CITY OF PISMO BEACH, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT







2017

FOR FISCAL YEAR ENDED JUNE 30, 2017

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City of Pismo Beach
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2017

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Introductory Section

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Administrative Services Department
760 Mattie Road
Pismo Beach CA 93449
Phone: 805-773-4655 Fax: 805-773-7065

December 15, 2017

To the Honorable Mayor,
Members of the City Council, and
Citizens of the City of Pismo Beach

REPORT PURPOSE AND ORGANIZATION

It is our pleasure to present to you the Comprehensive Annual Financial Report (CAFR) of the City of Pismo Beach, California for the fiscal year ending on June 30, 2017. The City follows a policy of preparing a complete set of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) after the end of each fiscal year. This report is published to fulfill that policy for the fiscal year ending on June 30, 2017 and marks the sixteenth year the City has prepared a CAFR.

Management of the City of Pismo Beach assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive frame-work of internal control that the City has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the City's financial statements are free of material misstatements.

Audited Financial Statements

The City's financial statements have been audited by Glenn Burdette, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending on June 30, 2017 are free of material misstatement. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified independent auditor's report that the City of Pismo Beach's financial statements for the fiscal year ending on June 30, 2017 are fairly presented in conformity with GAAP. The independent auditor's report is located at the front of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A complements this letter of transmittal and should be read in conjunction with it. The City's MD&A immediately follows the independent auditor's report.

Report Organization

This report is organized in three sections: introductory, financial, and statistical.

1. The *Introductory* section includes this transmittal memorandum and general information on the City's government structure and the services provided. It includes a list of principal officials, an organizational chart, and the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Report.

2. The *Financial* section contains the independent auditor's report on the financial statement audit, the Management Discussion & Analysis (MD&A), basic financial statements, Required Supplementary Information; and combining and individual fund presentations and supplementary information.

3. The *Statistical* section includes selected financial and demographic information.

PROFILE OF THE CITY OF PISMO BEACH

The City of Pismo Beach was incorporated in 1946. The City is located on the Central Coast of California about 200 miles north of Los Angeles. The City is visited annually by a substantial number of tourists seeking to enjoy the area's moderate climate, ocean views and sunsets, fine restaurants, and the relaxing atmosphere unique to coastal communities. The City's downtown core area and hotel areas are anchored by the City-owned Pier extending into the Pacific Ocean. The City is home to about 8,247 individuals, and most of the City is residential with a continuing trend of new homes being built with spectacular ocean views.

Form of Government

The City operates under a council-manager form of government. Policy making and legislative authority are vested in the City Council consisting of the elected Mayor and four other elected Council members. The Council is responsible, among other matters, for passing ordinances, adopting the City budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the daily operations of the City, and for appointing other employees and otherwise managing daily operations of the City. The Mayor is elected for two year terms, and the Council is elected for four year staggered terms, with two members elected every two years.

City Services

The City provides a full range of municipal services including fire and police protection, construction and maintenance of City streets, storm drains, bridges, and similar infrastructure-type assets, park maintenance, community recreation activities, and public facilities. In terms of business-type activities, the City provides water, wastewater, parking, pier, and transit services through the operation of its enterprises.

Budget Process and Budgetary Control

The City's biennial budget serves as the foundation for the City of Pismo Beach's financial planning and control system. All departments of the City submit requests for appropriations to the City Manager. The City Manager uses these requests as a starting point for developing a proposed budget. The City Manager presents a proposed budget to the City Council every two years. The Council holds public hearings on the proposed budget and then ultimately adopts a formal budget. The budget is adopted by fund, department, and object. The Council periodically reviews the City's actual financial activity in relationship to the original budget, and as necessary, amends the original budget to reflect changing conditions during the fiscal year.

ECONOMIC CONDITION

Long-Term Financial Planning

The City incorporates long-term financial planning into its budget process in several ways:

- First, the City has established a set of financial policies that were reviewed and affirmed by the City Council and Executive Management Team on April 4, 2017 during the development of the budget. These policies establish goals for the allocation of public resources in the manner best suited to the efficient provision of services to citizens and visitors present within the City. Some of these policies call for maintaining adequate cash reserves and providing ongoing maintenance of infrastructure and buildings, which are vital to sound fiscal management.

- Second, the Council undertakes a strategic planning process to establish goals and priorities for the organization that takes into account a long-term vision of the City and incorporates public input. The Council reviews and may modify its long-term vision statement for the City every two years. Additionally, the Council seeks public input in developing the City's goals to meet this vision. This public input process, branded Pismo Voice, included a tri-fold flyer in all utility bills advertising community workshops and directly asks for ideas about priorities, with prepaid postage for return mail to the City. In addition, the City received feedback about priorities from social media outreach efforts, push notifications through the City's website, outreach booths at community events, and several community meetings. The resulting City goals are long-term goals that typically cannot be accomplished in one or two years. As such, City staff develop work plans to implement various stages of those goals and those items are incorporated into the budget.

- Third, the City maintains a five-year operating projection for the General Fund and the Water and Wastewater Enterprise Funds. The General Fund projection is updated quarterly and shared with Council annually. These projections allow management to see what the future could look like given a set of assumptions and is evaluated in the context of whether decisions are sustainable over the long term.

- Fourth, the City maintains a ten-year long-range capital planning process that helps drive annual capital funding decisions as well as periodic bond issues for larger investments.

- Finally, all Governmental Accounting Standards Board pronouncements are monitored and implemented into the City's financial statements.

The general fund's budget to actual comparison, a major governmental type fund under the reporting standards, is presented as required supplementary information in a separate section of this report immediately following the notes to the financial statements. For the City's other governmental-type funds, a budget to actual comparison schedule is presented as optional information in the section of this report containing combining financial statements and individual fund schedules.

Economic Condition and Outlook

U.S. Economy

The U.S. economic outlook is healthy for the next two budget years according to key economic indicators. The California Department of Finance's economic projections indicate that the U.S. economy will continue to grow at a rate of 2.1% to 2.2% in Gross Domestic Product (GDP) growth for the next two years, with a higher growth rate in FY 2018 and a slowing growth rate in FY 2019. GDP growth between the 2.0% to 3.0% per year is the ideal range. According to the Federal Open Market Committee's June 2017 economic forecast, the unemployment rate is expected to drop to 4.2% to 4.3% in 2017 and 2018, although most of this job growth is in low-paying retail and food service industries.

A big question about the future of the economy is: How long will the economy continue to expand before there is another recession? The California Legislative Analysts Office states that the current U.S. economy has been expanding since the end of the last recession in June 2009, making it the fourth longest expansion since 1854. Economic expansions typically end due to imbalances in the economy, economic shocks, major changes in the economy, or public policy. Economic expansions have historically become longer due to improved management of U.S. monetary policy, other government policies, better management of business inventories, technological change, and a stable rise in the service sector. The past few U.S. expansions have ended about three years after the economy reached full employment, or 5% unemployment. As unemployment has been at the 5% level since October 2016 and if history repeats itself, the current expansion could continue for the next couple of years. **In summary, the U.S. economic outlook for FY 2018 and FY 2019 is healthy and expanding, but at a slowing rate.**

How long will the economy continue to expand before there is another recession?

"…the current expansion could continue for the next couple of years. The U.S. economic outlook for FY 2018 and FY 2019 is healthy and expanding, but at a slowing rate."

State of California Economy

According to the California Legislative Analysts Office, **the State of California fiscal forecast has improved in the past two years.** Job growth has been outpacing the nation, including more participation in the labor force and more full-time work. Overall, **employment is projected to grow** by 0.9% each year for the next two years and the unemployment rate is projected to decrease to about 4.7%, close to the projected national average. **Personal income is expected to grow** by 4.4% to 4.5% in the next two years.

California Housing Trends

Housing costs and rents are high and housing affordability is a growing concern for the State. One of the big factors for high home costs is the lack of supply. Statewide, construction of single family and multi-family homes are expected to grow by 9.3% in 2018 and 11.8% in 2019. However, this increase in supply is not keeping up with demand and, in various local communities, housing supply remains low. According to the University of California Los Angeles Anderson Forecast "Housing Activity Grinds Higher" published on June 2017, the various theories on why the supply of single family housing remains low and growing slowly is due to tighter credit standards compared to the earlier housing boom, slow personal income growth, and more regressive zoning and environmental regulations. Alternatively, multi-family housing vacancy rates are decreasing and supply continues to grow for those households who cannot afford the steep prices of single-family housing and also to cater to those households that prefer to live in urban settings. There continues to be a high demand for affordable housing close to employment centers.

California Tourism Trends

The City of Pismo Beach is heavily reliant upon tourism to the City. The City's General Fund (the City's largest and most discretionary fund) is made up of 39% transient occupancy tax revenues, which is a 10% tax on gross rent for stays of 30 or less consecutive days at various lodging properties. In addition, part of the City's sales & use tax revenues come from visitors shopping, dining, buying fuel at service stations, and general consumer goods in Pismo Beach.

The California travel and tourism industry continues to show solid growth. According to Tourism Economics' "California Travel & Tourism Outlook" from April 2017, **total visitors to California are expected to grow by about 2.2% in 2018 and 2.6% in 2019**. Estimated total expenditures in California from these visitors is expected to increase by 4.2% in 2018 and 3.7% in 2019. **However, these growth rates demonstrate a slowing of visitors to California compared to 2011 through 2015**, where visitors to California grew by 3.1% to 5.6% per year. Some of the reasons for a slowing rate of visitors to California

include: a decline in Mexican arrivals as a result of US and Mexico tensions, unfriendly immigration policies, a strong U.S. dollar, and risk of protectionism. Domestic travel to California makes up 94% of all California visitors, of which residents from Arizona, Nevada, Oregon, and Washington make up the majority of visits. Total international visitors make up the remaining 6% of California tourists, of which residents from Mexico, China, and Canada make up the top three countries (in decreasing order) of international visitors to California.

City of Pismo Beach Economy

The City of Pismo Beach is subject to the same economic impacts of the U.S. and the State of California. However, Pismo Beach is more reliant upon tourism compared to the average City. The City's primary visitors come from the San Joaquin Valley who visit the City, largely during the summer to escape the extreme heat in the Valley. With these annual visitors, the City enjoys a stable base of visitors. Even as the overall U.S. economy slowly picked up after the Great Recession, Pismo Beach was able to rebound rather quickly due to these more stable visitor revenues. In fact, Pismo Beach continues to lead the way in the County for tourism and hospitality. According to PKF Consulting, RevPAR (or hotel revenue per available room) in Pismo Beach increased by 0.2% during FY 2017, due to average daily room rates increasing by 3.5%, to $161.42, offset by occupancy rates decreasing 3.2%. However, like the rest of the economy, the City is projecting slowing growth. FY 2018 budgeted General Fund revenues are expected to decrease compared to FY 2017 actual revenues, largely reflecting reduced permit fee revenues based on a slowing of development in the City as the City's vacant parcels move closer to build out. These revenues are expected to increase by 3.8% in FY 2019 largely due to two new hotels in the City's downtown area.

City's Response to Economic Issues

In response to these economic issues, the City's Adopted Budget includes conservative revenue projections. Although there are potential areas for economic growth, the City remains wary about the City's past revenue declines in all the major General Fund categories. In addition, the City's Adopted Budget includes measures to maintain the City's strong financial position. The budget includes infrastructure investments and other investments in our community, provides support for our effective team, while setting aside funds for a rainy day in the event of economic challenges.

In addition, the City's Lodging Business Improvement District collects 1% of gross lodging revenues and uses those funds to promote the Pismo Beach lodging industry. The City uses these funds to open new tourism markets, focusing on getting the most use out of its funds and creating a unique experience for its visitors.

CalPERS Discount Rate Change

Another large factor impacting the City of Pismo Beach is the City's CalPERS net pension liability of $17 million. The funded status of the City's pension plans is about 70%. This funded rate is good, but a better funding rate would be 80%. CalPERS dramatic investment losses during the Great Recession have contributed to the City's reduced funded rate. At the December 21, 2016 meeting, the CalPERS Board of Administration approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.5% to 7.0% over the next three years. In order to continue to provide the same benefit, this means that CalPERS will increase public agency employer contribution costs beginning in FY 2019. The phase-in of the discount rate change approved by the Board for the next three fiscal years is as follows:

Valuation Date	Fiscal Year for Required Contribution	Discount Rate
June 30, 2016	FY 2019	7.375%
June 30, 2017	FY 2020	7.25%
June 30, 2018	FY 2021	7.00%

Lowering the discount rate means plans will see increases in both the normal costs (the cost of pension benefits accruing in one year for active members) and the accrued liabilities (the cost of pension benefits accruing over the life of the plan). These increases will result in higher required employer contributions. In addition, active members hired after January 1, 2013, under the Public Employees' Pension Reform Act (PEPRA) may also see their contribution rates rise.

The benefits of reducing the discount rate include:

- Strengthening long-term sustainability of the fund
- Reducing negative cash flows; additional contributions will help to offset the cost to pay pensions
- Reducing the long-term probability of funded ratios falling below undesirable levels
- Improving the likelihood of CalPERS investments earning our assumed rate of return
- Reducing the risk of contribution increases in the future from volatile investment markets

CalPERS Discount Rate Reduction Impact on Pismo Beach

Employer contribution increases as a result of the discount rate changes are estimated below by Normal Cost and required Unfunded Accrued Liability (UAL) payment. The Total Employer Contribution is the sum of the Normal Cost Rate applied to reported payroll plus the Unfunded Accrued Liability payment. The Normal Cost portion of the Employer Contribution is expected to increase by the listed percentages of payroll. Increases to the UAL payments are provided as relative increases to be applied to the projected UAL payments in the June 30, 2015 valuation report.

The changes to the Unfunded Accrued Liability (UAL) due to changes of actuarial assumptions are amortized over a fixed 20-year period with a 5-year ramp up at the beginning and a 5-year ramp down at the end of the amortization period. The 5-year ramp up means that the payments in the first four years of the amortization schedule are 20 percent, 40 percent, 60 percent and 80 percent of the ultimate payment, which begins in year five. The 5-year ramp down means that the reverse is true and the payments in the final four years are ramped down by the above percentages. A new ramp up is established with each change to the discount rate. There will be three ramp ups established in the first three years. As a result of the 5-year ramp up and effective date of the increase, it will be seven years until the full impact of the discount rate change is completely phased in.

What is the City's fiscal impact of the CalPERS lowering its expected rate of return by 0.5%?

"In five years, the estimated impact of CalPERS lowering its expected rate of return from 7.5% to 7.0% may have a $750,000 per year impact, which is unsustainable."

The CalPERS discount rate change from 7.5 % to 7.0% will impact the City beginning in FY 2019. After considering both of these changes (reducing the City's side fund and the reduction of the CalPERS discount rate), the net fiscal impact to the City's General Fund is estimated to be an additional $50 thousand in FY 2019 (already included in the FY 2019 Adopted Budget), a net reduction of $187 thousand in FY 2020, an additional $386 thousand in FY 2021, and an additional $224 thousand in FY 2022, for an average additional cost of $113 thousand per year for the next 4 years. Staff prepares a 5-year budget projection and anticipates that these costs and other budgeted expenditures can be managed and supported by current ongoing revenues without drastic changes in operations. **In five years, the estimated impact of CalPERS lowering its expected rate of return from 7.5% to 7.0% may have a $750,000 per year impact, which is unsustainable.**

City Financial Impact and Proactive Response

As one of the City's fiscal policies to annually consider reduction of long-term debt as a use of revenues, the City Council established a Debt/Pension Reduction Reserve of $1.0 million in 2014. This $1.0 million came from personnel cost savings accumulated in the General Fund unassigned fund balance over a few years due to staff vacancies and attrition. The City Council reviewed all the various General Fund supported-debt and determined that the best fiscal benefit to the City was to apply the $1.0 million to the CalPERS Miscellaneous Tier 1 Side Fund (the unfunded pension liability). This prepayment of the side fund provided a $671 thousand savings in interest costs and a reduction of approximately $200 thousand per year starting in FY 2018 through FY 2027 at the end of the original amortization period.

What is the City doing to resolve this issue?

The City Council

- ✓ **prepaid $1 million of the unfunded pension liability in 2014**
- ✓ **budgeted for the discount rate change in FY 2018 and FY 2019**
- ✓ **set aside an additional $1 million to cover another potential and likely 0.5% discount rate reduction**
- ✓ **is a voice for CalPERS pension reform.**

In addition to the $1.0 million prepayment of the City's side fund, the City Council has provided direction to staff to set-aside another $1.0 million of the General Fund unassigned fund balance to prefund any additional costs associated with this or future CalPERS discount rate reductions over the next five years. This will allow the City to draw down approximately $200 thousand per year for the next five years to prefund anticipated future decreases to the CalPERS discount rate without impacting other operations.

Finally, **the City Manager is working with the California League of Cities to start discussions about pension reform as the current pension system is not sustainable.** Pismo Beach as well as other leaders in the State are working together to be a voice for pension reform and to take measures to resolve this upcoming crisis.

Nuclear Power Plant Closure

PG&E has publicly announced closure of Diablo Canyon Power Plant (DCPP) after its current U.S. Nuclear Regulatory Commission operating licenses expire in November 2024 and August 2025. PG&E has also publicly stated that the power produced by DCPP's two nuclear reactors is expected to be replaced with investment in a greenhouse-gas-free portfolio of energy efficiency, renewables and energy storage. The proposal is contingent on a number of regulatory actions, including approvals from the California Public Utilities Commission.

Based on preliminary research, the estimated cumulative impact during 2017 to 2025 on the City is approximately $867,000, of which approximately $839,000 impacts the General Fund and $28,000 impacts the Lodging Business Improvement District (LBID) Fund. According to the City, the ongoing impact is estimated to be a $227,000 (approximate) per year loss to the City, of which approximately $222,000 impacts the General Fund and approximately $6,000 impacts the LBID Fund. There are many variables and assumptions associated with these fiscal impacts, which are likely to change. The largest components of this loss is to the City's unitary property tax revenues and to the TOT and LBID Assessment revenue loss. The City does not expect DCPP's closure to have a material impact on the City's finances.

Relevant Financial Policies

The City of Pismo Beach has adopted a comprehensive set of financial policies to provide guidance for all fiscal activities and resource allocation decisions as defined in the Adopted Budget and Purchasing Policy. In addition, the City Council approved or adopted several other fiscal policies including:

- Debt Management Policy, a new policy for the City adopted in March 2017
- City's Investment Policy, adopted most recently in January 2017
- Adopted an ordinance to amend the City's Municipal Code to add details on committed fund balances, including the General Fund Reserve, the General Fund City Facility Reserve, and the Risk Management Reserve policies in April 2015
- Capital Assets Policies and Procedures, effective on July 1, 2014 as part of the City's Purchasing Policy.

The following policies are particularly relevant to the City's financial performance in FY 2017.

General Fund Reserve: Establish and maintain a General Fund reserve of 24% of budgeted expenditures in the General Fund. The City maintained a General Fund reserve of 24% of budgeted operating expenditures and did not use any of these reserves.

Risk Management Reserve: Establish and maintain a Risk Management Reserve to be used for unanticipated risk management costs, funded with $50 thousand per year, up to $250,000. The City maintained a reserve of $200 thousand in FY 2017 and did not use any of these reserves.

Cost Recovery: Establish the level of cost recovery desired from various fees for services. The City Council approved an updated cost allocation model and implemented a phase-in approach of the cost allocation starting in FY 2016 and increasing the recovery in FY 2017.

Infrastructure: Contribute from the General Fund annually for the improvement of infrastructure. The City contributed to various infrastructure improvements in FY 2017, including: street paving and Price Street bluff erosion improvements.

Public Safety: Provide funding to maintain adequate levels of safety for citizens and visitors of Pismo Beach. The City supported the replacement of the Police 911 radio system.

Economic Development: Achieve organized, sustainable community development for the citizens of Pismo Beach by providing a diverse economic base while preserving our scenic beauty, small town charm, and historical assets. The City contributed various funds in FY 2017 for the implementation of the Downtown Strategic Plan; the Pismo Beach Pier rehabilitation project; the Shell Beach Streetscape Phase 1 project; and Shell Beach Development design standards.

Projects Accomplished in FY 2017

Pismo Beach is an active and vibrant community, with a municipal government that is proactive and prepared to respond to changing community needs. Even with a small staff, the City has accomplished many projects in FY 2017. The following list highlights some of the most significant accomplishments in FY 2017.

Infrastructure Maintenance and Beautification

- ✓ Street paving as part of the third phase of the City's Pavement Management System
- ✓ Shell Beach Streetscape Phase I design and planning work
- ✓ Design work to replace the Bello Bridge

- ✓ Planning work towards the Regional Groundwater Sustainability Plan for a recycled water facility
- ✓ Installation of a pilot recycled water plant
- ✓ Completion of the Price Street bluff erosion project

Housing, Health, and Safety
- ✓ Risk Management updated all contract language as required by the City's insurance provider, California Joint Powers Insurance Authority's (CJPIA), to improve indemnification language and contractor insurance requirements
- ✓ Completed Shell Beach community design standards for residential development or redevelopment
- ✓ Risk Assessment corrections including work to update the City's bluff tops with appropriate signs and fencing
- ✓ Completion of the Five Cities Drive Signal for better circulation and a safer commute for the City's visitors and residents

Preservation of essential services and fiscal health
- ✓ The City received an AA+ rating from Standard & Poors Global Rating Services, for the Pier Rehabilitation Project lease revenue bonds that were issued in FY 2016-17, which is the best rating that can be achieved for these types of bonds
- ✓ Increased the General Fund Reserve from 23% to 24%
- ✓ Maintained the Risk Management Reserve for a total balance of $200 thousand to fund unanticipated general liability and workers' compensation costs
- ✓ Fully funded the General Fund Reserve and the General Fund City Facility Reserve
- ✓ Negotiated with unions on Fair Labor Standards Act (FLSA) back-pay and release documents for each employee to settle overtime pay based on court ruling for another jurisdiction

Economic Development
- ✓ Implementation of the Downtown Strategic Plan, purchase and installation of new standard trash receptacles, and new wayfinding signs
- ✓ Began construction on the Pier Rehabilitation Project
- ✓ Support openings of two new hotels in the Downtown area, scheduled to open in 2017 and 2019

Community Awareness and Communication
- ✓ Police Department's 911 Phone system and radio communication system replacement and upgrade
- ✓ New and enhanced public outreach program, branded Pismo Voice, kicked off during the February 2017 goal setting process

FY 2018 Major Initiatives

The future continues to be very bright for the City of Pismo Beach, its residents, and its visitors. We are building for our future today, we continue to make major investments, and the City continues to set aside some of the savings from prior years and a portion of new revenues into reserves. Continuing to build reserves and maintain certain accumulated fund balances is critical as the City still weighs the cost of ongoing challenges, including rising pension costs, rising risk management costs, high costs of repairing the Pier, development of a sustainable water supply, beginning construction of major capital projects including the Shell Beach Streetscape project, Pier Plaza area, and Price Street, and significant investments in circulation and parking.

BUILDING OUR FUTURE TODAY calls for making major investments in areas that will impact our community for many years to come. Specifically, these investments are outlined in more detail below.

We are Building a More Beautiful Community

The FY 2018 Budget includes strategic investments to revitalize and beautify our community, including:

- Design and architecture of the improvements to the Pier Plaza and Pier parking lot
- Installing new park entrance signs and identification and wayfinding signs
- Installing sidewalk pavers throughout the Downtown core
- Encouraging Downtown businesses to make façade improvements as part of a City incentive program
- Beginning implementation of Shell Beach Streetscape phase 1 to provide a more walkable and attractive community and a more vibrant business environment
- Implementing the Shell Beach Design Guidelines

We are Building a Sustainable Community

The FY 2018 Budget makes significant strides toward the City's sustainability into the future, including the City's water resources, financial resources, human resources, and visitor-serving resources, including:

- Being proactive about protecting our clean water while ensuring clean water is available into the future
- Continuing work on the Regional Groundwater Sustainability Project, including seeking funding for and beginning the planning and design of a regional reclaimed water facility
- Continued maintenance of the Water System, including reservoir maintenance and water booster station improvements
- Improving opportunities for employee education and training that result in more efficient, resourceful, and entrepreneurial operations
- Continuing to enhance the award-winning environment and culture at City facilities to improve employee morale, development, and creativity
- Setting aside substantial financial reserves to prepare for rising costs associated with pension costs, risk management costs, City facility improvements, and a potential recession
- Upgrading and managing the Visitor Information Center and Visitor Information Kiosk to provide a better experience for visitors and residents alike
- Organizing and operating the Clam Festival, Band Review, and July 4th celebration to better reflect the community's heritage and pride and to attract our residents
- Sponsoring major events and new market opportunities for improved tourism that are harmonious with the quality of life in Pismo Beach

We are Building a More Livable Community

The FY 2018 Budget includes investments into building a more livable community for our future, including:

- Developing a site plan, facilities needs assessment, and conceptual design of a new safety center, to include a Fire Station at the Old City Hall and expansion of the Police Station
- Improvements in the St. Jude's tunnel to make it safer and more attractive
- Investing in new equipment and amenities for several City parks
- Replacing the Morro Avenue beach stairway
- Completing the walkway between Ocean Boulevard and Vista Del Mar Avenue, including accessibility improvements
- Installing bluff protection measures along the bluff edge of Ebb Tide Park and Memory Park to relocate City utilities away from the bluff edge
- Installing new heaters at the Pismo Beach Veterans' Hall

- Updating the General Plan Circulation Element to provide for better mitigation of congestion
- Performing a design and feasibility study to determine the best location for a new public parking lot and parking structure
- Investing in the beach trolley to ensure continued operation
- Working with the Land Conservancy to ensure a successful Pismo Preserve opening that creates an accessible entry for residents and visitors while being complementary to the neighborhood

We are Building a Safer Community

Finally, the FY 2018 Budget also invests in building a safer community for our future, including:

- Implementing technology to support continuous operations for public safety, including new community cameras, replacing Police mobile data computers, and replacing Police body cameras
- Implementing the City's IT Strategic Plan for security, disaster recovery, paperless workflow processes, agenda management, and records retention
- Continuing replacement of mission-critical public safety vehicles to ensure the City's fleet is in good working order and maintenance costs remain low
- Increasing Police bike patrol presence in the Downtown area

AWARD AND ACKNOWLEDGMENTS

Award for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Pismo Beach for its comprehensive annual financial report (CAFR) for the fiscal year ending on June 30, 2016. In order to receive this award, the City published an easily readable and efficiently organized CAFR. This report satisfies both U.S. generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a one-year period only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Administrative Services Department. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and the Members of the City Council, and the Executive Management Team for their continued support for maintaining the highest standards of professionalism in the management of the City of Pismo Beach's financial affairs.

Respectfully submitted,



James R. Lewis
City Manager



Nadia Feeser
Administrative Services Director

City Council

Mayor	Edward Waage
Mayor Pro Tempore	Erik Howell
Council Member	Sheila Blake
Council Member	Marcia Guthrie
Council Member	Mary Ann Reiss

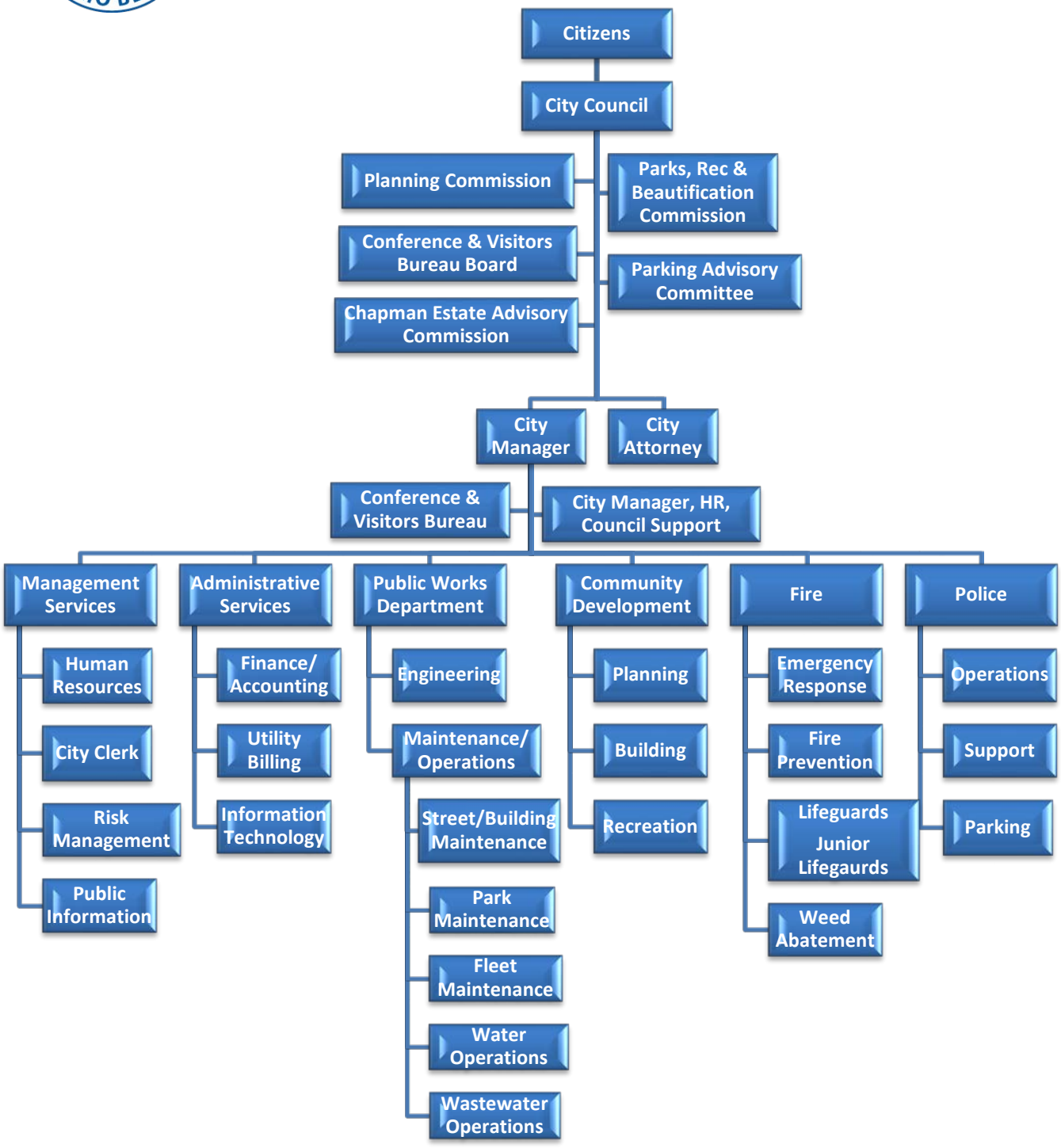
Executive Management Team

City Manager	James R. Lewis
Administrative Services Director	Nadia Feeser
City Clerk	Erica Inderlied
Community Development Director	Jeff Winklepleck
Fire Battalion Chief	Paul Lee
Management Services Director	Debra Garcia
Police Chief	Jake Miller
Public Works Director/City Engineer	Benjamin Fine
Conference & Visitors Bureau	Gordon Jackson

Year End Audit / Financial Statement Team

Administrative Services Director	Nadia Feeser
Finance Manager	Susan West-Jones
Accountant	Vanessa Garris
Accounting Technician	Kristin Bennet
Accounting Clerk	Jana Etteddgue
Accounting Clerk	Jacque Risenhoover
Office Assistant II	Diana Federico

City of Pismo Beach
Organizational Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pismo Beach

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016



Executive Director/CEO



Financial Section

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GLENN BURDETTE
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

The Honorable Mayor and Members of the City Council
City of Pismo Beach, California
Pismo Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pismo Beach, California, (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the 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 misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

SAN LUIS OBISPO
1150 Palm Street
San Luis Obispo, CA 93401
p 805 544 1441
f 805 544 4351

PASO ROBLES
102 South Vine Street, Ste. A
Paso Robles, CA 93446
p 805 237 3995
f 805 239 9332

SANTA MARIA
2222 South Broadway, Ste. A
Santa Maria, CA 93454
p 805 922 4010
f 805 922 4286

GLENNBURDETTE.COM

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, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14, the budgetary information, the Schedule of Funding Progress for Other Post-Employment Benefits, the Schedule of Employer Contributions for Other Post-Employment Benefits, the Schedule of City's Proportionate Share of the Net Pension Liability and Related Rations, and the Schedule of Plan Contributions on pages 68 through 73 be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules on pages 79 through 107, the other schedules on pages 108 through 111 and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules and the other 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 statement. 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 fund statements and schedules and the other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Glenn Burdette Attest Corporation
San Luis Obispo, California

December 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Pismo Beach's comprehensive annual financial report presents a narrative overview and analysis of the City's financial activities during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the City's transmittal letter (in the Introductory Section) and the audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The following outlines financial highlights for the year:

- The City received a Standard and Poor's Global Rating of "AA+" long-term rating for Pismo Beach Public Financing Agency 2017 lease revenue bonds for the General Fund supported Pier rehabilitation project. This is the highest rating achievable for a lease credit, which translates to an implied "AAA" rating for general obligation bonds. The bonds are being used to finance the City's Pier Rehabilitation Project. The high rating and low interest rate translate into lower borrowing costs and debt service for the City.

- The City's total net position increased by about $10.24 million over the course of this year's operations after conducting all City operations and programs. The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by about $108.40 million at the end of the 2017 fiscal year. Of that amount, $34.91 million (the unrestricted net position) may be used to meet the City's ongoing obligations and operating expenses for the next fiscal year.

- Overall City-wide revenues from all governmental and business-type activities increased by about $1.28 million compared to the 2016 fiscal year. The increase in revenues was primarily in: capital grants and contributions of $0.59 million; property, sales, and other taxes of $0.49 million; charges for services of $0.37 million.

- Transient Occupancy Tax Revenues increased by $0.13 million in 2017 to $9.33 million.

- The City's total expense of all programs in the 2017 fiscal year increased by about $1.09 million compared to the 2016 fiscal year.

- The General Fund reported a fund balance of $21.48 million at the end of the 2017 fiscal year; a 12.40 percent increase over the end of the 2016 fiscal year. The General Fund unassigned balance at the end of fiscal year 2017 was $7.79 million.

- The City also ended the 2017 fiscal year with $24.55 million reported in the proprietary enterprise funds (the amount of the net position available for use both restricted and unrestricted but excluding the net investment in capital assets).

- The City's other governmental funds ended the 2017 fiscal year with about $8.37 million available for special purposes.

- The City implemented and completed the new financial system called Springbrook/Accela of all financial aspects except for business licenses and transient occupancy tax revenue tracking.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of three components: Government-wide Financial Statements, Fund Financial Statements, and Notes to the Financial Statements. This report also contains required supplementary information and a section containing combining statements and schedules for non-major governmental funds and proprietary funds.

Government-wide Financial Statements provide both long-term and short-term information about the City's overall financial status.

Fund Financial Statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

- The *governmental funds* statements tell how *general government* services like public safety, general government, community services, public works, and streets were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as the City's water, wastewater, parking, pier and transit systems.

Notes to the Financial Statements explain some of the information in the financial statements and provide more detailed data.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of City of Pismo Beach's Government-Wide and Fund Financial Statements

		Fund Statements	
	Government-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary or fiduciary, such as police, fire, streets, general government, and community services	Activities the City operates similar to private businesses: the water, wastewater, parking, pier and transit systems
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues expenses, and changes in net position Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The two government-wide statements report the City's net position and how it has changed.

The **Statement of Net Position** presents information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The Net Position – the difference between the City's assets and deferred outflows, and liabilities and deferred inflows – is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The **Statement of Activities** includes all of the current year's revenues and expenses regardless of when cash is received or paid. This shows how the government's net assets changed during the most recent fiscal year.

Both government-wide financial statements of the City are reported in two categories:

- *Governmental activities* – All of the City's basic services are included here, such as general government, police, fire, streets, public works, and community services. Property taxes, sales taxes, transient occupancy taxes, special and other taxes, user charges and fees and state, local and federal grants help to finance these activities.

- *Business-Type activities* - The City charges fees to customers to help cover the costs of certain services. The City's water, wastewater, parking, pier and transit enterprises are reported here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law such as the State Gas Tax Fund and Transportation Development Act / Local Transportation and Transit Funds.

- The City Council establishes other funds to control and manage money for particular purposes such as the Capital Project Fund.

- Some funds are maintained to demonstrate that the City is properly using certain specific fees for their intended purpose such as the Impact Fee Funds.

- Other funds are maintained for similar purposes but in addition demonstrate the City's ability to repay its long-term debt obligations such as the revenue bonds.

  The City has two kinds of funds:

- *Governmental funds* – The City's basic services are included in governmental funds, which focus on (1) how cash and other financial *assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term view* that helps you in determining whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

- *Proprietary funds* - The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions reported as business-type activities in the government-wide financial statements; the City's water, wastewater, parking, pier and transit operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its fleet of vehicles. Because these services predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide statements, only in more detail. The proprietary fund statements provide separate information for the City's water, wastewater, and pier operations, all of which are considered to be major funds of the City. The vehicle internal service fund and information technology internal service fund are presented in a separate column alongside the totals for the City's proprietary enterprise funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position. The City's *combined* net position increased about $10.24 million between fiscal years 2016 and 2017.

Table A-1
City of Pismo Beach's Net Position

(in millions of dollars)	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	2016-2017
Current and other assets	$35.85	$34.47	$26.84	$18.33	$62.69	$52.80	18.73%
Capital assets and other noncurrent assets	46.42	45.35	32.72	31.21	79.14	76.56	3.37%
Total assets	**$82.27**	**$79.82**	**$59.56**	**$49.54**	**$141.83**	**$129.36**	**9.64%**
Deferred Outflows	4.95	2.44	1.03	0.71	5.98	3.15	89.84%
Long-term liabilities	22.46	15.25	12.28	12.61	34.74	27.86	24.69%
Other liabilities	2.50	3.70	1.38	1.35	3.88	5.05	-23.17%
Total liabilities	**$24.96**	**$18.95**	**$13.66**	**$13.96**	**$38.62**	**$32.91**	**17.35%**
Deferred Inflows	0.70	1.25	0.09	0.18	0.79	1.43	-44.76%
Net position							
Investment in capital	44.69	40.90	22.28	20.01	66.97	60.91	9.95%
Restricted	5.76	6.70	0.76	1.99	6.52	8.69	-24.97%
Unrestricted	11.11	14.46	23.80	14.11	34.91	28.57	22.19%
Total net position	**$61.56**	**$62.06**	**$46.84**	**$36.11**	**$108.40**	**$98.17**	**10.42%**

Net position of the City's governmental and business-type activities increased 10.42 percent to $108.40 million. About 60 percent of the net assets of the City are represented by the City's net investment in its capital assets such as buildings, land, equipment, street systems, and facilities. The remaining 40 percent is essentially represented by cash, investments, and receivables. About 90 percent of the City's total liabilities are represented by long-term obligations including revenue bonds, state revolving fund loans in the Wastewater Fund, employee compensated absences, and self-insured portions of claims.

Changes in Net Position

Revenues: The City's 2017 total revenues of about $39.75 million were about $1.28 million higher than revenues in 2016, a 3.30 percent increase. (See Table A-2.) About 53 percent of the City's revenue comes from some type of tax revenue including property, sales, transient occupancy taxes (the hotel tax) and other taxes. The rest comes from fees charged for services, state, local and federal aid, and contributions.

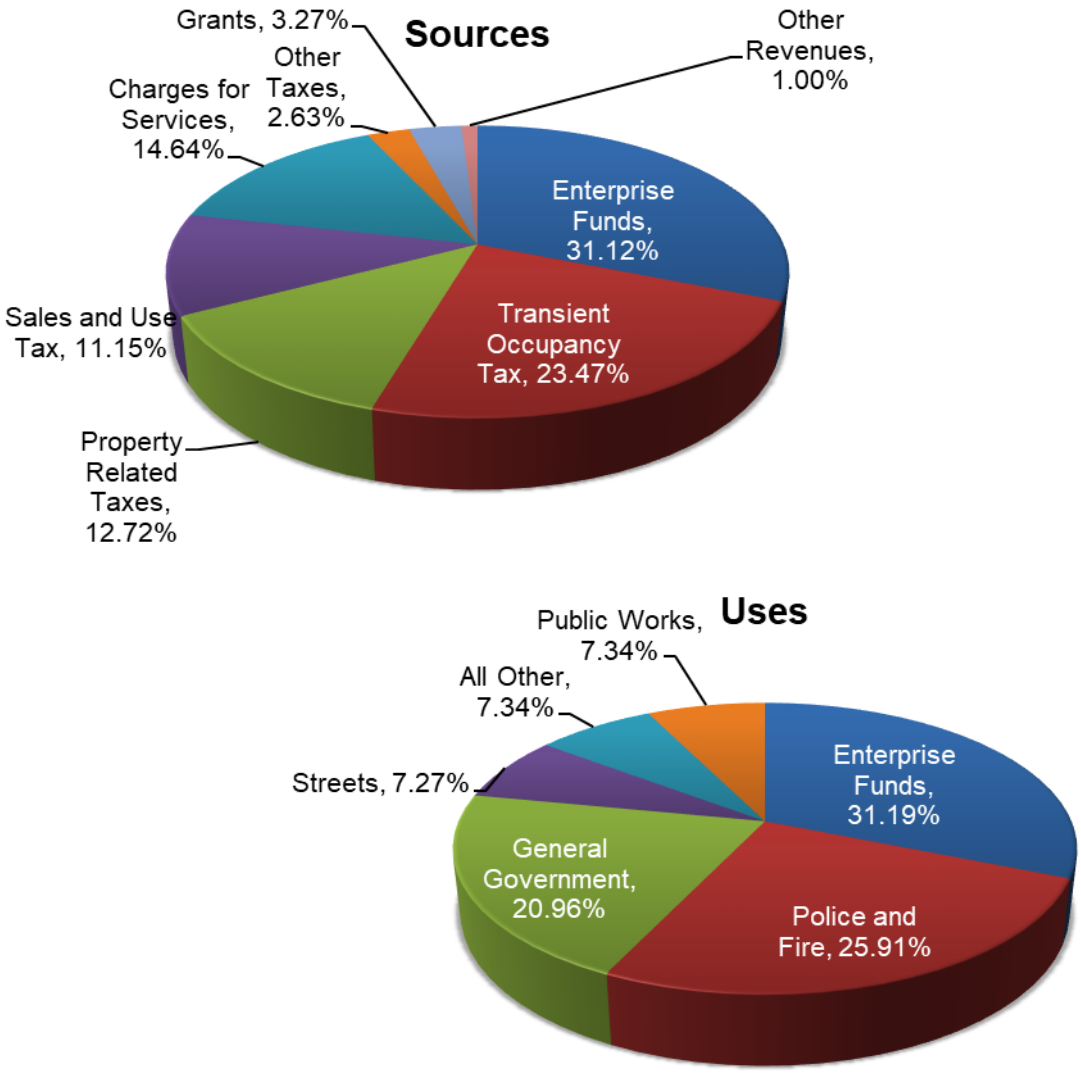
Expenses: The total cost of all programs and services in 2017 was about $29.52 million and included a wide range of services such as police and fire protection, streets, public works, general administration, community services, water, wastewater and the pier operations.

Table A-2
Changes in the City of Pismo Beach's Net Position

(in millions of dollars)	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	2016-2017
Revenues							
Program revenues							
Charges for services	$5.82	$6.52	$11.08	$10.01	$16.90	$16.53	2.24%
Operating grants and contributions	0.49	0.74			0.49	0.74	-33.78%
Capital grants and contributions	0.80	0.18		0.03	0.80	0.21	280.95%
General revenues							
Transient occupancy taxes	9.33	9.20			9.33	9.20	1.41%
Property, sales and other taxes	10.53	10.06	1.29	1.27	11.82	11.33	4.32%
Other	0.41	0.47			0.41	0.47	-12.77%
Total revenues	**$27.38**	**$27.17**	**$12.37**	**$11.31**	**$39.75**	**$38.48**	**3.30%**
Expenses							
General government	$6.19	$6.47			$6.19	$6.47	-4.33%
Public safety	7.65	6.69			7.65	6.69	14.35%
Streets	2.14	1.90			2.14	1.90	12.63%
Public works	2.17	2.20			2.17	2.20	-1.36%
Community services	2.01	1.75			2.01	1.75	14.86%
Water			5.13	5.41	5.13	5.41	-5.18%
Wastewater			3.54	3.22	3.54	3.22	9.94%
Other	0.16	0.13	0.53	0.67	0.69	0.80	-13.75%
Total expenses	**$20.32**	**$19.14**	**$9.20**	**$9.30**	**$29.52**	**$28.44**	**3.80%**
Excess (deficiency) before transfers	7.06	8.03	3.17	2.01	10.23	10.04	1.89%
Transfers	(7.56)	(0.07)	7.56	0.07	-	-	
Increase in net position	**-0.50**	**7.96**	**10.73**	**2.08**	**10.23**	**10.04**	**1.89%**
Net position, beginning of year	**62.06**	**54.10**	**36.11**	**34.03**	**98.17**	**88.13**	**11.39%**
Net position, end of year	**$61.56**	**$62.06**	**$46.84**	**$36.11**	**$108.40**	**$98.17**	**10.42%**

The sources of the City's major types of revenue and the areas where such resources are used is shown below in summary graphic form (governmental and business type activities):

Figure A-2
City's Major Revenue Sources and Uses



Governmental Activities

Revenues from all governmental activities in the 2017 fiscal year increased by about $0.21 million compared to the 2016 fiscal year. The primary increase was from capital grants and contributions of $0.62 million. Property, sales, and other taxes increased by $0.49 million from 2016. Transient occupancy taxes increased by $0.13 million from the previous year. These increases were offset by decreases in charges for services by $0.70 million and operating grants and contributions by $0.24 million.

The City's primary source of revenue comes from some kind of tax. About 73 percent of all City revenues in Governmental Activities come from taxes such as property, sales, transient occupancy, and other taxes.

Because the City of Pismo Beach is a tourist community, about 34 percent of all governmental activities revenues come from transient occupancy tax revenues (the local hotel tax). Local hotel tax revenues came in higher than 2017 by 1.42 percent or $0.13 million. Sales tax revenues, including the Half-Cent Transactions Sales and Use Tax revenues, came in 1.16 percent lower than 2016. Sales tax revenues excluding the Half-Cent Sales Tax revenues, came in $77,087 lower than 2016. Half-Cent Sales Tax revenues came in 1.7 percent higher by $25,064 compared to 2016.

The majority of the City's governmental-activities operating expenses are incurred to provide police protection and fire protection services with these two departments accounting for about 37.7 percent of the City's total 2017 governmental operating expenses. Public works costs including maintenance of buildings, parks, and other City facilities account for about 10.7 percent of the City's total 2017 governmental operating expenses. Another 10.5 percent of the City's 2017 governmental activities operating expenses were incurred to provide street improvements throughout Pismo Beach. A variety of cultural and recreation services including planning and building making up 9.9 percent of operating expenses, and the remaining 31.2 percent was spent on general administration and other expenses.

When all operations were concluded, the governmental activities function generated a $491,387 decrease in net position for 2017 compared to a $7.96 million increase in 2016.

Table A-3 represents the cost of each of the City's governmental activities largest programs – administration or general government, public safety, community services, and streets.

Table A-3
Cost of City of Pismo Beach's Programs

(in millions of dollars)	Total Cost of Services		Percentage Change
	2017	2016	2016-2017
General government	$ 6.19	$ 6.47	-4.33%
Public safety	7.65	6.69	14.35%
Streets	2.14	1.90	12.63%
Public works	2.17	2.20	-1.36%
Community services	2.01	1.75	14.86%
All other	0.16	0.13	23.08%
Total	**$ 20.32**	**$ 19.14**	**6.17%**

The cost of *all programs* this year was $20.32 million, compared to $19.14 million in fiscal year 2016.

While users and contributors funded about $7.12 million of the costs of the City's governmental activity programs through related program revenues, the City still had to make up the short fall from general revenues such as taxes and this short fall was about $13.20 million. Major sources of program revenues were:

- Those who directly benefited from or used the programs ($5.82 million), or
- Other governments and organizations that subsidized certain programs with grants and contributions (about $1.30 million).

The City paid for the $13.20 million "public benefit" portion out of the $21.55 million in general revenues such as property taxes, transient occupancy taxes, sales taxes, and with other tax revenues and investment earnings.

Overall, 2017 total cost of services is showing an increase of 6.17 percent compared to 2016. Expenses increased in Streets, Public Safety, Community Services, and All Other categories. Expenses decreased in the Public Works and General Government categories.

Business-Type Activities

The City's business-type activities (primarily water, wastewater, and pier) were responsible for about $10.73 million increase in net position for 2017. Revenues in total increased in 2017 by $1.06 million. Revenues for basic water services charges increased by 4.5 percent or $144,987 in 2017. Revenues for basic sewer services charges increased by 6.49 percent or $267,212 in 2017. Parking Kiosk revenues increased by 9.10 percent or $47,555 in 2017.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a *combined* fund balance of $29.85 million, about $2.28 million higher than the last fiscal year. Revenues increased by $253,427, most of which were in the General Fund offset by decreases in the Housing In-Lieu Fee Fund; and expenditures increased by $3.78 million from the previous year, most of which were primarily in General Government, Streets and Highways, Capital Outlay, and paying off the 2007 Revenue Bonds of $3.04 million.

The City's General Fund operations generated about $6.28 million more in revenues than was spent on governmental activities. From this excess, the City transferred a total of $4.31 million out of the General Fund and into other funds. In addition, another $7.7 million was transferred to the Pier Fund for the Pier Rehabilitation Project. From the $4.31 million in transfers, $2.8 million was transferred to the Public Financing Authority Fund (PFA) to pay off and defease the 2007 revenue bonds, about $630,000 was transferred out to capital projects, $385,466 went to the debt service funds for the revenue bonds, another $449,576 was transferred to the vehicle replacement internal service fund and information technology internal service fund, and the remaining transfers went to the Pier Operations and the Chapman Estate Fund. At year end, the City's General Fund had a fund balance of about $21.48 million, an increase of $2.37 million from the prior year of $19.11 million. Of the $21.48 million, about $5.28 million was designated for unanticipated emergencies and $7.67 million is designated for capital projects. The increase in fund balance was the result of higher revenues in Licenses and Permits of $504,896 and Property Tax revenues of $392,562.

In addition, the City's other governmental funds ended the 2017 fiscal year with a combined fund balance of $5.07 million. Of this $5.07 million, $107,797 can be used for debt service, $1.42 million in Special Revenue Funds, and the remaining $3.54 million is set aside for impact fee and capital projects. The Debt Service Funds consist of Pismo Beach Public Financing Authority and Completed Assessment District Funds. The Special Revenue Funds consist of the State Gas Tax Fund, the Local Transportation Street Fund, the Lodging Business Improvement District Fund, the PEG Fund (Public Education Government Access), the Noncapital Grant Fund, and the Chapman Estate Fund. The Capital Project Fund types consist primarily of the Capital Projects Fund, where the City tracks all revenues and expenditures for governmental Fund capital projects, the Park Development Fund, the Public Facilities Fund, the Circulation Improvement Fund, the Impact Fees Fund, Developer Impact Fees Fund, and Underground Utility Fund.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into three categories: changes made during the year for unanticipated revenues and costs; increases in appropriations to prevent budget overruns; and carry over budgets for capital projects. Even with these adjustments, actual General Fund expenditures were $1.62 million less than final budget amounts. Budget amendments that occurred in revenues during the year include an increase of $1.17 million in General Fund revenues of various categories.

General Fund revenues that came in higher than original estimates include licenses and permits by $1.36 million, Property Taxes by $254,937, Interest Earnings by $99,758, and Other Taxes by $73,447. The increase in developer related revenues were the direct result of the economy coming out of the recession. Revenues that came in lower than budget estimates were Transient Occupancy Taxes and Sales Taxes.

The General Fund expenditures that exceeded budget estimates included only weed abatement in the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the City had invested $77.41 million in a broad range of capital assets, including land, vehicles, equipment, the City Pier, water and wastewater system, streets, and other capital assets. (See Table A-4.) This amount represents a net change (including additions and deductions) of about $2.26 million, or a 3.01 percent increase from the previous year.

Table A-4
Pismo Beach's Capital Assets

(net of depreciation, in millions of dollars)	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	2016-2017
Land and right of ways	$ 12.42	$ 12.03	$ 0.38	$ 0.38	$ 12.80	$ 12.41	3.14%
Construction in progress	1.15	3.24	4.31	1.63	5.46	4.87	12.11%
Buildings	5.53	5.53	0.33	0.33	5.86	5.86	0.00%
Capacity rights			1.04	1.04	1.04	1.04	0.00%
Machinery and equipment	2.80	2.59	2.68	2.68	5.48	5.27	3.98%
Vehicles	4.69	4.47			4.69	4.47	4.92%
Improvements	9.98	9.98			9.98	9.98	0.00%
Tanks, wells, and system			11.45	11.45	11.45	11.45	0.00%
Pipelines\collection system			32.11	32.11	32.11	32.11	0.00%
Pier			2.14	2.14	2.14	2.14	0.00%
Infrastructure-streets	51.25	47.21			51.25	47.21	8.56%
Accumulated depreciation	(43.13)	(41.11)	(21.72)	(20.55)	(64.85)	(61.66)	5.17%
Total	**$ 44.69**	**$ 43.94**	**$ 32.72**	**$ 31.21**	**$ 77.41**	**$ 75.15**	**3.01%**

This year's major capital asset changes included:

- *Completed and capitalized the City-Wide Pavement Project totaling $3.1 million*
- *Started construction on the Pier Rehabilitation Project spending $2.5 million*
- *Completed the Erwin Land purchase totaling $391,000 to allow for additional parking*
- *Disposed of $245,000 in old Motor Vehicles and Equipment in the Motor Vehicle Fund and other Govt Funds*

Additional information on capital assets of the City can be found starting on page 45 of the notes to the financial statements.

Long - Term Debt

In fiscal year 2017, the Public Financing Agency was established as a conduit to provide financing options for the City of Pismo Beach.

The City of Pismo Beach issued $7.875 million in lease revenue bonds in fiscal year 2016-17 to do construction and improvements for the Pismo Beach Pier. The City received a Standard and Poor's Global Rating of "AA+" long-term rating for Pismo Beach Public Financing Agency 2017 lease revenue bonds for the General Fund supported Pier rehabilitation project. This is the highest rating achievable for a lease credit, which translates to an implied "AAA" rating for general obligation bonds. The bonds are being used to finance the City's Pier Rehabilitation Project. The high rating and low interest rate translate into lower borrowing costs and debt service for the City.

At the end of fiscal 2017, the City had $4.76 million in lease revenue bonds that were issued in 2012 by the Public Financing Authority to advance refund the 2004 revenue bonds, Series A. The obligation bears interest at rates of 2 to 5 percent and is payable in semi-annual installments each June and December through 2033. The 2012 revenue bonds are being retired from Wastewater Enterprise revenues.

At the end of fiscal 2017, the City paid off the remaining balance of $3.04 million for the 2007 revenue bonds. The 2007 revenue bonds are retired and defeased. The State Revolving Loans had outstanding balances of $5.58 million, which included $5.02 million for the Wastewater Treatment Loan, $107,787 for the Park/Cypress Interceptor Loan, and $448,587 for the Pismo Oaks Lift Station Loan. The outstanding debt for the State Revolving Loans was reduced by $555,152 during the fiscal year. The loans are being retired from Wastewater Fund revenues. Additional information on the City's long-term debt can be found starting on page 47 of the notes to the financial statements.

Under previous arrangements, the City was self-insured for the first $300,000 for each worker's compensation claim and $50,000 for each general liability claim, the statement of net position also shows an asset of about $22,132 for estimated claim obligations. The City's General Fund pays all insurance related costs.

Deferred Outflows/Inflows of Resources

A deferred outflow of resources is defined as "a consumption of net assets by the government that is applicable to a future reporting period," and a deferred inflow of resources is defined as "an acquisition of net assets by the government that is applicable to a future reporting period." It amends the financial statement element classifications of certain items previously reported as assets or liabilities, and reclassifies them as deferred outflows and/or inflows of resources.

The City's Deferred Outflows of resources in the Governmental Activities and Business-Type Activities totaled $5.97 million in 2017, with $5.75 million being pension related, and $220,389 as unamortized loss on refunding.

The City's Deferred Inflows of resources in the Governmental Activities and Business-Type Activities totaled $794,615 and were all pension related, with $701,781 in Governmental Activities and $92,834 in Business-Type Activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the 2018 fiscal year, the following list of items will affect the General Fund:

- Future planning for Cal PERS Retirement as it relates to the decrease in investment rate in future years
- Debt financing for the Electric Utility and Solar Efficiency Project
- General Fund Reserve will be increased to 25 percent of operating budget expenditures.
- Maintain General Fund Risk Management Reserve at $200,000.
- Maintain $500,000 of reserves for a Facility Reserve from the General Fund.
- Update the City's Service Fees based on various indices and update the cost allocation across funds based on a comprehensive fee study and Council approval.
- Update all Impact Fees according to various indices for the designated month and area as indicated by Council Ordinance or Resolution.
- The City will continue to fund the CalPERS Retiree Benefit Trust and is estimated to contribute $292,000.
- Complete the software implementation of Business License and Transient Occupancy monitoring and tracking

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administrative Services Department, City of Pismo Beach, 760 Mattie Road, Pismo Beach, California, 93449, 805-773-4655.

City of Pismo Beach
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	$ 33,483,834	$ 24,025,008	$ 57,508,842
Taxes receivable	1,491,797		1,491,797
Accounts receivable, net	131,540	1,364,460	1,496,000
Due from other governments	412,500		412,500
Accrued interest receivable	46,450	28,996	75,446
Prepayments	288,146	1,430,937	1,719,083
Total current assets	35,854,267	26,849,401	62,703,668
Noncurrent assets:			
Deposits	121,270		121,270
Note and interest receivable	1,311,999		1,311,999
Net other post employment benefit asset	278,000		278,000
Prepaid claims, judgements and fines	22,132		22,132
Capital assets not being depreciated	13,565,189	4,687,844	18,253,033
Capital assets being depreciated, net	31,124,348	28,029,006	59,153,354
Total noncurrent assets	46,422,938	32,716,850	79,139,788
Total assets	82,277,205	59,566,251	141,843,456
Deferred Outflows of Resources			
Unamortized loss on refunding		220,389	220,389
Pension related	4,948,687	805,641	5,754,328
Total deferred outflows of resources	4,948,687	1,026,030	5,974,717

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

City of Pismo Beach
Statement of Net Position, Continued
June 30, 2017
Page 2

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable	$ 865,211	$ 484,181	$ 1,349,392
Accrued liabilities	526,552	36,524	563,076
Compensated absences	76,500	30,000	106,500
Deposits	763,618		763,618
Accrued interest payable		49,994	49,994
Current portion bonds and loans	270,000	780,173	1,050,173
Total current liabilities	2,501,881	1,380,872	3,882,753
Noncurrent liabilities:			
Compensated absences	355,930	22,808	378,738
Bonds and loans, net of current portion	7,605,763	9,875,349	17,481,112
Net pension liability	14,493,340	2,385,335	16,878,675
Total noncurrent liabilities	22,455,033	12,283,492	34,738,525
Total liabilities	24,956,914	13,664,364	38,621,278
Deferred Inflows of Resources			
Pension related	701,781	92,834	794,615
Net Position			
Net investment in capital assets	44,689,537	22,281,718	66,971,255
Restricted for:			
Debt service	107,797		107,797
Capital projects	2,218,909	763,188	2,982,097
Affordable housing	1,966,847		1,966,847
Community development	438,924		438,924
Public safety	252,760		252,760
Streets	781,217		781,217
Unrestricted	11,111,206	23,790,177	34,901,383
Total net position	$ 61,567,197	$ 46,835,083	$ 108,402,280

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

City of Pismo Beach
Statement of Activities
Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 6,185,305	$ 2,082,125	$ 31,072	$
Public safety:				
Police protection	5,242,217	123,365	118,498	
Fire protection	2,404,407	73,061		
Streets	2,144,926	163,015	315,486	403,852
Community services	2,006,475	438,089	29,235	
Public works	2,165,762	2,397,389		400,000
Redevelopment and housing	9,779	543,889		
Interest on long-term debt	149,699			
Total governmental activities	20,308,570	5,820,933	494,291	803,852
Business-type activities:				
Water	5,130,481	5,448,798		
Wastewater	3,543,794	4,765,561		
Transit	10,321	15,002		
Pier	106,954	37,071		
Parking	412,831	816,689		
Total business-type activities	9,204,381	11,083,121	-	-
General revenues and transfers:				
Property taxes				
Sales taxes				
Special water taxes				
Transient occupancy taxes				
Other taxes				
Franchise taxes				
Unrestricted investment earnings				
Other revenue				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

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

Net Revenues (Expenses) and Changes in Net Position		
Governmental Activities	**Business-type Activities**	**Total**
$ (4,072,108)	$	$ (4,072,108)
(5,000,354)		(5,000,354)
(2,331,346)		(2,331,346)
(1,262,573)		(1,262,573)
(1,539,151)		(1,539,151)
631,627		631,627
534,110		534,110
(149,699)		(149,699)
(13,189,494)	-	(13,189,494)
	318,317	318,317
	1,221,767	1,221,767
	4,681	4,681
	(69,883)	(69,883)
	403,858	403,858
-	1,878,740	1,878,740
5,054,866		5,054,866
4,433,756		4,433,756
	1,286,422	1,286,422
9,330,651		9,330,651
373,370		373,370
672,363		672,363
165,563		165,563
230,887		230,887
(7,563,349)	7,563,349	-
12,698,107	8,849,771	21,547,878
(491,387)	10,728,511	10,237,124
62,058,584	36,106,572	98,165,156
$ 61,567,197	$ 46,835,083	$ 108,402,280

City of Pismo Beach
Balance Sheet – Governmental Funds
June 30, 2017

	General	Housing in Lieu	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 21,446,760	$ 3,290,576	$ 4,946,978	$ 29,684,314
Taxes receivable	1,386,479		105,318	1,491,797
Accounts receivable	119,729		10,292	130,021
Due from other governments			412,500	412,500
Accrued interest receivable	15,257	3,270	24,897	43,424
Prepayments	43,026			43,026
Note and accrued interest receivable		1,311,999		1,311,999
Total assets	$ 23,011,251	$ 4,605,845	$ 5,499,985	$ 33,117,081
Liabilities, Deferred Inflows of Resources and Fund Balance				
Liabilities:				
Accounts payable	$ 341,007	$	$ 330,283	$ 671,290
Accrued liabilities	520,935		693	521,628
Deposits	666,598		97,020	763,618
Total liabilities	1,528,540	-	427,996	1,956,536
Deferred inflows of resources:				
Unavailable revenue, note receivable		1,311,999		1,311,999
Fund balance:				
Nonspendable	43,026			43,026
Restricted for:				
Capital project funding			669,217	669,217
Streets and highways			781,217	781,217
Community development			177,815	177,815
Affordable housing		1,966,847		1,966,847
Community business development			261,109	261,109
Park development			1,549,692	1,549,692
Public safety			252,760	252,760
Debt service			107,797	107,797
Committed for:				
City facility reserve	500,000			500,000
General fund reserve	5,280,000			5,280,000
Capital project funding	7,671,916	15,000	1,017,206	8,704,122
Affordable housing		1,311,999		1,311,999
Risk management reserve	200,000			200,000
Assigned			255,176	255,176
Unassigned	7,787,769			7,787,769
Total fund balance	21,482,711	3,293,846	5,071,989	29,848,546
Total liabilities, deferred inflows of resources and fund balance	$ 23,011,251	$ 4,605,845	$ 5,499,985	$ 33,117,081

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

City of Pismo Beach
Reconciliation of the Balance Sheet of Governmental Funds
to the Government-wide Statement of Net Position
June 30, 2017

Total fund balance - governmental funds		$ 29,848,546
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not current financial resources and, therefore, are not reported in the governmental funds. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. Net capital assets relating to governmental activities consisted of:		
Capital assets at estimated historical cost	$ 83,105,892	
Accumulated depreciation	(40,242,032)	
		42,863,860
Deposits with insurance pools used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. In the statement of net position, these deposits are reported as noncurrent assets.		121,270
Deferred outflows of resources in governmental activities are not financial resources and, therefore are not reported in governmental funds. Deferred outflows related to pensions consisted of:		4,948,687
Long-term receivables used in governmental activities are not current financial resources and, therefore, are reported as deferred inflows of resources in the governmental funds. In the statement of net position, long-term receivables are reported as noncurrent assets.		1,311,999
Net other post employment benefit asset is not a current financial resource and, therefore, is not reported in the governmental funds. In the statement of net position, net other post employment benefit asset is reported as a noncurrent asset.		278,000
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consisted of:		
Lease revenue bonds	$ (7,875,763)	
Compensated absences	(425,741)	
Claims	22,132	
		(8,279,372)

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

City of Pismo Beach
Reconciliation of the Balance Sheet of Governmental Funds
to the Government-wide Statement of Net Position, Continued
June 30, 2017
Page 2

Net pension liability is not a current financial resource and, therefore, is not reported in the governmental funds. In the statement of net position, net pension liability is reported as a noncurrent liability.	$ (14,493,340)
Deferred inflows of resources in governmental activities are not financial resources and, therefore are not reported in governmental funds. Deferred inflows related to pensions consisted of:	(701,781)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because the internal service fund is presumed to benefit governmental activities, assets and liabilities of the internal service fund are reported with governmental activities in the statement of net position. Net position for the internal service fund was:	5,669,328
Total net position - governmental activities	$ 61,567,197

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

City of Pismo Beach
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Governmental Funds
Fiscal Year Ended June 30, 2017

	General	Housing in Lieu	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	$ 5,054,866	$	$	$ 5,054,866
Sales taxes	4,433,756			4,433,756
Transient occupancy taxes	9,330,651			9,330,651
Other taxes	943,568			943,568
Licenses and permits	2,422,702			2,422,702
Fines and forfeits	43,357			43,357
Subventions and grants	61,477		1,340,068	1,401,545
Interest and rents	304,317	14,520	13,290	332,127
Charges for services	299,608	543,889	474,892	1,318,389
Special assessments			932,815	932,815
Miscellaneous	951,884		149,983	1,101,867
Total revenues	23,846,186	558,409	2,911,048	27,315,643
Expenditures:				
Current:				
General government	5,090,080		935,794	6,025,874
Public safety	7,942,446			7,942,446
Highways and streets	587,947		311,112	899,059
Community services	1,547,631		113,320	1,660,951
Public works	2,175,999			2,175,999
Housing		9,779		9,779
Capital outlay	224,262		2,345,884	2,570,146
Debt service:				
Principal			3,040,000	3,040,000
Interest and fiscal charges			159,777	159,777
Total expenditures	17,568,365	9,779	6,905,887	24,484,031
Excess of revenues over (under) expenditures	6,277,821	548,630	(3,994,839)	2,831,612
Other Financing Sources (Uses):				
Proceeds from bond issuance including bond premium	7,875,763			7,875,763
Transfers in	227,181		5,270,815	5,497,996
Transfers out	(12,010,557)		(1,912,223)	(13,922,780)
Total other financing sources (uses)	(3,907,613)	-	3,358,592	(549,021)
Net change in fund balance	2,370,208	548,630	(636,247)	2,282,591
Fund balance, beginning of year	19,112,503	2,745,216	5,708,236	27,565,955
Fund balance, end of year	$ 21,482,711	$ 3,293,846	$ 5,071,989	$ 29,848,546

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

City of Pismo Beach
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Government-wide Statement of Activities
Fiscal Year Ended June 30, 2017

Total net change in fund balance - governmental funds		$ 2,282,591
Amounts reported for governmental activities in the statement of activities are different because:		
Changes in long-term receivables do not provide current financial resources and are not reported in the governmental funds.		30,300
Changes in deposits with insurance pools do not provide current financial resources and are not reported in the governmental funds.		(9,124)
Costs of capital assets are reported as expenditures in the governmental funds in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the year was:		
Capitalized expenditures for capital outlay - governmental funds	$ 2,572,451	
Depreciation expense	(1,915,191)	
		657,260
Changes in the net other post employment benefit asset (liability) due to plan changes and changes in actuarial assumptions do not provide current financial resources and are not reported in the governmental funds.		316,000
Interest on long-term debt is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The difference between interest expense paid and interest accrued was:		10,078
Repayments of long-term debt are recognized as expenditures in the governmental funds. In the government-wide statements, repayments of long-term liabilities are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		3,040,000
Compensated absences are measured by the amounts paid during the period in the governmental funds. In the statement of activities, compensated absences are measured by the amounts earned. The differences between compensated absences paid and compensated absences earned was:		(58,553)
Changes in actuarially determined claim liabilities for uninsured claims do not provide current financial resources and are not reported in the governmental funds.		19,488

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

City of Pismo Beach
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Government-wide Statement of Activities, Continued
Fiscal Year Ended June 30, 2017
Page 2

Pension expense recorded as an expenditure in governmental funds but recorded as a deferred outflow of resources on the statement of activities is:	$	690,331
This issuance of long-term debt provides current financial resources to governmental funds. This transaction, however, has no effect on net position. Proceeds from the issuance on bonds was:		(7,685,000)
Bond premiums are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net position. The amount of bond premiums capitalized during the current period was:		(190,763)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because the internal service fund is presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase in the internal service fund was:		406,005
Total change in net position - governmental activities	$	(491,387)

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

City of Pismo Beach
Statement of Fund Net Position – Proprietary Funds
June 30, 2017

	Enterprise Funds					
	Water	Wastewater	Pier	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
Assets						
Current assets:						
Cash and investments	$ 8,694,262	$ 7,381,737	$ 5,446,095	$ 2,502,914	$ 24,025,008	$ 3,799,520
Accounts receivable	583,746	755,988	1,000	23,726	1,364,460	1,519
Accrued interest receivable	11,415	12,699	2,116	2,766	28,996	3,026
Prepayments	1,429,986	951			1,430,937	245,120
Total current assets	10,719,409	8,151,375	5,449,211	2,529,406	26,849,401	4,049,185
Noncurrent assets:						
Land	129,591	214,759	33,425		377,775	
Construction in progress	64,939	1,587,573	2,657,557		4,310,069	
Improvements and buildings	7,914,010				7,914,010	
Vehicles					-	4,461,549
Distribution and collection systems	8,556,544	29,938,076			38,494,620	
Equipment				158,039	158,039	251,958
Pier			2,142,553		2,142,553	
Capacity rights	1,044,264				1,044,264	
Total capital assets	17,709,348	31,740,408	4,833,535	158,039	54,441,330	4,713,507
Less accumulated depreciation	(8,715,902)	(11,571,137)	(1,335,034)	(102,407)	(21,724,480)	(2,887,830)
Capital assets, net of accumulated depreciation	8,993,446	20,169,271	3,498,501	55,632	32,716,850	1,825,677
Total noncurrent assets	8,993,446	20,169,271	3,498,501	55,632	32,716,850	1,825,677
Total assets	19,712,855	28,320,646	8,947,712	2,585,038	59,566,251	5,874,862
Deferred outflows of resources						
Unamortized loss on refunding		220,389			220,389	
Pension related	218,049	539,415		48,177	805,641	
Total deferred outflow of resources	218,049	759,804	-	48,177	1,026,030	-

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

City of Pismo Beach
Statement of Fund Net Position – Proprietary Funds, Continued
June 30, 2017
Page 2

	Enterprise Funds					
	Water	Wastewater	Pier	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
Liabilities						
Current liabilities:						
Accounts payable	$ 134,685	$ 66,333	$ 267,048	$ 16,115	$ 484,181	$ 193,921
Accrued liabilities	10,671	17,613		8,240	36,524	4,924
Compensated absences	6,651	20,928		2,421	30,000	1,500
Accrued interest payable		49,994			49,994	
Current portion of bonds and loans		780,173			780,173	
Total current liabilities	152,007	935,041	267,048	26,776	1,380,872	200,345
Noncurrent liabilities:						
Compensated absences	5,057	15,910		1,841	22,808	5,189
Loans		5,011,206			5,011,206	
Bonds, net of current portion		4,864,143			4,864,143	
Net pension liability	645,599	1,597,094		142,642	2,385,335	
Total noncurrent liabilities	650,656	11,488,353	-	144,483	12,283,492	5,189
Total liabilities	802,663	12,423,394	267,048	171,259	13,664,364	205,534
Deferred inflows of resources						
Pension related	25,126	62,157		5,551	92,834	
Net Position						
Net investment in capital assets	8,993,446	9,734,139	3,498,501	55,632	22,281,718	1,825,677
Restricted for capital improvements		763,188			763,188	245,352
Unrestricted	10,109,669	6,097,572	5,182,163	2,400,773	23,790,177	3,598,299
Total net position	$ 19,103,115	$ 16,594,899	$ 8,680,664	$ 2,456,405	$ 46,835,083	$ 5,669,328

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

City of Pismo Beach
Statement of Revenues, Expenses
and Changes in Fund Net Position – Proprietary Funds
Fiscal Year Ended June 30, 2017

	Enterprise Funds					
	Water	Wastewater	Pier	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
Operating revenues:						
Sales of water	$ 3,346,533	$	$	$	$ 3,346,533	$
Service fees	2,092,056	4,617,934	10,920	808,447	7,529,357	1,065,406
Miscellaneous	3,387	133,727	24,035	16,545	177,694	37,337
Total operating revenues	5,441,976	4,751,661	34,955	824,992	11,053,584	1,102,743
Operating expenses:						
Salaries and benefits	409,961	1,243,407		147,803	1,801,171	258,113
Purchased power	127,928	248,636	31,832		408,396	
Services and supplies	1,344,392	1,106,421	30,489	261,101	2,742,403	987,215
Customer accounting	31,749	31,739			63,488	
Joint operating expenses	2,740,269				2,740,269	
Depreciation and amortization	475,368	645,627	44,633	14,248	1,179,876	345,129
Total operating expenses	5,129,667	3,275,830	106,954	423,152	8,935,603	1,590,457
Operating income (loss)	312,309	1,475,831	(71,999)	401,840	2,117,981	(487,714)
Nonoperating revenues (expenses)						
Property and special taxes	1,286,422				1,286,422	
Gain (loss) on disposal of capital assets	4,823	2,271			7,094	27,932
Interest and investment revenue	1,999	11,629	2,116	6,699	22,443	4,352
Interest expense	(814)	(267,964)			(268,778)	
Total nonoperating revenues (expenses)	1,292,430	(254,064)	2,116	6,699	1,047,181	32,284
Income (loss) before transfers and capital contributions	1,604,739	1,221,767	(69,883)	408,539	3,165,162	(455,430)
Transfers:						
Transfers in			7,726,159		7,726,159	861,435
Transfers out	(92,607)	(69,293)		(910)	(162,810)	
Total transfers	(92,607)	(69,293)	7,726,159	(910)	7,563,349	861,435
Change in net position	1,512,132	1,152,474	7,656,276	407,629	10,728,511	406,005
Net position, beginning of year	17,590,983	15,442,425	1,024,388	2,048,776	36,106,572	5,263,323
Net position, end of year	$ 19,103,115	$ 16,594,899	$ 8,680,664	$ 2,456,405	$ 46,835,083	$ 5,669,328

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

City of Pismo Beach
Statement of Cash Flows – Proprietary Funds
Fiscal Year Ended June 30, 2017

	Enterprise Funds					
	Water	Wastewater	Pier	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Fund
Cash flows from operating activities:						
Receipts from customers	$ 5,415,939	$ 5,132,688	$ 35,059	$ 811,488	$ 11,395,174	$
Receipts from other funds for services					-	1,101,493
Payments to suppliers for goods and services	(3,958,936)	(878,931)	(62,322)	(152,421)	(5,052,610)	(1,155,154)
Payments to other funds for services	(388,511)	(514,040)		(108,011)	(1,010,562)	
Payments to employees for wages and benefits	(586,742)	(932,888)		(201,613)	(1,721,243)	(260,780)
Net cash provided by (used in) operating activities	481,750	2,806,829	(27,263)	349,443	3,610,759	(314,441)
Cash flows from noncapital financing activities:						
Property and special taxes	1,286,422				1,286,422	
Transfers from other funds			7,726,159		7,726,159	861,435
Transfers to other funds	(92,607)	(69,293)		(910)	(162,810)	
Net cash provided by (used in) noncapital financing activities	1,193,815	(69,293)	7,726,159	(910)	8,849,771	861,435
Cash flows from capital and related financing activities:						
Payments on long-term debt principal		(780,412)			(780,412)	
Proceeds from sale of capital assets	4,823	2,271			7,094	34,299
Interest paid on long-term debt		(278,595)			(278,595)	
Purchases of capital assets	(28,815)	(119,020)	(2,288,903)		(2,436,738)	(445,668)
Net cash used in capital and related financing activities	(23,992)	(1,175,756)	(2,288,903)	-	(3,488,651)	(411,369)
Cash flows from investing activities:						
Interest on investments	(5,057)	5,608		5,233	5,784	2,712
Net cash provided by (used in) investing activities	(5,057)	5,608	-	5,233	5,784	2,712
Net change in cash and cash equivalents	1,646,516	1,567,388	5,409,993	353,766	8,977,663	138,337
Cash and investments, beginning of year	7,047,746	5,814,349	36,102	2,149,148	15,047,345	3,661,183
Cash and investments, end of year	$ 8,694,262	$ 7,381,737	$ 5,446,095	$ 2,502,914	$ 24,025,008	$ 3,799,520

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

City of Pismo Beach
Statement of Cash Flows – Proprietary Funds, Continued
Fiscal Year Ended June 30, 2017
Page 2

	Enterprise Funds					
	Water	Wastewater	Pier	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ 312,309	$ 1,475,831	$ (71,999)	$ 401,840	$ 2,117,981	$ (487,714)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	475,368	645,627	44,633	14,248	1,179,876	345,129
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:						
Accounts receivable	154,393	381,027	103	(13,504)	522,019	(1,250)
Prepayments	(50,612)	(951)			(51,563)	(245,120)
Deferred outflow of resources - pensions	(30,594)	(293,548)		(804)	(324,946)	
Accounts payable	(22,385)	17,379		5,516	510	84,131
Accrued liabilities	(30,112)	(22,603)		(4,848)	(57,563)	(6,950)
Compensated absences	(7,028)	7,056		3,474	3,502	(2,667)
Deposits	(180,430)				(180,430)	
Net pension liability	(92,384)	629,159		(43,859)	492,916	
Deferred inflow of resources - pensions	(46,775)	(32,148)		(12,620)	(91,543)	
Net cash provided by (used in) operating activities	$ 481,750	$ 2,806,829	$ (27,263)	$ 349,443	$ 3,610,759	$ (314,441)

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

City of Pismo Beach
Statements of Fiduciary Net Position
June 30, 2017

	Trust Fund	Agency Fund
	Retired Employees Health Care Plan	San Luis Obispo County Tourism Fund
Assets		
Cash and cash equivalents	$	$ 69,584
Accounts receivable		105,301
Investments at fair value:		
California Employer's Retiree Benefit Trust Program pooled investments	2,323,905	
Total assets	$ 2,323,905	$ 174,885
Liabilities		
Due to other governmental agencies	$	$ 174,885
Total liabilities	-	$ 174,885
Net Position		
Held in trust for other post employment benefits	$ 2,323,905	

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

City of Pismo Beach
Statements of Changes in Fiduciary Net Position
Fiscal Year Ended June 30, 2017

	Retired Employees Health Care Plan
Additions:	
Contributions:	
Employer	$ 280,000
Investment income:	
Net appreciation in fair value of investments	201,090
Total additions	481,090
Deductions:	
Administration	1,678
Total deductions	1,678
Net change	479,412
Net position held in trust for other post employment benefits:	
Beginning of year	1,844,493
End of year	$ 2,323,905

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

City of Pismo Beach
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies

Description of the Reporting Entity

The City of Pismo Beach (the City) is a general law city, governed by a City Council/City Manager form of government. The City Council is an elected five-member body comprising four City Council Members, who serve 4-year terms and a Mayor, who serves a 2-year term. Following an election, the Council votes to appoint one of its members to serve as Mayor Pro Tempore for two years. The accompanying financial statements present the City (the Primary government) and its component units, entities for which the government is considered financially accountable.

The City of Pismo Beach Public Financing Authority (the Authority), the Pismo Beach Public Financing Agency (the Agency) and the Public Facilities Corporation (the Corporation) are legally separate corporate entities for which the City is financially accountable and they are governed by the elected City Council. The Agency was created by a joint exercise of powers agreement between the City and the Pismo Beach Industrial Development Authority. The Authority, Agency and Corporation were formed to provide a method of financing public improvements. The City has identified the Authority, the Agency and the Corporation as blended component units in accordance with standards set by the Governmental Accounting Standards Board (GASB) and they have been included in the accompanying financial statements. The Authority, the Agency and the Corporation do not separately issue financial statements. In the current year, the Agency had no activity other than issuance of debt so is not included in the fund financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the City and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Note 1: Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, transient occupancy taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary and internal service funds are charges to customers for sales and services. Operating

Note 1: Summary of Significant Accounting Policies (Continued)

expenses for the proprietary and internal service funds include the costs of sales and services, administration costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

GASB defines major funds and requires that the City's major governmental and proprietary funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund type.

Major funds are defined as funds that have assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total and at least five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reports the following major governmental fund:

> G*eneral Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> *Housing in Lieu Fund* is a special revenue fund used to account for affordable housing. The main revenue source is an in lieu fee paid by developers at 5% of assessed valuation of building permits.

The City reports the following major proprietary funds:

> *Water Fund* accounts for the operations of the City's water treatment and distribution system.
>
> *Wastewater Fund* accounts for the operation of the City's wastewater treatment plant and collection facilities.
>
> *Pier Fund* is used to account for operations refurbishment and maintenance of the City's pier located on the ocean front in downtown Pismo Beach.

Additionally, the City has established internal service funds which are used to account for the City's vehicle fleet and technology equipment and services provided to other City departments on a cost reimbursement basis.

The City has established a fiduciary fund that is a private-purpose trust fund to account for assets held in the California Employers' Retiree Benefit Trust (CERBT) Fund. The City has also established a second fiduciary fund to collect and record the San Luis Obispo County tourism tax of which 98% is remitted to the County and 2% remains with the City and is transferred to the general fund after collection.

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position or Fund Balance

Cash and Investments
The City is authorized by its most recent investment policy to invest in the State of California Local Agency Investment Fund, U.S. Treasury bonds, bills, and notes, obligations issued by US Government agencies, corporate bonds, negotiable certificates of deposit, commercial paper, and time deposits and savings and demand accounts.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Fair Value Measurement
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City uses the fair value hierarchy established by generally accepted accounting principles, using valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market..

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 — Observable inputs, other than Level 1 prices, for the asset or liability, either directly or indirectly;
Level 3 — Unobservable inputs for the asset or liability.

For fiscal year ended June 30, 2017, the application of valuation techniques applied to the City's financial statements has been consistent.

Receivables and Payables
Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year 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 non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Note 1: Summary of Significant Accounting Policies (Continued)

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

At June 30, 2017, the City has determined that no allowance for uncollectible accounts is required for taxes receivable, due from other governments and accrued interest receivable. Accounts receivable are shown net of an allowance for uncollectible accounts of $363,142.

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to 1% of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of San Luis Obispo collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The City receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the Teeter Plan the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the City. The City recognizes property tax revenues in the fiscal year in which they are due to the City.

Inventories and Prepayments
The City has no significant inventories. All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when used or consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepayments in the governmental funds are accounted for using the consumption method.

Capital Assets
Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 ($50,000 for infrastructure type assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement would be reported at acquisition value rather than fair value. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. Property, plant, and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

Note 1: Summary of Significant Accounting Policies (Continued)

Asset Type	Years
Buildings and improvements	10 - 50
Public domain infrastructure	50
System infrastructure	15 - 60
Vehicles and equipment	5 - 10

Deferred Outflows of Resources
In addition to assets, the statement of financial position can report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources related to unamortized loss on refunding and pension related items.

Compensated Absences and Other Post-Employment Benefit Obligation/Asset
It is the government's policy to permit employees to accumulate earned but unused vacation benefits. There is a liability for unpaid accumulated vacation since the City does have a policy to pay employees for unused vacation when they separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured and have not been paid when due, for example, as a result of employee resignations and retirements.

Other post-employment benefit obligation/asset, such as that related to retiree medical benefit plans, is accrued in the government-wide financial statements based upon actuarial and other plan information.

Long-term Liabilities
In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund statement of net position.

Net Pension Liability
The City recognizes a net pension liability, which represents the City's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial reports provided by the California Public Employees' Retirement System (CalPERS) plans (Plans). The net pension liability is measured as of the City's prior fiscal year-end, or the measurement date. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in the net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deferred Inflow of Resources
In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources which represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue/contra expense) until that time. The City has pension related items recorded as deferred inflows of resources in the government-wide statement of net position.

The City also has deferred inflows of resources in the governmental funds balance sheet that were not collected during the availability period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available and relate to intergovernmental revenues for grants and cost recoveries.

Fund Balances – Governmental Funds
Fund balances for governmental funds are reported in classifications based primarily on the extent to which the City is bound to honor constraints about the specific purposes for which amounts in those funds can be spent. These classifications include (1) non-spendable, (2) restricted, (3) committed, (4) assigned and (5) unassigned amounts.

> *Non-spendable fund balance* includes amounts that cannot be spent because they are either (a) not spendable in form such as inventories, prepaid items and certain long-term receivables or (b) legally or contractually required to be maintained intact.
>
> *Restricted fund balance* includes amounts where constraints placed on the use of resources are externally imposed by grantors, contributors, other governments or by laws and regulations.
>
> *Committed fund balance* includes amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the City's highest level of decision making authority which includes City Resolutions or legislation. It also includes contractual obligations for which existing amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same action it employed previously to commit those amounts.

Note 1: Summary of Significant Accounting Policies (Continued)

Assigned amounts are fund balance amounts constrained by the City's intent to be used for a specific purpose. Such intent should be expressed by the City Manager or Director of Administrative Services to assign amounts to be used.

Unassigned amounts are the residual amounts reported in the general fund. 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 funds other than the general fund, if expenditures incurred for a specific purpose 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.

When expenditures are incurred for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, the City considers restricted amounts to have been spent first. When expenditures are incurred for which any class of unrestricted fund balance could be used, the City considers committed amounts would be reduced first, followed by assigned, and then unassigned amounts.

The City maintains three reserves as part of their committed fund balance. The General Fund Reserve (GFR), City Facility Reserve (CFR) and Risk Management Reserve (RMR) are established by the City as stabilization arrangements. The GFR policy requires that a minimum balance of 25% of the general fund operating expenditure budget be maintained in any given year and is to be used for emergencies, economic downturns, decreased revenues, capital acquisitions and cash flow needs and emergency opportunities as defined by the policy. As of June 30, 2017 the balance in the GFR was $5,280,000. The CFR policy requires that $500,000 be set aside for improvements to city buildings and facilities particularly if funds are not available in a given fiscal year due to emergencies, economic downturn, decreased revenues or cash flow needs as defined by the policy. As of June 30, 2017 the balance in the CFR was $500,000. The RMR policy requires that $50,000 be set aside each year up to $250,000 to fund general liability and worker's compensation costs over 10% of the adopted budget for risk management costs, legal costs, judgments, or to avoid judgments. As of June 30, 2017 the balance in the RMR was $200,000.

Reconciliation of Government-wide and Fund Financial Statements

A reconciliation between total fund balance of the governmental funds and total net position of the governmental activities as reported in the government-wide statement of net position is presented as part of the financial statements.

A reconciliation between total net change in fund balance of the governmental funds and total change in net position of governmental activities as reported in the government-wide statement of activities is presented as part of the financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

There are no differences between total net position of the proprietary funds and total net position of the business-type activities as reported in the government-wide statement of net position.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department. Transfers between departments and other changes require City Council approval. The legal level of control is the department and fund level. The Council made supplemental appropriations during the fiscal year. Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year end are reported as a reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Note 2: Cash and Investments

At June 30, 2017, cash and investments consisted of the following:

Cash	$ 6,035,741
Cash held by fiscal agents	5,569,815
Investments	45,903,286
Total cash and investments	$ 57,508,842

Custodial Credit Risk – Deposits

Custodial credit risk - deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Deposits with financial institutions, including certificates of deposit, totaled $19,309,242 at June 30, 2017 and were insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

For custodial credit risk associated with deposits, the City's policy is to follow the California Government Code which requires California financial institutions to secure the City's deposits by pledging government securities as collateral. The market value of the pledged securities must equal 110% of the City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes equal to 150% of the City's deposits.

Investment Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Investments classified in Level 2 of the fair value hierarchy are valued using

Note 2: Cash and Investments (Continued)

quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based pricing valuations for which all significant assumptions are observable or can be corroborated by observable market data.

The following is a summary of the fair value measurements as of June 30, 2017:

	Fair Value	Significant Other Observable Inputs (Level 2)
Investments classified by fair value hierarchy		
Negotiable certificates of deposit	$ 13,273,502	$ 13,273,502
US Government Agency Obligations	6,547,307	6,547,307
Corporate bonds	1,499,070	1,499,070
Total investments by fair value hierarchy	21,319,879	$ 21,319,879
Investments not subject to fair value hierarchy		
State Local Agency Investment Fund	24,583,407	
Total investments not subject to fair value hierarchy	24,583,407	
Total investments measured at fair value	$ 45,903,286	

Local Agency Investment Fund

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Cost Section 16429 under the oversight of the Treasurer of the State of California. LAIF management calculates the fair value and cost of the entire LAIF pool. The City adjusts its cost basis invested in LAIF to fair value based upon this ratio. The fair value of the City's position in the pool is the same as the value of the pool share. The balance available for withdrawal on demand is based on accounting records maintained by LAIF, which are recorded on an amortized cost basis. At June 30, 2017 LAIF had a weighted average maturity of 194 days.

Custodial Credit Risk – Investments

Custodial credit risk – investments is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. All of the City's investments in securities are insured or registered and held by a counterparty in the City's name in accordance with the City's policies. The City's investment policy specifies that securities are to be held by a third party, other than the counterparty, in the City's name, whenever possible.

Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in

Note 2: Cash and Investments (Continued)

general interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to securities having a maturity date of five years or less at the date of purchase.

At June 30, 2017, maturities were as follows for the City's investments:

Liquidity	Amount
FY 2017-18	$ 25,527,081
FY 2018-19	787,190
FY 2019-20	1,585,757
FY 2020-21	7,857,511
FY 2021-22	10,145,747
Total investments	$ 45,903,286

Concentration of Credit Risk

The City's policies in the Investment Management Plan provide guidelines (by type of investment vehicle that limits either the dollar amount, the percent of the portfolio or the maturity term) for diversifying the investment portfolio so that potential losses on individual securities will be minimized. Investments in US Government Agency Obligations represent 14% of the City's investments at June 30, 2017. These U.S government-sponsored enterprise agency securities are not explicitly guaranteed by the U.S. government.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer or backer. The City's policy is to mitigate this risk by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the investment portfolio.

At June 30, 2017, credit risk ratings were as follows for the City's investments:

	Rating	Fair Value
State Local Agency Investment Fund	Unrated	$ 24,583,407
Negotiable certificates of deposit	Unrated	13,273,502
US Government Agency Obligations	AA+	6,547,307
Non-US corporate bonds	AA-	995,790
US corporate bonds	AA+	503,280
Total investments		$ 45,903,286

Note 3: Accounts Receivable

At June 30, 2017, accounts receivable consisted of the following:

	General	Housing In Lieu	Other Nonmajor Governmental Funds	Internal Service	Total Governmental Activities
Governmental activities:					
Taxes receivable	$ 1,386,479	$	$ 105,318	$	$ 1,491,797
Accounts receivable	119,729		10,292	1,519	131,540
Accrued interest receivable	15,257	3,270	24,897	3,026	46,450
Due from other governments			412,500		412,500
Total accounts receivable	$ 1,521,465	$ 3,270	$ 553,007	$ 4,545	$ 2,082,287

	Water	Wastewater	Pier	Other Enterprise Funds	Total Business-Type Activities
Business-type activities:					
Accounts receivable	$ 583,746	$ 755,988	$ 1,000	$ 23,726	$ 1,364,460
Accrued interest receivable	11,415	12,699	2,116	2,766	28,996
Total accounts receivable	$ 595,161	$ 768,687	$ 3,116	$ 26,492	$ 1,393,456

Note 4: Note Receivable

In 2012, the City entered into a note receivable agreement for a loan in the amount of $1,657,235 for the development of affordable housing. The loan bears interest at 3% per annum. Principal and interest are due and payable in full in 2066. The loan is secured by a deed of trust and a regulatory agreement. At June 30, 2017, the current principal balance and accrued interest on the note receivable was $1,311,999.

Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Transfers/ Disposals	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 6,957,295	$ 120,500	$ 271,000	$ 7,348,795
Rights of way - street system	5,068,528			5,068,528
Construction in progress	3,240,877	375,954	(2,468,965)	1,147,866
Total capital assets not being depreciated	15,266,700	496,454	(2,197,965)	13,565,189
Capital assets being depreciated:				
Buildings	5,531,963			5,531,963
Machinery and equipment	2,589,899	224,262	(11,646)	2,802,515
Vehicles	4,468,240	443,363	(225,672)	4,685,931
Improvements	9,983,690			9,983,690
Infrastructure - street system	47,210,610	1,849,430	2,190,069	51,250,109
Total capital assets being depreciated	69,784,402	2,517,055	1,952,751	74,254,208
Accumulated depreciation:				
Buildings	(2,726,963)	(85,533)		(2,812,496)
Machinery and equipment	(1,667,447)	(193,335)	19,540	(1,841,242)
Vehicles	(2,758,045)	(339,569)	221,612	(2,876,002)
Improvements	(4,163,394)	(389,992)		(4,553,386)
Infrastructure - street system	(29,794,843)	(1,251,891)		(31,046,734)
Total accumulated depreciation	(41,110,692)	(2,260,320)	241,152	(43,129,860)
Total capital assets being depreciated, net	28,673,710	256,735	2,193,903	31,124,348
Net capital assets, governmental activities	$ 43,940,410	$ 753,189	$ (4,062)	$ 44,689,537

Note 5: Capital Assets (Continued)

	Balance June 30, 2016	Additions	Transfers/ Disposals	Balance June 30, 2017
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 377,775	$	$	$ 377,775
Construction in progress	1,631,380	2,683,262	(4,572)	4,310,070
Total capital assets not being depreciated	2,009,155	2,683,262	(4,572)	4,687,845
Capital assets being depreciated:				
Buildings	333,726			333,726
Capacity rights	1,044,264			1,044,264
Tanks, wells and improvements	11,449,066			11,449,066
Equipment	2,675,224		(6,000)	2,669,224
Pipelines and collection system	32,110,081		4,571	32,114,652
Pier	2,142,553			2,142,553
Total capital assets being depreciated	49,754,914	-	(1,429)	49,753,485
Accumulated depreciation:				
Buildings	(333,726)	(2,122)		(335,848)
Capacity rights	(939,839)	(52,213)		(992,052)
Tanks, wells and improvements	(5,946,220)	(759,743)	6,001	(6,699,962)
Equipment	(965,863)	(310,324)		(1,276,187)
Pipelines and collection system	(11,074,558)	(10,841)		(11,085,399)
Pier	(1,290,399)	(44,633)		(1,335,032)
Total accumulated depreciation	(20,550,605)	(1,179,876)	6,001	(21,724,480)
Total capital assets being depreciated, net	29,204,309	(1,179,876)	4,572	28,029,005
Net capital assets, business-type activities	$ 31,213,464	$ 1,503,386	$ -	$ 32,716,850

Note 5: Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	$ 46,323
Public safety	185,011
Community services	431,226
Infrastructure - streets	1,252,631
Vehicles - internal service fund	345,129
Total depreciation, governmental activities	$ 2,260,320
Business-type activities:	
Water	$ 475,368
Wastewater	645,627
Parking	14,248
Pier	44,633
Total depreciation, business-type activities	$ 1,179,876

Total interest expense for business-type activities was $295,546 for the year ended June 30, 2017 and the total amount thereof that was capitalized into construction in progress was $26,768.

Note 6: Long-Term Debt

The City's internal service fund predominately serves the governmental funds. Accordingly, long-term liabilities of the internal service fund are included in governmental activities in the statement of net position. At June 30, 2017, compensated absences of the internal service fund were $6,689.

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General fund. See Note 11 for further discussion on claims liability.

Note 6: Long-Term Debt (Continued)

Long-term debt activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
Governmental activities:					
Revenue refunding bonds	$ 3,040,000	$	$ (3,040,000)	$	$
Compensated absences	376,544	220,466	(164,580)	432,430	76,500
Lease revenue bonds		7,685,000		7,685,000	270,000
Unamortized bond premium		190,763		190,763	
Total long-term debt, governmental activities	$ 3,416,544	$ 8,096,229	$ (3,204,580)	$ 8,308,193	$ 346,500
Business-type activities:					
Compensated absences	$ 49,307	$ 28,869	$ (25,367)	$ 52,809	$ 30,000
Revenue refunding bonds	4,960,000		(205,000)	4,755,000	215,000
Unamortized bond premium	344,402		(20,259)	324,143	
State revolving loans	6,131,531		(555,153)	5,576,378	565,173
Total long-term debt, business-type activities	$ 11,485,240	$ 28,869	$ (805,779)	$ 10,708,330	$ 810,173

2007A Lease Revenue Refunding Bonds

In 2007, the Authority issued lease revenue refunding bonds (2007A bonds) in the amount of $5,185,000 to advance refund and retire prior revenue bonds. The Authority entered into a lease arrangement with the City wherein the City is obligated to make all debt service payments on the 2007A bonds. The transactions between the Authority and the City have been eliminated from these financial statements. The debt is reported within the governmental activities and related debt service payments are reported within the General fund. The 2007A bonds are secured by a covenant of the City to make provisions in its annual budget to provide for funding the retirement of principal and payment of interest. The bonds maturing on or after December 1, 2018 are subject to redemption prior to maturity as specified in the bond resolution. The 2007A bonds bear interest at rates from 3.5 to 5%. Principal and interest are payable in semi-annual installments each June 1 and December 1 through 2025.

The Authority entered into an escrow agreement, dated March 1, 2017, by and between U.S. Bank National Association, and escrow agent and the Authority (the “Escrow Agreement”). The Escrow Agreement provides for the prepayment and defeasance of the Authority’s outstanding Series 2007A bonds in the original aggregate principal amount of $5,185,000. The City has exercised its rights to optionally prepay its entire lease obligation under the 2007A bond agreement between the Authority and the City dated April 1, 2007. The Authority, in turn, is providing for the prepayment and redemption prior to maturity of the Authority’s outstanding 2007A bonds in advance of their scheduled maturities on December 1, 2017. The 2007A bonds have ceased, terminated, and have been completely discharged and satisfied.

Note 6: Long-Term Debt (Continued)

2017 Lease Revenue Bonds

In June 2017, the Agency issued lease revenue bonds (2017 bonds) in the amount of $7,685,000 to fund the rehabilitation of the Pismo Beach pier. The debt is reported within the governmental activities and the related debt service payments are reported within the General fund. The Base Rental Payments from a lease between the City and the Agency have been pledged by the Agency as security for the payment of principal and interest on the 2017 bonds. The City agreed to take such action as is necessary to budget for and to appropriate such amounts. The bonds maturing on or after December 1, 2027 are subject to redemption prior to maturity as specified in the bond resolution. The 2017 bonds bear interest at rates from 2 to 5%. Principal and interest are payable in semi-annual installments each June 1 and December 1 through 2047.

In the statement of net position, the 2017 bonds include the related unamortized premium which is being amortized and charged to expense over the term of the 2017 bonds. At June 30, 2017, the unamortized premium was $190,763.

At June 30, 2017, future minimum principal and imputed interest payments on the 2017 bonds were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2018	$ 270,000	$ 268,368	$ 538,368
2019	135,000	268,913	403,913
2020	135,000	264,862	399,862
2021	145,000	259,263	404,263
2022	150,000	253,362	403,362
2023-2027	855,000	1,150,388	2,005,388
2028-2032	1,060,000	944,962	2,004,962
2033-2037	1,275,000	730,413	2,005,413
2038-2042	1,500,000	505,700	2,005,700
2043-2047	1,770,000	227,292	1,997,292
2048	390,000	6,825	396,825
Total	$ 7,685,000	$ 4,880,348	$ 12,565,348

Wastewater Refunding Revenue Bonds, Series 2012

In 2012, the Authority issued revenue refunding bonds (2012 bonds) in the amount of $5,710,000 to advance refund the 2004 revenue bonds, series A. The Authority entered into a lease arrangement with the City wherein the City is obligated to make all debt service payments on the 2012 bonds. The transactions between the Authority and the City have been eliminated from these financial statements and the debt and

Note 6: Long-Term Debt (Continued)

related debt service payments are reported within the Wastewater fund. The 2012 bonds bear interest at rates of 2 to 5%. Principal and interest are payable in semi-annual installments each June 30 and December 30 through 2032.

At June 30, 2017, future minimum principal and imputed interest payments on the 2012 bonds were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2018	$ 215,000	$ 176,863	$ 391,863
2019	220,000	168,163	388,163
2020	235,000	159,063	394,063
2021	240,000	148,363	388,363
2022	255,000	135,988	390,988
2023-2027	1,465,000	484,133	1,949,133
2028-2032	1,740,000	212,236	1,952,236
2033	385,000	6,641	391,641
Total	$ 4,755,000	$ 1,491,450	$ 6,246,450

In the statement of net position, the 2012 bonds include the related unamortized premium which is being amortized and charged to expense over the term of the 2012 bonds. At June 30, 2017, the unamortized premium was $324,143.

The City has also pledged future wastewater system revenues, net of specified operating expenses, to repay the 2012 bonds. The bonds are payable solely from wastewater customer net revenues. For the year ended June 30, 2017, principal and interest paid and total customer net revenues were $390,263 and $1,987,731, respectively.

The advance refunding resulted in a difference $289,264 between the reacquisition price and the net carrying value of the old debt. This loss on refunding is reported as a deferred outflow of resources in the statement of net position and is being amortized to expense through 2033. The City completed the refunding to reduce its total debt service payments over the next 21 years by $991,751 and to obtain an economic gain of $800,743 (difference between the present values of the old and the new debt service payments).

State Revolving Fund Loans

The City entered into an agreement with the State Water Resources Control Board for a $10,154,284 loan with an effective interest rate of approximately 1.8% for the purpose of financing wastewater system improvements.

Note 6: Long-Term Debt (Continued)

At June 30, 2017, future minimum principal and imputed interest payments on this loan payable were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2018	$ 518,749	$ 90,511	$ 609,260
2019	528,102	81,158	609,260
2020	537,623	71,636	609,259
2021	547,317	61,943	609,260
2022	557,185	52,075	609,260
2023-2026	2,331,029	106,008	2,437,037
Total	$ 5,020,005	$ 463,331	$ 5,483,336

The City entered into a second agreement with the State Water Resources Control Board for a $231,904 loan with an effective interest rate of approximately 1.8% for the purpose of financing additional improvements.

At June 30, 2017, future minimum principal and imputed interest payments on this loan payable were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2018	$ 12,605	$ 2,041	$ 14,646
2019	12,844	1,802	14,646
2020	13,087	1,559	14,646
2021	13,335	1,311	14,646
2022	13,588	1,059	14,647
2023-2025	42,327	1,615	43,942
Total	$ 107,786	$ 9,387	$ 117,173

The City also entered into third agreement with the State Water Resources Control Board for an additional $847,763 loan with an effective interest rate of approximately 1.8% for the purpose of financing additional improvements.

Note 6: Long-Term Debt (Continued)

At June 30, 2017, future minimum principal and imputed interest payments on this loan payable were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2018	$ 33,819	$ 8,088	$ 41,907
2019	34,428	7,478	41,906
2020	35,049	6,857	41,906
2021	35,681	6,226	41,907
2022	36,324	5,582	41,906
2023-2027	191,685	17,848	209,533
2028-2029	81,601	2,213	83,814
Total	$ 448,587	$ 54,292	$ 502,879

The City has pledged future wastewater system revenues, net of specified operating expenses, to repay the State Revolving Fund Loans. Proceeds from the loans were used to complete a major upgrade to the City's wastewater treatment plant and related facilities. The loans are payable solely from wastewater customer net revenues and are payable through 2026. For the year ended June 30, 2017, principal and imputed interest paid and total system net revenues were $665,813 and $1,987,731, respectively.

Note 7: Other Post-Employment Benefits (OPEB)

Plan Description

The City administers the City's Retired Employees Healthcare Plan (the Plan), a single employer defined benefit healthcare plan. The Plan provides medical insurance benefits to eligible retirees and their spouses. City resolutions and agreements assign the authority to establish and amend benefit provisions to the City. The City entered into an agreement with the CalPERS California Employers' Retiree Benefit Trust (CERBT), an agent-multiple defined benefit healthcare plan, to pre-fund the City's OPEB liability. CERBT issues a publicly available financial report in aggregate with other CERBT participating employers. That report may be obtained by contacting PERS, 400 P Street, Sacramento, CA 95814.

Funding Policy

The contribution requirements of Plan members and the City are established by and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the City Council. For the year ended June 30, 2017, the City contributed $154,965 for current year premiums (100% of total premiums) and $280,000 to prefund benefits and pay down a portion of the implied subsidy. Plan members receiving benefits contributed no amounts of the total premiums.

Note 7: Other Post-Employment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Asset)

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows 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 (asset):

Annual required contribution (ARC)	$ 383,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contributions	(164,000)
Annual OPEB cost	222,000
Contributions made	(538,000)
Change in net OPEB obligation	(316,000)
Net OPEB obligation, beginning of year	38,000
Net OPEB asset, end of year	$ (278,000)

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation (asset) for the last three years were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	% of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2017	$ 222,000	$ 538,000	242.3%	$ (278,000)
6/30/2016	$ 371,000	$ 325,000	87.6%	$ 38,000
6/30/2015	$ 359,000	$ 323,000	90.0%	$ (8,000)

Funding Status and Funding Progress

The funded status of the Plan as of June 30, 2017, the Plan's most recent actuarial valuation, was as follows:

Actuarial accrued liability	$ 4,295,000
Actuarial value of plan assets	2,311,000
Unfunded actuarial accrued liability (UAAL)	$ 1,984,000
Funded ratio	53.81%
Covered payroll	$ 6,938,000
UAAL as a percentage of covered payroll	28.60%

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

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

Actuarial Methods and Assumptions

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

In the June 30, 2017 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.75% investment rate of return which is a blended rate of the expected long-term invested returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, a general inflation rate of 3%, and an annual health care cost trend of 7.5 to 7.8% initially, reduced to an ultimate rate of 5% after eight years. The UAAL is being amortized as a level percentage of projected payroll over 21 years, the remaining amortization period as of June 30, 2017. The amortization period is closed.

Note 8: Interfund Receivables, Payables and Transfers

There were no interfund receivables and payables at June 30, 2017. Interfund transfers for the year ended June 30, 2017 were as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	$ 227,181	$ 12,010,557
Other Governmental Funds:		
Special Revenue Fund	4,095	
Local Transportation Streets		604,962
Capital Projects Fund	1,602,321	
State Gas Tax Fund		356,483
Noncapital Grants Fund		43,748
Impact Fee Fund		774,605
Park Development		40,596
Circulation Improvement	464,622	
City of Pismo Beach Public Financing Authority Fund	3,199,777	
Reassessment Districts		91,829
Proprietary Funds:		
Water Fund		92,607
Wastewater Fund		69,293
Pier Fund	7,726,159	
Other Proprietary Funds:		
Parking Fund		910
Internal Service Funds	861,435	
Total interfund transfers	$ 14,085,590	$ 14,085,590

The primary purpose of interfund transfers is to move unrestricted fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including capital outlay expenditures. Interfund transfers were made from the General Fund to the City of Pismo Beach Public Financing Authority Fund as debt service principal and interest payments become due. Interfund transfers were made from various funds to the Internal Service Fund for vehicle replacement contributions.

Note 9: Public Employees Retirement System

General Information about the Pension Plans

Plan Descriptions

The City contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer public employee defined benefit pension plan. All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all

Note 9: Public Employees Retirement System (Continued)

other) Employee Pension Plans. 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 the State statute and City ordinance. CalPERS issues publicly available financial reports that include the financial statements and required supplementary information for the CalPERS. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

The City participates in the Safety and Miscellaneous CalPERS cost sharing multiple-employer plans. The Safety plans consists of Fire Tier 1; Fire Tier 2; Police Tier 1, Police Tier 2, and Police PEPRA. The Miscellaneous plans consist of Tier 1, Tier 2 and PEPRA.

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

While the City's Safety and Miscellaneous plan are not closed to new entrants, the component option of Safety Fire Tier 1, Safety Police Tier 1, and Miscellaneous Tier 1 are closed to new entrants. Classic members, as defined by CalPERS, entering the City's plans would enter the Tier 2 plans, and New Members, as defined by CalPERS, would enter the PEPRA plans.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Safety - Fire	
	Tier 1	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55
Monthly benefits, as a % of eligible compensation	2.0%	2.0% to 2.7%
Required employee contribution rates	9%	9%
Required employer contribution rates	14.785%	12.082%
Final average compensation period	3-Year Average	3-Year Average

Note 9: Public Employees Retirement System (Continued)

	Safety - Police		
	Tier 1	**Tier 2**	**PEPRA**
Hire date	**Prior to January 1, 2013**	**On or after December 17, 2012**	**On or after January 1, 2013**
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50 - 55
Monthly benefits, as a % of eligible compensation	3.0%	3.0%	2.0% to 2.7%
Required employee contribution rates	12%	12%	12%
Required employer contribution rates	19.536%	16.656%	12.082%
excludes employer share paid by employee	-3.00%	-3.00%	-0.50%
Final average compensation period	Single Highest Year	3-Year Average	3-Year Average

	Miscellaneous		
	Tier 1	**Tier 2**	**PEPRA**
Hire date	**Prior to January 1, 2013**	**On or after December 17, 2012**	**On or after January 1, 2013**
Benefit formula	2.5% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.0%	1.0% to 2.5%
Required employee contribution rates	8%	8%	8%
Required employer contribution rates	10.069%	7.160%	6.560%
excludes employer share paid by employee	0.00%	-1.00%	-1.75%
Final average compensation period	Single Highest Year	3-Year Average	3-Year Average

Contributions

Section 20814(c) of the California Public Employees' Retirement Law 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. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	$ 803,899	$ 970,525

Note 9: Public Employees Retirement System (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions
As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Miscellaneous	Safety	Total
Plan's Proportionate Share of the Net Pension Liability	$ 8,245,195	$ 8,633,480	$ 16,878,675

The City's net position liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016 was as follows:

Proportionate share	Miscellaneous	Safety
Percentage share at 6/30/2015	0.097%	0.107%
Percentage share at 6/30/2016	0.095%	0.100%
Change - Increase/(Decrease)	-0.002%	-0.007%

For the year ended June 30, 2017, the City recognized pension expense of $1,787,700. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	All Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,968,359	$
Differences between actual and expected experience	22,145	(76,456)
Changes in assumptions		(605,138)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	711,525	
Net differences between projected and actual earnings on pension plan investments	3,052,299	
Adjustment due to difference in proportions		(113,021)
Total	$ 5,754,328	$ (794,615)

Note 9: Public Employees Retirement System (Continued)

Pension contributions subsequent to the measurement dates of $1,968,359 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

All Plans	
Measurement Period Ended June 30	**Amount**
2017	$ 439,300
2018	383,838
2019	1,375,475
2020	792,741
Total	$ 2,991,354

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service (1)
Post Retirement Benefit Increase	(2)
Mortality	(3)

(1) Depending on age, service, and type of employment
(2) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
(3) Derived using CalPERS' Membership Data for all Funds

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. All other actuarial assumptions used in the June 30, 2014 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. More information on this table and assumptions can be found in the Experience Study report on CalPERS' website under Forms and Publications.

Note 9: Public Employees Retirement System (Continued)

Changes in Assumptions
There were no changes in assumptions for the June 30, 2016 measurement date. In 2015, amounts reported reflect and adjustment of the discounted rate from 7.5% (net of administrative expenses) to 7.65%. In 2014, amounts reported were based upon the 7.5% discount rate.

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

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

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

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

Note 9: Public Employees Retirement System (Continued)

	All Plans		
Asset Class	**New Strategic Allocation**	**Real Return Years 1 - 10** (a)	**Real Return Years 11+** (b)
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%
Liquidity	3.00%	4.50%	5.09%
Other	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, 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 one percentage point lower or one percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.65%	6.65%
Net Pension Liability	$ 12,845,797	$ 12,923,987
Current Discount Rate	7.65%	7.65%
Net Pension Liability	$ 8,245,195	$ 8,633,480
1% Increase	8.65%	8.65%
Net Pension Liability	$ 4,443,025	$ 5,111,412

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2017, the City reported a payable of $0 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2017.

Note 10: Jointly Governed Organizations and Operating Agreements

Jointly governed organizations are legal entities or other organizations that result from a contractual arrangement and that are owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility.

The City is a participant in the following organizations:

South County Area Transit and San Luis Obispo Regional Transit Authority

The City is a member of South County Area Transit and San Luis Obispo Regional Transit Authority, which were formed to provide fixed route and regional transit services within the member cities and the County. The City's obligation to these entities is limited to the assignment of a portion of its Local Transportation Fund allocations to the joint powers agencies.

San Luis Obispo Council of Governments

The San Luis Obispo Council of Governments (SLOCOG) was formed in 1968 through a joint powers agreement among the incorporated cities and the County of San Luis Obispo. It acts as the regional transportation planning agency for the county and is the metropolitan planning organization and the congestion management agency for the region. The City's obligation to this entity is limited to the assignment of a portion of its Local Transportation Fund allocations to the agency.

The City has the following water treatment and supply agreements:

Water Treatment and Facilities Agreement

The City has an agreement with the San Luis Obispo County Flood Control and Water Conservation District (the District) wherein the District and the Central Coast Water Authority (the Water Authority) constructed and operate a joint water treatment facility and water conveyance system. The Water Authority financed the facility and system by selling revenue bonds, and in 1997, issued $198 million in refunding revenue bonds. In 2006, the Water Authority issued refunding bonds to take advantage of lower market interest rates. The agreement is a take-or-pay obligation, and the City is obligated to pay amounts specified in the agreement whether or not water is treated or delivered. The amounts paid by the City are pledged by the Water Authority for repayment of the Water Authority's debt obligations. The City recorded these payments as operating expenses of $69,878 and $1,273,355 to the District and Water Authority, respectively, in its Water Fund.

Note 10: Jointly Governed Organizations and Operating Agreements (Continued)

Water Supply Agreement

The City has entered into a water supply agreement with the District for the purpose of obtaining additional water for municipal purposes. The City is obligated to make payments even if the City fails or refuses to accept water deliveries. The District's source for such additional water supplies is the California State Water Project (SWP). The SWP has constructed facilities to extend the California Aqueduct to the Central Coast and to the facilities owned by the Water Authority. The City has recorded as long-term prepayments in its Water Fund payments made under this agreement while the SWP expansion was under construction and prior to its ability to convey water under the arrangement. These prepayments are being amortized to expense as operating expenses over the term of the agreement.

Lopez Dam Agreement

The City has entered into a Lopez Dam agreement with the District related to the Lopez Dam storage reservoir, water treatment plant, main conduits, and related facilities built for the primary purpose of providing a municipal water supply to cities in the County. This agreement is also a take-or-pay arrangement and the City is obligated to make payments regardless of water deliveries. In 2000, voters in Zone 3 of the District, authorized the District to issue $13.2 million in general obligation bonds to provide funds to construct seismic improvements to the Lopez Dam and facilities. The District is to receive such tax revenues under the voter approved arrangement and is to also receive payments from the City and other participating governments in amounts sufficient to pay debt service on the bonds and related operating and capital costs. The City recorded these payments of $1,397,036 as expenses in its Water Fund.

Note 11: Risk Management

Self-Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance. The City, due to the costs of available coverage, participated as a member in the Central Coast Cities Self-Insurance Fund (CCCSIF) through June 30, 2003 for general liability insurance and through June 30, 2004 for workers compensation insurance. Thereafter, the City joined the California Joint Powers Insurance Authority (California JPIA). The California JPIA provides general liability insurance to the City with a $50 million per occurrence and $50 million per year aggregate limit and workers compensation insurance with statutory benefits and $10 million employer’s liability coverage. The risk of loss is transferred to the California JPIA. The City is subject to retrospective premium adjustments under the arrangement. Claims liabilities in the governmental funds are generally liquidated by the General Fund.

Note 11: Risk Management (Continued)

The City is responsible for payment of its respective claims that were outstanding with the CCCSIF at the time the City elected to insure with the California JPIA. The uninsured risk for these claims, referred to as tail-end claims, retained by the City was $300,000 per incident for workers compensation claims, $50,000 per incident for general liability claims, and $5,000 per property damage claim. The CCCSIF periodically obtains actuarial studies and valuations of the tail-end claim liabilities, and the City reports such estimated amounts payable as claim liabilities in the statement of net position.

Liabilities of the City are reported in the statement of net position for the governmental activities when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Settlements have not exceeded coverage for each of the past three fiscal years.

Self-Insurance activity as of and for the year ended June 30, 2017 is summarized as follows:

Interest earnings	$ 998
Claims expense	$ (10,122)
Estimated liability for reported claims and settlement expenses	$ (99,138)
Assets on deposit	121,270
Estimated unpaid claims asset at June 30, 2017	$ 22,132

Changes in the balances of claims assets (liabilities) during the past two fiscal years were as follows:

Estimated unpaid claims liability at June 30, 2015	$ (49,781)
Claim payments and related expenditures reimbursement	(21,101)
Change in estimated claims liability for year ended June 30, 2016	72,962
Interest earnings	564
Estimated unpaid claims asset at June 30, 2016	2,644
Claim payments and related expenditures reimbursement	(10,122)
Change in estimated claims liability for year ended June 30, 2017	28,612
Interest earnings	998
Estimated unpaid claims asset at June 30, 2017	$ 22,132

Note 12: Commitments and Contingencies

Litigation

The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants and Allocations

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

Construction and Other Significant Commitments

Construction and other significant commitments as of June 30, 2017, including encumbrances outstanding at year-end, were as follows:

General fund	$ 277,743
Special revenue funds	39,203
Enterprise funds	6,423,672
Internal service funds	554,114
Total	$ 7,294,732

Long term construction contracts are billed and paid on a percentage of completion basis by construction phase.

Note 13: New Accounting Pronouncements

In June 2015, GASB issued Statement No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting standards for state and local governmental OPEB plans—defined benefit OPEB plans and defined contribution OPEB plans—that are administered through trusts or equivalent arrangements. The provisions of Statement No. 74 are effective for fiscal years beginning after June 15, 2016. The City is not an OPEB plan therefore this statement is not applicable to the City.

Note 13: New Accounting Pronouncements (Continued)

Additionally, in June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Statement No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Implementation of this statement did not have a material impact on the City's financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. Statement No. 78 addresses a practice issue regarding the scope and applicability of Statement No. 68 for pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of Statement No. 78 are effective for fiscal years beginning after December 15, 2015. Implementation of this statement did not have a material impact on the City's financial statements.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. The provisions of Statement No. 79 are effective for reporting periods beginning after June 15, 2016. Implementation of this statement did not have a material impact on the City's financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. Statement No. 80 amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The provisions of Statement No. 80 are effective for fiscal years beginning after December 15, 2015. Implementation of this statement did not have a material impact on the City's financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The Statement also provides additional recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of Statement No. 81 are effective for fiscal

Note 13: New Accounting Pronouncements (Continued)

years beginning after December 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of Statement No. 82 are effective for fiscal years beginning after June 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

In November 2016, GASB issued Statement No. 83, *Capital Asset Retirement Obligations*. Statement No. 83 provides financial statement users with information about asset retirement obligations that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The provisions of Statement No. 83 are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the entity to disburse fiduciary resources. The provisions of Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. Statement No. 86 is meant to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in

Note 13: New Accounting Pronouncements (Continued)

substance. The provisions of Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

Additionally, in June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 increases the usefulness of entities' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has not yet determined the impact of this Statement on its financial statements.

Note 14: Subsequent Events

Events subsequent to June 30, 2017, have been evaluated through December 15, 2017, which is the date that the financial statements were available to be issued.

Subsequent to June 30, 2017, the City was in the process of issuing Federally Taxable New Clean Renewable Energy Bonds (CREBs) in the amount of $4.1M in the general fund. The bonds are expected to be issued in December 2017 and the proceeds will be used to fund the construction and installation of a fully-integrated solar photovoltaic generation and storage facility at the City's Wastewater Treatment Plant and an integrated solar photovoltaic generation facility at the Police Department.

Required Supplementary Information Section

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City of Pismo Beach
Budgetary Comparison Schedule – General Fund
Budgetary Basis
Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance - beginning of year	$ 13,937,793	$ 19,112,503	$ 19,112,503	$ -
Resources (inflows):				
Property taxes	4,799,929	4,799,929	5,054,866	254,937
Sales taxes	4,451,115	4,451,115	4,433,756	(17,359)
Transient occupancy taxes	9,204,000	9,372,840	9,330,651	(42,189)
Other taxes	827,891	870,121	943,568	73,447
License and permits	948,487	1,061,035	2,422,702	1,361,667
Fines and forfeits	75,000	75,000	43,357	(31,643)
Interest and rents	255,234	201,138	300,896	99,758
Intergovernmental	59,680	83,929	61,477	(22,452)
Charges for services	161,492	233,346	299,608	66,262
Miscellaneous	905,100	905,100	955,305	50,205
Proceeds from bond issuance			7,875,763	7,875,763
Transfers in	240,000	256,511	227,181	(29,330)
Amounts available for charges to appropriations	35,865,721	41,422,567	51,061,633	9,639,066
Charges to appropriations:				
General Government:				
City Council	312,254	366,422	306,859	59,563
Administration	429,992	478,050	442,297	35,753
City Clerk	321,564	323,794	314,415	9,379
Human Resources	274,743	312,802	259,139	53,663
Legal	222,300	222,300	174,501	47,799
Conference and Visitors Bureau	582,374	574,335	565,603	8,732
Finance	797,601	856,189	822,042	34,147
Nondepartmental - other	1,494,673	1,377,093	910,429	466,664
Nondepartmental - capital outlay	38,000	279,454	224,262	55,192
Nondepartmental - retiree medical	440,920	446,920	434,965	11,955
Facilities maintenance	802,802	884,453	859,830	24,623

See notes to required supplementary information.

City of Pismo Beach
Budgetary Comparison Schedule – General Fund, Continued
Budgetary Basis
Fiscal Year Ended June 30, 2017
Page 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Public Safety:				
Police	$ 5,382,138	$ 5,984,205	$ 5,498,344	$ 485,861
Fire	2,442,853	2,457,062	2,216,998	240,064
Weed Abatement	14,500	14,500	16,813	(2,313)
Lifeguards	238,126	236,465	210,291	26,174
Public Works:				
Park maintenance	993,382	1,203,933	1,042,182	161,751
Community Services:				
Building	639,332	859,597	708,184	151,413
Planning	758,399	1,022,924	720,244	302,680
Recreation	362,599	537,928	505,449	32,479
Engineering	636,348	792,046	747,571	44,475
Streets:				
Maintenance and construction	592,897	703,614	587,947	115,667
Transfers out	2,612,557	11,264,083	12,010,557	(746,474)
Total charges to appropriations	20,390,354	31,198,169	29,578,922	1,619,247
Fund balance - end of year	$ 15,475,367	$ 10,224,398	$ 21,482,711	$ 11,258,313

See notes to required supplementary information.

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Housing In Lieu Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Charges for services	$ 20,000	$ 20,000	$ 543,889	$ 523,889
Interest	1,600	1,600	14,520	12,920
Total revenues	21,600	21,600	558,409	536,809
Expenditures:				
Housing	1,094	9,794	9,779	15
Total expenditures	1,094	9,794	9,779	15
Excess(deficiency) of revenues over (under) expenditures	20,506	11,806	548,630	536,824
Other financing sources (uses):				
Transfers out	(15,000)	(15,000)		15,000
Total other financing sources (uses)	(15,000)	(15,000)	-	15,000
Net change in fund balance	5,506	(3,194)	548,630	551,824
Fund balance - beginning of year	2,745,216	2,745,216	2,745,216	-
Fund balance - end of year	$ 2,750,722	$ 2,742,022	$ 3,293,846	$ 551,824

City of Pismo Beach
Schedule of Funding Progress for
Other Post-Employment Benefits (OPEB)
June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2017	$ 2,311,000	$ 4,295,000	$ 1,984,000	53.81%	$ 6,938,000	28.60%
6/30/2015	$ 1,573,000	$ 4,336,000	$ 2,763,000	36.28%	$ 5,967,000	46.30%
6/30/2013	$ 1,153,000	$ 2,670,000	$ 1,517,000	43.18%	$ 6,153,000	24.65%

See notes to required supplementary information.

City of Pismo Beach
Schedule of the City's Proportionate Share of the Net Pension Liability
And Related Ratios as of the Measurement Date – Miscellaneous Plan
June 30, 2017 *

Fiscal Year	6/30/2017	6/30/2016	6/30/2015
Measurement Date	6/30/2016	6/30/2015	6/30/2014
Employer's Proportion of the Net Pension Liability	0.095%	0.097%	0.100%
Employer's Proportionate Share of the Net Pension Liability	$ 8,245,195	$ 6,684,633	$ 6,236,321
Employer's Covered-Employee Payroll	$ 4,440,847	$ 4,536,614	$ 4,300,887
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	185.67%	147.35%	145.00%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.87%	79.89%	81.15%

* Pension schedules are intended to show information for ten years, but fiscal year 2015 was the first year of implementation and information is required only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

See notes to required supplementary information.

City of Pismo Beach
Schedule of the City's Proportionate Share of the Net Pension Liability
And Related Ratios as of the Measurement Date – Safety Plan
June 30, 2017 *

Fiscal Year	6/30/2017	6/30/2016	6/30/2015
Measurement Date	6/30/2016	6/30/2015	6/30/2014
Employer's Proportion of the Net Pension Liability	0.100%	0.107%	0.112%
Employer's Proportionate Share of the Net Pension Liability	$ 8,633,480	$ 7,337,921	$ 6,971,092
Employer's Covered-Employee Payroll	$ 1,994,072	$ 2,137,977	$ 2,181,088
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	432.96%	343.22%	319.62%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	72.69%	77.27%	78.83%

* Pension schedules are intended to show information for ten years, but fiscal year 2015 was the first year of implementation and information is required only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

See notes to required supplementary information.

City of Pismo Beach
Schedule of Plan Contributions – Miscellaneous Plan
June 30, 2017 *

Fiscal Year	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Actuarially determined contribution	$ 898,126	$ 811,650	$ 715,407	$ 830,445
Contributions in relation to the actuarially determined contributions	(898,126)	(811,650)	(1,715,407)	(830,445)
Contribution deficiency (excess)	$ -	$ -	$ (1,000,000)	$ -
Covered-employee payroll	4,527,631	$ 4,440,847	$ 4,536,614	$ 4,300,887
Contributions as a percentage of covered-employee payroll	19.84%	18.28%	37.81%	19.31%

* Pension schedules are intended to show information for ten years, but fiscal year 2015 was the first year of implementation and information is required only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available. Contributions paid as of June 30, 2017 are deferred to June 30, 2018.

See notes to required supplementary information.

City of Pismo Beach
Schedule of Plan Contributions – Safety Plan
June 30, 2017 *

Fiscal Year	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Actuarially determined contribution	$ 1,070,233	$ 976,050	$ 687,175	$ 733,719
Contributions in relation to the actuarially determined contributions	(1,070,233)	(976,050)	(687,175)	(733,719)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,950,209	$ 1,994,072	$ 2,137,977	$ 2,181,088
Contributions as a percentage of covered-employee payroll	54.88%	48.95%	32.14%	33.64%

* Pension schedules are intended to show information for ten years, but fiscal year 2015 was the first year of implementation and information is required only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available. Contributions paid as of June 30, 2017 are deferred to June 30, 2018.

See notes to required supplementary information.

City of Pismo Beach
Notes to Required Supplementary Information
June 30, 2017

Note 1: Budgetary Comparison Schedule – General Fund

Explanations of differences between budgetary inflows and outflows and revenues and expenditures under the modified accrual basis of accounting in accordance with generally accepted accounting principles are as follows:

Sources/inflows of resources:		
Actual "amounts available for charges to appropriations" from budgetary comparison schedule:	$	51,061,633
Differences - budgetary basis to GAAP:		
Fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes.		(19,112,503)
Transfers in from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.		(227,181)
Proceeds from bonds are inflows of resources, but are not recorded as revenue for financial reporting purposes.		(7,875,763)
Total General Fund revenues as reported in the statement of revenues, expenditures and changes in fund balance - governmental funds	$	23,846,186
Uses/outflows of resources:		
Actual "total charges to appropriations" from the budgetary comparison schedule	$	29,578,922
Differences - budgetary basis to GAAP:		
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		(12,010,557)
Total General Fund expenditures as reported in the statement of revenues, expenditures and changes in fund balance - governmental funds	$	17,568,365

Note 2: Excess of Expenditures Over Appropriations

In the General Fund, expenditures exceeded appropriations as follows:

		Variance with Final Budget (Negative)
Public Safety:		
Weed Abatement	$	(2,313)

Expenditures did not exceed appropriations in the Housing In Lieu Fund.

Note 3: Schedule of the City's Proportionate Share of the Net Pension Liability

The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions is based on the Plan's proportion of fiduciary net position as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

Note 4: Schedule of Plan Contributions

Change in Benefit Terms. There were no changes to benefits terms that applies to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities.

Change in Assumptions. There were no changes in assumptions for the June 30, 2016 measurement date. In 2015, amounts reported reflect and adjustment of the discounted rate from 7.5% (net of administrative expenses) to 7.65%. In 2014, amounts reported were based upon the 7.5% discount rate.

Supplementary Information Section

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City of Pismo Beach
Nonmajor Governmental Funds - Overview
June 30, 2017

The City maintains the following nonmajor governmental funds:

Special Revenue Funds

State Gas Tax Fund is used to account for revenues allocated by the State of California and restricted as to use for only street and highway purposes.

Local Transportation Streets Fund is used to account for revenues allocated under the Transportation Development *Act and restricted in use for street related purposes.*

Public Education Grant (PEG) Fund is used to account for fees collected from cable television operators in the City limits that are set aside for Government cable access.

Noncapital Grants Fund is used to account for specific grant revenues allocated to the City for operational programs and activities.

Local Business Improvement Fund is used to account for monies raised to promote City lodging businesses.

Chapman House Estate Fund is used to account for the fees collected and maintenance costs for the Chapman Estate.

Capital Projects Funds

Public Facilities Fund is used to account for resources restricted for the financing of improvements to public facilities.

Park Development Fund is used to account for the financing of major improvements to City parks and related facilities.

Circulation Improvement Fund is used to account for impact fees to be used for major improvements to the City's street and highway infrastructures.

Capital Projects Fund is used to accumulate resources for use in financing major capital improvement projects.

Impact Fees Fund is used to account for impact fees restricted for use in making major capital improvements to different types of City facilities.

Developer Impact Fees Fund is used to account for impact fees to be used for specific development related capital projects.

Underground Utility Fund is used to account for fees collected from developers for the purpose of converting overhead utilities to underground utilities.

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Debt Service Funds

City of Pismo Beach Public Financing Authority Fund is used to account for the accumulation of monies for payment of principal and interest on the 2007A Lease Revenue Refunding Bonds.

City of Pismo Beach Public Financing Agency is used to account for the accumulation of monies for payment of principal and interest on the 2017 Lease Revenue Bonds. As there was no activity in this fund in the current year other than issuance of bonds, all activity was shown in the General Fund so therefore, this fund is not included in the nonmajor governmental fund financial statements.

Indio/El Portal Assessment District, Visalia Assessment District, and *Reassessment Districts Fund*s are used to account for special assessments levied and collected for payment of principal and interest on assessment bonds.

City of Pismo Beach
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds			
	State Gas Tax	Local Transportation Streets	Public Education Grant	Noncapital Grants
Assets				
Cash and investments	$ 263,340	$ 366,707	$ 96,999	$ 274,969
Taxes receivable				
Accounts receivable		1,686	8,606	
Due from other governments				
Accrued interest receivable	17,129	1,109	171	547
Note receivable				
Total assets	$ 280,469	$ 369,502	$ 105,776	$ 275,516
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$	$	$	$
Accrued liabilities				
Deposits				
Total liabilities	-	-	-	-
Deferred inflows of resources:				
Unavailable revenue, note receivable				
Fund balance:				
Restricted for:				
Future capital project funding				
Streets and highways	39,942	173,321		
Community development			105,776	
Community business promotion				
Park development				
Public safety				252,760
Debt service				
Committed for:				
Capital projects	240,527	196,181		22,756
Assigned for:				
Capital projects				
Total fund balance	280,469	369,502	105,776	275,516
Total liabilities and fund balance	$ 280,469	$ 369,502	$ 105,776	$ 275,516

Special Revenue Funds		Capital Projects Funds			
Local Business Improvement	Chapman House Estate	Public Facilities	Park Development	Circulation Improvement	Capital Projects
$ 286,854	$ 94,385	$ 820	$ 1,612,228	$ 566,920	$ 10,890
105,318					
					412,500
730	179	1	2,829	1,034	
$ 392,902	$ 94,564	$ 821	$ 1,615,057	$ 567,954	$ 423,390
$ 91,897	$ 3,986	$	$	$	$ 234,400
656	37				
92,553	4,023	-	-	-	234,400
				567,954	
	72,039				
261,109			1,549,692		
39,240	18,502				
		821	65,365		188,990
300,349	90,541	821	1,615,057	567,954	188,990
$ 392,902	$ 94,564	$ 821	$ 1,615,057	$ 567,954	$ 423,390

Continued

City of Pismo Beach
Combining Balance Sheet – Nonmajor Governmental Funds, Continued
June 30, 2017
Page 2

	Capital Projects Funds		
	Impact Fees	Developer Impact Fees	Underground Utility
Assets			
Cash and investments	$ 1,093,790	$ 156,047	$ 15,427
Taxes receivable			
Accounts receivable			
Due from other governments			
Accrued interest receivable	661	284	28
Note receivable			
Total assets	$ 1,094,451	$ 156,331	$ 15,455
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$	$	$
Accrued liabilities			
Deposits		97,020	
Total liabilities	-	97,020	-
Deferred inflows of resources:			
Unavailable revenue, note receivable			
Fund balance:			
Restricted for:			
Future capital project funding	594,451	59,311	15,455
Streets and highways			
Community development			
Community business promotion			
Park development			
Public safety			
Debt service			
Committed for:			
Capital projects	500,000		
Assigned for:			
Capital projects			
Total fund balance	1,094,451	59,311	15,455
Total liabilities and fund balance	$ 1,094,451	$ 156,331	$ 15,455

Debt Service Funds				
City of Pismo Beach Public Financing Authority	Indio / El Portal Assessment District	Visalia Assessment District	Reassessment Districts	Total Nonmajor Governmental Funds
$	$ 638	$ 94,366	$ 12,598	$ 4,946,978
				105,318
				10,292
				412,500
	1	171	23	24,897
				-
$ -	$ 639	$ 94,537	$ 12,621	$ 5,499,985
$	$	$	$	$ 330,283
				693
				97,020
-	-	-	-	427,996
				-
				669,217
				781,217
				177,815
				261,109
				1,549,692
				252,760
	639	94,537	12,621	107,797
				1,017,206
				255,176
-	639	94,537	12,621	5,071,989
$ -	$ 639	$ 94,537	$ 12,621	$ 5,499,985

City of Pismo Beach
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance – Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2017

	Special Revenue			
	State Gas Tax	Local Transportation Streets	Public Education Grant	Noncapital Grants
Revenues:				
Subventions and grants	$ 183,421	$ 158,297	$ 34,540	$ 100,000
Charges for services				
Special assessments				
Miscellaneous				
Interest	238	272	(11)	119
Total revenues	183,659	158,569	34,529	100,119
Expenditures:				
Current:				
General government				
Highways and streets		1,503		
Community services			3,198	
Housing				
Capital outlay				
Debt service:				
Principal				
Interest and fiscal charges				
Total expenditures	-	1,503	3,198	-
Excess (deficiency) of revenues over (under) expenditures	183,659	157,066	31,331	100,119
Other financing sources (uses):				
Transfers in				
Transfers out	(356,483)	(604,962)		(43,748)
Total other financing sources (uses)	(356,483)	(604,962)	-	(43,748)
Net change in fund balance	(172,824)	(447,896)	31,331	56,371
Fund balance, beginning of year	453,293	817,398	74,445	219,145
Fund balance, end of year	$ 280,469	$ 369,502	$ 105,776	$ 275,516

Special Revenue		Capital Projects		
Local Business Improvement	**Chapman House Estate**	**Public Facilities**	**Park Development**	**Circulation Improvement**
$	$	$	$	$
	1,270		182,103	
932,815				
17,951	18,379			
236	78		2,718	(237)
951,002	19,727	-	184,821	(237)
935,794				
	104,607		4,460	
			4,738	
935,794	104,607	-	9,198	-
15,208	(84,880)	-	175,623	(237)
	4,095			464,622
			(40,596)	
-	4,095	-	(40,596)	464,622
15,208	(80,785)	-	135,027	464,385
285,141	171,326	821	1,480,030	103,569
$ 300,349	$ 90,541	$ 821	$ 1,615,057	$ 567,954

Continued

City of Pismo Beach
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance – Nonmajor Governmental Funds, Continued
Fiscal Year Ended June 30, 2017
Page 2

	Capital Projects			
	Capital Projects	Impact Fees	Developer Impact Fees	Underground Utility
Revenues:				
Subventions and grants	$ 863,810	$	$	$
Charges for services		291,519		
Special assessments				
Miscellaneous	113,400			
Interest		10,039	7	29
Total revenues	977,210	301,558	7	29
Expenditures:				
Current:				
General government				
Highways and streets	309,609			
Community services		1,055		
Housing				
Capital outlay	2,341,146			
Debt service:				
Principal				
Interest and fiscal charges				
Total expenditures	2,650,755	1,055	-	-
Excess (deficiency) of revenues over (under) expenditures	(1,673,545)	300,503	7	29
Other financing sources (uses):				
Transfers in	1,602,321			
Transfers out		(774,605)		
Total other financing sources (uses)	1,602,321	(774,605)	-	-
Net change in fund balance	(71,224)	(474,102)	7	29
Fund balance, beginning of year	260,214	1,568,553	59,304	15,426
Fund balance, end of year	$ 188,990	$ 1,094,451	$ 59,311	$ 15,455

Debt Service				
City of Pismo Beach Public Financing Authority	Indio / El Portal Assessment District	Visalia Assessment District	Reassessment Districts	Total Nonmajor Governmental Funds
$	$	$	$	$ 1,340,068
				474,892
				932,815
	98			149,828
	1	5	(49)	13,445
-	99	5	(49)	2,911,048
				935,794
				311,112
				113,320
				-
				2,345,884
3,040,000				3,040,000
159,777				159,777
3,199,777	-	-	-	6,905,887
(3,199,777)	99	5	(49)	(3,994,839)
3,199,777				5,270,815
			(91,829)	(1,912,223)
3,199,777	-	-	(91,829)	3,358,592
-	99	5	(91,878)	(636,247)
-	540	94,532	104,499	5,708,236
$ -	$ 639	$ 94,537	$ 12,621	$ 5,071,989

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Gas Tax Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Intergovernmental	$ 193,934	$ 193,934	$ 183,421	$ (10,513)
Interest			238	238
Total revenues	193,934	193,934	183,659	(10,275)
Excess (deficiency) of revenues over (under) expenditures	193,934	193,934	183,659	(10,275)
Other financing sources (uses):				
Transfers out	(140,000)	(597,010)	(356,483)	240,527
Total other financing sources (uses)	(140,000)	(597,010)	(356,483)	240,527
Net change in fund balance	53,934	(403,076)	(172,824)	230,252
Fund balance - beginning of year	453,293	453,293	453,293	-
Fund balance - end of year	$ 507,227	$ 50,217	$ 280,469	$ 230,252

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Local Transportation Streets Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Intergovernmental	$ 205,044	$ 205,044	$ 158,297	$ (46,747)
Miscellaneous	2,500	2,500		(2,500)
Interest			272	272
Total revenues	207,544	207,544	158,569	(48,975)
Expenditures:				
Highways and streets	1,499	1,499	1,503	(4)
Total expenditures	1,499	1,499	1,503	(4)
Excess(deficiency) of revenues over (under) expenditures	206,045	206,045	157,066	(48,979)
Other financing sources (uses):				
Transfers out		(801,143)	(604,962)	196,181
Total other financing sources (uses)	-	(801,143)	(604,962)	196,181
Net change in fund balance	206,045	(595,098)	(447,896)	147,202
Fund balance - beginning of year	817,398	817,398	817,398	-
Fund balance - end of year	$ 1,023,443	$ 222,300	$ 369,502	$ 147,202

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Public Education Grant Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Subventions and grants	$	$ 27,500	$ 34,540	$ 7,040
Interest			(11)	(11)
Total revenues	-	27,500	34,529	7,029
Expenditures:				
Community development		8,000	3,198	4,802
Total expenditures	-	8,000	3,198	4,802
Excess(deficiency) of revenues over (under) expenditures	-	19,500	31,331	11,831
Net change in fund balance	-	19,500	31,331	11,831
Fund balance - beginning of year	74,445	74,445	74,445	-
Fund balance - end of year	$ 74,445	$ 93,945	$ 105,776	$ 11,831

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Noncapital Grants Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Subventions and grants	$ 100,000	$ 100,000	$ 100,000	$ -
Interest			119	119
Total revenues	100,000	100,000	100,119	119
Expenditures:				
Public safety		2,678		2,678
Total expenditures	-	2,678	-	2,678
Excess(deficiency) of revenues over (under) expenditures	100,000	97,322	100,119	2,797
Other financing sources (uses):				
Transfers out	(100,000)	(120,079)	(43,748)	76,331
Total other financing sources (uses)	(100,000)	(120,079)	(43,748)	76,331
Net change in fund balance	-	(22,757)	56,371	79,128
Fund balance - beginning of year	219,145	219,145	219,145	-
Fund balance - end of year	$ 219,145	$ 196,388	$ 275,516	$ 79,128

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Local Business Improvement Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Charges for services:				
Special assessments	$ 900,333	$ 936,884	$ 932,815	$ (4,069)
Interest			236	236
Miscellaneous	-	18,000	17,951	(49)
Total revenues	900,333	954,884	951,002	(3,882)
Expenditures:				
Community promotion	800,390	1,034,151	935,794	98,357
Total expenditures	800,390	1,034,151	935,794	98,357
Excess (deficiency) of revenues over (under) expenditures	99,943	(79,267)	15,208	94,475
Net change in fund balance	99,943	(79,267)	15,208	94,475
Fund balance - beginning of year	285,141	285,141	285,141	-
Fund balance - end of year	$ 385,084	$ 205,874	$ 300,349	$ 94,475

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Chapman House Estate
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Charges for services:				
Charges for services	$ 1,200	$ 1,200	$ 1,270	$ 70
Interest			78	78
Donations		45,833		(45,833)
Miscellaneous		5,000	18,379	13,379
Total revenues	1,200	52,033	19,727	(32,306)
Expenditures:				
Professional services	73,948	129,608	104,607	25,001
Capital Outlay		142,770		142,770
Total expenditures	73,948	272,378	104,607	167,771
Excess (deficiency) of revenues over (under) expenditures	(72,748)	(220,345)	(84,880)	135,465
Other financing sources (uses):				
Transfers in		125,000	4,095	(120,905)
Total other financing sources (uses)	-	125,000	4,095	(120,905)
Net change in fund balance	(72,748)	(95,345)	(80,785)	14,560
Fund balance - beginning of year	171,326	171,326	171,326	-
Fund balance - end of year	$ 98,578	$ 75,981	$ 90,541	$ 14,560

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Public Facilities Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Interest	$	$	$	$ -
Total revenues			-	-
Excess(deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	821	821	821	-
Fund balance - end of year	$ 821	$ 821	$ 821	$ -

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Park Development Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Charges for services	$ 30,000	$ 30,000	$ 182,103	$ 152,103
Interest			2,718	2,718
Total revenues	30,000	30,000	184,821	154,821
Expenditures:				
Community development	6,900	32,858	4,460	28,398
Capital outlay		26,511	4,738	21,773
Total expenditures	6,900	59,369	9,198	50,171
Excess (deficiency) of revenues over (under) expenditures	23,100	(29,369)	175,623	204,992
Other financing sources (uses):				
Transfers out		(55,000)	(40,596)	14,404
Total other financing sources (uses)	-	(55,000)	(40,596)	14,404
Net change in fund balance	23,100	(84,369)	135,027	219,396
Fund balance - beginning of year	1,480,030	1,480,030	1,480,030	-
Fund balance - end of year	$ 1,503,130	$ 1,395,661	$ 1,615,057	$ 219,396

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Capital Projects Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Intergovernmental	$	$ 2,453,982	$ 863,810	$ (1,590,172)
Miscellaneous		113,400	113,400	-
Total revenues	-	2,567,382	977,210	(1,590,172)
Expenditures:				
Highways and streets		1,395,009	309,609	1,085,400
Capital outlay	1,250,000	9,374,879	2,341,146	7,033,733
Total expenditures	1,250,000	10,769,888	2,650,755	8,119,133
Excess(deficiency) of revenues over (under) expenditures	(1,250,000)	(8,202,506)	(1,673,545)	6,528,961
Other financing sources (uses):				
Transfers in	1,250,000	8,247,499	1,602,321	(6,645,178)
Total other financing sources (uses)	1,250,000	8,247,499	1,602,321	(6,645,178)
Net change in fund balance	-	44,993	(71,224)	(116,217)
Fund balance - beginning of year	260,214	260,214	260,214	-
Fund balance - end of year	$ 260,214	$ 305,207	$ 188,990	$ (116,217)

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Circulation Improvement Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Interest	$	$	$ (237)	$ (237)
Total revenues	-	-	(237)	(237)
Excess (deficiency) of revenues over (under) expenditures	-	-	(237)	(237)
Other financing sources (uses):				
Transfers in			464,622	464,622
Total other financing sources (uses)	-	-	464,622	464,622
Net change in fund balance	-	-	464,385	464,385
Fund balance - beginning of year	103,569	103,569	103,569	-
Fund balance - end of year	$ 103,569	$ 103,569	$ 567,954	$ 464,385

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Impact Fees Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Charges for services	$	$	$ 291,519	$ 291,519
Interest	3,000	3,000	10,039	7,039
Total revenues	3,000	3,000	301,558	298,558
Expenditures:				
Community Development	1,050	126,050	1,055	124,995
Total expenditures	1,050	126,050	1,055	124,995
Excess (deficiency) of revenues over (under) expenditures	1,950	(123,050)	300,503	423,553
Other financing sources (uses):				
Transfers out		(375,000)	(774,605)	(399,605)
Total other financing sources (uses)	-	(375,000)	(774,605)	(399,605)
Net change in fund balance	1,950	(498,050)	(474,102)	23,948
Fund balance - beginning of year	1,568,553	1,568,553	1,568,553	-
Fund balance - end of year	$ 1,570,503	$ 1,070,503	$ 1,094,451	$ 23,948

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Developer Impact Fees Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Interest	$	$	$ 7	$ 7
Total revenues	-	-	7	7
Excess (deficiency) of revenues over (under) expenditures			7	7
Net change in fund balance	-	-	7	7
Fund balance - beginning of year	59,304	59,304	59,304	-
Fund balance - end of year	$ 59,304	$ 59,304	$ 59,311	$ 7

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Underground Utility Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Subventions and grants	$	$	$	$ -
Interest			29	29
Total revenues	-	-	29	29
Excess (deficiency) of revenues over (under) expenditures			29	29
Net change in fund balance	-	-	29	29
Fund balance - beginning of year	15,426	15,426	15,426	-
Fund balance - end of year	$ 15,426	$ 15,426	$ 15,455	$ 29

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
City of Pismo Beach Public Financing Authority Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Loan interest	$ 114,919	$ 114,919	$	$ (114,919)
Loan proceeds	325,000	325,000		(325,000)
Total revenues	439,919	439,919	-	(439,919)
Expenditures:				
Debt service:				
Principal	325,000	3,148,906	3,040,000	108,906
Interest and fees	114,919	114,919	159,777	(44,858)
Total expenditures	439,919	3,263,825	3,199,777	64,048
Excess (deficiency) of revenues over (under) expenditures	-	(2,823,906)	(3,199,777)	(375,871)
Other financing sources (uses):				
Transfers in		2,823,906	3,199,777	375,871
Total other financing sources (uses)	-	2,823,906	3,199,777	375,871
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ -	$ -	$ -

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Indio/El Portal Assessment District Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Miscellaneous	$	$	$ 98	$ 98
Interest	-	-	1	1
Total revenues	-	-	99	99
Excess (deficiency) of revenues over (under) expenditures	-	-	99	99
Other financing sources (uses):				
Transfers out				-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	99	99
Fund balance - beginning of year	540	540	540	-
Fund balance - end of year	$ 540	$ 540	$ 639	$ 99

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Visalia Assessment District Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Interest	$ -	$ -	$ 5	$ 5
Total revenues	-	-	5	5
Excess (deficiency) of revenues over (under) expenditures	-	-	5	5
Other financing sources (uses):				
Transfers out		(85,000)		85,000
Total other financing sources (uses)	-	(85,000)	-	85,000
Net change in fund balance	-	(85,000)	5	85,005
Fund balance - beginning of year	94,532	94,532	94,532	-
Fund balance - end of year	$ 94,532	$ 9,532	$ 94,537	$ 85,005

City of Pismo Beach
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Reassessment Districts Fund
Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Interest	$	$	$ (49)	$ (49)
Total revenues	-	-	(49)	(49)
Excess (deficiency) of revenues over (under) expenditures	-	-	(49)	(49)
Other financing sources (uses):				
Transfers out		(91,829)	(91,829)	-
Total other financing sources (uses)	-	(91,829)	(91,829)	-
Net change in fund balance	-	(91,829)	(91,878)	(49)
Fund balance - beginning of year	104,499	104,499	104,499	-
Fund balance - end of year	$ 104,499	$ 12,670	$ 12,621	$ (49)

City of Pismo Beach
Nonmajor Proprietary Funds – Overview
June 30, 2017

The City maintains the following nonmajor proprietary funds:

Transit Fund is used to account for financial operations of the City's subsidized transit system.

Parking Fund is used to account for parking revenues, downtown parking pay stations and metering equipment, and related maintenance and operations.

City of Pismo Beach
Combining Statement of Fund Net Position – Nonmajor Proprietary Funds
June 30, 2017

	Enterprise		Total Nonmajor Enterprise Funds
	Transit	Parking	
Assets			
Current assets:			
Cash and investments	$ 14,256	$ 2,488,658	$ 2,502,914
Accounts receivable		23,726	23,726
Accrued interest receivable	23	2,743	2,766
Total current assets	14,279	2,515,127	2,529,406
Capital assets:			
Equipment		158,039	158,039
Total capital assets	-	158,039	158,039
Less accumulated depreciation		(102,407)	(102,407)
Net capital assets	-	55,632	55,632
Total assets	14,279	2,570,759	2,585,038
Deferred Outflows of Resources			
Deferred pensions		48,177	48,177
Liabilities			
Current liabilities:			
Accounts payable	2,661	13,454	16,115
Accrued liabilities		8,240	8,240
Compensated absences		2,421	2,421
Total current liabilities	2,661	24,115	26,776
Noncurrent liabilities:			
Compensated absences		1,841	1,841
Net pension liability		142,642	142,642
Total noncurrent liabilities	-	144,483	144,483
Total liabilities	2,661	168,598	171,259
Deferred inflows of resources			
Deferred pensions		5,551	5,551
Net Position			
Net investment in capital assets		55,632	55,632
Unrestricted	11,618	2,389,155	2,400,773
Total net position	$ 11,618	$ 2,444,787	$ 2,456,405

City of Pismo Beach
Combining Statement of Revenues, Expenses and
Changes in Fund Net Position – Nonmajor Proprietary Funds
Fiscal Year Ended June 30, 2017

	Enterprise		Total Nonmajor Enterprise Funds
	Transit	Parking	
Operating revenues:			
Parking fees	$	$ 808,447	$ 808,447
Other operating revenues	15,000	1,545	16,545
Total operating revenues	15,000	809,992	824,992
Operating expenses:			
Salaries and benefits		147,803	147,803
Maintenance and operations	10,321	250,780	261,101
Depreciation and amortization		14,248	14,248
Total operating expenses	10,321	412,831	423,152
Operating income	4,679	397,161	401,840
Nonoperating revenues (expenses):			
Interest and investment revenue	2	6,697	6,699
Total nonoperating revenues (expenses)	2	6,697	6,699
Net income before transfers	4,681	403,858	408,539
Transfers:			
Transfers out		(910)	(910)
Total transfers	-	(910)	(910)
Change in net position	4,681	402,948	407,629
Net position - beginning of year	6,937	2,041,839	2,048,776
Net position - end of year	$ 11,618	$ 2,444,787	$ 2,456,405

City of Pismo Beach
Combining Statement of Cash Flows – Nonmajor Proprietary Funds
Fiscal Year Ended June 30, 2017

	Enterprise		
	Transit	Parking	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	$ 15,000	$ 796,488	$ 811,488
Payments to suppliers for goods and services	(9,724)	(250,708)	(260,432)
Payments to employees for wages and benefits		(201,613)	(201,613)
Net cash provided by operating activities	5,276	344,167	349,443
Cash flows from noncapital financing activities:			
Transfers to other funds		(910)	(910)
Net cash used in noncapital financing	-	(910)	(910)
Cash flows from investing activities:			
Interest on investments, net	(12)	5,245	5,233
Net cash provided by (used in) investing activities	(12)	5,245	5,233
Net change in cash and cash equivalents	5,264	348,502	353,766
Cash and cash equivalents - beginning of year	8,992	2,140,156	2,149,148
Cash and cash equivalents - end of year	$ 14,256	$ 2,488,658	$ 2,502,914
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 4,679	$ 397,161	$ 401,840
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense		14,248	14,248
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Receivables		(13,504)	(13,504)
Deferred outflows of resources - pensions		(804)	(804)
Accounts payable	597	4,919	5,516
Accrued liabilities		(4,848)	(4,848)
Compensated absences		3,474	3,474
Pension liability		(43,859)	(43,859)
Deferred inflows of resources - pensions		(12,620)	(12,620)
Net cash provided by operating activities	$ 5,276	$ 344,167	$ 349,443

City of Pismo Beach
Comparative Schedule of Capital Assets
By Source
June 30, 2017

	2017	2016
Capital assets used in government-wide activities:		
Land	$ 7,348,795	$ 6,957,295
Buildings	5,531,963	5,531,963
Improvements	9,983,690	9,983,690
Equipment	3,026,900	2,785,107
Vehicles - internal service	4,461,549	4,273,032
Infrastructure - street system:		
Right of way	5,068,528	5,068,528
Pavement system	44,987,598	41,794,194
Medians	73,232	73,232
Curbs and gutters	521,095	521,095
Sidewalks	313,961	313,961
Traffic signals	415,408	229,723
Street lights	1,212,168	1,212,168
Highway 101 interchange	2,726,214	2,726,214
Bridges	26,829	26,829
Infrastructure - beach stairways	313,194	313,194
Infrastructure - bluff erosion	660,407	
Construction in progress	1,147,866	3,240,877
Total capital assets used in government-wide activities	$ 87,819,397	$ 85,051,102
Investment in capital assets from:		
General fund	$ 2,439,698	$ 2,227,080
Contributions from developers	7,422,736	7,422,736
Special revenue funds	3,624,354	3,624,354
Internal service fund	4,524,990	4,495,816
Capital projects fund	69,807,619	67,281,116
Total investment in capital assets used in government-wide activities	$ 87,819,397	$ 85,051,102

City of Pismo Beach
Schedule of Changes in Capital Assets
By Source
June 30, 2017

	Right of Way and Land	Infrastructure	Buildings	Equipment, Vehicles, Improvements, and CIP	Total Cost
Government-wide capital assets June 30, 2016	$ 12,025,823	$ 47,210,610	$ 5,531,963	$ 20,282,706	$ 85,051,102
Add:					
Expenditures from:					
Capital projects	391,500	4,039,499		600,216	5,031,215
Internal service				443,363	443,363
Deduct:					
Retired/transferred				(2,706,283)	(2,706,283)
Government-wide capital assets June 30, 2017	$ 12,417,323	$ 51,250,109	$ 5,531,963	$ 18,620,002	$ 87,819,397

City of Pismo Beach
Schedule of Capital Assets
By Function and Activity
June 30, 2017

Function and Activity	Right of Way and Land	Infrastructure	Buildings	Equipment, Vehicles, Improvements, and CIP	Total Cost
General government:					
General operations	$ 319,942	$	$ 1,747,590	$ 1,768,380	$ 3,835,912
Public safety	5,566		2,844,973	2,869,405	5,719,944
Parks and recreation	4,376,379		939,400	7,379,178	12,694,957
Street system and CIP	5,460,029	46,767,418		6,568,819	58,796,266
Community development				34,220	34,220
Beach stairway		4,482,691			4,482,691
Open space	2,255,407				2,255,407
Total capital assets	$ 12,417,323	$ 51,250,109	$ 5,531,963	$ 18,620,002	$ 87,819,397

City of Pismo Beach
Schedule of Changes in Capital Assets
By Function and Activity
June 30, 2017

Function and Activity	Balance June 30, 2016	Additions	Transfers/ Deductions	Balance June 30, 2017
General government:				
General operations	$ 3,847,556	$ 7,896	$ (19,540)	$ 3,835,912
Public safety	5,437,788	452,971	(170,815)	5,719,944
Parks and recreation	12,535,160	214,654	(54,857)	12,694,957
Streets and CIP	56,458,280	2,337,988	(2)	58,796,266
Community development	34,220			34,220
Beach stairway	4,482,691			4,482,691
Open space	2,255,407			2,255,407
Total capital assets	$ 85,051,102	$ 3,013,509	$ (245,214)	$ 87,819,397

Statistical Section

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City of Pismo Beach
Statistical Section - Overview
June 30, 2017

This part of the City of Pismo Beach's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Financial Trends – Schedules 1-4

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

Revenue Capacity – Schedules 5-8F

These schedules contain information to help assess the City's most significant local revenue source, the revenues realized from the local transient occupancy tax. The City has also elected to provide revenue capacity information about property tax revenues, sales tax revenues, water enterprise revenues, and service fees of its wastewater enterprise.

Debt Capacity – Schedules 9-13

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

Demographic and Economic Information – Schedules 14-16

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

Operating Information – Schedules 17-18

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

Bond Issue Continuing Disclosure – Schedules 19-22

These schedules contain continuing disclosure information for bond issuance.

Schedule 1
City of Pismo Beach
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	$ 34,470,555	$ 40,830,144	$ 44,259,898	$ 42,143,882	$ 41,532,098	$ 41,657,581	$ 40,197,149	$ 39,251,227	$ 40,900,410	$ 44,689,537
Restricted	8,989,440	7,506,507	5,552,350	5,502,365	4,580,838	3,157,166	4,861,886	4,184,820	6,702,558	5,766,454
Unrestricted	11,113,495	10,862,199	9,844,952	12,818,923	14,033,568	15,577,727	18,566,914	10,069,411	14,455,616	11,111,206
Total governmental activities net position	$ 54,573,490	$ 59,198,850	$ 59,657,200	$ 60,465,170	$ 60,146,504	$ 60,392,474	$ 63,625,949	$ 53,505,458	$ 62,058,584	$ 61,567,197
Business-type activities:										
Net investment in capital assets	$ 14,395,737	$ 14,913,641	$ 14,846,635	$ 14,555,227	$ 14,168,786	$ 18,715,142	$ 18,963,130	$ 20,129,677	$ 20,011,697	$ 22,281,718
Restricted	867,618	964,062	996,529	1,006,954	1,046,950	979,157	482,957	1,501,066	1,989,793	763,188
Unrestricted	6,512,589	9,239,666	9,635,848	10,172,270	11,754,782	9,608,168	11,634,062	12,561,208	14,105,083	23,790,177
Total business-type activities net position	$ 21,775,944	$ 25,117,369	$ 25,479,012	$ 25,734,451	$ 26,970,518	$ 29,302,467	$ 31,080,149	$ 34,191,951	$ 36,106,573	$ 46,835,083
Primary government (City wide totals):										
Net investment in capital assets	$ 48,866,292	$ 55,743,785	$ 59,106,533	$ 56,699,109	$ 55,700,884	$ 60,372,723	$ 59,160,279	$ 59,380,904	$ 60,912,107	$ 66,971,255
Restricted	9,857,058	8,470,569	6,548,879	6,509,319	5,627,788	4,136,323	5,344,843	5,685,886	8,692,351	6,529,642
Unrestricted	17,626,084	20,101,865	19,480,800	22,991,193	25,788,350	25,185,895	30,200,976	22,630,619	28,560,699	34,901,383
Total primary government net position	$ 76,349,434	$ 84,316,219	$ 85,136,212	$ 86,199,621	$ 87,117,022	$ 89,694,941	$ 94,706,098	$ 87,697,409	$ 98,165,157	$ 108,402,280

Note:
FY 2015 balances were adjusted for a prior year restatement recorded in FY 2016.

Schedule 2
City of Pismo Beach
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
General government	$ 3,379,303	$ 3,880,596	$ 4,572,394	$ 4,599,550	$ 5,510,343	$ 6,053,693	$ 5,860,017	$ 8,310,400	$ 6,478,517	$ 6,185,305
Police	4,533,502	5,184,560	4,370,052	5,015,781	5,220,437	5,276,282	4,949,673	3,556,827	4,415,960	5,242,217
Fire	1,621,824	1,665,396	1,749,148	1,674,882	1,697,174	1,743,101	2,020,895	2,094,768	2,300,397	2,404,407
Public works	878,172	1,408,778	756,867	1,059,384	860,974	1,863,593	1,870,369	1,752,177	2,191,332	2,165,762
Streets	2,679,287	1,543,671	1,965,141	2,505,562	2,649,438	3,063,624	2,668,703	3,254,806	1,894,967	2,144,926
Community Services	2,479,015	3,655,274	2,773,862	2,628,374	2,929,011	1,802,310	1,983,046	1,848,006	1,730,536	2,006,475
Redevelopment and Housing	195,906	694,471	992,959	413,839	97,790	1,000	500	4,700	5,172	9,779
Interest on long-term debt	344,477	249,067	198,015	186,256	175,533	161,092	151,162	140,806	129,590	149,699
Total governmental activities expenses	16,111,486	18,281,813	17,378,438	18,083,628	19,140,700	19,964,695	19,504,365	20,962,490	19,146,471	20,308,570
Business-type activities:										
Water	3,485,116	3,408,747	4,465,850	4,722,232	4,346,199	4,293,748	4,438,880	4,790,817	5,411,932	5,130,481
Wastewater	2,823,572	2,713,322	2,940,176	3,161,602	3,022,147	2,991,561	3,332,885	2,892,629	3,218,792	3,543,794
Pier	93,591	198,006	107,074	287,367	111,824	91,199	80,406	206,484	74,525	106,954
Parking	-	229,037	265,889	299,100	284,659	364,146	326,696	370,458	584,809	412,831
Transit	2,297	2,274	6,077	6,532	8,740	8,755	10,762	8,615	8,915	10,321
Total business-type activities expenses	6,404,576	6,551,386	7,785,066	8,476,833	7,773,569	7,749,409	8,189,629	8,269,003	9,298,973	9,204,381
Total City government expenses	$ 22,516,062	$ 24,833,199	$ 25,163,504	$ 26,560,461	$ 26,914,269	$ 27,714,104	$ 27,693,994	$ 29,231,493	$ 28,445,444	$ 29,512,951

Continued

Schedule 2
City of Pismo Beach
Changes in Net Position, Continued
Last Ten Fiscal Years
(Accrual Basis of Accounting)
Page 2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	$ 363,937	$ 349,405	$ 1,020,708	$ 1,301,669	$ 1,462,725	$ 1,561,512	$ 1,762,469	$ 1,951,778	$ 1,996,898	$ 2,082,125
Police protection	198,014	193,897	126,702	167,006	115,155	119,945	134,343	114,191	99,422	123,365
Fire protection	10,024	60,672	25,136	10,886	10,576	28,251	48,104	137,922	110,111	73,061
Public works	-	-	-	-	-	859,602	1,511,764	1,598,614	1,924,604	2,397,389
Streets	404,988	414,064	146,656	22,992	144,198	11,151	33,950	182,728	232,322	163,015
Community Services	1,271,359	1,579,236	1,049,444	650,435	1,135,056	232,068	838,828	747,979	808,849	438,089
Redevelopment and Housing	264,851	156,920	91,804	5,098	86,264	5,507	66,410	711,956	1,366,649	543,889
Operating grants and contributions	1,041,554	640,334	475,389	446,036	692,373	758,435	653,736	1,014,648	720,505	494,291
Capital grants and contributions	858,709	5,306,814	676,094	1,683,554	1,333,881	245,533	303,229	231,893	179,020	803,852
Total governmental activities program revenues	4,413,436	8,701,342	3,611,933	4,287,676	4,980,228	3,822,004	5,352,833	6,691,709	7,438,380	7,119,076
Business-type activities:										
Charges for services:										
Water	$ 3,064,099	$ 3,375,620	$ 3,101,850	$ 3,391,156	$ 3,711,537	$ 3,459,033	$ 3,920,594	$ 3,817,994	$ 4,709,473	$ 5,448,798
Wastewater	3,012,292	3,186,444	3,110,960	3,323,502	3,537,357	3,572,531	3,848,743	5,065,797	4,633,274	4,765,561
Pier	16,845	13,918	17,654	15,113	13,361	14,024	14,105	14,925	15,904	37,071
Parking	-	649,184	693,461	521,227	567,892	515,675	551,567	566,370	644,922	816,689
Transit	960	-	3	(3)	-	6,505	8,103	18,016	10,539	15,002
Operating grants and contributions	7,238	1,602	-	-	-	-	-	-	-	-
Capital grants and contributions	163,964	1,167,565	-	-	31,700	-	-	-	31,850	-
Total business-type activities programs revenues	6,265,398	8,394,333	6,923,928	7,250,995	7,861,847	7,567,768	8,343,112	9,483,102	10,045,962	11,083,121
Total City government program revenues	$ 10,678,834	$ 17,095,675	$ 10,535,861	$ 11,538,671	$ 12,842,075	$ 11,389,772	$ 13,695,945	$ 16,174,811	$ 17,484,342	$ 18,202,197

Continued

Schedule 2
City of Pismo Beach
Changes in Net Position, Continued
Last Ten Fiscal Years
(Accrual Basis of Accounting)
Page 3

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net Revenues (Expenses):										
Governmental activities	$ (11,698,050)	$ (9,580,471)	$ (13,766,505)	$ (13,795,952)	$ (14,160,472)	$ (16,142,691)	$ (14,151,532)	$ (14,270,781)	$ (11,708,091)	$ (13,189,494)
Business-type activities	(139,178)	1,842,947	(861,138)	(1,225,838)	88,278	(181,641)	153,483	1,214,099	746,989	1,878,740
Total City government	$ (11,837,228)	$ (7,737,524)	$ (14,627,643)	$ (15,021,790)	$ (14,072,194)	$ (16,324,332)	$ (13,998,049)	$ (13,056,682)	$ (10,961,102)	$ (11,310,754)
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Taxes:										
Property taxes	$ 3,660,083	$ 3,910,044	$ 3,846,298	$ 3,803,530	$ 3,763,419	$ 4,015,999	$ 4,193,186	$ 4,392,370	$ 4,662,304	$ 5,054,866
Incremental property taxes	648,468	760,156	334,095	346,178	172,829	-	-	-	-	-
Sales taxes	2,402,092	2,813,264	3,136,677	3,379,575	3,511,091	3,905,814	4,104,284	4,497,958	4,485,779	4,433,756
Transient occupancy taxes	6,175,013	5,906,838	5,779,601	6,269,608	6,931,197	7,279,501	7,988,237	8,682,119	9,199,947	9,330,651
Other taxes	751,763	759,922	710,977	707,450	778,402	848,095	863,698	890,811	915,610	1,045,733
Investment earnings	321,612	341,644	394,594	272,846	233,627	137,101	142,180	205,281	397,199	165,563
Miscellaneous	36,559	25,049	32,205	44,214	-	-	-	64,428	74,243	230,887
Transfers	226,155	(311,086)	(9,592)	(219,479)	143,770	26,409	93,422	(696,140)	(71,219)	(7,563,349)
Extraordinary item - RDA	-	-	-	-	(1,692,529)	-	-	-	-	-
Total governmental activities	14,221,745	14,205,831	14,224,855	14,603,922	13,841,806	16,212,919	17,385,007	18,036,827	19,663,863	12,698,107
Business-type activities										
Special Water Taxes	1,149,336	1,187,392	1,213,189	1,261,798	1,291,559	1,543,588	1,717,621	2,672,840	1,266,322	1,286,422
Transfers	(226,155)	311,086	9,592	219,479	(143,770)	(26,409)	(93,422)	696,140	71,219	7,563,349
Total business-type activities	923,181	1,498,478	1,222,781	1,481,277	1,147,789	1,517,179	1,624,199	3,368,980	1,337,541	8,849,771
Total City government	$ 15,144,926	$ 15,704,309	$ 15,447,636	$ 16,085,199	$ 14,989,595	$ 17,730,098	$ 19,009,206	$ 21,405,807	$ 21,001,404	$ 21,547,878

Continued

Schedule 2
City of Pismo Beach
Changes in Net Position, Continued
Last Ten Fiscal Years
(Accrual Basis of Accounting)
Page 4

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Change in net position:										
Governmental activities	$ 2,523,695	$ 4,625,360	$ 458,350	$ 807,970	$ (318,666)	$ 70,228	$ 3,233,475	$ 3,766,046	$ 7,955,772	$ (491,387)
Business-type activities	784,003	3,341,425	361,643	255,439	1,236,067	1,335,538	1,777,682	4,583,079	2,084,530	10,728,511
Total City government	$ 3,307,698	$ 7,966,785	$ 819,993	$ 1,063,409	$ 917,401	$ 1,405,766	$ 5,011,157	$ 8,349,125	$ 10,040,302	$ 10,237,124

Note:
FY 2015 balances were adjusted for a prior year restatement recorded in FY 2016.

Schedule 3
City of Pismo Beach
Fund Balance, Governmental Funds
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund:										
Reserved	$ 327,779	$ 830,542	$ 1,171,483	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	7,856,880	8,058,030	8,345,169	-	-	-	-	-	-	-
Nonspendable	-	-	-	768,088	462,005	965,312	88,805	37,096	37,292	43,026
Committed	-	-	-	190,575	141,756	204,139	9,592,749	8,258,692	13,676,510	13,651,916
Assigned	-	-	-	7,265,958	7,665,163	6,103,064	-	-	-	-
Unassigned	-	-	-	714,379	2,141,222	3,361,546	4,825,898	7,346,781	5,398,701	7,787,769
Total general fund	8,184,659	8,888,572	9,516,652	8,939,000	10,410,146	10,634,061	14,507,452	15,642,569	19,112,503	21,482,711
All other governmental funds:										
Reserved	1,121,665	606,929	606,763	-	-	-	-	-	-	-
Unreserved reported in:										
Special revenue funds	5,292,650	4,423,051	1,640,880	-	-	-	-	-	-	-
Capital projects funds	2,991,373	3,051,831	3,752,951	-	-	-	-	-	-	-
Debt service funds	101,390	105,231	117,314	-	-	-	-	-	-	-
Restricted	-	-	-	5,502,365	2,856,132	3,135,353	4,201,623	5,271,646	6,702,558	5,766,454
Committed	-	-	-	126,295	1,657,235	1,697,235	1,510,779	1,982,603	1,128,749	2,344,205
Assigned	-	-	-	368,032	276,240	236,068	-	-	622,145	255,176
Unassigned	-	-	-	-	(1,639,658)	(1,635,422)	(426,563)	-	-	-
Total all other governmental funds	9,507,078	8,187,042	6,117,908	5,996,692	3,149,949	3,433,234	5,285,839	7,254,249	8,453,452	8,365,835
Total all governmental funds	$ 17,691,737	$ 17,075,614	$ 15,634,560	$ 14,935,692	$ 13,560,095	$ 14,067,295	$ 19,793,291	$ 22,896,818	$ 27,565,955	$ 29,848,546

Notes:

Fund balance reporting changes in FY 2011, per GASB 54.

FY 2012-2016 were adjusted in FY 2017 for an error in reporting nonspendable fund balance.

Schedule 4
City of Pismo Beach
Revenues, Expenditures and Changes in Fund Balance, Governmental Funds
and Debt Service Ratio
Last Ten Fiscal Years
(In Rounded Thousands of Dollars)
(Modified Accrual Basis of Accounting)

	For The Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Taxes	$ 13,637	$ 14,150	$ 13,456	$ 14,506	$ 15,157	$ 16,369	$ 17,136	$ 18,463	$ 19,261	$ 19,763
Licenses and permits	950	1,231	872	477	886	814	1,355	1,594	1,918	2,423
Fines and forfeits	149	137	100	97	82	64	67	68	56	43
Charges for services	1,029	904	951	873	1,147	320	1,168	1,887	2,588	1,318
Special assessments	16	-	411	624	686	728	799	868	920	933
Intergovernmental	1,138	1,487	1,247	2,190	1,984	1,129	927	1,188	940	1,402
Investment earnings & rent	826	724	447	332	269	261	289	393	420	333
Other revenues	669	64	41	12	110	616	1,414	894	959	1,101
Total revenues	18,414	18,697	17,525	19,111	20,321	20,301	23,155	25,355	27,062	27,316
Expenditures:										
General government	3,392	3,624	4,635	4,801	4,860	5,926	5,488	7,795	6,197	5,850
Public safety	6,074	6,317	6,445	6,574	6,792	6,856	6,823	6,693	7,278	7,942
Planning and Public Works	4,077	4,950	4,772	4,187	5,659	3,791	4,160	5,824	4,468	4,746
Capital outlay	5,197	1,941	2,369	3,258	3,115	2,508	436	1,370	2,320	2,570
Debt service:										
Costs of issuance	-	-	-	-	-	-	-	-	-	176
Principal	130	260	280	250	270	275	290	300	310	3,040
Interest	340	259	200	187	176	162	152	142	131	160
Total expenditures	19,210	17,351	18,701	19,257	20,872	19,518	17,349	22,124	20,704	24,484

Continued

Schedule 4
City of Pismo Beach
Revenues, Expenditures and Changes in Fund Balance, Governmental Funds and Debt Service Ratio, Continued
Last Ten Fiscal Years
(In Rounded Thousands of Dollars)
(Modified Accrual Basis of Accounting)
Page 2

	For The Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess of revenues over(under) expenditures	$ (796)	$ 1,346	$ (1,176)	$ (146)	$ (551)	$ 783	$ 5,806	$ 3,231	$ 6,358	$ 2,832
Other Financing Sources(Uses):										
Proceeds from borrowing	130	-	-	-	-	-	-	-	-	7,876
Transfers in	4,962	1,769	2,862	2,689	2,686	2,825	825	3,430	2,240	5,498
Transfers out	(5,265)	(2,292)	(3,127)	(3,242)	(2,819)	(3,101)	(1,099)	(4,544)	(2,842)	(13,923)
Total other financing sources(uses)	(173)	915	(265)	(553)	(133)	(276)	(274)	(1,114)	(602)	(549)
Extraordinary item:										
Dissolution of RDA	-	-	-	-	(692)	-	-	-	-	-
Net change in fund balance	$ (969)	$ 2,261	$ (1,441)	$ (699)	$ (1,376)	$ 507	$ 5,532	$ 2,117	$ 5,756	$ 2,283
Debt service as a percentage of noncapital expenditures	3.35%	3.37%	2.94%	2.73%	2.51%	2.57%	2.61%	2.13%	2.40%	14.60%

Schedule 5
City of Pismo Beach
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(In Thousands of Dollars)

Fiscal Year	Assessed Taxable Values			Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Property	Totals			
2007-2008	2,219,577	41,672	2,261,249	1.00%	5,608,474	40.32%
2008-2009	2,381,414	37,444	2,418,858	1.00%	6,007,026	40.27%
2009-2010	2,400,005	37,086	2,437,091	1.00%	6,052,993	40.26%
2010-2011	2,389,311	37,245	2,426,556	1.00%	6,026,485	40.26%
2011-2012	2,364,711	36,417	2,401,128	1.00%	5,963,802	40.26%
2012-2013	2,374,635	36,736	2,411,371	1.00%	5,989,068	40.26%
2013-2014	2,454,598	39,670	2,494,268	1.00%	6,193,166	40.27%
2014-2015	2,561,760	38,802	2,600,562	1.00%	6,459,831	40.26%
2015-2016	2,729,930	38,748	2,768,678	1.00%	6,880,179	40.24%
2016-2017	2,938,649	39,575	2,978,224	1.00%	7,403,158	40.23%

Source: SLO County Assessors Office, and HDL Reports.

Schedule 6
City of Pismo Beach
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rates per $100 of Assessed Value)

	Direct Rate			Overlapping Rates		
Fiscal Year	Basic Rate	General Obligation Debt Rate	Total	School Districts	Special Districts	Total
2007-2008	1.00%	0.00%	1.00%	0.0285%	0.0119%	1.0404%
2008-2009	1.00%	0.00%	1.00%	0.0285%	0.0119%	1.0404%
2009-2010	1.00%	0.00%	1.00%	0.0285%	0.0119%	1.0404%
2010-2011	1.00%	0.00%	1.00%	0.0291%	0.0126%	1.0417%
2011-2012	1.00%	0.00%	1.00%	0.0298%	0.0127%	1.0425%
2012-2013	1.00%	0.00%	1.00%	0.0395%	0.0139%	1.0534%
2013-2014	1.00%	0.00%	1.00%	0.0399%	0.0139%	1.0538%
2014-2015	1.00%	0.00%	1.00%	0.0409%	0.0139%	1.0548%
2015-2016	1.00%	0.00%	1.00%	0.1092%	0.0136%	1.1228%
2016-2017	1.00%	0.00%	1.00%	0.1082%	0.0128%	1.1210%

Note:
The direct property tax rates can only be changed with specific voter approval.

Source: HDL Reports.

Schedule 7
City of Pismo Beach
Principal Property Tax Payers – Top Ten
Last Ten Fiscal Years
(Dollar Amounts in Thousands)

2017

Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Pismo Beach Mobile Home Park	$ 30,394	1	1.02%
Prime Outlets of Pismo Beach	30,032	2	1.01%
Core Pismo, LLC	24,667	3	0.83%
Spalding G. Wathen, Inc.	20,197	4	0.68%
Castleback Pismo Beach	16,941	5	0.57%
Heron Crest Development	16,278	6	0.55%
Cliffs Resort, LLC	16,031	7	0.54%
Pismo Coast Plaza, LLC	15,459	8	0.52%
Pismo Shore Cliff, Inc.	15,101	9	0.51%
Henry F. Myers Trust	13,678	10	0.46%
Total	$ 198,778		6.67%

2016

Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Martin Resorts, Inc.	$ 34,772	1	1.26%
Prime Outlets of Pismo Beach	29,576	2	1.07%
Pismo Beach Mobilehome Park	27,500	3	0.99%
Core Pismo, LLC	24,238	4	0.88%
Spalding G. Wathen, Inc.	19,893	5	0.72%
Castleblack Pismo Beach	17,300	6	0.62%
Heron Crest Development	16,033	7	0.58%
Cliffs Resort, LLC	15,291	8	0.55%
Pismo Coast Plaza, LLC	15,227	9	0.55%
Henry F. Myers Trust	13,679	10	0.49%
Total	$ 213,509		7.71%

2015

Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Martin Resorts, Inc.	$ 34,109	1	1.31%
Prime Outlets of Pismo Beach	29,050	2	1.12%
Pismo Beach Mobilehome Park	25,854	3	0.99%
Core Pismo, LLC	23,723	4	0.91%
Spalding G. Wathen, Inc.	20,329	5	0.78%
Heron Crest Development	15,719	6	0.60%
Cliffs Resort, LLC	15,011	7	0.58%
Pismo Coast Plaza, LLC	14,929	8	0.57%
Henry F. Myers Trust	13,197	9	0.51%
Castleblack Pismo Beach	11,819	10	0.45%
Total	$ 203,740		7.83%

2014

Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Martin Resorts, Inc.	$ 33,959	1	1.36%
Prime Outlets of Pismo Beach	28,919	2	1.16%
Pismo Beach Mobilehome Park	24,645	3	0.99%
Core Pismo, LLC	23,620	4	0.95%
Spalding G. Wathen, Inc.	21,058	5	0.84%
Heron Crest Development	15,648	6	0.63%
Cliffs Resort, LLC	14,948	7	0.60%
Pismo Coast Plaza, LLC	14,862	8	0.60%
K Partners Pismo Beach LP	11,773	9	0.47%
Pismo Development Group, LLC	10,610	10	0.43%
Total	$ 200,042		8.02%

2013

Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Martin Resorts, Inc.	$ 33,311	1	1.38%
Prime Outlets of Pismo Beach	27,485	2	1.14%
Spalding G. Wathen	23,600	3	0.98%
Pismo Beach Mobilehome Park	22,778	4	0.94%
Core Pismo, LLC	19,335	5	0.80%
Heron Crest Development	15,341	6	0.64%
Cliffs Resort, LLC	14,675	7	0.61%
Pismo Coast Plaza LLC	13,532	8	0.56%
Kingfisher Canyon Development	12,068	9	0.50%
K Partners Pismo Beach LP	11,798	10	0.49%
Total	$ 193,923		8.04%

2012

Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Martin Resorts, Inc.	$ 32,676	1	1.36%
Prime Outlets of Pismo Beach	27,068	2	1.13%
Spalding G. Wathen	23,888	3	0.99%
Pismo Beach Mobilehome Park	22,827	4	0.95%
Core Pismo, LLC	19,335	5	0.81%
Heron Crest Development	15,041	6	0.63%
Cliffs Resort, LLC	14,406	7	0.60%
Pismo Coast Plaza LLC	13,335	8	0.56%
Kingfisher Canyon Development	12,108	9	0.50%
K Partners Pismo Beach LP	11,524	10	0.48%
Total	$ 192,208		8.00%

Continued

Schedule 7
City of Pismo Beach
Principal Property Tax Payers – Top Ten, Continued
Last Ten Fiscal Years
(Dollar Amounts in Thousands)
Page 2

2011				2010			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Martin Resorts, Inc.	$ 33,751	1	1.39%	Martin Resorts, Inc.	$ 33,829	1	1.39%
Prime Outlets of Pismo Beach	26,867	2	1.11%	Prime Outlets of Pismo Beach	26,930	2	1.11%
Pismo Beach Mobilehome Park	24,243	3	1.00%	Pismo Beach Mobilehome Park	23,904	3	0.98%
Spalding G. Wathen	23,710	4	0.98%	Spalding G. Wathen	23,766	4	0.98%
Core Pismo, LLC	22,575	5	0.93%	Core Pismo, LLC	22,716	5	0.93%
Heron Crest Development	14,928	6	0.62%	Heron Crest Development	14,964	6	0.61%
Cliffs Resort, LLC	14,306	7	0.59%	Cliffs Resort, LLC	14,338	7	0.59%
Pismo Coast Plaza LLC	13,262	8	0.55%	Pismo Coast Plaza LLC	13,285	8	0.55%
Kingfisher Canyon Development	12,197	9	0.50%	MP Pismo Investments LLC	11,628	9	0.48%
K Partners Pismo Beach LP	11,343	10	0.47%	K Partners Pismo Beach LP	11,366	10	0.47%
Total	$ 197,182		8.13%	Total	$ 196,726		8.07%

2009				2008			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Martin Resorts, Inc.	$ 33,184	1	1.37%	Martin Hotel Management	$ 31,287	1	1.38%
Prime Outlets of Pismo Beach	25,203	2	1.04%	Second Horizon Group	24,531	2	1.08%
Spalding G. Wathen	23,300	3	0.96%	Heron Crest Development	23,844	3	1.05%
Core Pismo, LLC	22,290	4	0.92%	Spalding G. Wathen	22,843	4	1.01%
Pismo Beach Mobilehome Park	22,026	5	0.91%	Pismo Beach Mobile Home Park	20,811	5	0.92%
Heron Crest Development	15,141	6	0.63%	La Noria IMS LLS	13,820	6	0.61%
Cliffs Resort, LLC	14,176	7	0.59%	Pismo Coast Plaza LLC	12,905	7	0.57%
Pismo Coast Plaza LLC	13,093	8	0.54%	Core Pismo LLC	12,421	8	0.55%
175 Pomeroy, LLC	12,000	9	0.50%	Cottage Inn LLC	11,685	9	0.52%
Pismo Hotel Properties	11,173	10	0.46%	Stone Creek Coastal Dev.	10,200	10	0.45%
Total	$ 191,586		7.92%	Total	$ 184,347		8.15%

Schedule 8
City of Pismo Beach
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied For The Fiscal Year	Collected Within The Fiscal Year of The Levy	
		Amount	Percentage of Levy
2007-2008	3,660,083	3,660,083	100.00%
2008-2009	3,910,044	3,910,044	100.00%
2009-2010	3,494,959	3,494,959	100.00%
2010-2011	3,803,530	3,803,530	100.00%
2011-2012	3,763,419	3,763,419	100.00%
2012-2013	4,015,999	4,015,999	100.00%
2013-2014	4,193,186	4,193,186	100.00%
2014-2015	4,392,370	4,392,370	100.00%
2015-2016	4,662,304	4,662,304	100.00%
2016-2017	5,054,866	5,054,866	100.00%

Note:
Property taxes are levied and collected pursuant to an arrangement commonly referred to as the Teeter Plan. Under the Teeter Plan, the County allocates and remits to the City the full amount of each years tax levy, and the County then retains any delinquencies as collected by the County. Amount for 2010 is less the Prop 1A Loan in the amount of $351,339.

Source: City of Pismo Beach Tax Collection records and San Luis Obispo County Assessor records.

Schedule 8 A
City of Pismo Beach
Sales Tax Revenue Base Data
Last Ten Fiscal Years

Fiscal Year	Revenue Base City-Wide Retail Sales Subject to Tax	Total Retail Sales Tax Rate	City Direct Tax Rate	City Transaction Tax Rate	Revenue Recognized By the City
2007-2008	194,413,600	7.25%	1.00%	0.00%	2,402,092
2008-2009	206,556,700	8.75%	1.00%	0.50%	2,813,264
2009-2010	190,984,200	8.75%	1.00%	0.50%	3,136,677
2010-2011	192,386,300	8.75%	1.00%	0.50%	3,379,575
2011-2012	214,465,200	7.75%	1.00%	0.50%	3,511,091
2012-2013	248,116,800	8.00%	1.00%	0.50%	3,905,814
2013-2014	268,253,800	8.00%	1.00%	0.50%	4,104,284
2014-2015	275,456,400	8.00%	1.00%	0.50%	4,497,958
2015-2016	284,997,500	8.00%	1.00%	0.50%	4,485,779
2016-2017	288,353,100	7.75%	1.00%	0.50%	4,433,756

Note:
The City's direct retail sales tax rate is established pursuant to the City's Municipal Code. Any increase in the City's direct tax rate requires voter approval. Transaction Tax approved by voters in June 2008, effective October 1, 2008.

Source: Revenue Base Information provided by HDL Major Categories Report.
Revenue information provided by City of Pismo Beach records. Total rate updated back to 2009 in fiscal year 2016-17.

Schedule 8 B
City of Pismo Beach
Principal Sales Tax Generators by Industry – Revenue Base Concentration Data
Last Ten Calendar Years
(Dollar Amounts in Thousands)

2016

Industry	Retail Sales Generated	Rank	Percentage of Total City Retail Sales Dollars
Restaurants	$ 75,757	1	26.06%
Apparel Stores	74,594	2	25.66%
Other Retail Stores	61,200	3	21.05%
All Other Outlets	52,976	4	18.23%
Service Stations	26,150	5	9.00%
Food Stores	-	6	0.00%
Total	$ 290,677		100.00%

2015

Industry	Retail Sales Generated	Rank	Percentage of Total City Retail Sales Dollars
Restaurants	$ 72,750	1	25.71%
Apparel Stores	71,817	2	25.38%
All Other Outlets	49,201	3	17.39%
Other Retail Stores	48,925	4	17.29%
Service Stations	30,285	5	10.70%
Food Stores	9,968	6	3.52%
Total	$ 282,946		100.00%

2014

Industry	Retail Sales Generated	Rank	Percentage of Total City Retail Sales Dollars
Apparel Stores	$ 71,978	1	26.63%
Restaurants	69,669	2	25.78%
All Other Outlets	43,395	3	16.05%
Other Retail Stores	43,576	4	16.12%
Service Stations	33,236	5	12.30%
Food Stores	8,441	6	3.12%
Total	$ 270,295		100.00%

2013

Industry	Retail Sales Generated	Rank	Percentage of Total City Retail Sales Dollars
Apparel Stores	$ 71,206	1	27.16%
Restaurants	64,935	2	24.77%
All Other Outlets	42,265	3	16.12%
Other Retail Stores	41,472	4	15.82%
Service Stations	35,189	5	13.42%
Food Stores	7,079	6	2.70%
Total	$ 262,146		100.00%

2012

Industry	Retail Sales Generated	Rank	Percentage of Total City Retail Sales Dollars
Apparel Stores	$ 67,849	1	27.81%
Restaurants	62,097	2	25.45%
All Other Outlets	37,449	3	15.35%
Service Stations	36,562	4	14.99%
Other Retail Stores	35,322	5	14.48%
Food Stores	4,702	6	1.93%
Total	$ 243,981		100.00%

2011

Industry	Retail Sales Generated	Rank	Percentage of Total City Retail Sales Dollars
Apparel Stores	$ 61,565	1	26.28%
Restaurants	57,679	2	24.62%
All Other Outlets	37,975	3	16.21%
Other Retail Stores	35,564	4	15.18%
Service Stations	35,324	5	15.08%
Food Stores	6,141	6	2.62%
Total	$ 234,248		100.00%

Continued

Schedule 8 B
City of Pismo Beach
Principal Sales Tax Generators by Industry – Revenue Base Concentration Data, Continued
Last Ten Calendar Years
(Dollar Amounts in Thousands)
Page 2

2010				2009			
Industry	Retail Sales Generated	Rank	Percentage of Total City Retail Sales Dollars	Industry	Retail Sales Generated	Rank	Percentage of Total City Retail Sales Dollars
Apparel Stores	$ 55,754	1	26.10%	Apparel Stores	$ 53,872	1	25.60%
Restaurants	54,620	2	25.57%	Restaurants	52,780	2	25.08%
Other Retail Stores	33,954	3	15.89%	Other Retail Stores	36,424	3	17.31%
All Other Outlets	33,419	4	15.64%	All Other Outlets	34,497	4	16.39%
Service Stations	29,592	5	13.85%	Service Stations	26,254	5	12.47%
Food Stores	6,290	6	2.94%	Food Stores	6,642	6	3.16%
Total	$ 213,629		100.00%	Total	$ 210,469		100.00%

2008				2007			
Industry	Retail Sales Generated	Rank	Percentage of Total City Retail Sales Dollars	Industry	Retail Sales Generated	Rank	Percentage of Total City Retail Sales Dollars
Restaurants	$ 53,925	1	23.26%	Restaurants	$ 56,464	1	24.36%
Apparel Stores	49,684	2	21.43%	Apparel Stores	48,512	2	20.93%
Other Retail Stores	47,795	3	20.61%	Other Retail Stores	45,519	3	19.63%
All Other Outlets	40,151	4	17.32%	All Other Outlets	41,877	4	18.06%
Service Stations	33,186	5	14.31%	Service Stations	32,011	5	13.81%
Food Stores	7,115	6	3.07%	Food Stores	7,452	6	3.21%
			0.00%				
Total	$ 231,856		100.00%	Total	$ 231,835		100.00%

Source: HDL Reports. Changed years from fiscal to calendar in FY 2011 report.
Amounts reflect changes in reporting by HDL to reflect fewer differentiated Categories.

Schedule 8 B-1
City of Pismo Beach
Principal Sales Tax Payers – Top 25
Last Ten Fiscal Years
(In Alphabetical Order)

Fiscal Year Ended June 30			
2017	2016	2015	2014
Arco	Arco	Arco	Arco
Brads Restaurant	Brads Restaurant	Brads Restaurant	Brads Restaurant
California Fresh	California Fresh	California Fresh	California Fresh
Calvin Klein	Calvin Klein	Calvin Klein	Calvin Klein
Chevron	Cliffs at Shell Beach	Cliffs at Shell Beach	Cliffs at Shell Beach
Cliffs at Shell Beach	Coach	Coach	Coach
Coach	Cool Cat Café	Cool Cat Café	Cracked Crab
Cracked Crab	Cracked Crab	Cracked Crab	CVS Pharmacy
CVS Pharmacy	CVS Pharmacy	CVS Pharmacy	Dolphin Bay Hotel & Lido Rest.
Dolphin Bay Hotel & Lido Rest.	Dolphin Bay Hotel & Lido Rest.	Dolphin Bay Hotel & Lido Rest.	McLintocks
McLintocks	McLintocks	McLintocks	Five Cities Chevron
Levis Outlet	Five Cities Chevron	Five Cities Chevron	Giuseppes Cucina
Miller 76	Giuseppes Cucina	Giuseppes Cucina	Miller 76
Nike Retail	Miller 76	Miller 76	Nike Retail
Orchard Supply Hardware	Nike Retail	Nike Retail	Orchard Supply Hardware #1
Oshkosh B Gosh	Orchard Supply Hardware	Orchard Supply Hardware	Orchard Supply Hardware #2
Ralph Lauren	Oshkosh B Gosh	Oshkosh B Gosh	Oshkosh B Gosh
Rite Aid	Ralph Lauren	Ralph Lauren	Ralph Lauren
Rosas Ristorante Italiano	Rite Aid	Rite Aid	Ross
Ross	Ross	Ross	Shell
Sky River RV	Shell	Shell	Sky River RV
Splash Café	Sky River RV	Sky River RV	Splash Café
Spyglass Shell	Splash Café	Splash Café	Spyglass Shell
Ventana Grill	Spyglass Shell	Spyglass Shell	Vans
Wooly's Oyster Loft	Ventana Grill	Ventana Grill	Ventana Grill

Continued

Schedule 8 B-1
City of Pismo Beach
Principal Sales Tax Payers – Top 25
Last Ten Fiscal Years
(In Alphabetical Order)
Page 2

Fiscal Year Ended June 30			
2013	**2012**	**2011**	**2010**
7 Eleven	7 Eleven	7 Eleven	7 Eleven
Arco	Arco	Arco	Arco
Bass Outlet	Bass Outlet	Bass Outlet	Bass Outlet
Brads Restaurant	Brads Restaurant	Brads Restaurant	Brads Restaurant
Calvin Klein	Cliffs at Shell Beach	Cliffs at Shell Beach	Calvin Klein
Cliffs at Shell Beach	Coach	Cracked Crab	Cliffs at Shell Beach
Coach	Cracked Crab	CVS Pharmacy	Cracked Crab
Cracked Crab	CVS Pharmacy	Five Cities Chevron	CVS Pharmacy
CVS Pharmacy	Five Cities Chevron	Giuseppes Cucina	Five Cities Chevron
Dolphin Bay Hotel & Lido Rest.	Giuseppes Cucina	McDonalds	Giuseppes Cucina
Five Cities Chevron	McLintocks	McLintocks	McLintocks
Giuseppes Cucina	Miller 76	Miller 76	Miller 76
McLintocks	Nike Retail	Nike Retail	Nike Retail
Miller 76	Orchard Supply Hardware	Orchard Supply Hardware	Orchard Supply Hardware
Nike Retail	Oshkosh B Gosh	Oshkosh B Gosh	Oshkosh B Gosh
Orchard Supply Hardware	Panchos Surf Shop	Pacific Coast RV	Pacific Sunwear Outlet
Oshkosh B Gosh	Pierside Restaurant	Panchos Surf Shop	Panchos Surf Shop
Panchos Surf Shop	Polo Ralph Lauren	Polo Ralph Lauren	Pismo RV Outlet
Ralph Lauren	Ross	Rite Aid	Polo Ralph Lauren
Ross	Scolaris	Ross	Rite Aid
Shell	Shell	Scolaris	Ross
Sky River RV	Sky River RV	Shell	Scolaris
Splash Café	Splash Café	Splash Café	Splash Café
Spyglass Shell	Spyglass Shell	Spyglass Shell	Spyglass Shell
Ventana Grill	Ventana Grill	Ventana Grill	Valley Convenience Stores

Continued

Schedule 8 B-1
City of Pismo Beach
Principal Sales Tax Payers – Top 25
Last Ten Fiscal Years
(In Alphabetical Order)
Page 3

Fiscal Year Ended June 30	
2009	**2008**
7 Eleven	7 Eleven
Arco	Arco
Bass Outlet	Brads Restaurant
Brads Restaurant	Cliffs at Shell Beach
Cliffs at Shell Beach	Cracked Crab
Cracked Crab	Five Cities Chevron
Dolphin Bay Hotel & Lido Rest.	Giuseppes Cucina
Five Cities Chevron	Longs Drug
Giuseppes Cucina	F McLintocks
Jones New York	Miller's Unocal
McLintocks	Orchard Supply Hardware
Miller 76	Oshkosh B Gosh
Orchard Supply Hardware	Pacific Sunwear Outlet
Oshkosh B Gosh	Pancho's Surf Shop
Pacific Sunwear Outlet	Pierside Seafood
Panchos Surf Shop	Polo Ralph Lauren
Pismo RV Outlet	Ross
Polo Ralph Lauren	Scolari's
Rite Aid	Shelter Cove Lodge
Ross	Splash Café
Scolari's	Spyglass Shell
Shelter Cove Lodge	Trailer Hitch RV Center
Splash Café	Valley Convenience Stores
Spyglass Shell	Van Heusen Direct
Valley Convenience Stores	Yanagi Sushi & Grill

Note: Principal Sales Tax payers provided by HDL.

Schedule 8 C
City of Pismo Beach
Transient Occupancy Tax Revenue Base Data
Last Ten Fiscal Years

Fiscal Year	Revenue Base: Room Revenues Subject to Tax	City Direct Tax Rate	Revenue Recognized By the City
2007-2008	61,750,130	10.00%	6,175,013
2008-2009	59,068,380	10.00%	5,906,838
2009-2010	57,795,945	10.00%	5,779,594
2010-2011	62,696,071	10.00%	6,269,607
2011-2012	69,311,970	10.00%	6,931,197
2012-2013	72,795,011	10.00%	7,279,501
2013-2014	79,882,370	10.00%	7,988,237
2014-2015	86,821,190	10.00%	8,682,119
2015-2016	91,999,470	10.00%	9,199,947
2016-2017	93,306,510	10.00%	9,330,651

Note:
The transient occupancy tax can only be changed by approval of the voters, and the rate was increased in 1992.

Source: Revenue information provided by City of Pismo Beach records.

Schedule 8 D
City of Pismo Beach
Principal Transient Occupancy Tax Payers and Other Data
Last Ten Fiscal Years

Fiscal Year	Concentration By Hotel Size Based on Number of Rooms: Number Hotels 50 or More Rooms	Number Hotels Under 50 Rooms
2007-2008	$ 5,234,272	$ 392,052
	18	14
2008-2009	$ 4,681,899	$ 643,383
	16	16
2009-2010	$ 4,864,506	$ 340,365
	17	14
2010-2011	$ 5,286,868	$ 375,674
	17	15
2011-2012	$ 5,867,792	$ 417,423
	17	15
2012-2013	$ 6,165,294	$ 411,261
	17	15
2013-2014	$ 6,754,657	$ 418,059
	17	12
2014-2015	$ 7,260,482	$ 558,564
	17	14
2015-2016	$ 7,711,023	$ 591,172
	17	13
2016-2017	$ 7,742,190	$ 683,153
	17	15

	Transient Occupancy Tax Revenues In Dollars: Concentration By Size RV Park/Vacation Rentals Based on Number of Units: Number Units 50 or More	Number Units Under 50
2007-2008	$ 493,617	$ 55,072
	4	9
2008-2009	$ 524,140	$ 165,081
	5	11
2009-2010	$ 407,793	$ 166,931
	4	12
2010-2011	$ 419,010	$ 188,055
	4	15
2011-2012	$ 434,233	$ 211,749
	4	15
2012-2013	$ 446,792	$ 256,154
	4	15
2013-2014	$ 570,224	$ 245,297
	5	17
2014-2015	$ 759,673	$ 103,400
	7	14
2015-2016	$ 511,432	$ 386,320
	4	22
2016-2017	$ 626,374	$ 278,934
	4	25

Schedule 8 D-1
City of Pismo Beach
Principal Transient Occupancy Tax Payers – Top Ten
Last Ten Fiscal Years
(In Alphabetical Order)

Fiscal Year Ended June 30			
2017	**2016**	**2015**	**2014**
Cliffs of Shell Beach	Cliffs of Shell Beach	Cliffs of Shell Beach	Cliffs of Shell Beach
Cottage Inn	Cottage Inn	Dolphin Bay Hotel	Cottage Inn
Dolphin Bay Hotel	Dolphin Bay Hotel	Island Hospitality	Dolphin Bay Hotel
Island Hospitality	Island Hospitality	Kon Tiki Motel	Hilton Garden Inn
Kon Tiki Motel	Kon Tiki Motel	Oxford Suites	Kon Tiki Motel
Oxford Suites	Pismo Coast Village	Pismo Coast Village	Pismo Coast Village
Pismo Coast Village	Pismo Lighthouse Suites	Pismo Lighthouse Suites	Pismo Lighthouse Suites
Pismo Lighthouse Suites	Sandcastle Inn	Sandcastle Inn	Sandcastle Inn
Seacrest Motel	Seacrest Motel	Seacrest Motel	Seacrest Motel
Shorecliff Inn	Shorecliff Inn	Shorecliff Inn	Shorecliff Inn

Fiscal Year Ended June 30			
2013	**2012**	**2011**	**2010**
Cliffs of Shell Beach	Cliffs of Shell Beach	Cliffs of Shell Beach	Cliffs of Shell Beach
Cottage Inn	Cottage Inn	Cottage Inn	Cottage Inn
Dolphin Bay Hotel	Dolphin Bay Hotel	Dolphin Bay Hotel	Dolphin Bay Hotel
Hilton Garden Inn	Hilton Garden Inn	Kon Tiki Motel	Kon Tiki Motel
Kon Tiki Motel	Kon Tiki Motel	Oxford Suites Resort	Oxford Suites Resort
Pismo Coast Village	Pismo Coast Village	Pismo Coast Village	Pismo Coast Village
Pismo Lighthouse Suites	Pismo Lighthouse Suites	Pismo Lighthouse Suites	Pismo Lighthouse Suites
Sandcastle Inn	Sandcastle Inn	Sandcastle Inn	Sandcastle Inn
Seacrest Motel	Seacrest Motel	Seacrest Motel	Seacrest Motel
Shorecliff Inn	Shorecliff Inn	Shorecliff Inn	Shorecliff Inn

Fiscal Year Ended June 30	
2009	**2008**
Cliffs of Shell Beach	Cliffs of Shell Beach
Cottage Inn	Cottage Inn
Dolphin Bay Hotel	Kon Tiki Motel
Kon Tiki Motel	Oxford Suites Resort
Oxford Suites Resort	Pismo Coast Village
Pismo Coast Village	Pismo Lighthouse Suites
Pismo Lighthouse Suites	Sandcastle Inn
Sandcastle Inn	Seacrest Motel
Seaventure Motel	Seaventure Motel
Shorecliff Inn	Shorecliff Inn

Source: Principal Transient Occupancy Tax Payers provided by City of Pismo Beach records.

Schedule 8 E
City of Pismo Beach
Water and Sewer Rates for Single Family Residents
Last Ten Fiscal Years

	Water		Sewer	
Fiscal Year	Monthly Base Rate	Rate Per 1000 Gallons	Monthly Base Rate	Rate Per 1000 Gallons*
2007-2008	13.37	1.64	29.54	-
2008-2009	14.60	1.94	31.74	-
2009-2010	15.26	2.11	36.72	-
2010-2011	15.95	2.30	39.49	-
2011-2012	16.29	2.35	40.32	-
2012-2013	16.29	2.35	40.32	-
2013-2014	12.17	2.49	36.88	-
2014-2015	12.72	2.60	38.92	-
2015-2016	13.29	2.72	41.07	-
2016-2017	14.51	2.97	45.72	-

Source: City of Pismo Beach Financial System Rate Records
*Sewer rate is based on Fixed Rate only. In 2013-2014, rates changed per rate study completed in August 2013.

Schedule 8 F
City of Pismo Beach
Principal Water and Wastewater Payers – Revenue Base Concentration Data
Last Ten Fiscal Years

	Water Revenue Concentration Data					
	Class of Customer					
Fiscal Year	Single Family	Non-Residential	Construction	City	Irrigation	Totals
	Revenue in Dollars and Number of Customers					
2007-2008	$ 823,615	$ 632,329	$ 12,099	$ 26,338	$ 90,631	$ 1,585,012
	3,676	645	38	71	122	4,552
2008-2009	$ 919,105	$ 602,872	$ 11,012	$ 55,832	$ 197,665	$ 1,786,486
	3,689	626	30	71	124	4,540
2009-2010	$ 927,856	$ 612,810	$ 9,635	$ 49,126	$ 173,885	$ 1,773,312
	3,696	639	24	72	127	4,558
2010-2011	$ 948,979	$ 668,959	$ 4,722	$ 53,741	$ 198,223	$ 1,874,624
	3,702	642	18	82	125	4,569
2011-2012	$ 1,065,941	$ 729,416	$ 4,989	$ 59,911	$ 213,392	$ 2,073,649
	3,706	647	27	81	123	4,584
2012-2013	$ 1,055,078	$ 767,291	$ 13,103	$ 75,576	$ 217,164	$ 2,128,212
	3,719	646	26	80	125	4,596
2013-2014	$ 1,062,275	$ 888,085	$ 12,402	$ 100,766	$ 306,762	$ 2,370,290
	3,733	641	27	83	130	4,614
2014-2015	$ 1,090,870	$ 914,283	$ 14,231	$ 106,819	$ 283,457	$ 2,409,660
	3,772	641	91	82	132	4,718
2015-2016	$ 938,624	$ 864,692	$ 19,798	$ 81,589	$ 212,697	$ 2,117,400
	3,900	640	35	80	132	4,787
2016-2017	$ 939,176	$ 903,725	$ 7,170	$ 92,226	$ 251,496	$ 2,193,793
	3,742	601	16	53	109	4,521

	Wastewater Revenue Concentration Data					
	Class of Customer					
Fiscal Year	Residential	Other Residential	Hotel/Motel	Commercial	Other	Totals
	Revenue in Dollars and Number of Customers					
2007-2008	$ 956,004	$ 252,967	$ 418,120	$ 538,780	$ 136,430	$ 2,302,301
	3,667	300	38	244	26	4,275
2008-2009	$ 1,075,481	$ 279,018	$ 401,835	$ 538,316	$ 154,115	$ 2,448,765
	3,681	325	38	246	35	4,325
2009-2010	$ 1,166,657	$ 286,706	$ 383,347	$ 540,874	$ 128,250	$ 2,505,834
	3,692	326	38	263	32	4,351
2010-2011	$ 1,269,866	$ 299,033	$ 400,072	$ 551,518	$ 130,805	$ 2,651,294
	3,695	322	38	263	33	4,351
2011-2012	$ 1,369,613	$ 313,537	$ 421,547	$ 566,462	$ 130,161	$ 2,801,320
	3,699	323	38	271	33	4,364
2012-2013	$ 1,397,950	$ 319,937	$ 434,845	$ 578,342	$ 158,153	$ 2,889,227
	3,712	326	37	268	34	4,377
2013-2014	$ 1,261,612	$ 297,433	$ 497,113	$ 591,462	$ 192,830	$ 2,840,450
	3,728	325	37	269	35	4,394
2014-2015	$ 1,230,586	$ 295,567	$ 534,754	$ 619,649	$ 183,333	$ 2,863,889
	3,767	325	37	270	48	4,447
2015-2016	$ 1,327,511	$ 311,572	$ 524,691	$ 596,869	$ 184,362	$ 2,945,005
	3,895	324	37	270	36	4,562
2016-2017	$ 1,356,923	$ 328,951	$ 586,847	$ 616,278	$ 145,341	$ 3,034,340
	3,903	323	38	241	31	4,536

Schedule 8 F-1
City of Pismo Beach
Principal Water Sale Purchasers – Top Ten
Last Ten Fiscal Years
(In Alphabetical Order)

Fiscal Years Ended June 30

2017	2016	2015	2014
Pismo Beach Mobile Park Inc	Cliffs Shell Beach	Cliffs Shell Beach	City of Pismo Beach
Cliffs Shell Beach	Dolphin Bay Hotel, Inc.	Dolphin Bay Hotel, Inc.	Cliffs Shell Beach
Pismo Coast Village Inc	Motel 6 Inc.	Kon Tiki	Dolphin Bay Hotel, Inc.
Shorecliff Lodge	Oxford Suites Resort	Motel 6 Inc.	Hilton Garden Inn
Oxford Suites Resort	Pismo Coast Village, Inc.	Oxford Suites Resort	Motel 6 Inc.
Pismo Lighthouse Suites	Pismo Lighthouse Suites	Pismo Coast Village, Inc.	Pismo Coast Village, Inc.
Seacrest Resort	Pismo Mobile Hm Pk	Pismo Lighthouse Suites	Pismo Lighthouse Suites
Dolphin Bay Hotel Inc	Quality Inn	Pismo Mobile Hm Pk	Pismo Mobile Hm Pk
Kon Tiki	Seacrest Resort	Seacrest Resort	Shorecliff Lodge
Pismo Dunes Travel	Shorecliff Lodge	Shorecliff Lodge	Toucan I HOA

Fiscal Years Ended June 30

2013	2012	2011	2010
City of Pismo Beach	Cliffs Shell Beach	Cliffs of Shell Beach-Hotel	Cliffs of Shell Beach-Hotel
Cliffs Shell Beach	Hacienda Del Pismo	Motel 6 Inc.	Cliffs of Shell Beach-Restaurant
Hilton Garden Inn	Kon Tiki	Oxford Suites Resort	Judkins Middle School-LMUSD
Judkins Middle School-LMUSD	Motel 6 Inc.	Pismo Mobile Hm Pk	Motel 6 Inc.
Motel 6 Inc.	Oxford Suites Resort	Pismo Lighthouse Suites	Oxford Suites Resort
Oxford Suites Resort	Pismo Mobile Hm Pk	Rose Garden Inn	Pismo Mobile Hm Pk
Pismo Lighthouse Suites	Pismo Lighthouse Suites	Seacrest Motel	Pismo Lighthouse Suites
Pismo Mobile Hm Pk	Quality Inn - Pismo Beach	Shell Beach School-LMUSD	Rose Garden Inn
Seacrest Resort	Seacrest Resort	Shorecliff Lodge	Seacrest Motel
Shorecliff Lodge	Shorecliff Lodge	Sunset Palisades HOA	Shorecliff Lodge

Fiscal Years Ended June 30

2009	2008
Baycliff Homeowner's Assc	Cliffs of Shell Beach
Cliffs of Shell Beach	Hacienda Del Pismo
Judkins Middle School-LMUSD	Judkins Middle School-LMUSD
Motel 6 Inc.	Motel 6 Inc.
Oxford Suites Resort	Oxford Suites Resort
Pismo Dunes Travel	Pismo Lighthouse Suites
Pismo Lighthouse Suites	Pismo Mobile Hm Pk
Pismo Mobile Hm Pk	Shell Beach School-LMUSD
Shell Beach School-LMUSD	Shorecliff Lodge
Shorecliff Lodge	Sunset Palisades HOA

Schedule 9
City of Pismo Beach
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Dollars in Thousands except for Per Capita)

	Governmental Activities					Business-Type Activities							From CAFR	
Fiscal Year	Lease Revenue Bonds	Special Assessment Bonds	Tax Allocation Bonds	Unamortized Bond Premium	Capital Lease Obligations	Capital Lease Obligations	Lease Revenue Bonds	Unamortized Bond Premium	State of California and Other Loans	Total City Debt	Total City Debt as Percentage of Personal Income	Total City Debt Per Capita	Population	Per Capita Personal Income
2007-2008	5,160	60	1,465	-	100	-	6,985	-	9,744	23,514	8.86%	2,733	8,603	30,835
2008-2009	4,985	30	-	-	-	57	6,825	-	9,752	21,649	8.11%	2,500	8,660	30,835
2009-2010	4,735	-	-	-	-	12	6,655	-	9,263	20,665	7.70%	2,374	8,704	30,835
2010-2011	4,485	-	-	-	-	-	6,480	-	8,765	19,730	5.45%	2,577	7,655	47,262
2011-2012	4,215	-	-	-	-	-	5,710	-	8,255	18,180	4.79%	2,369	7,675	49,459
2012-2013	3,940	-	-	-	-	-	5,535	-	7,739	17,214	5.02%	2,231	7,717	44,456
2013-2014	3,650	-	-	-	-	-	5,345	385	7,212	16,592	5.26%	2,153	7,705	40,940
2014-2015	3,350	-	-	-	-	-	5,155	365	6,677	15,547	5.10%	2,022	7,688	39,672
2015-2016	3,040	-	-	-	-	-	4,960	344	6,132	14,476	4.94%	1,769	8,181	35,852
2016-2017	7,685	-	-	191	-	-	4,755	324	5,576	18,531	5.59%	2,247	8,247	40,204

Schedule 10
City of Pismo Beach
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding				Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Lease Revenue Bonds	Tax Allocation Bonds	Total		
2007-2008	-	5,160,000	1,465,000	6,625,000	0.30%	770.08
2008-2009	-	4,985,000	-	4,985,000	0.21%	575.64
2009-2010	-	4,735,000	-	4,735,000	0.19%	544.00
2010-2011	-	4,485,000	-	4,485,000	0.18%	585.89
2011-2012	-	4,215,000	-	4,215,000	0.18%	549.19
2012-2013	-	3,940,000	-	3,940,000	0.16%	510.56
2013-2014	-	3,650,000	-	3,650,000	0.15%	473.72
2014-2015	-	3,350,000	-	3,350,000	0.13%	435.74
2015-2016	-	3,040,000	-	3,040,000	0.11%	371.59
2016-2017	-	7,685,000	-	7,685,000	0.26%	931.85

Note:
Debt service on the lease revenue bonds and tax allocation bonds is financed by the use of general governmental financial resources available in the general fund and special revenue funds of the City. Assessed Taxable Value of Real Property provided by Cal Muni and HDL. Tax Allocation Bonds retired early in Fiscal Year 2009. 2007A Lease Revenue Bonds retired early in 2017.

Schedule 11
City of Pismo Beach
Direct and Overlapping Governmental Activities Debt
June 30, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
OVERLAPPING DEBT REPAID WITH PROPERTY TAXES:			
San Luis Obispo County Certificates of Participation	$ 25,590,000	6.193%	$ 1,584,789
San Luis Obispo County Pension Obligations	94,029,398	6.193%	5,823,241
San Luis Obispo Community College District Certificates of Participation	7,220,000	6.169%	445,402
Lucia Mar Unified School District Certificates of Participation	7,410,000	18.117%	1,342,470
TOTAL OVERLAPPING DEBT REPAID WITH PROPERTY TAXES			$ 9,195,902
OVERLAPPING TAX AND ASSESSMENT DEBT:			
San Luis Obispo County Flood Control and Water Conservation District, Zone No. 3	8,350,000	32.701%	2,730,534
San Luis Obispo Community College District	67,095,000	6.169%	4,139,091
San Luis Coastal Unified School District	95,775,000	3.606%	3,453,647
Lucia Mar Unified School District	58,688,464	18.117%	10,632,589
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			$ 20,955,860
CITY DIRECT DEBT - GOVERNMENTAL ONLY:			
City of Pismo Beach General Fund Obligations	7,685,000	100.00%	$ 7,685,000
TOTAL DIRECT DEBT			**$ 7,685,000**
TOTAL OVERLAPPING DEBT			**$ 30,151,761**
TOTAL DIRECT AND OVERLAPPING DEBT			**$ 37,836,761**

Ratios to Adjusted Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.70%
Total Direct Debt ($7,685,000)	**0.26%**
Combined Total Debt	0.96%

Note:
Overlapping debt is based on the percentage of overlapping agency's assessed valuation located within the boundaries of the City. Taxpayers in the City of Pismo Beach are responsible for paying their share of the debt from each jurisdiction.

Source: California Municipal Statistics, Inc. Source for City Direct Debt, City of Pismo Beach.

Schedule 12
City of Pismo Beach
Legal Debt Margin Information
Last Ten Fiscal Years

Fiscal Year	Debt Limit	Total Debt Applicable To Limit	Total Debt Applicable To Limit as Percentage of Debt Limit
2007-2008	84,765,446	-	0%
2008-2009	90,707,179	-	0%
2009-2010	91,390,902	-	0%
2010-2011	90,995,113	-	0%
2011-2012	90,038,272	-	0%
2012-2013	90,426,011	-	0%
2013-2014	93,534,313	-	0%
2014-2015	97,520,366	-	0%
2015-2016	103,825,445	-	0%
2016-2017	111,682,818	-	0%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	$	2,978,208,468
Conversion Percentage (25%)		25%
Adjusted Assessed Valuation		744,552,117
Debt Limit Percentage (15%)		15%
Debt Limit		111,682,818
Less debt applicable to limit:		
General obligation bonds		-
Total debt applicable to limit		-
Legal debt margin	$	111,682,818
Total debt applicable to the limit as a percentage		0%

Note:
The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 15% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel.) The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the State. Debt Limit Calculation determined by Property Assessed Value multiplied by 25%, which is the conversion percentage dating back to the time that the legal debt margin was enacted by the State of California. The adjusted value is then multiplied by 15% which is the Legal Debt Limit of Gross Valuation provided by the State of California.

Source: California Municipal Statistics

Schedule 13
City of Pismo Beach
Pledged Revenue Coverage
Last Ten Fiscal Years

	Special Assessment Bonds				
	Special	Capital	Debt Service		
Fiscal Year	Assessment Collections	Impact Fees	Principal	Interest	Coverage
2007-2008	15,938	-	25,000	4,866	0.53
2008-2009	-	-	30,000	3,030	-
2009-2010	-	-	-	-	-
2010-2011	-	-	-	-	-
2011-2012	-	-	-	-	-
2012-2013	-	-	-	-	-
2013-2014	-	-	-	-	-
2014-2015	-	-	-	-	-
2015-2016	-	-	-	-	-
2016-2017	-	-	-	-	-

	2004 Revenue Bonds						
	Wastewater	Capital	Less	Net	Debt Service		
	Service Revenues	Impact Fees	Operating Expenses	Available Revenue	Principal	Interest	Coverage
2007-2008	2,784,458	-	1,677,462	1,106,996	160,000	293,472	2.44
2008-2009	2,966,726	-	1,620,054	1,346,672	160,000	291,005	2.99
2009-2010	3,037,459	-	1,853,902	1,183,557	170,000	285,535	2.60
2010-2011	3,224,548	-	1,909,617	1,314,931	175,000	282,330	2.88
2011-2012	3,518,213	-	1,912,039	1,606,174	175,000	262,174	3.67
2012-2013	3,571,850	-	1,909,756	1,662,094	-	-	-
2013-2014	3,841,522	-	2,370,387	1,471,135	-	-	-
2014-2015	-	-	-	-	-	-	-
2015-2016	-	-	-	-	-	-	-
2016-2017	-	-	-	-	-	-	-

Note:
Wastewater revenues include service fees only. Data for wastewater shown in fiscal 2005 and thereafter when proceeds of State of California SRF loan first were drawn down.
Operating expenses exclude depreciation and amortization.

	State of California Wastewater Construction Loan-WWTP						
	Wastewater	Capital	Less	Net	Debt Service		
	Service Revenues	Impact Fees	Operating Expenses	Available Revenue	Principal	Interest	Coverage
2007-2008	2,784,458	-	1,677,462	1,106,996	433,862	175,398	1.82
2008-2009	2,966,726	-	1,620,054	1,346,672	461,684	167,575	2.14
2009-2010	3,037,459	-	1,853,902	1,183,557	449,648	159,612	1.94
2010-2011	3,224,548	-	1,909,617	1,314,931	457,755	151,505	2.16
2011-2012	3,518,213	-	1,912,039	1,606,174	466,008	143,251	2.64
2012-2013	3,571,850	-	1,909,756	1,662,094	474,410	134,849	2.73
2013-2014	3,841,522	-	2,370,387	1,471,135	482,964	126,295	2.41
2014-2015	5,039,175	-	1,895,224	3,143,951	491,672	117,588	5.16
2015-2016	4,591,505	-	2,255,771	2,335,734	500,537	108,723	3.83
2016-2017	4,617,934	-	2,630,203	1,987,731	509,561	99,698	3.26

Continued

Schedule 13
City of Pismo Beach
Pledged Revenue Coverage, Continued
Last Ten Fiscal Years
Page 2

	State of California Wastewater Construction Loan-Park/Cypress Project						
	Wastewater Service Revenues	Capital Impact Fees	Less Operating Expenses	Net Available Revenue	Debt Service		
					Principal	Interest	Coverage
2007-2008	2,784,458	-	1,677,462	1,106,996	10,209	4,438	75.58
2008-2009	2,966,726	-	1,620,054	1,346,672	10,413	4,234	91.94
2009-2010	3,037,459	-	1,853,902	1,183,557	10,621	4,025	80.81
2010-2011	3,224,548	-	1,909,617	1,314,931	10,834	3,814	89.77
2011-2012	3,518,213	-	1,912,039	1,606,174	12,433	2,214	109.66
2012-2013	3,571,850	-	1,909,756	1,662,094	11,271	3,375	113.48
2013-2014	3,841,522	-	2,370,387	1,471,135	11,694	2,952	100.45
2014-2015	5,039,175	-	1,895,224	3,143,951	11,916	2,731	214.65
2015-2016	4,591,505	-	2,255,771	2,335,734	12,141	2,505	159.48
2016-2017	4,617,934	-	2,630,203	1,987,731	12,371	2,275	135.71

	State of California Wastewater Construction Loan-Pismo Oaks Lift Station Project						
	Wastewater Service Revenues	Capital Impact Fees	Less Operating Expenses	Net Available Revenue	Debt Service		
					Principal	Interest	Coverage
2007-2008	2,784,458	-	1,677,462	1,106,996	-	-	-
2008-2009	2,966,726	-	1,620,054	1,346,672	-	-	-
2009-2010	3,037,459	-	1,853,902	1,183,557	29,319	12,588	28.24
2010-2011	3,224,548	-	1,909,617	1,314,931	29,948	11,959	31.38
2011-2012	3,518,213	-	1,912,039	1,606,174	30,950	10,957	38.33
2012-2013	3,571,850	-	1,909,756	1,662,094	31,020	10,887	39.66
2013-2014	3,841,522	-	2,370,387	1,471,135	31,486	10,421	35.10
2014-2015	5,039,175	-	1,895,224	3,143,951	32,054	9,853	75.02
2015-2016	4,591,505	-	2,255,771	2,335,734	32,631	9,275	55.74
2016-2017	4,617,934	-	2,630,203	1,987,731	33,220	8,687	47.43

Note:
For all State of CA SRF Loans, Wastewater revenues include service fees only.
Operating expenses exclude depreciation and amortization.

	2012 Revenue Bonds						
	Wastewater Service Revenues	Capital Impact Fees	Less Operating Expenses	Net Available Revenue	Debt Service		
					Principal	Interest	Coverage
2011-2012	3,518,213	-	1,912,039	1,606,174	-	-	-
2012-2013	3,571,850	-	1,909,756	1,662,094	175,000	211,089	4.30
2013-2014	3,841,522	-	2,370,387	1,471,135	190,000	202,813	3.75
2014-2015	5,039,175	-	1,895,224	3,143,951	190,000	198,063	8.10
2015-2016	4,591,505	-	2,255,771	2,335,734	195,000	192,288	6.03
2016-2017	4,617,934	-	2,630,203	1,987,731	205,000	185,263	5.09

Note:
Wastewater revenues include service fees only.
Operating expenses exclude depreciation and amortization.
No Debt Service paid in FY 11-12 as 2004 Bonds were refunded by this issue.

Schedule 14
City of Pismo Beach
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2007-2008	8,582	369,197,640	43,020	4.40%
2008-2009	8,580	373,847,760	43,572	5.90%
2009-2010	8,677	363,071,711	41,843	9.20%
2010-2011	8,704	403,656,704	46,376	10.40%
2011-2012	7,675	379,597,825	49,459	9.50%
2012-2013	7,717	343,066,952	44,456	6.20%
2013-2014	7,705	315,442,700	40,940	5.30%
2014-2015	7,688	304,998,336	39,672	4.50%
2015-2016	8,181	293,305,212	35,852	3.70%
2016-2017	8,247	331,562,388	40,204	3.40%

Source:
California Labor Market Info. Data Library as of Nov of each year.
Per Capita Personal Income based on Census Data.
FY 2006 to FY 2011 Adjusted to reflect updated information.

Note:
HDL providing the information effective 2014. Personal Income reported in thousands.

Schedule 15
City of Pismo Beach
Principal Employers – Top Ten
Last Eight Fiscal Years

Fiscal Year Ended June 30, 2017

Employer	Number Employees	Rank	Percentage of Total City Employment
The Cliff's of Shell Beach	220	1	5.50%
Dolphin Bay Resort	169	2	4.23%
City of Pismo Beach	129	3	3.23%
Martin Resorts	125	4	3.13%
Keller-Williams	106	5	2.65%
Sea Venture	81	6	2.03%
Brad's Restaurant	67	7	1.68%
Seacrest	63	8	1.58%
Pismo Coast Village	62	9	1.55%
U.S. Postal Service	61	10	1.53%
Total	1,083		27.08%

Fiscal Year Ended June 30, 2016

Employer	Number Employees	Rank	Percentage of Total City Employment
The Cliff's of Shell Beach	235	1	5.88%
Dolphin Bay Resort	178	2	4.45%
Martin Resorts	135	3	3.38%
Keller-Williams	110	4	2.75%
City of Pismo Beach	89	5	2.23%
Sea Venture	85	6	2.13%
U.S. Postal Service	82	7	2.05%
Brad's Restaurant	70	8	1.75%
McClintock's	65	9	1.63%
Pismo Coast Village	65	10	1.63%
Total	1,114		27.85%

Fiscal Year Ended June 30, 2015

Employer	Number Employees	Rank	Percentage of Total City Employment
Martin Resorts	260	1	6.50%
The Cliff's of Shell Beach	243	2	6.08%
Dolphin Bay Resort	191	3	4.78%
Keller-Williams	106	4	2.65%
City of Pismo Beach	89	5	2.23%
Sea Venture	85	6	2.13%
Brad's Restaurant	79	7	1.98%
U.S. Postal Service	75	8	1.88%
McClintock's	71	9	1.78%
Steamer's	62	10	1.55%
Total	1,261		31.53%

Fiscal Year Ended June 30, 2014

Employer	Number Employees	Rank	Percentage of Total City Employment
The Cliff's of Shell Beach	220	1	4.40%
Dolphin Bay Resort	197	2	3.94%
U.S. Postal Service	105	3	2.10%
Keller-Williams	98	4	1.96%
Brad's Restaurant	85	5	1.70%
City of Pismo Beach	85	6	1.70%
Sea Venture	73	7	1.46%
McClintock's	66	8	1.32%
Steamer's	53	9	1.06%
Shore Cliff Lodge	50	10	1.00%
Total	1,032		20.64%

Fiscal Year Ended June 30, 2013

Employer	Number Employees	Rank	Percentage of Total City Employment
The Cliff's of Shell Beach	222	1	4.53%
Dolphin Bay Resort	195	2	3.98%
U.S. Postal Service	102	3	2.08%
Keller-Williams	92	4	1.88%
City of Pismo Beach	86	5	1.76%
Brad's Restaurant	75	6	1.53%
Sea Venture	70	7	1.43%
McClintock's	68	8	1.39%
Steamer's	62	9	1.27%
Shore Cliff Lodge	49	10	1.00%
Total	1,021		20.84%

Fiscal Year Ended June 30, 2012

Employer	Number Employees	Rank	Percentage of Total City Employment
The Cliff's of Shell Beach	213	1	4.44%
Dolphin Bay Resort	180	2	3.75%
Keller-Williams	90	3	1.88%
City of Pismo Beach	85	4	1.77%
U.S. Postal Service	82	5	1.71%
McClintock's	70	6	1.46%
Steamer's	68	7	1.42%
Sea Venture	67	8	1.40%
Brad's Restaurant	60	9	1.25%
Shore Cliff Lodge	49	10	1.02%
Total	964		20.08%

Continued

Schedule 15
City of Pismo Beach
Principal Employers – Top Ten, Continued
Last Eight Fiscal Years
Page 2

Fiscal Year Ended June 30, 2011				Fiscal Year Ended June 30, 2010			
Employer	Number Employees	Rank	Percentage of Total City Employment	Employer	Number Employees	Rank	Percentage of Total City Employment
The Cliff's of Shell Beach	160	1	3.48%	The Cliff's of Shell Beach	160	1	3.52%
Dolphin Bay Resort	110	2	2.39%	McClintock's	125	2	2.75%
Keller-Williams	110	3	2.39%	Keller-Williams	107	3	2.36%
City of Pismo Beach	88	4	1.91%	Steamer's	100	4	2.20%
U.S. Postal Service	78	5	1.70%	Brad's Restaurant	90	5	1.98%
McClintock's	76	6	1.65%	City of Pismo Beach	90	6	1.98%
Brad's Restaurant	65	7	1.41%	Shore Cliff Lodge	85	7	1.87%
Sea Venture	64	8	1.39%	Sea Venture	80	8	1.76%
Steamer's	60	9	1.30%	U.S. Postal Service	75	9	1.65%
Shore Cliff Lodge	45	10	0.98%	Pelican Point Restaurant	75	10	1.65%
Total	856		18.61%	Total	987		21.74%

Fiscal Year Ended June 30, 2009				Fiscal Year Ended June 30, 2008			
Employer	Number Employees	Rank	Percentage of Total City Employment	Employer	Number Employees	Rank	Percentage of Total City Employment
The Cliff's of Shell Beach	158	1	3.43%	The Cliff's of Shell Beach	204	1	4.43%
City of Pismo Beach	131	2	2.85%	Martin Resorts	183	2	3.98%
Keller-Williams	121	3	2.63%	City of Pismo Beach	128	3	2.78%
Martin Resorts	106	4	2.30%	Keller-Williams	102	4	2.22%
Dolphin Bay Resort	105	5	2.28%	U.S. Postal Service	100	5	2.17%
McClintock's	83	6	1.80%	McClintock's	84	6	1.83%
U.S. Postal Service	80	7	1.74%	Sea Venture	77	7	1.67%
Brad's Restaurant	57	8	1.24%	Brad's Restaurant	57	8	1.24%
Sea Venture	56	9	1.22%	Steamer's	57	9	1.24%
Steamer's	52	10	1.13%	United Staffing Associates	54	10	1.17%
Total	949		20.63%	Total	1,046		22.74%

Note:
Source: City of Pismo Beach provided information by contacting employers for all years except 2010.
HDL provided the information for 2010. Employment information from State of CA website.

Schedule 16
City of Pismo Beach
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	For The Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function/Program										
General government:										
Administration	4	4	4	4	4	4	4	4	4	4
Human Resources	1	1	1	1	1	1	1	1	1	1
City Council	5	5	5	5	5	5	5	5	5	5
City Attorney - Contract	1	1	1	1	1	1	1	1	1	1
CVB	2	2	2	2	2	2	2	2	2	2
Administrative Services	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9
Information Technology	-	-	-	-	-	-	1	1	1	1
Public safety:										
Police	34.00	34.00	34.00	34.00	33.00	33.00	34.00	34.00	33.85	33.85
Parking	-	-	-	-	-	-	-	-	0.15	0.15
Community Development:										
Planning	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60
Building	4.10	4.10	4.10	4.10	4.20	4.20	4.10	4.10	4.15	4.15
Recreation	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
RDA	0.10	0.10	0.10	0.10	-	-	-	-	-	-
Parking	1.00	1.00	1.00	1.00	1.00	1.00	1.10	1.10	1.05	1.05
Public Works/Engineering:										
Engineering	3.70	3.70	3.70	3.70	3.70	3.70	3.60	3.60	3.60	3.60
Streets and Govt Bldgs	4.78	4.78	4.78	4.78	4.78	4.78	3.03	3.03	2.83	2.83
Park Maintenance/Fac.	7.52	7.52	7.52	7.52	7.52	7.52	7.32	7.32	7.17	7.17
Water:										
Treatment and distribution	6.25	6.00	6.00	6.00	5.00	5.00	5.00	5.00	6.70	6.70
Billing	0.67	0.67	0.67	0.67	0.67	0.67	0.50	0.50	0.50	0.50
Wastewater:										
Collection and treatment	7.78	8.05	8.05	8.05	8.05	8.05	8.10	8.10	7.80	7.80
Billing	0.33	0.33	0.33	0.33	0.33	0.33	0.50	0.50	0.50	0.50
Motor Vehicle Operations:										
Motor Vehicle Operations	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.00	1.00
Totals	95.98	96.00	96.00	96.00	94.00	94.00	94.00	94.00	95.00	95.00

Source: City of Pismo Beach payroll records. Updated FY 2016 numbers in FY 2017.

Schedule 17
City of Pismo Beach
Operating Indicators by Function/Program
Last Ten Fiscal Years

	For The Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function/Program:										
Police:										
Physical arrest	978	1,081	953	998	875	974	1,001	1,328	1,238	1,198
Traffic violations	1,451	2,129	2,398	2,490	2,199	1,612	2,590	2,044	1,382	1,570
Fire:										
Emergency responses	1,202	1,343	890	1,081	1,022	1,084	1,175	1,265	1,528	1,349
Fires extinguished	38	20	22	19	22	25	16	21	26	22
Building:										
Building permits issued	298	214	210	177	213	246	209	290	205	220
Other permits issued	609	460	552	471	455	436	478	956	551	640
Public works:										
Miles streets resurfaced	3.15	2.62	38.00	4.10	6.03	6.08	-	-	-	-
Parks and Recreation:										
Number of facility rentals	148	1,179	302	187	255	274	216	240	258	1,437
Number of class admissions	2,100	1,681	1,540	3,000	1,500	2,000	2,000	3,000	3,500	3,500
Water:										
Number new connections	40	39	15	59	20	21	5	20	221	67
Daily average water production in MGD	2.04	1.91	1.76	1.71	1.78	1.84	1.91	1.64	1.47	1.43
Daily average water consumption in MGD	1.80	1.73	1.55	1.48	1.59	1.63	1.72	1.52	1.27	1.25
Wastewater:										
Number new connections	30	39	18	4	6	7	33	53	109	62
Daily average treatment in millions gallons(MGD)	1.21	1.21	1.13	1.08	1.14	1.07	1.07	1.01	0.95	0.99

Note:
Park and Recreation information unavailable prior to fiscal year 2006.
Water and Wastewater connections data not able to locate prior to 2006.

Source: City of Pismo Beach Departments

Schedule 18
City of Pismo Beach
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	For The Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function/Program:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	6	6	6	6	6	6	6	6	6	6
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Engines	2	2	2	3	3	3	3	3	3	3
Public works:										
Miles of streets	37	37	38	38	46	46	46	46	46	46
Streetlights	757	757	757	757	828	828	828	828	842	842
Traffic signals	3	3	3	3	3	3	3	3	3	3
Parks and recreation:										
Community centers	2	2	2	2	2	2	2	2	2	2
Parks	18	18	18	18	18	18	18	18	18	18
Park acreage	205	205	205	205	205	205	205	205	205	205
Water:										
Miles of mains	53	54	54	54	55	55	56	56	56	56
Number connections	4,713	4,698	4,684	4,757	4,777	4,777	4,819	4,839	5,060	4,836
Maximum plant capacity in millions gallons	2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.16	2.40
Wastewater:										
Miles of sewers	39	40	40	40	40	40	40	40	40	40
Number connections	4,233	4,336	4,354	4,363	4,366	4,367	4,400	4,453	4,562	4,509
Maximum plant capacity in millions gallons	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90

Note:
Source: City of Pismo Beach Departments.

Schedule 19

City of Pismo Beach
Continuing Disclosure Annual Report Information for Fiscal Year 2016-17

$5,185,000
PISMO BEACH PUBLIC FINANCING AUTHORITY
(SAN LUIS OBISPO COUNTY, CALIFORNIA)
SERIES 2007A LEASE REVENUE REFUNDING BONDS
(CITY HALL REFUNDING PROJECT)

Content of Annual Reports

(i) Audited financial statements of the City:
This exhibit is attached to the City's audited financial statements.

(ii) Operating data, including the following information with respect to the City's preceding Fiscal Year (to the extent not included in the audited financial statements described in paragraph (a) above):

(a) Outstanding indebtedness and lease obligations;
Please see information in the audited financial statements.

(b) General fund budget and actual results;
Please see information in the audited financial statements.

(c) Assessed valuations; and
Please see information in the audited financial statements.

(d) Largest local secured taxpayers.
Please see information in the audited financial statements.

Reporting of Significant Events

The Pismo Beach Public Financing Authority ("Authority") entered into an escrow agreement, dated as of March 1, 2017, by and between U.S. Bank National Association, and escrow agent and the Authority (the "Escrow Agreement"). The Escrow Agreement provides for the prepayment and defeasance of the Authority's outstanding Series 2007A Lease Revenue Refunding Bonds ("2007 Bonds") in the original aggregate principal amount of $5,185,000. The City has exercised its rights to optionally prepay its entire lease obligation under the 2007 Lease Agreement between the Authority and the City of Pismo Beach dated as of April 1, 2007. The Authority, in turn, is providing for the prepayment and redemption prior to maturity of the Authority's outstanding 2007 Bonds in advance of their scheduled maturities on December 1, 2017. The 2007 Bonds have ceased, terminated, and have been completely discharged and satisfied.

Schedule 20
City of Pismo Beach
Continuing Disclosure Annual Report Information for Fiscal Year 2016-17

$5,710,000
PISMO BEACH PUBLIC FINANCING AUTHORITY
(City of Pismo Beach, California)
SERIES 2012 WASTEWATER REFUNDING REVENUE BONDS
(Wastewater Project of 2004)

Content of Annual Reports

(i) Audited financial statements of the City:

This exhibit is attached to the City's audited financial statements.

(ii) information with respect to the City's wastewater enterprise (the "Wastewater Enterprise") showing:

(a) Annual wastewater service structure and pricing, together with adopted rates in a format comparable to Table 6 of the Official Statement for the prior Fiscal Year:

BI-MONTHLY FIXED RATES
BASED ON WATER METER SIZE

Meter Size (In Inches)	2017
5/8"	$26.92
3/4"	$37.94
1"	$59.88
1 ½"	$115.06
2"	$181.19
3"	$335.47
4"	$555.85
6"	$1,327.23

BI-MONTHLY RESIDENTIAL
FIXED CONSUMPTION CHARGES[1]

Customer Classification	2017
Single Family	$64.51
Multifamily	$43.50
Mobile Home	$38.93

[1] Apartments, Multifamily and Mobile Home are charged by the dwelling unit.

Schedule 20
City of Pismo Beach
Continuing Disclosure Annual Report Information for Fiscal Year 2016-17
$5,710,000
PISMO BEACH PUBLIC FINANCING AUTHORITY
(City of Pismo Beach, California)
SERIES 2012 WASTEWATER REFUNDING REVENUE BONDS
(Wastewater Project of 2004)

BI-MONTHLY VARIABLE CONSUMPTION CHARGES[2]	
Customer Classification	**2017**
Commercial	$6.57
Dual Residential/Restaurant	$9.99
Dual Residential/Commercial	$6.33
Grocery	$13.22
Hotel	$6.12
Hotel w/ Rest.	$10.03
School w/Cafeteria	$6.56
School	$4.75
Shopping Center	$6.74
Shopping Center w/Restaurant	$10.10
Trailer/RV	$4.43
Service Station	$6.04
Restaurant/Bakery	$13.61
Municipal	$6.57

[2] Charge based on water consumption (dollars per hundred cubic feet of water billed for each two-month billing period).

(a) Largest ten users of the Wastewater Enterprise, based on annual billings for the prior fiscal year (largest customer based on water consumption):

Ten Largest Wastewater Customers by Revenue

FY 2016-17

	Customer Name	Sewer Revenues	% of Total
1	Pismo Beach Mobile Home Park	$ 59,453.14	1.36%
2	Cliff's Shell Beach	$ 63,973.68	1.46%
3	Pismo Coast Village	$ 39,965.22	0.91%
4	Shorecliff Lodge	$ 56,003.01	1.28%
5	Oxford Suites Hotel	$ 46,484.00	1.06%
6	Pismo Lighthouse Suites	$ 39,881.64	0.91%
7	Seacrest Resort	$ 36,944.97	0.84%
8	Dolphin Bay	$ 36,221.22	0.83%
9	Kon Tiki	$ 32,767.09	0.75%
10	Pismo Dunes Travel	$ 23,401.04	0.53%
	Total	**$ 435,095.01**	**9.93%**
	Other Customers	$ 3,945,452.91	90.07%
	Total Revenues	**$ 4,380,547.92**	**100.00%**

(b) Any additional indebtedness incurred during the prior Fiscal Year which is payable from revenues of the Wastewater Enterprise on a parity with the Bonds:

Please see information in the audited financial statements.

(c) Debt Service Coverage Projections for the Series 2012 Wastewater Refunding Revenue Bonds:

OPERATING RESULTS AND DEBT SERVICE COVERAGE

	Audited FY 2016-17
GROSS REVENUES	
Charges for Services	$4,380,548
Miscellaneous Revenue	373,384
Interest and Investment Revenues	11,629
TOTAL REVENUES	$4,765,561
OPERATING EXPENSES[3]	
Salaries and Benefits	$1,243,407
Purchased Power	248,636
Customer Accounting	31,739
Services and Supplies	1,106,421
TOTAL OPERATING EXPENSES	$2,630,203
NET REVENUES	$2,135,358
DEBT SERVICE	
2004 State Loan - WWTP	$ 609,259
2006 State Loan - Park/Cypress Interceptor	$ 14,646
2008 State Loan - Pismo Oaks Lift Station	$ 41,907
2012 Wastewater Bonds	$ 390,263
TOTAL DEBT SERVICE PAYMENTS	$1,056,075
DEBT SERVICE COVERAGE RATIO	2.02
AVAILABLE FOR CAPITAL IMPROVEMENTS AND OTHER PURPOSES	**$1,079,283**

[3] Excludes depreciation, amortization, loss on capital assets, and debt service expenses.

Reporting of Significant Events

There were no significant events that occurred during the Fiscal Year ended June 30, 2017. According to the Continuing Disclosure Certificate, significant events include:

(i) Principal and interest payment delinquencies;
(ii) Non-payment related defaults, if material;
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
(v) Substitution of credit or liquidity providers, or their failure to perform;
(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
(vii) Modifications to rights of security holders, if material;
(viii) Optional, contingent or unscheduled bond calls, if material;
(ix) Defeasances;
(x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
(xi) Rating changes;
(xii) Bankruptcy, insolvency, receivership or similar event of the City;
(xiii) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Schedule 21
City of Pismo Beach
Continuing Disclosure Annual Report Information for Fiscal Year 2016-17
$7,685,000
PISMO BEACH PUBLIC FINANCING AGENCY
(SAN LUIS OBISPO COUNTY, CALIFORNIA)
SERIES 2017A LEASE REVENUE REFUNDING BONDS
(PIER REHABILITATION PROJECT)

Content of Annual Reports

(iii) Audited financial statements of the City:
This exhibit is attached to the City's audited financial statements.

(iv) Operating data, including the following information with respect to the City's preceding Fiscal Year (to the extent not included in the audited financial statements described in paragraph (a) above):

(e) Outstanding indebtedness and lease obligations;
Please see information in the audited financial statements.

(f) General fund budget and actual results;
Please see information in the audited financial statements.

(g) Assessed valuations; and
Please see information in the audited financial statements.

(h) Largest local secured taxpayers.
Please see information in the audited financial statements.

Reporting of Significant Events

There were no significant events that occurred during the Fiscal Year ended June 30, 2017. According to the Continuing Disclosure Certificate, significant events include:

1. principal and interest payment delinquencies.
2. non-payment related defaults.
3. modifications to rights of Bondholders.
4. optional, contingent or unscheduled bond calls.
5. defeasances.
6. rating changes.
7. adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. unscheduled draws on the debt service reserves reflecting financial difficulties.
9. unscheduled draws on the credit enhancements reflecting financial difficulties.
10. substitution of the credit or liquidity providers or their failure to perform.
11. release, substitution or sale of property securing repayment of the Bonds.

Schedule 22
City of Pismo Beach
Continuing Disclosure for Water Enterprise Fund
For Fiscal Year 2016-2017

Table 1: Ten Largest Customers of Water Enterprise

	Customer Name	Consumption	Water Revenues	% of Total
1	Pismo Beach Mobile Home Park	11,748	$ 48,343.84	1.44%
2	Cliff's Shell Beach	10,701	$ 39,226.53	1.17%
3	Pismo Coast Village	9,963	$ 41,975.45	1.25%
4	Shorecliff Lodge	9,430	$ 34,128.52	1.02%
5	Oxford Suites Hotel	7,991	$ 28,959.56	0.87%
6	Pismo Lighthouse Suites	6,270	$ 24,968.47	0.75%
7	Seacrest Resort	5,970	$ 22,830.02	0.68%
8	Dolphin Bay	5,700	$ 22,784.22	0.68%
9	Kon Tiki	5,267	$ 20,312.25	0.61%
10	Pismo Dunes Travel	5,077	$ 19,634.15	0.59%
	Total	78,117	$ 303,163.01	9.06%
	Other Customers		$ 3,043,370.39	90.94%
	Total Revenues		$ 3,346,533.40	100.00%

Table 2: Changes in the Service Area and Customer Base for Water Enterprise/Statement of Connections and Sales Revenues for Water Enterprise

Customer Base & Water Sales Revenue	
Customer Base	**Number of Customers**
Residential	3,742
Apartments	320
Commercial/Industrial	281
Other	178
Total All Customers	4,521
Water Sales Revenue	$3,346,533

Schedule 22
City of Pismo Beach
Continuing Disclosure for Water Enterprise Fund, Continued
For Fiscal Year 2016-2017
Page 2

Table 3: Rates and Charges for Water Deliveries for Fiscal Year Most Recently Concluded

Water Service Rates	
Minimum Monthly Service Charge: $14.51	
Additional Charge per 100 Cubic Feet of Water Used: $2.97 0-10; $3.67 11-20; $4.34 21-35; $5.93 Over 35	
Water Set-up Fee per Account: $60.00	
48 Hour Door Hanger Fee: $35.00	
Re-connection Fees:	During Business Hours: $83.00
	After Hours: $193

Table 4: Additional Information

Additional Information	
Number for actual water deliveries : 1,589 Acre Feet	
Impact Fees/Utility Tax:	
Type: Water Tax	Revenue Received: $1,286,422
Type: Impact Fees	Revenue Received: $1,177,127

Schedule 22
City of Pismo Beach
Continuing Disclosure for Water Enterprise Fund, Continued
For Fiscal Year 2016-2017
Page 3

FISCAL YEAR 2017 WATER ENTERPRISE FUND OPERATING RESULTS

The following table is a summary of operating results of the water system of the City for FY 2016/17. These results have been derived from the City's financial statements but exclude certain non-cash items and include certain other adjustments. The table has not been audited by the City's auditor.

	Audited FY 16-17
REVENUES	
Water Sales	$3,346,533
State Water Impact Fee	1,177,127
Interest	1,999
Assessments	1,286,422
Other Revenue	923,139
TOTAL REVENUES	$6,735,220
OPERATING EXPENSES	
Administration and General	$ 757,334
Lopez Contract Payments	1,397,036
Operations & Maintenance	1,122,290
Utilities	127,928
TOTAL OPERATING EXPENSES	$3,404,588
NET REVENUES	$3,330,632
State Water Payments	$1,343,132
TOTAL CONTRACT PAYMENTS	$1,343,132
COVERAGE RATIO	2.48
AVAILABLE FOR CAPITAL IMPROVEMENTS AND OTHER PURPOSES	**$1,987,500**

Other Independent Auditors' Report

GLENN BURDETTE
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' 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*

The Honorable Mayor and Members of the City Council
City of Pismo Beach, California
Pismo Beach, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pismo Beach, California, (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

SAN LUIS OBISPO
1150 Palm Street
San Luis Obispo, CA 93401
p 805 544 1441
f 805 544 4351

PASO ROBLES
102 South Vine Street, Ste. A
Paso Robles, CA 93446
p 805 237 3995
f 805 239 9332

SANTA MARIA
2222 South Broadway, Ste. A
Santa Maria, CA 93454
p 805 922 4010
f 805 922 4286

GLENNBURDETTE.COM

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Glenn Burdette Attest Corporation
San Luis Obispo, California

December 15, 2017



GLENN BURDETTE

CERTIFIED PUBLIC ACCOUNTANTS

SAN LUIS OBISPO
1150 Palm Street
San Luis Obispo, CA 93401
p 805 544 1441
f 805 544 4351

PASO ROBLES
102 South Vine Street, Ste. A
Paso Robles, CA 93446
p 805 237 3995
f 805 239 9332

SANTA MARIA
2222 South Broadway, Ste. A
Santa Maria, CA 93454
p 805 922 4010
f 805 922 4286

glennburdette.com