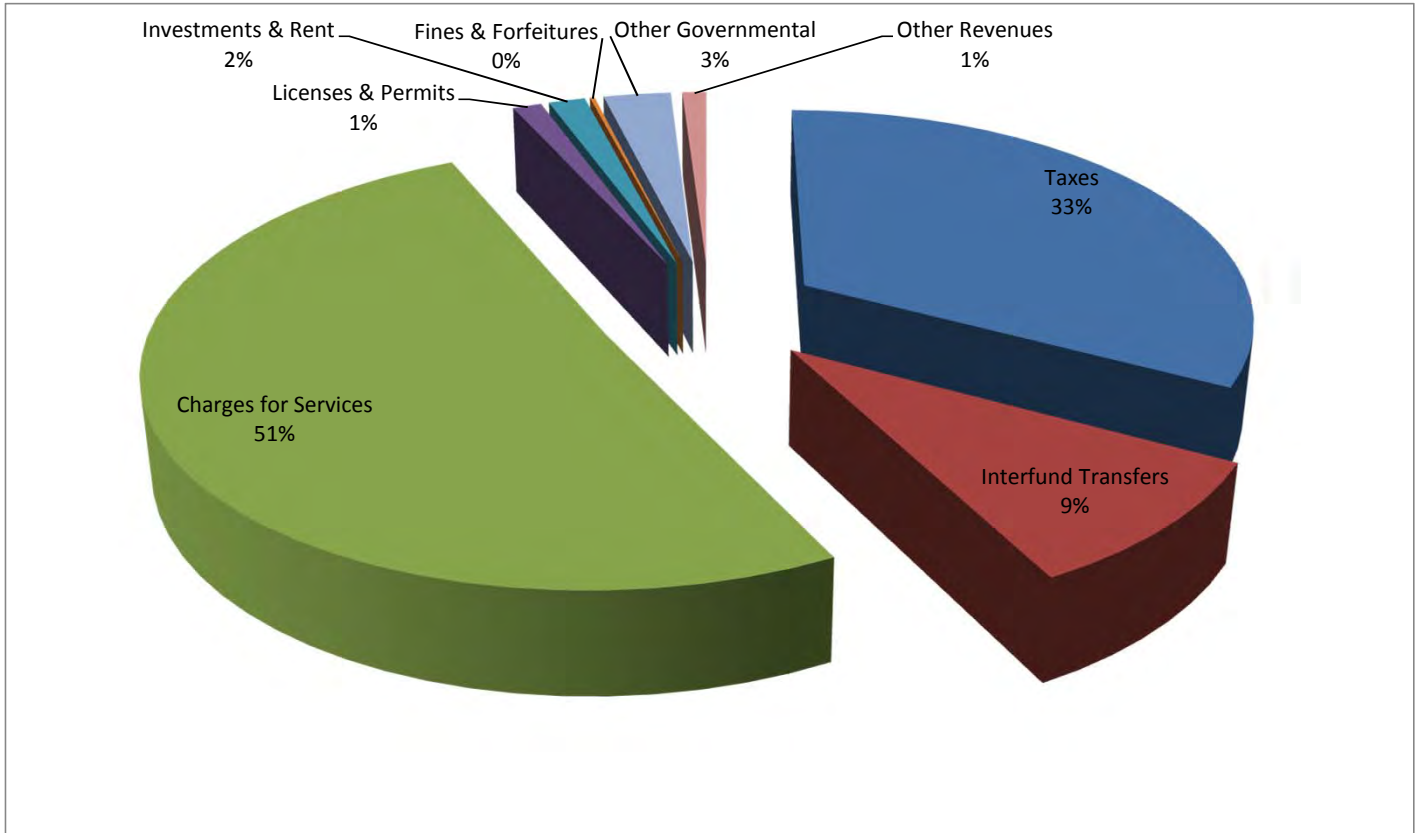
## CITY FACTS

Population:	10,317 as of January 1, 2013	
Incorporated:	July 17, 1964	
Area in square miles:	10.32	
Form of Government:	Council-Manager	
City Council meetings:	2nd & 4th Tuesday of every month	
Number of Parks:	13	
Sworn Police Officers:	17	
Police Station:	850 Morro Bay Blvd.	772-6225
Firefighters/Paramedics:	10	
Fire Station:	715 Harbor St.	772-6242
City Hall:	595 Harbor St.	772-6201
Public Services:	955 Shasta	772-6261
Rec & Parks:	1001 Kennedy Way	772-6278
Senior Center:	1001 Kennedy Way	772-4421
Veterans Hall:	209 Surf St.	
Harbor Office:	1275 Embarcadero	772-6254

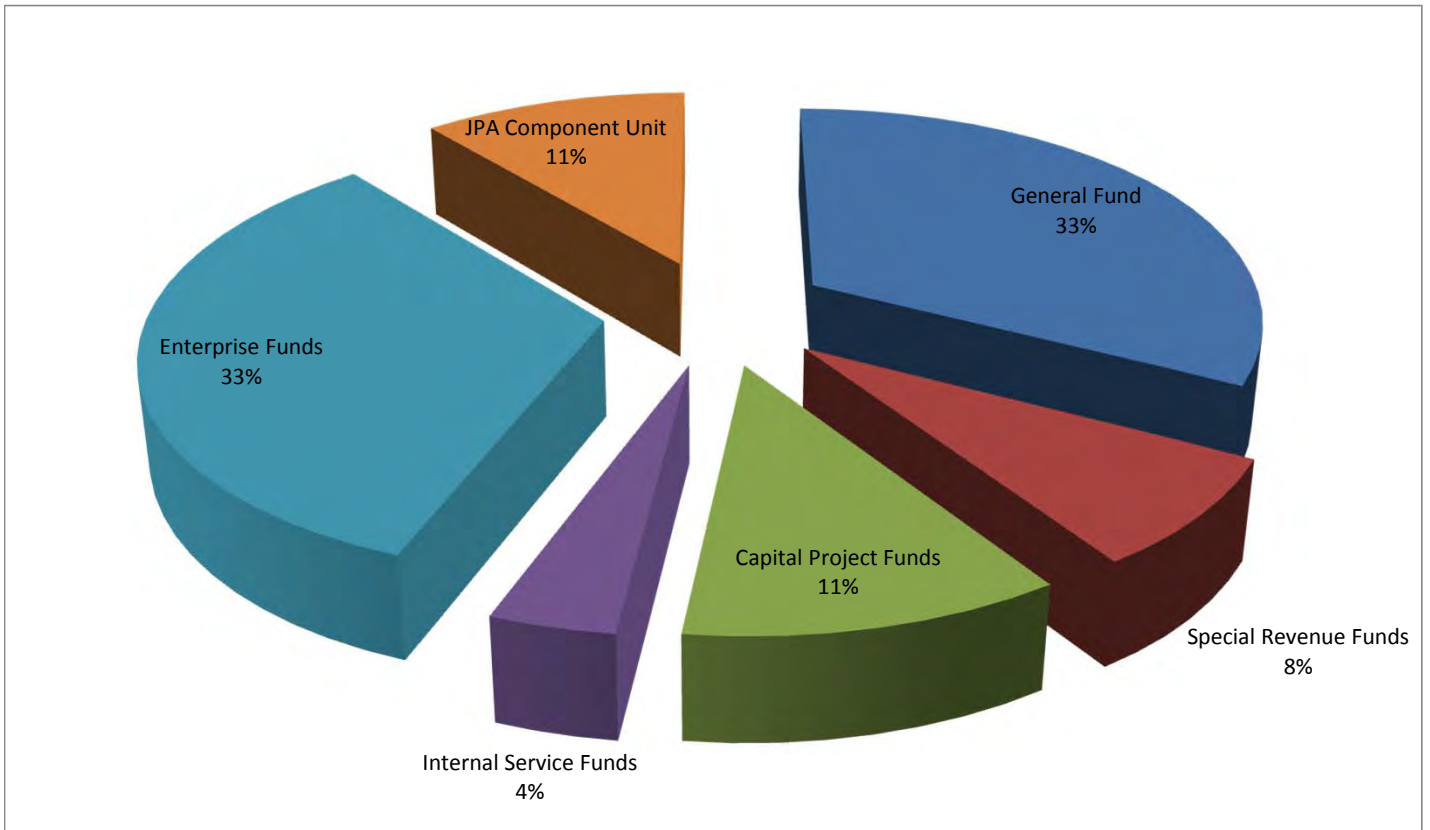
## CITY OFFICIALS

City Council:	Jamie Irons, Mayor	550-6595
	George Leage, Vice-Mayor	459-4119
	Christine Johnson, Member	305-3759
	Nancy Johnson, Member	772-3738
	Noah Smukler, Member	772-7668
City Manager:	Andrea Lueker	772-6205
City Attorney:	Rob Schultz	772-6568
City Clerk:	Jamie Boucher	772-6205
Harbor Dir:	Eric Endersby	772-6254
Public Services Dir:	Rob Livick	772-6261
Police Chief:	Amy Christey	772-6225
Fire Chief:	Steve Knuckles	772-6242
Admin Svcs Dir:	Susan Slayton	772-6201
Rec & Parks Dir:	Joe Woods	772-6278

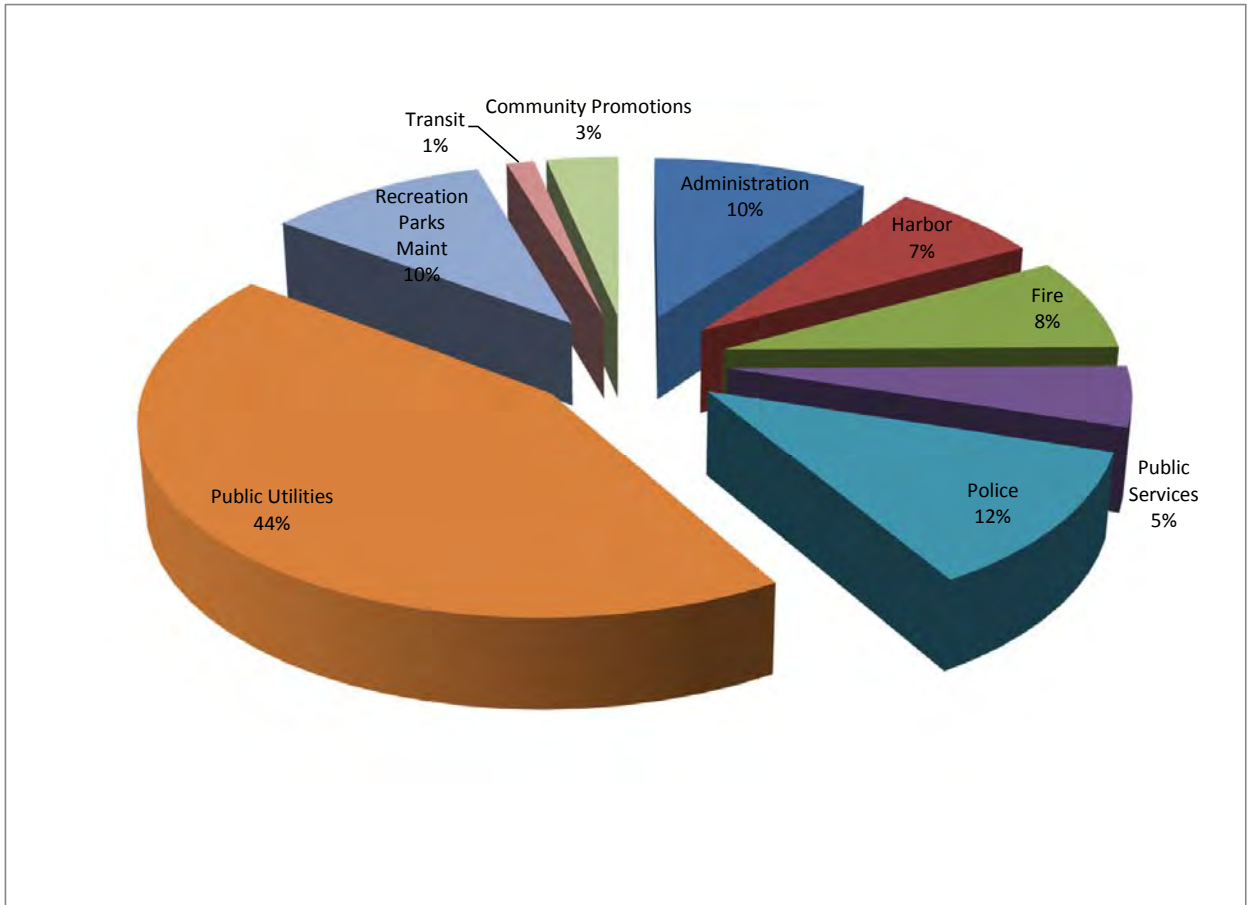
## HOW IS THE BUDGET FUNDED?



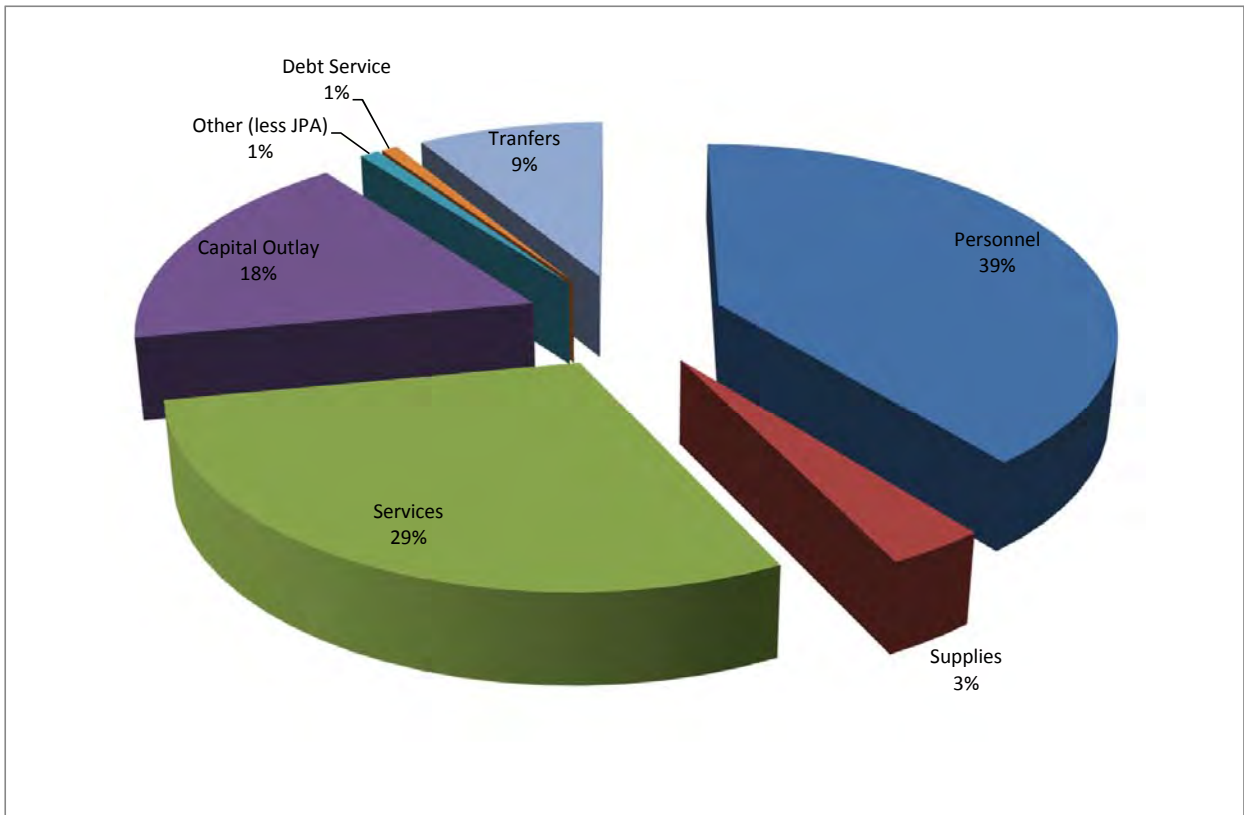
## HOW IS THE BUDGET SPENT?



## SPENDING BY "BUSINESS-TYPES"

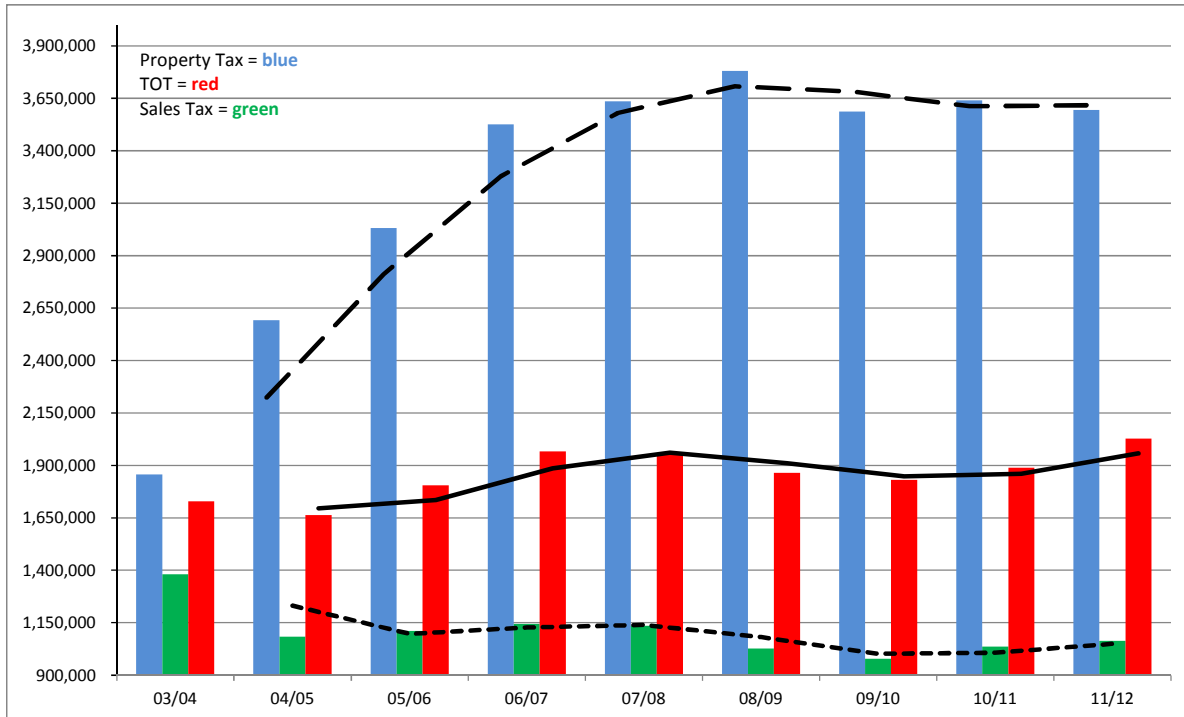


## SPENDING BY CATEGORIES

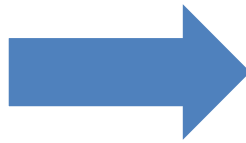
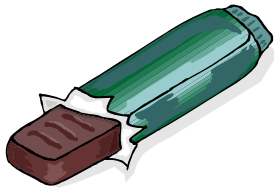




## HOW ARE OUR THREE LARGEST REVENUE PRODUCERS DOING?

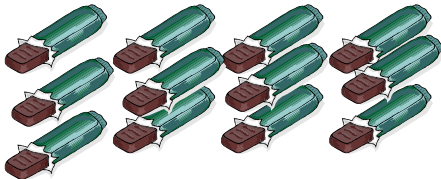


## DO I MAKE A DIFFERENCE?



For every \$1.00 candy bar sold within the City of Morro Bay

a penny of sales tax flows to the City of Morro Bay



If 32 million candy bars are sold this year within the City of Morro Bay

We could purchase a fire truck with the resulting revenue



**SHOP LOCALLY...IT MATTERS**

## **“Best Practices in Communicating Your Budget Effectively” -- webinar**

10:00 – 11:30 a.m. PT, Wednesday, April 24, 2013

CSMFO Coaching Program

\*\*\* Advance registration required for this no-charge webinar:

<https://www1.gotomeeting.com/register/818942704>

Panel topics:

1. The problem with budget documents
2. Suggested solutions
3. The Riverside approach
4. The Irvine approach

Questions & Answers

Presenters:

\* Scott Catlett, Asst. Finance Director, Riverside

\* Ken Brown, Manager, Budget & Business Planning, Irvine

Audience: finance professionals

We'll be using webinar tools (including real-time questions and live polling) to make this a great opportunity for audience interaction.

Are you a member of CSMFO and want to earn CPE credit for participation in the webinar? Note the requirements at registration.

1. Register in advance for the webinar:

There is no charge for participating in the webinars, but each requires advance registration.

\*\*\* Advance registration required for this no-charge webinar:

<https://www1.gotomeeting.com/register/818942704>

2. Connect with the webinar and audio:

Use your logon information from the email confirmation you receive via email from GoToWebinar. We recommend the Use Telephone option dial-in number provided by GoToWebinar for sound quality. Depending upon your internet connection, VOIP option for audio (computer speakers) can have delays or sound quality issues.

3. Ask questions:

You may submit questions anonymously via email to [CSMFO@DonMaruska.com](mailto:CSMFO@DonMaruska.com) in advance or via the webinar during the panel discussion. As moderator for the session, Don Maruska will pose the questions.

4. Presenters' presentation materials:

We post these with the agenda at "Live Audio & Archives" tab of [www.csmfo.org/training/csmfo-webinars-and-hot-topic-calls/](http://www.csmfo.org/training/csmfo-webinars-and-hot-topic-calls/). The PPT will be available about 2 hours before the webinar.

After a webinar occurs, a digital recording along with the PowerPoint materials and results of the polling questions will be available within 24 hours at the "Live Audio & Archives" tab of [www.csmfo.org/training/csmfo-webinars-and-hot-topic-calls/](http://www.csmfo.org/training/csmfo-webinars-and-hot-topic-calls/).

#### Post-Webinar Group Discussions

Many agencies are organizing groups to participate in the webinars (live or recorded) and discuss the topics among themselves after the webinars. Some are summarizing their discussions and distributing them to managers throughout their organizations. Use the CSMFO Coaching Program as an effective way to enhance professional development in your agency. Here are some discussion starters for this session.

- a. What challenges do we have with communicating our budget information?
- b. Which tools and approaches from this webinar might we apply for our agency?
- c. What actions can we take now to enhance communication of this year's budget?

MORE RESOURCES--See the "Coaching Corner" at [www.csmfo.org/coaching](http://www.csmfo.org/coaching) for valuable resources to boost your career. These include a Financial Management Skills Inventory, Resource Matrix, Coaches Gallery of 24 volunteer CSMFO Coaches willing to help you on a one-to-one basis, and an archive of digital recordings and materials from past webinars.

Enjoy the resources and support to thrive as a local government finance professional.

Don Maruska, Master Certified Coach  
Director, CSMFO Coaching Program  
See "Coaching Corner" at [www.csmfo.org/coaching](http://www.csmfo.org/coaching)

Don Maruska & Company, Inc.  
895 Napa Avenue, Suite A-5, Morro Bay, CA 93442  
805-772-4667; fax: 805-772-4697; [www.DonMaruska.com](http://www.DonMaruska.com)  
Author of "How Great Decisions Get Made" and "Take Charge of Your Talent"  
[www.TakeChargeofYourTalent.com](http://www.TakeChargeofYourTalent.com)



**Scott Catlett**, Assistant Finance Director, Riverside, CA

Scott Catlett has been the Assistant Finance Director for the City of Riverside for the past three years. Previously Scott was the Financial Resources Division Manager, where he supervised the preparation of the City's Annual Budget and Capital Improvement Program documents and managed the City's debt portfolio. Prior to joining the City, he worked as a Management Consultant specializing in the development of capital improvement financing plans for municipalities and large commercial airports.

Scott has a Bachelor of Science degree in Finance from Tulane University and a Masters of Public Administration degree from California State University San Bernardino. He is a member of the Government Finance Officers Association (GFOA) and the California Society of Municipal Finance Officers (CSMFO). He serves as a budget reviewer for both organizations' budget awards programs, is the current Chair of the CSMFO Career Development Committee, and is a past Chair of the Professional Standards and Recognition Committee and of the Inland Empire Chapter.



**Ken Brown**, Manager of Budget & Business Planning, Irvine, CA

Ken Brown has worked at the City of Irvine for 14 years, where he currently works within the City Manager's Office as Irvine's Manager of Budget and Business Planning. Ken has worked in many different jobs at the City of Irvine including assignments within the City's finance, accounting, and risk management functions. Ken has also had responsibility for the City's Strategic Business Plan, its long-term financial forecast and capital planning document. Ken is Chair of CSMFO's Professional Standards and recognition Committee where he works to promote professional best practices. In his own job, Ken's major area of focus is on planning from a long-term perspective and seeking to communicate financial information as effectively and efficiently as possible, whether to City leaders, the public or to employees.

Ken has an MBA, with a concentration in Finance, from San Diego State University. At home, Ken stays busy with his 5-year old daughter, Zoe. Ken is also an avid runner and he recently completed the San Francisco Marathon.



# Communicating Your Budget Effectively



Coaching Program  
April 24, 2013



*Coaching Program: 15<sup>th</sup> year as member benefit*  
Career Development Committee

# Overview of Session

1. The problem with budget documents
2. Suggested solutions
3. The Riverside approach
4. The Irvine approach

Questions & Answers

- **Scott Catlett**, Asst. Finance Director, Riverside
- **Ken Brown**, Manager, Budget & Business Planning, Irvine

**Don Maruska**, Director, CSMFO Coaching Program

...and polls and questions along the way.



*Arts & Innovation*

# ***Best Practices in Communicating Your Budget Effectively***



***2013 CSMFO Webinar  
April 24, 2013***

***Presented by:  
Scott Catlett, City of Riverside  
Ken Brown, City of Irvine***

[www.CSMFO.org](http://www.CSMFO.org)







# Today's Topics

- The problem with budget documents
- Suggested solutions
- The Riverside approach
- The Irvine approach
- Budget awards programs
- Additional Questions

# Polling Question #1

How many people are participating at your location?



# THE PROBLEM WITH BUDGET DOCUMENTS



# Budget Communication Challenges

- The problem with budget documents:  
They are usually complex and confusing
- Lots of numbers
- Lots of financial terminology
- Structure is foreign to non-government people (Funds/departments/organizational units/cost allocations)



# Budget Communication Challenges

- Impact of confusing or inadequate budget documents:
  - Failure to communicate problems and solutions to elected officials and the public
  - Incorrect perceptions of fiscal health (good or bad)
  - Negative press coverage
  - Little value to end-users (including staff)



# Budget Communication Challenges

- Common failures:
  - Inadequate summarization
  - Inadequate narrative
  - Inconsistent numbers
  - Lack of “flow”
  - Lack of charts and graphs
  - Lack of “understandability” and “usability”



# Budget Communication Challenges

- Budget documents can be detailed without seeming complex or confusing:
  - Well thought out/executed summarization
  - Thorough narrative
  - Consistent numbers with logical organization
  - Logical “flow” to the document’s content
  - Thoughtful charts and graphs
  - Clarity of content and execution

# Polling Question #2

What are your roles in the budget preparation and communication process?





# SUGGESTED SOLUTIONS FOR BUDGET DOCUMENTS



# Suggested Solutions

- Budget document organization
- Thorough explanation of terminology and business processes
- Thoughtful use of charts and graphs
- Thoughtful implementation of performance measurement



# Budget Document Organization

- Organize the document like you're telling a story
  - Introduction
  - Beginning
  - Middle
  - End
  - Appendices



# Budget Document Organization

- So what does that look like in a budget?
  - Transmittal letter
  - Community profile
  - Organizational priorities and goals
  - Guide to the document
  - Budget summary / overview
  - Detailed data (logical organization)
  - (Limited) Supplemental data



# Explaining Terminology and Business Processes

- Take the time to educate the reader about the document they are about to open
  - What is a budget?
  - How is the budget developed?
  - What's in the budget document?
  - What are the accounting and budget frameworks within which we operate?
  - What policies govern our actions?



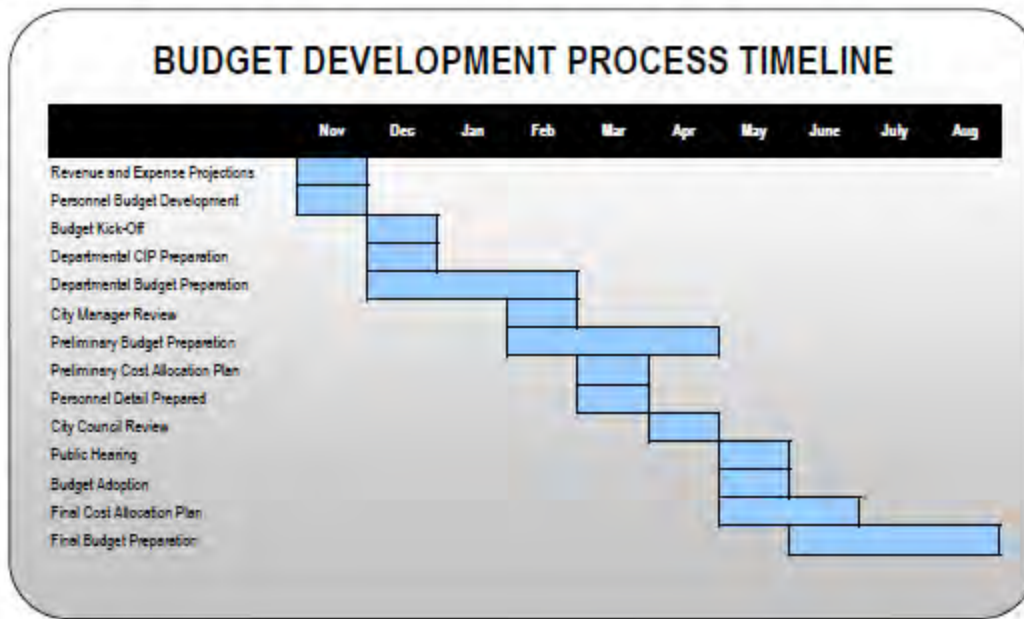
# Explaining Terminology and Business Processes

- An informed reader walks away with:
  - A better understanding
  - Fewer misconceptions
  - The message you intend to convey
  - A positive view of your organization and the challenges you face
  - A positive view of your financial controls and operational policies



# Thoughtful Use of Charts and Graphs

- How does the budget process work?

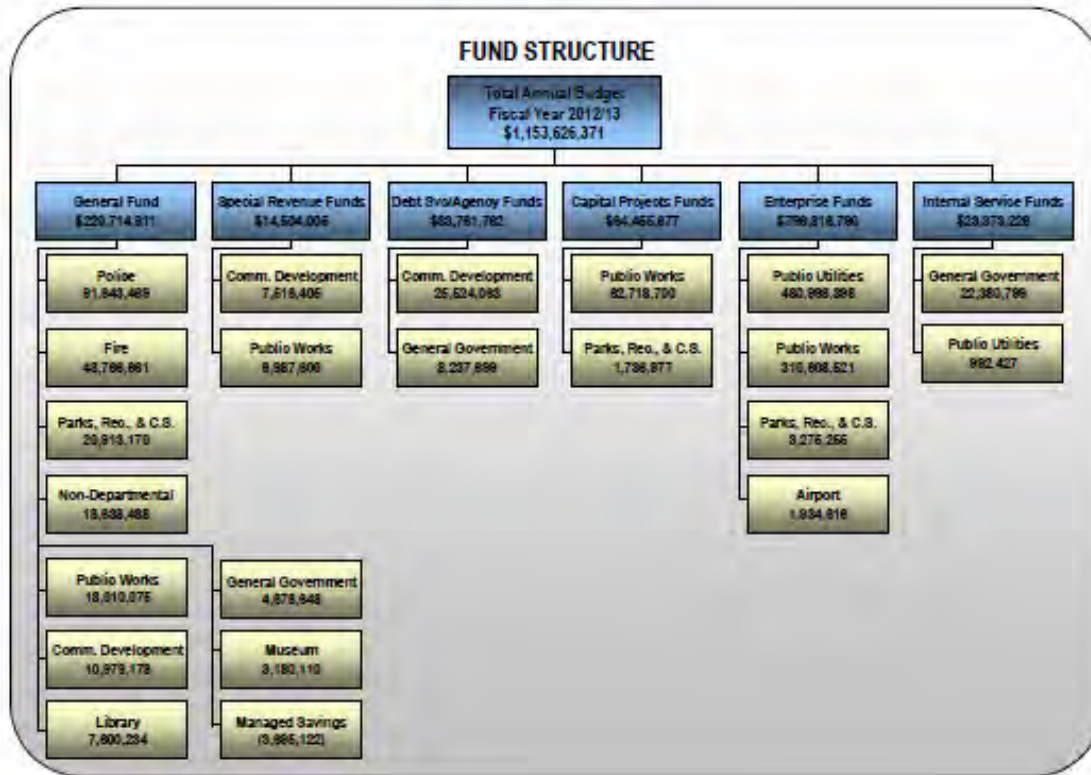


- Illustrate the process graphically
- Explain it in simple terms



# Thoughtful Use of Charts and Graphs

- What is the structure of the budget?



- Link organization to funds graphically
- Not too much detail
- Laying the groundwork





# Thoughtful Use of Charts and Graphs

## Outlook

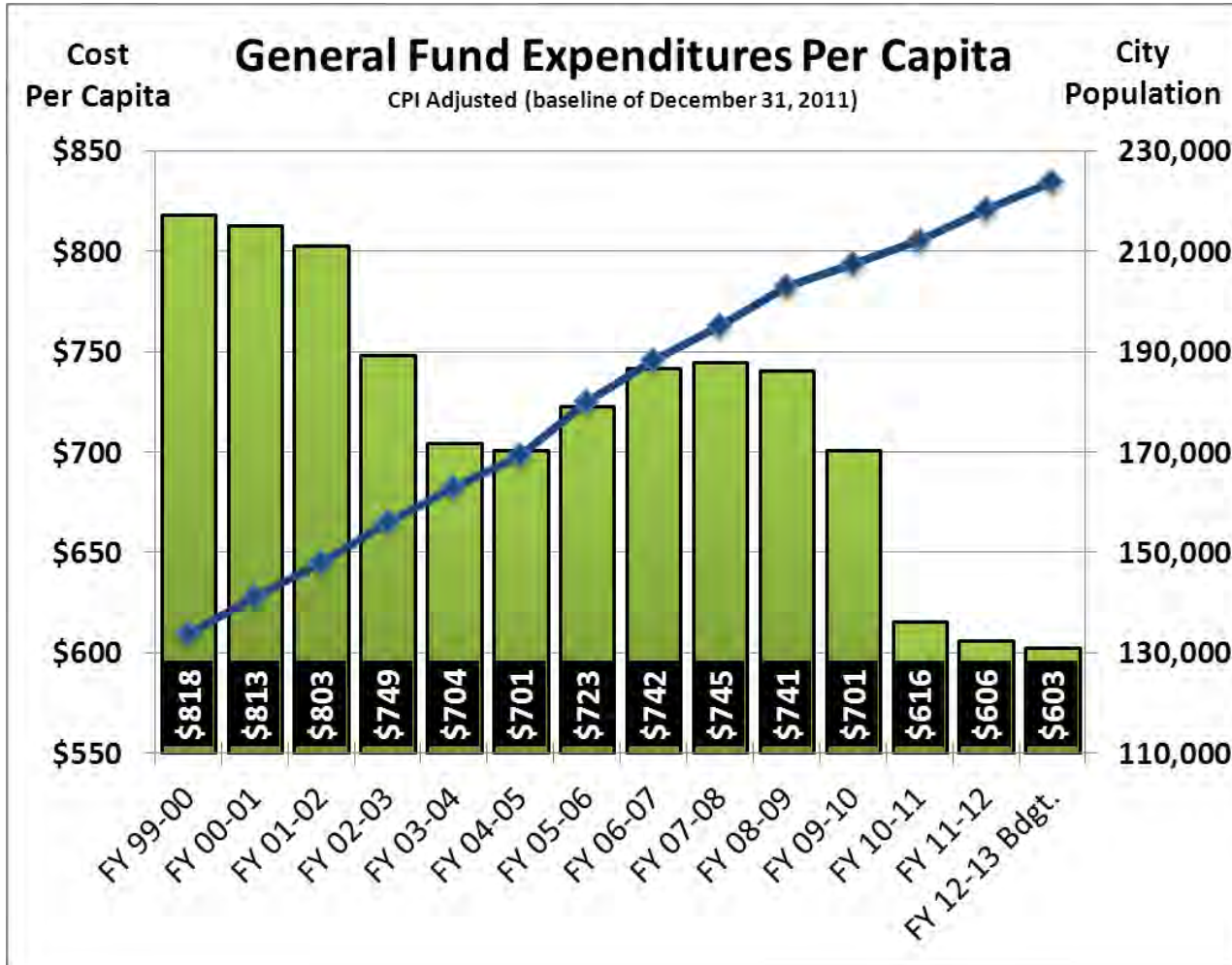
The City works closely with its sales tax consultant, HdL Coren & Cone, in projecting sales tax revenue. Based on HdL's analysis of the trend in year-to-date tax receipts, macroeconomic conditions (done in collaboration with its partner Beacon Economics) and an examination of local business data, the consultant anticipates the City will receive sales tax revenue of \$48.4

### Sales Tax History





# Thoughtful Use of Charts and Graphs

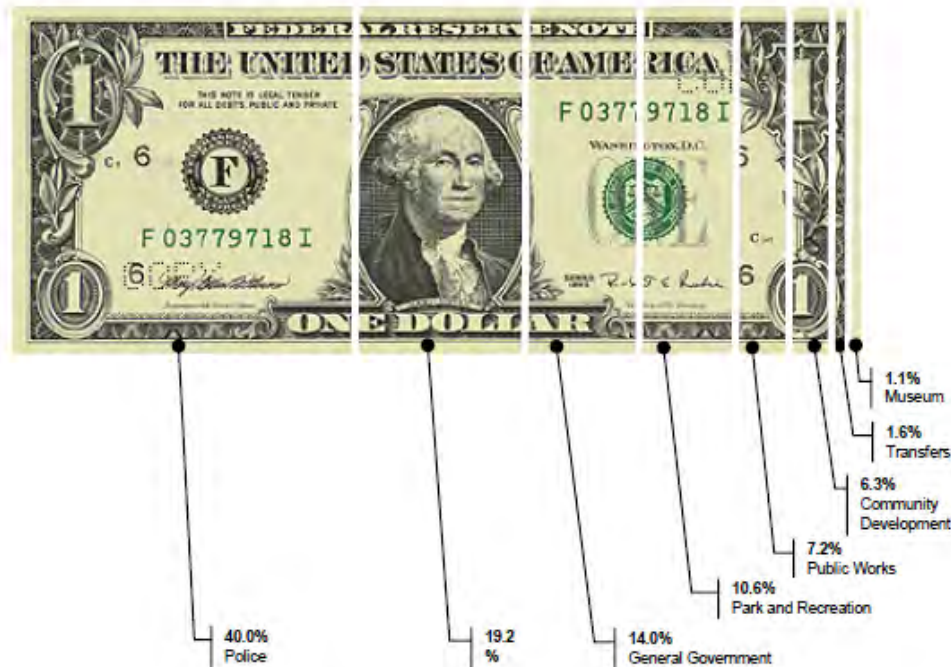




# Thoughtful Use of Charts and Graphs

- What makes up the General Fund?

Total General Fund Requirements = \$191.9 Million

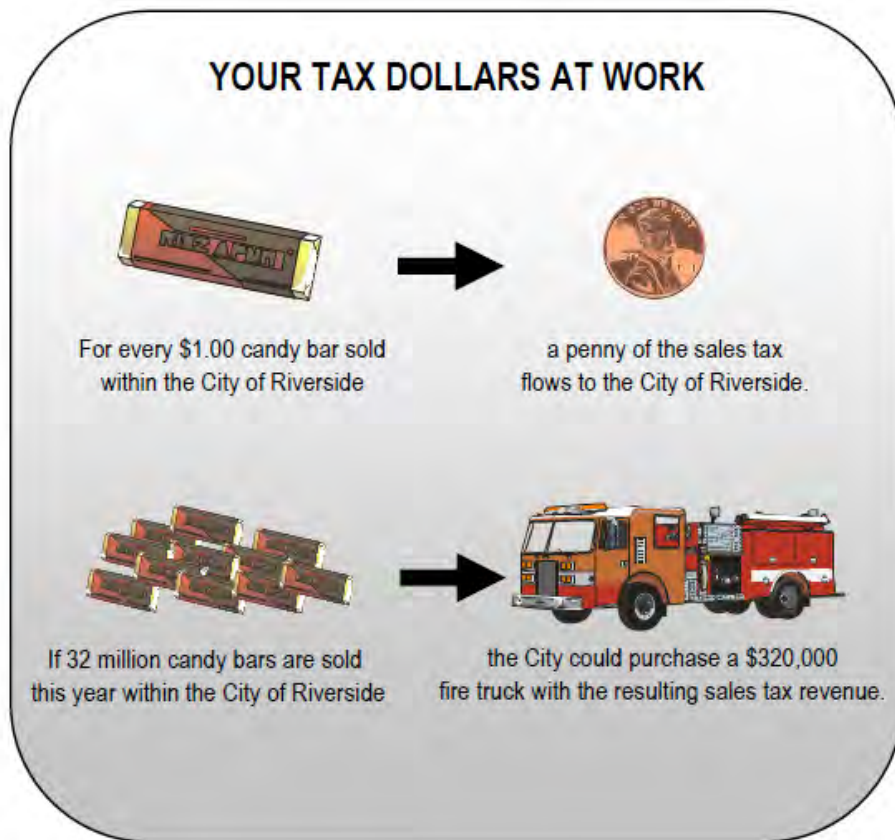


– Relates services to something a person can understand



# Thoughtful Use of Charts and Graphs

- Where does your money go?



– Relates services to something a person can understand



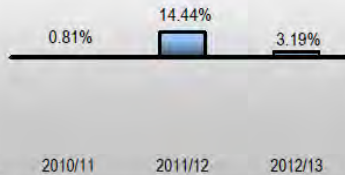
# Thoughtful Use of Charts and Graphs

- Consistent presentation of organizational unit data

BUDGET SUMMARY BY BUDGET CATEGORY

	Actual 2009/10	Actual 2010/11	Budgeted 2011/12
Personnel Services	31,491,792	30,608,621	33,737,566
Non-Personnel	25,435,628	26,874,737	32,887,706
Special Projects	5,920,545	5,872,914	5,879,233
<b>Current Operations Budget</b>	<b>\$ 62,847,965</b>	<b>\$ 63,356,272</b>	<b>\$ 72,504,510</b>
Equipment Outlay	2,256,281	595,282	2,307,966
Debt Service	13,847,115	17,414,298	12,458,888
Operating Grants	75,168	125,628	
Capital Outlay & Grants	69,530,459	78,699,087	129,768,671
Charges From Others	15,115,864	15,908,815	
Charges To Others	(17,587,475)	(17,628,720)	
<b>Total Budget</b>	<b>\$ 146,085,377</b>	<b>\$ 158,470,662</b>	

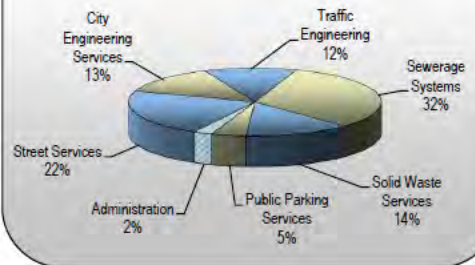
HISTORICAL BUDGET INCREASE  
(OVER PRIOR FISCAL YEAR)



HISTORICAL PERSONNEL



PERSONNEL BY DIVISION



- Users get used to format
- Makes comparisons easier



# Performance Measurement

- Layers of performance measurement
  - City goals / strategic planning
  - Department goals
    - Long-term
    - Linked to city goals
    - Meeting legislative priorities
  - Department objectives & accomplishments
    - Short-term
    - Progress is measurable
  - Measurement of performance data
    - Outcomes, not outputs



# Performance Measurement

- Why performance measurement?
  - Tell the organization's story to the public and elected officials (what are we doing with resources?)
  - All too often, including performance measures that are weak can do more harm than good
  - Make sure that measures are meaningful and relate to the community and legislative priorities
  - Avoid measuring outputs (e.g. business licenses processes = 19,451)
  - Try to measure outcomes (number of business license renewals with no errors = 98.42%)

# Polling Question #3

What is your agency's experience with performance measurement?





# **SUGGESTED SOLUTIONS FOR PRESENTING BUDGET DATA TO ELECTED OFFICIALS AND THE PUBLIC**



# Presenting Budget Data

- When presenting budget data:
  - Be engaging so that people pay attention and are interested in content
  - Avoid complicated tables and terminology
  - Select the most effective means of presenting your data
  - Have detail ready if asked, but concentrate on the big picture



# Presenting Budget Data

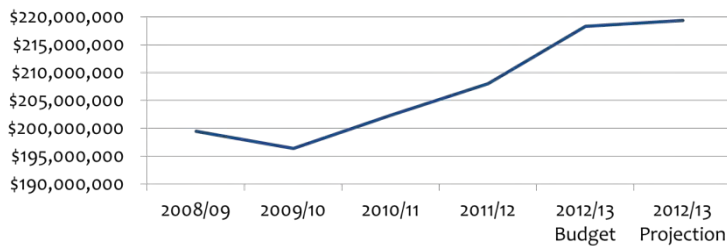
- When presenting good news:
  - Avoid overstating
  - Remember the cyclical nature of revenues
  - Have alternatives prepared (know your needs)
- When presenting bad news:
  - Be direct and don't avoid the issue
  - Provide context for how you got there
  - Provide solutions



# Provide Summary Data

- Too much detail in a presentation causes those listening to focus on the data instead of the presentation (have detail ready)

Yes

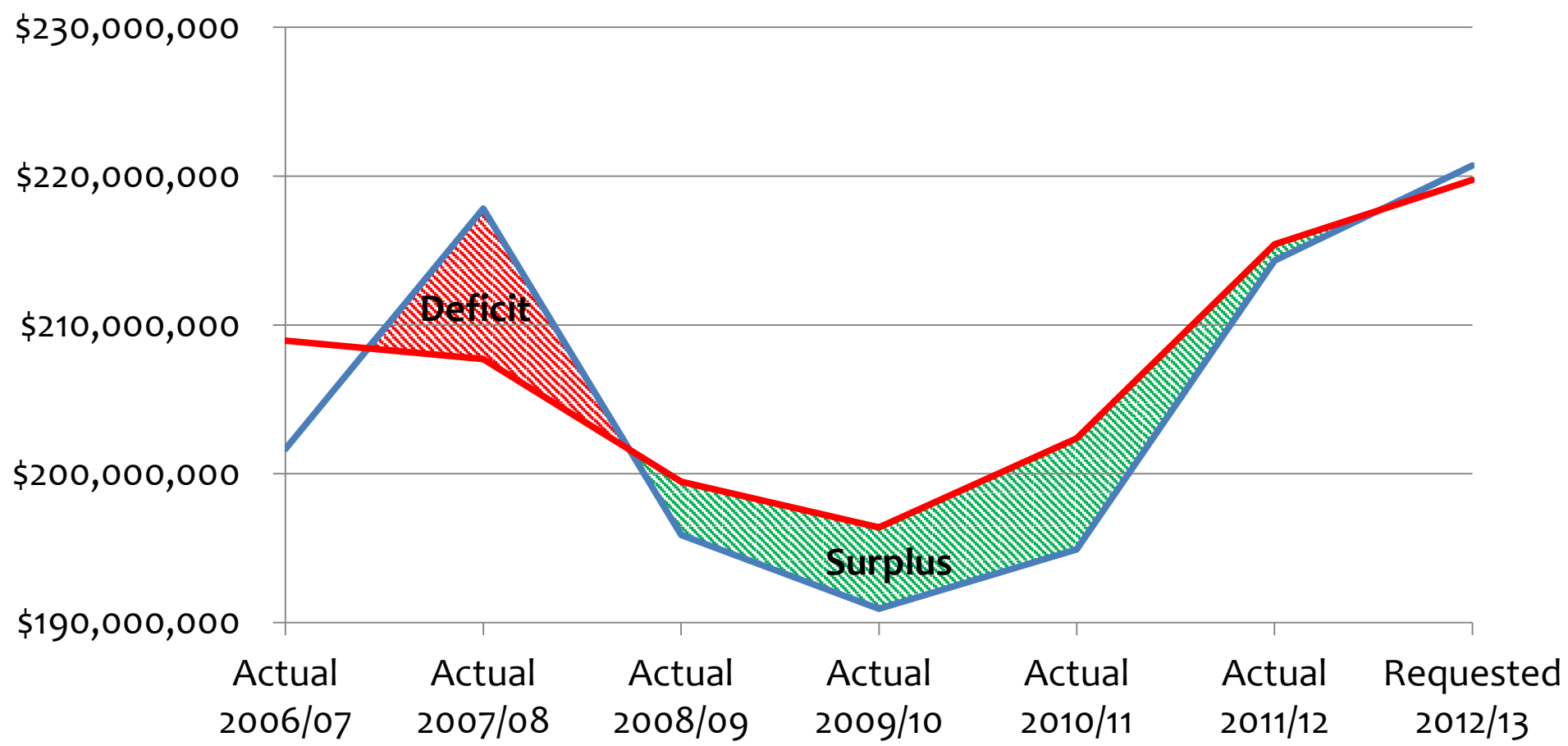


No

	2012/13 Adopted	2012/13 Projected	Budget Variance
Sales & Use Taxes	\$51,079,000	\$50,690,569	\$(388,431)
Property Taxes	47,265,758	47,737,690	471,932
Interfund Transfers	40,890,700	41,340,400	449,700
Utility Users Tax	28,397,050	28,103,000	(294,050)
Charges for Services	11,758,858	12,064,625	305,767
Licenses & Permits	7,456,234	7,769,233	312,999
Franchises	5,099,000	4,999,000	(100,000)
Other	5,044,881	4,579,881	(465,000)
Fines & Forfeits	4,955,437	5,855,563	900,126
Special Assessments	4,749,395	4,408,138	(341,257)
Transient Occupancy Tax	3,912,000	3,800,000	(112,000)
Property Transfer Tax	1,500,000	1,535,000	35,000
Intergovernmental	1,220,000	1,505,947	285,947
One-Time Revenues	5,000,000	5,000,000	-
<b>Total</b>	<b>\$218,328,313</b>	<b>\$219,389,046</b>	<b>\$1,060,733</b>
Prior Year Carry-Forward	1,422,322	1,422,322	-
<b>Adjusted Total</b>	<b>\$219,750,635</b>	<b>\$220,811,368</b>	<b>\$1,060,733</b>

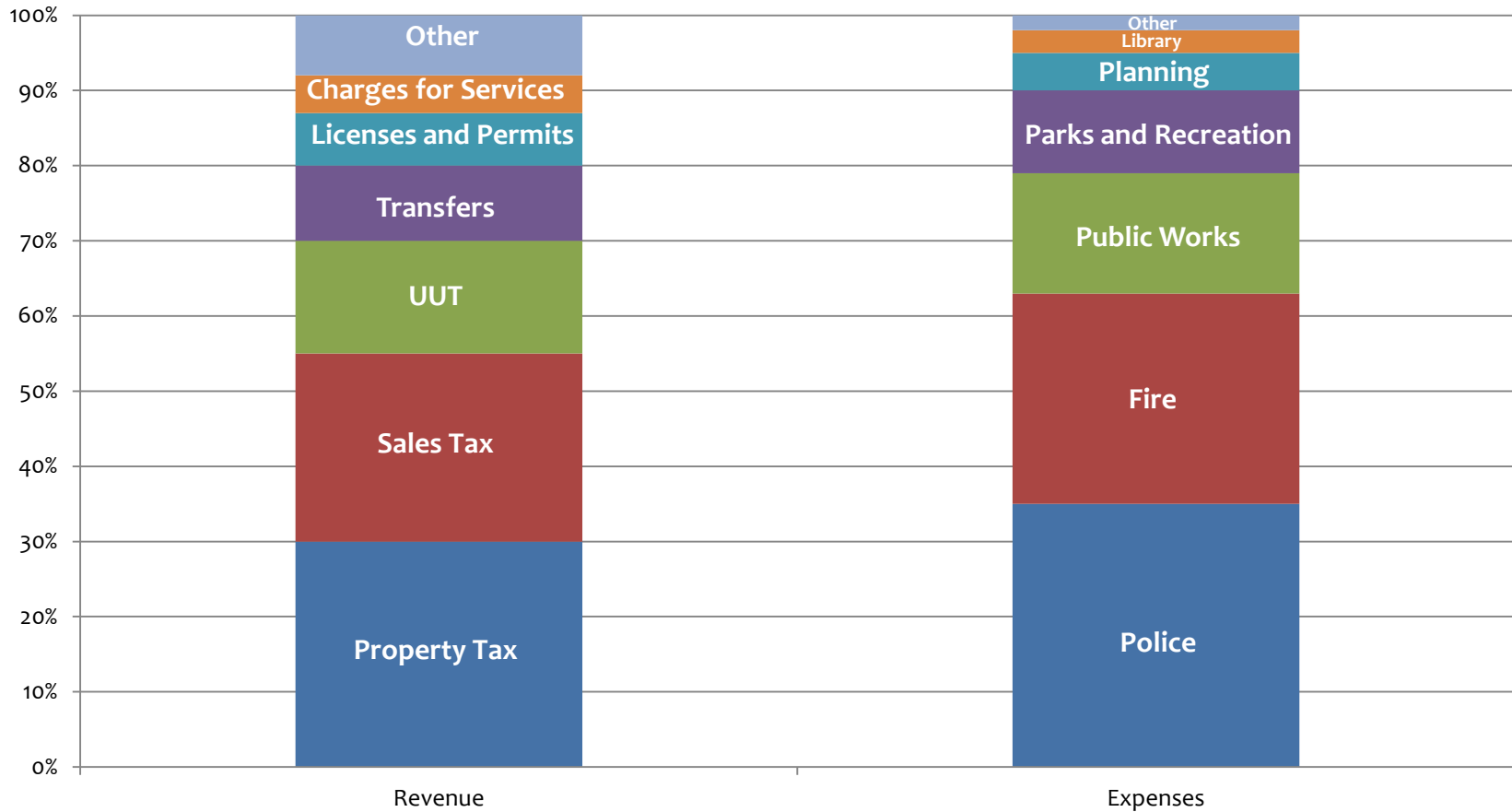


# Relate Data To Tell the Budget Story



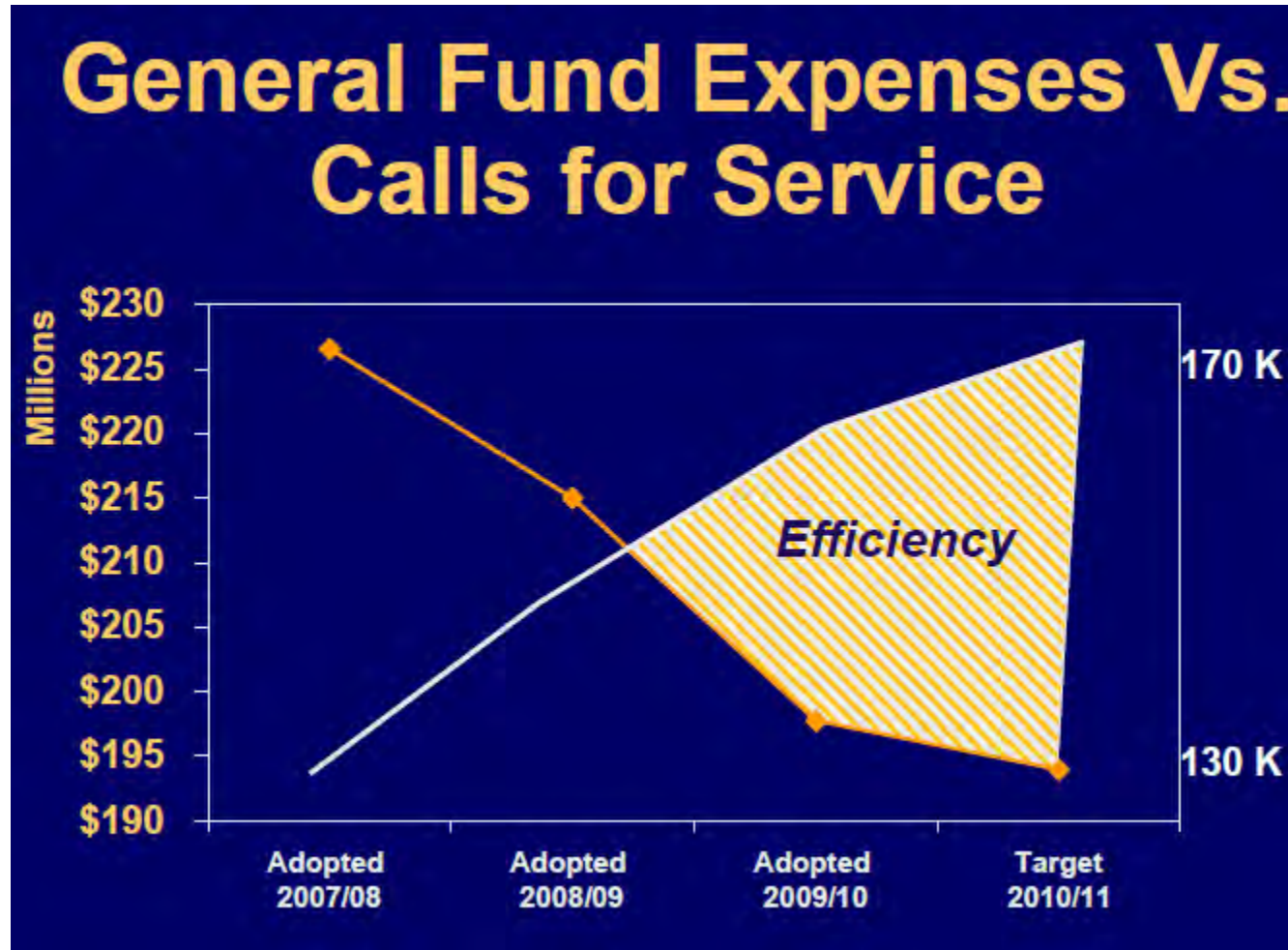


# Relate Data To Tell Budget Story





# Illustrating the Positive Side of Budget Cuts





# THE RIVERSIDE APPROACH

- **Located in the Inland Empire region of Southern California**
- **Population of 308,511 / 12<sup>th</sup> largest city in California**
- **2,687 full time equivalent employees**
- **2012/13 budget of \$1.2 Billion**
- **2012/13 General Fund budget of \$220.7 Million**
- **Budget staff**





# Riverside Budget in Brief

- Summary information
- Strategic goals
- How is the budget funded?
- How is that money spent?

2012/13

## BUDGET

IN BRIEF

**INTRODUCTION TO THE ANNUAL BUDGET**

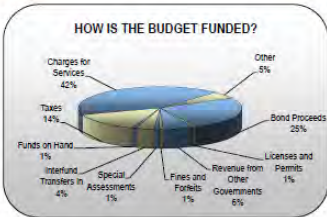
The City of Riverside's annual budget is a key communication tool, which illustrates to the public the City's strategic direction, sources of funding, and types of expenditures. This document seeks to distill the budget document into a useful set of tables, charts, and diagrams for the use of the general public. The City's total combined annual budget for fiscal year 2012/13 is \$1,153,626,371.

Annual Budget  
2012/13  
"With 2013-2014" - An Update to Riverside's Strategic Plan

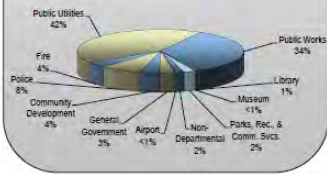
**CITY COUNCIL STRATEGIC GOALS**

The Budget is linked to the City Council's Strategic Goals, developed in 2004 and amended in 2008 and 2009. These goals are at the heart of what our community expects from its local government. In turn, these goals are woven throughout the fiscal year 2012/13 Annual Budget, which allocates the resources necessary to achieve our shared vision. The City Council's Strategic Goals are:

- Economic Development
- Environmental Leadership
- Transportation
- Livable Communities and Neighborhoods
- Arts and Innovation



It may be helpful to think of the different City funds as multiple "business enterprises". Just as businesses vary by size and revenue, so too do the various City funds. There is a tendency to equate the City's General Fund with the City's financial status as a whole, but it is important to remember that the General Fund is just one of many funds, or places of City business.





# Riverside Budget in Brief

## General Fund in Brief

### WHAT IS THE GENERAL FUND?

The General Fund provides core City services including police, fire, parks, recreation, libraries, and street maintenance. Riverside Public Utilities, the Riverside Airport, and other "business enterprises" of the City with their own distinct revenue sources are accounted for in other Funds. The General Fund is primarily supported by tax revenues, fees, and charges that are collected within the City of Riverside. Therefore, most core City services are budgeted in the General Fund; and it is here that you can see the greatest impact that your tax dollars and fees paid to the City have on providing services to the citizens of the City of Riverside.

The fiscal year 2012/13 General Fund budget totals \$220.7 million. This amount also takes into account something called "Managed Savings", which is the estimated portion of the budget that will not be realized as actual expenditures. The fiscal year 2012/13 budget proposes to balance revenues and expenditures through the use of General Fund reserves while continuing to maintain a reserve balance of approximately \$40 million, in excess of the target of 15% of General Fund expenditures.

### YOUR TAX DOLLARS AT WORK



For every \$1.00 candy bar sold within the City of Riverside



a penny of the sales tax flows to the City of Riverside.



If 32 million candy bars are sold this year within the City of Riverside



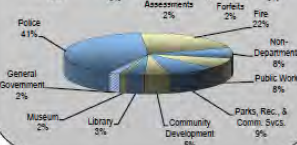
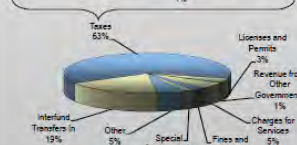
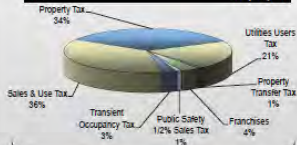
the City could purchase a \$320,000 fire truck with the resulting sales tax revenue.

City of Riverside

### GENERAL FUND REVENUES AND EXPENDITURES

General Fund Revenue	
Sales & Use Taxes	\$1,073,000
Property Taxes	45,765,758
Utilities Users Tax	28,397,050
Charges for Services	11,755,858
Other Taxes	9,011,000
Licenses and Permits	7,456,234
Fines and Forfeits	4,955,437
Special Assessments	4,749,395
Revenue from Other Governments	1,220,000
Usage of Reserves	994,276
Other	11,467,203
Interfund Transfers In	40,930,700
<b>Total</b>	<b>220,714,911</b>

General Fund Expenditures	
Police	\$1,643,400
Fire	48,706,001
Parks, Recreation, and Community Services	20,913,170
Non-Departmental	18,838,488
Public Works	18,010,075
Community Development	10,679,178
Library	7,600,294
General Government	4,678,048
Museum	3,180,110
Less: Managed Savings	(3,686,122)
<b>Total</b>	<b>220,714,911</b>



- What is the General Fund?
- Your tax dollars at work
- General Fund revenue and expenditures





# Riverside Budget in Brief

## Capital Improvement Program in Brief

### CIP REVENUES AND EXPENDITURES

Five Year CIP Revenues	
Revenue Bond Proceeds	490,520,350
Charges for Services	339,651,740
Revenue from Other Governments	74,299,875
Special Tax Revenues	57,943,811
Interest	15,238,596
Fines & Forfeits	14,029,000
Private Funds	4,972,111
Reimbursements	4,609,500
Land Sale Proceeds	2,602,600
Air Quality	50,000
Other	10,774,837
Less: Amounts not Available for Current CIP	(250,284,856)
<b>Total</b>	<b>774,402,834</b>

Five Year CIP Expenditures	
Sewer	357,037,573
Electric	174,547,000
Water	90,392,500
Transportation	70,130,000
Grade Separations	44,620,000
Airport	23,025,000
Municipal Buildings and Facilities	9,015,000
Parks, Recreation, and Community Services	4,335,821
Storm Drain	750,000
Public Parking	500,000
Refuse	50,000
<b>Total</b>	<b>774,402,834</b>

### WHAT IS THE CIP?

The City's Capital Improvement Program (CIP) is a plan for the renovation, expansion, and repair of existing City facilities such as roads, bridges, government buildings, and parks and proposes new projects that will improve the quality of life for the citizens of the City. The CIP projects available funding over a five-year period. The highest priority projects are constructed first. Lower priority projects that have been identified but for which no current funding exists are categorized as unfunded.

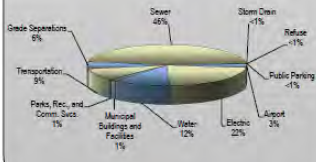
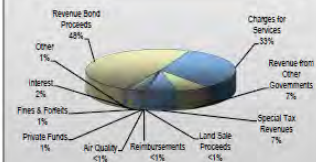
The fiscal year 2012/13 funded CIP totals \$774.4 million, with an additional \$548.8 million remaining unfunded. The unfunded CIP is primarily used to catalog longer-term projects for which funding will be identified in the future. At the end of the five-year period outlined in the CIP, the City will see new or remodeled police and fire facilities, several new parks, an expanded Convention Center, additional railroad grade separations, and numerous other improvements. This is all in addition to the routine rehabilitation of streets, sewers, and other facilities that are always part of the CIP.

### THE CIP AND THE ANNUAL BUDGET

The CIP is developed separately from the City's annual budget in order to reap the benefits of focused attention paid to long-term planning for capital projects. The approval of the CIP does not signal appropriation of funds but rather serves as a planning instrument for budgeting and infrastructure development. Appropriations for capital projects are made when the City Council approves the annual budget for the City.

The first year's program in the CIP contains projects that are included in the proposed budget for fiscal year 2012/13. The remaining four years reflect staff's recommended priorities for the future and are reviewed and revised annually by the City Council.

- What is the CIP?
- The CIP and the Annual Budget
- CIP revenues and expenditures



Budget in Brief





# Riverside Budget in Brief

- City profile
- City Council wards
- Citywide organizational chart
- Contact information

### CITY PROFILE

Population	308,511
Area in Square Miles	81.51
Number of Fire Stations	14
Number of Police Stations & Storefronts	7
Number of Sworn Police Officers	358
Number of Libraries	8
Number of Parks	59
Number of Electric Meters	106,855
Number of Water Meters	64,349

### CITY COUNCIL WARDS

### CITYWIDE ORGANIZATIONAL CHART

```
graph TD; Citizens[Citizens of Riverside] --> Mayor[Mayor & City Council]; Mayor --> Clerk[City Clerk]; Mayor --> Manager[City Manager]; Mayor --> Attorney[City Attorney]; Manager --> Asst1[Assistant City Manager]; Manager --> Asst2[Assistant City Manager]; Asst1 --> Airport[Riverside Airport]; Asst1 --> Gen[General Services Department]; Asst1 --> HR[Human Resources Department]; Asst1 --> Lib[Riverside Public Library]; Asst1 --> Mus[Riverside Metropolitan Museum]; Asst1 --> Parks[Parks, Rec., and Community Dev.]; Asst2 --> Finance[Finance Department]; Asst2 --> Police[Police Department]; Asst2 --> Fire[Fire Department]; Asst2 --> Public[Public Works Department]; Asst2 --> Comm[Community Development Department]; Asst2 --> IT[Information Technology Department]; Asst2 --> Water[Riverside Public Utilities];
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3900 Main Street  
Riverside, CA 92522  
(951) 826-5311  
[www.riversideca.gov](http://www.riversideca.gov)  
[callcenter@riversideca.gov](mailto:callcenter@riversideca.gov)

Version 1a / 9-21-2012



# Riverside Budget Document

City of Riverside  
ELECTED OFFICIALS

CITY COUNCIL WARDS

3500 Main Street  
Riverside, CA 92522  
(951) 805-5311  
www.riversideca.gov  
calcenter@riversideca.gov

1

2013/14 Annual Budget  
ELECTED OFFICIALS

MAYOR & CITY COUNCIL

1  
2  
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1

City of Riverside  
STRATEGIC BUDGET PRIORITIES

THE CITY'S MISSION AND COMMUNITY VISION

The City of Riverside is committed to providing high quality municipal services to ensure a safe, livable, and vibrant community.

In late spring 2009, a Committee composed of a subcommittee of the Riverside Advisory Board and the Council of Economic Development, advised Mayor Steve Mc Donald, Mayor Pro Tem David J. Salyer, Director of Administration & City Clerk, to create 11 City and Communitywide Strategic Initiatives. One of these initiatives was to create a vision for the strategic vision.

On May 26, 2009, the City Council approved "A Vision for Riverside" to guide the City of Riverside. The City Council also approved a resolution to create a Strategic Vision Committee to study and recommend to the City Council a strategic vision for the City of Riverside. The Strategic Vision Committee's report is the "Seizing Our Destiny" report, which is the focus of this document.

SEIZING OUR DESTINY

To realize our vision of becoming a world-class community, we must first focus on the quality of life for our citizens. This includes the quality of our environment, the quality of our infrastructure, the quality of our services, and the quality of our community. We must also focus on the quality of our economy, the quality of our education, and the quality of our culture. We must ensure that we are providing the highest quality of life for all of our citizens.

1. Economy  
Strong economic recovery that adds jobs  
Riverside should maintain and enhance its reputation as a world-class community and ensure that our services are competitive with a workforce that is highly skilled and educated.

2. Workforce  
Build a workforce that is highly skilled and educated  
Riverside should ensure that it has a workforce that is highly skilled and educated. This includes providing training and education opportunities for its citizens and ensuring that it is attracting and retaining the highest quality of talent.

3. Quality  
Improve the quality of life for all  
Riverside should ensure that it is providing the highest quality of life for all of its citizens. This includes ensuring that it is providing the highest quality of services, infrastructure, and environment for its citizens.

C-2

2013/14 Annual Budget  
STRATEGIC BUDGET PRIORITIES

SEIZING OUR DESTINY (CONTINUED)

A. Healthcare  
Riverside is the home of several hospitals, including the Riverside Community Hospital, the Riverside Medical Center, and the Riverside Health Center. The City of Riverside is committed to ensuring that it is providing the highest quality of healthcare services to its citizens.

B. Crime  
Riverside is committed to ensuring that it is providing the highest quality of law enforcement services to its citizens. This includes ensuring that it is providing the highest quality of police, sheriff's, and fire services to its citizens.

C. Education  
Riverside is committed to ensuring that it is providing the highest quality of education services to its citizens. This includes ensuring that it is providing the highest quality of public, private, and charter schools to its citizens.

D. Finance  
Riverside is committed to ensuring that it is providing the highest quality of financial services to its citizens. This includes ensuring that it is providing the highest quality of public, private, and charter schools to its citizens.

E. Recreation  
Riverside is committed to ensuring that it is providing the highest quality of recreation services to its citizens. This includes ensuring that it is providing the highest quality of parks, recreation, and cultural services to its citizens.

F. Quality  
Riverside is committed to ensuring that it is providing the highest quality of life for all of its citizens. This includes ensuring that it is providing the highest quality of services, infrastructure, and environment for its citizens.

G. Community  
Riverside is committed to ensuring that it is providing the highest quality of community services to its citizens. This includes ensuring that it is providing the highest quality of public, private, and charter schools to its citizens.

H. Our Story  
Riverside is committed to ensuring that it is providing the highest quality of our story to its citizens. This includes ensuring that it is providing the highest quality of public, private, and charter schools to its citizens.

C-3

- Introductory items
- Transmittal letter
- Community profile
- Strategic budget priorities
- Guide to the budget



# Riverside Budget Document

City of Riverside  
**BUDGET SUMMARY**

**Overview of the Annual Budget**  
The City's first approved annual budget for fiscal year 2013/14 amounts to \$1.015 billion. The increase is an increase of 10.2% over the previous year's budget. Budget changes include transfers and reorganizations. The increase in the current operations or operating budget - the General Fund - is \$100 million, which includes additional projects, equipment purchases, program shifts, other market-based revenues, and program savings of \$15.7M.

**Historical Revenue Billions**  
2010 2011 2012 2013 2014

**ESTIMATED REVENUES**

**HISTORICAL EXPENDITURES (BILLIONS)**  
2010 2011 2012 2013 2014

**BUDGET REQUIREMENTS**

**EXPENDITURES BY CATEGORY**

**BUDGET REQUIREMENTS**

City of Riverside  
**BUDGET SUMMARY**

**REVENUE HISTORY BY REVENUE CATEGORY**

Category	2010	2011	2012	2013	2014	% Change
State & Federal	185,000,000	185,000,000	185,000,000	185,000,000	185,000,000	0.0%
Local Sales Tax	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	0.0%
Local Property Tax	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	0.0%
Local Franchise Tax	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	0.0%
Local License Tax	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	0.0%
Local Other Taxes	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	0.0%
Local Fees	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	0.0%
Local Other Revenues	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	0.0%
<b>Total Revenue</b>	<b>1,015,000,000</b>	<b>1,015,000,000</b>	<b>1,015,000,000</b>	<b>1,015,000,000</b>	<b>1,015,000,000</b>	<b>0.0%</b>

**EXPENDITURE HISTORY BY BUDGET CATEGORY**

Category	2010	2011	2012	2013	2014	% Change
General Fund	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
Capital Budget	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
Debt Service	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
Other Funds	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
<b>Total Expenditure</b>	<b>400,000,000</b>	<b>400,000,000</b>	<b>400,000,000</b>	<b>400,000,000</b>	<b>400,000,000</b>	<b>0.0%</b>

**EXPENDITURE HISTORY BY ORGANIZATIONAL UNIT**

Category	2010	2011	2012	2013	2014	% Change
City of Riverside	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
City of Orange	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
City of San Juan Capistrano	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
City of Tustin	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
City of Westminster	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
<b>Total Expenditure</b>	<b>500,000,000</b>	<b>500,000,000</b>	<b>500,000,000</b>	<b>500,000,000</b>	<b>500,000,000</b>	<b>0.0%</b>

- Budget Summary
  - Citywide
  - Organizational changes
  - Debt
  - General Fund
  - Other major funds

City of Riverside  
**BUDGET SUMMARY – GENERAL FUND**

**Overview of the General Fund**  
The City's General Fund budget for fiscal year 2013/14 amounts to \$227.5 million, including savings. The increase is an increase of 8.8% over the previous year's General Fund. The increase is in the current operations budget of 8.8%.

**Historical Revenue Billions**  
2010 2011 2012 2013 2014

**ESTIMATED REVENUES**

**HISTORICAL EXPENDITURES (BILLIONS)**  
2010 2011 2012 2013 2014

**BUDGET REQUIREMENTS**

**EXPENDITURES BY CATEGORY**

**BUDGET REQUIREMENTS**

City of Riverside  
**GENERAL FUND – BUDGET SUMMARY**

**REVENUE HISTORY BY REVENUE CATEGORY**

Category	2010	2011	2012	2013	2014	% Change
State & Federal	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
Local Sales Tax	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
Local Property Tax	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
Local Franchise Tax	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
Local License Tax	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
Local Other Taxes	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
Local Fees	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
Local Other Revenues	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	0.0%
<b>Total Revenue</b>	<b>700,000,000</b>	<b>700,000,000</b>	<b>700,000,000</b>	<b>700,000,000</b>	<b>700,000,000</b>	<b>0.0%</b>

**EXPENDITURE HISTORY BY BUDGET CATEGORY**

Category	2010	2011	2012	2013	2014	% Change
General Fund	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	0.0%
Capital Budget	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	0.0%
Debt Service	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	0.0%
Other Funds	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	0.0%
<b>Total Expenditure</b>	<b>800,000,000</b>	<b>800,000,000</b>	<b>800,000,000</b>	<b>800,000,000</b>	<b>800,000,000</b>	<b>0.0%</b>

**EXPENDITURE HISTORY BY ORGANIZATIONAL UNIT**

Category	2010	2011	2012	2013	2014	% Change
City of Riverside	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	0.0%
City of Orange	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	0.0%
City of San Juan Capistrano	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	0.0%
City of Tustin	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	0.0%
City of Westminster	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	0.0%
<b>Total Expenditure</b>	<b>1,000,000,000</b>	<b>1,000,000,000</b>	<b>1,000,000,000</b>	<b>1,000,000,000</b>	<b>1,000,000,000</b>	<b>0.0%</b>





# Riverside Budget Document

SUMMARY OF HISTORICAL BUDGET REQUIREMENTS BY FUND

Fund / Department	Actual 2010	Actual 2010/11	Budgeted 2011/12	Budgeted 2012/13	Percentage of Total
<b>General Fund</b>	<b>101</b>				
Police Department	80,008,980	79,125,575	81,927,700	82,050,209	
Fire Department	40,233,281	41,148,375	40,616,277	40,860,831	
General Government	28,455,877	31,795,487	32,102,232	34,524,111	
Public Works Department	20,875,524	19,473,754	23,429,432	24,415,526	
Parks, Recreation, & Community Services Dept.	13,972,740	14,554,473	15,646,152	16,434,245	
Non-Departmental	15,802,084	17,229,440	16,224,910	15,203,718	
Community Development Department	11,116,824	11,586,145	13,930,044	10,320,071	
Riverside Public Library	5,314,383	5,287,860	5,482,207	5,559,892	
Riverside Metropolitan Museum	1,180,235	1,489,719	1,278,056	2,856,832	
Current Operations	217,010,788	221,463,296	230,058,303	233,335,426	
Equipment Outlay	1,687,913	1,737,284	2,561,559	440,639	
Debt Service	46,716,525	44,341,001	44,138,463	15,050,454	
Operating Grants	3,816,084	3,524,120	-	-	
Capital Outlay & Grants	734,449	3,104,231	711,084	388,890	
Charges From Others	40,251,725	48,294,440	49,901,667	59,039,073	
Charges To Others	77,550,749	81,377,377	69,929,522	82,542,459	
<b>SubTotal General Fund</b>	<b>232,588,838</b>	<b>241,084,183</b>	<b>216,488,884</b>	<b>224,410,053</b>	<b>20.10%</b>
Electric - Riverside Public Utilities	610	604,478,749	608,742,420	648,877,018	29.88%
Water - Riverside Public Utilities	620	74,738,189	78,866,618	79,766,639	8.10%
Airport - Riverside Airport	630	2,064,688	1,768,722	2,037,242	0.17%
R refuse Collection - Public Works	640	28,214,864	18,425,108	20,797,784	1.97%
Sewer Service - Public Works	650	61,207,848	82,846,478	88,382,408	25.20%
Non-Major Funds		241,750,756	221,121,582	194,297,102	14.48%
<b>Total Expenditures</b>	<b>\$28,817,886</b>	<b>\$82,822,804</b>	<b>\$67,266,867</b>	<b>\$1,116,430,763</b>	<b>100.00%</b>
Interfund Transfers			39,936,100	40,890,700	
Managed Savings			(4,247,735)	(3,695,122)	
<b>Total Budget Requirements</b>			<b>\$82,884,822</b>	<b>\$1,163,626,371</b>	

- Additional Numbers
  - Fund balance
  - Revenue
  - Expenditures

REVENUE SUMMARY BY DEPARTMENT AND SOURCE - GENERAL FUND

Fund	General Revenue	Property Taxes	Debtors and Licenses and Permits	Intergovernmental	Other	Total	Total
City Council	-	-	-	-	-	-	-
Community Development Department	-	-	-	-	-	-	-
Police Department	4,717,871	-	2,272,820	822,000	2,091,787	9,904,478	10,978,178
Fire Department	-	-	-	-	727,863	727,863	727,863
General Government	4,984,296	1,918,706	2,271,247	14,480	-	9,188,729	45,786,861
Public Works Department	-	-	-	-	490,000	490,000	490,000
Information Technology Department	-	-	-	-	750,078	750,078	750,078
Other City Departments	-	-	-	-	121,428	121,428	121,428
Office of the City Manager	2,984,886	-	-	-	-	2,984,886	2,984,886
Office of the Mayor	-	-	-	-	-	-	-
Parks, Recreation, and Community Services Department	18,718,242	-	1,987,807	-	2,587,807	23,293,856	23,293,856
Public Department	88,328,688	-	1,665,847	78,058	-	90,072,593	91,569,488
Public Works Department	18,818,688	-	1,028,028	21,500	175,000	20,043,216	20,043,216
Riverside Metropolitan Museum	1,180,110	-	-	-	146,450	1,326,560	1,326,560
Riverside Public Library	5,342,224	1,268,000	85,000	-	166,000	6,861,224	7,000,224
Non-Departmental	63,001,243	-	614,250	3,868,708	4,084,362	70,568,563	70,568,563
<b>Total Revenue</b>	<b>\$180,220,000</b>	<b>\$2,187,706</b>	<b>\$4,653,925</b>	<b>\$2,976,867</b>	<b>\$4,861,047</b>	<b>\$194,900,545</b>	<b>\$194,900,545</b>
Less: Managed Savings	-	-	-	-	-	-	(3,695,122)
<b>Adjusted Total - To Reconcile with General Fund Expenditures Budget</b>							<b>\$191,205,423</b>
Less: Interfund Transfers	-	-	-	-	-	-	(40,890,700)
Less: Use of Reserves	-	-	-	-	-	-	(689,178)
<b>Adjusted Total - To Reconcile with General Fund Revenue Budget</b>							<b>\$150,625,545</b>

<sup>1</sup> Includes interfund transfers and use of reserves. Does not take managed savings into account.  
<sup>2</sup> Amounts have been included in Other category for the General Services Department, the Office of the City Clerk, and the Information Technology Department that are either interdepartmental revenue generated by the Department, but not shown in the following schedule.  
<sup>3</sup> An amount has been included in Licenses and Permits for Business Tax Revenue sufficient to offset the use of the Business Tax equities.

- All with consistent formatting
- Theme continues throughout document





# Riverside Budget Document

City of Riverside  
COMMUNITY DEVELOPMENT DEPARTMENT

**DEPARTMENT GOALS**

- To utilize personnel resources effectively in order to ensure the highest quality of service to the City.
- To provide professional services to the City through the use of various business models, including but not limited to:
- To provide professional services to the City through the use of various business models, including but not limited to:
- To provide professional services to the City through the use of various business models, including but not limited to:

**FISCAL YEAR 2015 (2014-2015) ACCOMPLISHMENTS**

Accomplishment	Responsible City Department/Agency	Responsible City Department/Agency	Responsible City Department/Agency
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside

114

City of Riverside  
COMMUNITY DEVELOPMENT DEPARTMENT

**FISCAL YEAR 2015 (2014-2015) ACCOMPLISHMENTS (CONTINUED)**

Accomplishment	Responsible City Department/Agency	Responsible City Department/Agency	Responsible City Department/Agency
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Completed the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside

**FISCAL YEAR 2015 (2014-2015) OBJECTIVES**

Objective	Responsible City Department/Agency	Responsible City Department/Agency	Responsible City Department/Agency
Complete the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Complete the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Complete the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Complete the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Complete the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Complete the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Complete the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Complete the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Complete the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside
Complete the 2014-2015 fiscal year budget process.	City of Riverside	City of Riverside	City of Riverside

115

City of Riverside  
COMMUNITY DEVELOPMENT DEPARTMENT

**BUDGET SUMMARY BY DIVISION**

Division	Actual	Original	Revised	Change
Administration	1,200,000	1,200,000	1,200,000	0.0%
Planning	2,500,000	2,500,000	2,500,000	0.0%
Community & Culture	1,000,000	1,000,000	1,000,000	0.0%
Development	1,500,000	1,500,000	1,500,000	0.0%
Public Works	1,000,000	1,000,000	1,000,000	0.0%
Other	1,000,000	1,000,000	1,000,000	0.0%
<b>Total</b>	<b>8,200,000</b>	<b>8,200,000</b>	<b>8,200,000</b>	<b>0.0%</b>

**BUDGET BY DIVISION**

**BUDGET BY CATEGORY**

**HISTORICAL BUDGET**

**HISTORICAL BUDGET VARIANCE**

116

City of Riverside  
COMMUNITY DEVELOPMENT DEPARTMENT

**BUDGET SUMMARY BY BUDGET CATEGORY**

Category	Actual	Original	Revised	Change
Administration	1,200,000	1,200,000	1,200,000	0.0%
Planning	2,500,000	2,500,000	2,500,000	0.0%
Community & Culture	1,000,000	1,000,000	1,000,000	0.0%
Development	1,500,000	1,500,000	1,500,000	0.0%
Public Works	1,000,000	1,000,000	1,000,000	0.0%
Other	1,000,000	1,000,000	1,000,000	0.0%
<b>Total</b>	<b>8,200,000</b>	<b>8,200,000</b>	<b>8,200,000</b>	<b>0.0%</b>

**SUMMARY OF SIGNIFICANT BUDGET ADJUSTMENTS - PRIOR YEAR TO CURRENT YEAR**

**Personnel Adjustments**

- The Department's Director was promoted to the Office of the City Manager with the major impact on the General Services Department and the City & County Office of the City of Riverside.
- The closing of the former Redevelopment Agency will reduce significantly the allocation of the Agency.
- Various positions were eliminated as a result of the consolidation of the Transportation Agency.
- Various vacant positions were authorized in part of the strategy to balance the General Fund budget.

**Other Adjustments**

- The Department's budget decreased primarily as a result of a change in the handling of management's budget payments to other departments as a result of the dissolution of the Redevelopment Agency.
- The total original budget decreased primarily as a result of the transfer of the Redevelopment Agency's budget to the Office of the City Manager.
- The total original budget decreased as a result of a reduction in the level of the former Redevelopment Agency.
- The changes for other items not changes in other budgets decreased as a result of the dissolution of the Redevelopment Agency.

117

- Consistent department summaries
  - Organization charts
  - Services provided
  - Personnel data
  - Goals, objectives, accomplishments
  - Tables and charts
  - Significant changes
  - Budget details

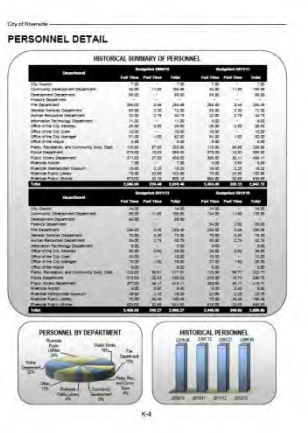
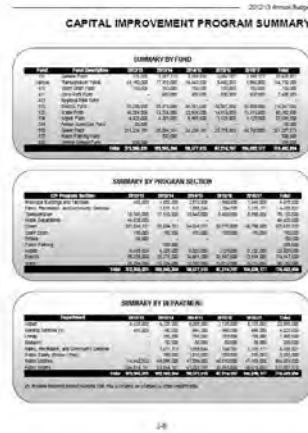
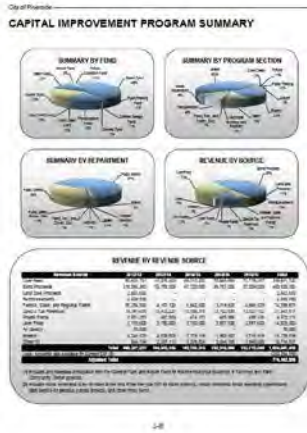






# Riverside Budget Document

- Capital improvement program summary
- Personnel detail
- Glossary of terms



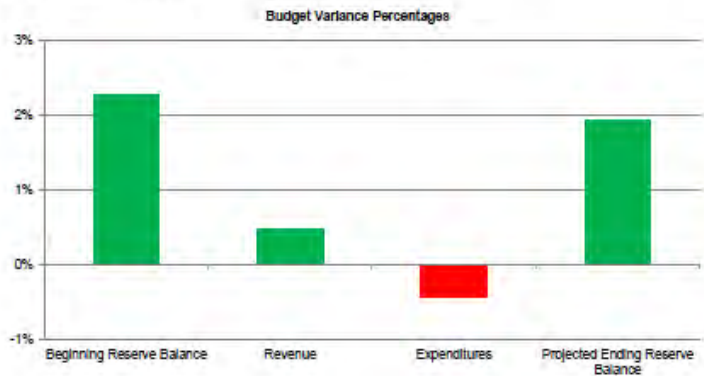


# Riverside Monthly Financial Report

City of Riverside  
Fiscal Year 2012/13 General Fund Budget Forecast  
As of December 31, 2012

	Adopted 2012/13	Projected 2012/13	Budget Variance
Beginning Reserve Balance <sup>1</sup>	\$ 39,126,055	\$ 40,014,760	\$ 888,705
Add: Revenue <sup>2</sup>	219,750,635	220,811,368	1,060,733
Less: Expenditures <sup>3</sup>	(220,714,911)	(221,668,911)	(954,000)
Less: Mid-Year Appropriations <sup>3</sup>	-	(260,735)	(260,735)
<b>Projected Ending Reserve Balance</b>	<b>38,161,779</b>	<b>38,896,482</b>	<b>734,703</b>
<b>Projected Change in Reserve Balance</b>	<b>\$ (364,276)</b>	<b>\$ (1,118,278)</b>	<b>\$ (154,002)</b>

<sup>1</sup> The adopted balance was the estimate at the time of budget adoption. The projected balance is the audited final balance.  
<sup>2</sup> See page A-3 for additional detail.  
<sup>3</sup> See page A-4 for additional detail.



- Includes three reports:
  - Financial
  - Investment
  - Debt
- Financial report focuses on General Fund and aggregated Enterprise Funds



# Riverside Monthly Financial Report

City of Riverside  
Fiscal Year 2012/13 General Fund Revenue Forecast  
As of December 31, 2012

	Budgeted 2012/13	Projected 2012/13	Budget Variance <sup>1</sup>
<b>Taxes</b>			
Sales & Use Taxes	\$ 51,079,000	\$ 50,690,569	\$(388,431)
Property Taxes	47,265,758	47,737,690	471,932
Utility Users Tax	28,397,050	29,103,000	(294,050)
Franchises	5,099,000	4,999,000	(100,000)
Transient Occupancy Tax	3,912,000	3,900,000	(12,000)
Property Transfer Tax	1,500,000	1,535,000	35,000
<b>SubTotal Taxes</b>	<b>137,262,808</b>	<b>138,985,269</b>	<b>(387,648)</b>
<b>Interfund Transfers</b>	<b>40,980,700</b>	<b>41,340,400</b>	<b>448,700</b>
<b>Other Revenues</b>			
Charges for Services	11,759,858	12,064,525	305,767
Other	10,044,891	9,579,891	(465,000)
Licenses & Permits	7,456,234	7,769,233	312,999
Fines & Forfeits	4,955,437	5,855,563	900,126
Special Assessments	4,749,395	4,408,138	(341,257)
Intergovernmental	1,220,000	1,505,947	285,947
SubTotal Other Revenues	40,184,896	41,188,387	999,692
<b>Total</b>	<b>\$218,428,513</b>	<b>\$219,388,046</b>	<b>\$ 960,733</b>
Get-Alone Revenue from Prior Year	1,422,322	1,422,322	-
<b>Adjusted Total</b>	<b>\$219,760,835</b>	<b>\$220,811,368</b>	<b>\$ 1,050,733</b>

<sup>1</sup> Includes the following material mid-year adjustments:

- All revenues - full analysis at 12/31/2012 of all revenue accounts.
- Property Tax - Additional tax increment from the former RDA partially offset by lower AV growth.
- Interfund Transfers - Final GFT based on audited utility revenues.
- Other - reduced interest earnings.
- Fines & Forfeits - Increased administrative civil penalties and stabilized fine revenue.

Budget Variance Percentage by Revenue Category



City of Riverside  
Fiscal Year 2012/13 General Fund Expenditure Forecast  
As of December 31, 2012

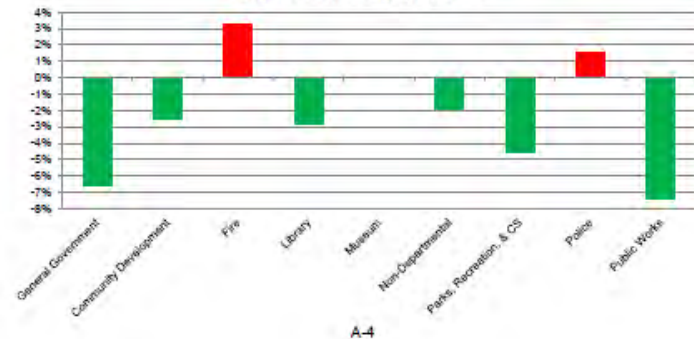
Department	Adopted 2012/13	Mid-Year 2012/13 <sup>1</sup>	Total 2012/13	Projected 2012/13	Budget Variance
City Attorney	\$ 3,400,256	\$ -	\$ 3,400,256	\$ 3,400,256	\$ -
City Clerk	1,016,697	-	1,016,697	1,016,697	-
City Council	1,074,080	-	1,074,080	1,005,080	(69,000)
City Manager	5,242,083	-	5,242,083	4,877,083	(365,000)
Community Development	9,602,122	15,000	9,617,122	9,371,122	(246,000)
Finance	5,254,254	-	5,254,254	3,964,254	(1,290,000)
Fire	41,853,704	-	41,853,704	43,231,704	1,378,000
General Services	4,488,342	-	4,488,342	4,255,342	(233,000)
Human Resources	2,483,473	-	2,483,473	2,325,473	(158,000)
Information Technology	9,809,017	-	9,809,017	9,665,017	(144,000)
Library	5,652,415	-	5,652,415	5,459,415	(193,000)
Mayor	725,976	-	725,976	800,976	74,000
Museum	2,863,640	-	2,863,640	2,863,640	-
Non-Departmental	16,455,815	-	16,455,815	16,133,815	(322,000)
Parks, Recreation & Community Services	15,459,648	95,735	15,555,383	14,844,383	(711,000)
Police	79,970,286	-	79,970,286	81,212,286	1,242,000
Public Works	12,883,075	-	12,883,075	11,933,075	(950,000)
<b>SubTotal</b>	<b>218,256,883</b>	<b>110,735</b>	<b>218,368,628</b>	<b>218,377,828</b>	<b>(1,888,000)</b>
Estimated Managed Savings <sup>2</sup>	(2,923,000)	-	(2,923,000)	N/A	2,923,000
Interfund Transfers	-	150,000	150,000	150,000	-
Net Cost Allocation	(17,851,693)	-	(17,851,693)	(17,851,693)	-
Net Debt Service Allocation	23,253,711	-	23,253,711	23,253,711	-
<b>Total</b>	<b>\$220,714,911</b>	<b>\$ 280,735</b>	<b>\$220,876,046</b>	<b>\$221,823,648</b>	<b>\$ 947,602</b>

<sup>1</sup> Includes the following mid-year appropriations by the City Council:

- \$150,000 for the Chicago/Linden Strategic Plan Transfer (City Council action 9/25/2012)
- \$93,235 for Loring Park Improvements (City Council action 11/27/2012)
- \$2,500 for community garden water (City Council action 12/18/2012)
- \$15,000 for Downtown Fire Station sale process (City Council action 1/15/2013)

<sup>2</sup> Managed Savings is budgeted at the fund level but reflected in department-level actual expenditures.

Budget Variance Percentage by Department



A-4



# For More information

<http://www.riversideca.gov/finance>

# Polling Question #4

Where do you see opportunities for improvement in your budget documents?



# THE IRVINE APPROACH

- Located in Orange County in Southern California
- Population of 223,729
- 737 full time equivalent employees
- 2012/13 budget of \$334.6 Million
- 2012/13 General Fund budget of \$139.0 Million
- Budget staff



# Irvine Budget in Brief

## City of Irvine

Irvine is located 40 miles southeast of Los Angeles and six miles from the ocean in Orange County, California. Incorporated as a Charter City in 1971 with a City Council-City Manager form of government, the first City Council revised the master plan developed by world-famous architect William Pereira for the landowner, the Irvine Company; the Irvine General Plan is the basis for all development in the City.

Services provided by the City include animal control; building and safety regulation and inspection; general administrative services; planning and zoning; police; public facility and capital improvement construction; recreation and cultural programs; open space administration; street lighting; street maintenance; landscape maintenance; and transportation management.

Incorporated	December 28, 1971
Incorporated Area	66 sq. miles
Sphere of Influence	74 sq. miles
Population	223,729
Employment Base	190,600
Dwelling Units	82,283
Full-Time Employees	737
Neighborhood Parks	37
Community Parks	19

## Irvine City Officials

Sukhee Kang, Mayor  
Beth Krom, Mayor Pro Tem  
Larry Agran, Councilmember  
Steven Choi, Councilmember  
Jeffrey Lalloway, Councilmember

Sean Joyce, City Manager  
Sharon Landers, Assistant City Manager

Please visit the City's website at [cityofirvine.org](http://cityofirvine.org) for the up-to-date information and upcoming events.

## "City of Innovation"



1 Civic Center Plaza  
P.O. Box 19575  
Irvine, CA 92623  
Phone: 949-724-6000



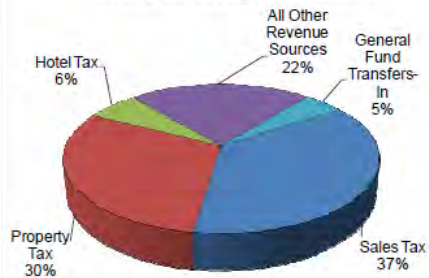


# Irvine Budget in Brief

## FY 2012-13 Adopted General Fund Budget

### Resources

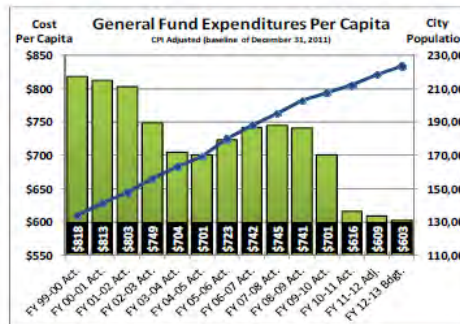
"Where the Money Comes From"



<u>General Fund Resources</u>	<u>FY 12-13 Adopted</u>
Sales Tax	\$51,328,000
Property Tax	42,010,000
Hotel Tax	8,799,000
All Other Revenue Sources	30,279,474
General Fund Transfers-In	6,807,232
<b>TOTAL RESOURCES</b>	<b>\$139,223,706</b>

#### Top 25 Sales Tax Producers

Apple Computer	Nordstrom
Arbonne	Power Toyota/Scion
Carmax	Ralphs
Chevrolet of Irvine	Rohde & Schwarz
Chevron	Sarcom
Costco	Shell
Edwards Lifesciences	Target
Fladeboe Honda	Toshiba
IPC USA	Tuttle Click Dodge Chrysler
Irvine BMW	Jeep
Irvine Service Station	Tuttle Click Ford/Lincoln/
Living Spaces	Mercury
Main Electric Supply	University of California, Irvine
	Victor Medical



#### Irvine Quick Facts

CPI adjusted per capita General Fund spending is at a record low (\$603) per available data

Ranked 2<sup>nd</sup> best run city in America by 24/7 Wall Street

Named safest big city in America by the FBI for 8<sup>th</sup> consecutive year

41% of the General Fund budget is dedicated to Public Safety

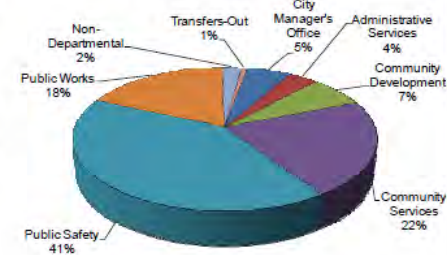
Continuing to provide life-affirming programs and services to the City's youngest, oldest and most vulnerable populations

Sales Tax — Irvine receives 1¢ of every taxable retail sale dollar spent in the City

Property Tax — Irvine receives an estimated 9¢ of every dollar of property tax

### Appropriations

"Where the Money Goes"



<u>Operating Appropriations</u>	<u>FY 12-13 Adopted</u>
City Manager's Office	\$7,635,499
Administrative Services	5,036,921
Community Development	9,698,589
Community Services	30,218,318
Public Safety	57,145,930
Public Works	24,980,469
Non-Departmental	3,265,000
Transfers-Out	\$1,005,200
<b>TOTAL APPROPRIATIONS</b>	<b>\$138,985,926</b>

#### Capital Improvement Program

Capital appropriations total \$97.4 million, including \$17.6 million in significant non-routine capital infrastructure improvements for 28 new projects in FY 2012-13.

#### Education

Measure R, the Irvine School Support Initiative approved by Irvine voters November 2010, continues the City's direct financial support to Irvine schools - \$1.5 million annually through FY 2013-14.







# The Irvine Approach

## Presentation Slide Examples: Telling the Story

# FY 2012-13 General Fund Budget Presentation

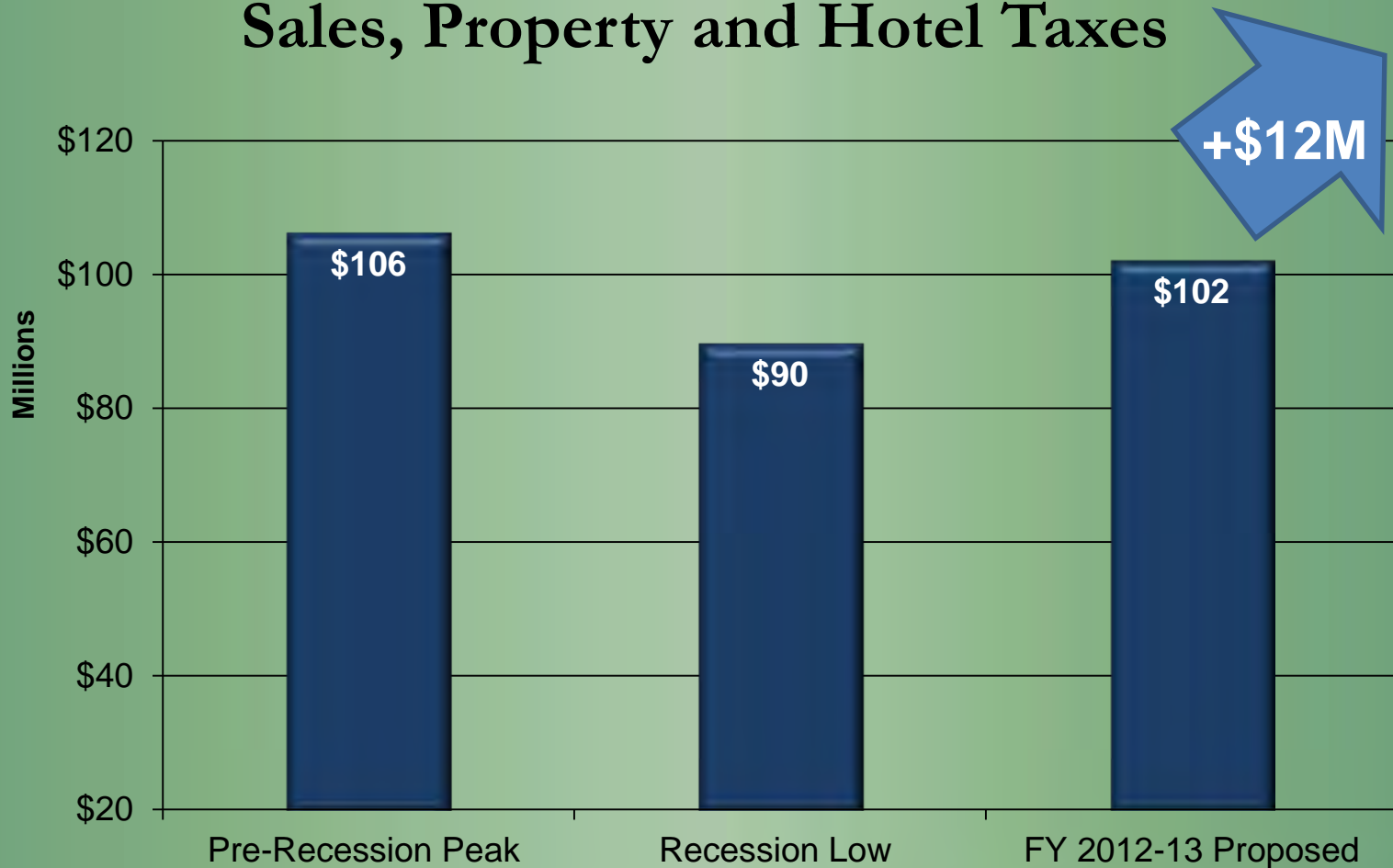


CITY OF IRVINE  
2012-13 BUDGET



# Top Three Revenues

## Sales, Property and Hotel Taxes



# The Four Pillars



**1**  
No Tax  
Increases

**2**  
No Staff  
Layoffs

**3**  
No Pay  
Raises

**4**  
No  
Material  
Reduction  
of Core  
Services



# Strategic Priorities

## Accomplishments

- Maintain Core Services
  - Safest Big City
  - Human Services
  - Infrastructure & Aesthetics
  - School Support
- Contingency Reserve Funding
- Infrastructure Rehabilitation Funding



# Expected Business Openings



# FY 2012-13 Budget

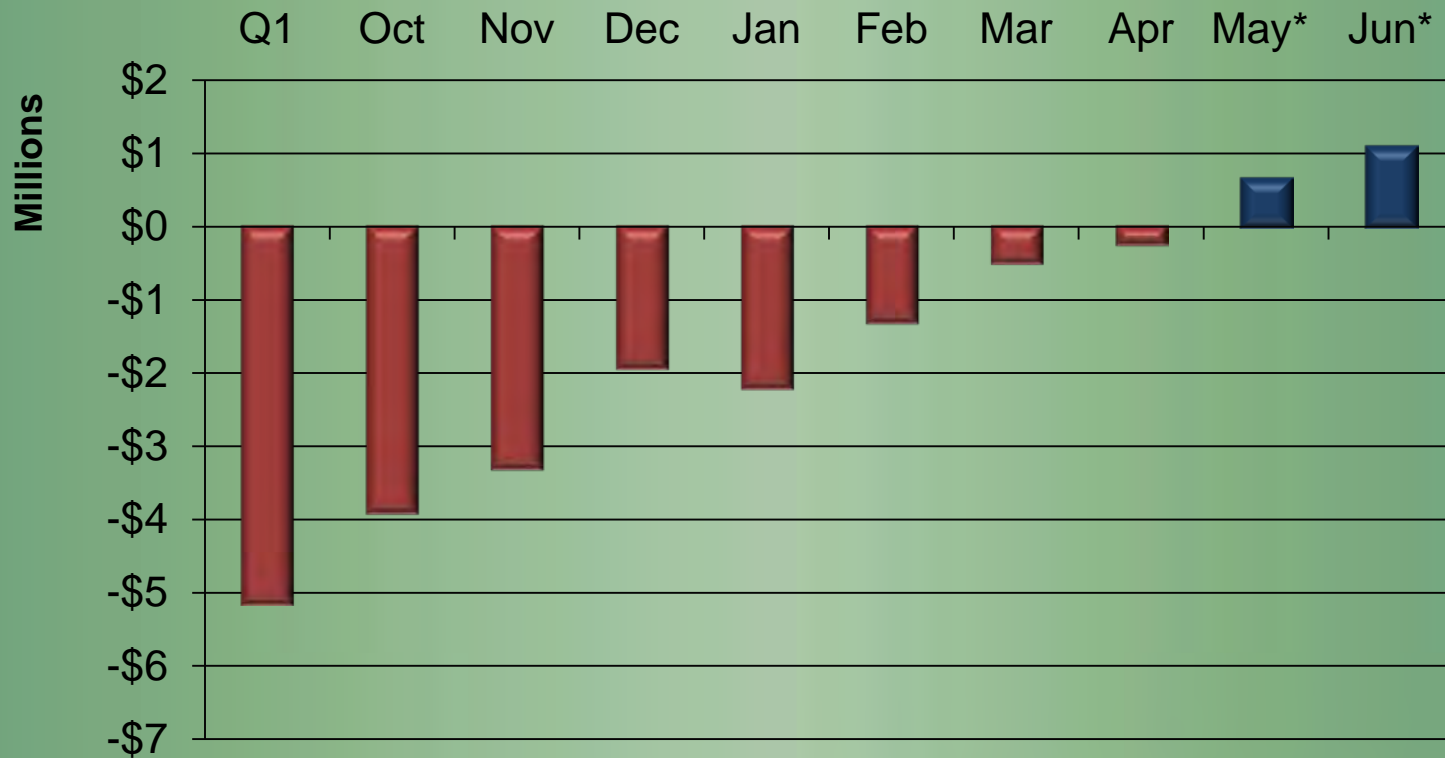
<b>One-Time Funding Sources:</b>	
Bake/I-5 Fee District Close-Out	\$3.4M
Jeffrey Grade Separation Project Close-Out	1.0M
Bowerman Funding (Irvine School Support)	1.0M
<b>Less:</b>	
Transfer to Contingency Reserves	-0.5M
Unallocated Fund Balance	-0.2M
<b>Total*</b>	<b>\$4.7M</b>

\* Difference between ongoing revenues and ongoing expenditures



# FY 2011-12 General Fund Update

## YTD Budget Variance

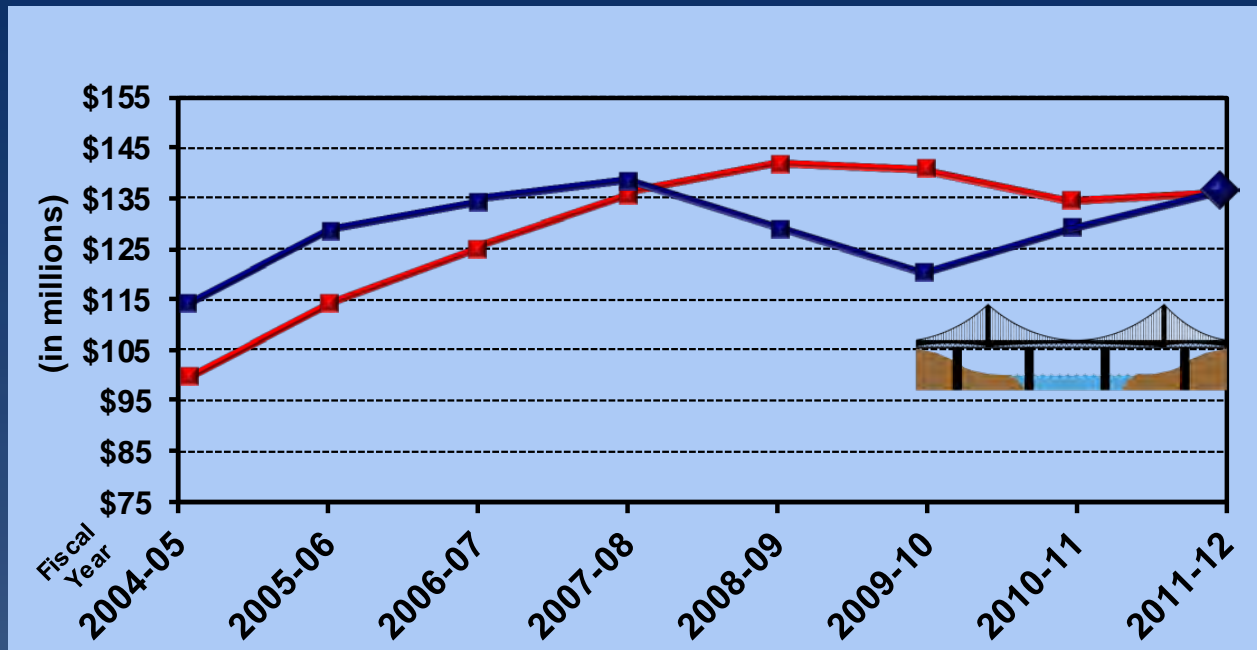


\* Preliminary estimates for May and June





# Operating Revenues vs. Expenditures



■ Revenues ■ Expenditures



# Irvine Intranet Internal Report

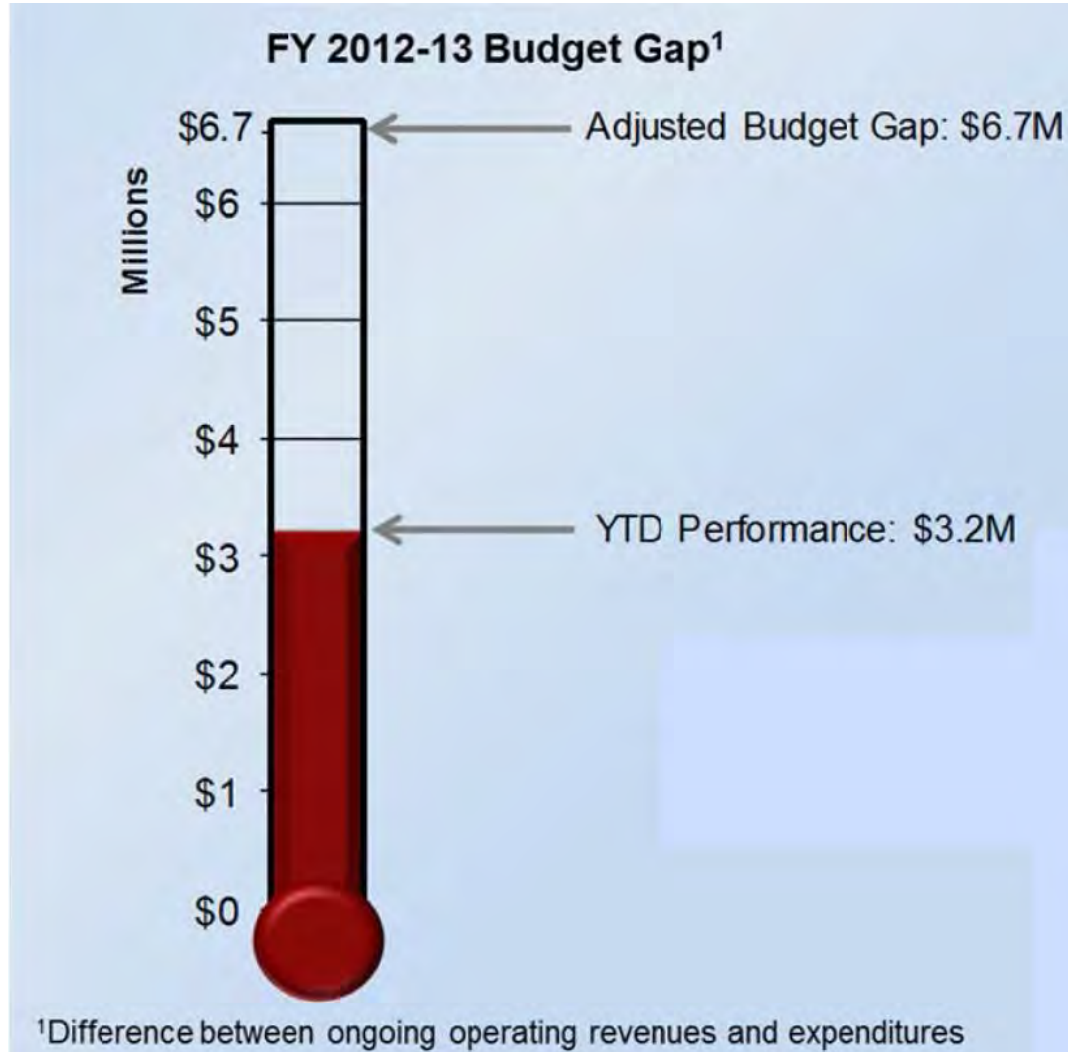
## City of Irvine Fiscal Year 2012-13 November Financial Dashboard

The City Manager asked the Budget Team to prepare and present monthly financial dashboard reports to City staff to keep employees current on financial trends. To view the latest two-page report please [click here](#).

The report summarizes information recently shared with the City Council. If you have any questions regarding this information, please contact Budget Manager Ken Brown at extension 6046.



# Irvine Intranet Internal Report



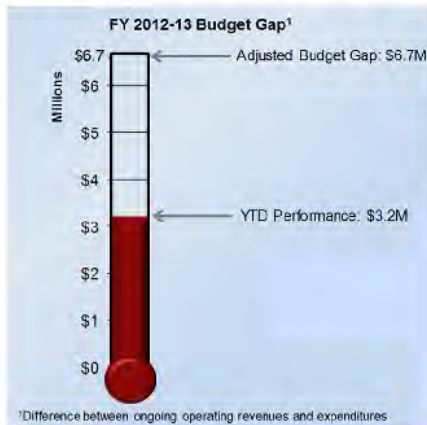


# Irvine Intranet Internal Report

## FY 2012-13 November Financial Dashboard

The Budget Office develops monthly budget update reports for the City Council and Finance Commission after the first quarter of the fiscal year. To also keep City staff current on financial trends, the City Manager asked the Budget Team to prepare and present monthly financial dashboard reports for employees. In developing these reports, the Budget Office works with City department budget coordinators to estimate monthly revenues and expenditures. Year-to-date budget estimates are typically made on the basis of historical experience when the exact timing of payments is unknown.

The City's FY 2012-13 Adjusted Budget contains a gap of approximately \$6.7 million. The budget was balanced by utilizing "one-time" measures, including the use of surplus funds from a completed capital improvement project and funds from a fee-district closure. Through November, however, the City has outperformed budget expectations by \$3.2 million and is working toward the goal of closing the budget gap by year-end.



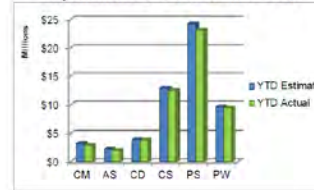
### Summary – as of November 30, 2012

	Adjusted Budget	YTD Estimate	YTD Actual	YTD Variance
Revenues	\$132,426,474	\$27,341,848	\$28,450,715	\$1,108,866
Transfers-In	\$6,807,232	\$1,981,600	\$2,015,941	\$34,341
Expenditures	\$139,919,054	\$57,071,774	\$54,820,264	\$2,251,510
Transfers-Out	\$1,005,200	\$2,355,495	\$2,523,390	(\$167,895)
		<b>YTD Budget Variance<sup>2</sup></b>		<b>\$3,226,822</b>

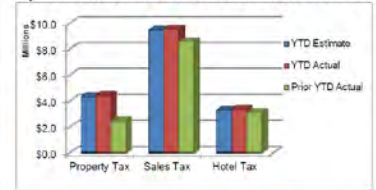
<sup>2</sup>The year-to-date budget variance is the positive/negative difference between estimated and actual revenues and expenditures.

## FY 2012-13 November Financial Dashboard

### Expenditures as of November 2012



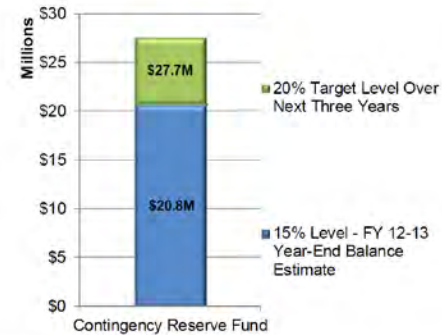
### Top Three Revenue Sources as of November 2012



Property Tax, Sales Tax and Hotel Tax combined account for 77% of the City's total annual budgeted revenues (excluding transfers-in)

### Contingency Reserve Fund

At the close of FY 2011-12, the City Council adopted a policy to increase the Contingency Reserve Fund balance from the target level of 15% of General Fund adopted budget operating appropriations to 20% over the course of the next three fiscal years. This 5% increase to fund balance would be approximately \$6.9 million based on the current year's adopted budget. At the end of FY 2012-13, the City will have approximately \$20.8 million or 15% of General Fund operating appropriations in reserves.



For more information, please click [here](#) for the complete November Report that was presented to the City Council and Finance Commission.





# For More information

<http://cityofirvine.org/budget>

# Polling Question #5

What is the frequency of your reporting on performance vs. budget to the public?



# BUDGET AWARDS PROGRAMS



# Budget Awards Programs

- GFOA offers the Distinguished Budget Presentation Award
- CSMFO offers the Operating Budget and Capital Budget Excellence Awards







# Budget Awards Programs

- Awards don't measure the soundness of a budget's recommendations or the underlying policy direction
- Goal is to demonstrate that the budget document is serving its intended purpose of communicating budget information to elected officials, the public, and staff effectively



# CSMFO Budget Award Program

- Opportunity for continual improvement as best practices change
- Valuable peer review of budget document
- For new applicants, multiple reviews to provide several perspectives on opportunities for improvement



# Additional Questions?



# Speaker Contacts

## Scott Catlett

City of Riverside

(951) 826-5609

[scatlett@riversideca.gov](mailto:scatlett@riversideca.gov)

## Ken Brown

City of Irvine

(949) 724-6046

[kbrown@ci.irvine.ca.us](mailto:kbrown@ci.irvine.ca.us)

# Resources and Feedback

- A digital audio recording of the session and an Agenda packet with PDF of the PPT with polling results and other materials will become available within 24 hours at the “Live Audio & Archives” tab of [www.csmfo.org/training/webinars](http://www.csmfo.org/training/webinars)
- Other coaching resources, including volunteer 1-1 coaches are available at [www.csmfo.org/training/coaching](http://www.csmfo.org/training/coaching)
- Please complete the follow up survey.

## Polling Question #6

How was the webinar of value to you?

# Post-Webinar Discussion Questions

- a. What challenges do we have with communicating our budget information?
- b. Which tools and approaches from this webinar might we apply for our agency?
- c. What actions can we take now to enhance communication of this year's budget?

## Polling Results from “Communicating Your Budget Effectively” – webinar

April 24, 2013

127 locations; estimated 234 participants in live audience

[CLOSED] How many people are participating in this webinar at your location?

- 68% 1 -- just myself
- 31% 2-5
- 1% 6-10
- 0% 11-20
- 0% 21 or more

[CLOSED] What are your roles in the budget process?

- 62% primary responsibility for preparation and communication
- 43% oversee the budget preparation process
- 40% help in preparation
- 10% not a lead player, but interested
- 3% other

[CLOSED] What is your agency's experience with performance measurement?

- 4% none, and no current interest
- 64% interested, but haven't implemented
- 10% implemented with useful results (improved outcomes)
- 19% implemented with mixed or negative results
- 3% other (please send via Question function)

[CLOSED] Where do you see opportunities for improvement in your budget documents?

- 44% well thought out/executed summary
- 32% thorough narrative
- 22% consistent numbers with logical organization
- 72% thoughtful charts and graphs
- 49% clarity of content and execution

[CLOSED] What is the frequency of your reporting on performance vs. budget to the public?

- 28% annually
- 27% semi-annually
- 39% quarterly
- 22% monthly
- 6% not applicable

[CLOSED] How was this webinar of value to you?

- 72% identified typical problems with communicating budgets
- 67% provided practical solutions to these problems
- 80% illustrated the solutions with concrete examples
- 84% provided templates and resources we can adapt
- 37% showed how budget awards programs provide useful feedback







<b>AGENDA NO:</b>	<b>B - 4</b>
<b>MEETING DATE:</b>	<b>March 8, 2016</b>

## Staff Report

**TO:** Chairwoman Spagnola and Committee Members      **DATE:** March 3, 2016  
**FROM:** Susan Slayton, Administrative Services Director  
**SUBJECT:** Joint Meeting with City Council

### **DISCUSSION**

The joint meeting with the City Council is coming up, either on March 29<sup>th</sup> or April 12<sup>th</sup> (as of the writing of this agenda item, a firm date had not been chosen). The Committee will need to get together prior to this meeting, either in its entirety or through a sub-committee, to put together a tentative work plan for Council's review.

The Committee is to decide how it wants to compile the plan (either as a full body or sub-committee), and discuss topics for that plan.

The 2015/16 work plan is attached for reference.

**DATE:** September 28, 2015

**TO:** Mayor Irons and City Council

**FROM:** Citizens Finance Advisory Committee

**REGARDING:** Committee Work Plan

At the September 24<sup>th</sup> meeting of the Citizens Finance Committee, members reviewed and accepted the following work plan for the committee:

1. October 15<sup>th</sup> – Chairwoman Spagnola and Member Forsythe will attend the City Manager’s 1<sup>st</sup> quarter budget review
2. October 20<sup>th</sup> – meet and review the 1<sup>st</sup> quarter financial status reports – reports will be delivered to Committee members by October 14<sup>th</sup>
3. December 15<sup>th</sup> – meet and review the District Transaction Tax (Measure Q) 2014/15 financials – reports will be delivered to the Committee members by December 8<sup>th</sup>
4. January 19<sup>th</sup> – meet and review the 2<sup>nd</sup> quarter financial status reports, mid-year budget requests, and 2014/15 audit – reports will be delivered to Committee members by January 11<sup>th</sup>
5. February 16<sup>th</sup> – meet and review the 10 year budget forecast; report delivered to Committee members by February 9<sup>th</sup>
6. April 19<sup>th</sup> – meet and review the 3<sup>rd</sup> quarter financial status reports; reports will be delivered to the committee members by April 11<sup>th</sup>
7. Late April/Early May – meet and review the 2016/17 preliminary budget, and attend the budget workshop (date TBA); information will be delivered to committee members ASAP

All meetings are scheduled to be held from 3 – 5pm, prior to the Planning Commission meetings; the location of those meetings will be announced.